



The Gender Pensions Gap - encouraging women to save for retirement

“Being a single mum of two young children, pensions are not on my high list of priorities, although it is something I worry about.”
Woman, 35-50, Midlands & Wales

One of the biggest problems facing the nation today is ensuring that everyone can retire with a decent income in old age. The Government has said that up to 13 million people are under-saving for retirement. The majority of these are women. ABI research¹ shows that 36% of working women are not saving at all for retirement.

The gender pay gap is a well known phenomenon but the gender *pensions* gap – which is just as wide and just as important – is given far less prominence. Both affect the level of women’s income and we believe the pensions gap needs to be addressed in a similar and urgent way to the pay gap.

A variety of factors affect women’s lower incomes in retirement. For example,

- women are less likely than men to be in employment;
- when women do work, their pay tends to be less than that of men; and
- saving for retirement is not seen as a priority by many women.

Improving women’s income in retirement

The amount people save is the single most important factor in determining their income in retirement. Encouraging women to save more, or providing help to make pensions more affordable, are the best ways to improve income in retirement.

Education about pensions and the importance of saving for retirement, including the need for individuals to make their own provision, is vital.

Advice is an essential ingredient in encouraging people to save. But for many – particularly the low paid – it is unaffordable. That is why the ABI would like to see more advice through the workplace and elsewhere.

Incentives are needed to encourage individuals to save. The ABI believes the Government needs to do more to make individuals aware of the contribution it makes when individuals save in a pension.

Encouraging employers to contribute to pensions not only increases take-up fivefold but also ensures employees can build up decent and adequate pensions. The ABI have proposed a Pension Contribution Tax Credit to reward employers who contribute to pensions for their employees.

Cradle to grave saving – the forthcoming simplification of the pensions tax regime offers more flexibility around saving for retirement. There is now the opportunity for products which offer flexible cradle to grave saving.

State pensions – it is not just more private pension saving that will help. A decent state pension, which provides a solid foundation on which to build private saving is essential – for women even more than men.

Conclusions

It is clear that women are not saving adequate amounts towards providing an income in retirement and, largely as a result of this, women are at greater risk of poverty in retirement. The reasons for this low level of saving are many and varied. The industry, Government and employers must work together to encourage women to save more. The ABI has developed a range of proposals to encourage saving for retirement, for example, the Pension Contribution Tax Credit. Our proposals – targeted at smaller employers who have been traditionally least likely to run or contribute to a pension scheme – will be of particular benefit to women.

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Introduction

One of the biggest problems facing the nation today is ensuring that everyone can retire with a decent income in old age. The Government has said that up to 13 million people are under-saving for retirement. The majority of these are women. ABI research² shows that 36% of working women are not saving at all for retirement.

The gender pay gap is a well known phenomenon but the gender pensions gap – which is just as wide and just as important – is given far less prominence. Both the pay gap and the pension gap affect the level of women's income and we believe the pension gap also needs to be addressed in a similar and urgent way to the pay gap.

“Not at all easy [to save] at the age of 46 with a 12 year old and a 17 year old about to start at university. Children have always come first.”

Woman, 30-50, Rest of South

In recent years the ABI has conducted a significant amount of research into attitudes towards pensions and saving for retirement which provides a particular insight into the amount women are saving for retirement and their attitudes towards saving.

This report looks at how women are saving for retirement, where they expect their income in retirement to come from and the level of women's income in retirement.

The report then examines factors affecting the levels of saving and income in retirement. These factors break down into two broad areas – economic factors and other factors, for example, the belief that there is not enough money to save more or that there are other priorities for the available resources.

Finally, we make proposals for encouraging women to save more, taking into account the factors which affect how much women save.

The gender pensions gap

Women, as a group, are at particular risk of poverty in retirement. Statistics show that overall women's incomes in retirement are lower than men's and that women make up 65% of Pension Credit claimants³ (women's income in retirement is covered in more detail later in this report). But there is a story behind these figures which helps us understand how much women are saving for retirement, what drives this saving and what this means for their income in retirement.

“I'm 23. I'm going to pay off my student loan and get a mortgage before worrying about pensions.”

Woman, 18-29, Midlands and Wales

Under-savers and non-savers

Research conducted on behalf of the ABI found that, in the population as a whole, just under 10 million people were not saving enough, in a pension, for their retirement. Around 8 million people were not saving at all⁴. Of those not saving, around 56% were women.

Separate independent research commissioned by the ABI in September 2002 to look at attitudes towards saving found that fewer women than men are saving specifically for retirement⁵. The research found 83% of men were saving specifically for retirement, compared with 77% of women.

When individuals start saving for retirement

The same research found that men start saving earlier for retirement. 48% of men had started saving for retirement before age 25, compared with 45% of women.

