now:pensions

Champions of change

The *Underpensioned* Report 2025

How can we close the pension savings gap for the most financially-vulnerable groups in our society?

Contents

Foreward

For far too many in our society, a comfortable retirement remains out of reach, usually through no fault of their own. These groups are often locked out of the auto-enrolment system, unable to earn enough to put money aside for later and as a result, find themselves on the wrong side of a growing pension savings gap.

The fact that so many of the problems these groups face today are the same as they faced when we published our first report in 2020 tells us how much work we in the pensions industry still have to do.

Samantha Gould

Report Author,
Head of PR and Campaigns
at **now:pensions**

At **now:pensions**, we're working to highlight pension inequality and campaign for change as part of our mission to help everyone save for a more financially secure future. This is our third report on the underpensioned challenge in partnership with the Pensions Policy Institute (PPI). We examine the latest data, take a deep dive into the key drivers of pension inequality in the current landscape, and put forward our five policy proposals to create a fairer pensions system in the UK.

We need to ensure that everyone has the same opportunity to save for later life as everyone deserves the opportunity to build a secure future. Together, we can drive the changes needed to close the pension savings gap.

"The findings released in our report come at an important time. They are a stark reminder that a wide cross-section of society is still being left behind. Alarmingly so many different groups of people are still facing significant barriers to building sufficient pension savings and are being denied the choice to provide for their futures."

"As Trustees, we believe that everyone deserves a fair chance at financial security in later life. We are committed to pushing for changes that aim to make the pensions system more inclusive and equitable for all. This is why, as one of the UK's leading pensions master trusts, we're proud to publish this report and to continue raising awareness of one of the major long-term issues our society faces."

Joanne Segars

Chair of the Trustee Board at **now:pensions**

"The Pensions Policy Institute is grateful to now:pensions for their continued support of the Underpensioned project, particularly their dedication to highlighting the challenges faced by those who do not have adequate access to pension provisions. Their commitment to raising awareness of pension inequalities, especially among women, carers, and people with disabilities, and the self-employed has been invaluable in bringing these issues to the forefront of public discussion. The findings from the various reports in the Underpensioned project are used by many in the pensions industry."

"I was able to draw on the research myself when I appeared as a witness at the Work and Pensions Select Committee on Pensioner Poverty, with a focus on women, earlier this year. It is important not to overlook those who lack access to sufficient pension saving opportunities. This year's Underpensioned report shows the continued commitment of the PPI to supporting better policies for these groups of people. I'm sure you will enjoy reading this interesting and important piece of research."

Dr Suzy Morrissey FCA

Deputy Director PPI

Introduction

We've made a lot of progress since the introduction of auto enrolment in 2012, which has brought more than 11 million additional people in the UK into a workplace pension scheme. Yet some of the most financially-at-risk groups in our society continue to find themselves on the wrong side of a significant pension savings gap.

These underpensioned groups earn less and face hurdles in saving adequately for their pensions during their working lives. They're often not eligible for auto enrolment so they go on to experience lower standards of living in retirement compared to the rest of the population.

We believe everyone has a role to play in ensuring that the most financially vulnerable people in our society can have the same opportunities for pension saving as the wider population and are not left facing pension poverty in later life.

29m
Working individuals in the UK

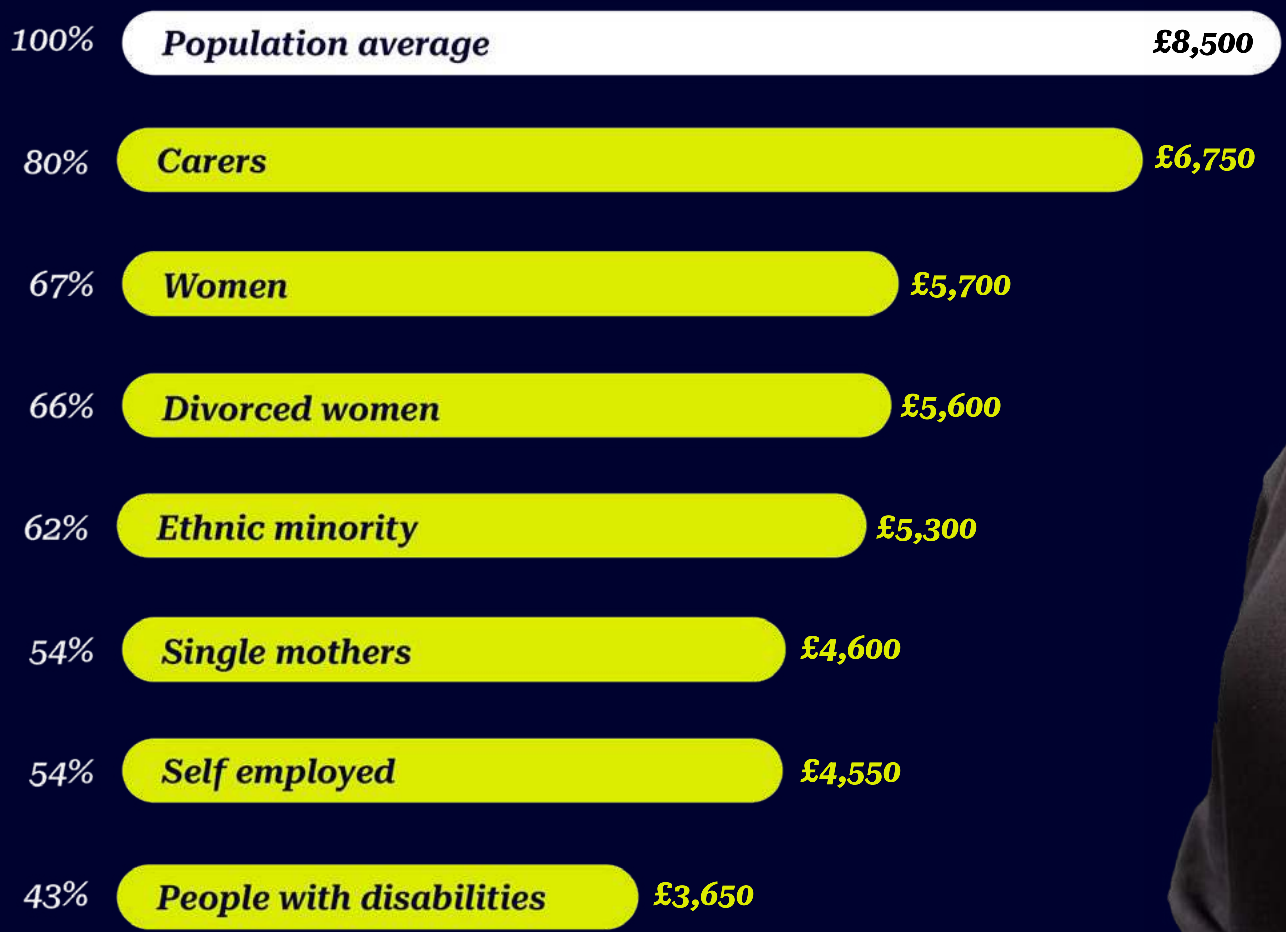
11m
Underpensioned individuals (37.93%)

