

Women's financial assets and debts

November 2007, By Jenny Westaway and Stephen McKay



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Foreword

It gives me great pleasure to provide the foreword to this report and I am grateful to the Fawcett Society for allowing the Government to be actively engaged throughout their research into women's financial assets and debts.

The Government is committed to rooting out unfairness across society. The Fawcett Society has long played an important role in shining a spotlight on areas where improvements are needed, and this report is no exception. Specifically, it shows that the existence of a gender gap in income has far reaching effects on women's levels of saving, assets and debt, which in turn potentially impact the opportunities available to women and their children. This is an important area of research and I am keen to work with the Fawcett Society to understand what more Government can and should do to address unfairness where it exists.

We are already making progress but there is further to go. Recent Government policies such as pensions reforms, the Child Trust Fund and the Saving Gateway pilots have had a positive impact on gender outcomes, while important steps forward are being made with the financial inclusion and financial capability agendas.

The Pensions Act 2007 will allow women to receive higher state pension entitlements and provide a solid basis for private pension saving, with almost half a million extra women over State Pension Age entitled to a full basic State Pension in 2025 following reforms. Further changes to private pensions will mean genuine equality of opportunity in access to workplace pension provision. An estimated three and a half million women could be auto-enrolled into a pension, many gaining access for the first time

The Government's aspirations for financial capability include a range of programmes particularly aimed at the most vulnerable. The needs of women are considered in delivering these programmes for example, by offering financial education and advice in Children's Centres, which are attended primarily by women. At the same time, the Government is also committed to tackling financial exclusion, as demonstrated by our announcement in the Comprehensive Spending Review and Pre-Budget Report to continue the Financial Inclusion Fund, committing £130 million in Government spending. Some of the current fund is dedicated to making affordable credit available to financially excluded individuals. Latest figures show since July 2006 72% of loans were made to women and 46% to lone parents.

This work by Fawcett recognises the important role policies such as these have to play. But the research in this report also shows that the root cause of gender imbalances in levels of debt, savings and assets comes from inequality in the workplace, both in terms of promotion and of pay. We have made great strides, particularly in the availability of flexible working for all parents and more and cheaper childcare places, as well as updating the anti-discrimination legislation. But it is here that Government must continue to focus its efforts if we are to have a society that is genuinely fair.

Kitty Ussher

Economic Secretary to the Treasury

Chapter 1

Executive summary

The need for this report

Fawcett launched a new project in March 2006 to plug gaps in understanding of the differences between women's and men's financial assets and debt. Although differences in women's and men's income were well-documented, until this project began, hard evidence on differences in assets and debt was much sparser.

This was of concern as it is now widely acknowledged that income alone is not a satisfactory measure of a person's financial wellbeing. Fawcett was concerned that amid increasing Government interest in levels of pension saving, non-pension saving and debt, women's different needs were being overlooked because too much discussion was based on household rather than individual financial positions. As there is a great deal of evidence that financial resources are not distributed equally within households and that women often receive a less than equal share, it is vital that any understanding of assets and debts has a gender perspective, looking at the different experiences of women and men over the lifecycle.

This report attempts to plug the research gap by providing new analyses of large scale datasets, giving an overview of women's and men's levels of savings and investments, pensions saving, and debt. We present evidence broken down by age, income and ethnicity. We also provide longitudinal data tracking how women's and men's financial behaviour differs after transitions such as relationship breakdown or becoming a parent over a number of years. By doing so, this report opens up new understanding of gender differences in savings, pensions and debt.

Shocks and scars

By tracking women's and men's saving and debt patterns over a number of years through different life events a clear pattern emerged: women's saving and, to a lesser extent, debt levels were more affected by the shocks of transitions such as becoming a parent or relationship breakdown. Men's saving and debt levels tended to follow a much smoother trajectory even as they pass through the same transitions. Furthermore, the effects of life transitions were much longer-lasting for women; in other words, we identified scarring effects.

For instance, we tracked the saving behaviour of women and men before and after having a first child. Before a first child is born, mothers and fathers-to-be were almost equally likely to be saving; 46% of women and 45% of men were saving. One year on from the birth of a first child, both new mothers and new fathers become less likely to save. But the drop is much more dramatic for women, falling to 34% of new mothers compared to 42% of new fathers. Fathers' saving rates recovered fully and after ten years 46% of fathers are again saving. But a decade on, mothers saving rates had climbed back no further than 40%.

Preferences versus constraints

This report contains some exploration of the reasons behind the differences in women's and men's different financial behaviour. The most obvious reason is, of course, women's lower and more

fluctuating incomes, caused by gendered patterns of paid and unpaid work. Our evidence indicates that if these gender inequalities did not exist, women and men would have much more similar patterns of saving and debt; when women and men are further broken down into income quintiles, we see smaller gaps in savings levels, although there are still relatively large gaps in debt levels.

Nonetheless, there is also qualitative evidence to show that women and men have different preferences which come into play in financial decision making. Of course, it is difficult to separate out the extent to which these preferences are a result of economic inequalities and gendered roles. We have included some of this evidence in this report in order to shed more light on our findings. It suggests that women and men have different spending and saving priorities, that some women within couples are relying on male partners to save for their long-term needs and that women are more risk-averse when it comes to financial decisions.

Women struggling to save and keep up with debt

Our analyses identified some groups of women who were particularly struggling to save or keep up with debt commitments. We found that:

- Young women were saving almost as much as men, had lower levels of debt, but were more likely to be in arrears (behind with payments) on bills or credit repayments
- Mothers' saving rates drop by 11 percentage points in the first year after their first child, fathers' by four percentage points
- Lone mothers had particularly low levels of savings and were the household type most likely to have debt
- Divorced and separated women were much more likely to be in arrears on bills or credit repayments than their male counterparts
- Financial abuse as a form of domestic violence appears to be a major, but largely overlooked, problem, which leads to unmanageable levels of debt for some women and other financial problems
- Black and Mixed Race women are more likely to be in arrears on bills or credit repayments than White or Asian women.

These and other groups of women are examined in more detail in Chapter 4.

Chapter 2

Our approach to understanding women's assets and debts

Recommendations

The evidence in this report has a number of implications for several Government policy areas, in particular for its financial inclusion agenda. Our findings also suggest areas where the financial services industry and organisations such as charities delivering money advice might work better to serve the needs of women. Overall, the report points up the need for:

- More action to tackle deep-seated gender inequalities, such as the gender pay gap and the unequal sharing of unpaid caring work, of which the savings and debt gaps are mostly simply a symptom
- Savings policies that enable and encourage those on the lowest incomes to build up assets
- Greater access to affordable credit for those on low incomes so that unexpected costs, such as a washing machine breaking down, can be covered without resorting to expensive forms of credit that take a long time and great sacrifice to pay off
- Better access to financial capability information and money advice, tailored to women's needs, such as information targeted at new mothers
- A progressive element to the Government's private pension reform, acknowledging and rewarding the unpaid caring work that women do. This would mitigate the overall negative effect that increasing emphasis on the private individual's responsibility for pensions will have on gender equality in retirement
- Support for the many victims of domestic violence who have experienced financial abuse. For example, the extension of a scheme by which creditors waive debts which have been accrued as a direct result of domestic violence.

There is more detail on these proposals in Chapter 5.

It is now widely acknowledged that income alone is not a satisfactory measure of a person's financial wellbeing, and that there is a strong case for any definition of economic wellbeing to be nuanced with a reflection of assets and debt. Recent literature in this area¹ has shown that an individual holding even a small amount of savings experiences a number of benefits, including having a buffer should unexpected expenses arise; having choices, such as whether to leave an abusive relationship; a greater degree of peace of mind; a feeling of control over their life; greater confidence in the long-term future and the ability to plan. Someone who can access affordable credit and manage debt is able to match lumpy or unexpected expenditure against a fixed level of earnings, or vice versa. And someone who has a private pension will avoid having to rely in retirement on state benefits, which are likely to be inadequate for most people's expectations.

There is also a great deal of evidence² to show that it cannot be assumed that all household members have an equal share of financial assets. Assuming an equal share or an equal claim by all household members to assets may correspond to the way that data is often collected and indeed, to what people sometimes report, but the evidence indicates that women often receive a less than equal share. Therefore, in order to have an accurate and gender sensitive picture of the distribution of financial assets, it is vital to look at individuals.

Furthermore, it is important to look at a lifecourse perspective, looking at the individual rather than the household over their whole lifetime. This is for a number of key reasons:

- Households change women and men may join and leave with unequal shares in assets and debts
- Asset accumulation is a long term process making a lifecourse perspective necessary, especially in the case of pensions. A lifecourse by definition must focus on the individual, especially as women and men's typical lifecourses follow very different patterns
- Women and men tend to have different financial priorities particularly because of women's and men's different lifetime experiences of caring for family. Qualitative research indicates that traditional patterns of spending and saving, in which women are responsible for day-to-day money management and men for longer-term planning or purchases, still persist, especially within lower income groups³.

An individual lifecourse approach lies behind the successes which the recent reforms to the Basic State Pension will have in promoting more gender equality in retirement in the future. For many years women have found it very difficult to build up entitlement to a full Basic State Pension, since this required National Insurance contributions via paid work typical of a male employment pattern. The breaks women tend to take from paid work to care for family made it impossible for many to build up entitlement. At the time when the old policy was formulated, a household perspective held sway and it was assumed that women would be able to rely on husbands for support in retirement. By rejecting this approach in favour of enabling individual entitlement and including a much more sophisticated understanding of women's lives, the

reforms contained in the Pensions Act 2007 will achieve more equitable outcomes in state pension provision for future cohorts of retiring women.

The lessons learned from this example of mainstreaming gender analysis into policy making now need to be applied more widely across Government. Fawcett hopes that this report will provide a useful basis for gender analysis to be applied, particularly to the Government's work on financial inclusion.

Plugging the research gap

Differences in women's and men's income are now reasonably well-documented⁴ and the indications are that these gaps will continue to persist for many years⁵.

But in spite of the increasing interest in assets and the need for a gender-sensitive understanding of women's assets as outlined above, there has hitherto been very little research into women's and men's holdings of savings and investments and debt and into the impact that women's and men's different lifetime experiences has on their financial behaviour. This is partly because assets are often measured at the household level, masking inequalities within households and partly because data on assets/wealth is still much less extensive and sophisticated than data on income.

This report attempts to plug the research gap by providing the first comprehensive overview of women's and men's levels of savings and investments and debt⁶, broken down by age, income and ethnicity. Furthermore, the report provides longitudinal data on women's and men's savings, debt and pension saving behaviour before and after the economic shocks of transitions such as relationship breakdown or becoming a parent. By doing so it adds considerably to our understanding of the differential impact that such events have on women's and men's financial behaviour.

It should be added that looking at the individual's asset holdings as we do in this report does not, of course, give a perfect picture of how assets are used; although ownership of an asset indicates entitlement, it does not necessarily tell us who will benefit from it. For instance, savings in a woman's name might be spent solely on herself or they might be spent entirely on her children or partner.

Furthermore, while we might assume that many of the differential gender impacts of life events are due to women's individual income changing more than men's at these points, we were not able, due to sample sizes, to control transitions for such income changes. For this reason our quantitative data does not enable us to separate out to what extent the different financial decisions made by women and men are a result of financial constraints or preferences. The section of data we provide broken down by gender and income quintile indicates that women's greater financial constraints are the major factor as women's and men's financial behaviour changes in similar patterns according to the household income quintile into which they fall. Nonetheless, qualitative evidence cited in this report (see for instance pages 21 and 59) indicates that different preferences among women and men also play a part. Of course, it would be difficult for any research to quantify the extent to which different financial

constraints and different gendered roles faced by women and men influence financial preferences or vice versa.

Background on the data and terminology

This report presents new quantitative analysis, undertaken by Stephen McKay of the Institute of Applied Social Studies, Birmingham University. The analysis draws on the British Household Panel Survey (BHPS), which enables us to focus on individuals' saving and borrowing, looking inside the household, and to track how individuals' circumstances change over time. It also provides new data from the Family Resources Survey (FRS), which enables us to look at arrears and savings at the level of the household, and at pensions for individuals. Fawcett has brought a gender perspective to this quantitative data and put it in the context of existing evidence.

The FRS data is based on the 2004-5 survey which conducted interviews with 49,220 adults living in 33,202 family units. In order to track individuals over time, we have used BHPS data from a number of years in the period 1991-2005. Numbers of adults answering the debt, savings and pensions question fluctuate from year to year, but are normally around 8,500.

The transitions data in the text is longitudinal, being drawn from the BHPS and tracking individuals over a number of years. Savings and pensions transitions follow individuals from a base year, the year before the transition takes place, and show behaviour one, five, and ten years on. In these cases the transition may have happened to the individual any time between 1991 and 2005. The debt questions are asked less frequently in the BHPS and therefore the base year for all debt transitions is 1995, with transitions occurring between 1996 and 2005.

Unless otherwise marked, the report has used median averages to describe the amount of savings, investments or debts in order to avoid the distortions to the mean averages caused by those few respondents with very high levels of savings or debts. Median amounts of savings, investments and debts are calculated among those who have any. This is because for many calculations, the median value is 0 and therefore does not give a picture of the level of assets held by those who do have them. We have however indicated in some places the median among all including those with none, in order to reflect the level of asset or debt holding among the a wider group.

This report deals with both non-pension saving and pension savings. For clarity, where we refer to simply to 'savings' we are referring to money held or put into savings accounts, TESSAs/ISAs, premium bonds, unit/investment trusts, PEPs, stocks and shares and National Savings Bonds. The quantitative data presented in this report does not cover informal savings, which tend to be more prevalent among lower income brackets. Nor does it cover other assets such as housing stock, cars or jewellery.

The term 'debt' is often used to mean a variety of financial commitments, including mortgages, credit taken out on a card or in another form, or being in 'arrears' – behind with bills. Debt figures in this report

presented from the BHPS relates to debt such credit cards, personal loans and mail order debts; it does not deal with debt owed on mortgages or secured credit. Debt figures presented from the FRS relate to arrears – being behind with one or more bills such as utilities, council tax, credit or hire purchase commitments.

The BHPS uniquely asks individuals for their element of any savings and debt. The questionnaire attempts to be precise clarifying whether savings and debts are a sole or joint responsibility. In practice, even among couples, most of the savings, investments and borrowings are reported as sole commitments as figure 2.1 below shows. Information on pensions is specifically about what individuals are doing. Information on savings and debt is allocated to individuals based on their share of joint and sole commitments where individuals were able to provide figures.

Looking at all individuals of all ages, 68% had no debts (in 2005), 26% had only sole commitments, 4% only joint commitments, and 2% a mix of the two. Of course, having joint commitments was more common among the couples, and especially those with dependent children. Even so, among couples with dependent children those citing only sole commitments (or borrowing) outnumbers those with only joint commitments by about three to one; those with only sole savings were twice as numerous as those with only joint commitments; looking at the rarer group with investments those with only sole commitments were over five times as numerous as those with only joint commitments. In each case, having a combination of joint and sole accounts was the least common approach. Among couples without children, or with those whose children were now grown up, there was even less evidence of joint commitments.

In figure 2.2 we focus on couples with dependent children, the most likely to have joint commitments,

Figure 2.1 Numbers of individuals with different debt, savings and investment arrangements in BHPS 2005-6

	Column percentages					
	Couple no children	Couple dep children	Couple non-dep children	2+ unrelated adults	Other households	All individuals
Owing money						
None	75	60	64	38	71	68
Sole only	20	27	28	60	28	26
Joint only	4	9	5	2	*	4
Sole and joint	1	4	2	-	*	2
Savings accounts						
No account	46	50	48	56	52	49
Sole only	30	32	35	44	47	36
Joint only	16	15	12	-	1	10
Sole and joint	8	4	5	-	*	4
Investments						
No account	79	85	86	87	85	83
Sole only	15	11	11	13	15	13
Joint only	4	2	1	-	*	2
Sole and joint	3	2	1	-	-	1
Unweighted base	4312	4402	1839	292	3787	14632

Source: BHPS 2005-6 cross-section weighted analysis.

and see how this varies with income. We summarise the information by looking at the number of people citing joint commitments, to those with any commitments. There were few clear results, except to say that debts were more likely to be joint among those on lower incomes, with a higher ratio of sole commitments for those on higher incomes.

Other evidence included in the report

This report also provides some information in this report from qualitative research recently undertaken which complements our quantitative analyses. This research is from project 5 in the Gender Equality Network (RES-225-25-2001, www.genet.ac.uk), which is funded by the Economic and Social Research Council. Project 5 (Within Household Inequalities and Public Policy) aims to combine qualitative and quantitative research and policy simulation to explore the implications for benefits and tax credits policy of inequalities between women and men within the household. Fran Bennett and Sirin Sung worked on the qualitative research drawn on here; Sue Himmelweit and Holly Sutherland are the principal investigators on the other elements of the research.

We have also included some case studies in the report to illustrate the kind or real life stories behind the data. These case studies are not drawn from individuals who took part in the BHPS or FRS, rather they are individual women who came forward to Fawcett to provide examples of their own experiences.

