

Transcript: The Gender Pension Gap – could women be facing an unbalanced future?

Rob Today we're talking about the gender pension gap and how half of the UK's population are facing an unequal and unbalanced future in retirement.

Emily That's right. With us to talk about this complex issue are Cilla Christmas, Valuation and Strategic Review Manager in the Cabinet Office and Co-Chair of the Civil Service Carer's Network and Sarj Wheelwright, Stakeholder & Engagement Manager for Civil Service and Royal Mail Pensions in the Cabinet Office.

Rob So welcome, Cilla and Sarj. Thank you so much for joining us today. So before we before we get started, can each of you just tell us a little bit about yourself? So we'll start with you, Cilla .

Cilla So forgive me for the very long title for my job. I do look after valuations, but I do business as usual policy as well as my day job. And then I am very proud of the fact that I've been chairing the Civil Service Carer's Network for the last four years. We've got 42 organisations across the Civil Service representing about 70% of civil servants.

Rob Wow, amazing.

Emily I didn't know that.

Rob I think we're doing well. We're learning stuff already. Sarj, over to you.

Sarj Yep. I work with colleagues within the Cabinet Office and with different scheme administrators to find creative and innovative ways to engage a wide range of audiences. So often simplifying a complex language into easily understood content.

Cilla And she's very good at it.

Sarj Oh, thank you.

Rob Great. Well, it's brilliant to have you both, and thank you for taking the time to be with us today. So before we start, I should be full disclosure. I don't know anything about the Gender Pension Gap.

Emily Shocking.

Rob Yeah, sorry, Emily, but I know that, Emily, you've kind of become our sort of resident expert on the topic through the research that you've been doing specifically on this episode. So do you want to start us off by taking us through, you know, what the Gender Pension Gap is?

Emily Yeah, sure. Yeah, so as you say, Rob, I didn't really know anything about this issue myself until I was researching for this podcast and when I came across it, you know, I very quickly, on reading about it and learning more about it and what drives the Gender Pension Gap, I very quickly got very passionate about it. So I'm really glad that we're talking about it today, I'm very excited. I'll try and contain myself. So, the Gender Pension Gap is basically the gap in pension savings and retirement income between men and women. So research currently shows that there's around a 37% gap in pension savings between men and women. So, in some industries, women have workplace pensions that are worth less than a fifth of what their male colleagues have.

Rob So, there's been so much conversation in recent years, you know, rightly so, about the Gender Pay Gap. So clearly not enough conversation about the Gender Pension Gap. This is obviously a big issue, so why do we think that this is happening?

Emily So if we look at the research, we already know from the Gender Pay Gap that women are typically paid less than men. So, if they're paid less, they're likely to be saving less and that means that their money isn't compounding over a longer period of time and it's not building up in their pension as quickly as it would for men on average. We also know that women are more likely to work part time to take a career break to care for children or elderly relatives. They're more likely to do that compared with men. In fact, there was a report from the Office of National Statistics in 2021 that said that women with dependent children are six times more likely to work part time than men. And that means that they then, you know, miss out on pension contributions, potentially missing out on pay enhancements, opportunities for career progression, things like that. In fact, 81% of carers who work earn less than the £10,000 a year auto enrolment trigger, so they don't qualify to be auto enrolled into a pension scheme by their employer.

Rob So some of these people haven't even got a pension at all.

Emily That's true.

Rob Wow. So there's a lot to unpack there, a lot for our guests to discuss and ruminate on in this episode. And thanks for all your research that's kind of enabled you to set the scene there, Emily. Okay. So, there's lots of statistics on this, lots of research around it. Cilla, on top of the data, what are the key drivers of the gender pension gap?

Cilla Sorry, can I... one very tiny clarification. When you're talking about people not qualifying for auto-enrollment criteria - everybody who works for a civil service organisation will automatically be enrolled irrespective of the level of the salary they earn. If you look at where we are now, if you're thinking about income in retirement, people retiring now, you've got social history from over the last 50 years feeding into that. So a personal story, you nodded about promotion opportunities as a woman. When I started as a management trainee in a building society in the dark days in 1991 - that's giving my age away - and my trainer said to me, you know, it was only a few years ago that the bank would automatically put women on temporary contracts the moment they got married.

Rob Crikey.