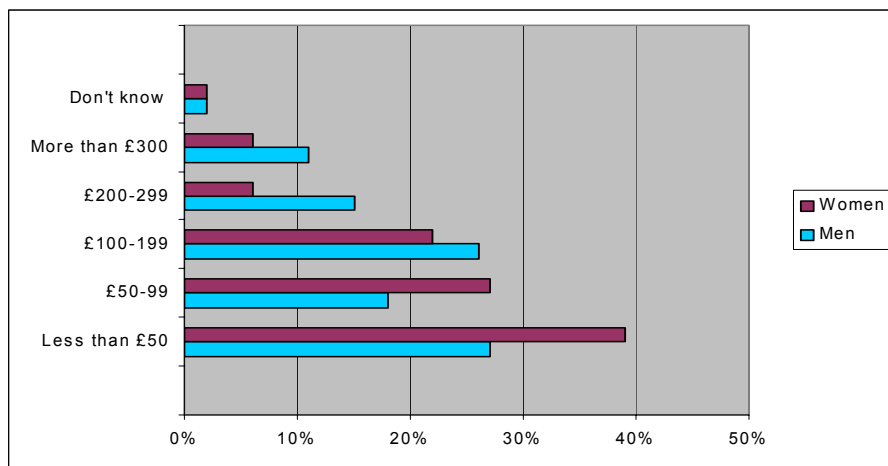
Membership of pension schemes

This level of saving is also reflected in membership of pension schemes. Research conducted for the ABI in April 2004⁶ found that more women than men do *not* currently belong to a pension scheme. 35% of women do not currently belong to a pension scheme, compared to 25% of men.

Pension contributions

In addition, as chart 1 below shows, women make lower monthly contributions to pensions overall.

Chart 1: Average monthly contributions to private pensions by gender

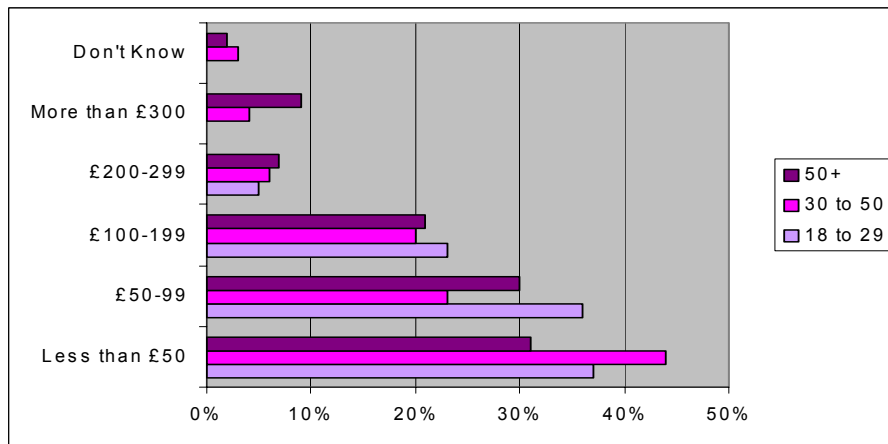


Source: ABI Pensions and Savings Index, YouGov, September 2003

There are also differences in the amounts contributed by women of different ages. Younger women are more likely to contribute something to their personal pension. Older women who contribute are likely to contribute larger sums⁷.

"...hubby has a good pension..."
 Woman, 30-50, Midlands & Wales

Chart 2: Average monthly contributions to private pensions: women, by age

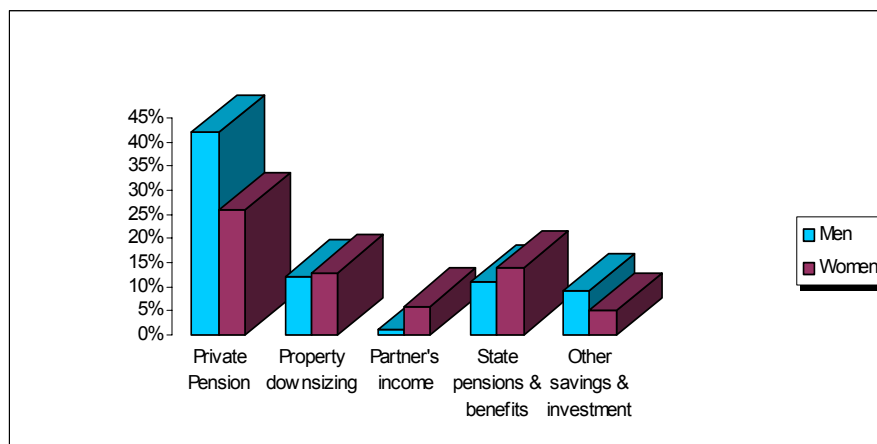


Source: ABI Pensions and Savings Index, YouGov, September 2003

Expectations of retirement income

This low level of participation in pensions is reflected in women's expectations of the main source of their income in retirement. While 42% of men expect their main source of income in retirement to be a private pension, women's expectations of their main source of income are more varied and, as the next chart shows, more evenly spread across a variety of sources.

Chart 3: Expected sources of main income in retirement by gender



Source: ABI Pensions and Savings Index, YouGov, September 2003

“I KNOW I won’t have a decent standard of income in retirement, but can’t afford to save any more of my salary”
 Woman, 50+, Rest of South

There are also marked differences in expectations of where income in retirement will derive from among different age cohorts of women. Among women aged over 50, 24% saw their main source of income as being state benefits and 12% saw their partner’s income as their main source of income. Among women aged under 30, only 7% saw state benefits as likely to be their main source of income and 5% thought they would rely on their partner’s income in retirement. On the other hand, a larger proportion of women aged under 30 (36%) saw a private pension as likely to provide the bulk of their retirement income, compared with 20% of women aged over 50.

Women’s income in retirement

Lower levels of saving are reflected in lower income in retirement – the gender pensions gap.

The amount people save is the single most important factor in determining their income in retirement. Recent debate about the value of annuities has masked this fact and drawn attention away from the need to encourage people to save more for their retirement.

“laws and regulations change all the time, and there is nothing that can make me confident that by the time that I am ready to retire my pension will be worth anything.”
 Woman, 30-50, Rest of South

Saving more on a regular basis – even modest amounts – can have a significant impact on income in retirement. For example, a woman aged 60 retiring with a pension fund of £10,000 who purchases a single life, inflation-linked annuity without a guarantee would get an income of around £34 a month. Saving an extra £10 a month from age 25 would currently buy an annuity of £85 a month, an increase of 150%.