The Underpensioned index 2025

In this report, when we refer to the underpensioned, we're talking about these groups who are most at-risk from pensioner poverty:

- Women
- Carers
- Single mothers
- Ethnic minority groups
- People with disabilities
- Divorced women
- Self employed
- Multiple jobholders

The underpensioned groups who are most at-risk from retirement poverty include:



Our 2025 findings

Addressing the factors and inequalities that contribute to lower pension incomes and poorer outcomes in later life is complex and long term.

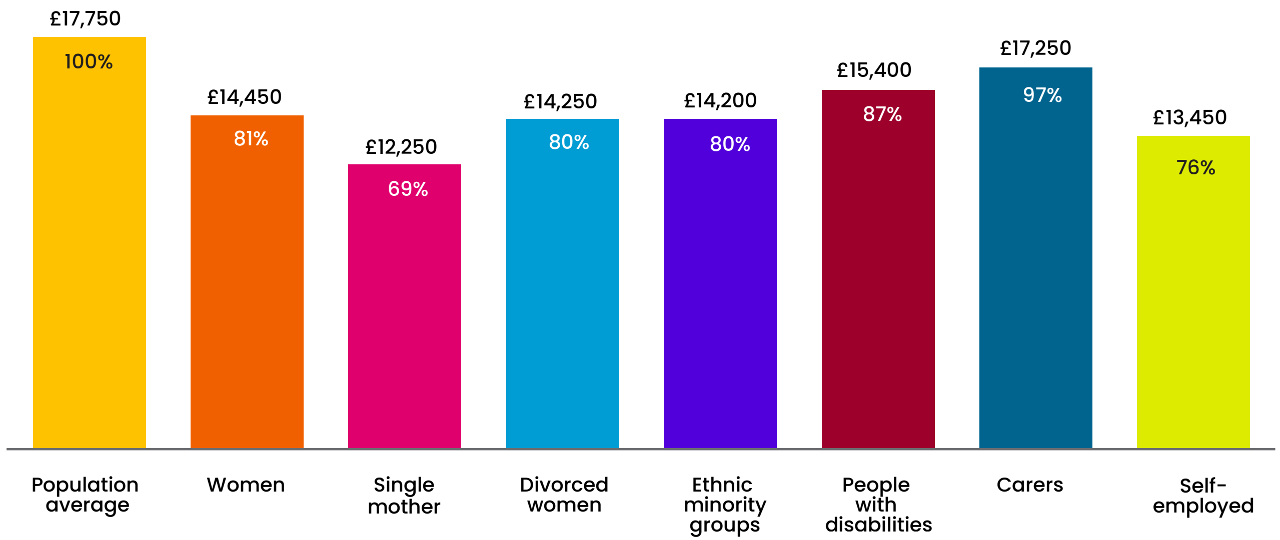
We know there is no simple way to fix these issues. But by raising awareness of the current pension savings gaps, and putting forward workable solutions, we're taking action to tackle some of the deep-rooted issues in our system.

While the pension incomes of some underpensioned groups have increased since our previous report in 2022, serious inequalities remain. These often lead to lower standards of living in retirement for underpensioned people.

Even when we take income from the State Pension and benefits into account, the underpensioned gap is still significant. It ranges from 69% to 97% of the population average.

These inequalities mean many people in underpensioned groups go on to experience poorer outcomes later in life.

Annual pension incomes in 2024, including State Pension and benefits



Chapter
01

The underpensioned challenge

Imagine a future where childcare costs don't change your plans.

Severe pension income disparity leaves underpensioned groups in the UK financially vulnerable.

The most financially-at-risk groups in the UK remain significantly underpensioned compared to the wider population, with the gap reaching **55%** at its peak.

Based on the latest data compiled by the PPI, we found that private pension incomes of underpensioned groups range from **45% to 67%** of the population average, with disabled people achieving the lowest amount of pension income.

Our research finds most underpensioned groups have a private pension income that is less than two-thirds of the population average.

