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

Dr Liam Foster – University of Sheffield
Martin Heneghan – University of Sheffield
Jemima Olchawski – Fawcett Society
Polly Trenow – Fawcett Society

Kindly Supported by SCOTTISH WIDOWS
Acknowledgements

We would like to thank the women who took part in our research for their time, insights and honesty. We would also like to thank our Advisory Group who have given a great deal of guidance and feedback along the way:

Robert Cochran, Scottish Widows
Daniela Silcock, Pensions Policy Institute
Cesira Urzi Brancat, ILC UK
Baroness Jeannie Drake

There are others who have advised and supported this project: Thomas Brooks and Imogen Parker from Citizens Advice, Charlotte Jackson from the Pensions Advisory Service, Ric Tizard and Matthew Blakstad from NEST, Kristina Vasileva from the Pensions Research Network, Dr Andrea Wigfield of the University of Sheffield and Shirley Conran from Maths Action. However, any errors and omissions are those of the report authors’.

We are also grateful for the support provided by Scottish Widows, who have made this work possible.

About the Authors

Dr Liam Foster is a senior lecturer in social policy and social work at the University of Sheffield. His principal research interests include theories of ageing, pensions and funeral provision. Dr Foster is a member of the Social Policy Association Executive Committee and the Welsh National Institute for Social Care and Health Research Funding Committee. He is also the Managing Editor of Social Policy and Society. He has authored over 30 publications in peer-reviewed journals and book chapters, and authored or edited four books. Recent articles include ‘Active and successful aging: A European policy perspective’, Gerontologist (2015) 55(1): 83–90 (with Walker, A.) and ‘Financial planning and the reality and requirements of retirees with private pensions’, Journal of Retirement (2015) 3(1): 115–127.

Martin Heneghan is a doctoral researcher at the University of Sheffield. His research: Pension Provision after the Global Economic Crisis: A Comparative Study is concerned with developments in pension provision in a number of countries since the global economic crisis.

Jemima Olchawski is Head of Policy and Insight at the Fawcett Society where her work focuses on the gender pay gap, women’s political representation and the power of gender norms and stereotypes.

Polly Trenow is Senior Policy and Campaigns Officer at the Fawcett Society working on a range of issues including the gender pay gap and feminist economics. She is also a Clore Social Fellow, where she holds the Esmée Fairbairn specialist fellowship in gender equality.

Design by Sian at D. R. ink, www.d-r-ink.com
© The Fawcett Society 2016
## Contents

**Executive Summary and Key Findings**  
**Key Recommendations**  
**Introduction**  
**Background**  
**About the Research**  
**Findings**  
- **Knowledge and Confidence**  
- **Fears for the Future**  
- **Pensions literature and guidance**  
- **The Decision Making Process**  
  - The triggers for saving: starting work  
  - The triggers for saving: age milestones  
  - One thing at a time  
  - The triggers for saving: having children  
- **Pensions: an individual decision with household impacts**  
- **Increasing Saving Levels: pensions as a tax**  
- **The Importance of Incentives**  
- **Male Role Models in Pension Saving**  
**Discussion and Recommendations**  
**Conclusion**  
**Bibliography**
Executive Summary and Key Findings

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. However, 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 those of women.

Women have smaller pension pots than men (Steventon and Sanchez, 2008). Of women over thirty earning over £10,000 a year only 52% are saving adequately for retirement (Scottish Widows, 2015), 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 pension 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 do even when they earn the same amount (Scottish Widows data). Closing the pay gap and supporting women to participate fully in the economy are essential first steps to closing the pension 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 behaviour 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 between 25 and 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 in 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., 2005; 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 pension 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 irrelevant 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 pension 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, 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. However, 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 damaging 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 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 their 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. However, 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 woman’s role was to stay at home and care whilst men provided an 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 lifetime inequalities into unequal retirements. Nevertheless, policy can begin to redress the barriers to women saving adequately for retirement, as follows:
## Key Recommendations

### For Industry and Employers

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 pension 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.

### For Industry and Employers

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 own 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.

### For Government

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. **Government should pay an Auto-Enrolment Credit to those eligible for credits as carers under the state pension system.** 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.

### For Employers, Industry and Government

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.

### For Industry

Clearer advice and information is essential. **Industry must provide concrete scenarios on regular pensions statements to help visualise the benefits of increased contributions.** 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.

### For Industry

Access to pensions information with the ease offered by online banking should be available, ideally with full integration with online banking. Industry plans for a digital passport could aid this considerably so we recommend these be expedited.

### For Government

Build women and girls’ confidence with maths and long term financial planning. The Fawcett Society recommends **girls with strong GCSE maths results should be defaulted into A-level study with an option to opt out.** 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.
Introduction

Many of us are not saving adequately for our old age. We both underestimate how long we will live and overestimate the amount of income we will have in retirement. However, women are less likely than men to make sufficient provision for themselves. Women are still living longer than men are (although the gap is closing) and 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 structural inequalities in the pensions system, which is still largely designed around men’s working lives rather than those of women. Historical and recent pension reforms have attempted to address this by simplifying the state system and encouraging private pension saving. While these reforms will narrow the gender pension gap, they will not close it completely.

Accumulating pension savings earlier in our working lives is the best way to build up an adequate pension pot and address the risk of poverty in retirement. Low pay and poverty are substantial barriers for many women to achieving this. The first steps towards closing the pension gap must be to close the gender pay gap, to increase women’s earnings and ensure more low income women benefit from the introduction of auto-enrolment. Those earning under £10,000 a year are currently excluded from auto-enrolment. This means 2.7 million women are missing out on the benefits of auto-enrolment, including the entitlement to employers’ contributions to their pension pot (Pensions Policy Institute, 2015). More low income women could be included in the system through the abolition of £10,000 earning threshold, allowing income from different jobs to count towards the £10,000 threshold or through requiring employers to make contributions for all employees regardless of their salary (without the requirement for the lowest earners to contribute).

Auto-enrolment is an important step forward in efforts to build financial security in retirement. However, minimum contributions for those who do not opt out will only reach 8% by 2019. Yet industry standards suggest contributions of at least 12% of earnings are necessary to provide a comfortable standard of living at retirement, even taking the new single tier pension into account. For those who start saving later, even 12% is likely to be insufficient. As such, it is essential that women are encouraged to make provision above and beyond the defaults if they are to have a chance of a decent income in retirement.

However, we know that even women who are earning relatively high salaries save less than men who earn the same amount (Scottish data). Closing the pay gap and supporting women to participate fully in the labour market are essential first steps to closing the pension gap. However, if even higher earning women do not save adequately for their retirement, it will not be enough.

Consequently, understanding the savings decisions of younger women (those aged twenty-five to thirty-nine) with incomes that might suggest saving is affordable, and the factors that influence or inhibit saving behaviours is critical to understanding how we can best address this significant savings gap.