Cilla So, of course, then you're not going- you'd just assume they're going to leave to have babies, and of course, you're not going to promote them. And it was only in 1990 that women started being taxed separately from their husbands. Essentially we were an extension of a man. It's that old concept of Victorian, you'd be chattels and not having independent rights still, you know, still feeding through. So, but that is 30 years ago, if you now look at the civil service - I'm saying this because I don't want to depress everyone too much. If you look at the civil service now, we've made some huge strides in equality and diversity and making sure people who come in have the same opportunities, irrespective of backgrounds, culture, history, gender. So, you know, there is an opportunity. We are changing it already. There's an opportunity to take ownership of your own fate as well and make sure that you own your space, you own your career, you own your pension and can really make a difference for yourself when you retire. So, you know, there's lots of negative stats, but I don't want people to get depressed about it and think positively about what they can do going forward. There's still some discrimination in certain industries. Within the civil service hopefully that's gone but the legacy could still be there for some of our past, our older members. You've then got presumably that ages because they've gone part time, taken gaps, not fitted into the promotions that we've talked about. Women also tend to come out badly from divorce. So they may end up, you know, they get the family house and support while the child is there, and the child is under 18. Do you then do...but you know, are you actually looking at pensions? A lot of divorces do not look at the pensions. It's like they're hidden wealth and with men having more in the way of pensions. If that's not brought in, women lose in divorce settlements. It's harder to work unless you can buy childcare. Society tends to give childcare responsibilities to the wife. So the women tend to spend less time at work and the men have more time at work because they don't meet the costs of external childcare. And then I think there's a note about longevity. In the Civil Service Pension, it's a defined benefit scheme. You get a guaranteed income for retirement, for life, from the date you

retire. So you don't need to worry about your money running out. You just need to worry that you've got enough income for your everyday needs until you die.

Rob That point about hidden wealth is, you know, really interesting, actually, that people, even during a divorce, wouldn't consider pension as something worth discussing or negotiating on when it comes to the financial element of that.

Emily Well, I think, I wonder if it's from some perspective if it's the opposite way around? I think a lot of people don't always understand or recognise that their pension, at any one time, could be one of the most valuable assets that you've ever got, right? So maybe it's that they are excluded from divorce settlements and proceedings when they are, because you really don't want them to touch it, because it's really valuable.

Sarj I don't know. Well, I mean, I've been through a divorce, so I know that when it came to that negotiation and mediation time, the pension was definitely on the back burner, it wasn't really discussed because we were getting into the here and now in terms of balancing finances to deal with the care of small children and providing a roof over their heads. So it really wasn't looked at intensely and I don't think was a missed opportunity on my part, it's just I think I'm very lucky that I've got a Civil Service Pension. That I'm okay. But a lot of people aren't. I know other people who've been through divorces and the pension sharing order wasn't even discussed.

Emily Really?

Sarj And now, now I'm at that age where I am interested in pensions and I work in pensions, that now, when I have those conversations with people, yeah, it's like, oh my God, did you not discuss this at the time because your financial settlement didn't include it?

Emily Yeah, well, it makes me think about, um, you know, we talk about childcare. I saw it just in the news last week that the average cost of childcare in the UK per month at the moment it's like £937 or something like that, per month, which is, you know, for context, it's more than double my monthly mortgage payment.

Rob So you've made a really interesting point. And I can say from firsthand experience that childcare is really expensive. You know, to the point where when my wife was looking to go back to work and she was going to go part time, we had a conversation as to, you know, is it actually financially viable for you to go back to work? You know, because in some ways would she'd be earning, you know, a salary only to just then see it go into being paid for childcare. So why would you not, you know, just not work?

Sarj Yeah. And the trade-off is that you say that you're going to have quality time at home with your kids in those formative years. So you have to sacrifice, you know, your professional life and the opportunities that come with promotion. Also just general opportunities by being a working professional. You have to put that to the side because you know financially the numbers don't add up. Or there isn't enough benefit to you going to work to then pay for the childcare and is everybody then happy with that situation?

Rob Let's face it.

Sarj You know, mum guilt?

Rob The emotional benefit though for, certainly for my wife, of going back to work was, you know, she's an architect so she's got a profession, was that's quite a big part of who she is and what she does and something she'd wanted to do since she was a little girl. So going back to work was almost after giving herself entirely to these little people, you know, for a whole year was about claiming some of herself back, you know, so it was worth it, even if that money was just going to pay for somebody else, you know, to look after the kids for us.

Cilla Then interestingly, Rob, did you actually look at your pension and her accumulating your pension as part of your calculations?

Rob We didn't, Cilla, I've got to say I am ashamed to say, in this context, that we absolutely didn't.

