Closing the Pension Gap: Understanding Women’s Attitudes to Pension Saving

Executive Summary and Key Findings

Polly Trenow – Fawcett Society
Jemima Olchawski – Fawcett Society
Dr Liam Foster – University of Sheffield
Martin Heneghan – University of Sheffield
Executive Summary and Key Findings

A full version of this report including references is available on the Fawcett Society website.

Most of us are not saving adequately for our old age. We both underestimate our longevity and overestimate the amount of income we will have in retirement. But women are less likely than men to make sufficient provision for themselves. Women are still living longer than men, although the gap is closing, and they are more likely to experience poverty in retirement (Norton and West 2014). Women’s ability to save is both constrained by income inequality throughout their working lives and by structural inequalities in the pensions system, which is still largely designed around men’s working lives rather than women’s.

Women have smaller pension pots than men (Steventon, A. and Sanchez, C., 2008). Of women over thirty earning over £10,000 a year only 52% are saving adequately for retirement, compared to 60% of similar men. Of this group, 25% of women are saving nothing for retirement, compared to just 15% of men (Scottish Widows 2015).

Pension reforms have attempted to address this through simplifying the state system and encouraging private pension savings. Whilst these reforms will narrow the gender pensions gap, they will not close it completely. Low pay and poverty are substantial barriers for many women but we know that women save less than men even when they earn the same amount (Scottish Widows data). Closing the pay gap and supporting women to fully participate in the economy are essential first steps to closing the pensions gap. However, if even higher earning women do not save adequately for their retirement it will not be enough.

This research seeks to understand the savings decisions of women aged 25 to 39 with incomes just above the median for women, for whom we might expect saving to be affordable. It explores the factors that influence or inhibit their saving behavior and makes proposals to address the gap in saving between women and men.

Methodology

The research was conducted by Dr Liam Foster and Martin Heneghan of the University of Sheffield between December 2015 and February 2016. It comprised of semi-structured qualitative telephone interviews with 30 women from across the UK and a 2.5 hour focus group held in Sheffield with 10 women.

These women were aged from 25 to 39, earning between £24,000 and £40,000 per annum. Participants came from a range of occupations including finance and insurance services, information and communication and social work. They worked in both the public and private sectors. Interviewees and focus group members included women from a range of black and minority ethnic backgrounds. Interviewees were also a range of relationship statuses and some had children while others did not.
Knowledge and Confidence
“It’s just confusing to be honest”

One of the strongest themes to emerge from the study was a lack of understanding of pensions, leading to low confidence about decision making and high levels of stress. Women described themselves as not being good with figures and as unable to manage the amounts of information they were given. This was often connected to a strong emotional reaction. Participants described themselves as “stressed” and “shutting down.” Not only did they feel this affected their ability to make informed decisions, but it also impeded a sense of ownership and empowerment around their pension decisions. Given that women in the sample predominantly had a degree, and a number were in senior professional roles, the lack of pension knowledge is even more striking.

Fears for the Future
“It mixes in with a general feeling of concern about how retirement is gonna look by the time I get that far…”

A significant number of the women interviewed were fearful about the future. In accordance with other research (Foster, forthcoming; Sykes et al., 2006; Taylor-Gooby, 2005), very few expressed a substantial amount of trust in their pension scheme and many expressed a kind of fatalism about their long term economic prospects.

Pensions Literature and Guidance
“Leaflets and things that you get in the post I don’t really read”

The obvious response to the challenge of low knowledge and confidence is to look to available advice and guidance. However, a recurring theme from the interviews was the inadequacy of guidance and other pensions literature available. Many participants in our focus group were unaware of the existing support services. Across the research many felt that the literature they had read was not accessible, describing it as too technical and difficult to understand. Participants expressed a clear desire for help that is specific to their personal circumstances. Most participants expressed this in terms of face to face advice in a situation where they could ask questions.

It appears that for participants a lack of knowledge was compounded by information that they perceived to be inaccessible or not relevant to their lives now. This in turn reinforced inaction and the sense that this issue was too complicated or intimidating to address.