The research findings set out in this report go some way to explaining the savings gap for younger women and we make a number of recommendations to address this. We have the best educated, best qualified female labour force ever and yet this is not translating into pay equality and financial independence for women. The fundamental reality is we cannot build a system that assumes financial independence for women when gender stereotyping and conditioning mean in practice they are still living their lives in a very different way.
Background

A pensions system based on the male breadwinner model

The pension system in the UK was designed essentially, by men for men at a time when the male breadwinner model assumed that men worked and women stayed at home. It is important to note that this model was never fully realised and women, in particular those from the poorest groups, have always worked. Nevertheless, this was the premise on which pension provision was established. This caused women to be dependent on their partners for their income in retirement. Despite recent reforms and the significant increase in women’s employment, the gender inequality in our pensions system remains stark.

There are some obvious reasons for pension inequality, not least that retirement is likely to reflect and exacerbate gender inequalities throughout working life. The gender pay gap between men and women working full-time currently stands at 13.9% (Fawcett Society, 2015) and increases as women get older (ONS, 2015a). Breaks from work to meet caring responsibilities can reduce women’s ability to save across the life course, adding to the income gap in retirement. Across Europe the pensions gap is 38%, with the UK figure being slightly higher at 40%; one of the highest pensions gap in the European region (Burkevica et al., 2015). This is significantly larger than the gender pay gap figure; suggesting that there is more than pay inequality behind the pension gap.

Women continue to play a greater role in caring for children and disabled or older relatives. As a result, more women work part-time, 42% of women compared to 11% of men (ONS, 2015b), and take breaks from employment, both of which may also reduce their contributions into workplace pensions. Women make up 75% of part-time workers (ONS, 2015b), who are less likely to be in an occupational pension scheme than are full-time workers. However, female part-time workers are more likely to be in a pension scheme than male part-time workers are, largely because they are more likely to be employed in the public sector where pension scheme membership is higher (ONS, 2015d).

Part-time work is also paid less per hour than full-time work. In 2015 median hourly pay for full-time employees was £13.29 per hour, compared with £8.44 for part-time employees (ONS, 2015c). Not only does part-time work pay less per hour than full-time work, it can also prevent women from progressing at the same rate as their colleagues working full-time. There is a significant lack of part-time and flexible working jobs in senior posts. Consequently, many women are working below their skills level.

Women rely on the state pension but are also poorly served by it

While many women and men are not saving adequately for retirement, women are significantly less likely than men are to build up sufficient private pension savings in their own right (Steventon and Sanchez, 2008). Only 52% of British women aged over thirty and earning over £10,000 a year are saving adequately for retirement (Scottish Widows, 2015). This has improved from 40% in 2013, however it compares poorly to the 60% of men in this group who are saving enough for retirement. A quarter of thirty to forty-nine year old women are saving nothing for retirement, compared to just 15% of men from the same age group (Scottish Widows, 2015). As a result, women are more dependent upon the state pension and are more likely to experience poverty in retirement (ONS, 2015c). Specific groups of women are also more likely to be under-pensioned. Black female pensioners are poorer than white female pensioners are and Asian women pensioners are poorer than them both. Lone women over eighty are the poorest group of all (Ginn, 2011).

Just under half of disabled people of working age are in employment, compared to 80% of those without disabilities (ONS, 2015b). Consequently, this groups have lower average earnings and therefore are less able to save for their retirement and more likely to earn below the £10,000 threshold for auto-enrolment. People from ethnic minority groups are more likely to work part-time (and ethnic minority women more so than ethnic minority men) or be low income self-employed. Both these groups are therefore also at greater risk of having smaller pension pots and not meeting the auto-enrolment threshold (Pensions Policy Institute, 2015).
Pension reform

In response to the ageing population and the fact that many people are living longer in retirement, over the last decade our pensions system has undergone considerable reform. In particular, we have seen the removal of the default retirement age, equalising of state pension age for women and men, and the increase in state pension age. The acceleration of the equalisation of the state pension age has been criticised for the unequal way it has fallen upon a particular generation of women born in the 1950s. Fawcett has supported the campaign for transitional arrangements to address this (Fawcett Society, 2016).

The introduction of auto-enrolment will bring 9 million new savers into the private pensions system, of which only 3 million will be women (DWP, 2015b). It combines state, employer and individual contributions. The total minimum contribution is currently set at 2% of employee earnings (0.8% from the employee, 1% from the employer, and 0.2% as tax relief). This will gradually increase and by April 2019 8% of employee earnings will go into a private pension (4% from the employee, 3% from the employer, and 1% as tax relief). However, many women will not qualify because their earnings do not take them over the £10,000 threshold (combined earnings from part-time jobs are not counted towards the threshold). This means that 32% or 2.7 million employed women will not earn enough to benefit from auto-enrolment compared to 14% of employed men. Furthermore, 32% of Pakistani workers and 33% of Bangladeshi workers will also not meet the qualifying criteria (Pensions Policy Institute, 2015).

The introduction of National Insurance credits to replace Home Responsibilities Protection has meant that time spent caring is counted as a contribution and recognised in the pensions system. However, the number of qualifying years remains high at thirty-five.

The new single-tier state pension was introduced in an attempt to simplify the pensions system still further and to ensure private saving is not disincentivised by means testing. However, it has not removed pension inequality entirely. To qualify for any new state pension you need at least ten years of qualifying contributions. Those with between ten and thirty-four years of contributions will receive only a proportion of the state pension. Just 22% of women compared to 50% of men will receive the full single-tier pension from April 2016 (DWP, 2016) either because many women retiring either do not have enough qualifying years in work to gain the full pension, or because their right to gain pension entitlements based on their partner’s contributions has been removed. Fawcett supports moves to ensure women derive pension entitlement in their own right. However, for many women the removal of derived rights created significant disadvantage at a time when it was too late for them to do anything about it. There are also considerable concerns about those who will lose out as a result of the abolition of second state pension. However, the Institute for Fiscal Studies calculates that overall 61% of women will receive a higher state pension as a result of the reforms (Crawford and Tetlow, 2016) and, after a long transition (25 years), significant differences in state pension income will have reduced considerably owing to the introduction of the new state pension.

The jury is still out on whether new pension freedoms allowing savers to access their pension pot rather than buy an annuity will advantage or disadvantage women. This issue must be monitored closely as data on consumer behaviour is collected.

Private pension saving

With a pension system based on the number of years in employment, final or average salaries, women may be short changed in retirement. The causes of the gender pay gap are likely to be the main cause of the gender pension gap. Recent reforms specifically around auto-enrolment will bring millions more women into private pension provision. However only those earning over £10,000 per job are eligible. This excludes low earners in part-time work, the majority of whom are women (ONS, 2015e). Many pension schemes remain attached to employers rather than portable with the individual employee. As a result, many people accumulate small pension pots throughout their working lives.
In order to address their enhanced risk of poverty in retirement, it is vital then to ensure that women are encouraged to save as much as possible as early as possible. Women's tendency to save less can, for the most part, be attributed to lower lifetime earnings. However, even when women earn the same as men they still save less into their pensions and are more likely than men to say they don’t understand pensions products (Scottish Widows, 2014). As many as 76% of women do not know how much they need to save for a comfortable retirement (Scottish Widows, 2015). As stated, even when women earn the same as men they are still saving less for retirement (Scottish Widows data). To close the pension gap once and for all we need to know why.