Figure 2.2 Numbers of individuals with different debt, savings and investment arrangements [BHPS wave 15] – by income quintile, couples with dependent children only

	Annual income					All couples with dep kids
	Lo	2	3	4	Hi	
Owing money						
None	61	59	62	57	63	60
Sole only	26	27	26	30	28	27
Joint only	10	10	8	9	7	9
Sole and joint	3	4	3	5	3	4
Ratio of joint to overall	30	29	26	25	23	27
Savings accounts						
No account	62	57	51	44	34	50
Sole only	26	24	34	31	44	32
Joint only	10	16	12	21	16	15
Sole and joint	2	4	4	5	6	4
Ratio of joint to overall	30	41	27	41	29	34
Investments						
No account	95	90	84	80	75	85
Sole only	4	8	10	14	19	11
Joint only	*	2	3	4	3	2
Sole and joint	-	1	2	2	4	2
Ratio of joint to overall	5	20	28	27	18	22
Unweighted base	495	459	464	477	449	4402

Source: BHPS wave 15 cross-section weighted analysis. Note: Based on half of (sole & joint) to total of sole and joint accounts.

Chapter 3

The role of gender in financial behaviour

This section gives an overview of gender differences in savings, debt and pensions; the following chapter provides an analysis broken down by further variables. It also gives some context to explain the broad patterns our analysis has highlighted. Our research presented us with a number of findings which might appear at first to the casual observer to be paradoxical.

- Women are more likely than men to have savings accounts, but their savings are worth less on average
- Women owe less money, but are more likely to have problems with debt than men
- Women start off saving into pensions as assiduously as men, but end up with much smaller pensions.

The picture could be characterised as women apparently making financial arrangements that are as prudent or more prudent than men's – being more likely to save, having less debt – but ending up worse-off financially. The image we formed was of women trying to manage their money well, but finding that their different life experiences – of lower incomes, breaks for caring and relationship breakdowns – got in the way. Men's financial behaviour in contrast, was much less affected life

events such as having a child or a relationship breaking down. Qualitative evidence such as the research undertaken by the Gender Equality Network described on pages 21 and 59 of this report also indicated that women and men have different attitudes which affect their financial behaviour. In other words it is a combination of circumstance and attitudes, with each influencing the other, which leads to the differences we see in men and women's savings, debts and pensions.

Savings overview

Women and men are almost as likely as each other to hold savings or investments; 47% of women and 48% of men⁷ have savings or investments. Looking at the rates of those currently saving, overall 44% of men save from their current income, compared to 40% of women⁸. Women are less likely to be currently save than men at all ages, with bigger gender gaps opening up after age 40, as figure 3.1 shows.

Among the savers, women save less per month than men, averaging a median of £100 a month, compared to men's £120 a month⁹. Although this is a significant gap, it is smaller than the much larger gap between women's and men's median income, women's median total income is £161 a week, men's £303¹⁰.

These differences in amounts saved mean that among those who have some form of savings or investments, the median total amount held by men is £5000, compared to £3,000 by women¹¹, making the gender savings gap and investments gap 40%, more than twice the size of the 12.6% median average hourly gender pay gap¹². This compares to a smaller gap in 2000¹³ when men's median savings were £3000 and women's £2000, equating to a savings gap of 33%. It is not clear why men's savings have apparently increased in value at a faster rate than women's over these five years.

The amounts held in saving quoted in the previous paragraph are the medians among those who hold any savings or investments. The median value of savings and investments among all is considerably lower at £230 for women and £500 for men. The gender savings gap among all is therefore even bigger at 54%.

Pensions overview

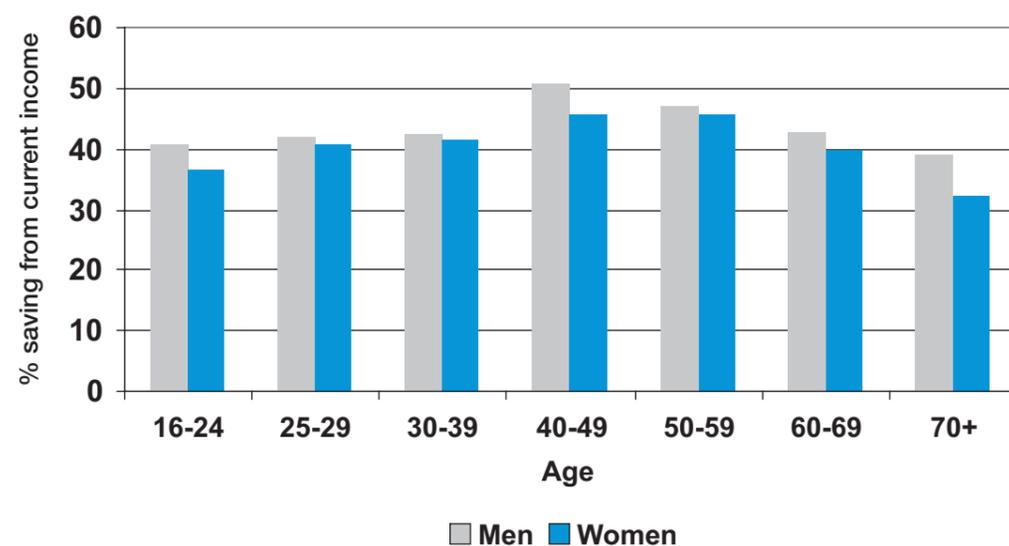
Recent reforms promise to improve women's entitlement to the Basic State Pension in the future.

Figure 3.2 Percentages of different groups of women and men holding a non-state pension of any type

	Men	Women
Childless ¹⁷	38%	39%
Parents	57%	35%
Employees	54%	51%
Self-employed	40%	27%
All	44%	37%

Source – FRS 2004-5

Figure 3.1 Percentage saving from current income by gender and age



Source: BHPS 2005-6

However, the biggest driver of the overall gap in retirement income is non-state pension provision; single male pensioners receive on average £85 per week in private pension income (occupational and personal pensions) compared to £48 per week for single female pensioners¹⁴. The indications are that this large gender gap in private provision will persist.

As shown on figure 3.2, men are significantly more likely than women to have a non-state pension of any type; 44% of men are in this position compared to 37% of women¹⁵. Among women and men who have the opportunity to save into an employer's pension scheme, very similar levels opt in – 70% of women and 71% of men¹⁶. This indicates that the larger gender gaps we see among the general population and among particular groups (such as mothers and fathers, see figure 3.2) are not likely to be due to different inclinations to save.

While measurements of whether individuals in certain groups hold pensions or not give some indications of their ability to plan and save for retirement, they do not tell us much about the adequacy of those savings to provide a comfortable retirement. The BHPS and FRS do not allow us to measure the amounts that women and men who save into pensions are contributing, but it seems fair to assume that men are saving significantly more than women, reflecting our findings on contributions to non-pensions savings.

Research from the Institute of Fiscal Studies¹⁸ based on the English Longitudinal Study of Ageing shows us that among women and men in couples aged between 50 and state retirement age in 2002, men held a higher proportion of couples' pension wealth than women (65.4% to 37.5%) The report also found that there were no major differences in the pension wealth held by single women and men.

Pensions company Scottish Widows estimated in their 2007 UK Pensions Report¹⁹ that the pensions 'gender gap' grew during the previous 12 months. The company's assessment was that while more men were now saving adequately for their retirement, up from 49% to 54%, but the number of women saving adequately was unchanged at 41%.

Debt overview

Debt figures in this report presented from the BHPS relate to debt such as credit cards, personal loans and mail order debts; it does not deal with debt owed on mortgages or secured credit. Debt figures presented from the FRS relate to arrears – being behind with one or more bills such as utilities, council tax, credit or hire purchase.

Women and men are almost equally likely to owe money as measured by the BHPS, which shows that 43% of women and 42% of men owe money²⁰. However, men owe much more than women. Men owe a median²¹ of £5000 in non-mortgage debt, more than twice women's £2500.

Men's higher levels of credit, as indicated by the BHPS should not be taken as a sign of greater financial difficulty. For most people, credit works as a useful tool, allowing greater control and flexibility with cash flow, helping to deal with large one-off expenses or irregular income. The Government's own research²² indicates that in spite of an increase in the number of individuals taking on a high level of borrowing, the number who consider their household's borrowing to be a heavy burden has remained low and the proportion of individuals in arrears is also low. With greater wealth, comes a greater ability to pass the credit tests necessary to access mainstream credit and a greater confidence of being able to pay off borrowing. Our analysis²³ shows a correlation for women and men between being in a higher income bracket and owing larger amounts. It seems likely therefore, that men's tendency to owe more money is linked to the fact that their incomes are still around twice women's²⁴.

While men owe much greater amounts of money, our analysis indicates that women are more likely to be in arrears; 9% of women are in arrears, compared to 7% of men²⁵. The FRS provides data on arrears and this is the best proxy we have for struggling with debt from the BHPS or the FRS. However it should be noted that being in arrears is not a perfect measure of over-indebtedness as it does not reflect those who are managing but struggling to maintain payments which represent a large proportion of their income and it also includes those who may have missed a bill accidentally. Nonetheless, we know from previous studies that women tend to be over-represented on the all the various different measures of 'over-indebtedness'²⁶.

Women are also slightly more likely to have multiple arrears; 2.6% are in arrears on two bills, compared to 1.7% of men and 1.8% have three or more arrears compared to 1.3% of men²⁷.

The BHPS provides some data on people's ability to keep up with credit and store card commitments. It appears from this that women and men are equally likely men to be making payments that keep their interest charges on cards low. 87% of women and men say that they usually have nothing to pay, pay the full amount or pay more than the minimum on credit or store cards each month. Just 0.3% of women and 0.6% of men say they sometimes cannot pay the minimum, although a higher proportion of younger women and men are in this category, as outlined in the section on young women in Chapter 4.

Differences in financial products

The types of savings accounts and credit vehicles used by women and men are revealing. To generalise, the type of products preferred by women correlate with a reduced financial wellbeing and with a lesser tolerance of risk, these two characteristics being related.

Women and men are equally likely to save into low risk (and consequently normally lower return) savings vehicles such as savings or deposit accounts or National Savings accounts, as illustrated in figure 3.3. The BHPS 2005-6 shows that 47% of women have money in a savings, Tessa or ISA account, compared to 46% of men. Men are more likely to save into higher risk/return investment vehicles; 27% of men have money in shares, personal equity plans, unit trusts compared to 22% of women.

As outlined above, the overall savings and investment gap is 40% with women holding a median of £3000, men £5000²⁸. But if we look at the amounts held in savings and investments separately we see that the median savings gap alone is a much lower 25%; the median amount held by women in savings, Tessa or ISA accounts is £3000, compared to men's £4000. The median investment gap however is 46%, with women's investments amounting to a median of £1616 compared to men's £3000. This reveals the important role that men's larger balances in investments have in creating the overall 40% gap.

Looking at the types of pensions held (figure 3.4), we see that reasonably equal proportions of women and men having savings in a stakeholder or company pensions, this is mostly likely explained by the higher proportion of women working in the public sector where pensions are more likely to be offered by employers. However, men are more than twice as likely as women to have savings in a personal pension. It should also be noted that some individuals actively contribute to more than one type of pension, with men being more likely than women to do this.

Looking at the types of debts owed by women and men, we see, as illustrated by figure 3.5 that there are some differences. Women are more likely to use catalogue or home credit, forms of 'sub-prime' credit, that is to say credit that is extended to those who find it hard to access other credit due to a low income, lack of assets or bad credit history and which typically charges relatively high levels of interest.

Figure 3.3 Percentages holding different types of savings or investment accounts by gender

Type of savings account	% with account	
	Men	Women
Savings account	57	58
Savings or investments in the National Savings bank	3	3
Tessa/ISA	30	31
National savings certificate	2	2
Premium bonds	21	19
Unit/investment trust	7	5
PEPs	14	10
Shares	16	11
National Savings Bonds	27	26
Other	4	3

Source: BHPS 2005-6

Figure 3.4 Type of pension held by gender among working age population

Type of savings account	% with account	
	Men	Women
Personal	13	6
Company	31	31
Stakeholder	2	1

Source: FRS 2004-5

This is reflected in the home credit market where women account for 65% of customers, according to a piece of research published by the National Consumer Council²⁹. This report identified that home credit has several features which are important to its customers. These include that it is much easier to access for those on a low income or with bad credit history, that there is likely to be more flexibility in repayments and that a doorstep service with a familiar company representative is provided. Women value similar features in catalogue or mail order credit and predominated in customers for this credit source. However, sub-prime lending has much higher interest rates, sometimes up to 20 times higher than mainstream credit forms.

Although Social Fund debts account for a small percentage of money owed by women and men, women are twice as likely to owe to this Fund. It has been found³⁰ that there is a significant degree of cross-over between use of illegal and high-cost licensed lenders and the Social Fund. A little short of one in five (18%) people whose applications are turned down by the Social Fund will turn to home credit lenders while 6% will turn to illegal lenders³¹. Although the BHPS and FRS data does not show this, we also know from previous research³² that women are more likely than men to resort to illegal lending. Indeed, illegal lenders have been found to target women, especially single women, as easy targets to intimidate for repayments or as targets for sexual favours in lieu of repayments.

Figure 3.5 Percentage owing different types debts by gender

Men	Women
Personal loan (20%)	Personal loan (16%)
Credit card (17%)	=Credit card (16%)
Overdraft (9%)	Overdraft (10%)
Hire purchase (8%)	=Catalogue or mail order (10%)
Catalogue or mail order (2%)	Hire purchase (7%)
Student loan (5%)	Student loan (6%)
Individual (1.4%)	Social Fund (1.3%)
Social Fund (0.6%)	Individual (1.2%)

Source: BHPS 2005-6

Figure 3.6 Type of pension held by gender among working age population

Household characteristic	% of households with this characteristic in arrears
Lone parent household	36
New baby in the last 12 months*	33
Separation occurred in the last 12 months*	32
Gross household income £7,500-£9,999	32
Individuals within household caring for family/home	31
Age 20-29	30
Unemployed individuals within household	28
Had a rise and fall in income in the last 12 months	26
Gross household income under £5,000 or £9999-14,999	24
Had a fall in income in the last 12 months	23
Individual within the household working part-time	23
All households	13

*Treat with caution due to small sample numbers

Uses of savings and debt

The BHPS tells us that women are more likely to save for short-term use, whereas men are more likely to save for long term use. Of those who save, 44% of men are doing so mainly for the long-term, compared to 36% of women. Meanwhile 33% of men are saving mainly for the short-term, compared with 40% of women³³. This may play a contributory role in women's lower levels of savings; as they save more for the short-term, their savings get used, while men's more long-term savings are less likely to be spent. Women are more likely than men to save for special events, holidays, home improvements and children, men more likely than women to save for old age, house purchase and cars³⁴.

While the BHPS survey provides some data on the purpose of savings, it does not do so on the reasons for debt. This reflects a general lack of evidence on the uses to which individuals or households put credit. There is some previous research looking at reasons for over-indebtedness rather than debt per se, although most does not break down evidence by gender. A 2002 DTI report³⁵ identified households which were more likely to be in arrears. Figure 3.6 draws on data from this report and lists the characteristics of households in which more than 20% of households were in arrears on consumer credit and household bill commitments.

It is striking that all but two of these characteristics (the age and the unemployment status) are associated with being female. More than 90% of lone parents are women³⁶, women's incomes are lower than men's³⁷ and women are more likely to be caring for family and/or working part-time. Women's earning patterns fluctuate more than men's³⁸, mainly due to their caring responsibilities and therefore women are more likely to experience a rise or a fall in income. Lastly, while women and men are statistically as likely as each other to become a parent or experience separation, previous research³⁹ shows us that these events tend to have a greater negative financial impact on women than on men. So, women are more likely to experience some of the factors that are associated with being over-indebted.

The sorts of credit used by women might also give us some indications of gender differentials in reasons for using credit. As women are more likely to use the sub-prime credit forms associated with poverty, we might infer that they are more likely to be using debt to make ends meet for essential items. This was the picture given by a piece of qualitative research undertaken by Oxfam⁴⁰ with 24 low income families in Teeside.

Reasons for the gender differences in pensions, savings and debts

1. Women have lower incomes than men

The most obvious and influential reason for women's and men's different financial positions is of course the wide gaps in income that still exist, mainly as a result of different caring responsibilities. As figure 3.7 illustrates, women's incomes are lowest as a percentage of men's around the times of life that their caring responsibilities are likely to be the greatest.