Women as a group are at particular risk of poverty in retirement especially as, on average, they currently live almost 4 years longer than men.

Table 1: Life expectancy at age 65

Year	Men	Women
1928	11.5	13.3
1960	12.1	15.3
2002	16.0	19.9
2025	18.3	21.1
2050	19.0	21.7

Source: Government Actuary’s Department (GAD), 2002

While mortality rates are converging, the generations of women retiring in the future will have led a more diverse set of lifestyles, in particular taking on male patterns of

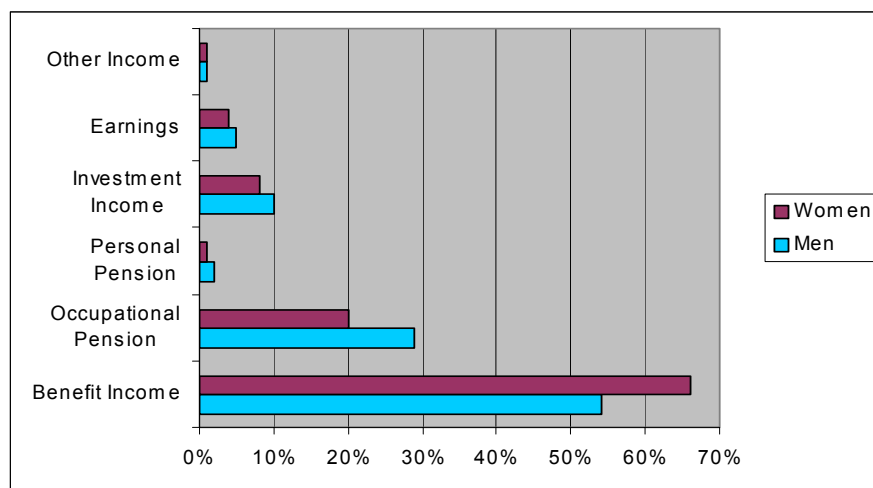
work. At the same time, male mortality is improving rapidly for the cohort close to retirement. But there is some doubt as to whether the gap will continue to narrow. This appears to be borne out by the available data from the Government Actuary's Department. This shows that since 1969, when difference in life expectancy between men and women at birth was 6.29 years, the gap has generally narrowed. From 2026 onwards it is projected that the gap will flatten out to between 4.01 and 4.03 years.

On average, women's income in retirement is lower than that of men. In 2001/02⁸, the average gross income of single male pensioners was £219 a week compared with an average of £180 a week for women. The picture is reflected in terms of total household income. 74% of women over pension age had total household income of less than £300 a week compared with 22% of men in the same position⁹.

"...If I knew the government were going to help me if I help them by saving too...I feel it should be a two way street, I save...they match the difference..."
 Woman, 30-50, Midlands and Wales

As the chart below shows there are also differences in the way in which the income of men and women in retirement is made up. For example, in 2001/02, income from occupational pensions made up 29% of the average gross income of a single male compared to 20% of the average gross income of a single female.

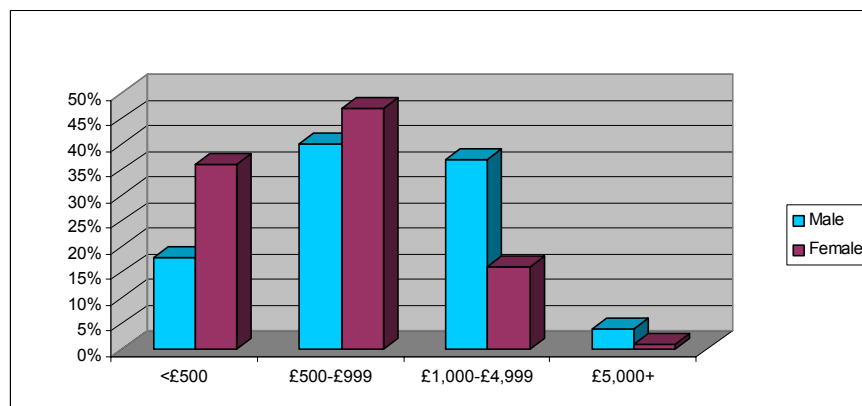
Chart 4: Average incomes of single pensioners by gender 1994/95 – 2001/02



Source: *The Pensioners Income Series 1994/95 – 2001/02*, ONS

Research conducted by the ABI¹⁰ found that more women than men fell into the lower income bands on the basis of total personal income. 83% of women reported total personal income of less than £1,000 per month compared with 58% of men.

Chart 5: Total personal income per month by gender

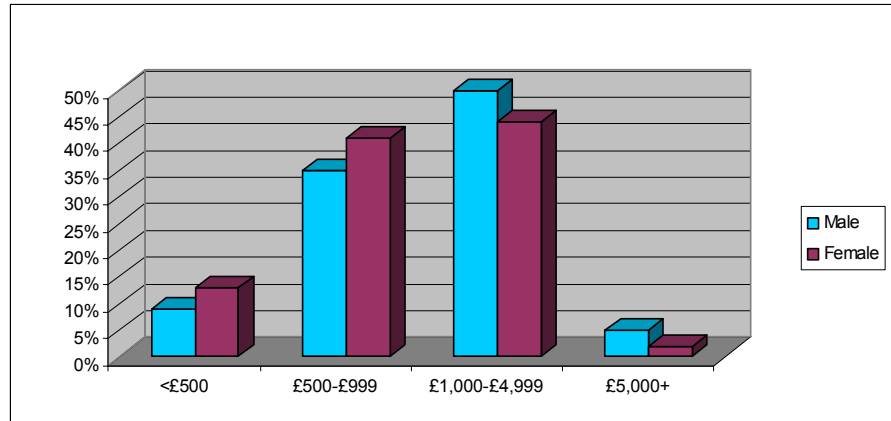


Source: *Annuities: the consumer experience*, ABI, 2002

On the basis of total household income there are not such stark differences but fewer women reported household income in the top bands, that is over £1,000 a month, than men.

