



Mintago

The Gender Pensions Gap Guide

Who is this guide for?

An informative guide for HR professionals and business leaders, to examine the gender pension gap, looking at what it is, what is causing it and what you, as an employer, can do to help address it in the workplace.

Contents

- 1 Introduction
- 2 What is the gender pensions gap?
- 3 What causes the gender pensions gap?
- 4 The cost-of-living crisis
- 5 The importance of education
- 6 How Mintago can help
- 7 Conclusion

Introduction

Much has been said in the media about the **gender pay gap**, or the difference between how much female and male workers are paid, but until recently less attention has been paid to the subject of the gender pensions gap – a closely related and equally pressing issue, directly impacting women, their financial wellbeing and ability to retire in comfort.

So, here we will examine this important subject, looking at what it is, what is causing it and what you, as an employer, can do to help address it in the workplace.



What is the gender pensions gap?

As the term suggests, the gender pensions gap is the percentage difference in pension income between men and women. In fact, according to recent **UK government analysis**, female workers' private pension pots are typically worth 35% less than those of their male colleagues by the time they are 55. Indeed, government researchers have concluded that, on average, for every £100 accumulated in men's private pensions, women have only £65.



Female employees' private pension pots are typically worth 35% less than their male colleagues by the time they're 55!

It was also revealed that the gap varied for different age groups and was the lowest for those in their 30s, which suggested that time off for childcare played a big part in the issue. Worryingly, it then rose to 47% for those aged 45–49.

These findings highlight the scale of the issue, which is now being described as **more of a 'gaping chasm' than a gap**. Previous research on the subject has also underlined this as a significant issue, and although exact figures have varied, it has generally been found that women have lower levels of pension wealth than men in every age bracket.

What causes the gender pensions gap?

The gender pensions gap is a complex issue, with many contributing factors, but generally, issues such as lower earnings, time taken off for childcare and other caring duties, and women being much more likely to do part-time work are all thought to play a part in why women's pension pots grow much less than those of men's. So, let's take a closer look at some of the influencing factors.



The gender pay gap

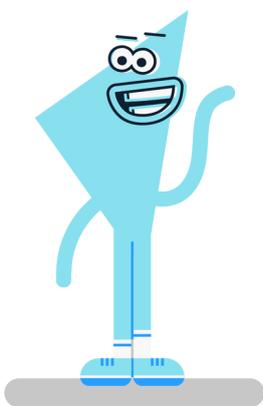
Despite recent measures to help close the gender pay gap in the UK, with the introduction of **gender pay gap reporting** regulations in 2017, the fact remains that women still earn less, on average, than men. Indeed, according to the ONS **Annual Survey of Hours and Earnings**, median weekly pay for female full-time employees was £584 in April 2022, compared with £683 for male workers. This means women are likely to build up their workplace pensions more slowly than their male colleagues.

In 2023, the gender pay gap was reported to stand at 9.4%, with **women paid less than men at four out of five employers**. So, where employee and employee contributions into a pension pot are based on a percentage of an individual's pay, in defined contribution schemes, or where the amount of pension received is calculated on the basis of average or final salaries, for defined benefit schemes, a lower pension will be built up.

Interestingly, **research suggests** that women are slightly more willing, on average, to contribute to their workplace pensions than men, but their ability to do so is restricted by their income and working hours. In fact, it was found that women typically contribute a slightly larger percentage of their income during the first half of their careers, but because of differences in average income, they start to pay less into their pensions from around the age of 25 onwards.

The ‘motherhood penalty’

An important contributory factor to the gender pensions gap is the different lifetime working patterns of women and men, as women are much more likely to take time out of paid work to care for children or other relatives than men. Their workplace pension contributions can therefore be interrupted.



Referred to as the ‘**motherhood penalty**’, this is a major reason for women amassing much smaller workplace pension pots than their male colleagues’, as they are likely to spend fewer years contributing to their pensions.