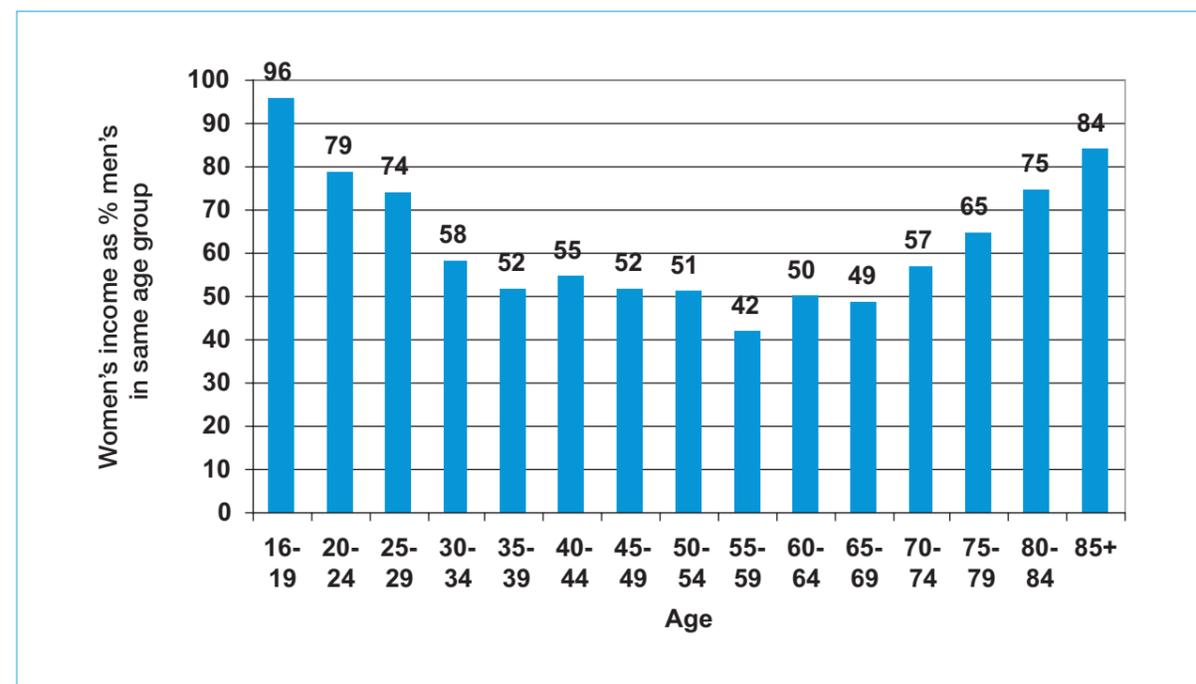
Income levels have an obvious link with the ability to save money. Our research shows, as has previous

work, that there is a correlation between having higher levels of debt and higher income. Likewise, previous research⁴¹ has shown that households with low incomes were more likely to have problems with debt and be in arrears. However, our BHPS analysis reveals that even within the same household income groups, there are still differences between women's and men's levels of savings and debts and likelihood of saving, having debt or saving into a pension (see Chapter 4 for data broken down by gender and income quintile).

2. Women's incomes fluctuate more than men's

Not only are women's incomes lower than men's, they are more likely to go up and down as changes in women's caring responsibilities affect the time they have available for earning. Unstable income has been identified by several different studies⁴² as a key cause of over-indebtedness; unpredictable cash flow makes keeping up with debt commitments very difficult. Fluctuations in income also makes it a great deal harder for women to contribute to a pensions scheme or build up long-term savings. As well as making it more likely that saving rates will slow or stop, fluctuations income mean that savings accrued may be used to cover leaner periods.

Figure 3.7 Women's median income as a percentage of men's by age



Source: Individual Income Series, Women and Equality Unit, 2004

3. Gendered roles create gendered spending and saving priorities

There is evidence to suggest that women's role as primary carers for children and other family members affects their spending and saving priorities. Previous research⁴³ illustrated that spending on children is seen as women's responsibility. Furthermore it also showed some men defining spending for personal use as for family and both women and men defining women's spending on family as personal spending.

A recent Scottish Widows survey⁴⁴ confirmed that women's spending and saving are more focused on the family; when asked what they would do with an extra £100, the majority of both mothers and fathers would rather spend than save, but would rather spend on children, fathers on themselves. Even among those who said they would save, mothers would save for their children, fathers for themselves. Among those with young families, 70% of women said family was their biggest financial priority while only 49% of men said the same.

The Scottish Widows findings reflect other studies which have found that women in low income households tend to sacrifice their own needs on behalf of other family members. For example, there is evidence that mothers in low income households will go without food, clothing and warmth in order to protect children (and partners) from the full impact of poverty⁴⁵.

4. Women rely on male partners

There is some evidence that women within couple households are relying on male partners to save for them, particularly for long-term needs. This emerged, for instance, from recent qualitative research conducted by the Department for Work and Pensions (DWP) into women's attitudes to retirement planning⁴⁶. It found that in spite of some women's desire for a degree of independence, the idea persists that pension planning and provision is essentially a male role linked to breadwinning and that women have other concerns to put first, namely the care of the children and families. These attitudes were found often among women as well as men and while more typical of older women, exerted some influence among younger women, especially if they had children.

Some of the data in our BHPS analysis provided some clues that women might be delegating responsibility for long-term financial planning to male partners. Marriage resulted in both men and women becoming more likely to save, but this effect was stronger among men. The evidence on fathers' pensions also points towards male partners taking on responsibility for long-term planning; upon childbirth mothers become less likely than other women to save into a non-state pension – even if they have the opportunity to take part in an employer's scheme - while fathers become more likely than other men to do so. Marriage saw women's median debt levels dropping and men's rising, indicating that men may be taking on the role of 'debt manager' within married couples. However, this hypothesis contrasts with the qualitative research carried out as part of the Within-household Inequalities and Public Policy project⁴⁷, which found that in low income families, day-to-day debt management tends to be undertaken by women.

5. Women are more risk averse

As indicated by the types of saving and investment vehicles chosen by women and also by previous research⁴⁸, women tend to be more averse to financial risk than men. This may be because women's incomes are lower and more likely to fluctuate, meaning that a more risk averse stance is sensible. This aversion to risk may be an additional factor in women taking on lower amounts of debt. It may also have a part to play in women's lesser likelihood of saving into a pension; a 2007 Scottish Widows survey cited the high level of distrust of the financial services industry – with 57% of respondents finding it difficult to trust - to be one of the major barriers to people saving more⁴⁹. Mistrust of the pensions system was cited as one of the factors affecting women's pension status in the aforementioned DWP report⁵⁰ examining women's attitudes towards pensions.

Qualitative evidence on women and men's different attitudes to saving

Evidence from heterosexual couples on low to moderate incomes⁵¹, gathered as part of a recent study, shows differences between men and women in their attitudes to saving and in patterns of saving. The couples had at least one partner of working age, and had had children at some point; most were claiming means-tested benefits or tax credits, or had done so in the past. Virtually all were married. Many had had previous relationships, including marriages; none came from minority ethnic groups, though this was not by design.

This study, like many others, focused primarily on income, and only asked briefly about saving, access to assets such as computers and cars, and borrowing and debt. Women and men were interviewed separately, and often gave different answers in terms of fact, as well as in relation to their views and feelings. The emphasis in the interview questions was on 'putting something by', now or in the past (or both), rather than on specific questions about pensions or investment vehicles.

It was notable that it was only men who were dismissive of the whole idea of saving, with a few saying, for example, '[I] don't believe in them', 'you don't know how long you're going to be here,' 'you can't spend it when you're gone', and other similar statements. Women were more likely to say that they try to save, but often end up failing; 'I can always find something to spend it on', and 'there's always something you need' were typical remarks. This is likely to be linked to the common (though not universal) traditional gendered patterns of spending, whereby women were more likely to be responsible for purchasing smaller items needed frequently, whereas men tended to pay the larger bills.

For women, spending and saving patterns often appeared closely linked. One woman said she saved 'in the back of my purse each week – and then I spend it'. Another said graphically that the money in her savings account 'tends to flash in and out ... I tend to use it as somewhere to move a little bit to save it to add it up to draw it out to spend so there's nothing'. And one woman, who was described by her husband as the only one of the two of them who drew on any savings either had accumulated, turned out to be the exception who proved the rule, being the partner who usually paid for one-offs.

Some women saw saving as a skill which they possessed and related this to their capacity to budget and ensure that the household resources stretched each week. One said that she was a 'saver and budgeter', and that she could save more (than her husband) 'because women are cleverer'. Another woman, who had several different personal savings accounts (described by her as 'hundreds - for every day of the week'), said with pride: 'I know where every single penny goes in this house', and described herself as being 'in complete control'. She had even given her sister a lump sum to look after for her, so that she was not tempted to spend it.

There were one or two examples of women who had saved up to buy something for themselves. The 'saver and budgeter', for example, had bought a car which was 'nobody else's but mine', and was obviously a source of great pleasure to her (though she did drive her husband around in it, and said that when she and her husband were old and 'decrepit' she would share it).

But she and other women often linked saving to relationships, confirming in this way that women are more likely to save for other people. The same woman said, for example, that it was important to have 'a little bit of savings' in order to be able to buy a gift for someone. Several women saved up for things that needed doing in the house, and one had just paid most of the money for a new motorbike which her husband needed. A woman who said her lower-paid job meant she could no longer save nonetheless talked about putting coins into an account for her grandson. And the woman who had several different savings accounts was saving from the benefit her disabled daughter received so that she would be able to drive when she was older. But one woman turned this round, saying (when asked about money in her own right) that she felt she could not start saving in order to have some until her children were no longer dependent on her.

This encapsulates the role of caring relationships in relation to savings for women, especially those in these low- to moderate-income families: they are on the one hand a prime motivation for saving – or at least trying to do so - when this involves saving for the household or for others; and on the other, the reason why saving is so difficult, practically and emotionally, when it involves saving for themselves.

Chapter 4

Women's lives, women's assets and debts

Lifecourse analysis

The extent to which women's savings, pensions and debt are affected by life events was one of the most striking aspects to emerge from Fawcett's new analysis. As well as looking at cross sectional data from the BHPS and the FRS, the research included longitudinal analyses built by using successive waves of BHPS data, tracking individuals through events such as childbirth and relationship breakdown.

The effects of these events on savings, pensions and debt tended to be greater for women than for men. The degree to which the effects persisted or 'scarred' the individual varied according to the transition. We examine six different life transitions or stages in this chapter:

1. Young women
2. Relationship formation and breakdown
3. Becoming a parent
4. Domestic violence
5. Becoming a carer
6. Retirement

We also look at the experiences of ethnic minority women and at the different experiences of women with different levels of household income. Of course, many women will experience several or all of these lifetime transitions. The BHPS and FRS sample sizes do not allow us reliably to separate out women who have experienced one of these events from those who have been through several, but we would expect there to be a compounding effect for the latter group.

An overview of transitions

Our analysis of the BHPS tracked individuals through events such as divorce and childbirth and so through this report we are able to present insights into how savings, pensions and debt changes for women and men in the years after various transitions. Below are tables giving an overview of the changes in the values of savings and debt related to major transitions.

It is important to note that these figures are not controlled for other factors and that changes we see are unlikely to be due solely to the transition examined; levels of savings and debts increase in nearly all groups across the periods measured. Moreover, they start at different levels for different groups. Nonetheless the relative amounts by which savings and debt increase (as expressed by the savings or debt change factor in the tables) do vary quite starkly and in clear patterns according to the different transition and the gender of the individual. This indicates that your gender and the life events you go through have a bearing on your ability to save and your need or ability to take on debt.

All the tables measure the median average levels of savings or money owed by individuals within a group in a base year of 1995, before the transition takes place. The transition then takes place for individuals within each group at some point during 1996-2000. We then measure the median levels of savings and money owed in 2005. The final column on each table calculates the factor by which median levels of savings and debt have increased within the relevant group of women or men. These are often the most telling figure showing as they do the level of saving or borrowing that various groups are engaging in.

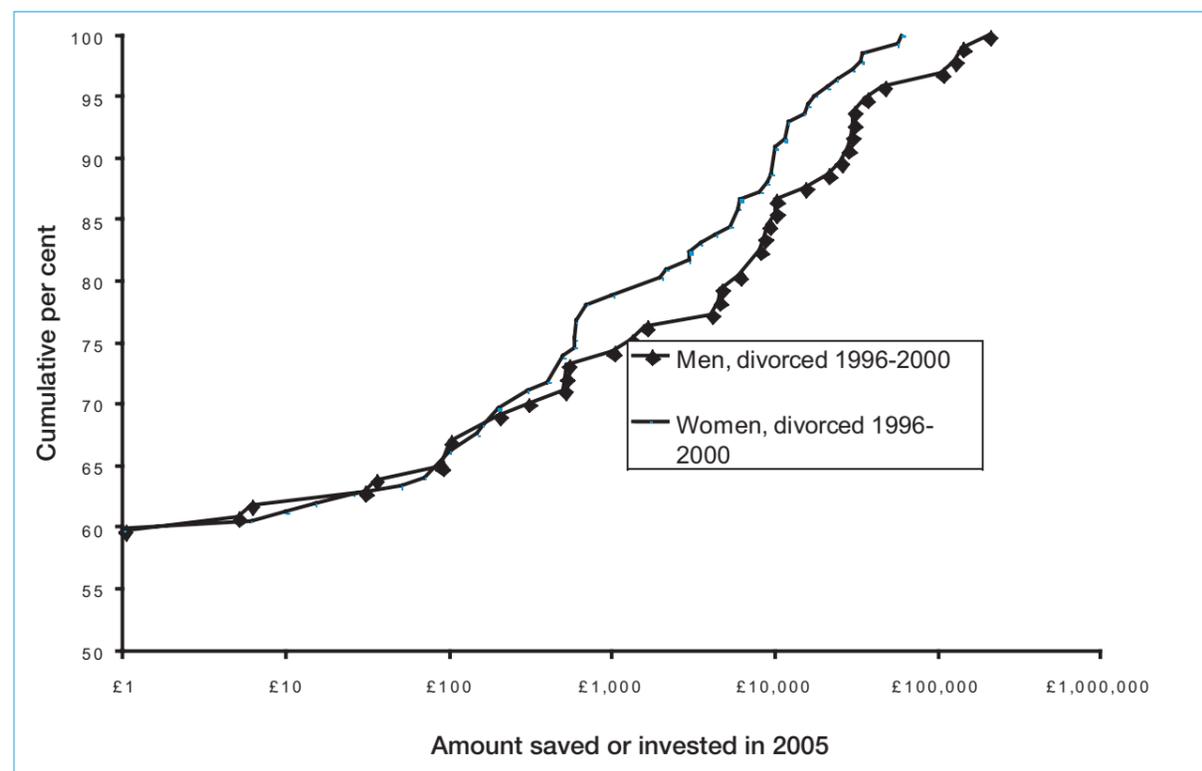
Marriage transitions

Transition	Median value (£) 1995 (a)		Median value (£) in 2005 (b)		Actual increase (£) (b-a)		Change factor (b-a)	
	Savings & investments	Debt	Savings & investments	Debt	Savings & investments	Debt	Savings & investments	Debt
Divorce								
Men:	1500	1740	5300	3700	3800	1960	3.5	2.1
Women:	1000	500	2000	3300	1000	2800	2	6.6
Stay married								
Men:	2500	1800	9000	4000	6500	2200	3.6	2.2
Women:	1300	600	5000	2000	3700	1400	3.8	3.3

Women and men who stay married for the 10-year period measured start off in 1995 with higher levels of savings and investments and lower levels of debt than the 1995 married couples who go on to divorce. It is striking that men and women who stay married and men who get divorced all see increases in the value of their savings and investment increase by a similar amount, while women who divorce see them increase by a much smaller factor. This picture, of life transitions apparently having a lesser effect on men than on women, is reflected later in this chapter where we concentrate on each transition.

The savings gap for those who became divorced seems to be represented mostly by the top 30% of the distribution of savings. For over half of each group, there were no savings or investments for either men or women. For the next group, those with relatively few savings, the figures for women tracked those of men. However, the level of savings among the richest 30% of men (who had divorced during 1996-2000) in 2005 far outstrips those of women, as shown in the following chart. The savings of the top 30% were worth considerably more than those of the best-off 30% of women.

Cumulative distributions of savings among the divorced group, in 2005⁵²



Source BHPS 1995-2005-6

Looking at debt, we see that divorced women's levels of debt increase at the fastest rate over the ten years, by a long way, by a factor of 6.6. Moreover, women who have divorced have a higher level of debt than their male counterparts, which goes against the general trend of men having higher levels of debt than women.

Cohabitation transitions

Transition	Median value (£) 1995 (a)		Median value (£) in 2005 (b)		Actual increase (£) (b-a)		Change factor (b-a)	
	Savings & investments	Debt	Savings & investments	Debt	Savings & investments	Debt	Savings & investments	Debt
Cohabitation breakdown								
Men:	800	700	7000	7800	6200	7100	8.9	11.1
Women:	300	600	1260	900	960	300	4.2	1.5
Cohabitation remains intact								
Men:	1000	1400	3000	5000	2000	3600	3	3.6
Women:	500	500	2000	2000	1500	1500	2	4
Cohabitation to marriage								
Men:	1050	1200	3000	5000	1950	3800	2.9	4.2
Women:	700	700	2000	1700	71300	1000	2.9	2.4

The picture on cohabitation transitions is very mixed and it is hard to draw strong conclusions here. This may be because couples going through cohabitation transitions are likely to be younger than couples going through marriage transitions and therefore to be of an age where their financial standing is changing more rapidly anyway.

For men who go through cohabitation breakdown we see large change factors for debt (11.1) and savings (8.9). Although there is evidence⁵³ to suggest that individuals often choose to hold debt at the same time as holding assets, this result may well be due to high levels of debt and saving relating to different men within this sample.

