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# Changing patterns of pension inequality: the shift from state to private sources

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***ABSTRACT***
Reform of welfare in Britain has sought to shift the balance of pension provision towards the private sector, with consequences for older people's sources of income. The paper uses data from the General Household Survey to examine changes in older people's income from the state and from private pensions from the mid-1980s to the mid-1990s, focusing on gender and class inequalities.

Although state pensions and other benefits remained the major source of income, especially for women, the relative contribution of private pensions to total income had increased substantially for men. Receipt of private pensions had become more widespread, with narrowing gender and class differences in coverage among older people. However, gender inequality in the amount received had widened and the relative advantage of different occupational groups had changed. Personal pensions had had little impact on the distribution of income among older people, and provided much smaller amounts of income than occupational pensions.

***KEY WORDS*** **–** pensions, older people, income, privatisation.

## Introduction

The ability of developed societies to provide pensions for their elderly population has been a dominant concern in the 1980s and 1990s. Increased longevity, combined with a trend towards earlier retirement, have extended the period during which pensions are drawn, while declining fertility indicates a smaller working-age population in future. These trends have contributed to a sense of crisis about public pension liabilities.

A common response by governments to this perceived crisis has been to cut back state provision and to promote the private sector of

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pensions. In Britain, where the private pensions sector was already more prominent than in the rest of the EU, with markedly lower social insurance costs to employers (Sedgwick Noble Lowndes 1995), demographic change has been used to legitimate a series of cuts in state pension provision since the mid-1980s. At the same time, financial incentives were used by successive Conservative governments to encourage individuals to opt out of the State Earnings Related Pension Scheme (SERPS) into personal pension plans (DHSS 1985; Groves 1991; Johnson and Falkingham 1992).

Whether these reforms were justified by demographic or economic factors has been widely questioned by academic researchers, especially in view of Britain's favourable projected dependency ratio compared with other major economies. The perception that the British welfare state is in financial crisis due to population ageing has been challenged by Hills (1993), while other analysts have shown ways in which better state pensions could be afforded (Townsend and Walker 1995; National Pensioners Convention 1998). Walker (1993) has argued that pensions policy has reflected political priorities, while Nesbitt's (1995) study of pensions policy-making in the 1980s concluded that ideological reasons for promoting personal pensions outweighed demographic or economic factors.

Some changes, such as the mushrooming of personal pension plans since the 1986 Social Security Act, the reform of SERPS and raising women's state pension age, will show their full effects only in the future. But the decoupling of the basic state pension from national average earnings in 1980, together with the maturation of occupational pensions since the period of expansion in the 1950s and 1960s, have resulted in a shifting balance between state and private sources of pension income in the 1990s.

In this paper, we examine to what extent this development has widened income inequality among older people, using data from the General Household Survey to assess changes between 1985 and 1994 in gender and class inequality in older people's state and private pension income. We analyse personal income from pensions rather than equivalised family or household income. Although individuals living in the same household may receive income from others, the extent of such transfers is unknown and may vary considerably among households; an assumption of equal sharing cannot be justified, especially in the light of research on couples' income allocation (Pahl 1990; Vogler 1989). Second, money provided at the discretion of another is neither experienced nor used in the same way as money of one's own (Sen 1984; Popay 1989; Hutton 1994).

### *Private pensions and gender inequality in pension income*

The concentration of poverty among older women in Britain and the US, and how this is related to the distribution of occupational pension income, has been established by research (Peace 1986; Groves 1987; Stone 1989; Walker 1987; Arber and Ginn 1991; Hancock and Weir 1994). One (conservative) measure of the concentration of poverty among older British women is the proportion reliant on Income Support (IS). In 1989, 17 per cent of women aged over 65 received IS compared with nine per cent of men (DSS 1990); the corresponding figures in 1991 were 14 per cent and five per cent (Arber and Ginn 1994); and in 1993–4, 15 per cent and seven per cent. Thus older British women are over twice as likely as men to have incomes at or below the poverty level. These estimates of poverty rates exclude the one in five pensioners eligible for means-tested benefit who fail to claim (Atkinson 1991). They also underestimate the concentration of personal poverty among older women for two reasons. First, where a married couple received IS, this is generally recorded in survey data only for the husband, not the wife. Second, in couples whose income exceeds the threshold for entitlement to IS, the wife may have a low personal income.

The expansion of occupational pensions in the 1950s and 1960s was encouraged by generous fiscal relief and by the low level of the state pension in Britain relative to other countries (Shragge 1984; Hannah 1986). This development has generated a wider gap between older men's and women's personal income than arose from state pensions alone. Our previous research has shown how British women's domestic roles, together with gender discrimination in the labour market, interact with the structure of occupational and personal pensions to disadvantage them (Ginn and Arber 1991, 1993, 1994). For similar reasons, women are less likely than men to accumulate good occupational pension entitlements of their own in most industrial societies (Quadagno 1988; CEC 1991; Ginn and Arber 1992; Allmendinger *et al.* 1993). Designed for middle class men's pattern of continuous full-time employment, occupational pensions translate women's labour market disadvantages into low personal income in later life. The class bias of occupational pensions is also well documented (Sinfield 1978; Green *et al.* 1984; Hannah 1986; Arber 1989; Ginn and Arber 1991).

State pensions can mitigate the effect of private pensions, redistributing in favour of the low paid and those with incomplete employment records or periods of part-time work caused by family caring responsibilities. Women's opportunity to build independent state pensions was significantly improved by the Social Security Act of 1975. Home Responsibilities Protection (HRP), in which contributions to the basic state pension may be credited for periods of caring, helps women acquire independent basic pension entitlements; the original SERPS, because it was based on the best 20 years earnings, promised to minimise the adverse effect of childrearing on the amount of this pension. SERPS and the basic pension, in combination, were redistributive towards the low paid, providing a maximum replacement rate of 50 per cent for a female full-time manual worker, with lower rates for the higher paid (Groves 1991). Widows could expect to receive all their husband's SERPS pension.

