

International Women's Day 2023: Embracing equity

➤ **Sophie Smith reflects on recent industry efforts to address the gender pensions gap, and the policy reforms that could help bring the industry one step closer to equity**



➤ **Equity not equality**

International Women's Day's 2023 #EmbraceEquity campaign aims to get the world talking about why equal opportunities aren't enough, and to consider that people start from different places, so true inclusion and belonging require equitable action.

And whilst International Women's Day shines a light on the issues around gender more broadly, industry research has revealed that women from ethnic minorities in particular are facing an uphill battle at every stage of their financial life, compared to white women and the wider adult population.

A report from Scottish Widows found that one in five (21 per cent) black women are ineligible for auto-enrolment pension schemes as they do not meet the £10,000 earning criteria, compared to 17 per cent of South Asian women and just 4 per cent of white women. In addition, more than half (54 per cent) of black women have little or nothing saved for retirement, compared to just 35 per cent of white women.

This is perhaps unsurprising, as ethnic minority women are also disadvantaged by a broad range of issues that intensify financial instability. For instance, they are more likely to rely on rented accommodation with 62 per cent of black women renting compared to 31 per cent of South Asian women and 26 per cent of white women.

Scottish Widows intermediary distribution director, Ranila Ravi-Burslem, stated: "As International Women's Day this year challenges us all to 'embrace equity' it's a perfect time to focus on addressing some of these deep-seated issues. It's time to break the cycle of financial injustice and we see this event as a crucial step in the journey to more accessible finance for all."

With another International Women's Day just passed, industry focus on the issue of the gender pensions gap has seen a heightened focus. Various organisations again urged the government to consider policy changes, whilst also encouraging individuals to up their contributions to help close the gap.

Efforts in this area are of course needed and very welcome. Recent research from Hargreaves Lansdown found that whilst 44 per cent men were confident about retirement, this compared to just 26 per cent of women.

But it is important to remember that any lack of confidence may not be through a lack of trying. Data from More2Life previously suggested that women are actually contributing a higher portion of their monthly income to their pension than men, with women saving an average of 5.1 per cent of their earnings compared to men's 4.9 per cent.

And there is a desire for more information, as research from Phoenix Insight found that 54 per cent of women would like their employer to engage with them more on their workplace pension.

Part of the problem is that much of the gender gap stems from issues that are not of our own making – whether it is caring responsibilities, in a maternal capacity or otherwise, social stigma, the impact of divorce, or unconscious (as well as just plain conscious) bias.

Some of the discussions around this issue can also quickly become patronising (I don't need to be told how to understand my pension through fashion metaphors or a shoe store analogy).

Discussing this issue with women, both inside and outside of the industry, the most common ask is a simple one: A safe space to ask the stupid questions, without fear of judgement.

But broader policy reform will also be needed if we are to address some of the key inequalities seen around pensions.

Progress may be on the horizon, as

➤ A system for confusion

Discussions around the gender pensions gap are often very mindful of the holistic issues that contribute to this inequality, whether this is the broader underlying pay gap, or crucial issues around the cost and accessibility of childcare.

Indeed, research from Aviva recently found that the gender pensions gap first begins to widen significantly from the age of 35, with Aviva managing director for wealth and advice, Michele Golunska, highlighting this as a “clear line in the sand around the age that women are often making milestone career and childcare decisions and considering opting to work part time”.

But the ramifications of maternity leave in particular are often less discussed, with expectant mothers dealt an instant blow even before considering their childcare considerations, or whether they will need to take a prolonged career break.

Previous research from Aegon, for instance, found that a woman who has two children in her early 30s takes a full two years of maternity leave and returns to work after the first child part time, could miss out on between £20,000 and £50,000.

Commenting at the time, Aegon head of pensions, Kate Smith, stated: “Antenatal classes are the tip of the iceberg when preparing for motherhood. Women planning to take maternity leave and reduce their working hours should be prepared to make up for the breaks in their retirement savings in any way they can.

“Even better, they should plan ahead and start saving as much as they can before having children, to minimise the impact of pension savings gaps later on in life.”

Echoing this, Golunska argued that whilst pension contributions are unlikely to be a deciding factor when considering whether to work part time, “what is important is that the long-term impact on a pension is understood when making that decision”.

But good financial planning requires clear resources and information. Finding information on this issue can be incredibly confusing, with a huge range of conflicting information shared online, much of which is dependent on the individual knowing complicated details about their scheme.

Add in the likely low levels of sleep and high levels of stress that many new parents are under, and trying to find answers can quickly feel like an impossible task. The pensions industry is an incredibly complicated one, and it is simply not fair to expect savers to make such technical decisions blind.

International Women’s Day, as always, will conjure up many advertising campaigns and initiatives focused on addressing gender inequalities. But addressing the loopholes and system issues that exacerbate gender inequalities is not a one-day fix.

Pensions Minister, Laura Trott, recently confirmed plans to begin monitoring and reporting on the gender pension gap regularly, with work to create a definition of the gender pensions gap also ongoing.

And further work to define and understand the gender gap is clearly needed, with data from Aviva revealing that 19 per cent of employers have never heard of the gender pension gap.

Commenting on the news, Barnett Waddingham policy and strategy lead, Amanda Latham, argued that “it is about time the government instigates regular reporting on the gender pensions gap”.

“It’s time to take the burden of solving

this financial failure away from women,” she continued. “We need to consider fiscal, behavioural, and societal issues collectively, and work to create a more robust and inclusive pensions framework that offers fairer solutions for all.”

In particular, calls for auto-enrolment reform have surged in recent months, as research from Now Pensions and the Pensions Policy Institute revealed that of the 14.6 million employed women in the UK, around 2.5 million (17 per cent) don’t meet the auto-enrolment qualifying criteria, compared to 8 per cent of men.

Auto-enrolment reforms could hold a potential solution, however, as

➤ Walking the walk

As expectations around gender inequality have grown, companies have faced unprecedented scrutiny from consumers, investors, and the media.

And whilst an increasing number of pension schemes and providers are publicly publishing annual diversity, equity and inclusion (DEI) reports, The Pensions Regulator (TPR) has warned that there is still “a long way to go” to improve DEI.

Indeed, previous research from TPR found that just 10 per cent of DB and 14 per cent of DC schemes record any trustee diversity data. And this data may not be being properly utilised, as 40 per cent of DB schemes and nearly half (47 per cent) of DC schemes did not identify any uses for the trustee diversity data captured.

These findings, whilst concerning, have already prompted change, with TPR sharing an action plan to improve DEI across trustee boards.

The Pensions Management Institute also partnered with Nelu Solutions to provide DEI certificate training for trustees and administrators, which will be available from June 2023.

The progress so far is encouraging, but it is important that the industry is walking the walk, as well as talking the talk.

the analysis found that basing pension contributions from the first pound earned would increase pension wealth for single mothers by 52 per cent.

Although the government has been reluctant to publish a timeline on such reforms, some changes have been included in a new Private Member’s Bill *[further details on page 15]*.

With industry efforts surging during the recent IWD campaign, and women taking the lead in a number of pensions and financial organisations recently, we can only hope that further progress will be on the horizon.

➤ Written by Sophie Smith