Pensions and Divorce: Exploratory Analysis of Quantitative Data

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Report of a MICRA Seedcorn Project supported by the Pensions Policy Institute

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By Dr Jennifer Buckley and Professor Debora Price

MANCHESTER 1824
The University of Manchester
Institute for Collaborative
Research on Ageing

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Chapter 1
Executive Summary

1. The aim of this project was to better understand the statistical and data landscape, to produce descriptive statistics, and to gain understanding of what statistical modelling might be possible in future research, to inform important social and policy questions about pension outcomes for divorcees.
2. After a scoping study of a range of datasets, we analysed the private and occupational pension wealth of people over the age of 30 from Round 6 of the Wealth and Assets Survey, covering April 2016 to March 2018, with records for 28,969 individuals, including 10,408 couples. This is the most recent data available and provides a current picture of pension accumulation in the UK as is relevant to divorcing couples and pension outcomes after divorce.

Pension inequality and marital status

3. Pension wealth is very unequally distributed. About 28 per cent of those over 30 have no private pension wealth at all. Median pension wealth is £29,492, increasing to £79,087 for those with some pension wealth, with a range from £0 to more than £8 million. Seventy-five per cent of those over 30 have accrued £155,000 or less in pension wealth
4. Men have substantially more private pension wealth than women, with disparities increasing across age groups. For those aged 65-69, median pension wealth for men is just over £212,000 compared to just £35,000 for women.
5. Married men have the most pension wealth. For the age group 45-54, married men have median pension wealth of about £86,000 compared with £40,000 for married women, at 55-64, the disparity is £185,000 compared with £55,800. Divorced men who are not cohabiting in the age group 45 – 54 have median pension wealth of £42,000 compared to similar women's £16,000, and in the age group 55 – 64 the disparity is £100,000 compared with £19,000 for similar divorced women.
6. People in second marriages have lower median pension wealth than those in their first but the gender disparities remain. At age 45-54, men in second marriages have median pension wealth of £68,000 compared with women's £30,000, and at 55-64, men in second marriages have median pension wealth of £162,000 compared with women's £50,000.
7. Divorced women's pensions are much lower than divorced men's. Divorced women not cohabiting in their late 60s have less than 30 per cent of the pension of equivalent men.
8. Between the ages of 30 and 50, women who are not married with dependent children, though employed, are less likely to be contributing to a pension (70 per cent) than women with dependent children who are married (82 per cent).

Pension wealth within couples

9. About 90 per cent of couples have some private and/or occupational pension wealth between them. More than half of couples have combined pension wealth above £140,000 and a quarter's combined pension wealth exceeds £435,000.
10. In about half of couples with pensions, one partner has 90 per cent of the pension wealth. Fewer than 15 per cent of couples have pensions that are approximately equal. These disparities vary little across the income and wealth distributions.
11. For households in the top 40 per cent by household income, median pension wealth exceeds median property wealth. For those in the highest income quintile, their median pension wealth exceeds £430,000, but their median net property wealth is approximately £325,000. This is especially likely to be the case for those living outside London and the South-East of England.

12. In the quartile with the highest household incomes, pension wealth is higher than property wealth in all regions bar London. In the highest income quintile, all regions show that pension wealth is on average substantially higher than property wealth (by about £400,000 - £500,000) but London again shows the effect of much higher property prices with a net surplus for pensions of around £200,000.

13. We conclude that there remains considerable potential for pension sharing when it comes to divorce, which could have a substantial impact on women's finances in later life. Moreover, any trade-offs between house and pension in divorce may not always be balanced as pension wealth can exceed property wealth for more pension-wealthy couples, especially outside London.

What data is available for further analysis?

14. At present, large scale representative social surveys are the only feasible source of the required information.

15. We reviewed seven major social surveys for their potential to inform these issues. We concluded that four datasets can potentially be used for analysis – the Wealth and Assets Survey (WAS), the English Longitudinal Study of Ageing (ELSA), Understanding Society: the UK Household Longitudinal Study (US), and the Family Resources Survey (FRS). However, all have shortcomings for the questions that we might want to consider that mean future research is likely to need to use multiple data sources.

Future research

16. It is probably not feasible with any of these major datasets to follow individual divorce transitions through and over time to understand pension outcomes. In WAS we will not observe sufficient transitions from marriage to divorce even across 5 Waves, and US, where we may observe more transitions, does not collect data about pension wealth.

17. However, we do have the capacity to examine pension outcomes by marital status with modelling that considers some of the complexity underlying the descriptive statistics presented here. In future research, we can further identify the long-term financial implications of divorce and the drivers of these outcomes – such as employment and caring responsibilities, and we can address questions of cohort change. We have the option of longitudinal analysis, which would allow us to examine different patterns of pension accumulation among divorced men and women, including trajectories after divorce. We can also seek to explore how the balance of pension wealth within couples varies across the population and the factors associated with this. This approach would need to consider the broader finances of couples; an especially interesting question here is how the asset mix changes across cohorts in response to changing patterns of homeownership and women's employment, and the impact of debt.

Chapter 2
Introduction

This report sets out the findings from a Manchester Institute for Collaborative Research (MICRA) seedcorn project supported by the Pensions Policy Institute (PPI). We set out to understand how we might assess the implications of divorce for pension provision and the later life welfare of divorcees in the UK. Despite this being a matter of significant social and policy importance, surprisingly there is almost no existing research on pension outcomes after divorce and such analysis as we do have is based on data that is now more than 15 years old.

This analysis follows the publication in July 2019 of the Pension Advisory Group (PAG) Report *A Guide to the Treatment of Pensions on Divorce*[1] where the paucity of research seeking to understand pension outcomes for divorcees was recognised.

Research Questions, Methods and Outputs

The aim of this seedcorn work was therefore to better understand the statistical and data landscape, to produce descriptive statistics, and to gain understanding of what statistical modelling might be possible in future research to inform important social and policy questions. In the project we asked three questions:

(1) What **data and datasets** now exist that are capable of informing issues of pension outcomes after divorce in the UK and in what ways;

(2) Descriptively, what can these data tell us about the **distribution of pension assets and pension contributions among couples prior to and after divorce;**

(3) What research should be undertaken going forward.

We scoped potential datasets for analysis to gain a detailed understanding of possible dependent and independent variables of interest, and a good idea of numbers for potential analysis including numbers of divorce transitions that we might observe over given periods in relevant datasets.

Using what we deemed the best available data, the Wealth and Assets Survey, we produce preliminary descriptive statistics that are nationally representative. This analysis makes use of linked data for couples that includes important couple level variables pertaining to pension and other assets.

The findings from the project were presented to a group of industry, professional and academic experts at a Pension Policy Institute organised Roundtable on the 1st July 2021. Insights from this discussion are incorporated into the conclusions of this report, which evaluates which research questions we can and should examine in future projects.

Background

There are approximately 100,000 divorces each year in England and Wales, with rates highest for people in their 40s. Divorcing parties will resolve their finances either informally by agreement, with the help of mediators or lawyers, or in a contested case before a Judge. If acting by themselves or with lawyers, it is open to them to file their agreement with a court, ensuring that it is binding and putting an end to any potential further argument over money and assets.

In 2000, the law changed to permit pensions to be shared on divorce, primarily to address concern over the poverty of older divorced women. The aspiration at the time was that this would happen in every case.[2] Since pension shares can only be achieved with a court order, official statistics[3] suggest that as of 2019, at most, 12 per cent of divorces results in some pension division. We know that men tend to

1 Pension Advisory Group, *A Guide to the Treatment of Pensions on Divorce: The Report of the Pension Advisory Group*, (Pension Advisory Group, 2019).

2 J Ginn & D Price, 'Do divorced women catch up in pension building?' (2002) *Child and Family Law Quarterly*, 14(2), pp. 157 – 174; D Price, 'Pension Sharing on Divorce: The Future for Women' in C Bochel, N Ellison and M Powell M (eds), *Social Policy Review 15: UK and International Perspectives (The Policy Press, 2003).*

3 Ministry of Justice, *Family Court Statistics Quarterly: January to March 2019 (Ministry of Justice, 2019).*

have very emotional attachments to their pensions and women to their houses, with women often willing therefore to make disadvantageous trades, if pensions are considered at all,[4,5] and we also know that solicitors report that they are often instructed by wives they are acting for to drop the case against the pension as the emotional and personal costs of the 'pension fight' are too high for their clients.[5] Woodward[6] showed in her study of 369 divorce court files that the fairness of pension outcomes was questionable in a significant proportion of the caseload examined.