Chart 6: Total household income per month by gender

“...didn’t join a pension until age 40 due to child rearing responsibilities. Women are disadvantaged.”
 Woman, 50+, Scotland

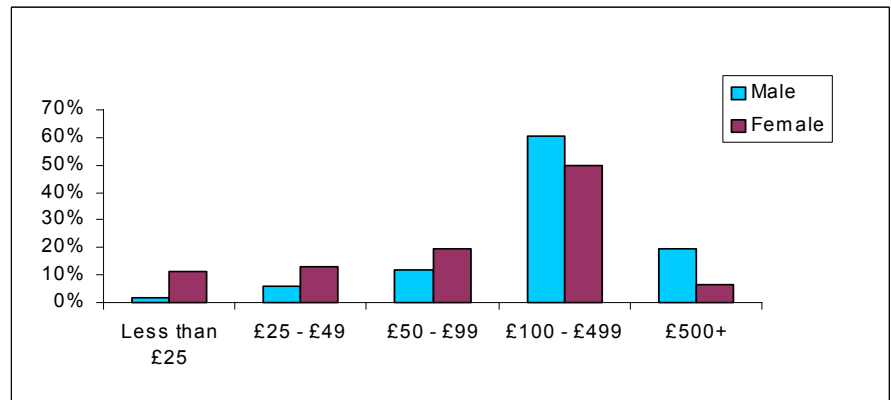


Source: Annuities: the consumer experience, ABI, 2002

Differences in the total income of men and women are also apparent in differences in the monthly income received from annuities, shown in the chart below. Men are more likely to be in the higher income bands for annuity income.

Chart 7: Monthly income from annuity by gender

“I should have started saving earlier and should have taken out a private pension when I became self-employed.”
 Woman, 50+, North



Source: Annuities: the consumer experience, ABI, 2002

Why are savings and income lower?

The gender pensions gap is clear in the figures for women’s income in retirement. It would be easy to draw the simple conclusion that this gender pension gap is the direct result of the gender pay gap. Whilst to a large extent, the lower pay levels of women is a key determinant, it is not the only one. The factors affecting the level of women’s income in retirement are more complex and varied than pay differentials.

Economic factors

Women on average earn £8.87 an hour, compared with £11.14 per hour for men.

There are a variety of economic factors which bear upon the level of women’s income in retirement.

First, estimates from the latest Labour Force Survey¹¹ show that women are less likely than men to be in employment: 70% of all women of working age are in employment, compared with 79% of men of working age. In addition, women are



more likely to work part-time than men. Of women in employment, 43% work part-time compared with 9% of men. Between 1984 and 1999 the proportion of women in the labour market increased from 66% to 72%. During the same period, the employment rate for women increased from 58% to 69%¹². However, the economic activity rate for women is projected to rise to 75.4% by 2011, moving closer to the rate for men which is projected to be 81.7% in 2011, compared with 84.5% in 1997¹³. As women's labour market participation grows, their participation in pensions would also be expected to increase, particularly if combined with rights of access to stakeholder pension schemes and improved workplace access, for example.

“I need to earn more so that I can make up for many years of employment overseas as a wife of a serving soldier where jobs for wives did not carry pensions or advice as such.”

Woman, 30-50, North

When women do work, their pay also tends to be less than that of men – the gender pay gap. In 2000, women's hourly earnings were 82% of men's. In 2002/03¹⁴, for men, mean total individual income was £396 a week, over two-thirds of which came from earnings. For women, mean total individual income was £213 a week, 63% of which came from earnings. Women make up 55% of all people living in low income households¹⁵.

This situation is illustrated in independent research conducted for the ABI¹⁶. While 90% of men who responded worked full time, 65% of women who responded reported that they worked full time and 33% reported that they worked part time, compared with 7% of men.

Where women work also has an impact on pension provision. The latest Labour Force Survey¹⁷ shows that over two thirds (69%) of women work in public administration and education. But outside the highly pensioned public sector, half work in health or distribution, hotels and catering, which are traditionally poorly pensioned sectors of the economy. In comparison, men's employment is generally more evenly spread across the industrial sectors¹⁸.

“Companies that you work for should provide better pension schemes and it may encourage people to actually put some [money] towards it.”

Woman, 18-29, London

And women not only have less access to pension provision but are also less likely to benefit from employer contributions to pensions. Research conducted by the ABI found that 10% of women have 5% or less employer contributions compared to 15% of men and 9% of women benefit from employer contributions in excess of 5% whereas 15% of men benefit from the same level of contributions¹⁹. An employer contribution can make a significant difference to the level of income an individual receives in retirement. For example, if a woman starts saving 5% of her income in a pension at age 25, an employer contribution of just 2.5% would increase the level of income in retirement she could expect by 50%. An employer contribution of 5% would more than double the amount of income she could receive in retirement²⁰.

