

Closing the pension gap: Understanding women's attitudes to pension saving ^[1]

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AVAILABILITY

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Executive summary

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.

Key findings

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.

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.

Region: Europe ^[3]

Tags: women's work ^[4]

Women ^[5]

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