Building on the data gathered through the Scottish Widows Annual Women and Retirement Survey, and with the support of researchers from the University of Sheffield, we undertook qualitative research to explore women's attitudes to pensions and savings. For this research we focused on women between the ages of twenty-five and thirty-nine, earning between £24,000 and £40,000 per annum. We chose this group of women because we wanted to focus on younger women for whom saving more and sooner could have a dramatic impact on their retirement funds and therefore the group for whom early interventions would be most useful. This age group also enabled us to explore the impact of motherhood on attitudes to pensions.

We chose women in this income bracket because we recognise that for many women, low pensions savings can be directly attributed to poverty or low incomes. Choosing an income bracket slightly above the median for women, allowed us to look for reasons for low savings rates that may have wider causes.

Whilst much recent literature and research has looked at the impact of pension reforms on those near to retirement, less attention has been given to younger savers and in particular to young women. Yet increasing young women's knowledge of pensions and the amount that they save could have a dramatic impact on their standard of living in retirement.

The Fawcett Society recognises that women’s economic inequality is the main cause for the gender pension gap and we campaign to end the causes of women’s economic disadvantage. However, for this research we examined the causes of the gender pensions gap that cannot be explained by women’ lower earnings.
About the research

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 thirty women from across the UK and a 2.5 hour focus group held in Sheffield with ten women.

These women were aged between twenty-five and thirty-nine, 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 also had a range of relationship statuses, and some had children while others did not.

Findings

Our research supports many of the key themes in existing research and academic literature about pension saving behaviour but also reveals some new issues and tensions that may prevent women from saving more. As the sample group is small, our findings are indicative and cannot be generalised to women across the UK. However, where possible we show how our findings are supported by already existing data and analysis.

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. This is no surprise; pensions are complicated for both men and women. Many of us have minimal to no engagement with stocks and shares in our day-to-day lives and yet here is a product we are all expected to own that depends on them. None of us can predict the stock market yet we are all required to risk our future standard of living on it and make decisions about our future decades in advance. Most people will move jobs and have to engage in multiple employer pension schemes in their lifetime, making it harder to keep track of what they have saved in different place. It is no wonder that both men and women struggle to navigate this complicated terrain (Clark and Strauss, 2008; Foster, 2011; Pensions Commission, 2006).

However, wider evidence suggests that women are more affected by these issues than men engaging in the same material or decision-making processes. Survey data reveals that while understanding is low across the board there is a significant difference in the percentage of women reporting they fully understand pensions (15% compared to 22% of men) and annuities (7% of women compared to 14% for men) (Scottish Widows, 2015). This may simply be a matter of confidence; with men less likely to admit they do not know than women. However, for other financial products the difference is less stark. Women and men report similar levels of knowledge of household insurance, cash ISAs and mobile phone tariffs (Scottish Widows, 2015).

Further evidence suggests that this knowledge gap may be genuine. Research has found that women in the UK are half as likely to correctly answer questions about compound interest as men, and more likely to respond “don’t know” to questions on financial products (Hung et al., 2012). In addition, while women are likely to out-perform men in tasks associated with managing household finances, men out-perform women in tasks associated with long-term planning. These include choosing financial products and staying informed (Hung et al, 2012). Clearly, this has significant implications for women’s confidence and ability to engage in decisions about pensions.

These differences though are not innate. OECD research has found that while across different countries men are consistently more likely to answer questions about interest rates correctly, the gap and absolute levels vary significantly. For example, only 24% of UK women answer correctly, whereas 85% of women in New Zealand and 83% of women in the Netherlands do so (Hung et al., 2012).
Across our interviews women consistently expressed uncertainty and self-doubt with regard to the pensions system. While many stressed they understood the importance of having a pension, this was often accompanied by a belief that it was not a decision they felt equipped to make. 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”:

“I know I need a pension (but) … I don’t have a head for numbers really I realise the importance of it, and I probably should spend more time looking into it, but it just, it’s just confusing to be quite honest … It’s so easy to just get lost in it all really….it just makes me shut down and then I get stressed because I think this is really important, I need to take this in, so yeah it makes me feel stressed.”

(LAUREN, AGED 31, MARKETING OFFICER)

For many the importance and long-term implications of the decision itself created further barriers to action:

Interviewer: “How do you feel about making these decisions?”

Mary: “Stressed and overwhelmed. Like what’s gonna happen if I tick this box? In 30 years will I be like why did I opt to do that? Why did I choose to funnel all the money into that (laughs) investment fund and not that one?…”

Interviewer: “Do you feel like this with other kind of savings like mortgages or is it more so with pensions?”

Mary: “Erm, more so with pensions because its you’re planning for so far in the future. Mortgages are kind of like ok, because you are knowing what you’re entering into.”

(MARY, AGED 30, TEACHER)

Concerns about making the right choice were compounded for many participants with wider anxieties about their future:

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

(SARAH, AGED 29, TEACHER)

“I’m prone to sitting there … and being like ‘oh my god will we have enough to live on’ (laughs) and he has to talk me off the precipice (more laughter), but that’s me being overtired and stressing which I’m prone to do, thinking everyone is doomed, and I’m like are we going to be ok and I want someone to hold my hand.”

(ABIGAIL, AGED 30, TEACHER)

Furthermore, some participants described a sense that this was the norm with the majority of their friends facing the same uncertainty and inaction. This suggests a collective expectation of an uncertain future may be normalizing under-saving and low engagement.

“Actually we’re all a bit the same, we’re all saying oh we should do this, oh yeah I know I should, or a lot of them don’t even have, or they might have a work based pension but they’re not even bothered in trying to contribute to anything, you know kind of just say oh I’m gonna be screwed when I’m older and that’s the end of it.”

(KATHLEEN, AGED 37, ARTS MANAGER)
Fears for the future

While some participants were confident about their pension prospects, particularly those who had been paying into their pension scheme since entering employment, a significant number were fearful about the future. In accordance with other research (Foster, forthcoming; Sykes et al., 2005; Taylor-Gooby, 2005), very few expressed a substantial amount of trust in their pension scheme. While public sector workers tended to trust their pension schemes more, there was a still a sense that there would be adverse reforms going forward and few expected to retire on the conditions they were under currently. Other research shows that trust increases the likelihood of compliance and the chances of successful and effective policy implementation for men and women Hyde et al., 2007).

Very few had done any calculations about the contributions they were making and what this meant for their projected retirement income. Moreover, very few participants had considered what kind of income they would need in retirement. We know that people closer to retirement are more likely to engage with decisions about their contributions and projected retirement income (Thomas et al., 2009). However, this often comes too late for people to have a sufficient effect on their pension accumulation. Our study suggests that for women wider uncertainty about the future and a lack of confidence may prevent them looking at their own provision in a concrete way.

This is the context in which women approach decisions about how and whether to save for their retirement: a strong sense of uncertainty creating negative feelings and doubt about their ability to make good choices. For our participants this was reinforced by a wider belief that those around them were in the same boat. Understanding and confidence are unlikely to be insurmountable barriers to saving – a higher proportion of women save adequately for retirement than describe themselves as understanding these products. (53% of women are saving adequately while only 15% of women describe themselves as fully understanding pensions (Scottish Widows, 2015).) Nevertheless, our participants clearly expressed this as an obstacle to fuller engagement. This was combined with a belief that this is the social norm, which is likely to reinforce inertia (Thaler and Sunstein, 2008).