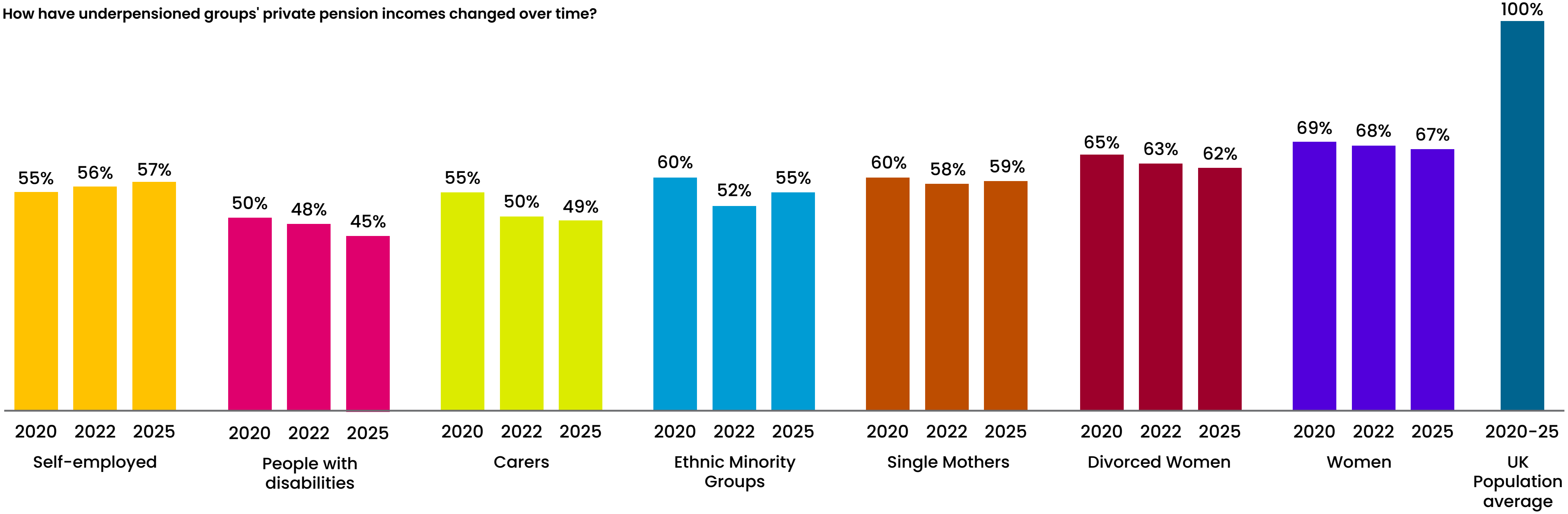
Since our 2022 Underpensioned report, the average private pension incomes of all of our groups has increased, yet it is still significantly lower than the average population.

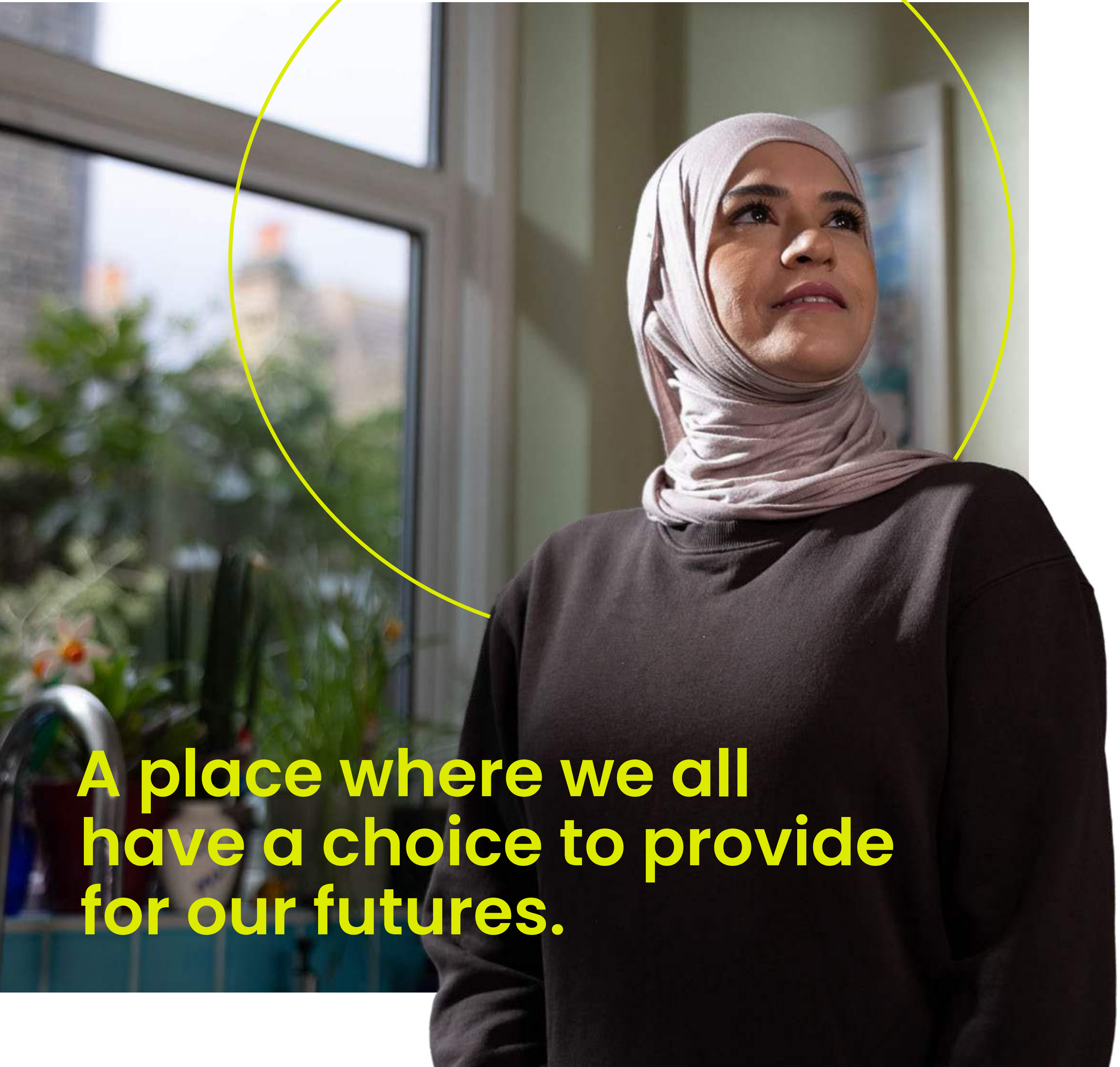
Meanwhile, the income of people from ethnic minority backgrounds has remained at the same level, though this group had experienced a 10% decline in 2022 compared to our first Underpensioned report in 2020.