Becoming a parent (first child transition)

Transition	Median value (£) 1995 (a)		Median value (£) in 2005 (b)		Actual increase (£) (b-a)		Change factor (b-a)	
	Savings & investments	Debt	Savings & investments	Debt	Savings & investments	Debt	Savings & investments	Debt
Becoming a parent								
Men:	1200	2000	3000	5000	1800	3000	2.5	2.5
Women:	950	800	1320	3000	370	2200	1.4	3.75
Not becoming a parent								
Men:	2000	1500	6550	4500	4550	3000	3.3	3
Women:	1200	600	4507	2000	3307	1400	3.8	3.3

This table is striking in that we see quite clearly the differential impact on women's and men's savings values after of becoming a parent. Among the group who have had a first child after 1995, men's savings increase by a factor of 2.5, while women's increase by a smaller factor of 1.4. The gap between the actual amounts held in savings and investments increases dramatically over this period. In 1995 before the transition occurs, we see a savings gap of 21% between women and men who will go on to have a first child. Ten years later this gap is 56%.

For women and men who do not become a parent for the first time during this period (this group will include women and men who are already parents), the rate of increases in savings and investments are more equal, albeit that women's savings are still worth considerably less than men's. Women and men in this group see their savings and investments increase by a more similar factor and the savings gap actually closes from 40% to 27%.

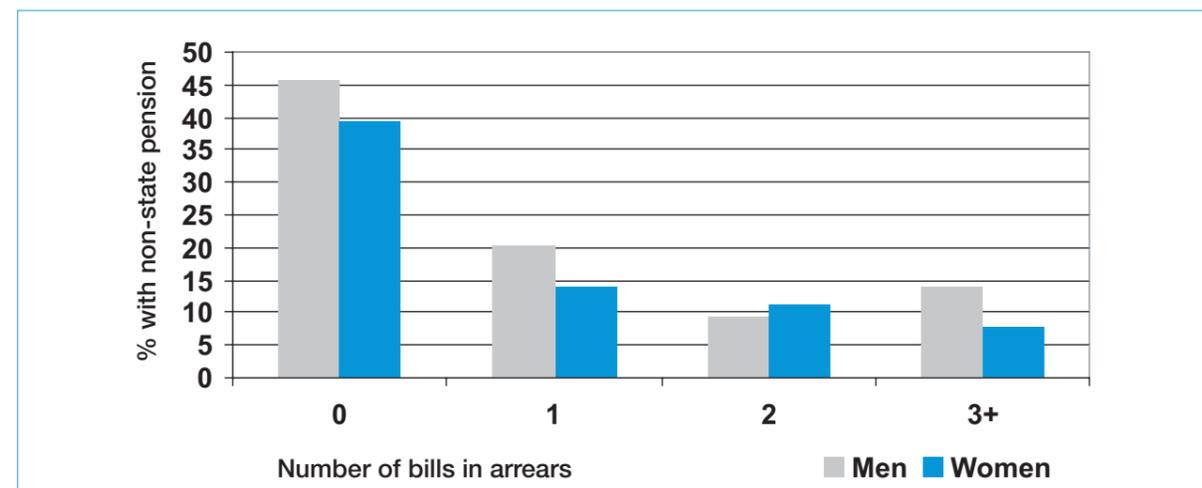
Looking at debt we see that men's debt increases at a slower rate among the group becoming parents for the first time. This is happening during a period when this mothers are likely to be experiencing a drop in their own individual income due to caring responsibilities and therefore less likely to be able to access affordable credit and keep up with credit commitments.

The savings gap for those who became divorced seems to be represented mostly by the top 30% of the distribution of savings. For over half of each group, there were no savings or investments for either men or women. For the next group, those with relatively few savings, the figures for women tracked those of men. However, the level of savings among the richest 30% of men (who had divorced during 1996-2000) in 2005 far outstrips those of women, as shown in the following chart. The savings of the top 30% were worth considerably more than those of the best-off 30% of women.

Interaction between pensions, savings and debt

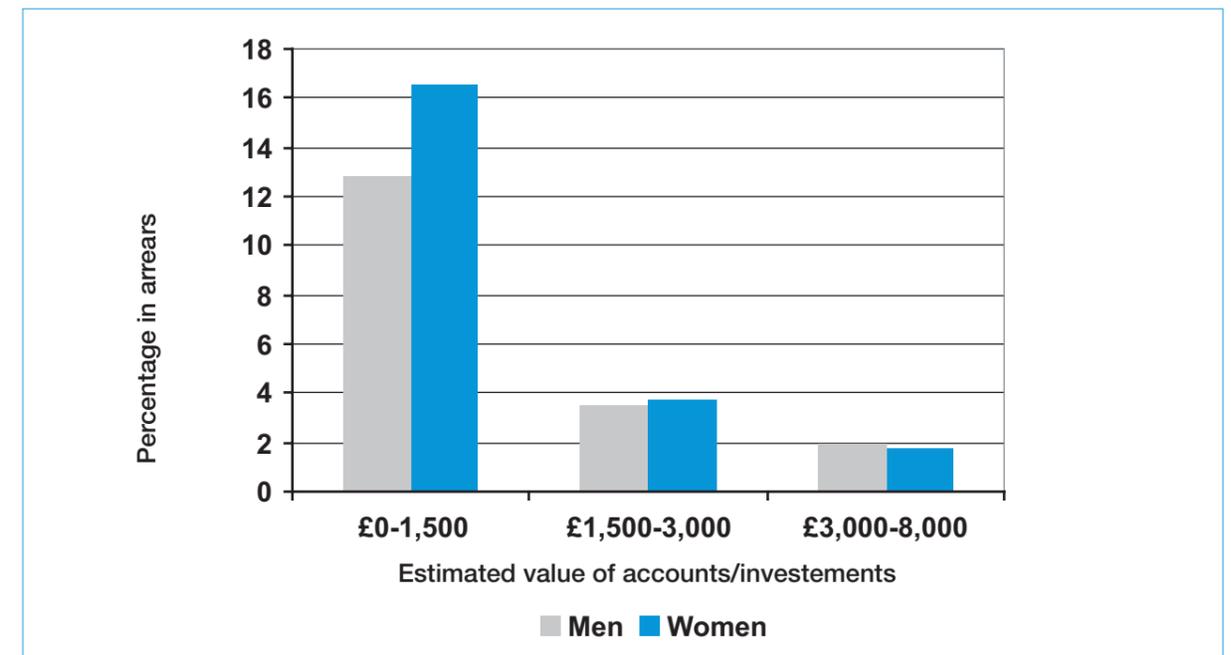
The FRS provides some data on the interaction between pensions, savings and debt. Having even one form of arrears correlates for women and men with a reduced likelihood of having a pension and with having a lower amount held in savings, as shown by figures 4.1 and 4.2.

Figure 4.1 Number of debts and whether have any type of non-state pension among adult population



Source: FRS 2004-5

Figure 4.2 Proportions in arrears by gender and estimated value of accounts/investments



Source: FRS 2004-5

Young women

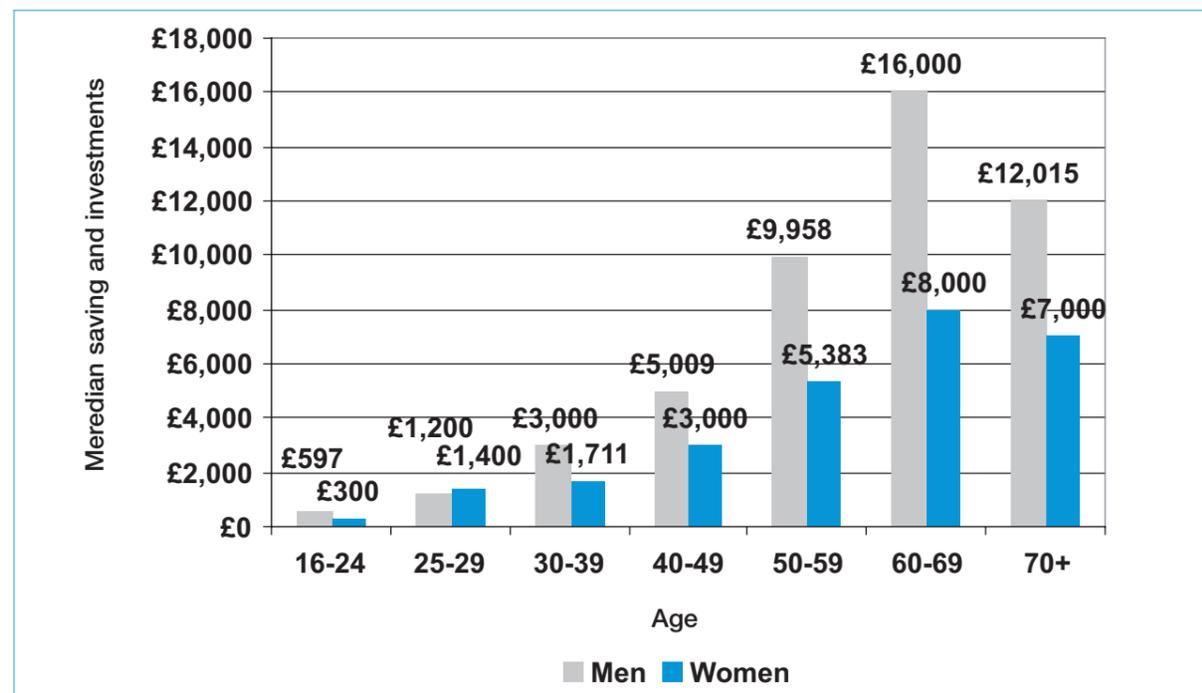
- The mid-20s is the only age at which the value of women's savings is comparable to men's
- Women aged under 30 are as or more likely than their male counterparts to save into a pension
- Women aged 16-24 are twice as likely to be in arrears than men of the same age

Young women present a mixed picture. On the one hand women aged below 30 manage to save around the same amount as their male counterparts. In fact, the BHPS indicates that among those with savings women aged 25-29 have a median of £1,400 in savings and investments compared to £1,200 for men in the same age group. If we look at the medians among all, including those with no savings, women in this age group are still slightly ahead with a median average of £100, compared to £90 for men. Similarly, the FRS indicates that in the 20-24 age bracket women are more likely to have savings worth more than £1,500 than their male counterparts.

That women under 30 are saving as much as or more than their male counterparts indicates that they are likely to be saving a greater proportion of their income, because income gaps are already opening up at this early stage. Women aged 16-19 have a median individual weekly income of £92 a week⁵⁴, compared to £98 for men in this age group. In the 20-24-year old age group incomes stand at £163 a week for women and £206 for men and in the 25-29-year-old age group at £249 for women and £330 for men.

As we can see from figure 4.3, women aged over 30 have lower amounts in savings than men of the

Figure 4.3 Median amounts (£) held in savings and investments by age⁵⁵



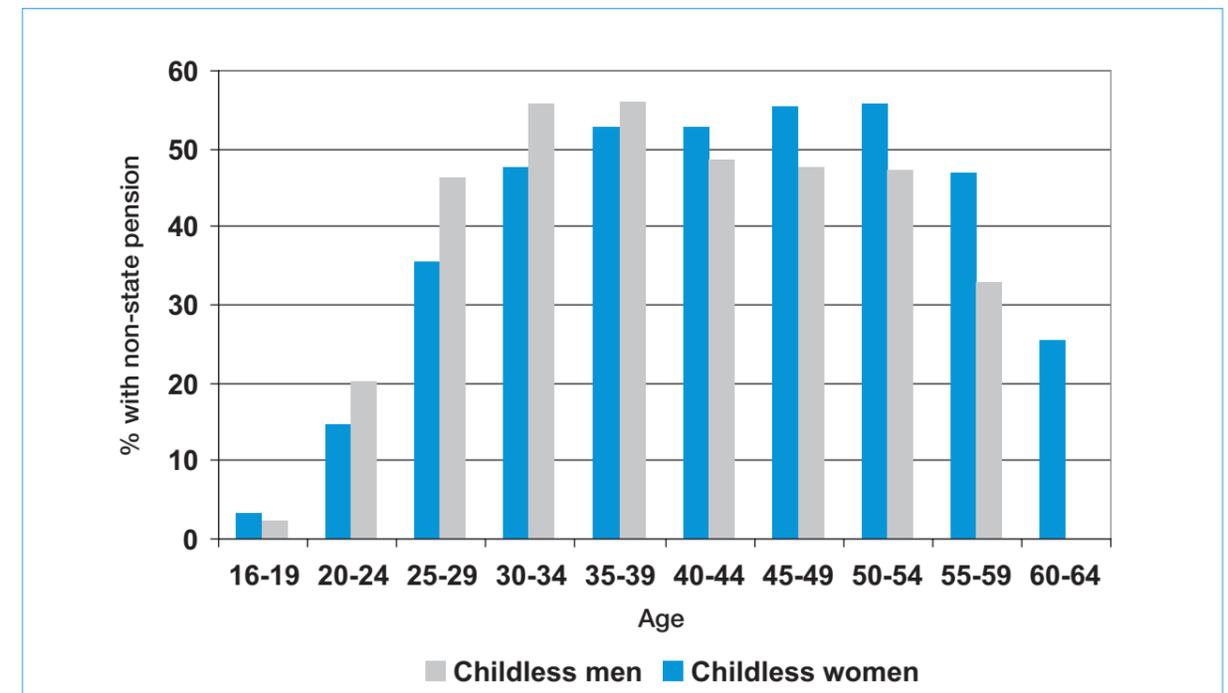
Source: BHPS 2005-6

same age – and this gap grows up the age range. This chimes with point at which the income gap hits 40% (see figure 3.7); at this stage it seems women are no longer able to keep up with their male counterparts in savings.

Young women also appear to be more likely to save into a pension. The BHPS tells us that until the age of 30 women are as likely, if not more likely, to save into a pension; 67% of women aged 25-29 take part in an employer's pension scheme if they have the opportunity to, compared to 57% of their male counterparts.

The FRS provides a similar picture. Figure 4.4 shows that among women and men without children, women start out as more committed pension savers than men and that this persists until the age 40. This graph is based on cross-sectional data and therefore does not indicate whether the younger cohort of women who appear to be outsaving their male counterparts will continue to do so. However, our longitudinal data from the BHPS (presented in the section on becoming a parent later in chapter) indicate that it is likely that the pension saving rates of the women among this cohort who go on to have children will fall behind the rates of men in their age group.

Figure 4.4 Percentage with any type of non-state pension by age among childless women and men

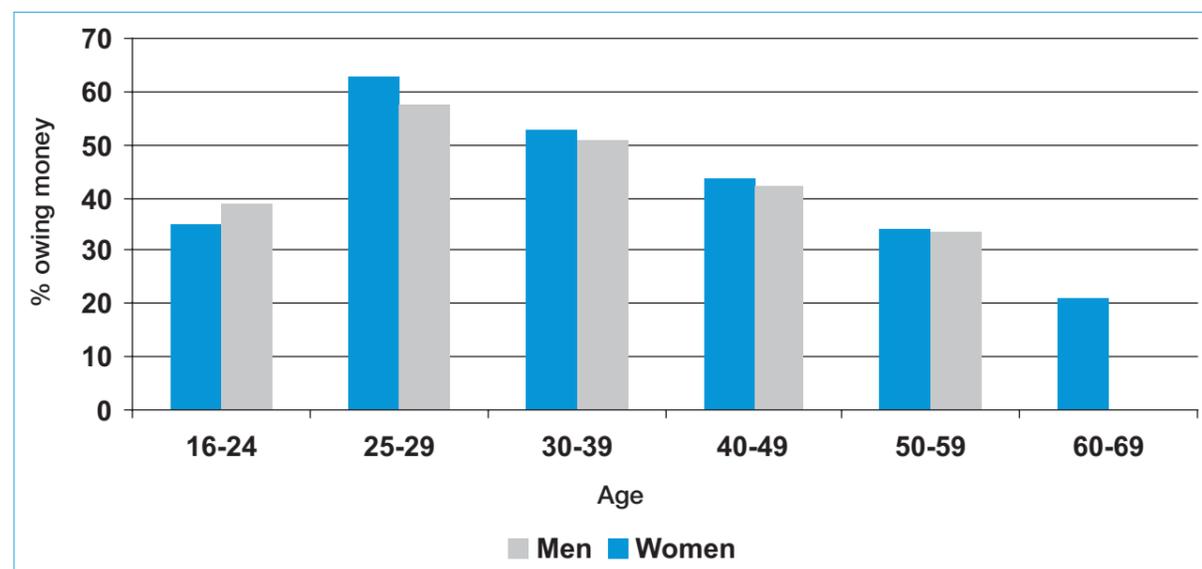


Source: FRS 2004-5

So it seems that when women are starting their working lives, they save at almost the same rate as, or sometimes higher rates than, men, especially where they have access to attractive savings vehicles such as employer pensions. This closer equality in pension saving behaviour is almost certainly due to the fact that under the age of 30 and before having children women's and men's incomes are much more equal. As figure 3.7 illustrated in the previous chapter, up to age 20 women's and men's incomes are virtually identical and in the 25-29 age group the income gap is only 26%, compared to the gap of over 40% that has grown by the age of 35 and the gap of 58% by the age of 49.