This major advance for women has been reversed by changes in British state pension provision since 1980. These have severely limited its redistributive role, contributing to increased inequality of pensioner incomes (Hancock and Weir 1994; Johnson *et al.* 1996). Women and the lower paid rely more heavily than others on state pensions, yet the capacity of state pensions to provide an adequate retirement income has declined, a trend which will accelerate unless there is a major change in policy. Indexing the basic state pension to prices instead of national average earnings has eroded its value since 1980 from 20 per cent of average male earnings to 14 per cent by 1993 (Commission on Social Justice 1994). By 1997, the change had reduced the full basic pension for single pensioners by over £22 and for couples by nearly £38 per week, compared with the amount under earnings-indexing (National Pensioners Convention 1998). Whereas in 1948 the full basic pension for a single person was approximately 10 per cent above the level of means-tested benefits, by 1992 it was about 10 per cent below (Hancock and Weir 1994). The 1986 Social Security Act changed the basis of calculating average earnings from the best 20 years to the whole working life, which has particularly serious effects for women. It also cut the accrual rate of SERPS for those retiring in the next century. The SERPS widows' pension will be cut to half from the year 2000.

The 1980s also saw the introduction of substantial financial incentives to switch from SERPS to personal pensions, which are likely to provide poorer value than SERPS for most women and for the low paid (Davies and Ward 1992; Waine 1995). Although portable between jobs, personal pensions' charging structure penalises the low paid and those with breaks in employment, reducing the pension by up to 30 per cent (Ward 1996). The annuity a woman can buy is typically 17 per cent lower than a man's, for the same price, due to women's longer life expectancy (Legal and General 1998). The practice of applying sex-based actuarial tables is lawful in the UK but not in the US (Keighley 1992).

The shift from public to private pension provision was legitimated by fears about population ageing which some have argued were artificially amplified (Walker 1990) and by misleading claims from official sources, repeated in the media, that the majority of older people had occupational pensions (Ginn 1993). Accounts in which older people were portrayed as an increasingly unaffordable burden on the working age population, through the cost of pensions and health care, proliferated in the 1980s. Yet a comparative analysis of older people's incomes in 11 major OECD countries concluded that British older people were least well-off relative to average incomes for the whole population, and that the main reason was the low level of public spending on cash transfers for older people (Whiteford and Kennedy 1995).

Although the introduction of personal pensions for employees appears to widen pension choices and will have only minor effects on pensioner incomes for some years, the escalation of public subsidy to private pensions – a process of 'reverse targetting' (Sinfield 1993: 39) – siphons off resources which could have been used to maintain the value of state pensions for older people in the 1990s. Tax relief for private pensions grew from £1,200 million in 1979 to £8,200 million in 1991 (Wilkinson 1993), while the total net cost to the NI (National Insurance) fund of incentives to transfer from SERPS to personal pensions was estimated as £6,000 million (1988 prices) over the period from 1988–93 (National Audit Office 1990). In 1994/5, tax expenditures, rebates and incentives to occupational and personal pensions totalled £20 billion (Glennerster and Hills 1998).

Shifting resources towards private pensions undermines state pensions politically as well as economically. Expanding the social base of those having a stake in private pensions may lessen public willingness to pay the NI contributions required to improve state pensions, especially when justified by an ideology of individualism. In Conservative thinking, a moral distinction was implied between state and private welfare: state welfare was equated with dependence and with being a 'burden' on society, while private welfare 'increases individual freedom…[and]…independence' (Moore 1987: 11). The alleged moral dichotomy was expressed in stark terms by a right-wing think tank; 'Making every adult a shareholder would…serve as a specific antidote to the passivity and lassitude that overcomes dependants of a welfare state' (Letwin and Letwin 1986: 11). Others have pointed out that such a distinction ignores pensioners' moral and legal entitlement to state pensions; this entitlement arises from their past payment of NI contributions and is equally valid regardless of whether the payments were invested or used for current expenditure (National Pensioners Convention 1998). Moreover, as Waine (1991) argues, those contributing to private pensions are not independent of the state, but receive a privileged form of state subsidy through their tax allowances. In spite of this, the impact of the neo-liberal rhetoric of independence and the image of a personal pension as an inviolate 'pot of gold' was a persuasive one. Although that image is tarnished now, the damage to public confidence in, and support for, state pensions may be hard to reverse.

Several British studies have examined changes in older people's income since the early 1980s, yet less attention has been paid to gender inequality of income than to the overall growth of income inequality. Inequality of older people's income, as measured using the Family Expenditure Surveys, fell throughout the 1960s and 1970s but subsequently rose, reaching the 1965 level by 1990 (Johnson *et al.* 1996: Figure 3.1). The unit of analysis was the benefit unit (*i.e.* couples and non-married individuals) and therefore is of limited value for measuring change in gender inequality. These authors note that the rise in income inequality in the 1980s was mainly due to the increasing contribution of private pensions and income from investments among those in the higher deciles of the income distribution. Hancock and Weir's (1994) analysis of the General Household Survey showed income inequality had increased between 1979–89, especially in the last five years, with 'a growing divide between those with and without access to occupational pension income' (1994: 35) and also widening income inequality among those with occupational pensions. However, because these results assigned equivalised net household income to individuals, they cannot be used to measure gender differences in pension income.

## Research aims and method

The main aim of this paper is to examine recent changes in the contribution of private pensions (occupational and personal) to older people's income and in the magnitude of gender and class inequality of pension income. Occupational pensions are those provided by an employer's scheme while personal pensions include both those introduced under the 1986 Social Security Act and the retirement annuities which existed previously, mainly for the self-employed.

