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# Women's Economic Transition to Retirement

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This paper contains updated demographic data for Northern Ireland and the UK, outlines related social and economic concerns, and provides a background to recent changes in the State Pension. It then examines how demographically-driven policy change, combined with differing lifetime incomes and employment patterns, make older women susceptible to short-term poverty risk, later life disadvantage, and over reliance on state support.

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## Key Points

- Across the world, fertility rates are dropping, whilst life expectancy is increasing. This is resulting in declining population growth and demographic ageing.
- Along with other wealthier nations, the UK as a whole, and Northern Ireland (NI) in particular, are at the forefront of demographic ageing.
- Since the early 1980s, life expectancy in NI has increased by nine years for men and seven years for women.
- The number of people in the 85+ age group in NI has risen by an average 1000 a year since mid-2005, and growth in the 65+ age group is projected to outstrip the 0-15 age group by 2028. This has led to concerns about pension sustainability, and pressure on taxpayers and public services.
- To date, policy has focused on improving pension sustainability and reducing pressure on the working population. Measures have included encouraging working into later life by removing the mandatory retirement age, introducing automatic work-place pension enrolment and increasing the State Pension Age.
- Women in NI make up two thirds of the 85+ age group and nearly three quarters of those over 90, with similar ratios in the rest of the UK. This places women at the forefront of demographic ageing, making them particularly vulnerable to the adverse impact of demographically driven policy change.
- Women face economic disadvantage throughout their lives, in comparison to men. They have, on average, poorer career progression, higher rates of casual, part-time, and low status work, and receive lower pay. This disadvantage is mainly caused by traditional family/care roles, exacerbated by poor availability of affordable childcare (especially in NI). All of this reduces women's ability to contribute to pension schemes and National Insurance payments.
- Because of this, men retiring in the UK in 2017 UK will be 45% better off than their female peers, and demographically driven policy change can leave women vulnerable to poverty and more reliant on state support.
- Women also make up the majority of those receiving late life care *and* the majority of those providing it. This makes them doubly vulnerable – both as those in receipt of low pay/no pay on the front line of late life care, *and* as the clientele of a social care system under increasing pressure.

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## 1. Introduction

Demographic ageing is a result of increased life expectancy, combined with decreases in birth rates. In wealthier nations, such as the UK and its constituent countries, demographic ageing is causing concern about increased pressure on state services and the working population. This concern is leading to demographically-driven policy change such as increases in the State Pension Age.

Women currently live longer than men, and have lower retirement incomes, caused by differing lifetime earnings and employment patterns. This makes them more reliant on adult social care and state financial support in later life. Accordingly, whilst demographic ageing and resultant policy change affects us all, it is particularly pertinent to women.

## 2. Demographic Change

Across the world, average total fertility rates<sup>1</sup> are dropping, whilst average life expectancy is increasing. This is resulting in declining population growth and demographic ageing.

On a global scale the number of people aged 60+ is growing faster than any other age group. According to the United Nations, older people will outnumber 0 – 9 year-olds by 2030 and 10 – 24 year-olds by 2050. By the middle of this century, one in five people on the planet will be aged 60+. Whilst developing countries are affected, the trend is most advanced in wealthier nations<sup>2</sup>.

### Northern Ireland

The estimated population of Northern Ireland (NI) was just over 1.862 million in mid-2016<sup>3</sup> and, similar to the rest of the UK, is ageing. For those born in 1980 – 82, life expectancy was 69.2 years for men and 75.5 for women. By 2013 – 15 it was 78.3 years for men and 82.3 for women<sup>4</sup>. While NI has the youngest population of all the UK countries, with a median age<sup>5</sup> of 38.3 years<sup>6</sup>, this is a rise of 8 years since mid-1986, indicating population ageing. It is also older than the Republic of Ireland, which has a median age of 37.4 years.

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<sup>1</sup> The average number of live births per woman.

<sup>2</sup> United Nations (2015) *World Population Ageing*. Available at:

[http://www.un.org/en/development/desa/population/publications/pdf/ageing/WPA2015\\_Report.pdf](http://www.un.org/en/development/desa/population/publications/pdf/ageing/WPA2015_Report.pdf)

<sup>3</sup> NISRA (2017) Statistical Bulletin: 2016 Mid-year Population Estimates for Northern Ireland. Available at:

<https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/MYE16-Bulletin.pdf>

<sup>4</sup> NISRA (2016) *National Life Tables Northern Ireland*. Available at:

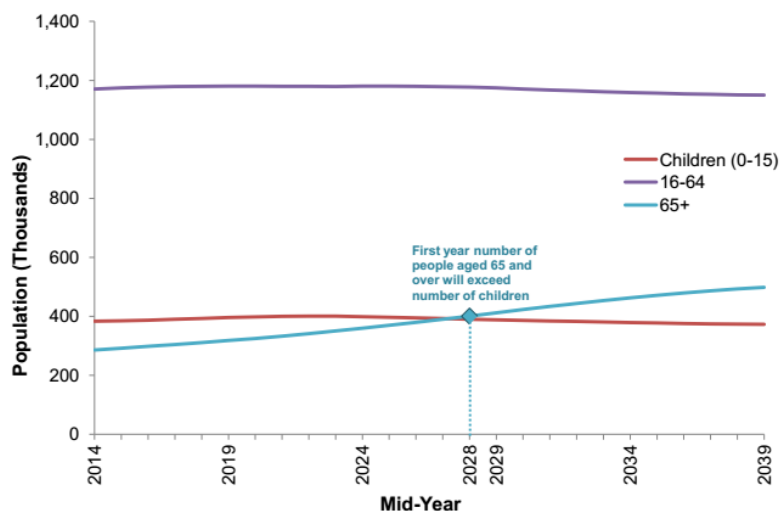
<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/datasets/nationallifetablesnorthernirelandreferencetables>

<sup>5</sup> The mid-point in a distribution, where half the population are aged above and half below.

<sup>6</sup> ONS Population Estimates for UK, England and Wales, Scotland and Northern Ireland: Mid-2016. MYE6.

The NI population is projected to top 2 million by 2039, and growth in the 65+ age-group will outstrip the 0 – 15 age-group by 2028 (Chart 1) <sup>7</sup>.