However, young women also appear to be having more problems with debt than their male counterparts. As figure 4.5 shows, 16 to 24-year-old women are the only age group of women to be more likely to have debt than men of the same age.

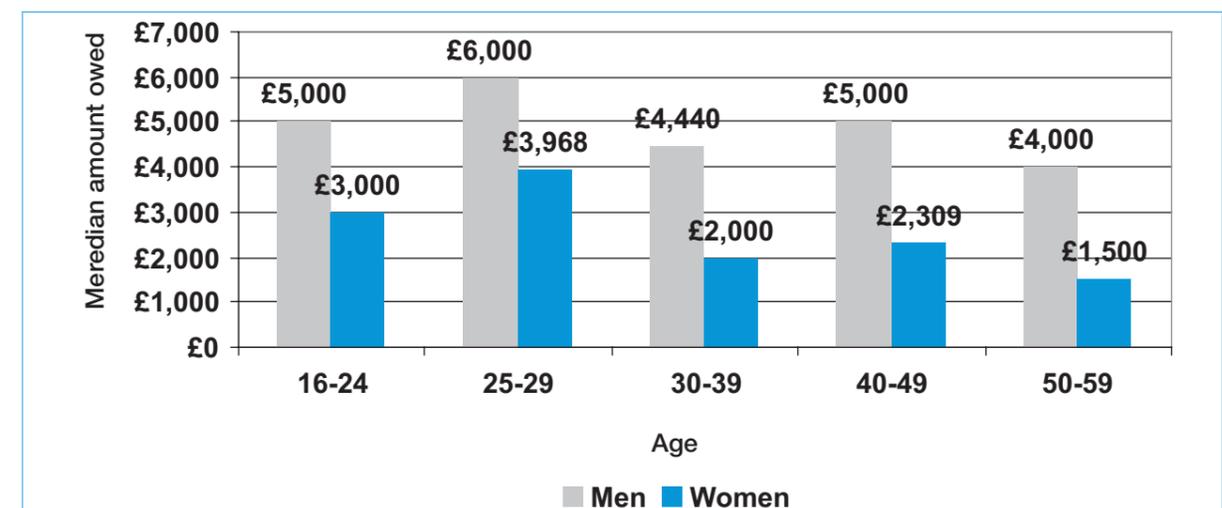
Figure 4.5 Percentage currently owing money by age and gender among working age population⁵⁶



Source: BHPS 2005-6

As figure 4.6 shows, younger women and men tend to owe more than their older counterparts. Their levels of debt may reduce as they age or this may be a reflection of a higher tolerance of debt among this cohort. Figure 4.6 also illustrates that women owe less than men in every age group and that the scale of these gaps are larger in older age groups. This may well reflect that younger women have income levels closer to those of their male counterparts, making credit accessibility easier. Meanwhile women in older age groups are likely to be proportionately less able and willing to take on debt commitments than their male counterparts.

Figure 4.6 Median amount (£) owed by age and gender



Source: BHPS 2005

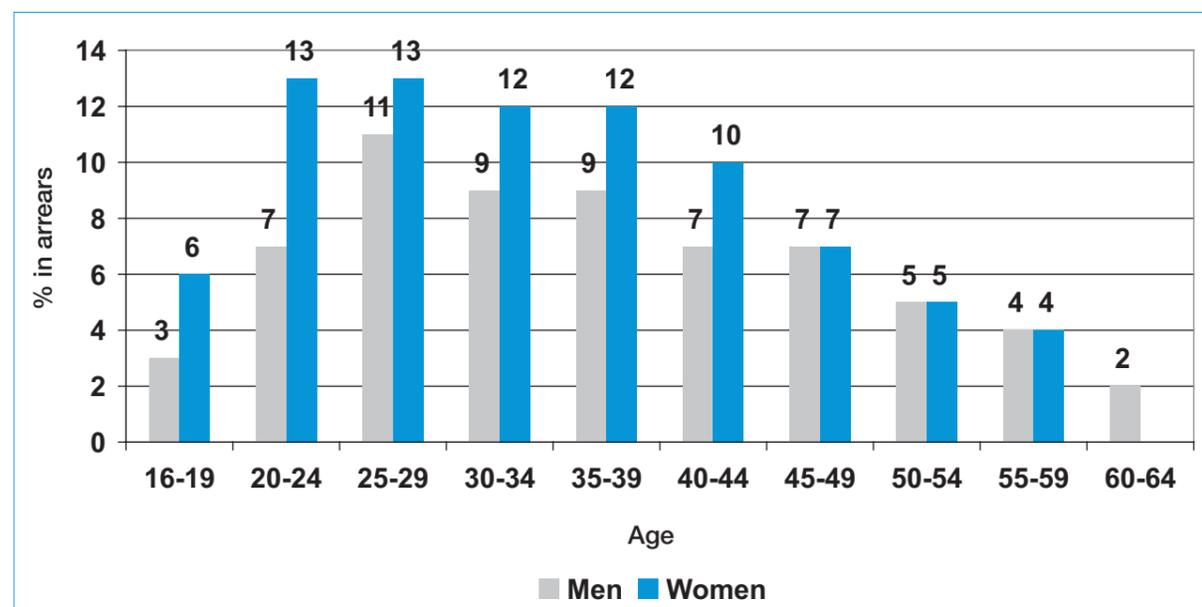
The data in figures 4.5 and 4.6 cannot by themselves be taken to mean that young women are becoming over-indebted; as long as they can manage their levels debt, there may be no problem. However, our figures on arrears show that younger women are struggling; in the 16-19 and 20-24-year-old age groups, women are almost twice as likely as men to be in arrears as shown by figure 4.7.

There is a widespread belief, reflected in the media, that women, and young women in particular, are becoming over-indebted due to spending on consumer items that could be considered frivolous.

It is a small proportion⁵⁷ of young women and men who are racking up extremely high levels of debt. Nonetheless this is happening and some evidence suggests that women are disproportionate among those who cannot cope with extreme levels of debt. For instance, the Consumer Credit Counselling Service reports that 61% of its clients recommended to go bankrupt because of debt levels are women even though only 55% of all their clients are women.

The BHPS analysis appears to show that among the youngest age bracket of 16-24-year olds, similar proportions of young women and young men owe very large amounts of money, as figure 4.8 indicates. The BHPS and FRS provide no information on what women or men are using credit for. However, it is

Figure 4.7 Percentages in arrears by age and gender among working age population



Source: FRS 2004-5

important to emphasise that the extent to which the media image of debt racked up through frivolous spending applies to women any more than men has most likely been over-played. Similar proportions of young men and young women have credit cards and store cards and these proportions are relatively low compared to older age groups. Among 16 to 24-year-olds 29% of women have a store or credit card, compared to 23% of men. In the 25 to 29-year-old age group 57% of women and 59% of men have either or both of these sorts of cards. Among 40 to 49-year-olds the figure is 71% for women and 75% for men⁵⁸.

Young women also appear as likely to be comfortably managing their credit and store card payments each month as young men. Below the age of 30, around 80% of young women and men either have nothing to pay usually on their monthly card bill or pay off the full amount or more than the minimum. Just 1.3% of young women and 1.6% of young men in the 16-24 age group sometimes cannot pay their card bills.

It is also important to point out that spending on 'frivolous' items is highly unlikely to be a major cause of the debt of the most financially excluded women. Citizens Advice points out⁵⁹ that their female clients are "more likely to have debts associated with poverty than men. For example, 15% of female clients had catalogue debts, compared to 4% of male clients. Women were also more likely to owe money to local moneylenders or home-collected credit providers than men. Male clients were more likely to have bank loans, credit cards debts and finance company loans." Furthermore, a study⁶⁰ undertaken by Oxfam with 24 low income families in Teeside, illustrated that women were using credit to pay for essential items such as washing machines or school uniforms.

Figure 4.8 Distribution of median debt owed among women and men in the top 25% of debtors

Women

Age	Top 25% owe	Top 10% owe	Top 5% owe	Top 2% owe
16-24	9000.00	14000.00	17790.26	22000.00
25-29	7492.70	14000.00	19281.87	27325.87
30-39	6500.00	12000.00	16991.82	25000.00
40-39	6000.00	10000.00	15000.00	21570.08
50-59	5000.00	10000.00	15000.00	27152.81

Men

Age	Top 25% owe	Top 10% owe	Top 5% owe	Top 2% owe
16-24	9000.00	14000.00	18000.00	22906.54
25-29	10000.00	17000.00	21924.65	30341.05
30-39	10115.82	18000.00	30000.00	50000.00
40-39	10938.21	23000.00	33915.77	51122.50
50-59	9000.00	17661.75	30000.00	39946.47

Source: BHPS 2005

Relationship formation and breakdown

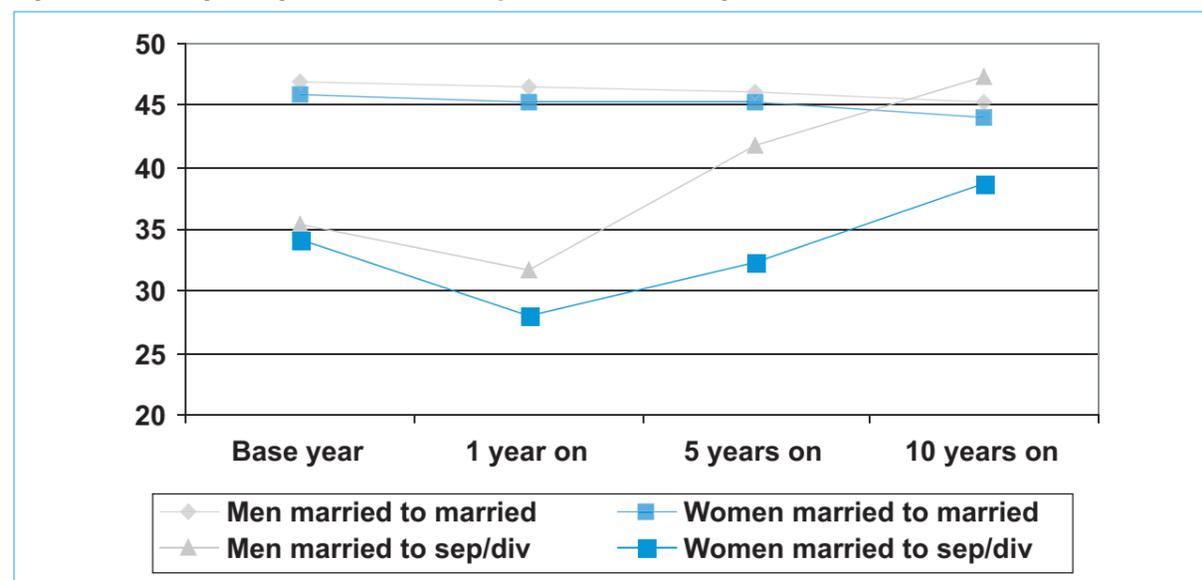
- Married and cohabiting couples are more likely to be saving than single women and men
- 68% of divorced and 76% of separated women have less than £1,500 in savings, compared to 51% of divorced and 58% of separated men
- 18% of divorced and 23% of separated women are in arrears, compared to 6% of married and 10% of cohabiting women

Men and women living with a partner or spouse are more likely to be paying into an employer's pension scheme than those not living with a partner, although this effect is stronger for men. 72% of men and 68% of women living with a partner/spouse pay into an employer's pension scheme, compared to 54% of men and women not living with a partner⁶¹.

It may be that there is a selection effect here, that those with greater financial assets and the tendency to save have a higher probability of partnering. However we do also see from our transitions an increase in saving and pension saving activity on relationship formation. In other words, greater assets might help relationship formation, but relationship formation also strengthens saving behaviour. This may well be due to increased disposable income gained from merging resources, but it also may be that a different attitude towards saving for the future kicks in at this time. This would also explain the behaviour which sees men becoming more likely to save into a pension when they become fathers, even though the other demands on household resources are likely to increase at this time.

Evidence from the BHPS and FRS indicates that when relationships breakdown, women feel the economic shocks to a greater extent than men. It seems probable that this is because gendered roles within relationships, and the financial consequences of these roles, are more starkly revealed when couples split. However, our data relates to all breakdowns, not just those in which dependent children are in the household. We would assume that if the sample sizes allowed us to further break down by this variable, women in households with dependent children would experience even greater shocks than those without.

Figure 4.9 Percentage saving from current income by divorce transition and gender

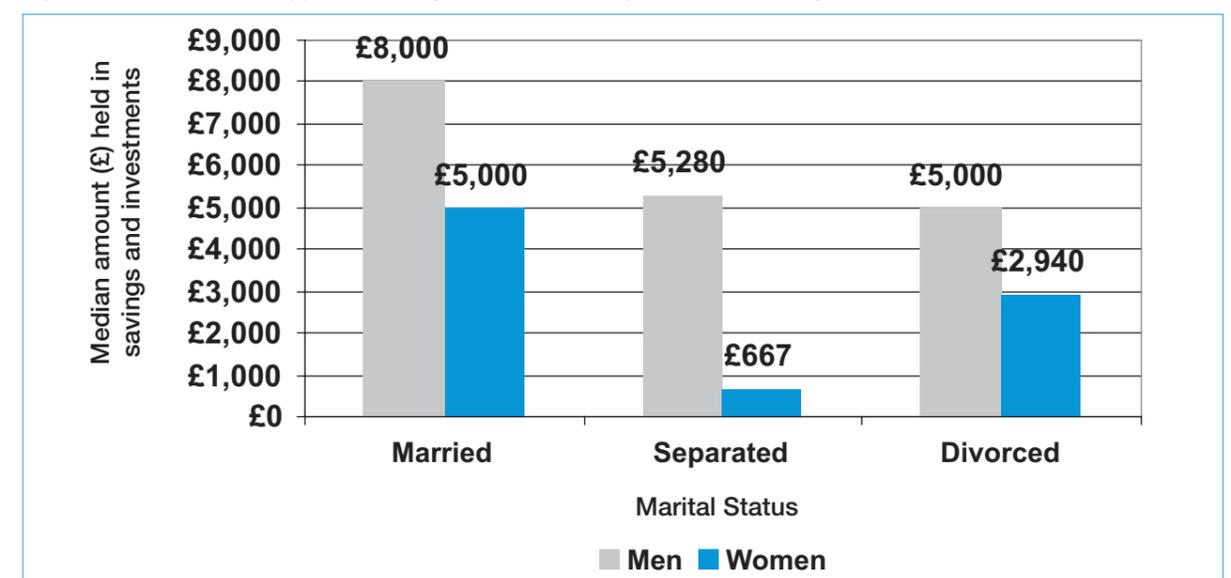


Source: FRS 2004-5

Relationship breakdown leads to a drop-off in saving among women and men. However, this effect is greater and longer-lasting for women, as shown on figure 4.9. There is a similar pattern for those whose cohabiting relationship breaks down. Interestingly, women and men who go on to divorce are saving less in real terms in the base year (ie before they divorce) than couples whose marriages stay intact. This may be because divorce is more prevalent among lower income groups.

The amounts held in savings accounts are much lower for divorced and separated women than men as shown on figure 4.10. The FRS indicates that 68% of divorced and 76% of separated women have less than £1,500 in savings, compared to 51% of divorced and 58% of separated men⁶². The BHPS also indicates that women who have been through relationship breakdown have much smaller amounts in savings than men, with women who have separated having particularly small amounts.

Figure 4.10 Median amount (£) held in savings and investments by marital status and gender

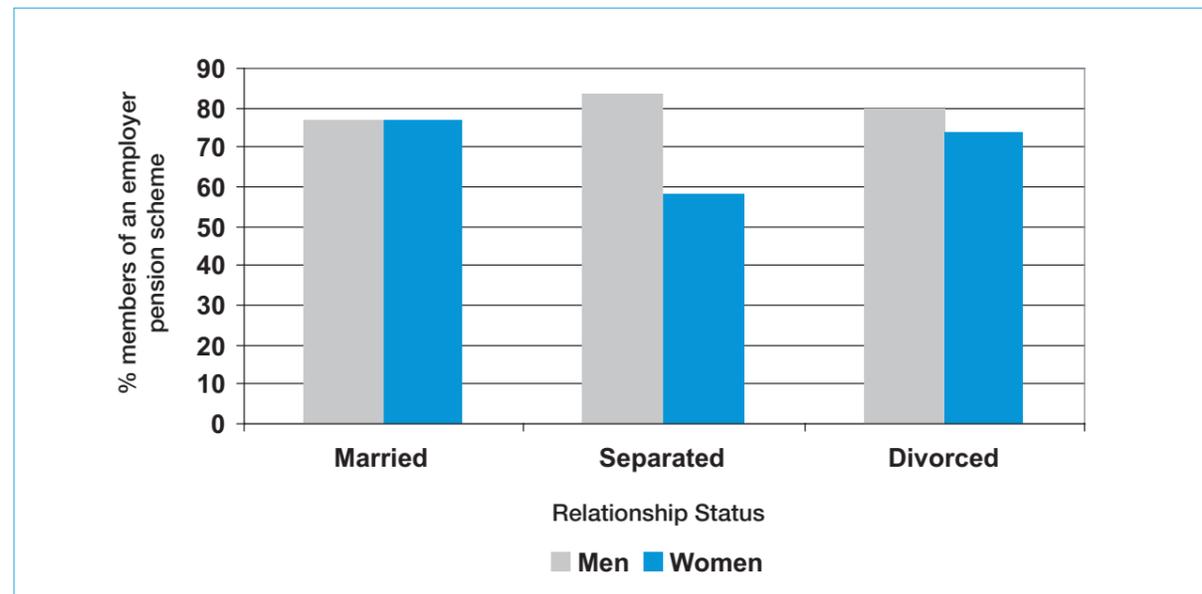


Source: BHPS 2005-6

As we can see from figure 4.11, separated women are less likely to be a member of an employer's pension scheme than divorced women. Divorced women in turn are less likely to be in a pension scheme than married women. This reflects previous studies such as a 2006 Institute of Fiscal Studies report⁶³ which shows that separated women were over-represented among those at risk of undersaving for retirement.