The changes are explored by comparing the pension income of older people in the mid-1980s with that in the mid-1990s, using the General Household Survey (GHS). The GHS interviews all adults in a sample of private households in Britain and has a response rate of over 80 per cent. For the 1990s, we use data from two years of the GHS combined, 1993/4 and 1994/5 (referred to, for brevity, as 1993–4). This provides information on a nationally representative sample of 7000 individuals aged 65 and over. For the 1980s, we mainly draw on the analysis of 1985 and 1986 GHS data combined (referred to as 1985–6) which was reported in Ginn and Arber (1991). We also present a new analysis of the 1985 General Household Survey, which includes data on over 3000 men and women aged over 65.

The term 'married' refers to those who were married or cohabiting. Couples share their income to a varying extent and using differing mechanisms (Pahl 1990) but, since our aim is to compare the pension income to which men and women have a direct entitlement – that is, their personal income – the unit of analysis is the individual, and we have made no adjustment for possible income transfers between partners.

Socioeconomic groups (SEGs) were combined into seven socio-economic categories (SECs), based on the individual's own last main occupation, with an eighth category for those who had never been employed. The self-employed, armed forces and those with inadequately described occupations were excluded (see Appendix for further classification details).

## Change over time in occupational and personal pensions received

Over the period from the mid-1980s to the mid-1990s, private pension receipt had grown; but the type of pension, whether occupational or personal, has implications for older people's standard of living as they age. Occupational pensions are expected to provide a higher pension amount than personal pensions, mainly because both employer and employee have usually made contributions above the minimum level of the SERPS rebate. In contrast, employers' contributions to personal pensions rarely exceed the minimum amount, even when the employee makes contributions above the minimum. Analysis of the General Household Surveys of 1993 and 1994 showed that among employees aged 20–59 who were currently contributing to a personal pension, only six per cent of men and two per cent of women reported that their employer contributed an additional amount (Ginn and Arber, forthcoming). Moreover, most occupational pensions in payment are at

TABLE 1. *Percentage receiving occupational or personal pension in 1985–6 and 1993–4, men and women*

| | All | | Men | | Women | |
|---|---|---|---|---|---|---|
| | 1985–6 | 1993–4 | 1985–6 | 1993–4 | 1985–6 | 1993–4 |
| Any private pension | 42 | 48 | 64 | 67 | 27 | 35 |
| Occupational pension | 40 | 45 | 62 | 61 | 26 | 33 |
| Personal pension | 3 | 5 | 4 | 8 | 2 | 3 |

*Source*: General Household Surveys 1985–6 and 1993–4 (authors' analysis).

least partially inflation-proofed whereas a personal pension (*i.e.* the annuity purchased with the accumulated fund) is less likely to allow for inflation. Survivors' benefits reflect these differences in amounts of occupational and personal pensions; but in addition, occupational pension schemes generally provide a survivor's pension which is half the member's pension while personal pensions may provide only a minimal amount for the surviving spouse.

Table 1 shows that the increase in the proportion of older people receiving a personal pension across the eight-year period was modest, but greater for men than women. In 1985–6, four per cent of men and two per cent of women aged over 65 received a personal pension but these proportions had increased to eight per cent and three per cent in 1993–4. The proportion of men receiving an occupational pension was stable at just over 60 per cent while for women it rose from 26 to 33 per cent, including survivors' pensions. Thus the rise in the proportion with any private pension among older men was entirely due to increased personal pension receipt whereas for older women it was mainly due to the increased proportion with an occupational pension, reflecting the increased employment rate of women.

As expected, the amounts of personal pension received were lower than for occupational pensions. Among those receiving only a personal pension, the median amounts were £25 per week for men and £16 for women; the corresponding amounts of occupational pension were £46 and £26. The relatively low amounts of personal pensions are likely to reflect (for the self-employed) the lack of employer contributions and (for employees) employer contributions which rarely exceed the SERPS rebate, as noted above, and a shorter period of contributions compared with occupational pensions.

Comparing the proportions of older men and women receiving occupational and personal pensions according to age group indicates the trend in private pension receipt for successive cohorts (see Table 2). Five pension categories were distinguished: occupational only,

Table 2. *Percentage receiving each type of private pension in 1993–4. Men and women by age group*

| | Age group 65–9 | 70–4 | 75–9 | 80–4 | 85+ |
|---|---|---|---|---|---|
| Men | | | % | | |
| Occupational pension only | 60 | 60 | 55 | 54 | 46 |
| Personal pension only | 7 | 4 | 5 | 2 | 3 |
| Occupational and personal pension | 3 | 3 | 3 | 2 | 2 |
| Survivor's pension only | 1 | 1 | 1 | < 1 | 1 |
| Own and survivor's pension | 1 | < 1 | < 1 | < 1 | 0 |
| No private pension | 28 | 31 | 36 | 41 | 49 |
| Women | | | | | |
| Occupational pension only | 25 | 18 | 16 | 11 | 11 |
| Personal pension only | < 1 | < 1 | < 1 | 1 | 1 |
| Occupational and personal pension | 3 | 2 | 1 | 1 | 2 |
| Survivor's pension only | 10 | 12 | 15 | 14 | 12 |
| Own and survivor's pension | 4 | 4 | 3 | 3 | 2 |
| No private pension | 58 | 64 | 65 | 71 | 73 |

*Source*: General Household Surveys 1993–4 (authors' analysis).

personal only, both of these, survivor's (spouse) pension only, and own occupational or personal with survivor's pension. Only a small minority received combinations of pension types. For men, there is evidence that occupational pension receipt had reached a plateau, with the same proportion of men in the two youngest age groups, 60 per cent, having this source of income, although personal pension receipt was higher in the youngest age group. Among women, the trend is for occupational pension receipt to be higher in younger age groups, with a less marked increase in personal pension receipt. Nevertheless, even in the youngest age group (65–69) only 42 per cent of women had any private pension and under 30 per cent had a private pension based on their own employment.