Women not only have lower levels of saving but they also tend to retire earlier and live longer. As a result their pension savings need to provide an income for longer. Research conducted on behalf of the ABI²¹ found almost 85% of women had retired by age 64 compared with around 60% of men. The age at which annuities are purchased is consistent with the age at which both men and women retire. Over 70% of women had purchased their annuity by age 64 whereas only slightly more than 40% of men had done so.

In addition, women are more likely than men to have their working lives interrupted by periods of caring, for example, for children or elderly relatives. The employment rates for women with children under the age of 5 are significantly lower than for men with children of the same age – 52% compared with 88%²². As a result, they have less time to build up pension entitlements. This is illustrated in the example of a man who starts saving £50 a month at age 25, who could receive an income of £134 a week in retirement. If a woman were to delay the same level of saving to age 30, for example, due to caring responsibilities, she could expect an income of around £99 a week.

“As a woman bringing up 4 children I didn't work and had to depend on my husband for his income and rely on his pension, however we split up and now at 46 despite working will never ever achieve an income that will enable me to save.”

Woman, 30-50, North

Women who take time out of their working lives, for example, to care for children, may rely on their partner's pension provision to provide them with an income in retirement. However in the event of divorce, women can find themselves without

any pension provision in their own right. Research conducted by the ABI²³ found that women getting divorced was a trigger for beginning to save for retirement. A high proportion of female respondents had been prompted into getting their own pensions after splitting from their husbands. This is likely to be a growing problem as an increasing proportion of marriages end in divorce. The provisional divorce rate increased to 13.3 divorcing people per 1,000 married population in 2002 from 13.0 in 2001²⁴.

Other Factors

Economic factors are not the only factors which influence women in saving for retirement.

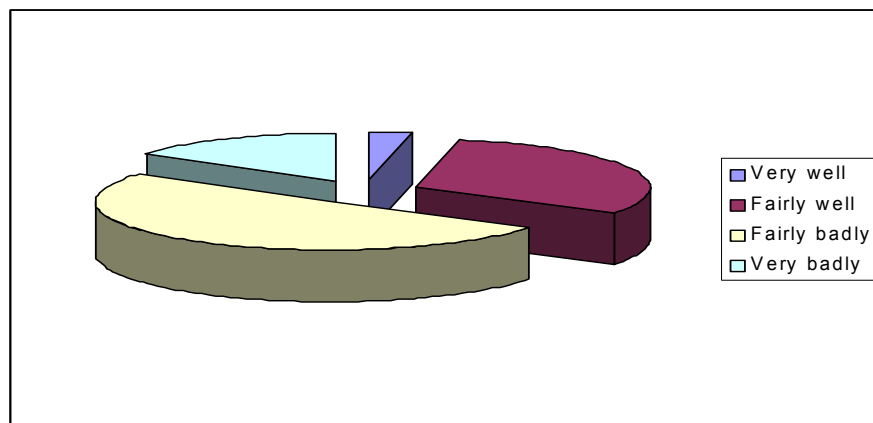
Understanding about saving for retirement

“If I could understand the pensions I have in place, they are complete gobbly-d-gook, I just keep paying into them hoping that when I retire they will be of some use!!!!”
 Woman, 30-50, North

Levels of saving for retirement can also be affected by how much individuals understand about the need to save. If an individual does not understand pensions, or the need to save in order to provide an income in retirement, it follows that they are less likely to take action and save for retirement.

Research conducted for the ABI²⁵ found that around a third of women feel they understand the way pensions in general operate well and more than half feel they understand pensions fairly badly.

Chart 8: How well do you feel you understand how pensions in general operate? (women)



Source: ABI Pensions and Savings Index, YouGov, September 2003

Saving for retirement is not seen as a priority by women

In addition, saving for retirement is not seen as a priority by women.

Anecdotal evidence suggests that women with children place priority on providing for their children rather than themselves, including saving for retirement. However this does appear to change in the case of divorcing women who are prompted to take out a pension as this is seen as a means of securing the future for themselves and their children – “I felt I ought to have one now”, (woman, 50-60²⁶).

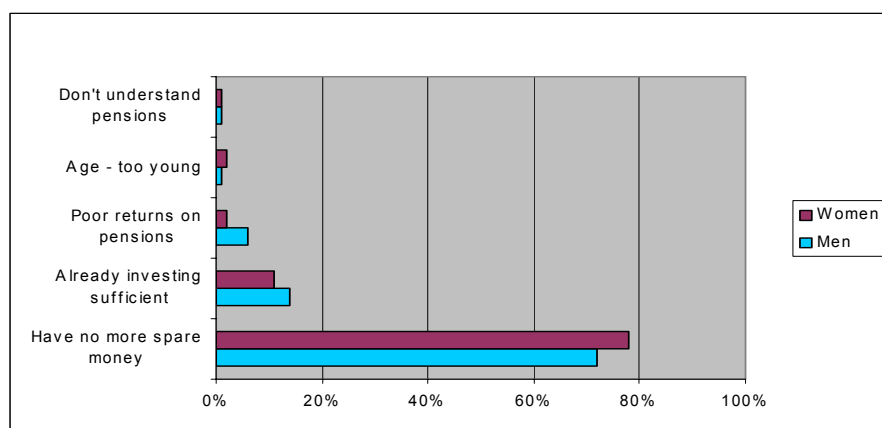
In research conducted for the ABI²⁷, when asked what would be their first priority if they were given £10,000 on condition that it was used in a limited number of ways, only 10% of women replied that saving for retirement would be their first priority. The most popular uses among women were property, for example, paying off a mortgage or saving for a deposit (34%) and debt repayment other than a mortgage (28%). The responses were broadly similar to those given by men, illustrating the low priority given to saving for retirement in general.