Looking at debt, we see that marriage is associated with lower levels of debt for women, with married women owing a median of £2000 for compared to £3000 for never-married women⁶⁴. For men, marriage seems to make little difference to the level of money owed; both married and never-married men owe a median of £5000. The differences within marriage are likely to be related to marriage correlating with more gender-specialised roles, with men concentrating on breadwinning and therefore more likely to be the partner able to access credit and repay debt.

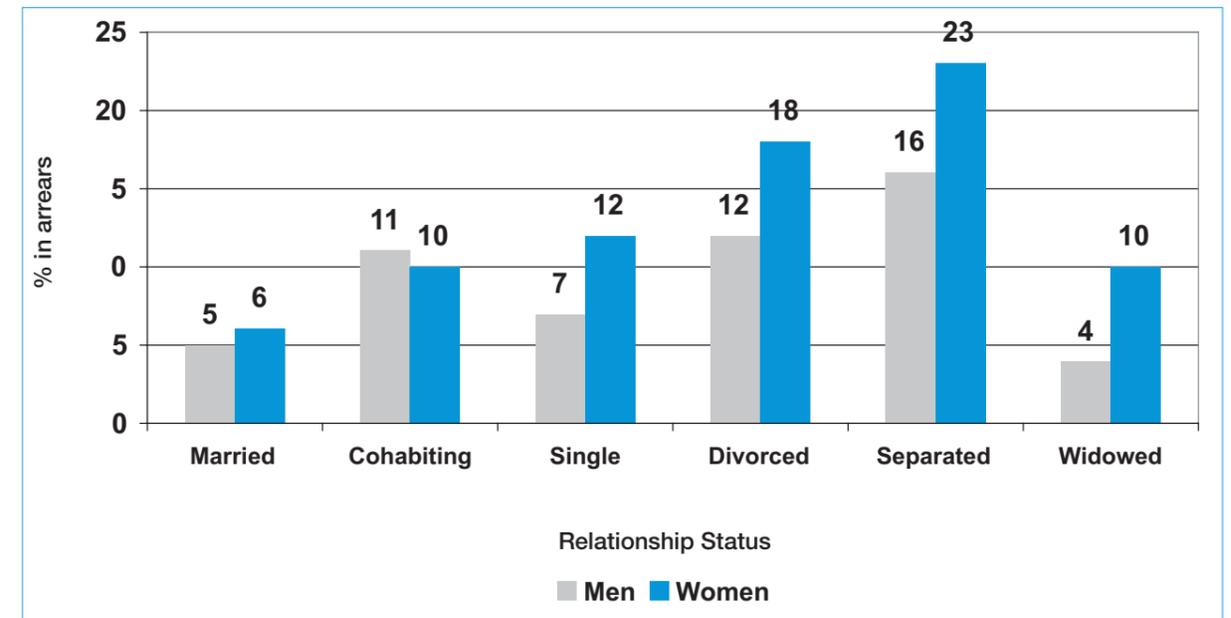
Figure 4.11 Percentages who are members of an employer scheme (among those with the option) by relationship status and gender



Source: BHPS 2005

When looking at debt and relationship breakdown it is important once again to distinguish between debt and problem debt. Previous research⁶⁵ has suggested that there is a correlation between relationship breakdown and being in arrears, and our analysis reflected this. It further showed that relationship breakdown is more likely to be connected with arrears for women than for men. Figure 4.12 shows that 18% of divorced women and 23% of separated women are in arrears, compared to 12% of divorced men and 16% of separated men.

Figure 4.12 Percentage in arrears by relationship status



Source: FRS 2004-5

The general picture provided by our new analyses is of divorced and separated women struggling more than their male counterparts to build assets and avoid falling into arrears. This reflects other existing, albeit scant, evidence on the financial well-being of women and men after relationship breakdown. A 1997 study⁶⁶ using data from the BHPS found that over the first four years of the study, marital dissolution (which included the breakdown of cohabiting relationships) was associated with significant decreases in real income for women and their children, and that separating men did not fare so badly in terms of income, thus echoing findings from an earlier 1990⁶⁷ study. Both studies investigated the relatively immediate aftermath of divorce and separation.

Case study: cohabitation

Oli takes an understandable pride in her two daughters. They are both now at university after years of Oli's work as the traditional homemaker, caring for the children and the home while her partner took on the breadwinner role. But in spite of all her motherly pride over her daughters, Oli is now paying a heavy price for the years she spent caring for them.

After 20 years together, her partner left and her lack of rights as a cohabitee means that she has been left with next to nothing. Even the small bit of security she thought she had – the house being owned jointly – has turned out to be less of a safety net than she thought as her ex-partner remortgaged it to prop up his business.

The business that her homemaking work allowed her partner to build up is thriving. Oli now earns a small income, but years of caring mean that she has very little in terms of savings or a pension plan, and she is worried about the future and her retirement. She has no right to any of his investment properties, shares or his holiday home. "And I know that I am not the only one that has ended up with virtually nothing after a lifetime of childrearing and homemaking", she says.

Case study⁶⁸: divorce

"By the time our marriage broke up, my ex and I had lived together for 15 years, owned a joint house for 14, and been married for seven," explains Janet. "He tried to argue that I shouldn't get half the value of the house because he had paid the mortgage, even though I had been unable to contribute equally as I had the household to run. Knowing I was not well off, he made sure it was a long and expensive fight. I could never have afforded it if it was not for my son's generous financial help. In the end I got half the value of the house and was named as the beneficiary of his life insurance policy.

"Even though I had enabled my ex to concentrate on his career by looking after things at home, I received no share of his savings or of his excellent pension. I am now 63, in part-time work, in poor health and not even entitled to a Basic State Pension. From what I've seen, this outcome is typical – and yet my barrister was satisfied with it."

Becoming a parent

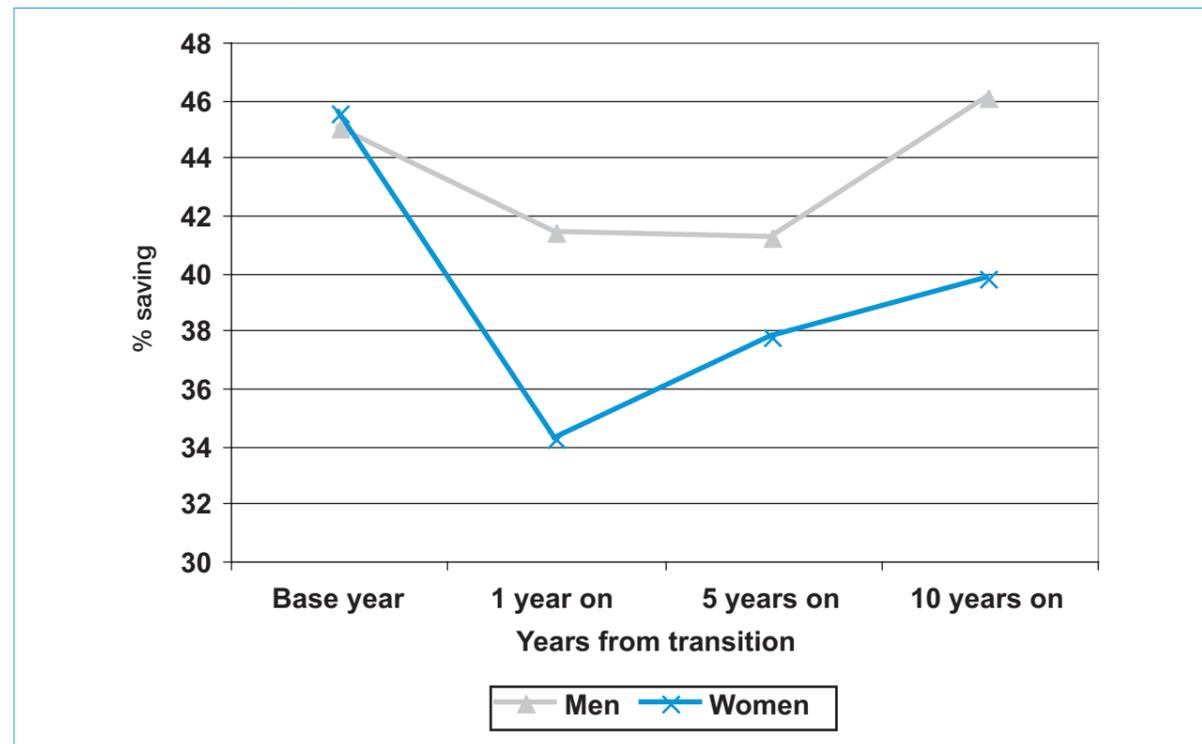
- Women's saving rates drop by 11 percentage points in the first year after their first child, men's by four percentage points⁶⁹
- Mothers' savings and investments are worth 3.3 times less than childless women's. Fathers' savings and investments are 2.3 times less than childless men's
- Only 17% of lone mothers have more than £1,500 in savings compared to 35% of lone fathers, 44% of mothers in couples and 53% of fathers in couples

Parenthood heralds a time when resources are stretched and saving is more difficult. However, this appears to be even more the case for mothers than for fathers. Lone mothers and mothers of larger families stand out among parents as being particularly disadvantaged when it comes to savings, pensions and debts.

Fathers are four percentage points less likely to save than other men; 41% of fathers are saving compared to 45% of men with no dependent children. But mothers are nine percentage points less likely to save than other women; 34% of mothers are saving compared to 43% of women with no dependent children.

Figure 4.13 shows saving behaviour of mothers and fathers after having a first child. It indicates that in the base year, before having a child, women and men are equally likely to be saving; 46% of women and 45% of men are saving. One year on from the birth of a first child we see that both new mothers and new fathers become less likely to save – but the drop is much more dramatic for women. Men's saving rates recover; after ten years 46% of fathers are saving, but mothers' saving rates have climbed back no further than 40%. Meanwhile, childless men and women are almost as likely as each other to save, with saving rates staying steady at around 48%.

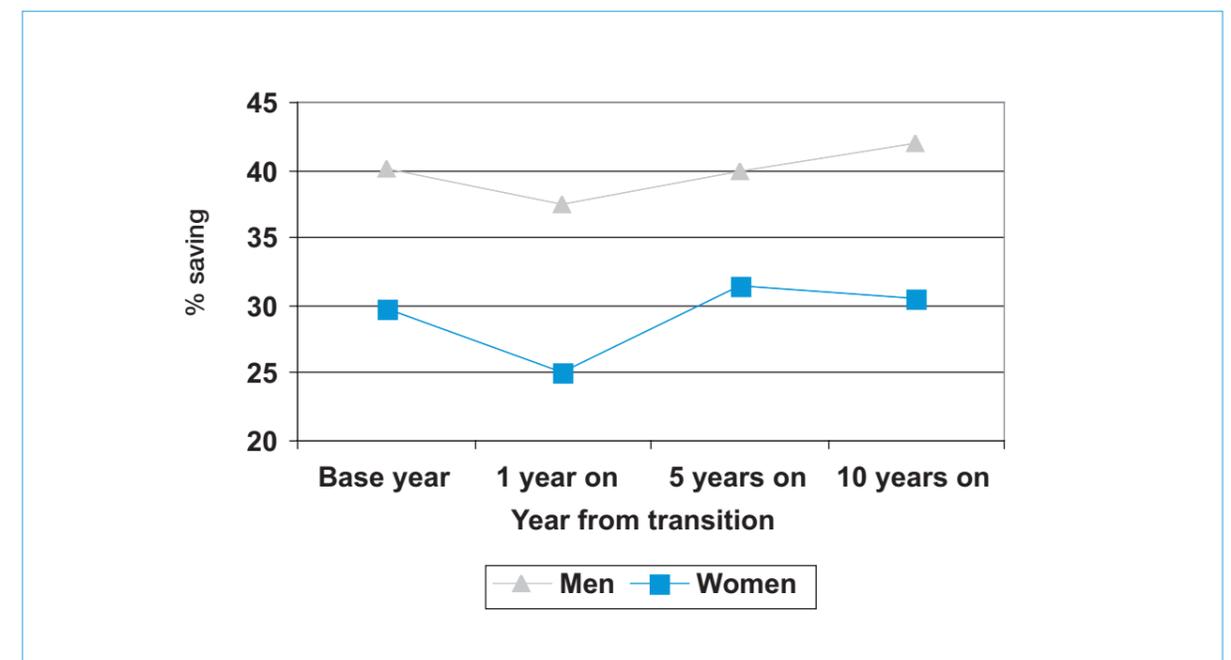
Figure 4.13 Percentage saving from current income by first child transition and by gender



Source BHPS 2005

If we look at mothers and fathers having a second or a third child⁷⁰, the gender difference between fathers' and mothers' saving rates is even more pronounced. Ten years after the birth of a first child, fathers are six percentage points more likely than mothers to save. As figure 4.14 shows, ten years after the birth of more children fathers are 11 percentage points more likely to be saving than mothers. Since some ethnic minority women, in particular Bangladeshi, Pakistani and Black African women, are more likely to have larger families⁷¹, this is likely to affect them disproportionately.

Figure 4.14 Percentage saving from current income by transition to more children and by gender



Source BHPS 2005

When we look at the average amounts saved each month we see that mothers and fathers both save less than their childless counterparts, but that the gap for mothers is bigger. Fathers who are saving, save a median £171 each month, just £5 less than men without any children in their household. Mothers who are saving, save £108 a median of a month, £23 less than women without children in their household.

Lone parents, 90% of whom are women, have even lower rates of saving and values of savings. Only 24% of lone mothers are saving from their current income, compared to 36% of lone fathers, 38% of mothers in couples and 43% of fathers in couples⁷². Lone mothers struggle to save even small amounts as figure 4.15 demonstrates, leaving them with much lower amounts in savings and investments overall, as figure 4.16 shows.