What causes the gender pensions gap?

Part-time work

Women are also far more likely to do part-time work, often to fit around childcare responsibilities, which can heavily affect their pension contributions. In fact, **most part-time employment is carried out by women**, compared to men.

Although UK employers are required to enrol all their employees into a pension scheme automatically, if they earn more than £10,000 a year, many women working part-time earn less than this, so miss out on auto-enrolment.

This is a particular issue for those who have multiple part-time jobs, as the threshold for auto-enrolment applies for each job, rather than the total earnings of an individual, so those with more than one part-time job earning less than £10,000 a year in each, would not be automatically enrolled in a pension by their employers, so losing out on employer contributions.

Leaving the workforce early

In addition to the above causes, recent research also suggests that women often have to leave the workforce early, which will inevitably cut short their workplace pension contributions. **A 2023 survey** by the British Standards Institution (BSI) found that almost one in three UK female workers expect to stop working before they reach retirement age with many citing health and wellbeing issues, including the menopause, as the reason. Caring responsibilities and a lack of flexibility in work were also mentioned as barriers to work by around one in five respondents.

The cost-of-living crisis

As an employer, you can easily help to address this issue and enable older female employees to remain in work, by providing flexible working options, to improve their work-life balance. In addition, providing **support for workers experiencing the menopause**, can help your business to retain highly experienced female members of your team for longer and is increasingly being seen as an important employee wellbeing issue for employers to address.



1 in 3

Almost 1/3 UK female workers expect to stop working before they reach retirement age!

The cost-of-living crisis

While many factors have long played a part in exacerbating the gender pensions gap, the current cost-of-living crisis could be making this worse. Women may be particularly hard-hit by the economic situation, as they are described by UNISON as the **'shock absorbers'** for austerity and the cost-of-living crisis.

Unfortunately, this increasing financial pressure may serve to widen the gender pensions gap further, if money is too tight for female employees to continue making pension contributions.

Indeed, Mintago research, conducted in May 2022, found that 67% of women had seen their financial situation deteriorate since the beginning of 2022, compared to 58% of men, and 61% of women cited their finances as their greatest source of stress, compared to 52% of men.

The cost-of-living crisis

Reducing payments and opting out

In fact, **recent research** has found that many employees are opting out of pension schemes, as a way to cope with rising prices, and women may be more likely to do this than men. While having a pension is important, if employees cannot afford to eat or heat their homes today, they are having to prioritise these essentials over the needs of tomorrow.

This appears to be disproportionately affecting women, more than men, as research has found that **20% more women than men said they would cut back on their pension contributions as a way to cope with rising costs.**



While this is understandable, it is storing up trouble for the future and could mean that the gender pensions gap will only increase over time, if female workers do not receive the support they need to plan effectively for retirement.

It is therefore vital that you, as an employer, provide all the encouragement, guidance and support you can, to help them maintain their pension contributions and stay on track for a comfortable retirement. One way to do this is to offer a **salary sacrifice pension scheme**, which can help your workers to continue to contribute to their pensions in a more tax-efficient way, allowing them to save up to 12% of the amount they pay in personal contributions.

This could enable your business to save thousands in National Insurance contributions as well. You could also provide employee benefits that include access to cost-cutting services and guidance, such as those available through the Mintago platform. In this way, you can help your employees' hard-earned money to go further and improve their wellbeing now and in the future.

The cost-of-living crisis

Cancelling retirement

Such are the economic pressures of modern living that many women may now plan to continue working well beyond state retirement age, in order to make ends meet – effectively cancelling their retirement. In fact, **a recent survey** by Working Wise, sponsored by the Financial Services Compensation Scheme, revealed that half of women aged 45 and over fear that they will have to carry on working. It also found that 53% of women felt their pension savings would not be enough to enable them to be financially independent.

