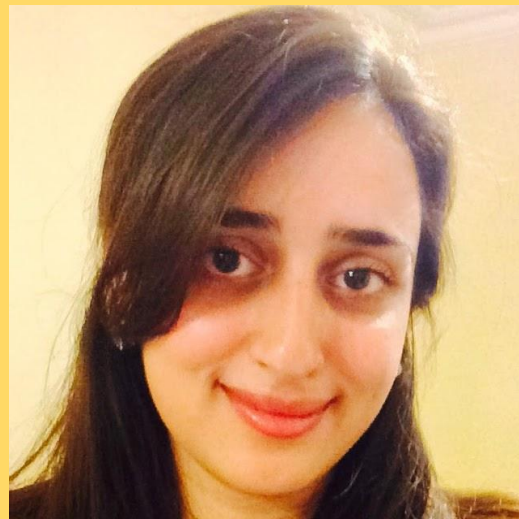


Reimagining the pension system for women

An exploration of the barriers faced by women and potential solutions



Introduction:

It's not new news that women in the UK are at a financial disadvantage compared to men. They have smaller pension pots at every stage in their career, are less likely to use investment products, are more likely to take on part-time work, to be "lower earners", still do the majority of unpaid labour and are more likely to experience financial abuse. As a result, women are at risk of a higher level of vulnerability, not only in retirement but throughout their entire lives.

PensionBee wants to change this. However we are wary of putting all of the onus on women by telling them that the answer is to "lean in", to read self-help books, to be more confident and to save more. This is not fair or effective. Instead, we believe that those in charge of the pensions environment surrounding women - the pensions industry, business leaders and policymakers - have to lead the way. While financial education and empowerment are part of the solution, there's more at play than a lack of women's confidence in investing.

At PensionBee we believe that the answer lies with our customers and the UK's consumers. By actively listening to women from a range of backgrounds about their own experiences, collecting our own data set from almost 1,000 respondents and building on previous research, below we explore the structures in place preventing women from saving more for retirement and potential solutions going forward.

A lifetime of limitations

“Financial packages are built for having a consistent career. You start your job and then you pay a consistent amount each month. Well, most women will take time off, whether that be external caring responsibilities or for children, or move to part-time after maternity leave. There are lots of different reasons and careers are changing, but it's not linear. Maybe people do their own business or come out of corporate because they've got other responsibilities. So none of the financial packages are flexible enough. Yes, I can afford to do it this month, but I can't afford to do it next month. Or can I take a break from maternity leave or reduce [my pension contribution] to 2%? All of those sorts of things are quite difficult. It's just another thing to think about without any kind of guidance of how that conversation should go and what sort of information is required and to help you make good choices to manage those finances. Because I think most women, as soon as they know there's any change, will stop paying in to a pension, because you've already got so much money in the pot and you have to deal with the here and now. So it's always dropped because women just have to deal with the now, with the kids and the life stuff and we're not able to think about things long-term.”

Rachel, 43

1. More pressure to take on unpaid labour

There is significantly more pressure on women to take on unpaid labour, such as caretaking responsibilities and housework, even if they are the higher earners¹ in the household.

Research from the IFS found that in heterosexual couples where both partners worked before parenthood 13% of higher-paid women still leave work after their child is born, compared to 3% of their lower waged male partners.

The report also found that of the higher paid women who continued to work, their working hours dropped on average by 26%, while there was almost no reduction in the paid hours of the father, even where they earn less than their female partners.

A survey conducted by PensionBee polling 500 women and 435 men from across the UK, exploring the barriers faced by women to save for retirement, found that “women can often feel pressured to cut down paid work to take on care responsibilities”. When presented with a list of eight barriers, 21% of women placed this at the top of the list, compared to 14% of men.

One female survey respondent commented, “women have to run a home, sometimes being left to do it all”, while another said that “providing childcare and not working is a huge factor”. A male survey respondent shared a similar view noting that, “care work gets in the way”.

2. Career breaks and part-time work

“I’m 41 and I’ve done my career. But because I’ve had a child, I can’t go back to earning £40,000 or £50,000 a year. So it’s not an option to be putting 10% of that away each month. I’m barely earning enough now, working part-time, to earn a workplace pension.” Kate, 41

¹ [“Women much more likely than men to give up paid work”, Institute for Fiscal Studies \(IFS\)](#)

Childcare can lead to lengthy career breaks which make it harder to re-enter the workforce. As a result, women are more likely to take on part-time work and be “lower earners”. This situation disproportionately impacts women compared to men.