This all points to the benefits and importance of the introduction of auto-enrolment, as a way to overcome inertia and simplify the decision-making process, especially “for workers who may not be motivated to make informed choices” (European Commission, 2010).

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. It is only since 2014 that a focus on finances and pensions has been compulsory on the National Curriculum and currently there are limited sources of free guidance (rather than specific advice) available in relation to pensions, including Citizen’s Advice, Pension Wise, Pensions Advisory Service and the Money Advice Service. Many women at the focus group had not heard of these services and felt that the literature they had read was not accessible as it was far too technical and difficult to understand:

“The jargon is just a little bit too much.”

(TAMARA, AGED 36, COMMERCIAL MANAGER)

Alongside the accessibility of the information they had come across, participants expressed that what they had seen did not feel relevant to them:
“I can understand why pensions information would be about retirement but at the same time retirement isn’t anywhere on my horizon … The information doesn’t seem relevant”

(CHRISTINE, AGED 29, LOCAL GOVERNMENT COMMISSIONING OFFICER)

There was a lack of understanding about the difference between guidance and advice\(^1\), but nonetheless a clear desire to receive help that was specific to their personal circumstances. Most participants expressed this in terms of face-to-face advice in a situation where they could ask questions:

“I think for me personally I would benefit from one to one guidance and if somebody did put it in complete layman’s terms I think if I was just given you know a lot of documentation to read, which I think can be the case with these things, then for me I just shut down.”

(JESSICA, AGED 27, LOCAL GOVERNMENT COMMISSIONING OFFICER)

“If I could meet somebody … I’ve kind of tried to look online at sort of resources and I still find it a bit complicated. So if somebody explained it to me I’d probably understand it but nobody’s ever really explained it to me.”

(KATHLEEN, AGED 37, ARTS MANAGER).

“… I’d rather like someone sit and go (through) it with me because like leaflets and things that you get in the post I don’t really read”

(LAURA, AGED 26, SOCIAL WORKER)

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. While guidance is available from a range of services, awareness of these was low. Had they been aware, participants might have found engagement with these services more useful that the kinds of literature and guidance they talked about having accessed in the past. The principles of accessibility and someone to respond to your specific concerns face-to-face, online or over the phone are reflected in the offer from The Pensions Advisory Service and Money Advice Service. However, low awareness meant the women we spoke to had not accessed these services. Other evidence suggests targeted information can have a positive effect on saving (Atkinson, 2008). On this basis, personalized guidance at an earlier stage in life would be helpful (Foster, 2012a; Waine, 2009).

The decision making process

The triggers for saving: starting work

“I wish I did at 21 when I got my first job, but it really wasn’t a priority at that point”

The research makes clear that participants felt ill equipped to make decisions about their pension and often found the idea of engaging overwhelming. Yet many participants were saving for their retirement through a private pension and the research explored the moments that triggered that engagement. Better understanding of what motivates (as well as inhibits) action enables us to identify the points at which policy interventions can be most effective.

This study concurred with other research that pension saving is often undertaken following a ‘trigger’ (DWP, 2013). These triggers tend to be life events that may be completely unrelated to retirement. Several participants stated the importance of saving for retirement as soon as one enters the labour force, with beginning to earn a salary a trigger for saving. Given the demographics of our participants, this usually entailed entering the workforce after graduation. For that reason, participants who expressed this view often gave twenty-two as the age at which you should begin saving for retirement.

“I started when I was 22 … Even though we’ll be retiring at 84/85 (laughing).”

(ABIGAIL, AGED 30, TEACHER)

\(^1\) ‘Advice’ here refers to advice given by someone who is regulated by the Financial Conduct Authority. Guidance is an opportunity to find out what your options are, but people giving guidance cannot tell individuals what to do. Guidance is not regulated.
This age was also given by Kitty, aged 28, a part-time music teacher and part-time musician, when she explained the age she opted into a pension:

“I think that was just a kind of the voices of wisdom kind of older family members and that kind of thing sort of saying ‘oh it’s never too early to start saving and your seventy something self will thank your 22-year-old self’.”

For those who began saving at this early stage the decision was often presented as one given little consideration but which reflected a belief that it was a sensible thing to do. Often it was prompted by interventions from parents.

Others expressed regret that they had not begun saving for retirement sooner:

“I think if you can … I mean I wish I did at 21 when I got my first job, but it really wasn’t a priority at that point and it didn’t cross my mind you just think oh well whatever.”

(LAUREN, AGED 31, MARKETING OFFICER).

The triggers for saving: age milestones

Others identified milestones such as turning thirty as a stimulus to address the question of their long-term financial security more seriously. For some participants this perceived as a future date when they would “have a sort of break through” (Jessica, 29, Local Government Commissioning Officer). Although for others who felt this was a cue for action, the moment had passed without a change in saving behaviour:

“I’ve thought about it a bit more but not changed my actions, it came a little bit more on my radar. Maybe it’s more that I’m over 30 I’m suddenly thinking I should be a bit more sensible.”

(DONNA, AGED 32, TOWN PLANNING CONSULTANT).

Other research has identified forty as a common age to consider pensions (Clery et al., 2010). This suggests that these may be key moments, where women reflect on their plans and financial security. Interventions at these points could be highly effective if they make action as easy as possible. For instance, for those enrolled in schemes, pension providers and employers could contact savers at these age milestones with suggested ways in which they could take action to increase their saving. For those who have opted out, this may be a powerful moment to offer again to sign up people up.

One thing at a time

“Your requirements sort of end up bottom of the pile”

Many of those who did not begin saving as soon as they started working took a different approach to saving over the life course. This group tended to prioritise one thing at a time (although they may still be saving for pensions in a less planned manner). For this group, the main financial priority when they began work was to pay off debt accumulated during their higher education. In fact, even when controlling for age, the impact of student loan debt has been found to adversely affect pension contributions (Lloyd, 2011). The next priority was housing and saving for a deposit to buy a house. Following this, many then viewed parenthood as the next saving priority. It was only after all these savings objectives had been met that pensions came onto their sequenced financial agenda.

“I think it’s difficult ‘cause I think people tend to come out of university with quite a lot of debt now and … we all have to get rid of that debt before we can kind of start thinking, well in my life then I’m starting to think about trying to buy a house and think ‘oh well’ I suppose you then start thinking about the children’s future and then I guess you’re requirements sort of end up bottom of the pile… guess yeah saving for a house, being able to afford children, yeah and then it’s kind of like right, they’re done, now pension”

(HELEN, AGED 32, TRAVEL CONSULTANT)
Young people face more graduate debt than ever before, which, combined with rising housing costs, makes achieving these saving priorities increasingly challenging. It may be for these reasons that young people are more likely to opt out of auto-enrolment than other groups (Bryan and Lloyd, 2014.) Young people should be a target of policy aimed at reducing opting out in auto-enrolment and encouraging young people to save more, sooner.