Needless to say, this could put considerable pressure on your female employees' overall wellbeing, with an uncertain financial future ahead of them. It is therefore important that you encourage your female workers to **plan ahead for retirement as early as possible**, so they can avoid this, as the younger they are, the lower their monthly contributions will need to be, to ensure they can retire when they want to.

A general rule for good pension planning is to follow the **magic formula** of taking the age at which you start paying into your pension, dividing by two and then paying in this per cent of your pre-tax salary each month until you retire. So, an employee who begins contributing when they are 20 will find it a lot easier, as they will only need to contribute 10% of their earnings each month, while an employee who is 40 will have to contribute 20% every month.



53%

Of women felt their pension savings would not be enough to enable them to be financially independent!

The importance of education

The importance of education

While there are many complex practical and societal reasons that contribute to the gender pensions gap, which cannot be easily resolved, a lack of knowledge about pensions and understanding of their importance can also play a part, and this is something that can be more simply improved by better education on the subject.

In fact, the Working Wise survey suggested that more needed to be done to **help women** understand their pension savings better, as 58% of those surveyed said they did not understand their pensions.



Mintago's own research, conducted in January 2022, also strongly suggested that female employees needed more support to take control of their pensions and plan for a better retirement. Indeed, asked if a lack of knowledge about pensions was a significant source of stress, 32% of female respondents answered 'yes', compared to just 24% of men.

As an employer, you can play a major part in improving this situation by supplying free access to good educational resources, which can help to make your female employees more informed on the subject.

The importance of education

It is also important that you make these easily accessible, which can be achieved by providing them via a financial wellbeing platform, such as Mintago.

Our research also revealed that only 39% of women knew how much they had saved in their pensions, compared to 55% of men, and only 28% of women checked on their pension savings regularly, as opposed to 43% of men.

So, providing online tools to help your female workers easily check on and manage their pensions, such as those available through Mintago, could help improve this.

By helping to educate your female employees and make it easier for them to manage their pensions, you can empower them to gain confidence on the subject, take charge of their pensions and plan for a comfortable retirement.



Only 39% of women know how much they had saved in their pensions!

How Mintago can help

Navigating the financial wellbeing technology landscape may seem a little challenging, but Mintago offers a straightforward, user-friendly solution that makes it easy for you to provide high-quality guidance and assistance to your employees.

Our user-friendly platform offers:

- ✓ A pension dashboard that allows full pension management and provides a clear visual aid for users to see just how much they need to save to achieve a comfortable retirement.
- ✓ A Pension Hunter service that helps your employees track down any lost pension pots they have from previous employers, to help optimise their pension savings.
- ✓ The option to consolidate pensions, making pension management more straightforward.
- ✓ Access to expert financial advisers, who can provide individual guidance on retirement planning.
- ✓ Regular online masterclasses.
- ✓ Access to services and advice to help cut costs and navigate the cost-of-living crisis better.

How Mintago can help

- ✓ A Money Helper AI tool, to help your employees control their finances.
- ✓ A library of educational material, to help your employees gain good financial literacy and a greater understanding of the importance of pensions.



Mintago Tools

Our platform provides all the tools and resources your employees need to take control of their finances and cope more easily with the cost-of-living crisis, including access to:



Expert financial advisers



Online masterclasses and over 1,000 pieces of educational material



A Money Helper AI tool, to help them control their finances



A pension dashboard, that allows full pension management



A Pension Hunter tool, to locate lost pension pots



The Mintago Score tool, that provides a full financial health check

With Mintago, you can empower your employees to get to grips with their finances and gain greater financial security, giving you a happier, more productive workforce, ready to contribute to your business's success.



Next Steps...

If you would like to learn more about how Mintago can help you support your employees' financial wellbeing and combat the cost-of-living crisis, get in touch today.



Mintago

The Gender Pensions Gap Guide

Mintago helps employers support their employees on their journey towards better financial wellbeing.

Start supporting your employees' financial wellbeing with Mintago today.

www.mintago.com