Cilla Because you've got to remember, now, an employer, you know, your pension is , free money. Yes you have to contribute something to it, but your employer contributes a substantial amount. In the civil service and I'm sorry, I know your wife doesn't work in civil service, but our employers are on average contributing 27% of an individual's salary into the pension. You know, that's a huge amount to walk away from.

Rob well it's a quarter of your salary.

Cilla You know, so it's well worth taking to the calculations and I think my plea, because a lot of what we've been saying is about the expectations on society, on women and the way women are treated in society or women are treated as carers. I think just, you know, we know society's improving but we mustn't ignore our own power to make decisions for ourselves. So you know, you've mentioned, Sarj, mum guilt. But actually is that because of society's expectations or is it genuinely? And the same with carer's guilt? So, you know, what I'd say is think about, if you genuinely want children want spend time at home with them or you want to even take a career break so you can go travelling around the world, whatever you plan, if you're not planning to work from 18 to 65 unbroken full time and you think you're going to take time out, take a change in career to a lower salary to do some good, travel, have children, stay at home with children, look after partner, look after your parents. If you see that coming down the line, plan for it.

Rob Interesting point. Stability and power, you know, that's really powerful, actually. Kind of like, you know, if you think about some of the concepts that we've been talking about, about women being disempowered.

Emily Yeah.

Rob Through some of the choices they're almost forced to make, I think that's quite powerful.

Emily Yeah, it's a different way of looking at it as well, I think. Definitely very powerful. We know that one of the biggest drivers, we've talked about one of the biggest drivers of the Gender Pension Gap being changes to working patterns and the kind of social pressure on women to take on that role as the care provider. Sarj, what happens to your pension, in that case, if you do decide to take maternity leave or to take carer's leave, in fact?

Sarj So if you are taking maternity leave, paternity leave or carer's leave, the amount that you put into your pension is a percentage of your earnings. So if you reduce your hours because of that leave, you will put in a percentage of what you've earned in that time. The issue is when you're not earning. and there's a time when, if you're taking unpaid maternity leave, for those three, four months or even longer that you're not earning from the civil service, you aren't contributing either. So, within the civil service, it's great because we all put in the same amount. Men, women, we all put in the same amount. But regardless of who you are, when you're no longer earning, you're no longer contributing to your pension scheme.

Emily Right. Okay.

Rob So you put the same amount in, in terms of, you put the same percentage of your earnings in. But obviously, if your earnings are less because you're working less hours or you're on statutory maternity pay, then you are actually putting in less into the pension than you were before. And of course, you know, maternity leave doesn't last forever. At some point, you're going to be earning nothing, as you've alluded to. So what can people do to mitigate that, those gaps? So that when it comes to retirement, they don't feel that?

Sarj So one of the things you can do is buy added pension. What you can do while you're on maternity leave, I think, is what Cilla touched on earlier is try and prepare earlier on in your professional lives. If you are going to be taking time out, are those contributions that you're going to be missing out on? Can you make those up?

Rob Okay, so. So there's things that you can do. There's levers that you can pull so that you don't feel those effects later on down the line. Added pension presumably what? That's just putting more money into a pension every month while you still earning money, is that right Cilla?

Cilla Yes, the scheme runs from April to April each year. So you put your application in before the April and the premiums can be deducted every month and you get tax relief on those premiums. There's a calculator on the website. So if you just go onto the Civil Service Pensions website, put added pension in the search function, it'll bring that up. The cost does depend on your age, but you can put in how much you want to save or how much you want to buy in terms of pension and then it'll give you the figures you need. And then you just pop the application in. Very, very simple.

Rob. So if you know you're going to take a year off, you could effectively calculate what you'd need to contribute, pre-going off, for that time, in order that you don't feel that gap or see that gap when it comes to what you what you get out in retirement?

Cilla Yeah or after or either side.

Sarj And that applies even if you're taking a longer career break. If you've got that money aside, you can calculate how much you're going to be wanting to put in.

Sarj. It's all on the website, isn't it? It's very clear.

Rob And that's civilservicepensionscheme.org.uk.

Emily That makes a lot of sense. I guess one of the things I'm sort of picking up on is small changes and small decisions now can have a really big impact later, right? We've talked about that already but also that, Sarj, I think you put it really cleverly earlier when you were talking when we were talking about divorce, people are very focused on the here and now with their finances about making it work for them or for their family right now rather than thinking way to the future. And that's understandable, I guess. I mean, we all know the cost of living is high at the moment. People are really feeling the pinch. Cilla, do you think, are there any kind of practical tips that we can give people listening to this podcast now that are just wondering, you know, this feels like such a huge problem and it feels a little unavoidable. What would you say?