According to March 2021 Office of National Statistics data, women with dependent children are seven times more likely to work part-time than men. Meanwhile, more than 15% of mums said they are economically inactive, compared to 1.9% of men with dependent children².

Women who earn less due to career breaks or part-time work therefore contribute less to National Insurance Contributions, which pays for the State Pension, and their private pensions. In turn this limits their potential to receive government incentives, such as pensions tax relief, and benefit from compound interest.

An April 2021 report in The Sunday Times, for example, found that in the UK 509,000 men were receiving the full State Pension, compared to 178,000 women³.

Meanwhile, the British government’s Auto-Enrolment policy, which requires businesses to contribute at least 3% of qualifying earnings to an employees’ pension, is only triggered once earnings are above £10,000. However, the threshold doesn’t take into account cumulative earnings of multiple part-time roles, which for women based in the UK becomes an “unforgivable...systems failure to account for the fact that women are more likely to have several part-time jobs in order to combine their paid and unpaid workloads,” according to Caroline Criado Perez’s ‘Invisible Women’. The book estimated that 32% or 2.7 million employed women won’t reach the threshold compared to 14% of men⁴.

Several consumers surveyed by PensionBee believed that career breaks and part-time work had a considerable impact, with a male survey respondent commenting that women invest less due to the “years off for maternity leave that reduce earnings and pension pots”. Another male respondent shared his belief that women “are tied back by

² [Families and the labour market UK: 2020, Office for National Statistics \(ONS\)](#)

³ ["Why you may not be receiving the full state pension", The Times](#)

⁴ Invisible Women: Data Bias in a World Designed for Men”, Caroline Criado Perez

the pay difference”, while a female respondent agreed that “women’s career breaks and pay gap can become an issue towards investing”.

3. The pressure to spend

“If you have kids, you have to get a wardrobe, if your boobs get bigger. There are those expectations that are forced upon you. Sanitary products, breast pads.” Zoe, 38

It’s expensive to be a woman. The ‘pink tax’ refers to the tendency for feminine-branded products to be more expensive than those marketed towards men, and this cost can add up over time and impact long-term savings.

In the UK, although the ‘tampon tax’ was abolished at the start of 2021⁵, many female marketed products remain more expensive. 2021 analysis from Red magazine found that a number of products, across everything from clothing to personal care, are 32% more expensive for women⁶. A 2015 survey from VoucherCodesPro.co.uk estimated that people who have periods could spend £18,450 on ‘period related’ products - including pain killers, replacement underwear and even chocolate - over their lifetime⁷.

Women also face significant pressure to keep up with the latest fashion and beauty trends, a gendered societal expectation feminist Naomi Wolf argued was society’s way to keep women subordinate to men in “The Beauty Myth” over 30 years ago⁸.

⁵ "UK abolishes 'tampon tax' on menstrual products", CNN

⁶ ["Are you paying the pink tax?", Red Magazine](#)

⁷ ["Women Spend More Than £18,000 On Having Periods In Their Lifetime, Study Reveals", Huffington Post](#)

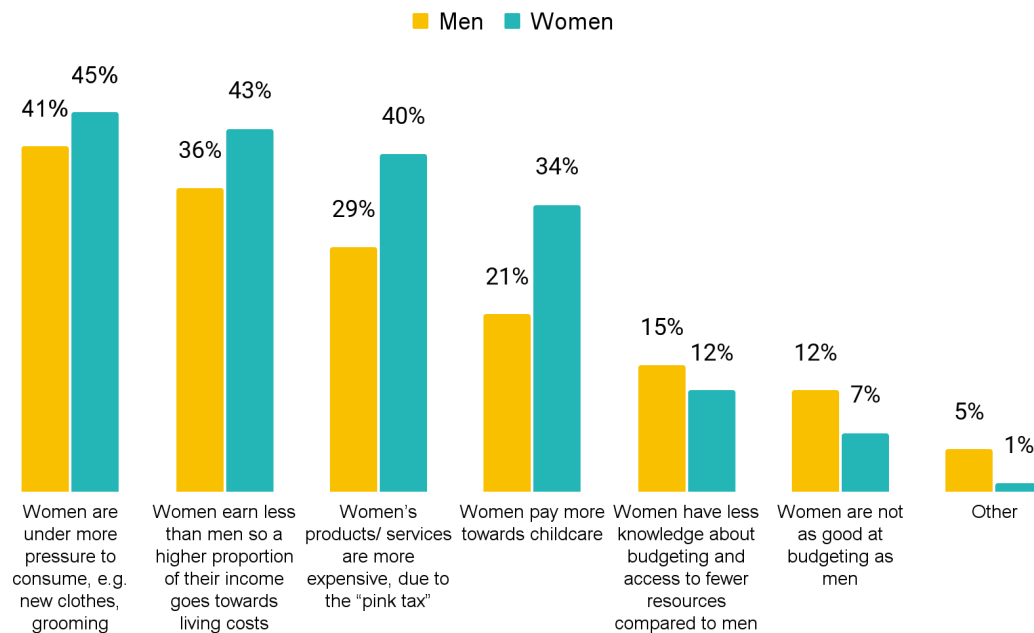
⁸ ["The Link Between Beauty And The Gender Gap", Forbes](#)