These are matters of great concern to those with an interest in women's financial resilience and security in later life. This problem resulted in the formation of the Pension Advisory Group (PAG) endorsed by the President of the Family Division and the Family Justice Council. In the policy sphere, Insuring Women's Futures, a group of high-level executives from several leading insurance companies under the auspices of the CII have formed a Pensions on Divorce working group;[7] and Age UK has published a recent report on the issue.[8]

What don't we know?

Data from the 1990s and early 2000s revealed that divorced women's poverty rates in later life were profoundly high exceeding 40 per cent.[9] Analysis of 2006 data showed that for all women, being divorced and widowed significantly increased the odds of being in poverty and dependent on the state for income after pension age; and for women who had ever been mothers, divorce after age 45 especially, substantially increased the odds of women being in poverty (other things being equal).[10]

Currently however, there is much we do not know about these issues. Because official statistics do not disaggregate outcomes relevant to the issue of pensions on divorce by gender,[11] we know little about later life poverty rates and poverty risks for divorced women, how many divorced women live on the margins of poverty, older divorced women's benefits receipt, nor how any of these outcomes compare with similar men. We do not know about the drivers for these outcomes, especially the relative importance of marital status and single parenthood compared with other known drivers of poor pension outcomes, nor cohort change. We cannot tell how many women might reasonably expect to receive a pension share by way of divorce settlement; of those, how many women do; and what difference that receipt or non-receipt might make to their retirement prospects.

These are the kinds of questions which we hope to explore in more substantial research – this seedcorn project is to inform us how we might feasibly do this, and which questions we can credibly answer, as well as providing descriptive statistics which are sorely needed.

4 R Joseph & K Rowlingson 'Her House, His Pension? The Division of Assets Among (Ex-) Couples and the Role of Policy (2012) *Social Policy and Society,* 11(1), 69-80; Pension Advisory Group, *Online Survey of Solicitors and Pension on Divorce Experts: Supplementary Material, Report of the Pension Advisory Group (Pension Advisory Group, 2019).*

5 Pension Advisory Group, *A Guide to the Treatment of Pensions on Divorce: The Report of the Pension Advisory Group*, (Pension Advisory Group, 2019).

6 H Woodward 'Everyday Financial Remedy Orders: Do They Achieve Fair Pension Provision on Divorce' (2015), *Child & Family Law Quarterly, 27*, p.151.

7 J Portas, *Living a Financially Resilient Life in the UK. Insuring Women's Futures' Manifesto: The Full Report (Insuring Women's Futures 2020).*

8 Age UK, *For Love and Money: Women's Pensions, Expenditure and Decision-Making in Retirement (Age UK, 2018).*

9 D Price and J Ginn, 'Sharing the Crust? Gender, Partnership Status and Inequalities in Pension Accumulation' in *Gender and Ageing: Changing Roles and Relationships (Open University Press, 2003); D Price, 'Why are older women in the UK poor?', Quality in Ageing (2006)*, 7 (2), pp. 23 – 32.

10 D Price, K Glaser, J Ginn and M Nicholls, 'How Important Are State Transfers for Reducing Poverty Rates in Later Life?' (2016) 36 *Ageing and Society, pp. 1794-1825.*

11 Office for National Statistics, Households below average income (HBAI) statistics (Office for National Statistics, 2021). Office for National Statistics, Pensioners' Incomes Series statistics (Office for National Statistics, 2021).

Chapter 3
Analysis of the Wealth and Assets Survey

This section presents descriptive statistical insight into the distribution of private and occupational pension assets by marital status and the pension wealth of couples. The analysis is based on the most recent data from the Wealth and Assets Survey (WAS)[12] conducted by the Office for National Statistics (ONS). Using this large representative sample of Great Britain, we can estimate differences in pension wealth by marital status, which gives us insight into both the impact of divorce on pension outcomes, and whether there are disparities in pension wealth that suggest a continued need for pension sharing. Then, analysing the distribution of pension wealth among couples and its relationship to household income and property wealth, we gain insight into the potential imbalances in pension wealth within couples that may need to be considered during divorce.

The Wealth and Assets Survey

We set out our review of data sources in Chapter 4 of this report. Our review identified the Wealth and Assets Survey (WAS) as containing the best currently available data for answering questions about pensions and divorce. The Wealth and Assets Survey (WAS) is a nationally representative longitudinal survey of private households in Great Britain. It was launched in 2006 with 30,000 households to meet a need for data on the well-being of households and individuals in terms of their assets, savings, debt, and planning for retirement. WAS collects detailed data on private and occupational pension assets including amounts accrued in different schemes (Defined Benefit, Defined Contribution and Additional Voluntary Contributions), retained rights in different schemes (DB and DC, up to two schemes), schemes where individuals are drawing down, and pensions expected from former spouses. The only other large social survey with data on individual pension wealth is the English Longitudinal Study of Ageing (ELSA), which collects data only from those aged 50 and over. Other representative social surveys with information on household finances ask only if respondents contribute to a pension scheme.[13] As such WAS is the most extensive source of data on the pension wealth of the population.

In addition to the data on pension wealth, WAS has other features that make it apt for gaining insight into pensions and divorce. The survey collects data about many socio-demographic factors relevant to pensions outcomes such as income and employment, and details of dependants. WAS collects data from all members of a household making it possible to link couples and examine the distribution of pension wealth within couples. A couple's pension wealth can also be examined alongside other household characteristics including income and other assets such as property wealth. Second, the longitudinal element means that although we do not do so in this analysis, there is potential to examine divorce transitions and change in the distribution of pension wealth through divorce.[14]

To address questions about the distribution of pension wealth by marital status and within couples, we use the latest data available from WAS, which is Round 6. Round 6 covers the period from April 2016 to March 2018, with data from approximately 18,000 households comprising around 35,600 individuals.[15] The dataset includes a weight adjusting for non-response and calibrated to population totals (defined by age, sex and region). We restrict our analysis to those 30 and over as those younger than 30 tend to be single, not cohabiting, and to have accrued very little pension wealth. These characteristics mean there are too few cases to support analysis of this younger age group across marital status categories. Additionally, when combined with older groups, they distort the proportions of married and divorced

12 Office for National Statistics, Social Survey Division. Wealth and Assets Survey, Waves 1-5 and Rounds 5-6, 2006-2018. (2020). [data collection]. 13th Edition. UK Data Service. SN: 7215, http://doi.org/10.5255/UKDA-SN-7215-13

13 Other surveys also include information about incomes from pensions.

14 Issues with the feasibility of such an analysis are discussed in Chapter 4.

15 WAS now collects data in Rounds that cover a two-year period of data collection aligned with the tax year (previously, data was collected in Waves covering a two year period from July to June).

as well as calculations of average pension wealth. For those 30 and over, Round 6 contains records for 28,969 individuals and 20,816 individuals who have partners in the dataset: allowing linking of information for 10,408 couples.

Using information available within WAS, we can identify twelve categories of marital and relationship status, including those divorced, those that are divorced and cohabiting, and those that have re-married. Table 1 presents the distribution of these groupings among those aged 30 and above by age group and sex. People in first marriages, and single (never married) and not cohabiting, are the most common marital statuses, with around 56 per cent of men and 51 per cent of women over 30 in a first marriage, and 14 per cent of men and 11 per cent of women over 30 single (never married) and not currently cohabiting. Twenty-two per cent of men and 17 per cent of women over 30 have never been married. Around eight per cent of men and 11 per cent of women are divorced (about a fifth to a quarter of whom are currently cohabiting), and around eight per cent of men and seven per cent of women are in second or subsequent marriages. Though all marital status categories could affect pension wealth accumulation, some categories cannot be examined in detail owing to low numbers of cases, especially when differentiating by factors such as age and sex. Categories with cell counts too low for reliable results are excluded in parts of our analysis for this reason. Low numbers are denoted in Table 1 by an asterisk, and include younger widows, older cohabiters, those separated and cohabiting, and those in civil partnerships or former civil partners.