In the remainder of the paper, occupational and personal pensions have been combined in the analyses and are referred to jointly as private pensions. We consider next how the growth of private pension receipt has affected gender inequality of income in later life.

## Changing gender inequality of income from private pensions

The narrowing gender gap in the proportion of older people receiving any private pension is evident in Table 1. The proportion of older women with a pension (including survivors' benefits from their deceased husband's occupational pension) increased from 27 per cent

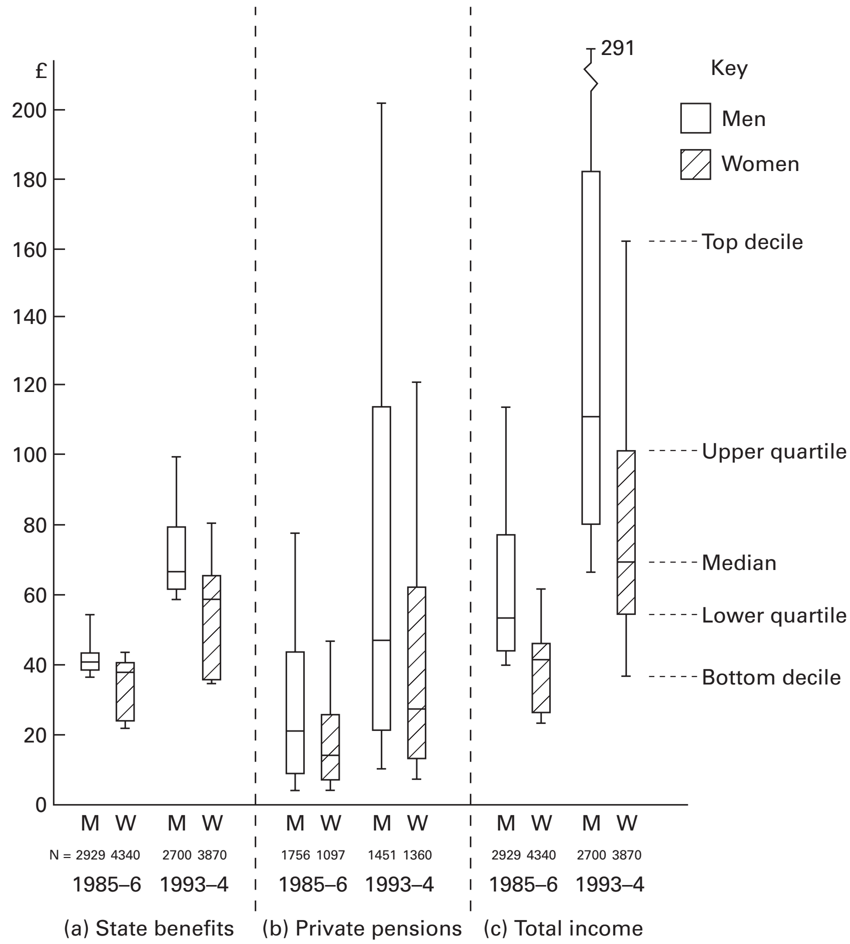


Figure 1. Distribution of gross personal income from the state, from private pensions and total income £/week in 1985–6 and 1993–4. Men and women aged 65+. Sources: Ginn and Arber (1991) and General Household Surveys 1993–4 (authors' analysis).

to 35 per cent, while that of men was more stable, increasing only slightly from 64 per cent to 67 per cent.

However, it is important to consider not only the receipt of private pensions but also the amount; small amounts may bring little or no financial gain due to the pensions poverty trap (Walker *et al.* 1989), in which a small private pension may merely disqualify the recipient from entitlement to means-tested benefits, since the amount of even the full basic state pension is below the level of Income Support.

Figure 1a shows the distribution of income in 1985–6 and 1993–4 from state benefits for all older men and women as a series of box and whisker plots. State benefits consist mainly of the basic NI retirement pension, although this category also includes income from SERPS, Income Support and other state benefits. State benefits show a relatively compressed distribution in terms of the difference between the income of the top 10 per cent and the bottom 10 per cent, especially for men.

The distribution of income from private pensions, shown for those with this source of income, was more dispersed than for state benefits (Figure 1b). For example, in 1985–6, the bottom decile amount of men's state benefits was 67 per cent of the top decile amount, whereas for private pensions the corresponding proportion was only four per cent. Over the eight-year period, the median amount of income from private pensions, for those with this source of income, more than doubled in cash terms, whereas the multiplier for state pensions was 1.6 times.

Gender inequality of income from private pensions, among those having income from this source, increased over the eight years. At the median, women's income from private pensions fell as a proportion of men's from 65 per cent to 56 per cent; at the upper quartile it fell from 58 per cent to 54 per cent and at the lower quartile from 75 per cent to 65 per cent. Thus, although the gender gap in receipt of private pension income diminished, gender inequality in the amount received widened.

Dispersion of the income distribution from private pensions increased between 1985–6 and 1993–4. For men the median amount from this source increased in cash terms by 2.3 times, the upper quartile and top decile amounts by 2.6 times; for women the median amount doubled, while the upper quartile amount increased by 2.4 times and the top decile amount by 2.6 times (Fig. 1b). This contrasts with state benefits where the increases were smaller: for men and women respectively, the multipliers were 1.7 and 1.6 at the median, 1.8 and 1.6 at the upper quartile and 1.8 and 1.9 at the top decile.

Figure 1c shows the distribution of total personal gross income, which includes earnings, interest on savings and other sources of income, as well as state benefits and private pensions. Over the eight years, the gender gap in total income widened, with women's median income as a proportion of men's falling from 71 to 62 per cent. In 1993–4, older women's total income at the median was £68 per week compared with men's £110, whereas in 1985–6 women's median total weekly income was £39, compared with men's £55.