“If you see a group of girls out compared to a group of boys, they are probably drinking more expensive drinks. I'm not a girly girl. I wear leggings and a t-shirt and stuff, but I've been through the stages of finding handbags irresistible.” Alison, 50

When respondents to PensionBee's survey were asked “why does it cost more to be a woman?” 34% of women said women pay more towards childcare than men do, compared to 21% of men. The research found that 39% of women aged 50 and over thought this, compared to 16% of men of the same age. Among respondents who identified as Asian, Black, Mixed or from other ethnic groups, support for this view increased to 30% of men and 35% of women.

One survey respondent commented, “women like to spend more rather than invest”, whilst another said, “women don't like saving”. These views support the insight that men tend to underestimate the pressures on women that prevent them from saving as much as men typically do.

Why does it cost more to be a woman?



Respondents: 965. Numbers have been rounded.

The prohibitive costs of professional childcare services also pressure families to choose one parent, typically the mother, to leave or reduce paid employment to care for children.

"I felt disadvantaged purely because I was a mother first and childcare is so ridiculously expensive. I've got a lot of friends [in the same situation], it's literally like 80% of your pay. And I've been quite fortunate that my parents were able to retire early, because they were self-employed, to help. But at the same time, I couldn't feel comfortable just leaving my son with someone just so I could work full-time and feel as though I was the worst mother in the world because that's often how you feel. I think that until education opens up for our children, we're just between a rock and a hard place."

Zolaikha, 32

4. Education, financial literacy and jargon

“It wasn’t until I got a little bit older into my early to mid twenties, when life took over and you have to start thinking about saving for a house, did I actually start considering what I should be doing financially, putting money aside and not just blowing a whole lot.” Sarah, 31

A lack of formal financial education, limited financial literacy and the resulting impact on confidence is often cited as contributing factors to why women save less.

A 2021 survey from the Financial Times found that 90% of people in England said they learnt “nothing at all” or “not very much” about finance during their school education⁹. According to the Organisation for Economic Co-operation and Development (OECD), only 49% of women in the UK know how compound interest works, against 75% of men¹⁰. Meanwhile, a 2021 academic paper found that a shortfall of confidence accounts for a third of women’s lower levels of financial literacy relative to men¹¹.

The financial jargon used to both explain products and market them to potential customers can be alienating and off-putting¹². As a result, the financial services industry is failing to attract investments from females who feel “alienated” by jargon-filled marketing campaigns designed to appeal to wealthy older men¹³, limiting women’s engagement with financial products.

Responses captured in PensionBee’s survey, highlighted a strong sentiment that investing has always been seen as “a man’s world”, and a common belief that “financial services are not marketed or relatable to women”.

⁹ [“Why financial literacy is a passport to financial freedom”, Financial Times](#)

¹⁰ [“Addressing women’s needs for financial education”, Organisation for Economic Co-operation and Development \(OECD\)](#)

¹¹ [“Fearless woman: financial literacy and stock market participation”, Tabea Bucher-Koenen, Rob Alessie, Annamaria Lusardi, and Maarten van Rooij](#)

¹² [“Financial jargon putting women off investing”, Money Marketing](#)

¹³ [“Finance industry fails to attract female investors”, Financial Times](#)

One female survey respondent commented that “women are not taught about investing at school”, while a male respondent agreed saying that “women are not taught enough about money from a young age, particularly in some cultures”. Another male respondent commented that “generally women are capable of making good investment decisions but can be set back by unfair treatment and inequality in education”.