**Chart 1. Population change projections by age group: NI mid-2014 – mid-2039.**



Source: NISRA <sup>7</sup>.

Northern Ireland has a lower proportion of ‘older old’ (85+ years) in its’ population than any other UK country. However, over the decade to 2015 it had a significantly higher percentage growth in this age group than England, Scotland or Wales. The number of people in NI aged 85+ grew by an average of 1,000 per year from mid-2005 to mid-2016 (almost 6 times faster than the growth rate for under 85s)<sup>8</sup>. The population pyramid below (Fig 1) shows the age distribution of the NI population in 2016 compared with 2006. A significant bulge in the number of over 50s is evident.

Net Migration increased the UK population by an average of over 250,000 people a year between 2004 and 2015 <sup>9</sup>. Children of migrants make up over a quarter of live

<sup>7</sup> NISRA (2015) *2014-based Population Projections for Northern Ireland*. Available at:

<https://www.nisra.gov.uk/publications/2014-based-population-projections-northern-ireland>

<sup>8</sup> NISRA (2016) *Estimates of the population aged 85 and over, Northern Ireland, 2015 (and revised 2001-2014)*. Available at:

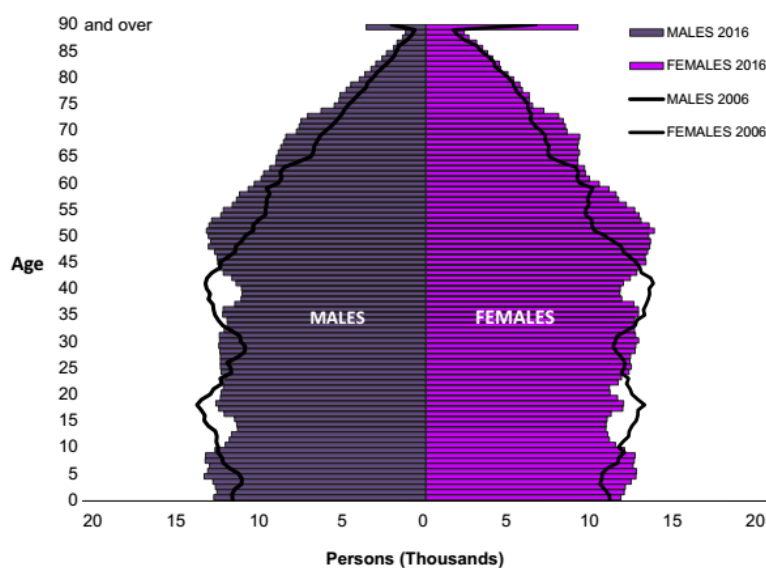
<https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/85AndOver-Bulletin.pdf>

<sup>9</sup> Office for National Statistics (ONS) (2017) *Overview of the UK population: March 2017*. Available at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewofheukpopulation/mar2017>

births in England and Wales<sup>10</sup>, 17% in Scotland<sup>11</sup> and over 10% in NI<sup>12</sup>, so natural growth would be considerably lower without migration. However, the role of migration in mitigating demographic ageing and the dependency ratio<sup>13</sup> should not be over-emphasised. Even assuming high net migration, long-term projections indicate a steady drop in the number of working-age people in relation to people of pension age. For example, Chart 2 shows that, under the high migration scenario, the old age dependency ratio would fall from 3.5 in 2019 to 2.8 in 2039. This means there are likely to be fewer persons of working age to support the growing elderly population.

**Fig 1: NI Population Pyramid 2006 and 2016**



Source: NISRA<sup>3</sup>.

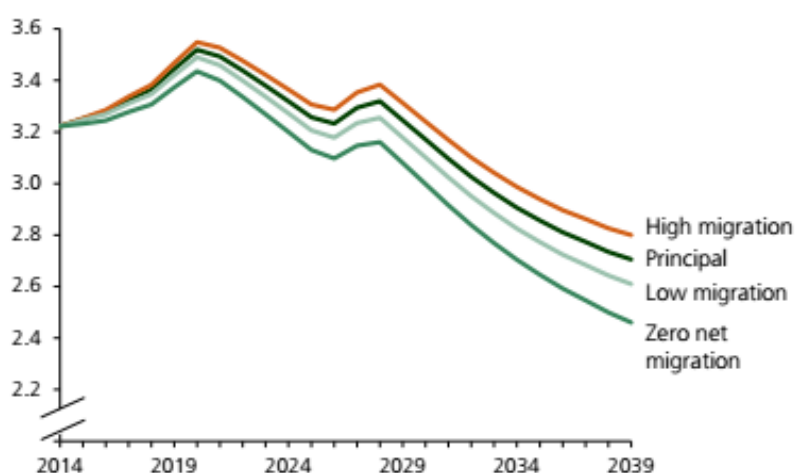
<sup>10</sup> ONS (2016) *Parents' country of birth, England and Wales: 2015*. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/bulletins/parentscountryofbirthenglandandwales/2015>

<sup>11</sup> National Records of Scotland (2016) *Table 3.13: Live births, by country of birth of mother, Scotland, 2006, 2011, 2014 to 2016*. Available at: <https://www.nrscotland.gov.uk/files/statistics/vital-events-ref-tables/16/3-birth/ve-ref-tabs-16-tab3.13.pdf>

<sup>12</sup> Russell, R. (2016) *International Migration in Northern Ireland: an Update*. Available at:

<http://www.niassembly.gov.uk/globalassets/documents/raise/publications/2016-2021/2016/general/3916.pdf>

<sup>13</sup> The old age **dependency ratio** is calculated as the number of people of working age divided by the number of people of state pension age.

**Chart 2. Projected old age dependency ratios: UK 2014 – 2039.**

Source: ONS, House of Commons Library, Briefing Paper no. 7659, 25 July 2016.

An ageing population has considerable implications for women and their transition to retirement. These implications will now be examined

### 3. Women's Economic Transition to Retirement

'While women are increasingly better educated than men, they earn less, feel less financially secure, provide the bulk of unpaid care, have smaller pensions, face greater hardship in later life and struggle to pay for their own old-age care'.

(The Chartered Insurance Institute, 2017, p.6) <sup>14</sup>.