Table 1: Relationship status – percentage in each group by age (30+) and sex

Male	30-44	45-49	50-54	55-59	60-64	65-69	70+	Total
Single (never married), not-cohabiting	22%	17%	12%	12%	10%	8%	5%	14%
Single (nm), cohabiting	16%	8%	8%	4%	*	*	*	8%
Married (first)	56%	58%	55%	53%	56%	59%	56%	56%
Married (second+)	2%	7%	12%	12%	13%	14%	11%	8%
Separated, not cohabiting	*	*	*	*	*	*	2%	2%
Separated, cohabiting	*	*	*	*	*	*	*	<1%
Divorced, not cohabiting	*	4%	5%	8%	8%	9%	6%	5%
Divorced, cohabiting	*	*	4%	5%	4%	3%	2%	3%
Widowed, not cohabiting	*	*	*	*	*	5%	17%	4%
Widowed, cohabiting	*	*	*	*	*	*	*	*
Civil Partnership	*	*	*	*	*	*	*	*
Former Civil Partner	*	*	*	*	*	*	*	*
N	2772	1289	1369	1477	1441	1660	3937	13945
Female								
Single (never married), not-cohabiting	19%	14%	10%	8%	5%	4%	5%	11%
Single (nm), cohabiting	14%	6%	5%	3%	*	*	*	6%
Married (first)	57%	54%	52%	51%	53%	54%	40%	51%
Married (second+)	3%	8%	10%	12%	12%	12%	6%	7%
Separated, not cohabiting	3%	*	*	*	*	*	*	3%
Separated, cohabiting	*	*	*	*	*	*	*	<1%
Divorced, not cohabiting	*	9%	12%	16%	14%	14%	9%	9%
Divorced, cohabiting	*	4%	4%	3%	3%	*	*	2%
Widowed, not cohabiting	*	*	*	3%	7%	11%	37%	10%
Widowed, cohabiting	*	*	*	*	*	*	*	*
Civil Partnership	*	*	*	*	*	*	*	*
Former Civil Partner	*	*	*	*	*	*	*	*
N	3188	1416	1526	1533	1623	1843	3895	15024

Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018)
http://doi.org/10.5255/UKDA-SN-7215-11, *Authors' analysis*
Totals are unweighted bases. Percentages based on weighted data
** fewer than 50 cases*

Pension wealth

For pension wealth, we use a measure derived by the Office for National Statistics measuring total pension wealth other than state pensions.[16] With this total pension wealth variable, ONS aim to include wealth in all private and occupational pensions. Wealth in defined contribution (DC) schemes can be provided directly by the survey respondents. For wealth in defined benefit (DB) pension schemes, ONS use a formula to derive a figure to represent the value of the benefit entitlement for DB schemes and private pensions in payment. The formula uses age-specific annuity factors at normal pension age, annual pension income defined by accrual fraction, individuals' tenure in the scheme, and individual gross pay at the time of interview. The investment return is set at the Superannuation Contributions Adjusted for Past Experience (SCAPE) rate, which is set at 3 per cent above the Consumer Price Index (CPI)[17]. This approach to estimating wealth in a DB scheme allows for comparison of wealth in DC and DB schemes.[18]

WAS encourages interviewees to consult recent statements from their pension provider to improve the accuracy of collected information about pensions. Other quality assurance methods are used during the interview and after collection through outlier detection and comparisons of the data between waves and rounds. The survey team investigate data that are identified as possible errors. Revisiting respondents in subsequent waves provides the opportunity to confirm previous waves' data – important for respondents whose previous waves' interviews were given by proxy.

Total private pension wealth excludes state pensions. This means that for some with substantial accrual of contracted out state pensions under legacy schemes, this variable will underestimate their accrued pension wealth. While becoming less of a differential over time with the introduction of the new State Pension, men still have on average far higher additional state pension accrual than women, and so gender disparities may be slightly underestimated.

Table 2 summarises the distribution of private pension wealth for adults over 30 and for adults over 30 with some pension wealth. The figures demonstrate the unequal distribution of private pension wealth. About 28 per cent have no private pension wealth at all. Among all those over 30, median private pension wealth is £29,492, increasing to £79,087 for those with some pension wealth. But the range of amounts accrued varies from £1 to over £8 million. Around 40 per cent of those over 30 with private pension wealth have accumulated over £120,000 but 75 per cent of those over 30 have £155,000 or less.

16 Office for National Statistics, *Wealth and Assets Survey User Guide Round 6 (UK Data Service SN: 7215, 2020),* https://beta.ukdataservice.ac.uk/datacatalogue/studies/study?id=7215#!/documentation, last accessed 15 January 2021.

17 Ibid 48-49.

18 The valuation of Defined Benefit (DB) pension schemes is difficult, and the methods used to value a DB pension for divorce purposes may be different. This issue would affect our ability to measure pension sharing on divorce directly using data like the Wealth and Assets (WAS); however, it does not impact substantially on the analysis presented here.

Table 2: Individual private pension wealth, adults 30+

		All adults 30+	Adults 30+ with pension wealth
*Mean		150,587	208,596
Median		29,492	79,087
Minimum		0.00	1
Maximum		8,325,371	8,325,371
% with some pension wealth		72	100
Percentiles	20	-	12,600
	25	-	19,876
	40	9,501	49,326
	50	29,492	79,087
	60	61,671	122,269
	75	155,000	245,953
	80	216,056	317,432
n=		26,020	21,831

Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018)

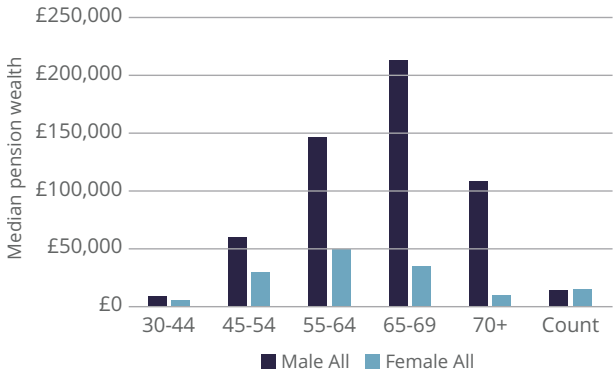
http://doi.org/10.5255/UKDA-SN-7215-11; authors' analysis

**A note on mean values in WAS: As wealth is highly skewed towards the top, the survey was designed to pick up the very wealthy. However, this means that the sample now contains some very wealthy outliers. All such cases are thoroughly checked and, as a result, they are included in the survey results. Given the skewed nature of wealth data and the effect that outliers can have on parametric estimates, the Wealth in Great Britain statistical bulletin and the associated background tables do not generally report mean values. Instead, they use the median values to report central tendency (this is not possible for physical wealth estimates because of how physical wealth data are collected).*

Disparities in private pension wealth

Pension wealth is not equally distributed. Figure 1 shows median pension wealth by age and sex. We use the median as the measure of average wealth, as the mean is influenced by the small numbers who have extremely high pension wealth. Median pension wealth is the wealth of the middle person in each category. As expected, average pension wealth increases by age up to the 65-69 age group, after which the data reflects decumulating pension savings. In addition to increasing wealth by age, we find substantial differences by sex. Men have substantially more private pension wealth than women. These substantial gender disparities in average pension wealth increase across the age groups. For those aged 65-69, the median pension wealth for men is just over £212,000 compared to £35,000 for women.

Figure 1:
Gender disparities in pension wealth by age

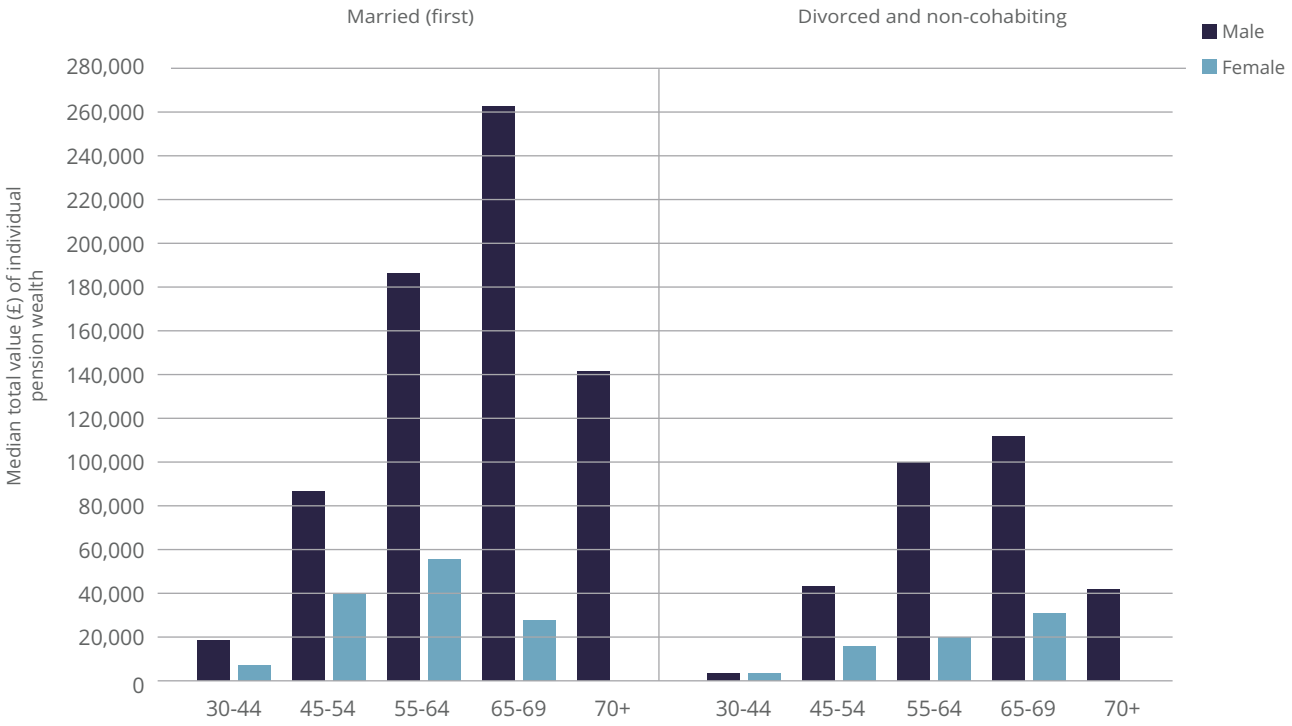


n=28,969 (unweighted base). Weighted data.

Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018): http://doi.org/10.5255/UKDA-SN-7215-11 ; author's analysis

Looking at average pension wealth by marital and relationship status, married men tend to have more private pension wealth on average compared to men in other marital status categories and women. Figure 2 shows data for those married and those divorced and non-cohabiting by age and sex. Comparing married men to married women, for the age group 45-54, married men have median pension wealth of about £86,000 compared with £40,000 for married women. At 55-64, the disparity of median pension wealth within marriage is £185,000 compared with £55,800 – pension wealth more than three times higher for married men than women. If we look at divorced non-cohabiting men in these two age groups, their median pension wealth at 45-54 is £42,000 and at 55-64 £100,000, compared with women's £16,000 and £19,000, respectively.

Figure 2: Median pension wealth of those married and those divorced by age (30+) and sex



n=28,969 (unweighted base). Weighted data.

Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018): http://doi.org/10.5255/UKDA-SN-7215-11; authors' analysis

Further insight into gender disparities and differences by marital status is given by Table 3, which shows median private pension wealth across all marital status groups by age and sex. Here we see that while the smaller group of divorced cohabiting men and women seem to have similar pension wealth at 45-54, in their late 50s, the men have median pension wealth of £114,500 compared with women's £55,000. Both men and women in second marriages have lower median pension wealth than those in their first but the gender disparities are the same. At age 45-54, men in second marriages have median pension wealth of £68,000 compared with women's £30,000 and at 55-64, men in second marriages have £162,000 compared with women's £50,000.

Table 3: Median £ value of individual private pension wealth according to age, sex, and marital status

Male	30-44	45-54	55-64	65-69	70+	Count
All	9,407	60,210	147,224	212,702	108,158	13,945
Single (never married), not-cohabiting	1,000	16,565	83,851	98,283	88,797	1,534
Single (nm), cohabiting	6,896	21,957	36,427	*	*	816
Married (first)	18,760	86,049	184,805	260,860	140,695	7,986
Married (second+)	13,100	68,000	162,052	173,034	103,080	1300
Separated, not cohabiting	*	16,000	98,000	*	24,947	244
Divorced, not cohabiting	*	42,563	100,000	110,867	41,918	756
Divorced, cohabiting	*	29,590	114,456	159,783	93,752	430
Widowed, not cohabiting	*	*	77,313	85,356	61,156	745
Female						
All	5,660	30,000	49,410	35,054	9,765	15,024
Single (never married), not-cohabiting	1,642	12,000	34,999	256,877	44,423	1,302
Single (nm), cohabiting	2,500	33,000	196,128	*	*	723
Married (first)	8,604	40,000	55,757	28,111	0	7923
Married (second+)	20,226	30,258	50,000	44,999	0	1,255
Separated, not cohabiting	871	7,500	50,693	0	11,500	325
Divorced, not cohabiting	4,000	16,164	19,000	31,271	0	1,363
Divorced, cohabiting	7,000	29,822	55,256	*	*	410
Widowed, not cohabiting	*	*	91,894	72,200	28,872	1,569

n= 28,969 (unweighted base)

Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018), http://doi.org/10.5255/UKDA-SN-7215-11; authors' analysis

Weighted data (individual weight)

** fewer than 50 cases. Separated (cohabiting), widowed (cohabiting), civil partners and former civil partners not shown due to low numbers in each age group.*

From Table 3, the main exception to the gender disparity noted concerns single, never married females aged 65-69, whose average pension wealth matches that of married men. The figures should be taken with some caution, however, as they are based on only 76 applicable cases, 14 of which have zero pension wealth. Nevertheless, this echoes earlier findings by Price[19] that in older cohorts at least, women who never married accumulated substantially higher pensions than those who had ever married. This difference is very likely to be because among these cohorts, never-married women were unlikely to have children. This pattern is likely to be subject to some cohort change due to changing norms of unmarried parenthood.

Differences in pension wealth by sex and marital status extend beyond the median. Tables A1 and A2 in the Appendix show differences in pension wealth at the 25th and 75th percentiles. For women aged between 45 and 65, pension wealth at the 25th percentile is zero or close to zero. At the 75th percentile of pension wealth, and so even among the pension-wealthy, very wide gender disparities remain, with, for example, divorced women who are not cohabiting having pension wealth of £127,000 compared with divorced men's £244,000 in the 45-54 age group, and £252,000 to divorced men's £368,000 among 55-64 year-olds.

Both divorced men and women tend to be worse off in pension terms than the married, but divorced women's pensions are much lower than divorced men's. Divorced women, not cohabiting, in their late 60s have less than 30 per cent of the pension of equivalent men. We therefore see no evidence, cross-sectionally at least, that divorced women have significantly better pension wealth than married women, which might be expected from pension sharing on divorce. Indeed, we see the opposite pattern. The lower pension wealth of divorced men compared to married men's pensions may result from divorced men's pension assets being redistributed on divorce. However, other factors will also be operating. For instance, it could be that men with less pension may be more likely to divorce in the first place. We also find that, in terms of pension wealth, men in second marriages and who are divorced and cohabiting look more like those who are married than divorced women do. Reasons for this pattern could be that those with less pension wealth are less likely to marry or cohabit after divorce or that many in this group divorced when they were younger and have had time to re-accumulate pension post-divorce. To examine these theories, we would need longitudinal analysis to understand trajectories pre- and post-divorce.

Differential contribution rates

To obtain some initial insight into how men and women might improve their pension after divorce, we examine how rates of currently contributing to a pension vary by marital status, sex and age among those employed. The figures, reported in Table 4, also distinguish for people under 50, whether they have dependent children at home, as this is likely to be a significant driver in understanding capacity to contribute to a pension. The results show that a majority of employed women both married and divorced are contributing to a private or occupational pension. However, between the ages of 30 and 50, women who are not married with dependent children, though employed, are less likely to be contributing to a pension (70 percent) than women with dependent children who are married (82 percent). Similarly, the lowest rates of contributing to a pension are among single women with dependent children.

It is less clear what is happening with divorced men in this age group. On the one-hand, we have divorced men, not-cohabiting and without dependent children, likely to have a comparable contribution rate to married men (though the confidence interval indicates the rate could be higher or lower). On the other-hand, divorced men who are cohabiting in households without children have a lower contribution rate. For employed and divorced men with dependent children in the household we have too few cases to estimate a rate. For the employed

19 D Price, 'Why are older women in the UK poor?' (2006) *Quality in Ageing*, 7 (2), pp. 23 – 32.

in this age group, the clearest finding is that divorce combined with dependent children has an impact on women saving into a pension.

Among those in their 50s, married men have the highest rate of contributing to a pension, with 80 per cent of those employed currently contributing. Estimates are lower for all other groups but with wide confidence intervals most of the differences are not statistically significant. Though uncertain, it seems that for those employed, both divorced men and married and divorced women are likely to be contributing to a pension; however, their rates of participation may be lower than for married men Further research is needed to get a more accurate picture of contribution rates by marital status and to understand how caring responsibilities, wage gaps and employment histories drive these patterns.