Cilla Ooo, there's lots. So quick tip, and this is outside Civil Service Pensions, but if you've got a defined contribution scheme from the previous employer, so that's one where you put in contributions, your employer puts in contributions and it's invested. Best thing, go and check what you're being charged for that company to administer and manage that pension and your investments. Charges have come down a lot in the general market over the last ten years. And, you know, you can actually increase the amount you get out of retirement by finding a pension that provides a better rate and a better charge. Doesn't cost you a thing, just a little bit of time and effort to have a look at the market and look at what you're being charged now and take the time to just reflect on the investments you've got and whether they're still suitable for you, the right risk level. So you're comfortable that it's being invested in the way you want it to be. Sorry, quick tip outside Civil Service Pensions.

Emily No, that makes a lot of sense, especially if you've got, you know, multiple pension pots from different jobs, and they're defined contribution. You don't want to be paying several companies to manage money that's just sat there, right?

Sarj And I think also, with some administrators, you, as you get closer to retirement, those risky investments are, your money isn't going into the risky investments is it? It sort of moves into less risky. So that fluctuation doesn't happen as much.

Cilla My mother always taught me, plan for the worst and hope for the best and you can't plan without understanding exactly what the situation is and what you might be facing. So, don't be afraid to go and find out what you've got. So, go on to the GOV.UK website. Everyone should have a state pension because everyone's paying national insurance if you're over, you know, if you're working age. Go onto the government gateway, sign in, get your check. How many years National Insurance have you paid? How many more have you got to work until your chosen retirement age? Are you going to get the full state pension? That's tip one, so you know what your state pension is - again, guaranteed income in retirement from your state pension age, which for women is probably 67 now? I'm 53, my state pension age is 67, so it might be slightly older for those who are younger. Then go on to the Civil Service Pensions website and go on to the portal, if you're an active member. Check that the details are correct, that it gives you the name and address, correctly, that you've nominated your beneficiary in case you die, that your service is correct. Look at the Annual Benefits Statement that will tell you how much you've accrued so far, how much you've actually got banked in your pension. You can then take that figure, put it into the modeler that's in the portal and work out, if you keep on the same salary, what you're likely to come out with at retirement. So you get a good sense of what your income will be when you retire.

So that's your two building blocks of guaranteed income in retirement. Then, look at what else you have or will have in terms of savings or other pensions. Do the review, as we talked about and you know what you're likely to have in retirement based on what you're currently doing. And then, think about what you need in retirement, which is how much do you actually need to survive on? And then how much more do you need to have a nice life, from your retirement age? If you have a gap between what you've got and what you want to have, then you need to start thinking about how you fill that. Now, at this point in time, you know, if you haven't got much spare money, that might be hard, but you could get your cost reduced in your DC scheme, that might increase it with no charge. And you might look at, well, okay, how can I get more income? How can I save more? And it then becomes a choice. You know, if you're working part time, can you increase your hours to full time and increase your pension that way? Or would you rather compromise your standard living in retirement? Take a lower standard of living in retirement because you prefer to have the time at home now? Now, it might not be a choice for you. You might not be able to go back full time for various reasons, but, you know, start thinking about that. And if you can't do it now, could you maybe do it next year or in two years' time and go full time for, you know, five years before retirement? Or something of that ilk so, but at least, you know, people sit there and worry without knowing what they're facing. If you actually go in investigate, understand, at least, you know where you are and what you can do about it.

Rob Okay. So picking up on Cilla's point, then, how do people go about tracing other pots of money, other pensions that they might have outside of the civil service pension scheme?

Sarj Well, there's a free tracing service on the government website, which is Trace My Pension. So, you know, men, women owe it to themselves to look at what pensions that they might have put money into in their previous jobs, private sector and find out what your pension is worth. And when you can take it.

Emily That makes a lot of sense. I know I've got at least three pots out there.

Rob Same.

Emily Yeah. From different jobs.

Rob Yeah.

Sarj I was talking to somebody today and she said she's got about six. [33.5s]

Sarj I mean, I know so many friends that, it's almost as if they talk about pensions with their eyes closed because they want to look at what the figures could look like. And it's, well knowledge is power, isn't it? So it's a case of, honestly, just take a look at the numbers. You go onto your banking apps as frequently, pretty frequently. We ought to be doing the same with pensions, where we are looking at what, what's in the pot? How much would I need? When can I retire and what can I do to get there?