The private pension income of people with a disability, which had declined by 8% in the 2022 report compared to 2020, has since recovered and made up most of that loss.

But even with this increase, people with a disability remain the group with the lowest income from private pensions compared to the broader population. They face a gap of 55%.

How have underpensioned groups' private pension incomes changed over time?





Progress amid challenges

Since we published our first Underpensioned report in 2020, there's been no shortage of challenges — including a global pandemic and economic downturns — but there has been progress too. The latest data shows that since our 2022 Underpensioned report, most underpensioned groups have experienced pension savings increases relative to the general population. Despite this, it's clear our underpensioned groups remain financially vulnerable — underlining our belief that the underpensioned challenge is best approached with a long-term perspective.

Automatic enrolment (AE)

Automatic enrolment has brought many more in underpensioned groups into pension saving, with eligibility growing since 2018, but they remain disproportionately ineligible.

While underpensioned groups remain less likely to meet automatic enrolment qualifying criteria compared to the population average, the gap has narrowed as most groups' eligibility has increased, some substantially, since the Underpensioned report in 2020. Changes to automatic enrolment eligibility criteria could bring a greater number of people from underpensioned groups into saving. However, it is important that such changes are considered holistically, especially in the midst of the current cost of living crisis.

Women's eligibility for automatic enrolment has increased by 6%, narrowing the gap between women and men's eligibility.

Of the 13 million women employees in the UK, around 2 million (15%) do not meet the qualifying criteria for automatic enrolment, compared to 9% of male employees.

There are 1.2 million women who earn below the earnings threshold of £10,000, making up 58% of the workers who do not meet this qualifying criterion. However, women's eligibility for automatic enrolment has increased substantially since the first Underpensioned report in 2020, when 23% of employed women were ineligible and has improved slightly since the 2022 Underpensioned report when 17% of women employees were ineligible.

Chapter
02

What's driving pension inequality?

Pension saving is a long-term process that takes place over people's working lives. For many people in underpensioned groups, earning and saving enough money for a comfortable retirement can be challenging, if not impossible.

We've been working with the PPI to understand and highlight the causes of pension inequality. We want to find workable solutions to help close these savings gaps and create a fairer UK pensions system.

Our underpensioned groups have the following attributes in common:

1

Lower employment rates

Employment and labour market inequalities play a key role in the underpensioned challenge.

Underpensioned groups typically have lower rates of employment and are more likely to work part-time, compared to the population average.

Our latest data shows that employment rates have decreased across the entire population, from 77% to 76%, since our 2022 report.

But many underpensioned groups have had larger decreases compared to the average. Even where underpensioned groups have had an improvement in employment, the rates at which they are employed are still significantly lower compared to the wider population.

2

Less in earnings and income

Gaps in employment history lead to gaps in income and the ability to save into a workplace pension.

What's more, underpensioned groups have lower-than-average incomes from employment, as well as being less likely to work full time.

Our latest data shows that the gap between average underpensioned incomes from employment and the population average has grown since our 2022 report — a trend which has remained consistent since 2018.

The higher prevalence of part-time work among underpensioned groups means lower hourly rates of pay and lower numbers of hours worked – leading to lower-than-average incomes.

Specific characteristics affect each group individually, which we'll cover now.

Women, single mothers and divorced women

We've been highlighting the gender pensions gap since our first report in 2019.

Our latest research from 2024 shows that women retire on average with pension savings of £69,000, compared to £205,000 for men. This is around a third, just 33%, compared to the average man's pension. We call this the gender pensions gap.

The biggest cause of the gender pensions gap is the amount of time that women spend away from the workforce in order to look after and care for children and dependents. On average, women spend 10 years away from the workforce for caring responsibilities and because of this 10-year career gap there is a £39,000 savings gap in a workplace pension.

Career breaks and caring responsibilities

Women, especially single mothers, are still more likely to have childcare or caring responsibilities than men. Career breaks for having children and taking on caring responsibilities are among the biggest causes of the gender pension gap.

Our research has shown that in order to close the gender pensions gap, a girl would need to start pension saving at just three years old, to retire with the same amount of money as working men. Or, to put this another way, a woman would need to work for an additional 19 years to age 86 instead of retiring at age 67. For single mums this would go up to age 98, an additional 33 years in employment.

No-fault divorces

New divorce laws came into force on 6th April 2022 in England and Wales. These laws saw the recognition of so called "no-fault" divorces, in what is hoped to be the biggest shake-up of divorce laws in over 50 years.

Pension pots are typically the second largest asset, after property, in marriage but women are often walking away from divorces with poorer outcomes later in life because they will frequently prioritise the immediate housing needs for them and their children.

Our research shows that only two in ten divorces have a pension sharing order, which means that divorced women are reaching retirement age with just 12% of the pension wealth of men, compared to 38% of national average for women.