“Throughout school it should become part of the conversation, about budgeting, mortgages, finance, what does investments mean, how you need to think about it. Because it’s such an abstract concept that when you start to think about it and you haven’t got any collateral information or knowledge, so you don’t have to test it out, ask good questions, check out whether it was a good option because you’re starting from zero. So you’re like, ‘okay I’ll just go with that’, therefore you don’t feel confident to test it out.” Rachel, 43

5. Women worry about being “outed” when reaching out for support

“I would not want to attend one of those courses because I would feel like I’m going to be outed and I’m going to have to actually face my spending issues and it’s all going to be put in front of me and it will be quite revealing and scary.” Francesca, 25

When it comes to asking for help, some of the women PensionBee spoke to worried about being “outed” for not having the requisite financial knowledge and felt disempowered to ask questions or engage with their finances.

One PensionBee workshop participant linked this fear and sense of shame to their experience with financial advisers, “IFA’s were men of a certain age and I always felt like a kid when I was talking to them”. In the UK only one in 10 financial advisers over the age of 55 is female, while just under a third of financial advisers under 45 are women¹⁴.

Meanwhile, other participants felt the systems of support currently available weren’t designed for them, due to their limited savings. “Wealth management is for the wealthy”, one wrote anonymously during the session.

This sentiment was echoed in PensionBee’s survey with a “fear of being judged by peers about either a lack of knowledge or understanding of their finances, or limited savings and investments” being selected as the main reason why women tend to talk about money less than men do by 27% of female respondents and 24% of male respondents.

A lack of safe spaces was also highlighted, with one female respondent commenting that “women find it more difficult because they may feel that they have less support than a man”.

“It’s probably fair to say that those from a BAME [Black, Asian and Minority Ethnic] communities might have less access to educational or promotional materials or their quality of their education, English might not be their first language.” Zolaikha, 32

¹⁴ [“International Women’s Day: 30% of advisers under the age of 45 are women”, Financial Reporter](#)

6. Money is still taboo

“It’s not something you chat about in the pub is it?” Lindsey, 48

Money is still a taboo topic for many women. Research from Good Housekeeping conducted in 2021 found that of the 1,466 women they polled 30% said that they found it most difficult to talk about their finances. Over half said that money was “too private a subject” and “no one else’s business”, while 20% said it was too embarrassing or stressful to discuss¹⁵.

When looking at the reasons why women tend to talk about money less than men, PensionBee’s survey found that a large proportion of female respondents believed it was because women have too many responsibilities competing for their attention (21%), while 17% of male respondents said that dads and male relatives managing the finances when women were growing up had had a lasting impact.

For women who identified as Asian, Black, Mixed or from other ethnic groups 32% said they tend to talk about money less than men do as they fear being judged by peers for their lack of knowledge, understanding, or control over finances, or limited savings and investments. This is higher than the 26% agreement rates amongst men who identify in the same categories and women who identify as white, and the 24% of men who identify as white.

¹⁵ [How to start talking about money - break the taboo!., Good Housekeeping](#)

7. The myth of risk toted by the investment industry

"I felt overwhelmed by options or lack of options that I'm happy with. I don't feel that it's an easily accessible thing to anybody really." Francesca, 25

YouGov research showed that 52% of women - the majority - have never put their money into an investment product, compared to 37% of men¹⁶. The investment industry has a tendency to blame women's limited risk appetite for their reluctance to engage with financial saving products and, instead of reevaluating their own products to make them more accessible, choose to prescribe solutions that focus on the individual taking on more responsibility.

In an article for its blog, discussing how to close the investment gap, Hargreaves Lansdown says: "For the women who aren't [investing] yet, the confidence chasm can develop into a lack of self-esteem and a general unwillingness to take risks. Ultimately, the absence of self-belief (and financial industry jargon), can lead to more conservative investment decisions. Which usually equals not investing at all¹⁷." It goes on to suggest that women 'start small', 'think long-term' and 'explore funds'.