In this context, an approach to saving based on sequencing one thing at a time may prevent women from starting pension saving early. Clearly, there are issues here for housing and student loan policy makers about the knock on implications for pensions saving of wider policy. However, within the current context more can be done to address this and to encourage young people to consider their lifetime saving needs rather than the next thing on the list of priorities.

This is especially important for women who are likely to find that, even once these saving priorities have been achieved, there are other unanticipated costs associated with having children (Ginn and MacIntyre, 2013) or taking time out of work to care (Loretto and Vickerstaff, 2015), so that as Helen describes above women's own financial needs “end up bottom of the pile”. We consider this in more detail below.

Auto-enrolment will mean that many are automatically entered into a pension scheme when they start working, taking advantage of this moment. However, currently auto-enrolment contributions are only targeted to reach 8% of salary, below the industry standard of 12%2. For those in later life with little or no private pension provision, even 12% is far below what they need to save. For those without the default expectation that they will start a pension when they begin work, or positive interventions from parents, this is likely to remain a missed opportunity. Targeted and relevant campaigns aimed at graduates and school leavers could encourage young people to start saving above the level of automatic contribution into a pension early.

The triggers for saving: having children

“Right let's get a bit more serious now”

The research identified thinking about parenthood as an important trigger for saving for participants. For many, the birth of their first child made them reassess their spending and saving priorities:

“It’s called having kids I think and suddenly thinking right let’s get a bit more serious now, I need to make sure I save a bit more, yeah, so it was when I came back after having kids.”

(ROSIE, AGED 36, BUSINESS DEVELOPMENT MANAGER)

However, this is also a time where saving can become more difficult for women due to the high costs associated with parenthood, such as childcare (Ginn, 2003; Ginn and MacIntyre, 2013). Taking time out of paid employment for maternity and other caring responsibilities has an adverse effect on the pension savings of most women (Ginn, 2003; DWP, 2005; Pensions Commission, 2005; Price, 2007; Foster, 2010; Ginn and MacIntyre, 2013; Grady, 2015) in a way that, despite changes to parental leave policy and changing attitudes to responsibility for childcare, does not affect fathers.

This theme emerged strongly in this study. Having children represented a triple cost to the women interviewed. First, as they took time out of work for maternity leave. Second, as many of them reduced their hours (and so earnings) on returning to work. Third, due to the ongoing costs of childcare:

“I think because childcare is so expensive ... I think ‘oh well I should pay a higher percentage into my pension but I’ve got about a grand in childcare fees to pay this month ... I guess it does kind of make me think that perhaps between 25 and 30 I should have been a bit more conscientious with my money.”

(HELEN, AGED 32, TRAVEL CONSULTANT)

---

2 This is based on Scottish Widows calculations that saving 12% of earnings from age 30 to age 64 will provide an adequate income when combined with state pensions.
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. For instance, when asked about maternity leave and whether respondents carried on paying into their pension, one replied:

“You know I can’t remember … I don’t think we did ... I’m actually about to go on maternity leave again and I’ve chosen not to contribute at this stage .... Simply because the amount you’re given on maternity leave is so low that it’s ... it would be a significant chunk to take £50 of that every month. So it’s just not worth it for those 9 months but my husband will continue to contribute [to his pension] during the maternity leave like he did previously.”

(COLETTE, AGED 32, LANDSCAPE ARCHITECT)

The last sentence in the above quote highlights the persistence of the male breadwinner model; an implicit assumption that the male partner’s salary is the source of economic security in the household. The continued power of the male breadwinner model is also found in the way many participants talked about childcare as a cost met by mothers’ salaries. For example:

“So basically my income, 100% of my income probably my monthly income, goes on childcare so, and this pension, and that’s it so I get about, I earn about £50 quid a month which in a way is a bit ridiculous so that is what my pay goes on at the moment.”

(ROSIE, AGED 36, BUSINESS DEVELOPMENT MANAGER)

Even those who did not have children thought childcare would impact their savings.

“I think it would decrease the amount you contribute each month, because obviously you’d have other kind of outgoings, like childcare so you wouldn’t be able to afford to put as much into a pension.”

(EVELYN, AGED 25, SCHOOL TEACHER)

Childcare as a cost for women reveals an implicit assumption that this is the woman’s responsibility and that it is a cost of her returning to work, rather than a cost incurred as a result of both partners working. When women pay childcare costs solely from their own salary, they have a greatly diminished disposable income and less money to save for the future, even when they are relatively high earners (Phipps and Burton, 1998). If childcare is viewed shared expense, then women and men’s pension contributions may both be reduced, but at least equally, ensuring women and men are equally able to continue saving after becoming parents.

These underlying assumptions were at odds with the view of most women in the study that they should have their own pension provision and not rely on a partner’s income:

“I mean ideally we both have one ... no I wouldn’t expect to rely but hopefully we’ll still be together and can use both.”

(PHOEBE, AGED 32, INSURANCE BROKER)

Interviewer: “To what extent do you expect to rely on a partner’s pension in retirement?”

Mary: “I don’t... “

Interviewer: “You don’t?”

Mary: “That sounds really bad doesn’t it (laughs) no... we’ve only been married a few years so I’m only just getting into... hopefully when we’re 72... but that scares me looking that far ahead...”

(MARY, AGED 30, TEACHER)
Yet when probed, even some of these participants remained relaxed about their reduced pension contributions, feeling comfortable that they could rely on their partner's provision. When asked whether she saw her partner's pension as hers as well, Colette (aged 32, Landscape Architect) stated:

“Yeah definitely! I do because all of our finances are all joint accounts except for one that we both have which is for the money that we get for birthdays and Christmas and stuff like that.”

In the interviews, participants who recognised this gendered impact of parenthood had mixed views about it. Some stated that it was unfair; others stated a preference for taking leave from employment and did not believe it was the responsibility of the state or employers to replace their pension contributions. However, the interviews revealed that most women had not thought about the implications of motherhood on their pensions in any depth or discussed it with their partner. Sometimes, the gendered nature of pension contributions resulting from parenthood only became apparent during the interview:

Interviewer: “Do you think when you go on maternity leave you will still pay into the pension?”
Phoebe: “I think we will yes.”
Interviewer: “Do you plan to go back full-time or part-time?”
Phoebe: “I’m not sure at the moment, probably part-time.”
Interviewer: “So that will also have an effect on the amount you contribute.”
Phoebe: “Yes, exactly, that’s a good point.”
Interviewer: “Do you think fatherhood has any kind of impact on men’s financial planning for retirement?”
Phoebe: “No, not. Well … (pause) I suppose (pause) I don’t know …”
Interviewer: “Because say for example, if your partner was paying into a pension scheme now he’s going back full-time, his scheme would be intact whereas yours could take a hit from maternity leave and a hit from reduced hours. Do you think that’s fair?”
Phoebe: “It’s absolutely not fair no! (laughs) … That’s a very good point (laughs) erm do you know I sort of hadn’t considered that.”

(PHOEBE, AGED 32, INSURANCE BROKER)

For most, the gender blind conditions of their pension plans gave them the perception that their provision was fair, as it did not overtly discriminate against their gender.

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.

