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Due to specialising in gendered dimensions of pension outcomes, I would like to respond to this inquiry and provide insights into how the cost-of-living crisis creates long-term effects for women. I am currently co-editing a special issue on the financial decisions and its gendered dimensions in the high-ranked journal *Critical Perspectives on Accounting* and have been involved in policy discussions surrounding gendered wealth inequalities. Arising from my research background and expertise, I have been invited to join a panel discussion on the future of personal finance at an event for policymakers, have been asked to function as an external advisor to comment on preliminary findings of a funded pension project exploring engagement within pensions across six European countries and gave policy advice to a committee within the Department for Work and Pensions exploring ways to overcome constraints within workplace pensions. The response provided here is largely based on findings from two research projects published as follows: Agunsoye, A. & James, H. (2022) 'I had to take control': gendered finance rationality in the UK. *Review of International Political Economy,* 30(4): 1486-1509; Agunsoye, A., Monne, J., Sotiropoulos, D. and Rutterford, J. (2022) How gender, marital status, and gender norms affect savings goals. *Kyklos*, 75(2): 157-183.

Executive summary

1. The cost-of-living crisis is going to worsen and deepen pension inequalities created by a pension system that disadvantages those that take on caring duties. The average pension pot for a woman is currently worth £7,000 less in annual retirement income than the average pension pot of a man. The current cost-of-living measures do not take into consideration the impact of rising costs on these unequal pension savings.

2. The rising cost pressure is putting more strains on women's ability to contribute to pensions. Work interruption due to childcare, as well as related costs, are a major factor in women's limited ability to access workplace pensions. Studies have shown that women want to save for the future but have to opt out of pensions due to low maternity pay and high childcare costs. Rising living costs adds another layer of costs women have to carry.

3. The systemic failure to accommodate women's needs in pension systems forces them to turn to financial alternatives which are low risk and offer low returns, but provide accessibility, jeopardizing the long-term financial well-being of women. Relying on more accessible products is most likely to intensify due to a rise in living costs which deepen the need for being able to access money in case of emergencies.

4. Reforms are needed to make the system more inclusive and improve long-term outcomes for women. Within the current cost-of-living measures, women with caring duties need to be supported in their retirement savings by means of subsidized access to workplace pensions and subsidized financial products which offer better returns but are also accessible. This could entail that employers' contributions continue even when earnings fall below the threshold, when taking a break due to maternity leave and/or struggling with living costs. In the long-term, policymakers should devise policies which reduce the effects of gender norms on long-term savings goals, make the pension outcome less reliant on the

employment path and ensure childcare costs are affordable.

Question 2: What long-term effects will the rise in the cost-of-living have on equalities for women?

5. The cost-of-living crisis is going to worsen and deepen pension inequalities created by caring duties. To provide context of the issue, in the UK, we have experienced a persistent gender wealth gap upon retirement with the average pension pot of a woman representing only 20% of that of a similarly aged man[1]. This translates into an average pension pot of a woman worth £7,000 less in annual retirement income than the average pension pot of a man. One factor behind this wealth inequality is the UK's pension system, which has been built on a male work-trajectory, ignoring breaks in employment and part-time work[2] due to caring duties. Due to having the second lowest maternity pay and the second highest childcare costs among economically advanced countries[3] [4] and due to gender-normative assumptions of caring, it is often women who are disadvantaged in the current pension systems by these deviating work trajectories. This puts constraints on women's ability to save and invest for retirement. Data from 2017 shows that 10 million people in the UK were ineligible for automatic workplace pension enrolment, representing 32% of the female workforce and 16% of the male.[5]

6. Rising living costs increase the pressure on women's ability to save for pensions. Because of the low maternity pay and the inflexibility of the pension contributions system, women who have caring responsibilities opt out of, or do not sign up for, workplace pensions. Our studies show that women who have returned to work after having children feel primarily responsible for covering nursery fees and other related costs. This results in many women's reduced ability to regularly contribute to pension funds, with some reporting having stopped paying into their work pension schemes in order to direct these sums towards childcare costs. Whilst ensuring childcare costs are affordable is essential, where the government has taken the first step to provide free childcare hours earlier on, the current cost-of-living crisis is most likely intensifying gendered inequalities in pensions savings. If other costs related to caring increase, including nursery costs but also spending on children, it is likely to lead to more women not being able to contribute to pensions on a continuous basis, disadvantaging them in comparison to men.

7. Despite being constrained, women actively seek out ways to ensure their long-term financial stability. Interviewed women have emphasized the lack of flexibility in being able to

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[1] Palmer, R. (2020, January). Wealth, tax and gender – A paper for the commission on a gender equal economy.TaxJustice.UK.https://wbg.org.uk/wpcontent/uploads/2020/03/Paper-2-Wealth-taxand gender.pdf

[2] The full state pension only applies when having made national insurance contributions over 35 years while workplace pensions only apply when earning at least £10,000 in one place of work, which excludes people who are self-employed, under-employed or experience a break in the work trajectory.