Figure 4.15 Proportions of women and men who are unable to save £10 per month

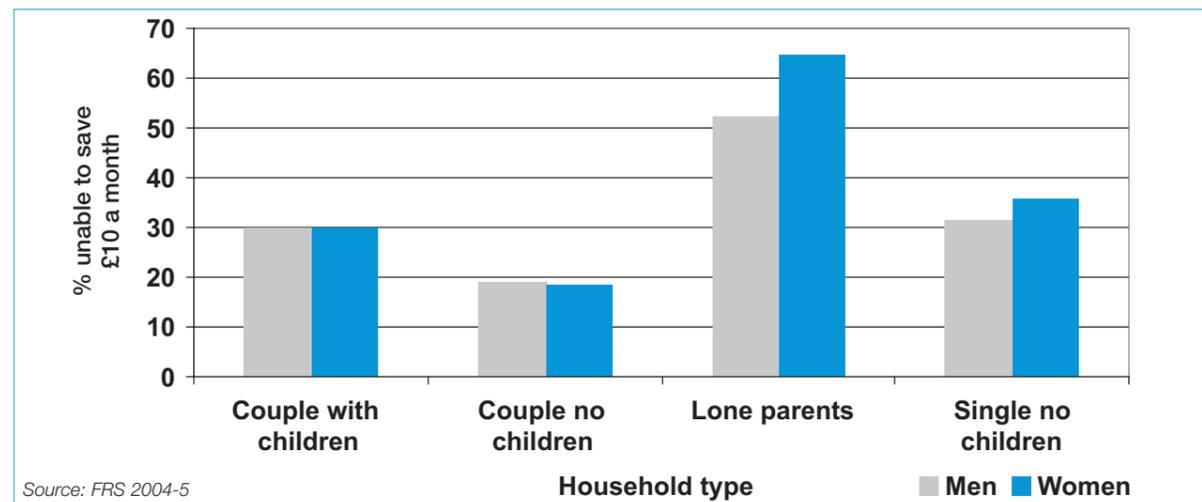
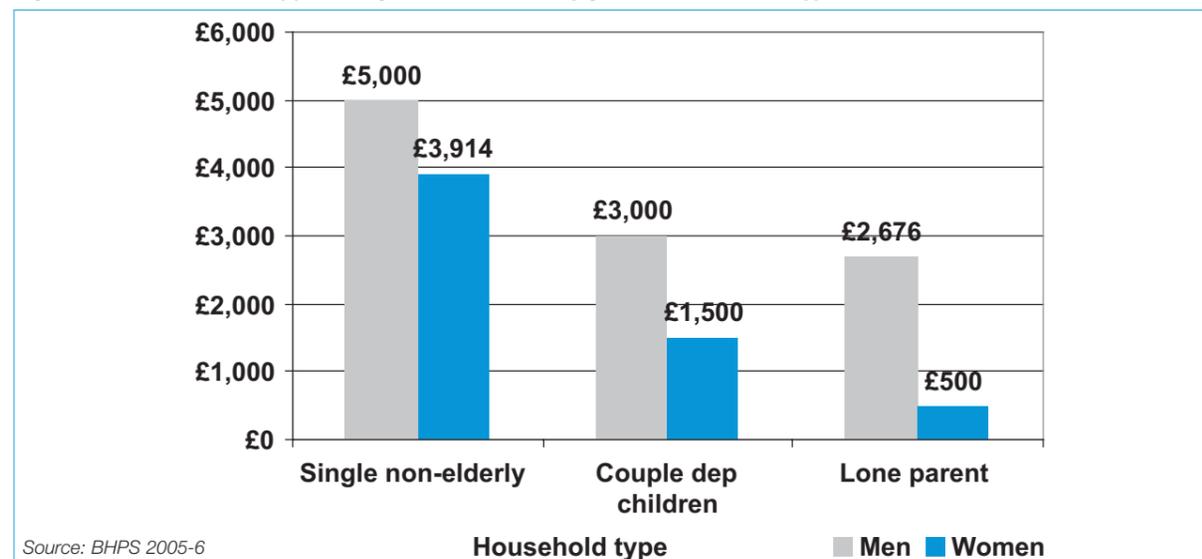
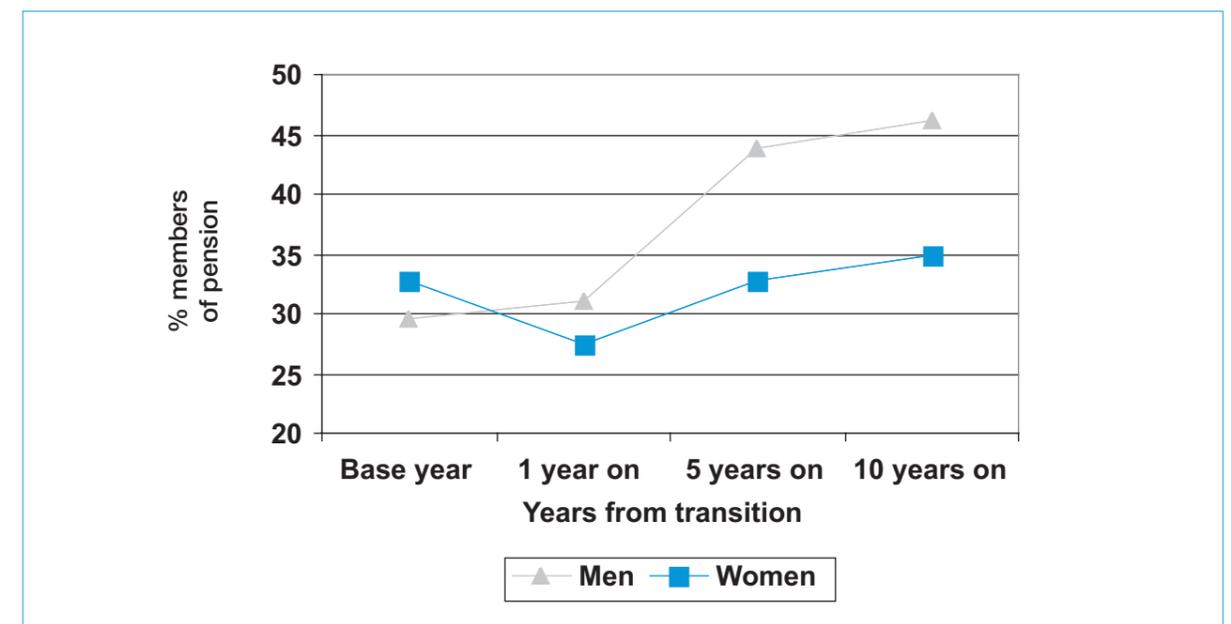


Figure 4.16 Median amount (£) in savings and investments by gender and household type



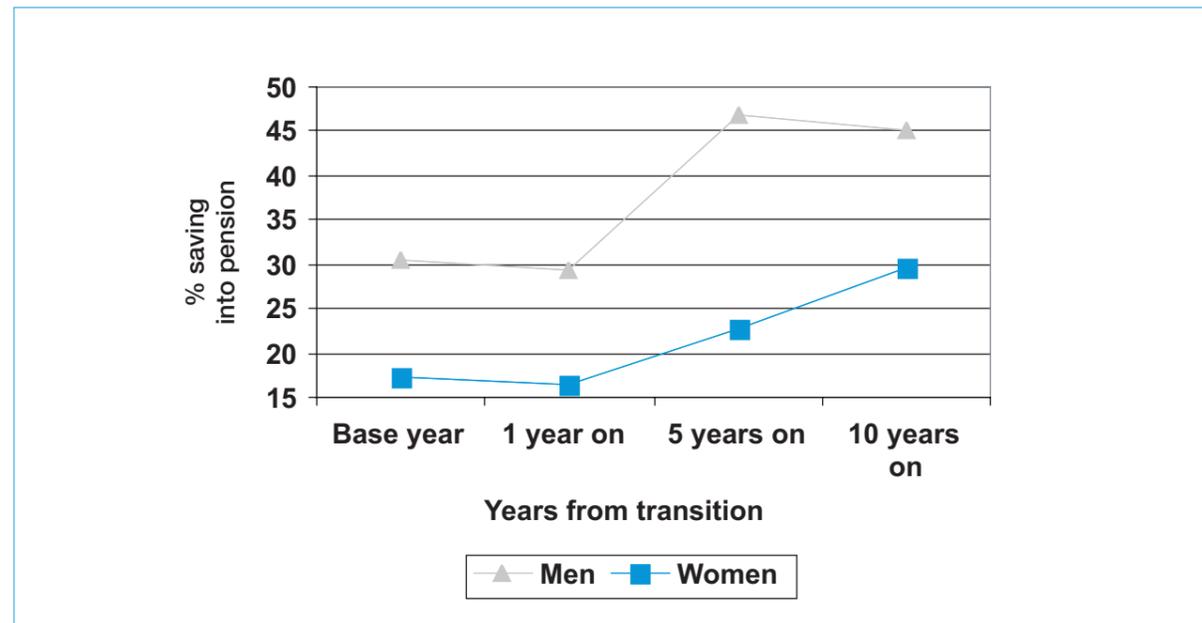
Pension saving among parents presents an interesting picture. Overall mothers are less likely than childless women to have any non-state pension savings; 35% of mothers have non-state pension savings, compared to 39% of women without children. In contrast fathers are significantly more likely than childless men to have non-state pension savings; 56% of fathers have non-state pension savings, compared to 38% of childless men. Even if we look only at parents who have the option of saving into an occupational pension we see a similar picture. Figure 4.17 shows that one year on from the birth of a child, fathers become slightly more likely than before to save into a scheme, but mothers are less likely to and while mothers' occupational pension saving rates rise over subsequent years, they do not reach the level of fathers'.

Figure 4.17 Percentage who are members of occupational pension (among those with the option) by first child transition and gender



Mothers of larger families experience even more difficulty in pension saving as figure 4.18 shows.

Figure 4.18 Percentage saving into occupational pension (among those with choice) by transition to more children and gender



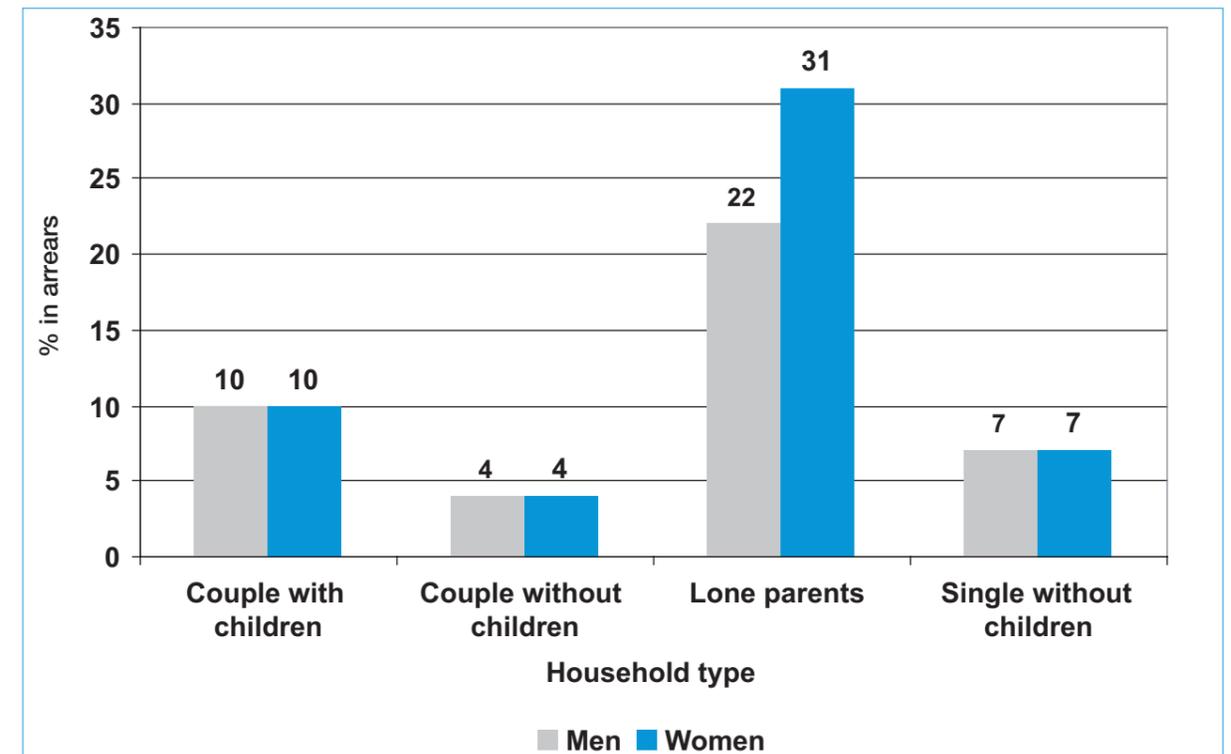
Source: BHPS 1991-2005

Just 23% of lone mothers have non-state pension savings of any type, compared to 35% of lone fathers and 39% of mothers in couples⁷³.

Looking at debt, the birth of a child heralds an increase in the likelihood of both women and men owing money and an increase in the amount of money owed, as shown by the parenthood transition table on page 26. As that table shows, although the increase in the actual amount owed by fathers after the birth of a first child is much greater, if we look at the rate of increase in debt levels, we see that mothers' debt rises faster.

Of all household types, lone mothers stand out as being the most likely to have debt, with 48.4% owing money. Lone mothers owe relatively small amounts – their median debt in 2005 was £2000. But lone mothers have a relatively high risk of being in arrears, as do parents in couples, albeit to a much lesser extent as shown on figure 4.19.

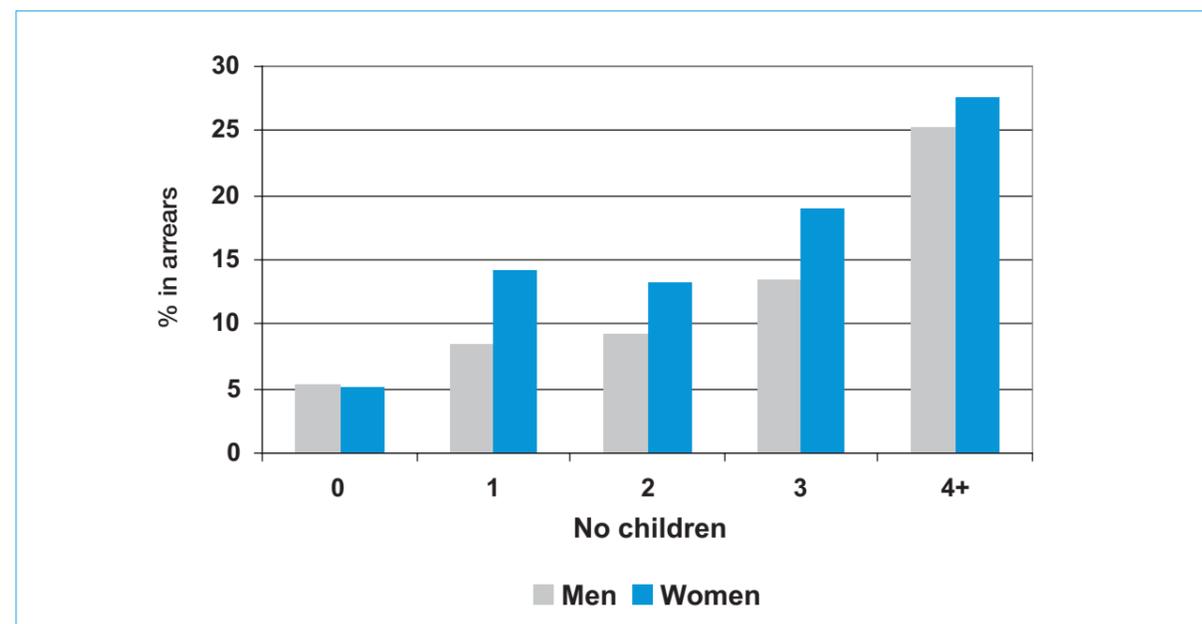
Figure 4.19 Percentages in arrears by family type and by gender



Source: BHPS 1991-2005

As figure 4.20 shows, the likelihood of being in arrears grows with the size of the family, with mothers still being more likely to be in arrears.

Figure 4.20 Proportions in arrears by gender and number of children



Source: FRS 2004-5

Citizens Advice Bureaux report⁷⁴ that 53% of their debt clients have one or more children – this compares to 29% of all households in the UK having one or more children. The organisation also report that over a quarter of their debt clients are lone parents, compared to 8%⁷⁵ of the working age population. Another piece of previous research⁷⁶ shows that lone parents, spend a relatively large amount of their income on servicing debt at an average of 19%, although of course for many lone parents considerably more is spent on servicing debt. This compares to an average of 14% for couples with children, 17% for benefit dependents and 11% for all those on low incomes.

Case study – lone parenthood and debt

It is more than 20 years since Megan has been able to save anything, before her son, who is now at university, was born. As a lone parent, she has found it hard in the past to find well-paid work to fit around caring for her son, even though she is highly educated. She is self-employed, never certain of where the next job will come from or when she will be paid, and currently earns around £11,500 a year. She says the “idea of savings to me is a poor joke”. In the past when she received a little extra from her father, it went straight into educational expenses or holidays for her son.

To help make ends meet Megan has borrowed money for furnishing, living costs and to pay the rent. She is paying off a bank loan of £10,000 over eight years and is constantly trying to reduce a credit card balance of £500. Things have been made even more difficult for her by demands for repayments under the tax credit system – she is appealing a £3,000 “clawback” of an overpayment, surcharges on tax owed (she has a court order to pay £100 monthly); delays in housing benefit (which she pays in arrears, while her rent is quarterly in advance); and rent increases.

Domestic violence

- Financial abuse is now acknowledged as a form of domestic violence, but not enough is being done to support women who have experienced this
- The existing research on financial abuse indicates that it is likely to be a widespread problem

The connection between domestic violence and debt was not highlighted by our analysis of the quantitative datasets; this sort of information is not recorded in the BHPS or FRS. However, research for this report brought Fawcett staff into contact with several cases in which domestic violence was the direct cause of a woman's debt problems. Several women who approached Fawcett have taken on debts under duress and then, after escaping from their violent partner, had to bear the liability for these debts.

Financial abuse is now acknowledged as a form of domestic violence. The way that perpetrators use financial abuse as part of a range of control strategies is explained in the internationally recognised Duluth Model⁷⁷ of domestic violence. This is also reflected in the Home Office's definition⁷⁸ of domestic violence as "any violence between current and former partners in an intimate relationship, wherever the violence occurs. The violence may include physical, sexual, emotional and financial abuse." However, in spite of this theoretical recognition, there is very little research looking at the way that perpetrators of domestic violence exert abusive control within relationships through financial strategies. Domestic violence charity Refuge conducted a study in 2005 of women living within its network of refuges and identified a variety of strategies used by perpetrators including:

- Stopping a woman working so that she is completely dependent on him
- Accompanying the woman when she is collecting benefits or when shopping to ensure that money is used for a purpose decided by the perpetrator
- Forcing women to put child benefit in their partner's name
- Forcing women to hand over their wages
- Using a woman's bank card to withdraw money from her account against her will
- Putting all household liabilities in her name, therefore passing all responsibility for debts onto her
- Taking out loans in the woman's name through coercion or without her knowledge.