#### Pensions: a Background to Change

The exceptionally large 'baby boomer' generations (those born between 1946 and 1965) and their children have boosted labour market participation over the last few decades, whilst dependency ratios have remained manageable due to falling fertility rates. But the baby boomers are beginning to reach retirement age in ever-greater numbers, indicated by the movement of the 'age bulges' up the Northern Ireland population pyramid (Fig 1).

Population ageing is exacerbating declines in the dependency ratio, with fewer working age persons per dependent. As a result, there are concerns about the sustainability of the State Pension in its current form. When it was introduced in 1909, the Old Age Pension was available to people aged 70+, with the minority who reached this age only

<sup>14</sup> The Chartered Insurance Institute (2017) *Risk, exposure and resilience to risk in Britain today CII research report Women's Risks in Life - an interim report*, p. 6. Available at: [http://www.cii.co.uk/media/7461333/risks\\_in\\_life\\_report.pdf](http://www.cii.co.uk/media/7461333/risks_in_life_report.pdf)



living around nine more years. Currently, people can expect to spend, on average, a third of their adult life in retirement <sup>15</sup>.

The State Pension operates on a pay-as-you-go system. Through taxes, today's workers fund today's pensions. This has raised fears that a decreasing number of workers will have to support an increasing number of pensioners – whose incomes are rising disproportionately to earnings. Between April 2010 and April 2016, the value of the State Pension increased by 22.2% compared with growth in earnings of 7.6%<sup>16</sup>, due to the Triple Lock<sup>17</sup>, introduced in 2010. This has led to suggestions of unsustainability and intergenerational unfairness.

Improved health and increasing longevity has compelled the Government to raise the state pension age (SPA) for women to 65 by 2018; and to 66 by 2020, and 67 by 2028 for both men and women. Following guidance from the *Cridland Review* <sup>18</sup>, it will rise again to 68 years between 2037 and 2039. Consideration is also being given to the long term viability of the Triple Lock <sup>19</sup>. Cridland believes a more flexible pension policy, allowing people to work as long as they choose, would better reflect changing demographics.

In addition to raising the SPA, a number of policies have been implemented, which the Government believes will enhance later life well-being and encourage fuller working lives. These include:

- Removal of the default retirement age, to prevent people being forced out of work (2011).
- Automatic workplace pension enrolment (for those aged 22 – 65 and earning over £10,000 a year), to ensure higher levels of retirement income (2012).
- Introduction of Universal Credit, to provide '... a better financial incentive to work, as well as better rewards for small amounts of work than Jobseeker's Allowance'<sup>20</sup> (2013 – to be implemented in Northern Ireland in September 2017).

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<sup>15</sup> Lewis, P. (2011) *History of State Pension Age*. Available at: [http://www.web40571.clarahost.co.uk/statepensionage/SPA\\_history.htm](http://www.web40571.clarahost.co.uk/statepensionage/SPA_history.htm)

<sup>16</sup> Institute for Fiscal Studies (2017) Would you rather? Further increases in the state pension age v abandoning the triple lock. Available at: <https://www.ifs.org.uk/publications/8942>

<sup>17</sup> The Triple Lock guarantees to increase the state pension each year by the highest of inflation, average earnings or a minimum of 2.5%.

<sup>18</sup> Cridland, J. (2017) *Independent Review of the State Pension Age: Smoothing the Transition*. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/611460/independent-review-of-the-state-pension-age-smoothing-the-transition.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/611460/independent-review-of-the-state-pension-age-smoothing-the-transition.pdf)

<sup>19</sup> See, Thurley, D. & Keen, R. (2017) *State Pension Triple Lock*. House of Commons Library Briefing Paper. Available at: <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7812>

<sup>20</sup> GOV.UK (2013) Universal Credit encourages people to look for jobs. Available at: <https://www.gov.uk/government/news/universal-credit-encourages-people-to-look-for-jobs>

- A single tier pension, to simplify the State Pension and provide ‘...a firm foundation for workplace saving’<sup>21</sup> (2016).

Balancing this, there has been concern at the hardship these changes might cause to those in poor health, who may be either unfit to continue working or may not live to retirement age<sup>22</sup>. The UK employment rate currently shrinks from 86% for those aged 50, to 65% aged 60, and 31% aged 65<sup>23</sup>. The *Cridland Review*<sup>18</sup>, the Resolution Foundation<sup>24</sup> and the Government Office for Science<sup>23</sup> all emphasise the need for further and innovative investment in health and social initiatives, to ensure the continued extension of healthy life expectancy, upon which extended working lives and quality of later life are based.

Positive ageing strategies such as *Fuller Working Lives*<sup>25</sup> and Northern Ireland’s *Active Ageing Strategy*<sup>26</sup>, blur the lines of old age, emphasise independence, and encourage working life extension. Whilst many view this as positive, criticism has been made that it might ‘remove the protective walls which have hitherto shielded older people and, in the process ...attack their welfare rights’ (p.2)<sup>27</sup>.

There are particular issues regarding women’s economic transition to retirement and these will now be outlined:

## The Retirement Income Gender Gap (RIGG)

The *Retirement Income Gender Gap* (RIGG) refers to the gap between men and women in retirement income. According to research by Prudential:

- UK men retiring in 2017 will be 45% better off than women.

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<sup>21</sup> GOV.UK (2013) *Single-Tier State Pension Fact sheet*. Available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/181237/single-tier-pension-fact-sheet.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181237/single-tier-pension-fact-sheet.pdf)

<sup>22</sup> For example, Pensions and Lifetime Savings Association (2016) *PLSA Response to State Pension Age Independent Review*.