The dispersion of total income widened over the eight years, especially among women. The median amount of men's total income

Table 3. *Percentage receiving an occupational or personal pension in 1985–6 and 1993–4. Men and women aged 65+ by marital status*

| | Men | | Women | |
|---|---|---|---|---|
| | 1985–6 | 1993–4 | 1985–6 | 1993–4 |
| All | 64 | 67 | 27 | 35 |
| Married | 67 | 70 | 12 | 22 |
| Single | 46 | 66 | 47 | 61 |
| Widowed* | 60 | 59 | 34 | 42 |
| Divorced/separated | 44 | 50 | 28 | 30 |

* Includes survivor's pensions.
*Source*: General Household Surveys 1985–6 and 1993–4 (authors' analysis).

increased by 2.1 times, the upper quartile by 2.4 times and the top decile by 2.6 times. Women's median total income increased by only 1.7 times, their upper quartile amounts had more than doubled and the top decile amounts had increased by 2.6 times.

In the next section, we examine how changes over the eight-year period in older people's income varied according to marital status, comparing the proportions receiving any private pension, the amounts received and the changing contribution of private pensions to total income.

### *Marital status and changes in private pension income*

Changes in the proportions of older men and women with any private pension did not occur equally in all marital statuses. The most striking increases were among married women (12 to 22 per cent), single women (47 to 61 per cent) and single men (46 to 66 per cent) (see Table 3 and, for base numbers, Appendix). In spite of the increase in the proportion of married women receiving a private pension, their pension disadvantage relative to men and to other women remains substantial. Among non-married women, those who were divorced or separated were least likely to have any private pension and the proportion had barely increased, from 28 per cent in 1985–6 to 30 per cent in 1993–4.

To examine variation in private pension income, a measure summarising both receipt and amount of income from this source is required if analysis is not to become unwieldy. The mean is unduly affected by extreme values, while the median was unsuitable when receipt and amount were combined because its value was zero for all women except those who were single. We therefore use instead the upper quartile (UQ) amount. The UQ is defined as the amount below

TABLE 4. *Upper quartile amount of private pension income, £/wk, in 1985–6 and 1993–4. Men and women aged 65+ by marital status*

| | Men | | Women | |
|---|---|---|---|---|
| | 1985–6 | 1993–4 | 1985–6 | 1993–4 |
| Married | 29 | 86 | 0 | 0 |
| Single | 14 | 46 | 20 | 67 |
| Widowed* | 17 | 42 | 7 | 20 |
| Divorced/separated | 16 | 30 | 2 | 13 |

* Includes survivor's pensions.
*Source*: General Household Surveys 1985–6 and 1993–4 (authors' analysis).

which three-quarters of the relevant population's private pension income falls.

Table 4 shows that in 1993–4 (as in 1985–6), it was only among single people that women's weekly UQ amount of private pension income exceeded men's, £67 compared with £46. In all other marital statuses, men's UQ amount exceeded women's, with the greatest disparity among those who were married. Widows' UQ amount, which includes survivors' benefits, was less than half that of widowers, £20 per week compared with £42. Divorced and separated women also had an UQ amount which was less than half that of equivalent men, £13 compared with £30. These differences in private pension income according to marital status result from gender roles in the domestic economy and their impact on employment and hence private pensions, as discussed in Ginn and Arber (1991, 1993). Overall, women's weekly UQ amount of private pension income was £14 compared with £72 for men.

Although state benefits (mainly NI retirement pensions but including other income from the state) remained the major source of income for those aged over 65, more so for women than men, the relative contribution of private pensions to total income had increased over the eight years, from 11 per cent in 1985 to 17 per cent in 1993–4, while state benefits had fallen from 79 to 73 per cent. This shift from state to private pension income was evident within each five-year age group (not shown).

Among men, private pension income rose from 17 to 25 per cent of total income and among women from 7 to 11 per cent (see Figure 2, right-hand pairs of bars). For married women, the proportion of income from private pensions was very low but it more than doubled, from 3.6 to 7.5 per cent over the eight years. Single people, both men