Table 4: Proportion of those currently contributing to a pension for those currently employed, by age, sex, marital status and dependents

		Male		Female	
		% (95% CL)	n	% (95% CL)	n
Aged 30-50					
Single (non-co-habiting)	No dependent children	**76%** (73%-79%)	354	**80%** (76%-84%)	320
	Dependent children	*		**61%** (55%-67%)	149
Married (first)	No dependent children	**81%** (77%-84%)	267	**83%** (80%-86%)	430
	Dependent children	**81%** (79%-83%)	1219	**82%** (80%-84%)	1440
Divorced and non-cohab-iting	No dependent children	**81%** (71%-90%)	43	**75%** (62%-83%)	47
	Dependent children	*	*	**70%** (60%-77%)	79
Divorced and cohabiting	No dependent children	**71%** (55%-84%)	27	**82%** (65%-92%)	26
	Dependent children	*	*	**71%** (57%-83%)	32
Aged 50-60					
Single (non-cohabiting)		**76%** (69%-82%)	134	**68%** (60%-76%)	98
Married (first)		**80%** (78%-82%)	879	**76%** (73%-78%)	803
Divorced and non-cohabiting		**74%** (64%-81%)	79	**76%** (71%-81%)	207
Divorced and cohabiting		**72%** (62%-81%)	76	**71%** (61%-81%)	67

n=10,236 (unweighted base)

Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018), http://doi.org/10.5255/UKDA-SN-7215-11; authors' analysis

Weighted data (individual weight)

** fewer than 25 cases.*

The inequality of pension wealth within couples

We now turn to consider pension wealth among married couples. Linking data for couples, we can examine their combined pension wealth. The aim is to better understand the imbalance of pension wealth that may need to be considered in divorce proceedings. Table 5 shows the distribution of total private pension wealth within couples where both parties are aged 30 or over. Around 89 per cent of couples have some pension wealth between them. More than half of couples have combined pension wealth above £140,000 and a quarter's combined pension wealth exceeds £435,000.

Table 5: Distribution of couple's combined pension wealth (£), adults aged 30+

Mean		334,174
Median		140,000
Minimum		-
Maximum		9,112,172
% with private pension wealth		89%
Percentiles	20	12,326
	25	26,064
	40	84,406
	50	140,000
	60	221,423
	75	435,462
	80	557,778

n=10,408 (unweighted base)

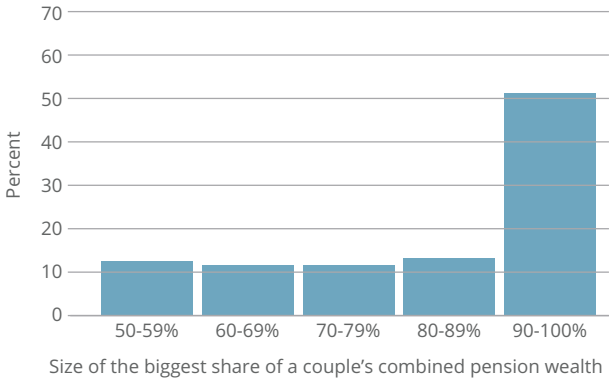
Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018)

http://doi.org/10.5255/UKDA-SN-7215-11 ; authors' analysis

Weighted data (household weight)

Most couples have some pension wealth between them but do partners tend to have a similar amount? In Figure 3, we look at the share of combined pension wealth held by the partner with the biggest share of the couple's combined wealth. Possible values go from 50 per cent, where they have the same share as their partner, to 100 per cent, where they have all the pension wealth. The values show that the situation where one partner has at least 90 per cent of the pension wealth applies to around 50 per cent of couples with some pension wealth. More even splits of pension wealth are relatively uncommon with less than 15 per cent of couples having a split more equal than 60-40.

Figure 3: How big is the biggest share of a couple's combined pension wealth? Percent of couples by the size of the biggest share of a couple's combined pension wealth



n=9,523 (unweighted base)

Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018)

http://doi.org/10.5255/UKDA-SN-7215-11 ; authors' analysis

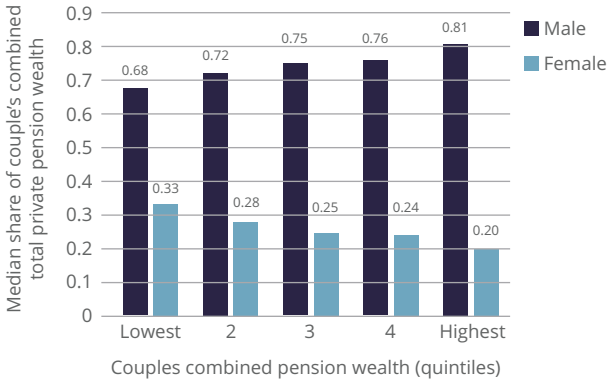
Weighted data (household weight)

In further analyses (Table Figure A1 in the Appendix), we look at these couple disparities in pension wealth across the distribution of combined pension wealth, i.e., from couples with very low combined pension wealth to couples with very high pension wealth. We find the disparity is slightly less among pension wealthy couples, which we would expect as combined pension wealth will be higher when both contribute. However, even among pension-wealthy couples, disparities are common. If we look at couples in the top 40 per cent of the distribution, where combined pension is about £221,000 or more, 40 per cent have one person with at least 90 per cent of the pension wealth.

Age and gender disparity in pension wealth within couples

As women tend to have lower pension wealth, it is foreseeable that we find a gender dimension to this imbalance in pension wealth within couples. In Figure 4, we show how the average (median) share of a couple's combined pension wealth varies by sex across the whole distribution of combined pension wealth. Men's share increases on average as combined wealth increases. While both couples having a pension contributes to that couple having greater combined pension wealth, even among those in the highest quintile for pension wealth, the median share of pension for a man is in the region of 80 per cent. This means that 50 per cent of men in these wealthier couples have more than 80 per cent of the couples' pension wealth. In the lowest pension wealth quintile, it is still the case that 50 per cent of men have more than about 70 per cent of the combined pension wealth. We can add some numbers to contextualise this disparity; for instance, women in couples from the middle of the combined pension wealth distribution have about 25 per cent of the couples' combined pension wealth. Average pension wealth at this point of £140,000, so that is £35,000 to £105,000.

Figure 4: Median share of a couple's combined pension wealth by sex for each quintile of couple's combined pension wealth.



n=28,816 (unweighted base). Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018). http://doi.org/10.5255/UKDA-SN-7215-11 ; authors' analysis

Weighted data (household weight)

Couples most commonly divorce in their 30s and 40s.[20] Considering the sharing of pensions on divorce, it becomes important to understand the couple differentials in pensions at different ages. For instance, prior to having children, partners may accrue pension more evenly. Table 6 reports average individual shares of a couple's combined private pension wealth by age, sex, and marital status. Men are likely to have more private pension wealth than their partner at all ages and in all marital statuses. The median individual share for men is 0.75, revealing that half of men have at least 75 per cent of the couple's pension wealth. The gender imbalance applies to both married and cohabiting couples, but the inequality is more pronounced within married couples and in older age groups.

20 See tables 1, 3a and 3b in Office for National Statistics, *Divorces in England and Wales: 2019 (Office for National Statistics, 2020),*

Table 6: Median individual's share of the total pension wealth among a couple by marital status and sex, adults aged over 30

		Male	Female
All		0.75	0.24
16-44	Married	0.63	0.32
	Cohabiting	0.59	0.35
45-54	Married	0.75	0.25
	Cohabiting	0.59	0.39
55-64	Married	0.78	0.24
	Cohabiting	0.69	0.43
65-69	Married	0.83	0.14
	Cohabiting	0.77	0.44
70+	Married	0.91	0.04
	Cohabiting	0.55	0.13

n= 19,046

Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018) http://doi.org/10.5255/UKDA-SN-7215-11: authors' analysis

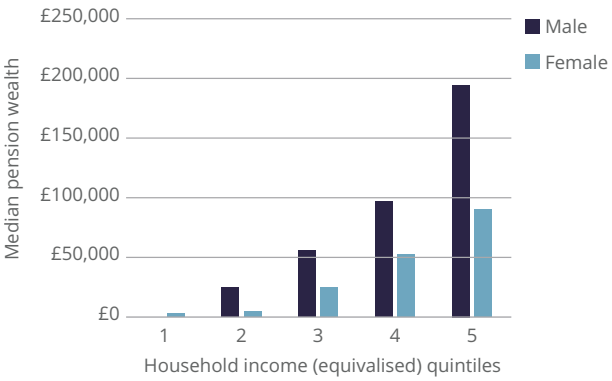
Weighted data (individual weight)

Notes: Figures calculated for those in couples with some combined pension wealth. Figures for males and females within an age band should not be expected to sum to 1 as couples can consist of individuals from different age groups and from the same sex.