The Decision Making Process and Triggers for Saving
“Right let’s get a bit more serious now”

Despite these barriers many participants were saving for their retirement through a private pension and the research explored the moments that triggered that engagement. Some of the women started paying into a pension as soon as they entered the labour market. Others took a sequencing approach to pensions; only seriously considering saving more into their pension after paying off student debt, saving for a house and paying for childcare. Whilst auto-enrolment may alleviate this myopic approach to saving, most of women who fall into this category will only pay the minimum contribution to their pension scheme which is unlikely to provide sufficient income in retirement.

Having or beginning to plan for a family emerged as an important trigger for starting to think about pensions saving.

The Impact of Having a Family
“Your requirements sort of end up bottom of the pile”

Whilst having a family prompted women to consider saving for a pension, this was also a time when higher costs created a barrier to increasing pensions contributions. Having children represented a triple cost to many of the women interviewed. First, as they took time out of work for maternity leave. Second, as some of them reduced their hours (and so earnings) on returning to work. Third, due to the ongoing costs of childcare.

Many women who had already taken leave from employment or reduced their working hours had not considered the effect on their pensions. Very few had opted to continue paying their contributions into their occupational pension plans during this time. Participants were also unlikely to have considered how working part-time might affect their job progression, salary and therefore total pension pot.

Many of the women described childcare as a cost paid from their incomes rather than as shared with their partners. This significantly limited their disposable income and ability to save for retirement.

Almost all the women in the study expressed a commitment to financial independence. But when
probed it emerged that women who had cut their contributions to meet the cost of care were often relaxed about this as they believed they could draw on their partner's pension.

Most had not considered the impact of maternity leave and reduced hours on their pension accumulation or realised that this might reduce their pension pot leaving them more reliant on their partner in retirement. Policy may be steering women to build individual pension pots but the survival of the male breadwinner model and a lack of support for women taking time out to care could be undermining women's economic autonomy in retirement.

Pensions: An Individual Decision With Household Impacts

“It’s not something we discussed really”

Participants did not tend to discuss the decision to save into a pension with their partners, with the exception of a few who deferred to their partners completely for advice. This is in contrast to other savings decisions, which the women interviewed said were made jointly often with women taking a leading role.

Thus, there is a clear tension between the fact that decisions about pensions and contribution levels are made as an individual in the workplace, yet one’s standard of living in retirement will be very much affected by household factors. Additionally, as outlined above, some women may implicitly be relying on this being the case if they have sacrificed their own savings to meet costs of having children. As such it is of concern that these respondents were not discussing pensions or retirement with their partners.

Increasing Contributions

“It’s almost like another bill”

The study revealed that the women’s attitudes towards pensions were very different to those towards other financial decisions. Participants were often more engaged in other types of saving and motivated to increase their assets. Pensions did not generate the same satisfaction or motivation; instead they were seen as a cost without reward. Many participants likened this to the experience of paying a tax. Making the benefits, including the psychological rewards, of saving into a pension more tangible could help increase contributions. Employer’s contributions also emerged as important incentives for saving.

Male Role Models in Pension Saving

“I’ll give it to my dad, he’ll tell me what to do…”

We asked participants about the women in their life who had informed their pensions decision making. Several cited their mother as a positive influence around pension saving. However, despite being asked about female role models several participants spontaneously cited their father as the main influence on their pensions saving. In six cases women reported the father had played an active role and male partners were also often offered as a source of advice. In some instances, this advice had been empowering; building skills and enabling the women interviewed to make informed decisions. But in other cases participants had been relatively passive in the process, handing over the decision to a male figure they considered better informed. This left them without real understanding of the implications of their decision or the confidence to make future decisions independently.

Many of the women did not feel confident making decisions with numbers and perceived the men they sought advice from to be better equipped to engage in these issues. Pensions and mathematics then, emerge as male spaces, which these women do not feel confident engaging in.