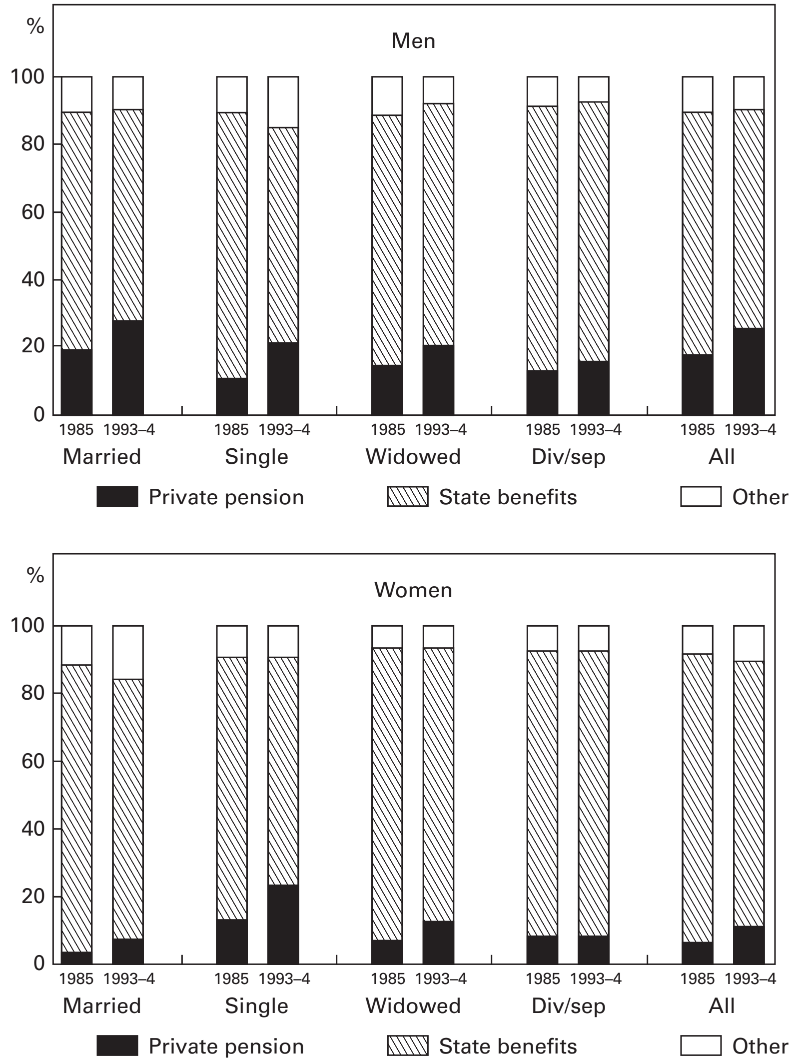


Figure 2. Gross income from state and private pensions in 1985 and 1993–4. Men and women 65+ by marital status. Source: General Household Surveys 1985 and 1993–4 (authors' analysis).

and women, received a much greater proportion of their income from private pensions in 1993–4 compared with 1985–6, reflecting their marked increase in rate of receipt noted above. Divorced and separated women, however, saw no increase in the proportion of income from this source.

To summarise, the gender gap in private pension receipt had narrowed over the eight years, but in terms of amounts received the gap had widened among those with this source of income. The pension disadvantage of ever-married women relative to single women remained substantial. We next turn to the question of how the growing contribution of private pensions has affected class inequality in older people's income.

## Class inequality and changes in private pension income

The percentage receiving any private pension was related to socioeconomic category (SEC) but the class gradient was less steep in 1993–4 than in 1985–6. The change in pension receipt over the eight years varied among SECs and for men and women (see Figure 3).

Among men, the proportion with a private pension had hardly changed in the three non-manual categories (SECs 1, 2, and 3) but had declined slightly for those who had been skilled manual workers (SEC 4). Among those who had been employers or self-employed (SEC 7), the rate of receipt doubled, indicating increased use of personal pensions by this group. Among women, there was a slight decline in pension receipt in the managerial and professional group (SEC 1) but a substantial increase in all other SECs except the unskilled manual worker group. Women who had never been employed (SEC 8) were no more likely to receive a widow's private pension in 1993–4 than in 1985–6.

In Figure 4, the rate of receipt and the amounts of private pension income are represented by the upper quartile (UQ) amount. In 1993–4, the UQ amount showed a class gradient for men from £227 per week among those previously employed as managers or professional (SEC 1) to £15 per week for those previously self-employed (SEC 7). The corresponding figures for women were £120 per week (SEC 1) and zero (SEC 7).

Comparing class inequality between those aged 65 or over in 1985–6 and in 1993–4, the relative pension advantage of the occupational categories had shifted. For men, the UQ amounts increased nearly threefold in the non-manual groups (SECs 1, 2 and 3) and for unskilled manual workers (SEC 6) but by less than this for the skilled and semi-skilled manual groups (SECs 4 and 5). Among women, the junior non-manual group (SEC 3) showed an increase of 3.8 times in their UQ amount of private pension income; for women managers/ professional (SEC 1) and intermediate non-manual staff (SEC 2) the multipliers were 2.5 times and 1.7 times respectively.

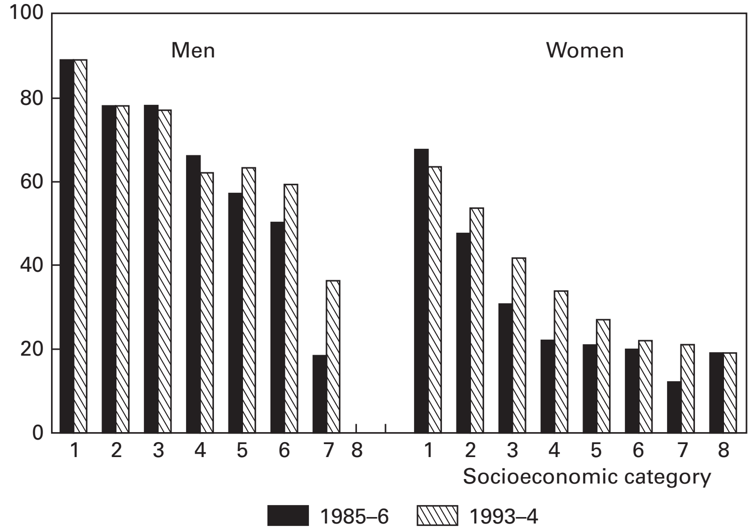


Figure 3. % receiving private pension in 1985–6 and 1993–4. Men and women aged 65+ by socioeconomic category (See Appendix). Sources: Ginn and Arber (1991); General Household Surveys 1993–4 (authors' analysis).

An alternative way of measuring changes in class inequality is to compare the UQ amounts of each occupational group of men and women with those of the highest socioeconomic group (SEC 1). Between 1985–6 and 1993–4, the UQ amount for men in the skilled manual group (SEC 4) fell from 35 to 16 per cent of the UQ amount for men who had been managers or professionals (SEC 1). For women in the junior non-manual group (SEC 3), the UQ amount rose relative to that of the managers and professionals groups, from 13 to 19 per cent over the eight year period, a slight narrowing of this class differential.

The relative contribution of private pensions to total income showed the expected class gradient in 1985 and in 1993–4, for both men and women (see Figure 5). In 1993–4, the private pension proportion for men ranged from 50 per cent for the managerial/professional group (SEC 1) to only 10 per cent for those who were previously self-employed or employers (SEC 7) and for women from a third in the managerial/professional group to under 10 per cent in all the manual and self-employed groups (SECs 4, 5, 6 and 7).