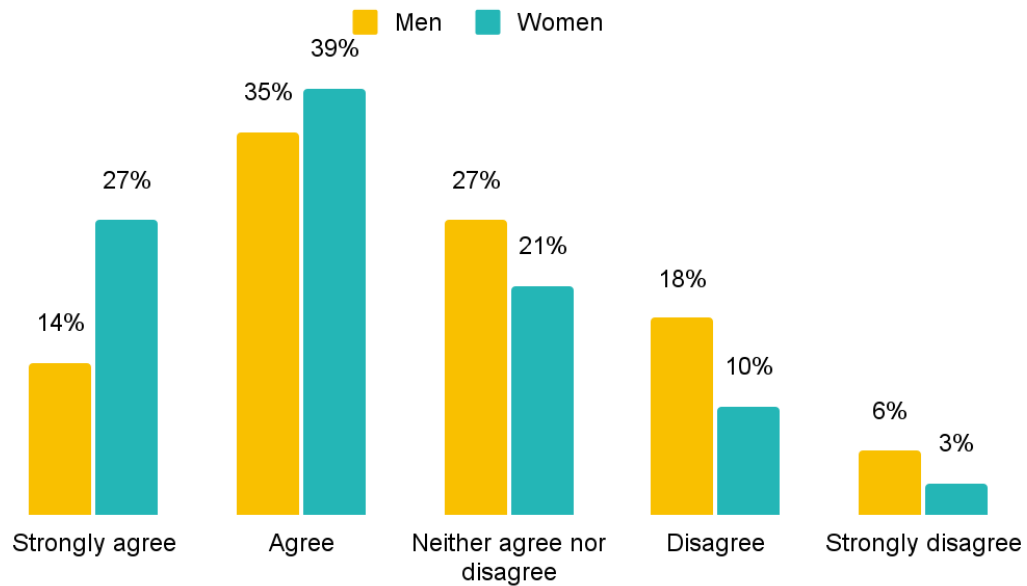
At PensionBee we believe that being able to take risks is a privilege and one often created by financial and social capital that women have limited access to. Our survey found that this is something both men and women agreed on: women can't take as much risk as men because they tend to earn less, which is often related to their care responsibilities. One male respondent commented that women have "children to feed as well". Another believes that they are held back by the gender pay gap. We found that women are more likely to agree, with 66% believing that women earning less limits their risk appetite, compared to 49% of men. Meanwhile, 71% of women believed that

¹⁶ ["Over half of women have never held an investment product". YouGov](#)

¹⁷ ["Gender differences lead to fewer women investing – how to close the gap", Hargreaves Lansdown](#)

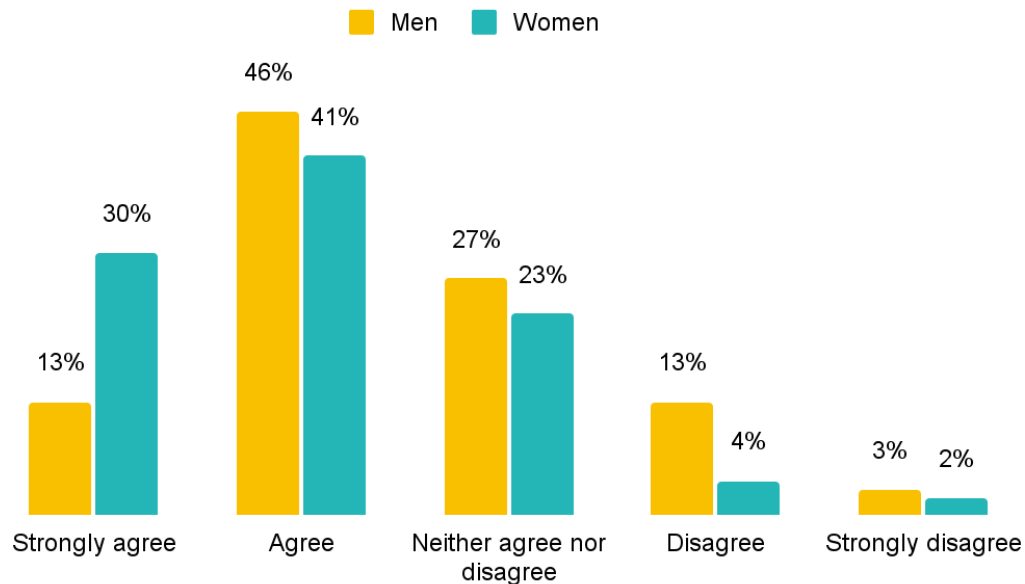
womens' higher share of care responsibilities prevents them from taking as much risk as men, compared to only 58% of men.

Women can't afford to take financial risks because they tend to earn less



Respondents: 965 (465 men and 500 women). Numbers have been rounded.