Pension wealth in the context of household income and property wealth

In the context of divorce and pension sharing, the whole picture, including income and property, needs to be looked at when considering financial division on divorce. Figure 5 shows that median pension wealth increases by household income. For this analysis, we use a measure of equivalised household income that adjusts for the number of people living in the household and their ages, used by the ONS to make income data more comparable across households. Household income is also represented by quintiles, which groups households into 5 groups of 20 per cent from the bottom 20 per cent to the highest 20 per cent. Pension wealth is primarily held by households in the top 60 per cent of the income distribution. The gender disparities in average pension wealth appear and widen across the distribution of household income.[21]

Figure 5: Median pension wealth (£) by household income (equivalised) quintiles and sex



n=28,969 (unweighted base). Weighted data.

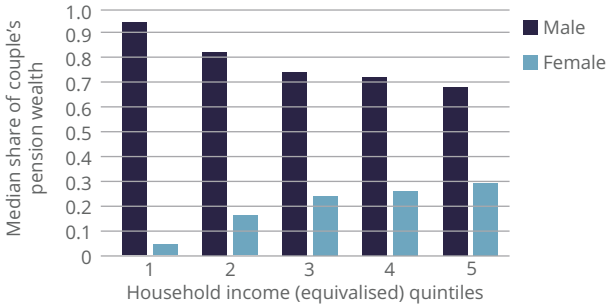
Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018): http://doi.org/10.5255/UKDA-SN-7215-11; authors' analysis

Next, to consider this larger financial picture at the couple level, we examine the gender disparities in shares of a couple's pension wealth across the distribution of household income (Figure 6). In each quintile, men are more likely to have the greater share of a couple's combined private pension wealth. Women's share is much lower on average but is likely to be greater in higher income households. This suggests a degree of pension homogamy within marriage – that those higher-earning women who do have pensions are likely to be partnered with higher-earning men who also have pensions. Even so, women in the top 40 per cent of households by income have a median share of around 30 per cent of

21 Age is likely to be contributing to this pattern as younger groups have less pension wealth and lower incomes. The distribution of pension wealth by income may vary within age groups. Additionally, we may find gender disparities in pension wealth by household income vary across age groups.

the couple's pension wealth. This means that at least 50 per cent of men across the income scale will have 70 per cent or more of the couple's pension wealth.

Figure 6: Median share of a couple's combined pension wealth by sex and household income



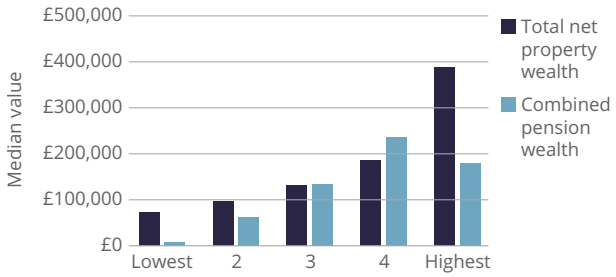
n=28,816 (unweighted base). Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018). http://doi.org/10.5255/UKDA-SN-7215-11; authors' analysis

Weighted data (household weight)

We therefore have wide gendered pension disparities within couples at the higher end of the income distribution, where the value of pensions will be higher and where couples are more likely to be involved in the family justice system for financial resolution of divorce. But the analysis here shows gendered disparities in pension wealth at the lower end of the household income distribution too. These disparities suggest it could be very important to examine pension wealth at the point of divorce for all couples. Pension sharing could make a marked difference to couples who have not accumulated much else, and who do not normally access the services of divorce lawyers.

In the context of divorce, housing wealth is often the primary asset considered. However, to understand how important it might be also to be cognisant of divorcing couples' pension wealth, we examine the relative contributions that property and pensions make to couples' wealth. Figure 7 shows that both pension wealth and non-pension property wealth increase by household income.[22] However, perhaps surprisingly, as shown in Figure 7, for households in the top 40 per cent by household income, median pension wealth exceeds median property wealth. For those in the highest income quintile, their median pension wealth exceeds £430,000, but their median net property wealth is approximately £325,000.

Figure 7: Median property wealth and median combined pension wealth by household income (equivalised) quintiles, for couples of adults aged 30+



n=10,408 (unweighted base). Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018). http://doi.org/10.5255/UKDA-SN-7215-11; authors' analysis

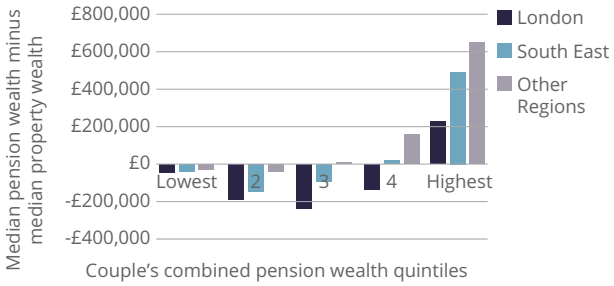
Weighted data (household weight)

The values in Figure 7 relate to average wealth for couples at different points of the income distribution. However, to understand the joint distribution of property and pension wealth for individual couples, we consider the difference for each couple between their combined pension wealth and their property wealth by subtracting property wealth from pension wealth. A positive value indicates the pension is worth more than the property and a negative value means that the property is worth more than the pension.

22 For this analysis we also use household level data including net property wealth (HpropWWx). Net property wealth is the sum of all property values minus value of all mortgages and value of amounts owed because of equity release.

Figure 8 shows the median values for these figures for couples at each pension wealth quintile. Given the regional variation in property values, we split couples to show regional variation between London, the South East and other regions.

Figure 8: Median pension wealth minus property wealth for couples by total combined pension wealth in quintiles and region



n=10,408 (unweighted base). Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018). http://doi.org/10.5255/UKDA-SN-7215-11; authors' analysis

Weighted data (household weight)

These average figures suggest that for couples with the least pension wealth, on average they have more property wealth than pension wealth. In contrast, pension wealth is likely to exceed property wealth for the 40 per cent of couples with greatest pension wealth, and the top 20 per cent especially. When shown according to region, the distorting effect of property prices in London becomes apparent. In the middle quintile of pension wealth (where median combined pension wealth is about £140,000 as shown in Table 4), pension wealth and property wealth are close in value in regions other than London and the South East.[23] In the 4th quartile, pension wealth is higher in all regions bar London. In the highest quintile, all regions show that pension wealth is on average substantially higher than property wealth (by about £400,000 - £500,000) but London again shows the effect of much higher property prices with a net pension wealth surplus of around £200,000.

Summary of findings

The analysis shows we continue to observe large gender disparities in pension wealth among those married for the first time and among those married for the second time and those divorced. Divorced men and women have less pension than their married equivalents. But with substantial gender disparities we find divorced women's pensions are worryingly low. Divorced women with dependent children, even if employed, remain less likely to be contributing to a pension, which may further compound the disparities in pension wealth.

At population level, there is very little evidence to suggest that any real re-balancing of pension wealth is occurring at divorce. Yet looking at the distribution of pension wealth among couples, we find that most couples have some pension wealth between them and the distribution tends to be very unequal; with women on average having 25 per cent of a couples combined pension wealth. Many people, and primarily women, may become reliant on pension income from a partner for their economic welling in retirement. There therefore remains considerable potential for pension sharing when it comes to divorce, which could have substantial impact on women's finances in later life. Moreover, any trade-offs between house and pension may not always be balanced as pension wealth can exceed property wealth for more pension wealthy couples, especially outside London.

23 Further analyses of all Government Office Regions (not shown) indicates that in London, the South East, South West and East of England, property wealth exceeds pension wealth in the middle quintile while in other regions pension wealth is greater. For related findings based on court file data, practitioner interviews and focus groups with judges, see E Hitchings and J Miles, 'Rules versus Discretion in Financial Remedies on Divorce' (2019) *33 International Journal of Law, Policy and The Family 24.*

Chapter 4
What can quantitative data tell us about pensions and divorce?

One aim of this seedcorn project was to gain insight into the questions we can credibly explore in a larger research project by scoping the data available that is capable of informing issues of pension outcomes after divorce in the UK, Great Britain, or England. We used the latest data from the Wealth and Assets Survey (WAS) to provide descriptive statistics as WAS is one the most detailed sources of data on pension wealth. However, our scoping of the data landscape identifies limitations in the capacity of WAS to inform about pensions and divorce. As a result, future research may need to use multiple data sources.

Three approaches to using quantitative data to examine pensions and divorce

When reviewing data sources, it is useful to distinguish three broad approaches to using quantitative data to better understand pension wealth and divorce. First, we can examine *pension outcomes by marital status,* in particular the pensions of divorced men and women relative to never married, married and widowed women, including whether they had ever been through a divorce and whether currently cohabiting. This approach gives insight into the potential (short- and long-term) effects of divorce on pension outcomes, and if pension sharing orders are still needed or not.