Barriers to saving more

Income levels clearly have an impact on the amount women can save for retirement but there are also other barriers to saving.

Research conducted by the ABI²⁸ found that the largest barrier to saving among women who responded was not having spare money (78%). Only 11% of women who responded considered they were already saving enough towards their retirement.

Chart 9: Barriers to saving more



Source: What makes people save? IFF Research on behalf of ABI, Oct 2002

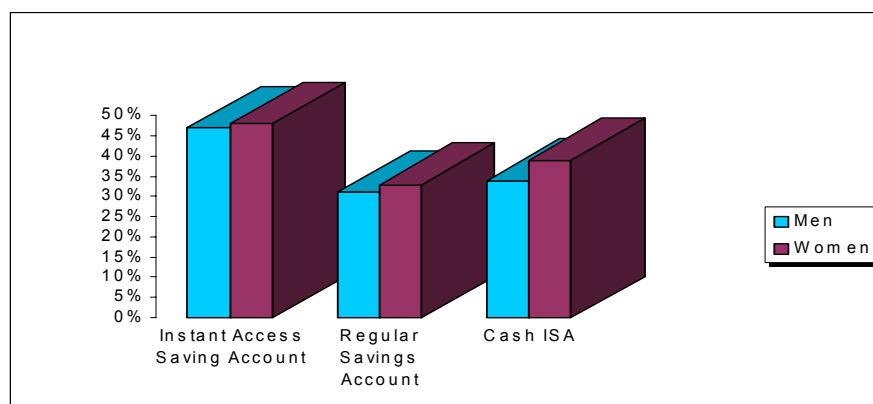
“Every month, if I have any income left which happens about three months out of every 12, then it goes on clothes or stuff like that....after I’ve paid all the bills, anything that I have left I will spend on luxury items.”
 Woman, 18-24, North

Whether or not an individual is confident that saving will result in a comfortable level of income in retirement can also affect how much they save. It can act as a barrier to saving if they do not believe it is worth saving because the end result is unlikely to be a comfortable level of income. It can also act as a barrier if an individual believes, perhaps mistakenly, that they are already saving enough towards their retirement. These two views are illustrated in recent research conducted by the ABI²⁹ which found that 43% of men were very or fairly confident that they would have enough money to live comfortably during retirement compared with 30% of women. However, separate research on behalf of the ABI³⁰ also found that 72% of women who responded had not calculated how much they needed to save to have a comfortable standard of living in retirement, compared to 61% of men.

Priority given to other savings and/or purchases

The amount women save may be limited by other calls on the resources available to them and the need or desire to save for other things, for example, holidays and luxury items. It is interesting to note that while women do not, in general, save large amounts towards retirement, they are more likely than men to have other forms of saving products. As part of recent ABI research³¹ respondents were asked what savings products they had paid into over the past year. As shown in the next chart, more women than men had paid into products such as instant access savings accounts, other regular savings accounts and cash ISAs. This shows women tend to place more emphasis on short-term savings (possibly out of necessity) and ease of access than men.

Chart 10: Type of short term saving product paid into over the last year



Source: ABI Pensions and Savings Index. YouGov, July 2004

This is further illustrated in the results of some research carried out by the ABI into the effects of compulsion³². When asked what their response would be if the Government compelled individuals to save an additional £25 per week in a private pension, 25% of women said they would reduce spending on day to day items such as food in order to fund this and a further 25% said they would reduce spending on consumer goods. 26% of men said they would reduce other saving while only 18% of women said they would take this approach.

“I need to start a personal pension but with the cost of raising 3 children, putting them through school and hopefully university in the future I do not seem to have enough disposable income on a monthly basis to currently make this a viable option.”
 Woman, 30-50, London

The high cost of bringing up a child, estimated to be £140,938³³, supports this view. In particular, the cost of childcare can reduce the amount of money available to save for retirement. The average spending on childcare for all mothers (including those who are not in paid employment) is £58 per week. Where mothers work, average spending is £75 per week in holiday time and £59 per week in term time³⁴.

Improving women’s income in retirement

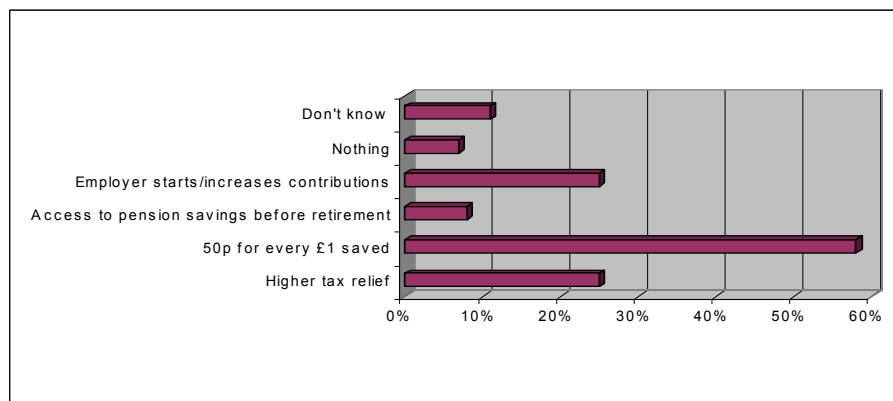
Building education and awareness

A key to improving women’s income in retirement is to help and encourage women to save more. When asked about their knowledge of pensions, 18% of women claimed to know little or nothing about pensions, compared with 10% of men. Only 3% of women felt they had a good knowledge of understanding of pensions³⁵. This level of knowledge demonstrates the need to build financial education and awareness of pensions among women.