Emily Yeah.

Rob And presumably, you know, obviously we're talking about, you know, that retirement planning here. But if you're at a stage of life where you're thinking about having kids, you know, it's obviously one of the big things that takes people away from work. Presumably that same principle of kind of, knowledge is power, applies in that context as well. So reading the, you know, policies and that sort of thing?

Sarj Yeah. I mean, you know, before you embark on maternity leave, you do look at the maternity policy. So, it's a case of looking and doing your own financial policy management as well, to then understand, how do the numbers stack up?

Emily Yeah.

Rob I suppose shared parental leave is another thing that people can think about.

Sarj Yeah. Yeah. You know, it's for men and women to look after their children. It's a shared responsibility and therefore, you know, while one's not working, the other one can and they can put money into their pot and vice versa.

Cilla And then on to the caring side, you know, make sure you check out what local government, you know, your local authority can do in terms of providing care for your elderly relatives. You know, it isn't automatically you who has to do it. You might have to take responsibility to coordinate it. But you can reach out and get paid care in certain circumstances. So it would be remiss of me as carer's lead not to bring up the case of male carers. You know, I have male carers come and talk to me to say they are discriminated against because although the majority of carers are women, men are making up a growing proportion of our carers and when they are out with their spouses and the person they care for, if that spouse is a woman, then quite often the person they're dealing with, whether it's a doctor or a bank clerk, will engage the spouse, the female, not the male. And men don't automatically get the same sympathy and empathy as carers, as women do. So a plea, you know, this isn't just about gender. Please put aside the assumptions you have, the stereotypes in society. Treat everyone with courtesy, respect and as individuals, and for every individual do think and plan and try and make the most of your pension, because this applies equally to you, even if this is a story about what's happened to women generally.

Rob That's a really good point.

Emily Really good point.

Emily Yeah. I wonder if there's any data out there about, that, you know, looks at when women access their pensions compared with men, do they access them at different times? Do all of these issues that we've talked about lead to that?

Cilla So I used to work at the Pensions Advisory Service, which provided the telephone support for the Pension Wise service, which is a government funded service to provide guidance to members or pension scheme members over 50 who hold a defined contribution pension pot. Because there's more flexibility in the way you can use a defined contribution pension pot and some of the stories about why people wanted to access their pension were quite entertaining. They wanted to go abroad to have their dentistry done or they wanted, you know, cosmetic surgery or they wanted a

new kitchen. I suppose that's not funny, that's quite typical. But you could always see there was a trend amongst women, there was a proportion of women primarily who wanted to access the lump sum so that they can give it away.

Sarj Really?

Cilla They could give it to their children for the deposit on the first house. They could give it to their, you know, their daughter, who was single mother who was struggling. And my heart absolutely went out to all these people who needed help, financially, to get on the ladder, and you could see the reasoning behind it. But then they were also potentially putting themselves in a position, particularly when they were, you know, they had years to live where they were going to give away money that was absolutely vital to their longer-term care and their longer-term financial well-being. So, it's an interesting thought, isn't it? It's about, again, back to our decision.

Sarj Altruistic reasons but in the end, they're the ones that could possibly be impacted by that because there is less in the pot for them to live off. [00:45:56] It's not just about knowing what your civil service pension is, how it's performing. But for people that have worked in other industries, private... just to get on board with finding out, tracing their old pots. [00:46:17] Finding that retirement income, where is it now? What's your policy number? Who's it with?

Rob Some really, really good advice there. Cilla and Sarj, thank you so much. It's been such an interesting conversation today and there's clearly so many factors that feed into this issue. So it's been great for us, for me, and hopefully for people listening to learn more about this issue and hopefully give people some insight on how they can mitigate some of the stuff that sits around the Gender Pension Gap. So thank you so much for chatting to us today.

Sarj/Cilla Pleasure. Thank you.

Emily As always, if you want to find out more about anything that we've talked about today or if you want to suggest something that we might talk about in a future episode, you can head to civilservicepensionscheme.org.uk/podcast.

Rob If you've enjoyed today's episode, make sure to follow or subscribe so you never miss an episode. You can also leave us a review wherever you get your podcasts.

Cilla And if you go on to the website, there's a special page for carers as well. Just put carers in the search facility and it'll pop up.

Rob And that's civilservicepensionscheme.org.uk/carers.

Cilla Thank you, Rob.

Emily Thanks for joining us.