As pensions are calculated through work and pay rates, decisions are often made on an individual level and within a workplace setting. However, it is likely that in retirement, those with partners will be affected by their other half’s earlier pensions choices. DWP analysis into inter-partner communication around pensions found that even the most well informed couples who dealt with financial issues regularly were unlikely to talk about pensions or retirement (Clery et al., 2010). This theme also appeared in our research:

“It’s not something we discussed really … mainly because … we both opt in and pay a standard amount to our pensions and that’s really the extent.”

(FATIMA, AGED 34, ORGANISATIONAL DEVELOPMENT OFFICER)
Interviewer: “Do you discuss your pensions together? Is it something that you both kind of make decisions on or is it very much an individual thing?”

Jinny: “Pretty much individual, I mean a casual comment about how much we’re paying in a month but that’s about it”

(AGED 32, TEACHER)

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 is likely to be 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. Increasing levels of divorce indicate some of the dangers of relying on a partner for security in retirement. As such, it is of concern that these respondents were not discussing pensions or retirement with their partners and that the women were not more aware of the ways in which they were relying on their partner. More must be done to encourage these conversations as well as to prompt women to consider how far they may be relying on a partner’s future income without realizing. Scottish Widows (2012) found that in the UK over half (54%) of women under the age of thirty are relying on joint savings for a retirement. The women interviewed were for the most part committed to not being reliant on their partner’s income; only on further reflection did this reliance become apparent for those meeting childcare costs. Making this tension clearer may encourage more women to save actively for their future in their own right.

Increasing saving levels: pensions as a tax

“It’s almost like another bill”

The study revealed that the women’s attitudes to pensions were very different to that of other types of saving and financial decision. Participants were often more engaged in other types of saving and motivated to increase their assets. Other types of saving were viewed as generating benefits that are more tangible. In some cases, this was being able to purchase something but in others it was the accumulation of capital itself that was rewarding, motivating them to save more and spend less. Some participants felt a real sense of accomplishment and achievement about these types of saving.

“I quite like the feeling of saving money … I like seeing it increase with each stage … I really like that feeling.”

(EVELYN, AGED 25, SCHOOL TEACHER)

“Sounds crazy but I love saving, I suppose the hardest part is actually spending it once I’ve saved it.”

(JACQUELINE, AGED 34, COMMISSIONING OFFICER)

However, pensions did not generate the same satisfaction or motivation; instead, they were viewed as a cost without reward. Many participants likened this to the experience of paying a tax. Pensions were simply a deduction that appeared on their wage slip alongside National Insurance or student loan payments.

“pensions just sort of, it’s almost like another bill almost, like I just think it’s something that ..., automatically comes out of my pay slip ... You don’t see it as physically saving.”

(KITTY, AGED 28, MUSIC TEACHER)

Making the rewards of saving for a pension more tangible or replicating the sense of accomplishment associated with other types of saving could enhance people’s motivation to contribute. It may also make them more inclined to make additional contributions. This means making clearer to savers the value of what they are accumulating; for instance, with concrete scenarios as to what their pension could be worth or the difference that additional contributions could make.

On this basis there could be real benefits of the Government’s new Lifetime ISA (LISA) as a way to make saving for a pension feel more like other types of saving which have greater psychological rewards and flexibility. However, we raise concerns that it is likely only to be those savers who can afford to contribute to schemes
outside their workplace pension who will benefit from this. For the less wealthy, it appears that prioritising occupational pensions will be a better deal because it attracts employer’s contributions, which the LISA will not.

To help create the psychological rewards that encouraged many of our participants to save elsewhere more could also be made of the insights of behavioural psychology. For instance through gamifying saving, creating targets with achievable goals and offering positive feedback for contributions, replicating the immediate reward those who enjoy saving in other areas of their lives get when they see their assets growing. This could counter the sense that pension contributions represent money taken from their salary each month without reward or personal benefit.

The importance of incentives

Auto-enrolment helps to overcome the initial barriers to saving. This alone however, is insufficient to close the pension gap. That auto-enrolment creates pension provision automatically could lull women into a false sense of security that their retirement is catered for. However, auto-enrolment minimum contributions are currently lower than the recommended level of saving. Combined with careers and care breaks, many women will not have enough to retire comfortably without saving substantially more than the minimum. When specifically asked what could incentivise the participants to pay more into their pensions, increased employer contribution was high on the list.

“I think it is a priority to save as much as my employer will give me money ... beyond that I don’t think about it.”

(JESSICA, AGED 29, COMMISSIONING OFFICER)

Other evidence suggests that employer contributions do indeed drive higher levels of saving and increased personal contributions. A survey of 500 companies that have introduced auto-enrolment found those businesses that only contribute a small amount, in the region of 1%, see on average 0–10% of their staff topping up pensions. This average proportion jumps significantly to 20–30% of the workforce for businesses contributing 5% (Pensions World, 2016).

It is clear that the offer of employer contributions is a strong incentive for saving. Yet, tax relief, offering a similar additional contribution from government was rarely raised as a driver of saving or mentioned by participants as part of their decision making process at all. It seems likely that this benefit of saving is little understood and that greater awareness could make a substantial difference to women's willingness to save through a pension scheme. On this basis, and now that the Chancellor has confirmed that he does not intend to reform Pensions Tax Relief (Osborne, 2016), the Government should not only consider a public campaign to increase awareness of pensions tax relief but also renaming it. The current name means that many people simply do not understand what is on offer. The name should make clear that money back is on offer, for instance as “Pensions Cash Back”, or a “Savings Bonus” echoing the language used to describe the benefits of the new Lifetime ISA (Osborne, 2016).

Male role models in pension saving

“I'll give it to my dad, he'll tell me what to do...”

A recurrent theme in the interviews was the role that men played in women’s decision-making processes around pensions. As outlined above, participants repeatedly raised the point that they found the pensions advice and guidance on offer ineffectual; although it is also clear that they were unaware of the full range of support available. To close this knowledge gap, participants sought advice and guidance elsewhere from friends and family. We were keen to understand whether perceptions that pensions had been a bad deal for women in the past impacted upon contemporary savings decisions. On this basis, we asked participants about the women in their life that they had sought advice from about pensions or to whom they looked to when making financial decisions.

Several cited their mother as a positive influence around pension saving. In total, nine mentioned their mother as a positive influence. However, only two of these appeared to play a significant role. On the other hand, despite
being asked about female role models eight participants spontaneously cited their father as the main influence on their pensions saving. In six cases, he had played an active role. This echoes research in the USA that has identified fathers as more likely to assist children with financial resources and advice than mothers (Gallagher, 1994; Ha et al., 2006; Rossi and Rossi, 1990):

“My dad’s helped me a bit with mine because he knows about this sort of stuff so I have talked to him.”

(NATALIA, AGED 29, FUNDRAISER)

Many of these respondents said their father was their main source of pension advice.

“My dad has influenced me more than anyone because he was an academic so he always said you know, academic pension schemes are good, get one with the USS (University Pension Scheme), do it straight away, then I met my husband and the police seemed to be very knowledgeable about pensions. I’m assuming that for a lot of them it was partly why they joined so erm, yeah I wouldn’t say the women in my life at all actually my dad and my husband probably more than anything made me make sure that I have a pension and that it is a reputable one.”