[3] Chzhen, Y., Gromada, A., & Rees, G. (2020, June). Are the world's richest countries family friendly? – Policy in the OECD and EU. Innocenti Research Report, UNICEF. https://www.unicef-irc.org/publications/pdf/Family-Friendly-Policies-Research_UNICEF_%202019.pdf

[4] Fleming, S. (2019). These countries have the most expensive childcare. World Economic Forum.https://www.weforum.org/agenda/2019/04/thesecountries-have-the-most-expensivechildcare/

[5] The Pensions Policy Institute (PPI) (2017) The impact of automatic enrolment in the UK as at 2016. https://www.pensionspolicyinstitute.org.uk/media/2041/201601-bn87-phd1-impact-of-auto-enrolment-as-at-2016.pdf.

adjust pension savings when having to take a break or experiencing high childcare costs. They feel they have no other choice than to opt out of pensions and employ alternative strategies such as increasing pension contributions before having children and contributing to a private pension where they can adjust the size of contributions, even if it is just £10 per month. These strategies are less feasible within an environment of high living costs, reducing further women's ability to counter-balance inequalities inherent in long-term pension planning. Even those who have opted to invest in property by means of the right-to-buy scheme, instead of investing in pensions, because of being more tangible and flexible, will struggle more as a result of the increasing mortgage costs. If the Government does not tackle the inherent inequalities in the pension system and acknowledges the impact of the rising living costs on women's ability to save for the future, the long-term financial wellbeing of women is jeopardized. The current cost-of-living measures do not take into consideration the impact of rising costs on pension savings.

8. Existing differences between men's and women's long-term saving goals[6] have been linked to traditional gender roles often assigned to particular members of households. In practice, this means that women within a couple tend to assume responsibility for the day-to-day budgeting of a household, take employment breaks in order to care of dependents, and are likely to leave long-term financial planning to their male partner. Concentrating on day-to-day budgeting creates a focus on short-term financial security, with women lending greater importance to having access to their savings, in anticipation of adverse events and income constrained periods. Thus, women tend to set modest saving goals and invest in financial products that yield lower returns but are accessible, such as individual (cash) savings accounts and premium bonds. When experiencing a period of increased costs and uncertainty, the focus on accessibility is likely to be intensified, increasing the choice of safe products that offer lower returns.

9. In contrast, men who are part of a couple are often assigned – and primarily responsible for – long-term budgeting, and display much higher saving ambitions than women, using investment products that are designed for longer-term savings habits, and have the potential for better returns. For example, self-invested personal pensions provide more options and control over what you can invest and when, compared with a standard personal pensions or an ISA. Being responsible for the long-term investments of the household thus encourages a focus on long-term wealth growth and reinforces their willingness to set challenging goals. These findings are intensified within couples with a more "traditional" division of roles - that is, when the man is the main breadwinner. This dynamic of gendered roles within the household in interplay with rising living costs is likely to deepen the gender wealth gap in the UK besides income differentials (based on the gender pay gap and lower earnings due to caring duties) and investment differentials due to men taking on higher risks.

Question 4: What could the Government Equalities Office do to ensure the Government's cost-of-living measures respond to inequalities women face?

10. The current cost-of-living measures need to take into consideration constraints women experience in pension savings, seeking to prevent women from opting out of or not oping into workplace pensions. In the short-term, this could entail making pensions more flexible so that they can pause or reduce pension contributions without having to opt out. While there

[6] Having explored the long-term savings goals of 1,760 clients at a well-established UK investment firm, combined with insights from 56 interviews with UK-based men and women, reveals that women's long-term saving goals are 23% lower than those of men receiving a similar income.

is a concern that this could lead to less saving overall, the experiences of women suggest there is a lot to be gained in terms of engagement by offering such flexibility. To make sure women do not suffer from lower employer's contributions, the employer should continue to pay contributions when employees with caring duties pause or reduce pension contributions. This would mean the employer continues to pay contributions for every employee, including those on maternity leave or earning income below the threshold.

11. Long-term solutions need to entail a rethink of the pension system's inherent limitations. Since workplace pensions are tied to workplace conditions, women are unfairly penalized. Devising a means by which pension contributions are not contingent on the terms and conditions of employment would go further to help women who do not follow typical career paths. The earnings limit to contribute to pensions should be removed and lower income employees' pension savings should be supported by the government to reduce the gender pension gap.

12. Further measures to ensure long-term retirement savings despite increasing pressures on women's financial means relates to offering subsidized financial products, such as a government-supported Individual Savings Account specifically for people who work part-time, across multiple employments or are self-employed. To reduce the pension wealth gap, this could take the form of a Lifetime ISA where the government would top up each pound saved until a set limit per year, but which would allow accessibility in case of emergencies.

13. Given that some research findings represent the choices of people who have actively sought financial advice, simply seeking to increase women's long-term financial planning may not be sufficient. A measure that could be implemented to address the issue is making financial advisers aware of how gender norms can affect attitudes towards saving. Making clients with modest saving goals aware of the possible origins of their attitudes, as well as providing comparison to the goals of people with similar earnings, could encourage those with under-ambitious goals to rethink their investment strategy.

14. In the long-term, while recommending that individuals plan more is certainly a good idea, this will not overcome the unequal starting points and/or tackle normative constraints, as highlighted in caring duties and lower savings goals. It is thus necessary to accompany any policy measures with a goal to changing mentalities about traditional gender roles within households, for instance, by devising policies which make it more attractive for both partners to take over caring duties and by refraining from labelling non-conforming behaviour as being less financially inclined.

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