Among men, the skilled manual group (SEC 4) showed the least change in the contribution of private pensions to total income and the employers and self-employed group (SEC 7) the greatest, from 3 per cent to 10 per cent of total income. For women in the highest non-

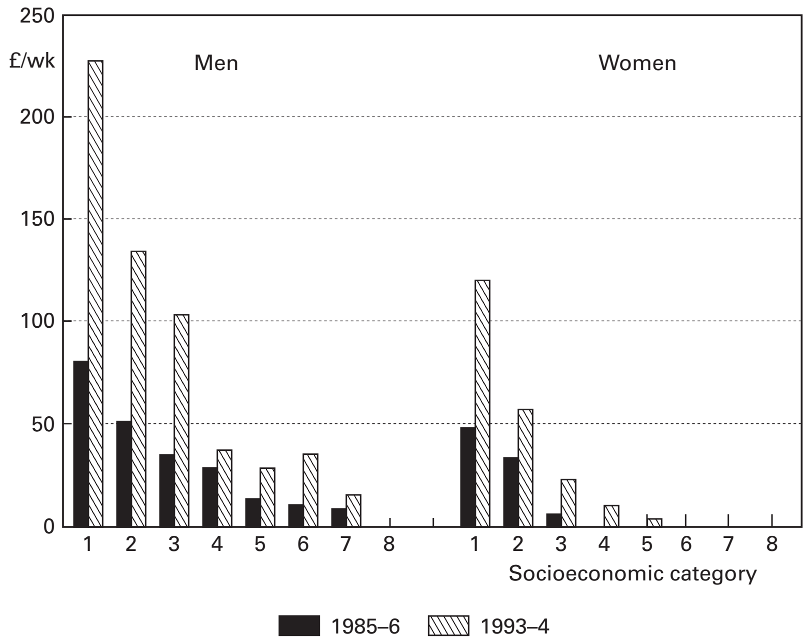


Figure 4. Upper quartile amount of private pension income in 1985–6 and 1993–4. Men and women 65+ by socioeconomic gp. For socioeconomic categories see Appendix. Sources: Ginn and Arber (1991); General Household Surveys 1993–4 (authors' analysis).

manual groups (SEC 1 and 2), the increased contribution of private pensions to total income was modest. In contrast, women in the junior non-manual group (SEC 3) doubled the private pension component of their income, from 7 per cent to 14 per cent.

The increased private pension disadvantage of men who had been skilled manual workers may reflect the decline of manufacturing industry in the 1970s and 80s, with widespread redundancies among men in their fifties (Walker *et al.* 1985; Laczko and Phillipson 1991).

To summarise, the pattern of relative advantage according to previous occupational class had changed between the mid 1980s and mid-1990s, in terms of receipt, amount and relative contribution made by private pensions to total income. Skilled manual men had lost their previous private pension advantage over other manual men while managerial/professional men had maintained their ascendancy. Among women, those previously employed in junior non-manual occupations had narrowed the pensions gap between themselves and other non-manual women.

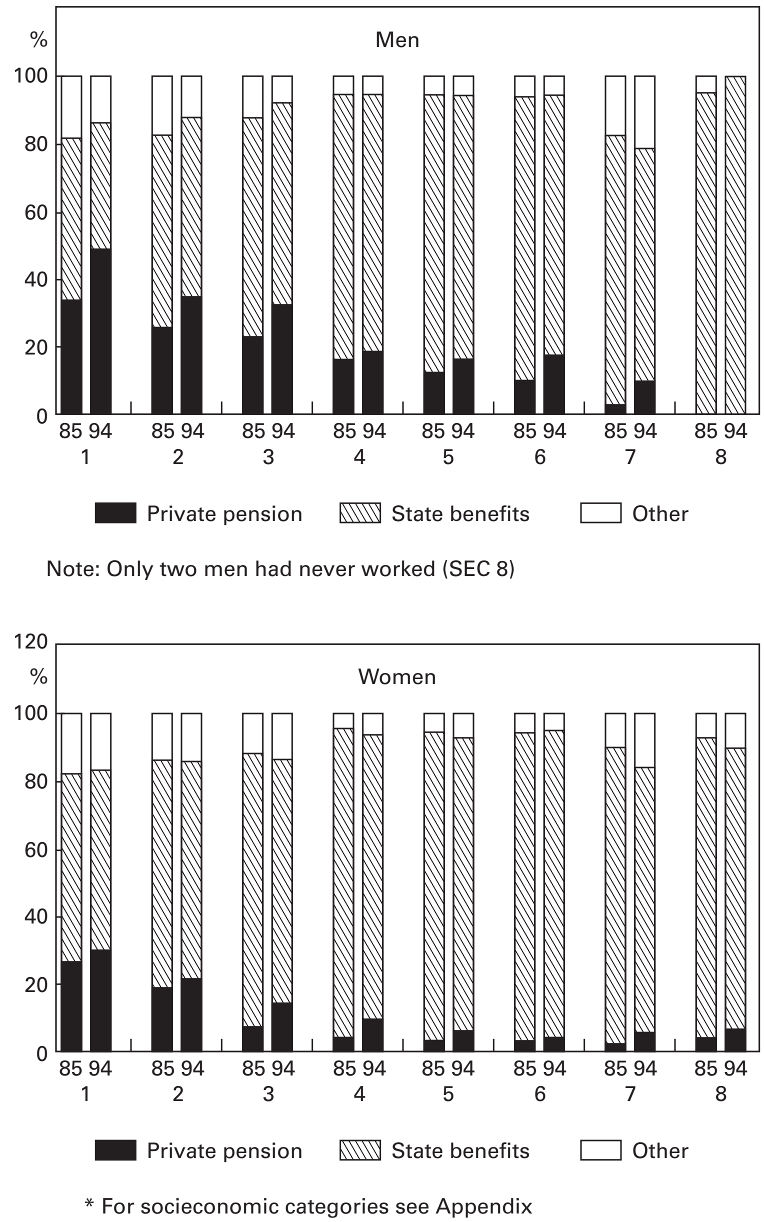


Figure 5. % of gross income from state and private pensions in 1985 and 1993–4. Men and women 65+ by socioeconomic category. Sources: General Household Surveys 1985 and 1993–4 (authors' analysis).