A second approach is to examine the ***distribution of pension wealth (and other assets) among married couples***. This approach leads to insight into imbalances in wealth that need to be considered during divorce procedures; therefore, the extent of the issue that needs to be addressed.

For a third approach, we can examine *couples and divorce transitions to* ***understand how pension assets (and other assets) are distributed before and after divorce***. This approach gives direct insight into what is happening to pensions on divorce.

Data requirements

Each of the approaches above require different data, and the ability of datasets to fulfil these data requirements will determine what research questions can credibly be explored. We can consider data requirements involving three main aspects. There is a need for information about pension wealth and, as pension wealth cannot be considered in isolation, other assets and income belonging to individuals and couples. All approaches require information about marital status, which is common in social surveys. However, an extension of this requirement is marital histories. It is not enough to know someone's marital status at one point in time when trying to understand divorce outcomes. Additionally, approaches 2 and 3 require linkable data about both partners. Finally, for all approaches, the depth of information we get from analysis will depend on the having information about all other relevant factors we need to consider. Most notably, individual employment and earnings information, and fertility histories. Other relevant information includes details about household income and tenure, geographical information and potentially also attitudinal data around finances, retirement and gender expectations.

Data sources

At present, large representative social surveys are the only feasible source of the required information. We reviewed seven major social surveys to see how they fulfil the requirements outlined above. Following an initial sorting based on the presence of any data relating to pensions for a large sample, we considered the following surveys in more detail.

- Wealth and Assets Survey
- English Longitudinal Study of Ageing (ELSA)
- Understanding Society: the UK Household Longitudinal Study
- Family Resources Survey

Pensions and other assets

Information about pensions is essential with variables that could be of interest including pension wealth, scheme type, whether contributing to a pension and contribution levels. Most ideal for the approaches outlined above are details of a person's accumulated pension wealth. However, we identify only two representative surveys collecting data on pension wealth. The Wealth and Assets Survey (WAS) and the English Longitudinal Study of Ageing (ELSA). ELSA only applies to adults over the age of 50 in England. Both surveys use methods to improve reliability of collected information and to impute missing values. Beyond the different populations, a main difference is that ELSA includes an estimate of state pension wealth both individually and as part of a total pension wealth variable[24], while WAS includes only data for private pension wealth. In both cases, formulae are used to derive values for Defined Benefit (DB) schemes. ELSA includes more options for adjusting assumptions about future employment and likely pension wealth on retirement. Both ELSA and WAS include information about other assets such as financial and housing assets. ELSA and WAS are also longitudinal studies, which offer the opportunity to examine change in pension wealth over time. However, for analyses of change in pension wealth over time including pre- and post- divorce, it would be necessary to evaluate if the methods used to derive values of accumulated pension wealth have any temporal aspects that would also create a change over time. We perhaps also need to consider if individuals participating in a survey such as WAS, where they are encouraged to learn about the value of their pensions, remain representative of the population whose knowledge of the value of their pensions will be less, and whether this might matter for any research questions.

Two other major surveys, Understanding Society and the Family Resources Survey do not include information on pension wealth, but they do include information about membership of pension schemes, contributions, and income from pensions in retirement. Understanding Society contains a question module relating to pensions and forms of wealth: the Personal Pensions module appears in even-numbered waves, most recently Wave 8 (2016-17). It asks questions about current membership, scheme type and the level of individual (but not employer) contributions. There is information about pension income for those drawing on pension funds (which could support analysis of pension outcomes by marital status for those divorced and retired). This form of information may not be optimal but alongside other features of these surveys means they may provide the best data for addressing certain questions.

Marital status, couple linkage and divorce transitions

Details on marital status are critical for analysis and routinely collected in social surveys. However, more extensive information about marital history that will help us understand divorce outcomes such as whether ever divorced, time since divorce and number of marriages is less common. Indeed, the absence of detailed martial history is a major disadvantage of the Wealth and Assets survey. Using cross-sections of the survey, we can identify those currently divorced and those currently remarried, but we do not know when they were divorced; and especially relevant for pension sharing, we do not know if they divorced before or after 2000, when pension sharing was permitted. We also therefore do not know the age at which they were divorced and whether pension accrual may have occurred before or after their divorce. This will contribute to a challenge in understanding pension outcomes by marital status at later life stages. WAS is however, a longitudinal study, so events captured across the waves can be considered but this will not apply to everyone, attrition is a problem, and the data gathered excludes events occurring before recruitment into the study, which will reduce the available sample for analysis. ELSA does include details of marital history, and therefore one approach may be to use ELSA for more detailed analysis of pension wealth by marital status for those over 50 in England.

24 For information on the assumptions made to derive these variables, see R Crawford *ELSA Pension Wealth Derived Variables (Waves 2 to 5): Methodology (Institute for Fiscal Studies, 2012).*

Two of the three approaches outlined above require the linking of couple's data. First so we can examine the distribution of pension wealth within couples and second so that we can try to observe what happens to pension assets during divorce transitions. Both WAS and ELSA are household studies that support couple linkage. Since most people divorce in their 30s and 40s, WAS is the more obviously suitable data source for both sets of analyses.

Longitudinal data is essential for any analysis relating to divorce transitions and beneficial to understanding pension wealth accumulation within couples. To observe what happens to pensions and other assets during divorce transitions, we need longitudinal data for one or both partners. Linked data for couples across waves is likely to generate the most complete information. Both options are feasible in WAS and ELSA, which both follow-up participants after a household split.[25]

However, a critical question about the feasibility of examining divorce transitions is whether we observe enough cases for analysis. We considered the options for this as part of the seedcorn project, however, data issues relating to identifiers in the data (which have subsequently been amended by the ONS) prevented linkage across all the waves. Preliminary calculations suggest unfortunately there are unlikely to be sufficient cases for robust analysis. Due to the change in data collection, ONS advise that correct linkage can either be done between Waves 1-5 or Rounds 5-6.[26] The longest period over which we can observe divorces is therefore using Waves 1-5, with Wave 1 taking place in July 2006-June 2008 and Wave 5 July 2014-June 2016.

To gauge the number of divorce transitions, we examined change in marital status between Wave 2 and Wave 3. In Table 7, we see that there are 20,719 married in Wave 2, though this figure includes both members of a couple, therefore double counting divorces. There is not a perfect match between Wave 2 and Wave 3 due to individuals missing waves. The number of married people in Wave 2 that also participate in Wave 3 is 14,542 plus 510 recorded as separated. Out of these, 132 become divorced (23 married-to-divorced and 106 separated-to-divorced), so approximately 66 divorces (assuming divorces relate only to instances where we have both couple members in the sample). There are also some more unusual transitions. The number of divorced seems close to what we would expect based on the divorce rate for the year, which was 9.8 per 1,000.[27] If we can match across 5 waves, we would expect to observe around 260 divorces. However, this figure does not consider any missing data. Due to the expected low prevalence of pension sharing in the population, such a small number of divorces is unlikely to provide much statistical insight on the issue.

25 In ELSA, only core members are followed after a household split.

26 Survey periodicity moved from "Waves" (July, ending in June two years later) to "Rounds" (April, ending in March two years later).

27 Office for National Statistics, *Divorces in England and Wales:2018 (Office for National Statistics, 2019).*

Table 7: Wave 2 Marital Status by Wave 3 Marital Status, Wealth and Assets Survey

	Recorded legal marital status in Wave 3							Total
Recorded marital status in Wave 2	Single	Married	Civil Partnership	Separated	Divorced	Widowed	Civil Part separated	
Single	5257	327	12	15	38	3	2	5654
Married	17	14283	0	95	26	121	0	14542
Civil Partnership	5	0	40	0	1	1	6	53
Separated	9	35	0	337	106	22	1	510
Divorced	29	89	3	17	2073	42	0	2253
Widowed	5	23	0	4	52	1868	0	1952
Civil Part separated	0	0	0	0	1	0	0	1
Total	6064	14757	55	468	2297	2057	9	30593

Notes: Unweighted counts of marital status in wave 2 by marital status in wave 3; authors' analysis

Determinants and contextual factors

Information about context and factors associated with determining pension outcomes more generally will be important to gain understanding of the impact of pensions on divorce. Under this heading, we consider information about employment and earnings at the individual and household level, full fertility histories, and geographical details such as region and level of deprivation (associated with differences in property prices). Information about financial attitudes and capability can also inform about differences in pension outcomes.