Available at: <http://plsa.co.uk/portals/0/Documents/0609-State-Pension-Age-Review-PLSA-Response.pdf>

<sup>23</sup> Government Office for Science (2016) *Future of an Aging Population*. Available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/535187/gso-16-10-future-of-an-ageing-population.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535187/gso-16-10-future-of-an-ageing-population.pdf)

<sup>24</sup> Resolution Foundation (2017) *Live Long and Prosper?* Available at: <http://www.resolutionfoundation.org/publications/live-long-and-prosper-demographic-trends-and-their-implications-for-living-standards/>

<sup>25</sup> Department of Work and Pensions (2017) *Fuller Working Lives: A Partnership Approach*. Available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/587654/fuller-working-lives-a-partnership-approach.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/587654/fuller-working-lives-a-partnership-approach.pdf)

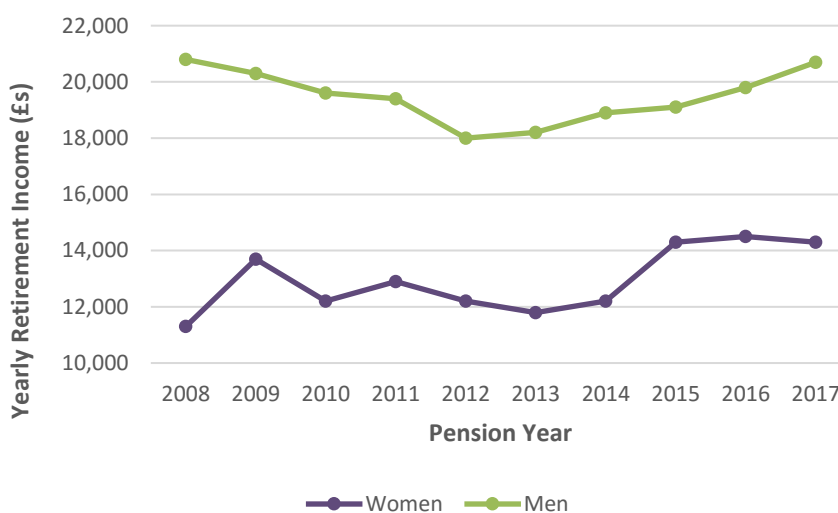
<sup>26</sup> Northern Ireland Executive (2016) *Active Ageing Strategy 2016-2021*. Available at: <https://www.communities-ni.gov.uk/sites/default/files/publications/ofmdfm/active-ageing-strategy.pdf>

<sup>27</sup> Macnicol, J. (2015) *Neoliberalising Old Age*. Cambridge: Cambridge University Press.

- Men will receive an average yearly retirement income of £20,700 – £900 a year more than those who retired in 2016.
- Women will receive an average yearly retirement income of £14,300 a year – £6,400 a year less than men, and £200 a year less than women who retired in 2016 <sup>28</sup>.

The gap has narrowed considerably since 2008, when men's retirement income was 84% higher than women's. However, men's income has had its fifth successive rise, whilst the income of women retirees is beginning to plateau (Chart 3). The reason for the continuing RIGG can be found in differences in men's and women's lifetime income levels and employment patterns.

**Chart 3: Average expected retirement incomes of new retirees UK 2008-2017 by gender.**



Source: Prudential<sup>28</sup>.

## The Gender Pay Gap <sup>29</sup>

Lower incomes reduce pension contribution levels and, as a result, women with lifetime work patterns comparable to men's receive lower retirement incomes <sup>30</sup>. In her first statement as Prime Minister, Teresa May, acknowledged that in the UK 'If you are

<sup>28</sup> Prudential (2017) *Class of 2017*. Available at: <https://www.pru.co.uk/pdf/press-centre/20170628-co2017-gender-gap.pdf>

<sup>29</sup> The **Gender Pay Gap** refers to the difference between women's and men's average (median) hourly earnings, expressed as a percentage of men's average hourly earnings.

<sup>30</sup> Pension Policy Institute (2016) *How do gender differences in lifecourses affect income in retirement?* Available at: <http://wherl.ac.uk/findings/ppi-briefing-note-92-how-do-gender-differences-in-lifecourses-affect-income-in-retirement/>

a woman you will earn less than a man<sup>31</sup>. The UK gender pay gap (GPG) for *full-time work* is currently 9.4%.

Northern Ireland bucks the national trend, with a *full-time* gender pay gap (GPG) that favours women (-3.2%, table below)<sup>32</sup>. However, this results from their over-representation in the public sector, where budget cuts are likely to have the greatest impact<sup>33</sup>. It also does not reflect their overall lower income, caused by higher part-time/casual employment levels and career breaks<sup>34</sup>.

**Table. Gender pay gap for median hourly earnings (excluding overtime) by UK country, April 2016.**

	UK	England	Wales	Scotland	N Ireland
Full-time	9.4%	10.2%	7.5%	6.2%	- 3.2%
Part-time	-6.0%	-5.7%	-9.0%	-9.6%	- 6.8%
All Employees	<b>18.1%</b>	18.9%	15.7%	15.6%	<b>9.1%</b>

Source: ONS<sup>32</sup> (Negative numbers indicate a GPG in favour of women).

## Differing Lifetime Employment Patterns

Recent media attention has focused on the narrowing full-time GPG for men and women in their 20's in the UK, as an indication of future income equality. However, this does not take into account the increased age at which UK women are having their first child.

Globally, women's lifetime employment patterns are closely connected to their family care roles, resulting in lower average levels of labour market participation, and higher levels of part-time and casual employment than men<sup>35</sup>.

<sup>31</sup> GOV.UK (2016) *Statement from the new Prime Minister Theresa May*. Available at:

<https://www.gov.uk/government/speeches/statement-from-the-new-prime-minister-theresa-may>.

<sup>32</sup> ONS (2016) *Gender pay gap for median hourly earnings (excluding overtime) by country, April 1997 to 2016*. Available at:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/adhocs/006269annualsurveyofhoursandearningsashegenderpaygapbycountryapril1997to2016>

<sup>33</sup> Equality Commission for Northern Ireland (2016) *Summary: Gender Equality Policy Priorities and Recommendations*.