Womens' higher share of care responsibilities prevent them from taking as much financial risk as men



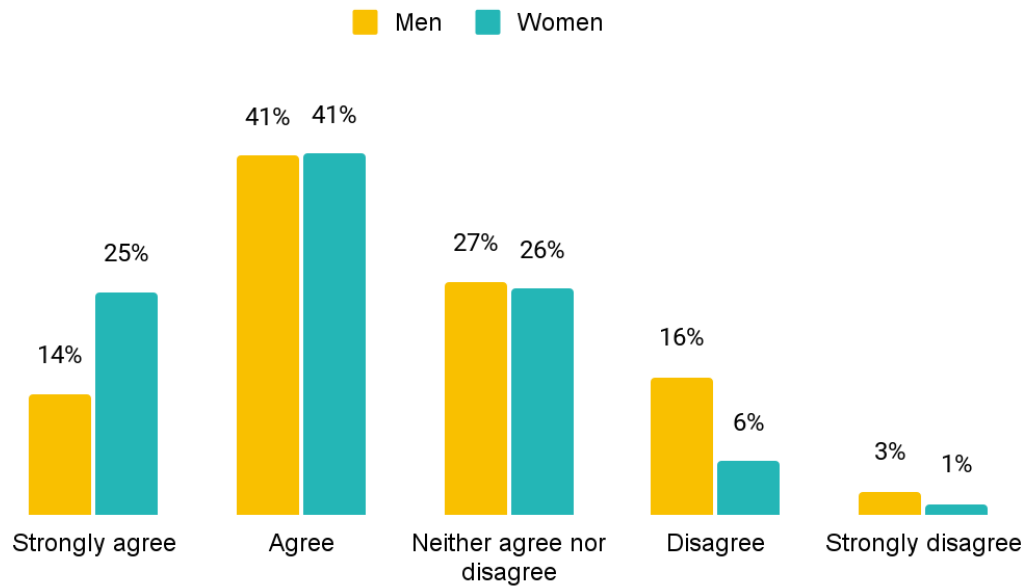
Respondents: 965 (465 men and 500 women). Numbers have been rounded.

8. Men underestimate the reasons why women retire early

PensionBee's research revealed that men underestimate the reasons why women retire early. One male survey respondent commented, "Women are able to do just as much as men", whilst another said, "it's called equal rights, so gender shouldn't come into it at all".

The data found that in many cases men felt less strongly about several of the statements. For example, 66% of female participants believed that caring responsibilities contributed to women's early retirement, compared to only 55% of men.

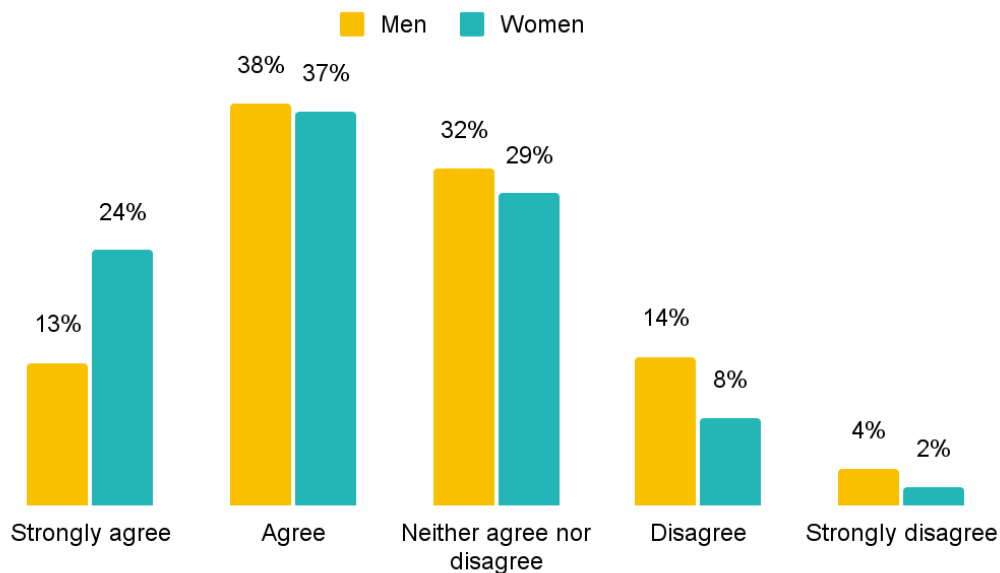
Women often feel pressure to retire earlier than they want to due to caring responsibilities



Respondents: 965 (465 men and 500 women). Numbers have been rounded.

Respondents also believe that difficult workplace environments and culture contribute to women leaving the workforce earlier than they want to, with 61% support for this view amongst female respondents, compared to 51% of male respondents. This decreases to 44% amongst men aged 50 and over.

