

Pensions and Divorce: Exploratory analysis of quantitative data (MICRA/PPI Joint Award)

Applicants

This is a proposed collaboration between **Professor Debora Price** (sociology, social policy, law), **early career researcher Jennifer Buckley** (CMI, UK Data Service, social statistics), and the **Pensions Policy Institute (PPI)**, for seedcorn funding to investigate **pension assets and divorce**. Despite this being a matter of significant social and urgent policy importance, surprisingly there is almost no existing research on pension outcomes after divorce. What there is was mostly done by Price some 15 years ago, based on data that is now 15 - 20 years old (see below).

The work proposed is an excellent fit to the Morgan Centre research on everyday life and MICRA's expertise in pensions and poverty in later life, as well as promoting the work of the UK Data Service. It follows the publication in July 2019 of the Pension Advisory Group (PAG) Report *A Guide to the Treatment of Pensions on Divorce* on which Price was a lead author, and which has already been downloaded c. 3000 times from the Nuffield website where it is hosted. The PAG is a national expert group chaired by Mr Justice Francis set up to improve practice and communication in this area. As a member, Price is closely connected to several significant stakeholders with an interest in this work including policymakers, the legal and financial services sectors, and NGOs.

Research Questions, Methods and Outputs

We propose to use 0.2 of Jennifer Buckley's time between January and May 2020 (**18 days**) to research two questions: (1) what **data and datasets** now exist that are capable of informing issues of pension outcomes after divorce in the UK/England and (2) Descriptively, **what can these data tell us** about the **distribution of pension assets and pension contributions among couples** prior to and after divorce. We thus plan to use this seedcorn funding to gain a detailed understanding of the potential datasets for analysis, 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 the best available data, we propose to create a couples' dataset including selected important couple level variables pertaining to pension and other assets, and current pension scheme participation, and we aim to produce preliminary descriptive statistics that are nationally representative.

The aim of this seedcorn work is therefore to better understand the statistical and data landscape, and to gain understanding of what modelling might be possible **to inform a more substantial bid to the Nuffield Foundation or ESRC SDAI** to further these research agendas. We will produce a **PPI briefing note** from this work, organise a **round-table of stakeholders** (academic, industry, NGO, policy) via the PPI to present findings and help formulate the research agenda, **present the findings** at the British Society of Gerontology national conference in Bristol 2020, and after the project end, we aim to publish a **peer-reviewed journal** article in *Child and Family Law Quarterly*.

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.¹ Since pension shares can only be achieved with a court order, we know from official statistics² that as at 2019, at most, **12% of divorces results in some pension division**. We know that men tend to have very emotional attachments to their pensions and women to their houses, with

¹ Ginn, J & Price, D 2002, 'Do divorced women catch up in pension building?', *Child and Family Law Quarterly*, vol. 14, no. 2, pp. 157 – 174; Price, D 2003, Pension sharing on divorce: the future for women. in C Bochel, N Ellison & M Powell (eds), *Social Policy Review 15: UK and International Perspectives*. vol. 15, Social Policy Review, vol. 15, Policy Press, Bristol, pp. 239 - 261.

² <https://www.gov.uk/government/statistics/family-court-statistics-quarterly-january-to-march-2019>

women often willing therefore to make disadvantageous trades, if pensions are considered at all,^{3,4} 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.⁴ Woodward⁵ 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 PAG endorsed by the President of the Family Division and the Family Justice Council; 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;⁶ Age UK has published a recent report on the issue;⁷ and the organisation Surviving Economic Abuse is working on providing national guidance 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%.⁹ Using 2006 data, we further 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 don’t know about these issues**. Because official statistics do not disaggregate relevant outcomes by gender¹¹ 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 don’t 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 can’t 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 a more substantial bid; the seedcorn funding 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.

Budget

The budget will be used as follows:

Jenn Buckley salary, time costed by the research office at 0.2 1/1/20 – 31/05/20 [18 days]	£4,288
Round table in London at PPI offices (cost discussed with PPI)	£1,000
Jenn Buckley to attend BSG 2020 in Bristol	£700
	£5,988

³ Joseph, R., & Rowlingson, K. (2012). Her House, His Pension? The Division of Assets Among (Ex-) Couples and the Role of Policy. *Social Policy and Society*, 11(1), 69-80;

⁴ PAG (2019), *A Guide to the Treatment of Pensions on Divorce: The Report of the Pension Advisory Group, July 2019*. Pension Advisory Group, London. <https://doi.org/10.3927/108542233>

⁵ Woodward, H., 2015. Everyday Financial Remedy Orders: Do They Achieve Fair Pension Provision on Divorce. *Child & Fam. LQ*, 27, p.151.

⁶ Insuring Women’s Futures (2019) *Living a financially resilient life in the UK*, CII, London

⁷ Age UK (2018) ‘For love and money: Women’s pensions, expenditure and decision-making in retirement’. Age UK, London

⁸ Personal communication

⁹ Price, D & Ginn, J 2003, Sharing the crust? Gender, partnership status and inequalities in pension accumulation. in S Arber, K Davidson & J Ginn (eds), *Gender and ageing: Changing roles and relationships*. Open University Press, pp. 127 – 147; Price, D 2006, ‘Why are older women in the UK poor?’, *Quality in Ageing*, vol. 7, no. 2, pp. 23 – 32.

¹⁰ Price, DJ, Glaser, KF, Ginn, J & Nicholls, M 2016, ‘How important are state transfers for reducing poverty rates in later life?’, *Ageing and Society*, vol. 36, no. 9, pp. 1794-1825.

¹¹ <https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201718>;
<https://www.gov.uk/government/statistics/pensioners-incomes-series-financial-year-2017-to-2018>