Available at: <http://www.equalityni.org/ECNI/media/ECNI/Publications/Delivering%20Equality/GenderPolicyPriorities-Full.pdf>

<sup>34</sup> For a detailed breakdown of the NI GPG see Stennet, A. & Murphy E. (2017) *How big is the gender pay gap in NI's public and private sectors?* Available at: <http://www.assemblyresearchmatters.org/2017/03/08/how-big-is-the-gender-pay-gap-in-nis-public-and-private-sectors/>

<sup>35</sup> UN Women (2016) *The Gender Dimensions of Pension Systems: Policies and constraints for the protection of older women*. Available at: <http://www.unwomen.org/en/digital-library/publications/2015/7/dps-gender-dimension>

More UK women than men are employed on zero hours contracts, and nearly three times more women work part-time<sup>14</sup> (70% of part-time workers in NI are women<sup>36</sup>). This preponderance of part-time and insecure employment negatively affects women's lifetime income, which is evidenced by an increase in the GPG as women enter the child-rearing years. Casual and part-time employment provide less work, and hourly earnings that are significantly lower than full-time ones. If part and full-time work is combined, the GPG increases considerably – including for Northern Ireland (Table 3).

The GPG for *self-employed* women is even greater – on average, they earn just over half the gross income of men (£16,323 a year, compared to £30,870)<sup>37</sup>.

Those in casual or part-time employment, and the self-employed, are less likely to be able to contribute to private pension schemes. They may also fall below the threshold for the new automatic workplace pension enrolment scheme, and/or National Insurance contributions<sup>38</sup>. This could impact their entitlement to both the single tier pension and private/workplace pensions in later life.

## The 'Motherhood Penalty'

In the UK the economic inactivity<sup>39</sup> rate is 26.3% for women compared with 16.3% for men<sup>40</sup>. In Northern Ireland, it is 30.1% for women, with family/home being the main reason given by women for their inactivity (Chart 4)<sup>41</sup>.

In the UK, women who work full-time, but take a career break to raise their families, or move to flexible working arrangements, can suffer income and employment penalties for decades, caused by reduced training, development, and progression opportunities. The more children they have the bigger the penalty. Women on higher incomes are affected the most, as a higher proportion of their retirement income comes from private

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<sup>36</sup> Community Relations Council (2016) Northern Ireland Peace Monitoring Report Number Four. Available at: <https://www.community-relations.org.uk/sites/crc/files/media-files/NIPMR-Final-2016.pdf>

<sup>37</sup> Scottish Widows (2016) *Women and Retirement Report 2016: One Gender, Different Lives*. Available at: <http://www.scottishwidows.co.uk/Extranet/Literature/Doc/2016-women-retirement-report>

<sup>38</sup> Thurley, D., Keen, R. & McGuinness, F. (2015) *Women and Pensions*. House of Commons Library. Available at: <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7286>

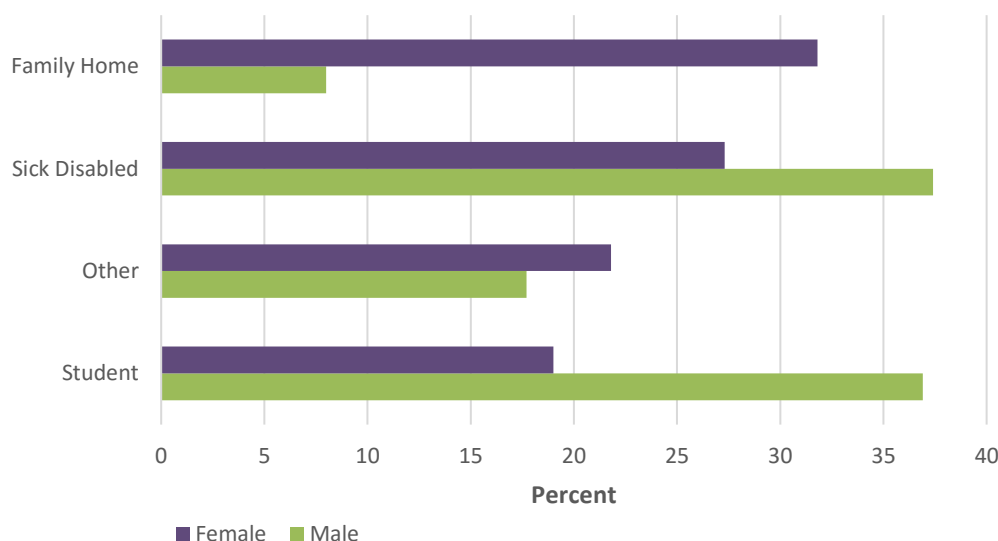
<sup>39</sup> The Economically inactive refers to those who are not employed but are not registered as unemployed.

<sup>40</sup> ONS (2017) UK labour market: August 2017. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/august2017>

<sup>41</sup> NISRA (2017) *Women in Northern Ireland 2016*. Available at: <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/Women-in-NI-2016.pdf>

pensions <sup>42</sup>. These patterns are also reflected in Northern Ireland <sup>34</sup>. This is commonly known as the ‘Motherhood Penalty’.

**Chart 4. Reasons for economic inactivity aged 16-64: NI 2016.**



Source: NISRA<sup>41</sup>.

By the time their first child is aged 20, women, on average, have been in paid work for four years less than men, and have spent nine years less in paid work of more than 20 hours per week <sup>43</sup>.

## Access to Affordable Childcare

In Northern Ireland

- Children are entitled to 12.5 hours per week free pre-school childcare, with no increase planned. It must be taken as 2.5 hours a day, term-time only, and is limited to nursery schools, nursery units in primary schools and approved providers (not childminders). According to Employers for Childcare, ‘The rigidity of this provision,

<sup>42</sup> Pension Policy Institute (2016) *How do female life courses affect income in retirement?* Available at: <http://www.pensionspolicyinstitute.org.uk/briefing-notes/briefing-note-84--how-do-female-lifecourses-affect-retirement>

<sup>43</sup> Institute for Fiscal Studies (2016) *The Gender Wage Gap: IFS Briefing Note BN186*. Available at: <https://www.ifs.org.uk/uploads/publications/bns/bn186.pdf>

and the limited hours provided, mean that it does not give the flexibility to parents that the system in England does' (p.2) <sup>44</sup>.

- The average cost of full-time formal childcare is £168 a week; the second largest monthly outgoing after rent/mortgage.
- Of 6,059 NI parents in a recent survey, 63% struggled at some point during the year to meet childcare costs. 44% of mothers reduced their working hours, took less demanding jobs for which they were overqualified, or gave up work completely – specifically because of childcare costs <sup>45</sup>.