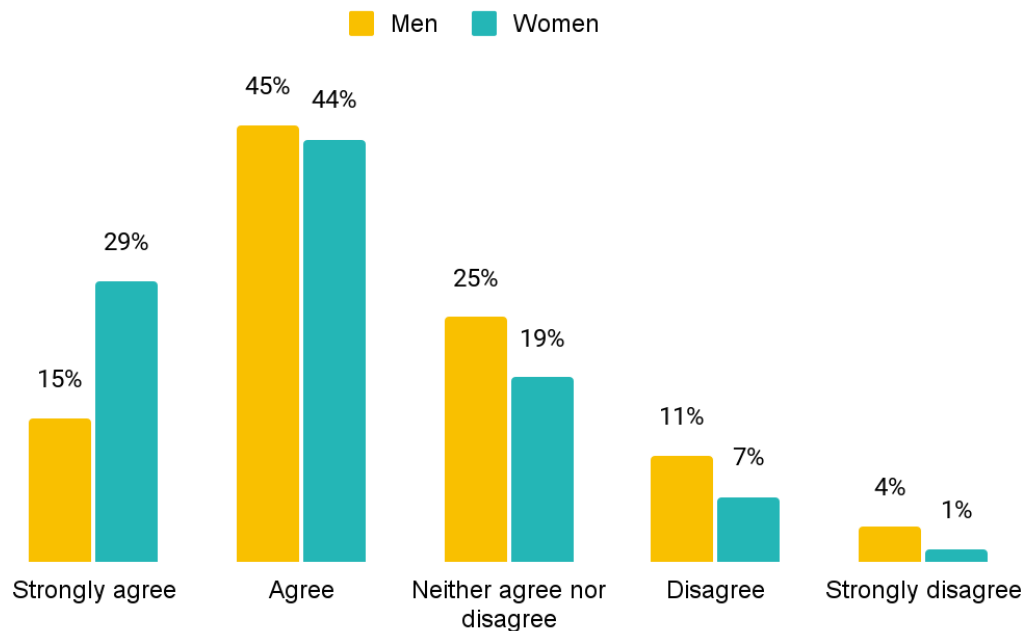
Older women often feel forced out of the workplace due to difficult workplace environments/culture



Respondents: 965 (465 men and 500 women). Numbers have been rounded.

Most respondents also believe that older women find it difficult to find suitable work, with 73% agreement from women and 60% agreement from men. Even here, women are more likely to believe this than men are.

Older women find it difficult to find suitable work



Respondents: 965 (465 men and 500 women). Numbers have been rounded.

Caroline Criado Perez, author of 'Invisible Women' described the gender data gap as "not generally malicious, or even deliberate" but as "the product of a way of thinking that has been around for millennia and is therefore a kind of not thinking". According to Criado Perez, society had long slipped into a default way of thinking that made "human" synonymous with men.

Over time this becomes problematic, with the systems designed for "humans", actually being weighted towards the male experience.

Solutions

The barriers preventing women from utilising the pension saving systems are multifaceted and complex.

Societal expectations around caregiving and pressure to take on unpaid labour; career breaks, part-time jobs and smaller incomes that are not accounted for in government policy; the pink tax and pressure to spend; limited financial education; overly complicated jargon around financial products; money still being a taboo topic; a disconnect between what men and women think influence retirement decisions; and an investment industry that places too much blame on women's risk appetite - all contribute to a gender pension gap of 38% on average and almost 60% in parts of the UK¹⁸.

A consequent and concerning reality is that women are not only more likely to be financially vulnerable if their relationship breaks down¹⁹, they also tend to live longer and often bear their own care costs. A recent PensionBee report found that 76% of those aged 50 to 64 believed that unpaid care responsibilities negatively impact their ability to meet their own future care needs²⁰.

Despite these complex challenges, there are some clear solutions that policymakers, businesses and the pensions industry can implement to close the gender pension gap.

1. Offer gender-inclusive paid parental leave

PensionBee has found that the most effective way to close the gender pension gap is for men and women to work equal hours, at equal pay²¹. To achieve this, employers must offer gender-inclusive parental leave. This allows anyone who becomes a new parent to take an equal amount of paid leave, regardless of gender.

Both parents taking equal leave for childcare responsibilities enables women to continue progressing at a similar rate to men and increases women's participation in paid employment over the long-term. This intervention brings down the gender pension gap to 0% and increases the size of women's pension pots by 35% at age 64. The result would leave men working only an hour less than they currently do per week, whilst women would be able to work for an additional seven paid hours per week.