“Being a single parent some advice from the government in the form of literature or an adviser would help me make the right decisions about retirement”
 Woman 30-50, Rest of South

Research conducted by the ABI³⁶ asked respondents about the factors which would encourage them to start saving in a pension (or encourage them to save more). 58% of women would save more if the Government paid 50 pence for every £1 saved in a pension. 25% would save more if their employer were to start or increase contributions to their pension. Matching of contributions is a transparent way of delivering incentives to save in pensions and can therefore be attractive to savers but would have a significant cost to the Government. This is in contrast to understanding about the current levels of tax relief given by the Government to encourage saving for retirement. When asked about the level of tax relief an individual is entitled to on pension contributions, more than half of women (52%) were not sure of the answer and only a small proportion (less than 15%) identified the correct response³⁷. This is just one example of how increased understanding about pensions, and in particular the tax relief available, could help encourage saving for retirement, particularly among women.

Chart 11: What would encourage women to start to save or save more for their pension?



Source: *What makes people save? IFF Research on behalf of ABI, Oct 2002*

“I work for a local authority and periodically we receive leaflets regarding our pension. As far as most of my colleagues and myself are concerned, the leaflets might as well be printed in Latin.”
 Woman, 50+, North

Given the figures quoted above, it comes as no surprise that greater availability of information and advice is often cited as something which would build trust in pensions among women, encouraging them to save more as a result. For example, our research³⁸ found that 14% of women thought that clearer information from pension providers about the performance of private pensions would increase trust in pensions while another 14% thought clearer information from Government about entitlement to state pensions would also increase trust in pensions generally. The industry has improved the information provided to consumers, for example, through the Raising Standards initiative. In addition, the industry is actively engaged in the Government’s informed choice agenda. This agenda seeks to ensure that individuals have the information they need in order to make decisions, which are right for them, about pensions.

Even amongst those women who had a pension, lack of awareness acted as a significant barrier to further saving. Further ABI research³⁹ found that, reasons cited for not acting in response to a pension statement, for example, to review and/or increase contributions, included a lack of engagement or understanding of the pension product and no ongoing source of advice or support (particularly among women).

This information provides useful pointers to the measures which could encourage women to save more for retirement. All of the potential solutions identified below would have an impact on the general savings gap and help all consumers. But, as women are disproportionately represented in those who do not save, women stand to benefit more.

Education about pensions and the importance of saving for retirement, including the need for individuals to make their own provision, is vital. The most helpful sources of information about pensions were identified in ABI research as a factsheet, explaining how pensions work, provided by the employer (14% of women) and an on-line retirement planner enabling people to see current pension entitlement from private pensions (if any) and state pensions (38% of women). The ABI believes it is essential that the Government, employers and providers work together to both raise awareness of the importance of saving for retirement and highlight the likely consequences of not saving. The ABI has been leading the way in this area. The Pension Calculator, launched in 2002 with the FSA, received over 100,000 visits in its first year of operation alone.

“I think perhaps if it was a little bit more easy to understand – like a current account where you pay your money in and get your statement....”
 Woman, 25-30, North

In addition, on behalf of the Department for Work and Pensions, the ABI has recently led a consortium of interested stakeholders to develop a Pensions Information Pack which will be used in a series of workplace pilots to test what prompts employees to take action about saving for retirement. The Pack contains a guide for employers which details what an employer can say to their employees



about their workplace pension scheme, and also a guide for employees about their pension options. If feedback from the pilots is positive, the Packs may be issued on a national basis.

“The Government should offer better incentives to older people trying to put away a bit of cash for their retirement...”

Woman, 50+, Rest of South

Advice is an essential ingredient in encouraging people to save. But for many – particularly the low paid – it is unaffordable. That is why we would like to see a package of advice provided through the workplace. The Government’s Pensions Information Pack for employers (discussed above) may prove to be invaluable in this regard. But it needs to be backed up by a Government-led national consumer education strategy.

In this respect, the FSA’s national strategy to raise financial capability is to be welcomed. Increasing levels of national capability is a long-term project, but there should also be more immediate returns. For example, in the short-term, work on the provision of generic advice services may help to give consumers greater access to guided help and recommended courses of action.

A pilot scheme launched recently by the Citizen’s Advice Bureaux, in which Independent Financial Advisers will work on a pro-bono basis with a small number of Citizen’s Advice Bureaux, to provide free generic financial advice, may also provide pointers as to what is effective in broadening access to advice.

The introduction of basic advice for stakeholder products offers the potential to reach some currently excluded consumers, many of whom are women, and to increase individual saving.

Incentives

In research conducted by the ABI⁴⁰, 58% of women who responded would be encouraged to save more for their pension if the Government contributed 50p for every £1 they saved. But, as discussed above, only a small proportion of women understand the current incentives offered by the Government to encourage pension saving. Improved financial education and increased awareness as a result should improve understanding of the incentives on offer, but the ABI believes the Government needs to do more to make individuals aware of the contribution it makes when people save for retirement. The Government has taken a bold step and simplified the taxation of pensions. This provides an ideal opportunity for the Government to simplify and improve the information it provides to individuals about saving for retirement and the incentives available.

“I would like more employer contributions to my pension scheme.”