(JANINE, AGED 34, RESEARCH FELLOW)

“I know that if they did change it again they’ll send out all the information about it and know what will happen. I’ll give it to my dad, he’ll tell me what to do and that’s what I’ll do.”

(ELIZABETH, AGED 32, NURSE)

In some instances, this advice had been empowering; building skills and enabling the women interviewed to make informed decisions. However, in other cases, as with Elizabeth and Janine quoted above, 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.

Although, as outlined above, many couples did not discuss their pensions, for some participants male partners were raised as leading pension decisions, without this necessarily meaning the couple jointly considered their options. These participants often described themselves as not feeling comfortable with the detail, while perceiving their partner to be better placed to make decisions:

“Well he works in finance so he understands pensions, like figures and all that a lot more so he really understands his pension.”

(LAUREN, AGED 31, MARKETING OFFICER)

Another participant said that she was not comfortable with figures and that her partner was much better with numbers:

“I think to be brutally honest he thinks a lot more how much it will produce at the end because well he’s ten years older and also that’s what he does as a job – financial advising mortgages and what have you. He looks at everybody’s all day long. Whereas I kind of don’t pay attention to that…”

(MARY, AGED 30, TEACHER)

“I only trust it because of what my partner has said, because he understands, he worked at the same place as I did, so he understands the pension there and also he works in financial advice so he’s got a background. Otherwise I probably wouldn’t have even thought about it, like increasing the amount or whether I trust it not, I’d have just paid the minimum.”

(PHŒBE, AGED 32, INSURANCE BROKER)

A number of women expressed the idea that “I don’t have a head for numbers really” (Lauren, 31, Marketing Officer). This contrasted greatly with how competent the women felt about managing of other household
finances. Only one participant lived in a household where their male partner was the main decision-maker on household finances. For the others, the decision-making was either joint or the female took the lead role in decisions. This correlates with research findings elsewhere (DWP, 2012).

These comments point to a deeper structural issue regarding how we teach mathematics and present it as a male subject and area of employment. Girls perform as well as boys in GCSE mathematics and yet the numbers studying the subject at A-level decreases substantially. In 2014 only 39% of A-Level Mathematics entrants were female (WISE, 2015.). It is argued that both teaching practices and socialisation around the subject are highly gendered deterring women from participating (Boaler et al., 2011). This gendered experience of mathematics in school may lead to disengagement with aspects of life that appear to be mathematical, such as a pension.

A second structural issue raised here is women’s underrepresentation in areas of employment associated with mathematics and the financial markets. Women make up only 13% of those working in Science, Technology, Engineering and Maths occupations (WISE, 2015), and financial services remain dominated by men with women making up only 19% of senior roles (PWC, 2013). This is likely to reinforce the sense that pensions is an area where men hold the expertise, as evidenced by participants pointing to their partner working in financial services as a reason that they are better placed to make decisions.

When probed further, one participant eloquently argued that the financial sector was a male dominated arena that excluded women.

“We just go back here don’t we, to the root of sexism, I think that environment is a gendered environment, banks, it’s a sexist environment ... fewer women in senior positions, fewer women interviewed on Newsnight ... I wouldn’t like to say that men have more of an interest in stocks and shares, because I think that’s sexist, but I would say ... that it’s always women in Fairy liquid adverts on the telly, it doesn’t mean that men aren’t interested in doing the washing up or aren’t very good at it.”

(ROSIE, AGED 36, BUSINESS DEVELOPMENT MANAGER)

The perception of decisions about long-term finances and interactions with the stock market as masculine domains are likely to be both the cause of and reinforced by women seeking advice from male role models. Pensions were indeed originally established to allow male breadwinners to save for long-term security with the expectation that women would rely on their husbands for income in retirement. We have come a long way since those early days, but the core notion of pensions as a male space remains powerful and is likely to be inhibiting women’s engagement. This must be challenged and broken down. We echo the calls elsewhere that maths education must address gendering and ensure both girls and boys are fully engaged. This must include challenging perceptions among girls that they are not good at maths and do not have a head for figures (Callan, 2015). We welcome the Government’s commitment to ensure that thousands more young women go on to study science, technology, engineering and maths at university, but also call on the Government to ensure a curriculum based approach which will address girls’ fears around maths.

More too must be done to tackle the labour market segregation that reinforces women’s exclusion from financial markets. In the sphere of pensions, the industry must challenge its approach to providing information and ensure it reflect research insights as to how women prefer to receive information.

Female advocates could be powerful here too, communicating to women that they are able to engage in and make informed decisions about their own future.

However, it is also important to acknowledge that there are likely to be many women for whom the perception that they are not in a position to make an informed decision is deeply held. Women are likely to continue to seek advice from fathers and male partners. On this basis, it is important to recognise that the pension landscape changes significantly between generations and what was appropriate for participants’ parents may no longer hold. As such, information and guidance should also be targeted at parents and grandparents to ensure they offer appropriate information when asked.
Discussion

There have been many concerted attempts to address inequalities in the state pensions system. However, as pension provision leans further towards private saving there is a real risk that old inequalities will be recreated.

Women are less likely to be saving adequately for their retirement than are their male counterparts even when they are earning the same amount. This research has focussed on some of the wider barriers for women's low level of saving but the starting point must be to tackle women's lower incomes. Closing the gender pay gap and reforming auto-enrolment to give more women private pension provision are fundamental steps towards equality.

Whilst contemporary pensions policy may be encouraging saving at an individual level - a key goal for those keen to ensure women achieve economic autonomy – this research indicates that the male breadwinner ideology remains prevalent, often to the disadvantage of women. Pension policy that fails to reflect this will only serve to reinforce women's financial vulnerability.

For Government: Gender must be mainstreamed into the pensions policy process so that it systematically attempts to create and embed gender equality. Gender implications must not be an afterthought

Building Knowledge and Confidence

Women engage in a range of household financial decisions and yet our research revealed that when it comes to pensions they lack confidence and feel poorly informed. This creates powerful negative emotions that prevent them from addressing their future needs. Decisions about pensions emerge as a male space throughout the interviews, with male figures presented as more informed and confident or closer to practical experience that helps them make pensions decisions. This must be addressed right from the beginning of women's socialisation into mathematics.

For Government: Build women and girls’ confidence with maths and long-term financial planning. The Fawcett Society recommends that girls with strong GCSE maths results should be defaulted into A-level study with an option to opt out. 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

Advice and Guidance

Participants felt that the current advice and guidance landscape is unhelpful; often intensifying their feelings of confusion and stress, further inhibiting action.

Participants were clear that they want tailored information and guidance given in everyday language and materials that are short, snappy and relevant to their lives now rather than in a distant future.

Many specified that they would prefer to do this face-to-face and that it should provide time and space to ask questions and go through the range of issues and options. Furthermore, other evidence suggests targeted information can have a positive effect on saving (Atkinson, 2008). On this basis, personalised guidance at an earlier stage in life would be helpful (Foster, 2012a; Waine, 2009). Many of these principles are, in fact, reflected in existing resources, such as TThe Pensions Advisory Service and Money Advice Service. In the first instance then, raising awareness and reach of existing services should be made a priority. Fawcett welcomes proposals to merge and increase the remit of The Pensions Advisory Service and Pensions Wise; however, the new body must be able to reach out and promote its service offer.