¹⁸ ["Gender pension gap revealed to be as high as 57% in parts of the UK", PensionBee](#)

¹⁹ ["Risk, exposure and resilience to risk in Britain today", Chartered Insurance Institute](#)

²⁰ ["Older female workers miss out on more than £91k in pension savings between ages 50 and 64", PensionBee](#)

²¹ ["What would women's pensions look like if there wasn't a gender pay gap?", PensionBee](#)

The research found that if men took responsibility for an equal share of unpaid care work, women could increase their pension pots by more than £106,000. Overall, a couple could enjoy more than £70,000 (10%) in extra pension savings, with a combined pot of £812,827 at age 64²².

2. Close the data gap: businesses and policymakers must build female-focused data sets and hire diverse teams

"From cars that are 71% less safe for women than men (because they've been designed using a 50th-percentile male dummy), to voice-recognition technology that is 70% less likely to accurately understand women than men (because many algorithms are trained on 70% male data sets), to medication that doesn't work when a woman is on her period (because women weren't included in the clinical trials), we are living in a world that has been designed for men because for the most part, we haven't been collecting data on women." Caroline Criado Perez, Time's 2020 Davos issue.

The gender data gap is real. It's everywhere and it's dangerous.

Businesses and lawmakers need to invest in building sex-disaggregated data sets, that account for a diverse range of lived experiences and then use them to inform the design of products and policy respectively. This data must also be disaggregated by race and ethnicity, to avoid the exclusion of the unique experiences of Asian, Black, Mixed or other ethnic groups.

This is crucial if we are to ensure that, going forward, saving systems and government incentives are designed with more than white male experiences in mind. If more women had been involved in creating the current Auto-Enrolment legislation, for example, the

²² ["What would women's pensions look like if there wasn't a gender pay gap?", PensionBee](#)

fatal flaws that automatically exclude low earners and effectively discriminate against women, could have been avoided.

To build and use these data sets effectively, diverse representation is required across the teams that are responsible for implementing solutions. Female workers, in particular, must be part of the conversation in order to reject the pervasive stereotypes and culture of blame that surrounds women and contributes to the flawed risk narratives and women's own self-consciousness of being outed. But there's still a long way to go. Of the 650 MPs in the House of Commons today, 34% are women²³. In the UK's FTSE 100 there are only eight female CEOs²⁴ and of the UK's biggest pension providers just 30% have women in the top job²⁵.

This is something we take very seriously at PensionBee. We are proud to have 50% female representation across the board of directors and management team in 2021 and also actively recruit women into roles that traditionally do not have gender diversity, such as developers and other tech roles²⁶.

3. Pensions and financial services industry: stop blaming women and build inclusive products and communities

True equality isn't simply about empowering women to make decisions but is about shining a light on the systems that prevent women from making those choices and choosing to actively deconstruct them.

As such, the financial services industry's narrative needs to shift away from the risk appetite narrative and instead consider the ways it may be an active participant in the suppression of women by not offering financial products that are tailored to their needs.

Whether it's loans that cost more if you're a woman²⁷, mortgage products and house prices that are out of reach for the average woman's salary²⁸, pension guidance that doesn't account for career gaps or products that demand a minimum contribution to

²³ ["Gender balance in parliament", Institute for Government](#)

²⁴ ["Only eight of UK's top 100 companies headed by women, report says", The Guardian](#)

²⁵ PensionBee analysis, February 2021

²⁶ ["Women in Finance", PensionBee](#)

²⁷ ["Mind the gap. The gender credit one, that is", Credit Karma](#)

²⁸ ["A Home of Her Own: Housing and Women", Women's Budget Group](#)

open, the financial services industry must acknowledge its own bias and work towards creating inclusive products. This is something that has also been recognised and called for by the Financial Conduct Authority, the UK's financial regulator²⁹.

Alongside products designed with women's needs at their heart, a crucial part of this will be for the industry to create safe spaces for women to discuss their financial barriers, both on and offline. Both of which are noticeably lacking. "I've never seen an investment advert with a primarily women-based cast," said one of the male survey respondents.

This means dedicating resources to community building and management for both customers and non-customers alike, be it designing and distributing inclusive marketing material or hosting events with diverse audiences in mind.

²⁹ ["Why diversity and inclusion are regulatory issues". FCA](#)