A draft childcare strategy for NI, was presented for consultation in 2015, with a vision that '...by 2025 ...every child, parent and family will have access to affordable, integrated, quality childcare'<sup>46</sup> (p.11). It has yet to be implemented. Siobhan Fitzpatrick, Chief Executive of Early Years, has described Northern Ireland as '...11 years behind the rest of the UK and Ireland and 4 decades behind Europe in terms of developing a childcare strategy' (p.5)<sup>47</sup>.

While some mothers choose career breaks or part-time work, lack of access to good quality, affordable childcare is a factor which can significantly reduce their labour market participation, and pension provision, reducing income levels and increasing dependence on state support before and after retirement.

## Increased Longevity

Women in Northern Ireland make up two thirds of the 85+ age-group and nearly three quarters of those over 90 <sup>48</sup>, with similar ratios in the UK population as a whole <sup>49</sup>. By age 65 – 74, 62% of people living alone are women, rising to 71.8% by age 75+<sup>50</sup>. As

<sup>44</sup> Employers for Childcare (2017) *What is '30 hours free childcare' and will it be available in Northern Ireland?* Available at: <https://www.employersforchildcare.org/news-item/30-hours-free-childcare-will-available-northern-ireland/>

<sup>45</sup> Employers for Childcare (2016) *Northern Ireland Childcare Cost Survey 2016*. Available at: <https://www.employersforchildcare.org/report/northern-ireland-childcare-cost-survey-2016/>

<sup>46</sup> Northern Ireland Executive (2015) *Delivering Social Change Through Childcare: A Ten Year Strategy for Affordable and Integrated Childcare 2015-2025*. Available at: <https://www.executiveoffice-ni.gov.uk/sites/default/files/consultations/ofmdfm/draft-childcare-strategy.pdf>

<sup>47</sup> McNeilly, C. (2015) *Northern Ireland '40 years behind Europe in childcare strategy'*. Belfast Telegraph. Available at: <http://www.belfasttelegraph.co.uk/news/northern-ireland/northern-ireland-40-years-behind-europe-in-childcare-strategy-31224047.html>

<sup>48</sup> NISRA (2016) *Estimates of the population aged 85 and over, Northern Ireland, 2015 (and revised 2001-2014)*. Available at: <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/85AndOver-Bulletin.pdf>

<sup>49</sup> Age UK (2017) *Later life in the United Kingdom: August 2017*. Available at: [https://www.ageuk.org.uk/Documents/EN-GB/Factsheets/Later\\_Life\\_UK\\_factsheet.pdf?dtrk=true](https://www.ageuk.org.uk/Documents/EN-GB/Factsheets/Later_Life_UK_factsheet.pdf?dtrk=true)

<sup>50</sup> ONS (2016) *Families and households in the UK: 2016*. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2016>

a result, many of the diseases of older old age are predominantly diseases of women. They make up higher proportions of the care/nursing home population and require more non-domiciliary care. All of which places a higher burden on their lower retirement income. Sixty-five-year-old women will pay, on average, £70,000 on later life care, compared with £37,000 for a man. A woman entering residential care between the age of 65 to 74 is likely to stay for four years, at an average cost of £132,000<sup>14</sup>.

## Demographic Ageing, Low Pay and Social Care – a Perfect Storm

Demographic ageing, women's pay levels and employment patterns, and late life well-being, come together in the current social care crisis. Women dominate social care - 80% of all social care jobs are held by women, rising to 85-95% for direct care and support services<sup>51</sup>. This may be because it is considered to suit women, for whom it has been argued caring is assumed to be 'second nature'<sup>52</sup>. Or because their family/home commitments direct them towards the casual/part-time employment patterns that predominate in the industry<sup>33</sup>.

The low pay/low status given to social care mirrors wider income/employment patterns for women.

- Average pay for a full-time frontline social care worker is £7.69 an hour or £14,800 a year. (The median full-time UK salary last year was around £27,600).
- A quarter of social care workers are employed on zero-hours contracts<sup>53</sup>.
- Over a third are employed part-time.
- Despite being responsible for people with complex needs, 43% have no relevant qualifications<sup>54</sup>.
- Funding deficits mean care-providers will struggle to meet requirements to pay social care staff the living wage<sup>55</sup>.

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<sup>51</sup> The Kings Fund (2017) Overview of the health and social care workforce. Available at: <https://www.kingsfund.org.uk/projects/time-think-differently/trends-workforce-overview>

<sup>52</sup> Twigg, J. (2004) 'The body, gender, and age: Feminist insights into social gerontology', *Journal of Aging Studies*, vol. 18, pp. 59-73.

<sup>53</sup> Rhodes, D. (2017) Social care system 'beginning to collapse' as 900 carers quit every day. Available at: <http://www.bbc.co.uk/news/uk-england-39507859>

<sup>54</sup> Skills for Care (2015) *The state of the adult social care sector and workforce in England*. Available at: <http://www.skillsforcare.org.uk/Document-library/NMDS-SC,-workforce-intelligence-and-innovation/NMDS-SC/State-of-2014-ENGLAND-WEB-FINAL.pdf>

<sup>55</sup> Age UK (2017) Briefing: Health and Care of Older People in England 2017. Available at: [http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/The\\_Health\\_and\\_Care\\_of\\_Older\\_People\\_in\\_England\\_2016.pdf?dtrk=true](http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/The_Health_and_Care_of_Older_People_in_England_2016.pdf?dtrk=true)



As a result, 900 care workers are leaving the industry a week in England<sup>52</sup> alone, and in NI the Commissioner for Older People has highlighted that low pay, combined with the emotionally and physically demanding nature of social care work, is leading to high staff turnover<sup>56</sup>. Further, 2,500 beds a day are taken up by people who are medically fit, but cannot leave hospital due to social care failures<sup>57</sup>, whilst others (many of them women) are failing to have needs met by non-domiciliary care packages.

According to a recent report from the King's Fund and the Nuffield Trust the 'possibility of large-scale provider failures is no longer of question of 'if' but 'when'' (p.3)<sup>58</sup>. The situation is similar in Northern Ireland, where the Five Nations Care Forum has warned that '...nursing home and community care provision in Northern Ireland is stretched to breaking point - and a crisis is imminent' (p.1)<sup>59</sup>.