The gender pension gap is causing divorced women to reach retirement age with an average pension pot of just £26,100 (where as the national average for women is £69,000) compared to a man's pension wealth of £205,800. That is a difference of £179,700.

When dividing finances, it's important to fully consider the impacts of not having sufficient income later in life, and consider taking financial advice. This is crucial for women who due to career breaks or part-time working means they have smaller pension savings of their own, and in particular, divorced women who can no longer rely on the pension savings of their spouse. The introduction of "no-fault" divorce may further exacerbate this issue in years to come.

Number of years saving to match men's 40 year pot.

Groups	*Will need to work until*
Women	+12 years to age 77
Single mothers	+33 years to age 98

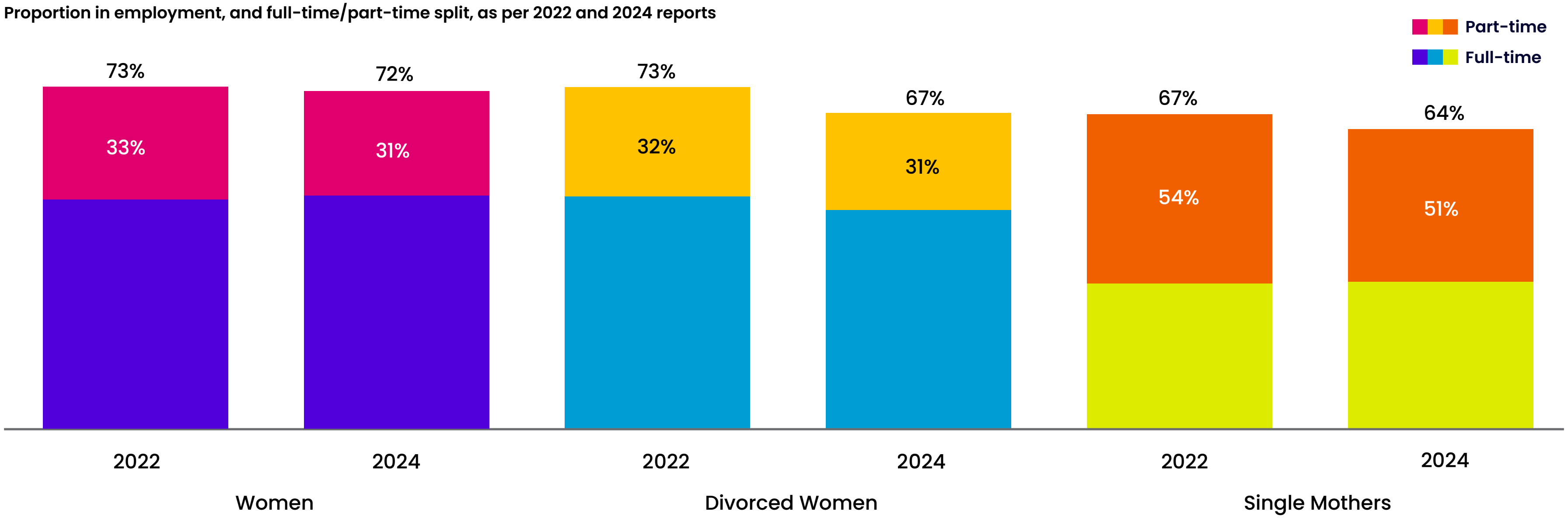
Working part time

The lifetime earning abilities of single mothers and those who are divorced can be significantly reduced because of interruptions to their working lives. Not only are women typically paid less - they're more likely to work part time. In fact, three-quarters (75%) of part-time workers are women.

There are almost six million women working part time in the UK. Reduced working hours means lower pay, with less available to save into a pension and a lower likelihood of earning enough to be auto enrolled.

Women make up 79% of workers who earn less than the automatic enrolment earnings threshold – this means that 2 million women in employment are not automatically enrolled into a workplace pension.

Proportion in employment, and full-time/part-time split, as per 2022 and 2024 reports



The juggle struggle

While every family is different, we continue to see women disproportionately bearing the responsibility for childcare and other caring responsibilities.

Our 2024 gender pensions gap report found women are 60% more likely to do unpaid work and take on primary carer roles than men. This takes up 26 hours a week on average, compared to 16 hours for men.

Our latest underpensioned data finds that women's employment rates have decreased overall from 73% to 72% since our 2022 report. Single mothers' employment rates have declined from 67% in our previous report to 64%, while the rates for divorced women have declined from 73% to 67%.

Across the population, employment rates have decreased slightly, but many underpensioned groups' employment rates have decreased by a larger amount. The decrease has particularly affected part-time workers, suggesting that those underpensioned groups where part-time work is particularly prevalent, such as single mothers or divorced women, are particularly affected.

Added to this is the fact that on average, women live around seven years longer than men, meaning women's pension wealth needs to go further. A lifetime of earnings and other inequalities results in two thirds of pensioners currently in poverty being women, with single women making up half of this number.

If both age and earning thresholds were removed, an additional 850,000 young women in employment would be automatically enrolled into a workplace pension.

Carers

Since our first report in 2020, carers' pension incomes have increased to 80% of the UK population average.

The most recent Census in 2021 found that there are 5.8 million unpaid carers in the UK and 1.7 million people in the UK are providing 50 or more hours of care per week.

Carers' employment rates have decreased by around 6% since the 2022 report, to 61%. Carers are more likely to work in low-paying or part-time roles to accommodate their caring responsibilities which will impact on both their earning and saving capability.