Gone are the days when the male breadwinner stereotype told us that a women’s role was to stay at home to care whilst men provided the income. A modern pension system should reflect these changes, but this does not mean the pensions system should be gender blind. Important differences in life experience and economic participation and in particular caring responsibilities, continue to impact on women’s ability to save. A shift toward private pension provision for security in retirement risks transmitting these life time inequalities into unequal retirements. But policy can begin to redress the barriers to women saving adequately for retirement, as follows:
### Key Recommendations

**The complete list of recommendations are in the full report, available from the Fawcett Society website.**

<table>
<thead>
<tr>
<th>For Industry and Employers</th>
<th>Most of the women in our study believed they should be economically independent, but had not considered the impact of reduced earnings as a result of caring responsibilities. Information should be provided to those embarking on maternity, parental or paternity leave about the risks associated with lower contributions during this period. This information will enable couples to discuss and reflect on their choices around pensions saving and consider how they wish to share the impact of reduced contributions. It remains the case that women are more likely to reduce their hours and earning after having children, so men should be targeted and encouraged to reflect on the impact of lower earnings and disposable income on their partner’s and their own long term security.</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Industry and Employers</td>
<td>Where one partner chooses to stop working to care, the other partner should be encouraged to contribute to the non-working partner’s pension to enable them to build long term economic security in their right. This is not about making women dependent but ensuring the true cost of having a family is shared between the couple and does not fall primarily on the main carer: who is usually a woman. Childcare should be seen as a joint cost so that it doesn’t just come from the mother's salary. A woman should not be the only partner reducing or ceasing their pension payments because childcare costs make them unaffordable.</td>
</tr>
<tr>
<td>For Government</td>
<td>Under auto-enrolment those taking time out to care miss out on vital contributions to their pension. This is compensated for in the state pension through National Insurance Credits for carers. <strong>Government should pay an Auto-Enrolment Credit to those eligible for credits as carers under the state pension system.</strong> It would be equal to the value of employer’s contributions at the auto enrolment trigger level £10,000. This nominal amount of £125 per year would keep women engaged in pension accumulation and begin to mitigate the disadvantages faced by carers under the auto-enrolment system. This proposal reflects the principles of the new Lifetime ISA (LISA) announced in the 2016 Budget, to support long term saving. Under the LISA policy the Government will top up savings by 25%, up to a limit of £1000 a year. An Auto-Enrolment Credit would offer a modest sum in comparison to those whose ability to save is restricted as a result of caring responsibilities.</td>
</tr>
<tr>
<td>For Employers, Industry and Government</td>
<td>At the outset of student loan repayments or contributing to childcare voucher/ tax free childcare schemes, individuals should be encouraged to default these payments into their pension once the loan is repaid or childcare is no longer needed. Pre-committing to this goes with the grain of inertia and established behaviour and participants see no change in their take home income.</td>
</tr>
<tr>
<td>For Industry</td>
<td>Clearer advice and information is essential. <strong>Industry must provide concrete scenarios on regular pensions statements to help visualise the benefits of increased contributions.</strong> For example, a statement could say: “If your pension continues to perform as it has for the last X years, at your current contribution rate you will have X… if you save £20 more a month you will have Y” or information about an average pension pot for a comfortable standard of living.</td>
</tr>
<tr>
<td>For Industry</td>
<td><strong>Access to pensions information with the ease offered by online banking should be offered, ideally with full integration with online banking.</strong> Industry plans for a digital passport could aid this considerably so we recommend these are expedited.</td>
</tr>
<tr>
<td>For Government</td>
<td>Build women and girls’ confidence with maths and long term financial planning. The Fawcett Society recommends <strong>girls with strong GCSE maths results should be defaulted into A level study with an option to opt out.</strong> This will send a clear message that this is a subject area where women can thrive and challenge gendered assumptions about subject choice. Building these skills will empower more women to make informed decisions as adults.</td>
</tr>
</tbody>
</table>
The Fawcett Society is the UK’s leading campaign for equality between women and men. We trace our roots back to 1866, when Millicent Fawcett began her lifetime’s work leading the peaceful campaign for women’s votes. Today we remain the most authoritative, independent advocate for women’s rights in the UK.

Fawcett Society
Unit 204 Linton House
164-180 Union Street
London SE1 0LH
020 3598 6154

www.fawcettsociety.org.uk
Registered charity No.1108769