### Accelerated Changes in Women's State Pension Age (SPA)

Under the Pensions Act 1995, the State Pension Age (SPA) for women was scheduled to rise from 60 to 65 between April 2010 and 2020. The Pensions Act 2011 accelerated this, so that women's SPA will reach 65 in November 2018. It will then increase in line with men's SPA under the Pensions Act 2014 to 66 by 2020<sup>60</sup>.

Approximately 2.3 million women in the UK are affected by these changes<sup>60</sup>, (68,000 in NI<sup>61</sup>). Whilst the fairness of equalizing the male and female SPA is hard to dispute, there has been controversy over its implementation. Particular concern has been expressed over women born in the 1950s, whose SPA is increasing by between one year and 18 months at comparatively short notice. While the recommended notice of SPA change is 10 years, official notice for these women was only 5 years<sup>60</sup>, and claims have been made that many received two years notice or less<sup>61</sup>. Many who were aware of the changes, were unsure about how it affected them personally, or were confused by the phasing-in period<sup>60</sup>. The pressure group, Women Against State

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<sup>56</sup> Commissioner for Older People for Northern Ireland (2014) Changing the culture of care provision in Northern Ireland.

Available at: [https://www.copni.org/media/1122/changing\\_the\\_culture\\_of\\_care\\_provision\\_in\\_northern\\_ireland\\_pdf.pdf](https://www.copni.org/media/1122/changing_the_culture_of_care_provision_in_northern_ireland_pdf.pdf)

<sup>57</sup> Wainwright, D. (2017) *Bed delay transfer figures reveal areas worst affected*. Available at: <http://www.bbc.co.uk/news/uk-england-39258606>

<sup>58</sup> Humphries R, Holder H, Thorley R, Hall P, Charles A. (2016) *Social Care for Older People: Home Truths*. Kings Fund/Nuffield Trust. Available at:

[https://www.kingsfund.org.uk/sites/files/kf/field/publication\\_file/Social\\_care\\_older\\_people\\_Kings\\_Fund\\_Sep\\_2016.pdf](https://www.kingsfund.org.uk/sites/files/kf/field/publication_file/Social_care_older_people_Kings_Fund_Sep_2016.pdf)

<sup>59</sup> Belfast Telegraph Digital (2017) Social care professionals warn sector on edge of collapse in Northern Ireland. Available at: <http://www.belfasttelegraph.co.uk/news/northern-ireland/social-care-professionals-warn-sector-on-edge-of-collapse-in-northern-ireland-35642551.html>

<sup>60</sup> Thurley, D. & Keen, R. (2017) *State Pension age increases for women born in the 1950s*. House of Commons Library Available at: <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7405>

<sup>61</sup> Northern Ireland Assembly (2016) *State Pension: Impact of Changes on Women*. Available at: <https://www.theyworkforyou.com/ni/?id=2016-09-26.5.32>

Pension Inequality (WASPI) claim this has given women little time to make the lifestyle/employment adjustments necessary to compensate for lost pension payments, leaving many reliant on low paid/casual work or lower level, conditional benefits<sup>62</sup>.

There was cross-party support in the Northern Ireland Assembly<sup>61</sup> for WASPI's campaign, and a motion calling for the UK Government to re-examine their position and implement fair transitional arrangements for the affected women. However, the Government felt that any changes to policy would be impractical.

According to the Institute for Fiscal Studies (IFS)<sup>63</sup>, for women affected by raising the SPA:

- The drop in income is £50 a week for single women, and £34 a week for women in households.
- Average after-housing-costs (AHC) income poverty rates increase by 6.4 percentage points, with single women, women in rented accommodation, and those with lower education levels disadvantaged most.
- The effect is regressive. Losses represent a far higher proportion of household income for lower income groups.
- Increased poverty levels are not currently mitigated by employment, which is particularly hard for this age group to find.

However, the IFS also points out that:

- Women appear to have adapted their spending to ensure they are not deprived of important material items, despite the significant income reduction.
- Although increasing the SPA increases poverty rates between age 60 and the new SPA, it '...has no impact on income poverty once the women have reached the higher state pension age' (p.19)..
- The proportion of affected women in paid work has risen by 9.8 percentage points.
- The Government is saving £5.1 billion a year – £4.2 billion of which is directly from reduced benefit payments.

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<sup>62</sup> WASPI (2017) *1950s Women Unfairly Prejudiced by State Pension Age Changes*. Available at: <file:///C:/Users/user/Downloads/background%20details.pdf>

<sup>63</sup> Institute for Fiscal Studies (2017) *Can't wait to get my pension: the effect of raising the female state pension age on income, poverty and deprivation: IFS Working Paper (W17/10)*. Available at: <https://www.ifs.org.uk/publications/9565>

## The Single Tier Pension (STP)

The previous State Pension consisted of two parts – the Basic State Pension, and an earnings-related Additional State Pension. As a result, higher earners received higher State Pension payments.

The Single Tier Pension (STP), introduced in 2016, will (eventually) provide the same income, regardless of earnings, to all who qualify, advantaging women, lower paid workers, and the self-employed. However, there is a transitional period of ‘protected payments’ under which higher earners (predominantly men), who would have received more under the earnings related system, will receive additional payments. Also, those who contracted out of full National Insurance payments will receive a lower pension. It will take until 2040 before the State Pension income disparity disappears<sup>64</sup>.

According to the IFS, the STP is likely to be less generous in the long term<sup>64</sup>, increasing reliance on private/workplace pensions. However, most retirement packages are based on a male-modelled 40-year career and do not reflect women’s divergent needs<sup>65</sup>. As a result, the current retirement income gender gap (RIGG) is disproportionately large – nearly 27% higher than the GPG. If this does not change, heavier reliance on private/workplace pensions will be to women’s disadvantage, making them more reliant on state welfare in later life.

## The ‘Sandwich Generation’ and Later Caring Roles<sup>66</sup>

Family care extends beyond the child-rearing years. After raising their own children through their 20s, 30s, or 40s, women may find themselves acting as unpaid carers for grandchildren, and other family members, into their 50s, 60s and 70s. This leaves little opportunity to save for retirement.