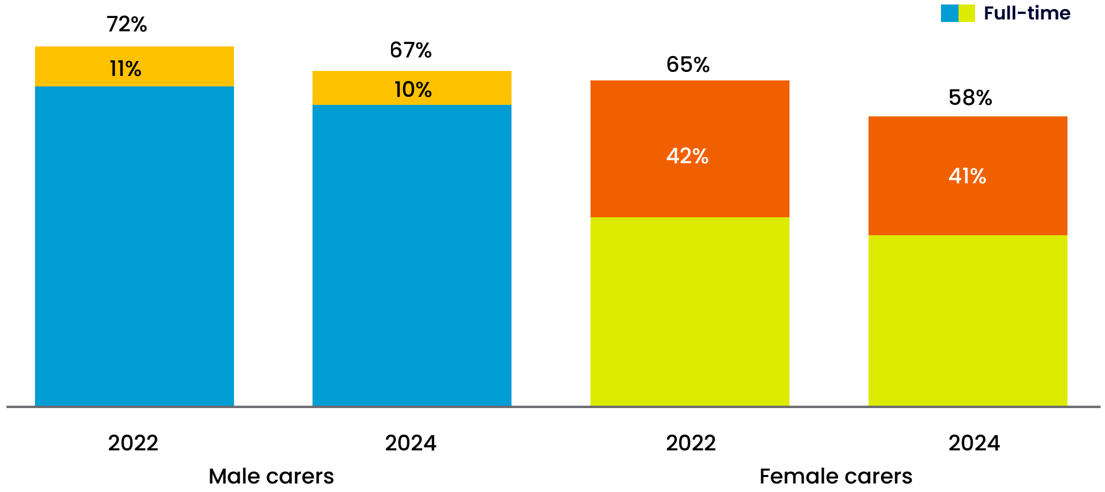
Around one half are in work compared to the population average of three quarters. Among female carers this falls to only two in five (42%).

However, when income from the State Pension and other benefits is combined with private pension income, the pension gap is significantly reduced and carers are the one group whose income is 97% of the population average.

A new right to paid carer's leave

The Carer's Leave Act 2023 has introduced new laws entitling unpaid carers to one week of unpaid leave a year. Eligible employees can take carer's leave regardless of how long they have worked for their employer. This gives rights to at least 2.3 million employees in the UK who are carers. It could encourage some employers to go even further than the legislation requires and introduce paid carer's leave.

Proportion in employment, and part-time split, as per 2022 and 2024 reports



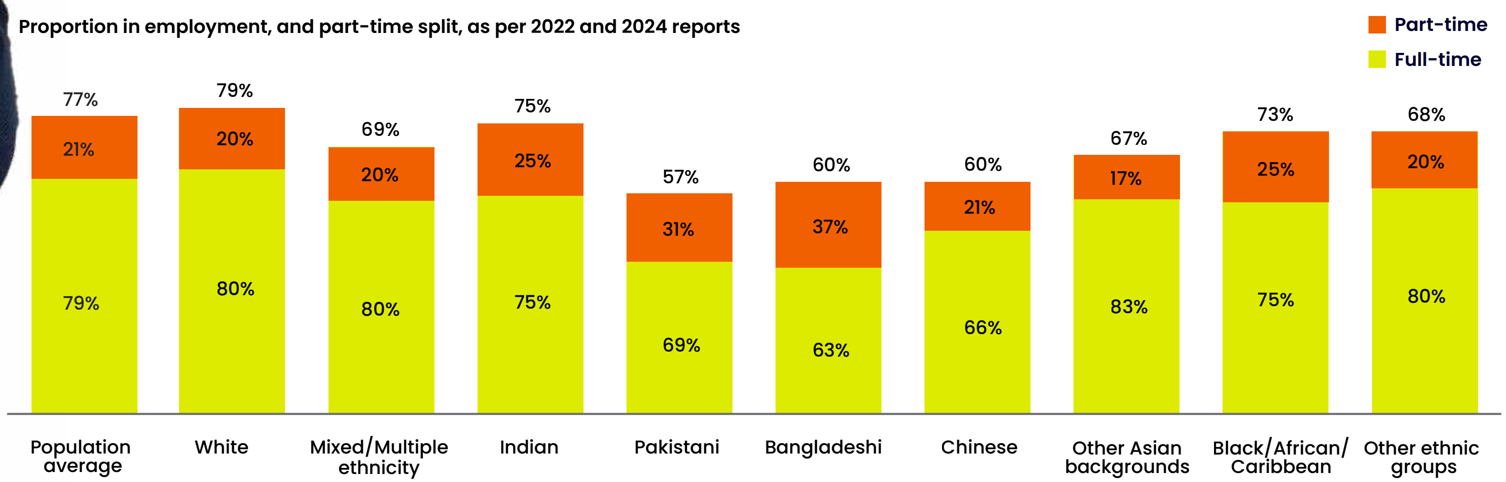
Ethnic minority groups

According to the 2021 Census data, 18% of the UK population belong to a black, Asian, mixed or other ethnic group.

In our 2022 Underpensioned report, private pension incomes as a proportion of the population average of people from ethnic minority backgrounds had fallen by almost 10% compared to equivalent measures in our 2020 Underpensioned report.

There continues to be variation in incomes across ethnic minority groups: some groups' average incomes have increased substantially since the 2022 report, such as people from Chinese and people from Bangladeshi backgrounds, and others have stagnated compared to the population average.

Proportion in employment, and part-time split, as per 2022 and 2024 reports



Employment rates

Ethnic minority groups are, as a whole, the only underpensioned group where employment rates have increased since 2022. However, the increase from 68% in 2022, to 69% in 2024, is still below the 2024 population average employment rate of 76%.

The employment rate of people of Indian ethnic background has increased from 75% to 78%, taking the rate above that of the population average.

Black/African/Caribbean backgrounds have employment rates slightly lower than the population average at 73%, which is the same as in 2022.