Woman, 30-50, Rest of South

Employer contributions

As discussed above, women are more likely to work for employers who do not contribute to pensions than men. Encouraging employers to contribute to pensions not only increases take-up fivefold, but also ensures that workers can build up decent and adequate pensions. 25% of women would save more if their employer were to start/increase contributions⁴¹. As such, there is much to be gained from encouraging employers to contribute more. But we recognise this is not easy, particularly for small employers. With this in mind, the ABI have proposed a Pension Contribution Tax Credit (PCTC)⁴². The PCTC would reward employers who made contributions in respect of a sufficiently large proportion of their workforce. Independent research commissioned by the ABI found that 13% of employees join a pension scheme where there is no employer contribution compared with 69% of employees where the employer makes a contribution of 5% or more⁴³. Our proposals could help 3 million people and generate £3.5 billion a year in new pensions saving.

“Because they (employers) are putting the same amount as what I’m putting in, I’m actually saving double what I’m contributing and paying out. I think it’s a great idea.”

Woman, 25-30, South

Cradle to grave saving

The simplification of the pensions tax regime offers more flexibility around saving for retirement, for example, the ability to save in a product such as an ISA before transferring savings into a pension. This has the advantage of allowing individuals



to build up rainy day savings first before locking away savings in a pension. There is potential here for the kind of flexibility which might both appeal to women and meet their needs for saving for retirement, allowing them to stop and start contributions and make saving for a rainy day a priority when necessary. Although against this, saving in an ISA, or similar product, is unlikely to benefit from an employer contribution, making it more difficult for women to build up decent and adequate pensions

With the introduction of the child trust fund, there is now the opportunity for cradle to grave saving. For example, individuals could be encouraged, or incentivised, to move their savings seamlessly from a child trust fund to an ISA (or other medium term saving product) and finally into a retirement saving product. The ABI are currently examining how such an approach might work in practice.

Conclusions

It is clear that women are not saving adequate amounts towards providing an income in retirement and, partly as a result of this, women are at greater risk of poverty in retirement. The reasons for this low level of saving are many and varied. Encouraging women to save more, or providing help to make pensions more affordable, in particular by making employer contributions more widely available, are the best ways to improve women's income in retirement. The industry, the Government and employers need to work together to encourage women to save more. The ABI has developed a range of proposals to encourage saving for retirement, for example, the Pension Contribution Tax Credit. The ABI's package of proposals – targeted at smaller employers who have been traditionally been least likely to run or contribute to a pension scheme – will be of particular benefit to women.



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- ¹ ABI Pensions and Savings Index, YouGov, July 2004
 - ² ABI Pensions and Savings Index, YouGov, July 2004
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 - ⁴ The State of the Nation's Savings, ABI, October 2003
 - ⁵ *What makes people save?* IFF Research on behalf of ABI, Oct 2002
 - ⁶ ABI Pensions and Savings Index, YouGov, April 2004
 - ⁷ ABI Pensions and Savings Index, YouGov, September 2003
 - ⁸ The Pensioners Income Series 1994/95 – 2001/02
 - ⁹ Family Resources Survey 2001/02, ONS
 - ¹⁰ *Annuities: the consumer experience*, A research report by Julie Stark, ABI 2002
 - ¹¹ Women and Equality Unit Gender Briefing, April 2004
 - ¹² Women and Men in Britain: The Labour Market, Equal Opportunities Commission
 - ¹³ Estimates and Projections of activity rates in Great Britain, 1976 to 2011, National Statistics
 - ¹⁴ 'Individual Incomes of Men and Women 1996/97 – 2002/03: a summary', ONS/DTI
 - ¹⁵ Key Indicators of Women's Position in Britain, Women and Equality Unit, 2002
 - ¹⁶ ABI Pensions and Savings Index, YouGov, April 2004
 - ¹⁷ Women and Equality Unit Gender Briefing, April 2004
 - ¹⁸ Women and Equality Unit, Gender Briefing, April 2004
 - ¹⁹ *What makes people save?* IFF Research on behalf of ABI, Oct 2002
 - ²⁰ ABI/FSA Pensions Calculator. www.pensioncalculator.org.uk
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 - ²³ Research conducted on behalf of the ABI by Frank Research, 2003
 - ²⁴ Divorce in 2002: England and Wales, National Statistics, 28 August 2003
 - ²⁵ ABI Pensions and Savings Index, YouGov, September 2003
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 - ²⁷ ABI Pensions and Savings Index, YouGov, April 2004
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 - ³¹ ABI Pensions and Savings Index, YouGov, July 2004
 - ³² ABI Pensions and Savings Index, YouGov, January 2004
 - ³³ Research conducted by the Liverpool Victoria Friendly Society, 2003
 - ³⁴ Working Families and Childcare Expenditure, Women and Equality Unit Fact Sheet
 - ³⁵ *What makes people save?* IFF Research on behalf of ABI, Oct 2002
 - ³⁶ ABI Pensions and Savings Index, YouGov, September 2003
 - ³⁷ ABI Pensions and Savings Index, YouGov, September 2003
 - ³⁸ ABI Pensions and Savings Index, YouGov, September 2003
 - ³⁹ Research conducted on behalf of the ABI by Frank Research, 2003
 - ⁴⁰ ABI Pensions and Savings Index, YouGov, September 2003
 - ⁴¹ ABI Pensions and Savings Index, YouGov, September 2003
 - ⁴² *Carrots and sticks – an ABI proposal for a Pension Contribution Tax Credit*, ABI, July 2002
 - ⁴³ *What makes people save?* IFF Research on behalf of ABI, Oct 2002