Both WAS and ELSA contain useful variables across this range of topics that would be needed for modelling pension outcomes as part of a larger research project. However, it is here that we have some limitations with WAS.

Like with marital status, information about children and employment and earnings is limited to that applying at the time of data collection. For instance, there are variables indicating if there are children in the household and if these children are dependent or non-dependent children. Though very useful information, options to examine the impact of children on pension accumulation and how this interacts with divorce over time are limited by not being able to identify those who have had children but whose children are no longer in the household. This means we cannot determine what proportion of women have had children who are no longer at home, which will have had a substantial impact on their life course, potentially on work, earnings and pension accumulation. We also cannot determine who has spent time as a lone parent. As women who had children younger may have lower pension on average, the comparison of those with and without dependent children obscures differences in fertility histories that may explain pension outcomes. This feature of WAS is a substantial limitation, especially for understanding the pensions of older women. To some extent it may be possible to infer fertility histories from earlier waves but only for sample members from non-boost samples and to the extent that this is observed during the study. When looking at pension outcomes among older sections of society, ELSA may prove to be a more reliable resource.

Chapter 5
Conclusions: which questions should and can be examined?

We finish this report with a discussion of possible future research, considering which questions are important to explore and can be explored with current data. The ideas developed here are informed by discussion at the *Pensions and Divorce: What do we know, and what future research is needed?* A PPI organised Round Table event held on the 1st July 2021.

Questions about divorce and pensions matter because, as the analysis reaffirms, divorced people have less pension wealth, and their pension wealth may be less than what is needed for adequacy, for example as determined by the Pensions and Lifetime Savings Association (PLSA). We therefore have people at risk of later life poverty or needing to manage on low income. The issue of equality and fairness arises in addition to the critical questions about poverty and financial security. Many partners, especially women, may be entitled to a greater share of the assets, if pensions are not properly being considered on divorce.

The poor pension outcomes for divorced women found here provide little support for any suggestion that pensions are being shared after divorce, a finding that fits with understanding from analysis of court files and official statistics. However, the analysis shows that there remains considerable potential for pension sharing within couples. Women only have on average about 25 per cent of a couples' accumulated pension wealth, and this varies little by age or by position on the pension wealth distribution. Nevertheless, direct analysis of financial outcomes for divorcing couples will be very hard to achieve with the available survey data as longitudinal data with information about pensions assets is very limited. We can only observe a small number of divorce transitions. There is also a data gap in relation to how finances are resolved and divided on divorce. A promising development is a new Nuffield funded research project led by Professor Emma Hitchings at the University of Bristol, *Fair Shares,* which is seeking to survey of 3,400 recent divorcees and conduct interviews to explore the detailed financial arrangements couples make and how they work out.

With large scale survey data that is representative of the population, however, we have the capacity to examine pension outcomes by marital status with modelling that considers some of the complexity underlying the descriptive statistics presented in Chapter 3. In future research, we can further identify the long-term financial implications of divorce and the drivers of these outcomes – such as employment and caring responsibilities. We can also seek to address questions of cohort change. Due to the characteristics of the different datasets, this element may be best taken forward using both the Wealth and Assets survey and the English Longitudinal Study of Ageing for those over 50, as ELSA gives more in-depth life history information. A further strategy is to examine differences in pension income for those retired using Understanding Society, where there is also rich life history information. Analysis of Understanding Society and ELSA will provide the best way to understand pension outcomes of older divorced men and women.

We also have the option of longitudinal analysis, which allows us to examine trajectories in pension wealth and how they relate to marital status. A specific issue we can address with longitudinal analysis is pension accumulation trajectories after divorce. Linking to issues of equality, we could examine the varying outcomes for divorced men and women after divorce in terms of pension accumulation. We know divorced women with children are at risk of comparatively low pensions and in part this is due to the constraints on their potential to earn and save. Therefore, even if pension equality is achieved through pension sharing at the time of divorce, pensions inequality can reappear in subsequent years. Furthermore, with couples' analysis , the modelling of couple's wealth trajectories could give insight into common wealth patterns at peak divorce age.

Using longitudinal survey data, we could examine the prevalence, and contributing factors, of different patterns of pension accumulation among divorced men and women. The outcomes of such analysis might offer insight into financial resilience and hardship after divorce, for women and children especially. Such insight could offer practical awareness for the legal and pensions industry, as well as divorcing couples, on the long-term implications of divorce settlements for pension outcomes.

We can also seek to better model couples' pension dynamics. In this preliminary analysis, we find substantial disparity in the pension wealth of partners. Using modelling, we can seek to explore how the balance of pension wealth within couples varies across the population and the factors contributing to this. This approach needs to consider the broader finances of couples; an especially interesting question here is how the asset mix changes across cohorts in response to changing patterns of homeownership and women's employment, and the impact of debt.

Appendix

Table A1: Individual private pension wealth (£) at the 25th percentile according to age, sex and marital status (adults aged 30 and above)

Male	30-44	45-54	55-64	65-69	70+	Total
All	0	2,289	15,000	41,300	12,270	13,945
Single (never married), not-cohabiting	0	0	2,300	0	0	1,534
Single (nm), cohabiting	0	2,000	400	*	*	816
Married (first)	416	8,192	26,666	70,576	31,057	7,986
Married (second+)	0	5,651	22,000	69,908	5,140	1,300
Separated, not cohabiting	*	0	1,250	*	0	244
Divorced, not cohabiting	*	5,000	5,000	3,587	0	756
Divorced, cohabiting	*	500	5,000	0	0	430
Widowed, not cohabiting	*	*	9,015	1,500	0	745
Female						
All	0	0	0	0	0	15,024
Single (never married), not-cohabiting	0	0	0	23,674	0	1,302
Single (nm), cohabiting	0	3,749	15,000	*	*	723
Married (first)	0	250	0	0	0	7,923
Married (second+)	0	0	0	0	0	1,255
Separated, not cohabiting	0	0	0	0	0	325
Divorced, not cohabiting	0	0	0	0	0	1,363
Divorced, cohabiting	0	0	300	*	*	410
Widowed, not cohabiting	*	*	0	0	0	1,569

n= 28,969 (unweighted base)

Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018), http://doi.org/10.5255/UKDA-SN-7215-11; authors' analysis

Weighted data (individual weight)

** fewer than 50 cases. Separated (cohabiting), widowed (cohabiting), civil partners and former civil partners not shown due to low numbers in each age group.*

Table A2: Individual private pension wealth (£) at the 75th percentile according to age, sex and marital status (adults aged 30 and above)

Male	30-44	45-54	55-64	65-69	70+	Total
All	53,679	241,845	568,477	513,911	278,960	13,945
Single (non-cohabiting)	22,600	114,498	393,100	387,998	212,277	1534
Cohabiting (single)	37,500	128,976	271,469	*	*	816
Married (first)	75,294	302,270	666,537	571,303	336,083	7,986
Married (second+)	93,376	247,628	638,518	500,795	284,064	1300
Separated and non-cohabiting	*	100,500	350,000	*	183,690	244
Divorced and non-cohabiting	*	243,858	368,446	369,290	160,689	756
Divorced and cohabiting	*	216,024	540,550	504,929	230,966	430
Widowed and non-cohabiting	*	*	379,217	376,445	173,139	745
Female						
All	39,940	140,945	268,945	209,421	87,341	15,024
Single (non-cohabiting)	26,066	105,793	311,346	446,544	157,775	1302
Cohabiting (single)	30,060	134,684	619,188	*	*	723
Married (first)	50,000	151,070	250,000	172,061	58,112	7,923
Married (second+)	73,330	130,000	292,839	227,343	52,084	1,255
Separated and non-cohabiting	18,802	62,463	299,759	*	*	325
Divorced and non-cohabiting	65,000	127,481	252,914	167,295	67,695	1,363
Divorced and cohabiting	32,022	114,064	214,197	*	*	410
Widowed and non-cohabiting	*	*	350,996	277,317	110,875	1,569

n= 28,969 (unweighted base)

Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018), http://doi.org/10.5255/UKDA-SN-7215-11; authors' analysis

Weighted data (individual weight)

** fewer than 50 cases. Separated (cohabiting), widowed (cohabiting), civil partners and former civil partners not shown due to low numbers in each age group.*

Figure A1: Percent of couples by size of the biggest share of a couple's combined pension wealth for each quintile of Couple's combined pension wealth

n=9,523 (unweighted base). Source: Wealth and Assets Survey, Round 6 (April 2016 to March 2018).

http://doi.org/10.5255/UKDA-SN-7215-11; authors' analysis

Weighted data (household weight)