Employment rates of people from other ethnic minority backgrounds are significantly lower than the population average. For example, people from Pakistani backgrounds have an employment rate of 58% in 2024, up 1% point from 57% in 2022, and people from Bangladeshi backgrounds have an employment rate of 57% in 2024, a drop of 3% points from 60% in 2022.

However, some ethnic groups have seen an increase in employment rates, such as people of Chinese background, whose employment rate has increased from 60% to 64% since our 2022 report.

Although eligibility for automatic enrolment is at the same level as the population average when ethnic minority groups are considered in combination, there is significant variation in eligibility across different groups. For example, 96% of employees from an Indian background are eligible for automatic enrolment, but only 65% of Bangladeshi employees are eligible.

The Case for Mandatory Ethnicity Pay

After advice from the government, some organisations in the public and private sector have begun to voluntarily publish ethnicity pay gaps. In 2018, the NHS became one of the first public sector organisations to publish breakdowns of pay for all staff[1]. However, a large proportion of employers in both the public and private sector still do not to report their ethnicity pay gaps. Increasing participation among employers may require the introduction of mandatory ethnicity pay gap reporting. Making this mandatory could help more employers identify notable disparities within their workforce and encourage them to improve diversity and inclusion across their organisation.

[1] Commission on Race and Ethnic Disparities (2021)

People with disabilities

In the 2020 Underpensioned report, people with a disability were the sole underpensioned group for whom average income from State Pension and benefits topped up by private pension savings to achieve an overall income level equal to the population average.

The 2022 Underpensioned report showed a decline in the comparative incomes of retirees with a disability. This trend continues with our 2024 Underpensioned Report, where the incomes of people with a disability have fallen to 87% of the population average.

Some benefits that top up retirement incomes of people with a disability are means tested, which can introduce additional complications. In fact, some of this additional top up may be eroded by the additional needs individuals with a disability may have.

Therefore, we must consider that any benefit payments to meet the needs of disabilities are often spent on essential expenses associated with disability and means they can't be considered as true 'disposable income'.

Part time employment is often essential but could be detrimental for pension saving.

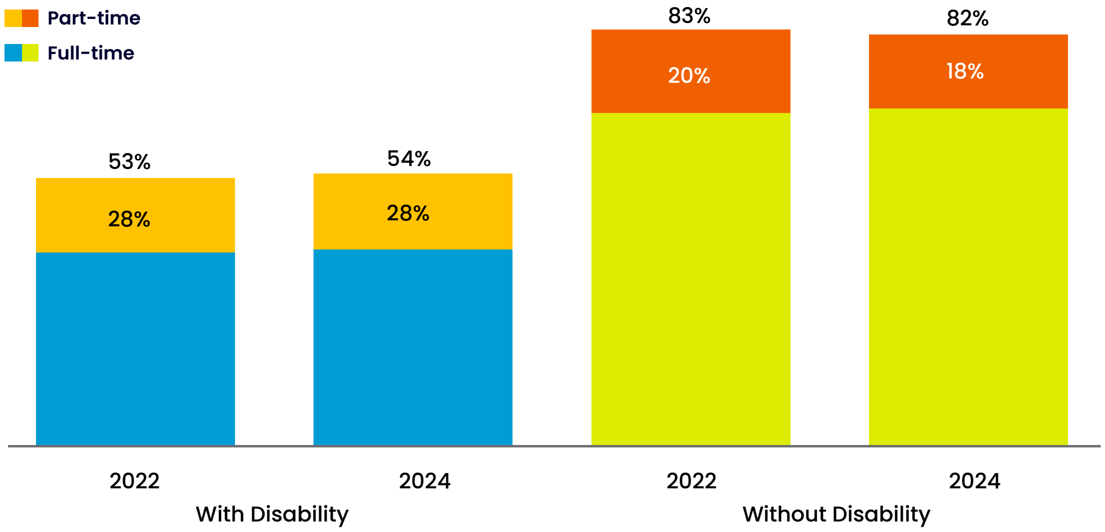
Employment rates of people with a disability have increased slightly, but are still around 28% lower than those of people without a disability. People with disabilities are particularly at risk of experiencing labour market inequalities associated with lower retirement incomes.

Disabilities and long-term sickness can limit the amount and type of work people are able to do. As a result, people with disabilities are less likely to be in paid employment compared to the rest of the population, and, among those who are employed, more likely to work part-time.

Levels of part-time work have stayed constant among people with a disability who are in employment, compared to those without a disability. This could reflect that the shift toward home working has made paid work more accessible for people with a disability.

For some people, working full-time hours could exacerbate disabilities and long-term health conditions, so it is important that increases in employment rates and full-time employment rates are assessed in a nuanced way that takes into consideration the potential for negative health impacts.

Proportion in employment, and full-time/part-time split, as per 2022 and 2024 reports



Self-employed and multiple jobholders

While multiple jobholders and the self-employed are all in employment, they still experience labour market inequalities associated with lower retirement incomes.

Among other underpensioned groups, low employment rates are a significant contributor to pension inequalities, but this is not the case for multiple jobholders and the self-employed, groups which have 100% employment rates (by their defining characteristics). However, pension inequalities among these groups are correlated with other aspects of labour market inequality, such as higher rates of part-time work and lower average incomes. Just under half (45%) of multiple jobholders work part-time, increasing to 54% among women.

Self-employment is down, so pension saving is down.

There are over 4.3 million self-employed workers in the UK (which is around 13% of the working population).

The number of people aged 60+ who are self-employed has reached an all-time high of 991,432. This is over 23% of the UK's self-employed, which could indicate that this group intends to work and earn well into their retirement years.

While the self-employed are not a homogenous group, considered as a whole, average annual earnings are around 20% lower than the population average.