**Conclusions**

The relative contributions to total income of private pensions, compared with NI retirement pensions and other state benefits, had increased over the eight-year period between the mid-1980s and mid-1990s, although income from the state remained the major source. As a proportion of total gross income, men's private pension income increased from 17 to 25 per cent, compared with an increase of only 7 to 11 per cent for women. Thus income from the state remained the major source of income, especially for women.

Receipt of private pensions had increased, with narrowing gender and class differences in coverage. Nevertheless, the proportion of women with any private pension from their own employment was still low, under 30 per cent. Moreover, gender inequality in the amount of private pension income widened, suggesting that the broader pension coverage of women has included those who in their working life had relatively low earnings or short pension scheme membership. The spread of private (mainly personal) pensions may result in an increasing proportion of recipients having such small income from this source that they fall foul of the pensions poverty trap, gaining no financial advantage from their investment.

The pattern found in 1985–6, in which women's private pension income was related to their marital status, persisted, with single women having the highest income from this source and married women the lowest. The continuing low private pension income of older divorced women reinforces the concern that these women have less opportunity than single women to acquire private pension income yet, unlike married women or widows, they lack access to private pensions through a husband's employment. Legislative measures to split private pensions at divorce will not be retrospective, so that women who are already divorced will continue to be particularly vulnerable to poverty in later life. The decline of state pensions and the shift towards private provision is likely to magnify the pension penalties arising from earlier domestic and caring roles, bringing increasing income differentiation among older women according to their marital, fertility and employment history.

The overall class gradient in private pension income remained fairly stable over the eight-year period but the relative advantage of different occupational groups changed. Among men, the skilled manual group showed a marked decline in income from private pensions relative to professionals and managers. Among women, the intermediate non-manual group showed the largest relative decline in private pension income, while the junior non-manual group showed some improvement.

Our analysis highlights the importance, in assessing trends in private pensions among older people, to pay attention, not only to the proportion receiving a pension, where gender and class inequalities have narrowed, but also to the amounts received, where gender inequality has widened, relative class advantage shifted and dispersion increased.

The growing inequalities in pension income were mainly due to occupational rather than personal pensions, the latter providing smaller amounts of pension as well as being a much less common source of income. Thus the contribution of personal pensions is still a very minor element in the income of older people, but is increasing, especially among younger male pensioners.

Although it is too early to assess the direct contribution personal pensions will make to gender and class inequality in later life, the policy of promoting personal pensions entailed a substantial transfer of public resources towards the private sector at the expense of state pensions, thus reducing the effectiveness of the latter in ensuring an adequate income for all older people. Subsidies to private pensions are less visible than social security spending, preserving the illusion that private pensions are the result of entirely market transactions and acts of individual responsibility; this heightens the perception of private pension income as an appropriate market wage and undermines the legitimacy of public sector pension receipts by portraying them as unhealthy dependence on the state (Myles and Street 1995; Street 1996).

The Labour government, despite criticising the Conservatives' pension policy while in opposition, have made no commitment to restore the basic pension's link to national earnings. Instead, new private funded 'Stakeholder Pensions' (in effect, personal pensions with more regulation) are proposed (Labour Party 1997). These will do nothing to help those with low lifetime earnings, mainly women. If the indignity of reliance on means-tested benefits by older people who have been disadvantaged in the labour market is to be ended, a policy to revitalise state pensions is required.

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## Appendix

TABLE 1. *Sample characteristics. Numbers of men and women aged 65+ in each marital status, 1985–6 and 1993–4*

| | 1985–6 | | | 1993–4 | | |
|---|---|---|---|---|---|---|
| | All | Men | Women | All | Men | Women |
| Married/co | 3747 | 2126 | 1621 | 3497 | 1945 | 1552 |
| Single | 635 | 194 | 441 | 483 | 174 | 309 |
| Widowed | 2717 | 537 | 2180 | 2357 | 493 | 1864 |
| Div/sep | 170 | 72 | 98 | 241 | 92 | 149 |
| All | 7269 | 2929 | 4340 | 6578 | 2704 | 3874 |

TABLE 2. *Grouping of ONS socioeconomic groups (based on the individual's last main occupation) into socioeconomic categories*

| Socioeconomic category | | ONS socioeconomic group | |
|---|---|---|---|
| 1 | Large managers/professionals | 2 | Managers, large; |
| | | 5 | Professional, self-employed; |
| | | 6 | Professional, employee |
| 2 | Small managers/intermediate non-manuel | 4 | Managers, small |
| | | 7 | Intermediate non-manual, ancilliary |
| | | 8 | Intermediate non-manual, foremen |
| 3 | Junior non-manual | 9 | Junior non-manual |
| 4 | Skilled manual/supervisory | 11 | Manual, foremen and supervisors |
| | | 12 | Skilled manual |
| 5 | Semi-skilled manual/personal service | 10 | Personal service |
| | | 13 | Semi-skilled manual |
| | | 18 | Agricultural workers |
| 6 | Unskilled manual | 14 | Unskilled manual |
| 7 | Employers/self-employed | 1 | Employers, large |
| | | 3 | Employers, small |
| | | 15 | Non-professional, own account |
| | | 16 | Farmers; employers and managers |
| | | 17 | Farmers, own account |
| 8 | Never worked | 21 | Never worked |
| Excluded | Armed forces, full-time students, NA | 19 | Armed forces |
| | | 20 | Students, full-time |
| | | 22 | No answer or inadequate description |

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