- Many parents juggle a mixture of formal, informal/family care to help make childcare affordable. 81% of informal childcare is provided by grandparents<sup>67</sup>.
- This impacts the incomes of those providing (grand) childcare in later life - 66% of working grandmothers who provide between 10–19 hours of childcare a week earn

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<sup>64</sup> Institute for Fiscal Studies (2016) *The new (not yet flat rate) state pension*. Available at: <https://www.ifs.org.uk/publications/8224>

<sup>65</sup> Mercer (2017) *The Gender Pension Gap From Awareness to Action: A Call to Action for Employers*. Available at: <https://www.uk.mercer.com/our-thinking/career/gender-pension-gap.html>.

<sup>66</sup> For more details on caring in NI see Thompson, J. ((2017) *Carers in Northern Ireland: Where are we with legislation and policy to support them?* Available at: <http://www.assemblyresearchmatters.org/2017/06/07/supporting-carers-in-northern-ireland/>

<sup>67</sup> Employers for Childcare ((2016) *Northern Ireland Childcare Cost Survey*. Available at: <https://www.employersforchildcare.org/report/northern-ireland-childcare-cost-survey-2016/>

less than £25,999, and those who leave work in later life to look after grandchildren often have difficulties returning to work <sup>14</sup>.

- One fifth of women are providing unpaid care for elderly, sick or disabled relatives. This rises to one third for women in their 50s.
- 1 in 7 women in their early 40s are caring for children *and* elderly relatives<sup>14</sup>.
- Women aged 45-54 are more than twice as likely as other carers to have reduced working hours as a result of their caring responsibilities.
- Women are four times more likely than men to give up work because of multiple caring responsibilities <sup>68</sup>.

## Divorce

Divorce/separation is financially disadvantageous for both men and women, but especially for women <sup>14</sup>.

- Peak divorce rates for women are from 30 years old through to 54 <sup>69</sup> (chart 6), coinciding with when most families have dependent children and the Gender Pay Gap is widening.
- Children mainly stay with mothers after divorce (of the 2.9 million lone parent households in the UK, 86% were headed by women) <sup>50</sup>. This multiply disadvantages women who are at their lowest income and saving levels, and bear many of the burdens associated with child rearing.
- Significant number of divorces in the 50s and 60s (chart 6), leave little time for women, who were relying on household retirement income, to build pension wealth.
- Many women are either unaware that they may be entitled to a proportion of their husband's pension as part of a divorce settlement, or do not wish to engage in a legal battle because of cost<sup>69</sup>
- Misconceptions regarding 'common-law marriage' mean that women may be unaware that co-habiting does not have the same legal and financial security as marriage.

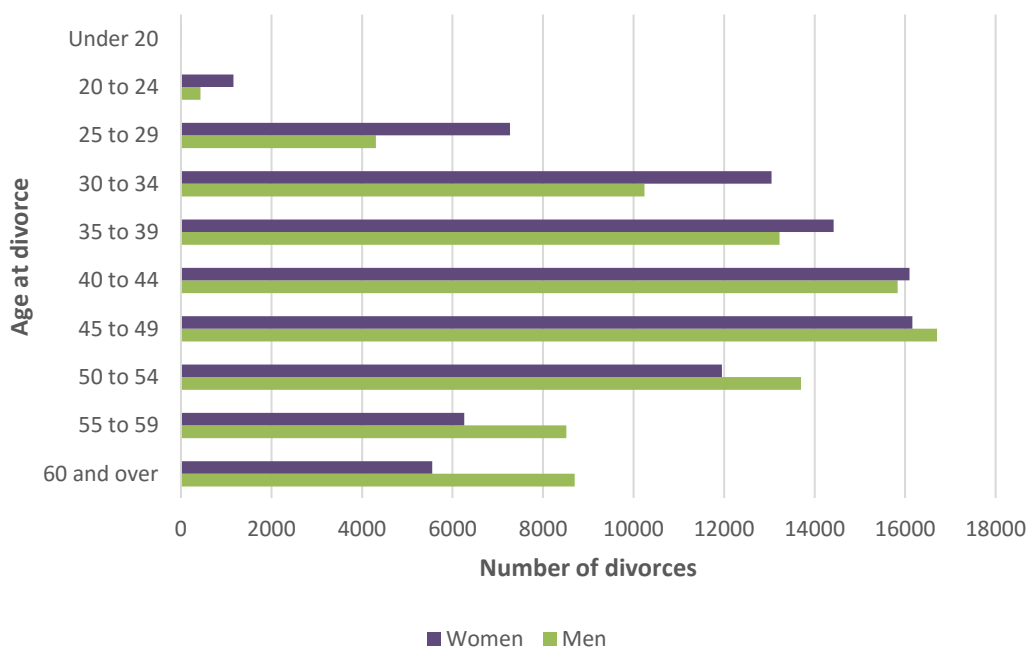
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<sup>68</sup> Carers UK (2016) *10 facts about women and caring on International Women's Day - based on analysis from Valuing Carers 2015*. Available at: <https://www.carersuk.org/news-and-campaigns/features/10-facts-about-women-and-caring-in-the-uk-on-international-women-s-day>

<sup>69</sup> ONS (2017) *Divorces in England and Wales: 2015*. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/divorce/bulletins/divorcesinenglandandwales/2015>

As a result, divorced/separated women are less able to save than their male equivalents and, have, on average, less than a third of the accumulated pension wealth<sup>14</sup>.

**Chart 6. Number of opposite sex divorces, by age-group and gender: England and Wales, 2015.**



Source: ONS <sup>70</sup>.

## Summary

- Life expectancy in the UK as a whole, and in Northern Ireland in particular, is increasing. Fertility rates are declining and, as a result, the population is ageing at a rate that migration cannot mitigate.
- Women are at the forefront of demographic ageing as they live longer than men. This makes them particularly vulnerable to the adverse effects of demographically driven policy change.
- Women face economic disadvantages in later life compared to men, predominantly caused by the effect of their family/care roles on their lifetime incomes and employment patterns.
- Women make up a larger proportion of those in receipt of late life care – much of which is financed by their already lower retirement income.

- They are also the majority of those providing late life care. Low pay/no pay in late life care has implications for both the availability of social care, women's retirement income, and the later life wellbeing of all.