For Government: Ensure that this new body has the budget and remit to actively target women and other under-pensioned groups to raise awareness and use of the service
For our participants, pension decisions are often made in an environment of stress and uncertainty with a lack of concrete figures or a clear plan for the future.

**For Industry:** Provide concrete scenarios on regular pensions statements to help visualise the benefits of increased contributions. 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.

If provided regularly this information could also help to replicate some of the psychological rewards of other types of saving described by participants, build their trust in their pension scheme and prompt decisions about increased saving sooner.

Our focus group discussion strongly supported the importance of the Pensions Dashboard currently in development as a way to make information about pension provision more accessible. Currently though there are concerns that the proposal to bring all of an individuals’ pensions information together in a single place online will not be delivered by the 2019 target, and as such recommend:

**For Government:** To make a concrete commitment to the dashboard being delivered by 2019.

The study also offers insights into how the dashboard might be made most effective.

**For Industry:** Access to pensions information with the ease offered by online banking should be available, ideally fully integrated with online banking. Industry plans for a digital passport could aid this considerably so we recommend these be expedited.

### The impact of having children

Having, or considering having, children emerged as an important trigger for changes to spending and saving habits for our participants. However, this also coincided with higher costs and lower incomes that can prevent women saving adequately.

It is not acceptable that in some instance, the cost of childcare continues to be viewed as solely the mother’s responsibility. This is based on an outdated assumption that men work and women care, and so if the mother returns to work she must pay for childcare. With more women in work than ever before this assumption is no longer viable or desirable and must be challenged.

**For Government:** Good quality affordable childcare must be made widely available. High childcare costs are preventing women – who put their own needs at the bottom on a long list of financial priorities – from saving.

**For Industry and Employers:** Capitalise on age-related triggers around saving (e.g. turning thirty or forty) with targeted information to encourage saving. These should make action as easy as possible and use the insights of behavioural economics to overcome inertia and motivate savers.

Most of the women in our study believed they should be economically independent, but had not considered the impact of reduced earnings resulting from caring responsibilities.
For Industry and Employers: Information should be provided to those embarking on maternity, parental or paternity leave about the risks associated with lower pension 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 earnings 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.

For Industry and Employers: 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 own 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 does not only 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.

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 carer’s credits.

For Government: Pay an Auto-Enrolment Credit to those eligible for National Insurance credits for care under the state pension system. It would be equal to the value of employer’s contributions at the auto-enrolment trigger level of £10,000. This nominal amount of £125 per year would keep women engaged in pension accumulation 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.

Incentives and triggers to increase contributions

For Employers: We back the Pensions Minister’s call for employers to implement SMaRT (Save More Tomorrow) or auto-escalation schemes that automatically increase contributions in line with salary increases. These could be made more effective by capitalising on trigger moments in people’s lives. For instance, encouraging people to commit to saving more at future age milestones.

The potential trigger for saving of having children was often mitigated for our participants by the additional costs they faced. Similarly, student loans were identified as a saving priority before pension saving begins. These commitments could themselves be used to create new triggers for saving.

For Employers Industry and Government: At the outset of student loan repayments or contributing to a childcare voucher/ tax-free childcare scheme, 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.

In both the interviews and the focus group, employer contributions were seen as a key way of encouraging people to save more. Evidence shows that even small increases by employers can lead to proportionately bigger contribution increases by employees.
The Government should include in its 2017 review of auto-enrolment a focus on how to incentivise employers to increase contributions. Our findings also suggest that the potential incentive of tax relief on pension contributions is not being fully exploited, as people may be unaware of it.

**For Government:** A public campaign to increase awareness of pension tax relief and a new name. The name should make clear that money back is on offer, for instance as “Pensions Cash Back”, or a “Savings Bonus” echoing the language used to describe the benefits of the new Lifetime ISA.
Conclusion

Auto-enrolment may bring thousands more women into the pensions system, but an increased reliance on private provision makes the same women more vulnerable to gaps in pension contributions during periods of unpaid care.

The impact of these changes on those close to retirement has been closely monitored, yet little consideration has been given to younger savers for whom there is still time to make a dramatic difference to their retirement. Particular attention must be paid to under-pensioned groups like young women and Black, Asian and Minority Ethnic women.

Our research suggests that young women tend to make pension decisions on an individual level and believe they will not be reliant on their partner in retirement. Yet most of those we spoke to had not considered that their incomes in retirement would be affected by household decisions.

Most had not reflected on 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. Whilst, policy may be steering an individual approach to pension saving, the survival of the male breadwinner model and the lack of options for women taking time out to care may be undermining women's economic autonomy in retirement.

That childcare was often considered an expense paid only from the salary of women interviewed exacerbated this. Rather than considering this a joint expense with both partners sharing the cost, some women saw ‘all their income’ being spent on childcare. As a result, for the women we interviewed this often meant it was them and not their partner who stopped or reduced their pension contributions.

Fear, confusion and lack of trust also influenced these women's engagement with their pensions, exacerbated by a lack of accessible and relevant guidance. 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. With a sample that consisted largely of women with degrees or in senior professional positons, the lack of pension knowledge displayed is even more striking.

Many participants expressed a reliance on male role models – their father or partner – for advice on pensions. This points to a deeper structural concern around the socialisation of women away from mathematics and finance. These exclusionary practices may make finance, and by extension pension provision, appear to be a masculine domain exacerbating the stress, confusion and subsequent lack of engagement in pensions by these young women.

The male breadwinner model belongs in the past and has become less recognisable as a growing number of women have entered the workplace and more parents look to share care more equitably. A revitalised pension system for 2016 should reflect these changes but also recognise that despite there being more women in work than ever before, childcare still remains predominantly a woman’s job. This inequality means that under a pensions system which emphasises private saving as the primary means to financial security in retirement, many women are set to lose out. Reduced contributions during maternity leave, reduced working hours to accommodate care, and shouldering the cost of childcare all limit women's ability to save for retirement.

In the twenty-first century, this is no longer acceptable. The underlying structures and assumptions that mean these responsibilities continue to fall primarily to women must be challenged and changed. Fawcett will continue to work towards this outcome but in the meantime, we must create a pensions system that responds to these inequalities instead of reinforcing them.
Bibliography


Department for Work and Pensions (2016), Impact of New State Pension (nSP) on an Individual's Pension Entitlement – Longer Term Effects of nSP


Foster, L. (forthcoming), Young people and attitudes towards pension planning, Social Policy and Society.


Ginn, J. (2011), Moving the SPA Goalposts for Women: The broader context, Kings College London


Morley, K. (2014), Rethinking the pension, Investors Chronicle, 23 January


Office of National Statistics (2015d), Annual Survey of Hours and Earnings: Summary of Pensions Results


Thaler, R. H. and Sunstein, C.R. (2008), Nudge: Improving decisions about health, wealth and happiness, New Haven, Conn, Yale University Press


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