In terms of pension participation, only 20% of self-employed workers currently participate in a pension, compared to over three quarters of employees.[2]

The self-employed are excluded from the benefits of automatic enrolment because they don't have an employer who can automatically enrol them and make contributions. Lower than average incomes, together with the need for financial flexibility, can make it difficult for these groups to save consistently into a pension. Only one in five self-employed people actively save into a pension, compared to four in five employees.

[2] Family Resources Survey 2022-23 (2024)

Chapter
03

How can we make pensions fairer for all?

Our 2025 view

While progress has been made in some areas, such as underpensioned groups' rising eligibility for auto enrolment, the underpensioned challenge is far from resolved.

Today, the underpensioned gap is 57% - at its highest since we began reporting in 2020. Most underpensioned groups' private pension income is less than two-thirds of the population average. Therefore, the underpensioned are forced to rely more heavily on the State Pension.

The current economic climate, including high levels of inflation, compounds the problem. It's more challenging to implement policies that would increase the amount people save for retirement, when these policies are likely to exacerbate the financial difficulties facing those who find themselves underpensioned in later life.

Housing inequality also contributes to the problem. Levels of home ownership are lower among underpensioned groups, meaning many face higher housing costs as they carry on renting in later life. This further erodes pension incomes that are already lower than average.

But changes could be made to the pensions system – particularly auto enrolment – to raise living standards for our underpensioned groups in retirement. Furthermore, for those who are more heavily reliant on the State Pension, we must protect the triple lock, which ensures that payments are uprated by whichever of inflation (CPI), average earnings growth or 2.5% is higher. Any permanent changes to the way that the State Pension is uprated will inevitably have a disproportionate impact on members of underpensioned groups.

We've set out five policy proposals that we believe could help create a pensions system that works for all.

Many of the factors driving pension inequality have deep roots in our society and can't be solved by pensions policy alone. A long-term, considered and collaborative approach is needed.

now:pensions' five policy proposals for fairer UK pension outcomes

1

Remove the £10,000 auto enrolment trigger to get more underpensioned groups into a workplace pension.

Today, employees are only automatically enrolled into their workplace pension scheme if they earn more than £10,000 a year in one job. We're asking the government to remove or reduce this threshold to bring more lower-earning workers, and multiple jobholders, into pension saving. Our latest data shows that, for example, if the £10,000 earnings trigger was removed, lower-earning women could generate around £112 million in additional pension contributions over a one-year period, with £70 million coming from employer contributions. But it's important to consider changes like this in the context of the wider economic situation, especially with the current cost of living crisis, to make sure people aren't disadvantaged from being automatically enrolled.

Removing the £10,000 trigger would make 1.5million more employees eligible for automatic enrolment.

2

Scrap the lower earnings limit so all earnings count towards pension contributions.

The current minimum auto enrolment pension contribution is 8%. Employers must pay at least 3% of this, so employees pay 5%. Only earnings over a lower limit of £6,240 set by the government are used to work out pension contributions. This means an employee earning just over £10,000 only pays pension contributions out of £3,860 of their earnings.

The Pensions (Extension of Automatic Enrolment) Act 2023 removes the £6,240 limit, as well as reducing the qualifying age for auto enrolment from 22 to 18. We believe the government should press ahead with implementing the measures in this act, starting with a consultation to explore the approach, timings and impacts to ensure it works for all.

3

Introduce a family carer's top-up.

People who take time out of their working lives to care for their family currently qualify for State Pension credits but miss out on auto enrolment. Our proposed family carer's top-up would see the government pay the equivalent of the employer's contribution into carers' pensions, based on the National Living Wage. This top-up would be around £820 a year. It could raise pension incomes by around 20% for people taking 10 years out of full-time work due to caring responsibilities.

4

Consider pension pots on divorce.

In many cases, pension savings are often the second most valuable asset after a home. This is why it's essential women understand this when settlement terms are being negotiated. In a divorce situation, sharing pension savings could play a huge role in addressing pension inequality.

5

Make more childcare available at a lower cost, so people who want to return to work can do so.

The UK has some of the highest childcare costs in the developed world. Despite tax changes to help families with childcare costs, prices continue to rise steeply. The Family and Childcare Trust reported in 2024 that the average UK cost of a part-time nursery place for a child under two had risen to £158 a week. That's more than £7,500 a year - a huge obstacle for parents who want to earn and save for their future.

This report is produced using data from the Pensions Policy Institute (PPI)'s The Underpensioned Index 2024 edition.

About **now:pensions**

now:pensions is an award-winning UK workplace pension provider that manages the pension savings of millions of members on behalf of tens of thousands of employers from a wide range of industries. now:pensions is part of the Cardano Group. Cardano Group, a business of Marsh McLennan (NYSE:MMC), is a market leader in providing risk and investment management services designed to make pension outcomes more stableand robust.

now:pensions Disclosure

Information correct at April 2025.
NP/DO339.
nowpensions.com +44 (0)330 100 3334.

Pensions Policy Institute
PPI

About the PPI

We are an independent educational research Institute: The Pensions Policy Institute (PPI) does not lobby for any particular solution, and we are not a think-tank taking politically influenced views. The PPI is an educational research charity, and have been providing non-political, independent comment and analysis on pensions policy and retirement income provision in the UK for over 20 years. Our aim is to improve information and understanding about pensions policy and retirement income provision through research and analysis, discussion, and publication. For news and other information about The PPI please visit:
www.pensionspolicyinstitute.org.uk

PPI Disclosure

This report was created using the Pensions Policy Institute (PPI) Underpensioned Index published in April 2025 This report provides longitudinal analysis of the way in which the underpensioned challenge has developed, including updating the Underpensioned Index, using 2024 data. The full report can be downloaded here.