A number of these strategies could also be used to exert financial control over elderly women or men. As well as lacking research into the patterns of financial abuse committed by perpetrators of domestic violence we are not aware of any quantitative work which would allow us to measure the extent of this problem. One qualitative study⁷⁹ published in 1996 based on research with a group of 20 women who had experienced domestic violence, found that the majority had accumulated debt as a result of abuse in order to cover basic items and the needs of their children, meet an perpetrator's demands for money or in an attempt to 'appease' a perpetrator. In addition we do know that one in four women experience domestic violence in their lifetimes⁸⁰ and organisations such as Women's Aid and Refuge report that high debt levels accrued as a direct result of abuse are common among their clients.

Some more evidence of the links between violence and indebtedness comes from the 1999 Office of National Statistics survey of psychiatric morbidity. As we show in figure 4.21, those who had any experience of violence in the home were generally more than twice as likely to have missed payments, or to have used any of a range of informal kinds of borrowing, particularly from friends. This is only

basic evidence, not controlling for many other factors, but it does flag up potential links from domestic violence to financial problems of various kinds.

Figure 4.21 Types of borrowing, by experience of violence in the home among women aged 16-74

Row percentages

Type of borrowing	Women who have experienced violence in the home	Other women, not experiencing violence in the home	All women, aged 16-74
In last year, to meet day to day needs, borrowed from:			
Pawnbroker	2	1	1
Moneylender	4	1	1
Friends	10	3	3
Family	18	11	11
Any of these	25	13	13
In last year, behind with paying for:			
Rent	6	2	2
Water	7	2	2
Council Tax	10	4	4
Unweighted base	539	4189	4728

Women in the 2005 Refuge survey identified significant limitations of other agencies they had visited for debt advice, finding they did not understand or address the specific circumstances of women facing domestic violence. In Chapter 5, we outline possible ways of addressing this problem. There is clearly a need for further research in this area, as we have outlined in chapter 6.

Case study: domestic violence

Ten years ago, Ramya, a retired civil servant met a charming man and fell in love. At the time she was losing her sight and he told her she could rely on him. But it was not long before he showed his violent side.

"I lived in fear of him. He knew how to hurt you in places without other people noticing, where they could not see the bruising. He kept hassling me to take out a loan for him, he organised the papers and hassled me to sign. In the end I gave in because I was scared of him and hoped he would leave me alone. But he didn't. He forced me to hand over my savings, take out more loans, overdrafts and storecards and credit cards, with him as the second signatory. He would attack me and smash the place up, call me racially abusive names, if I ever tried to refuse.

"It went on for about nine years. Then one day when he turned violent and tried to strangle me I just couldn't take it any more and went to the police. He was found guilty of criminal damage. He got 100 hours of community service and was fined £100 and I got a place in a women's shelter. Even though he used violence to force me to take on the debt, the police said there was nothing they could do, because towards the end I had used the cards myself when I had no money for food. The debt advisor I went to see said I was responsible, asking me 'He didn't put a gun to your head, did he?'"

Ramya is now left with £58,000 in debt to pay off. She will never be able to pay it all, but has an agreement drawn up with the help of a legal aid solicitor to pay her creditors what she can afford each month. "After he ran me down so much it took me years to feel like myself again and regain confidence. I feel cheated and used and I am constantly worried about the debt, all the time."

Carers

- 20% of female carers and 19% of male carers have no savings compared to 28% for non-carers, both women and men
- 12% of female carers are in arrears, compared to 9% of all women and 10% of male carers are in arrears compared to 7% of all men.

Retirement

- The median value savings and investments held by a single elderly men is £13,000, more than twice as much as single elderly women's £5,767
- Single male pensioners receive on average £85 per week in private pension income (occupational and personal pensions) compared to £48 per week for single female pensioners
- 10% of widows are in arrears compared to 9% of all women, whereas 4% of widowers are in arrears, compared to 7% of all men

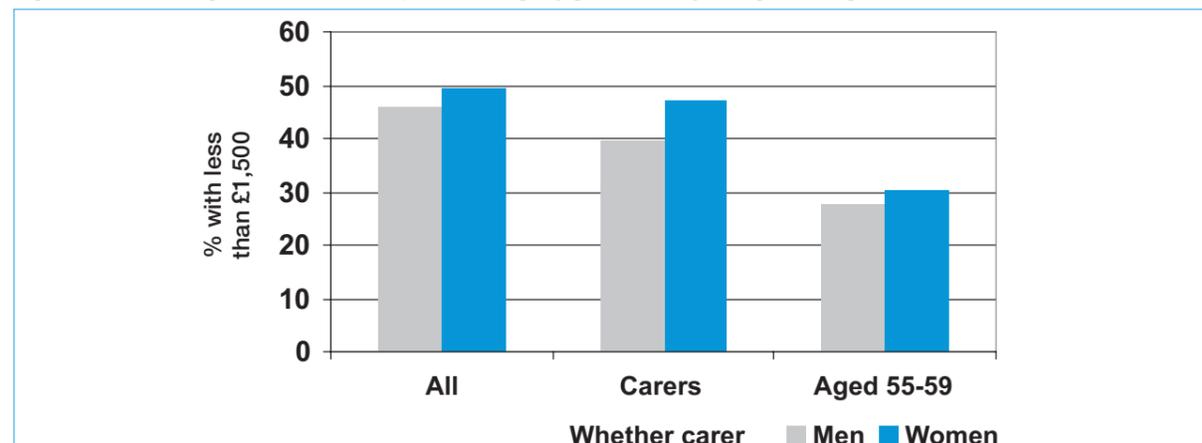
The data from the BHPS and FRS does indicate that becoming a carer has an effect on an individual's savings and debt. However, the effects do not appear to be as pronounced as those after childbirth and divorce transitions. This may well be because the BHPS classifies a large range of people as carers; this category would include someone helping an elderly neighbour for a couple of hours a week or someone providing full-time care to someone living with them. Respondents will also have had these responsibilities for varying amounts of time. With such a variation of circumstances, it is not surprising that the effects on financial behaviour of caring are harder to identify.

We do know from the BHPS that becoming a carer reduces the likelihood of saving from current income by 3.3 percentage points for women and 5.2 percentage points for men. Becoming a carer also reduces likelihood of having savings for both women and men by about eight percentage points so that 20% of female carers and 19% of male carers have no savings compared to 28% for non-carers, both women and men. We also know from pension analysis by the Equal Opportunities Commission and others that caring responsibilities affect people's ability to qualify for a full-state pension by reducing the time they have available to work and thus their ability to make the National Insurance contributions necessary.

It is less clear whether caring has a substantial effect on the value of savings. A similar proportion of carers have less than £1,500 in savings compared to the general adult population. However, half of all carers are aged over 55 and if we compare carers to all women and men aged 55-59, we see that carers are considerably more likely to have savings worth less than £1,500 as shown on figure 4.21.

Carers are somewhat more likely to be in arrears; 12% of female carers are in arrears, compared to 9% of all women and 10% of male carers are in arrears compared to 7% of all men.

Figure 4.21 Percentages with less than £1,500 in savings by gender and by caring status/age

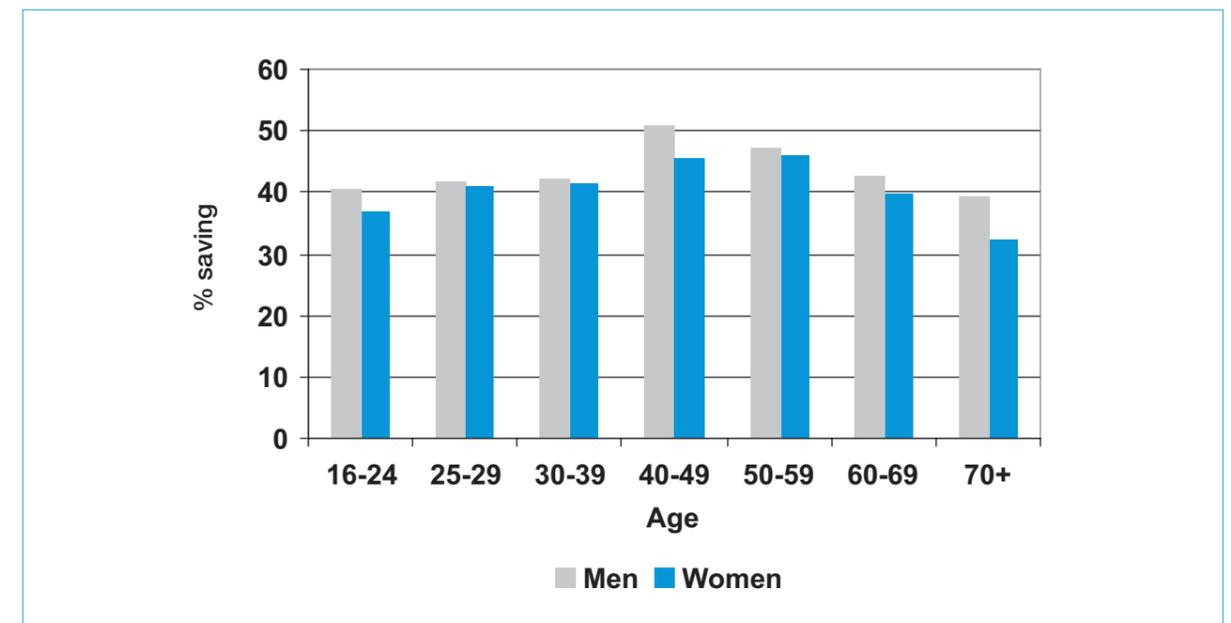


Source: FRS 2004-5

It is in retirement that many of the impacts of the life transitions and events outlined earlier in this report come to bear most noticeably on women. Once women and men are no longer receiving income from wages, the amount that they have managed to save during their lifetime becomes more important.

We can see in figure 4.22 that saving activity peaks in the 40s for women and men and tails off increasingly sharply after the age of 60, as one would expect as earnings decrease.

Figure 4.22 Percentages saving from current income by gender and age



Source: BHPS 2005

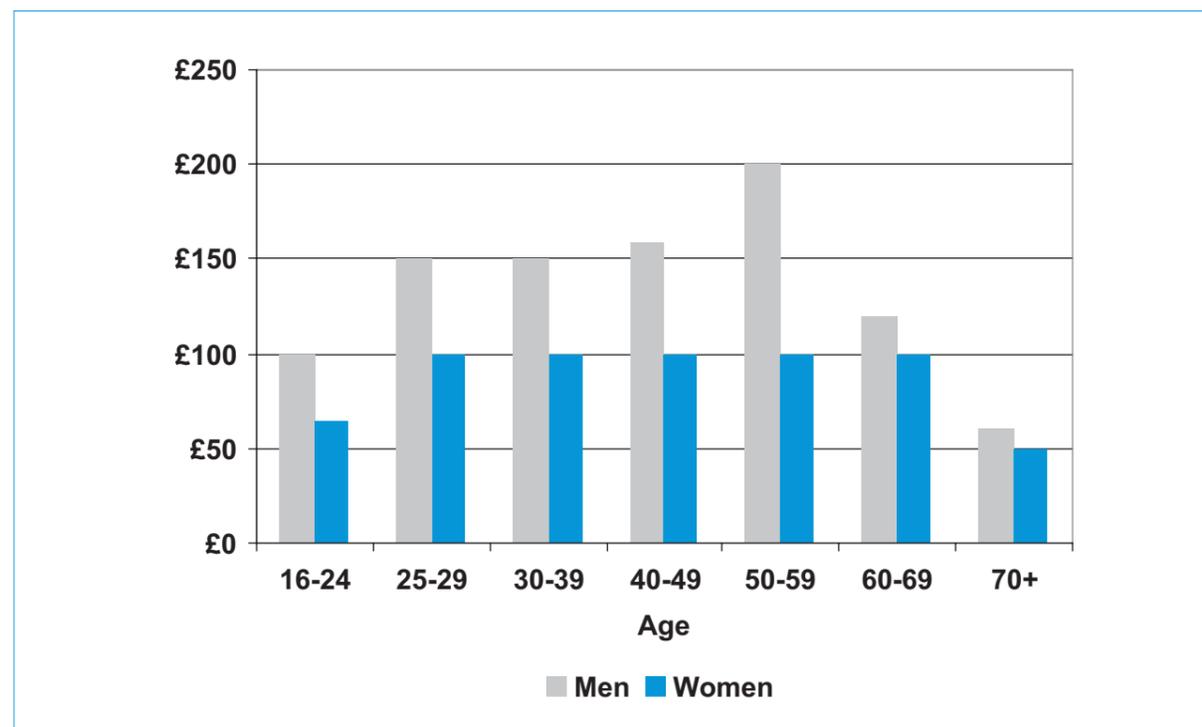
If we look at the median amounts saved per month as shown on figure 4.23, it appears that men in their late 40s and 50s are making a concerted effort to save for retirement that women are not matching. This may be due to lack of income because of caring responsibilities.

The different amounts that women and men have been able to save through their lives is clearly reflected in the amounts they hold in retirement. The median savings and investments of a single elderly man amount to £13,000, compared to a single elderly women's £5767. Widowed men (who are mostly, but not all, retired) hold a median of £10,000, compared to widowed women's £5,700.

We already have a sophisticated understanding of the differences in women's and men's retirement income from other sources thanks to the research that has been undertaken in recent years by Fawcett, the Equal Opportunities Commission, the Department of Work and Pensions and many others.

So we know that around 30% of recently retired women are entitled to a full Basic State Pension, compared to around 85% of men⁸¹. And we also know that single male pensioners receive on average

Figure 4.23 Median amount saved each month by gender and age

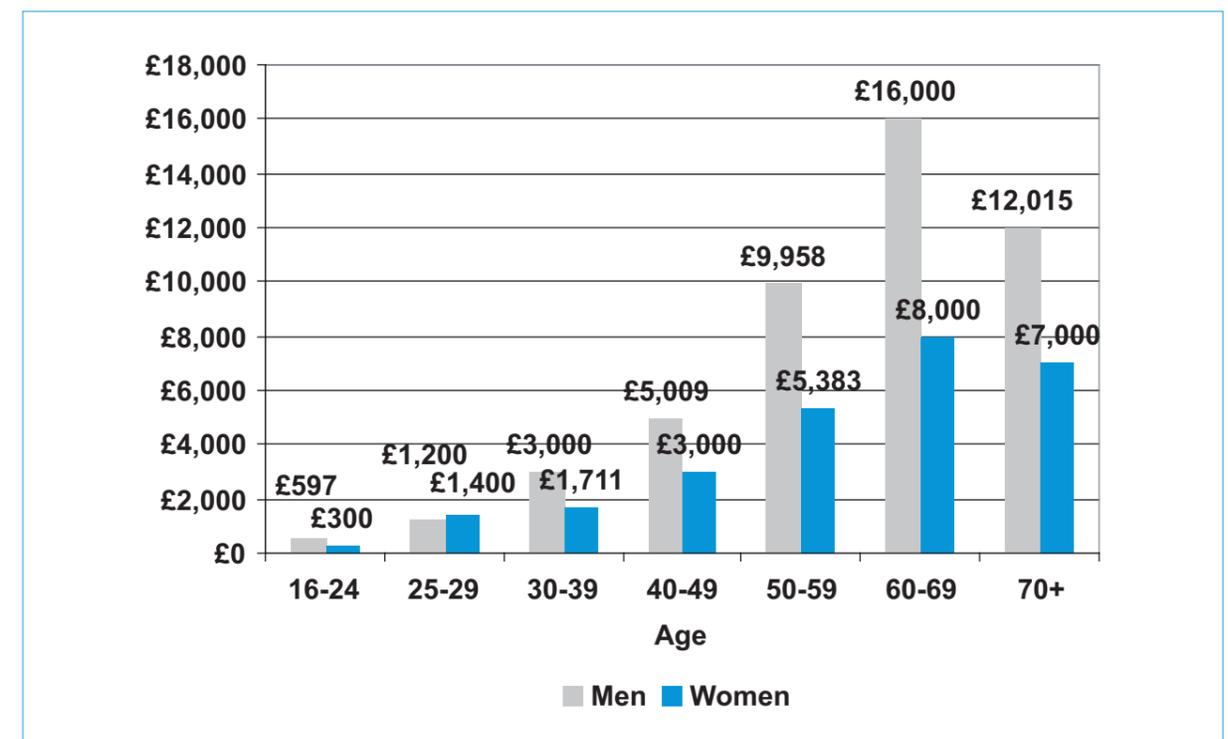


Source: BHPS 2005

£85 per week in private pension income (occupational and personal pensions) compared to £48 per week for single female pensioners⁸². And we know that single women pensioners are more likely to live in poverty than single male pensioners⁸³.

Women and men of retirement age are significantly less likely to owe money. Less than 30% of women and men aged 60 or over owe any money, compared to around 60% of those in their 30s and 50% of those in their 40s. Considering this, the percentages of widows in arrears is worrying; 10% of widows are in arrears compared to 9% of all women, whereas just 4% of widowers are in arrears, compared to 7% of all men. This may partly be because widows are likely to be older on average and older pensions are more likely to be poor than younger pensioners.

Figure 4.24 Median amounts (£) held in savings and investments by age



Source: BHPS 2005-6

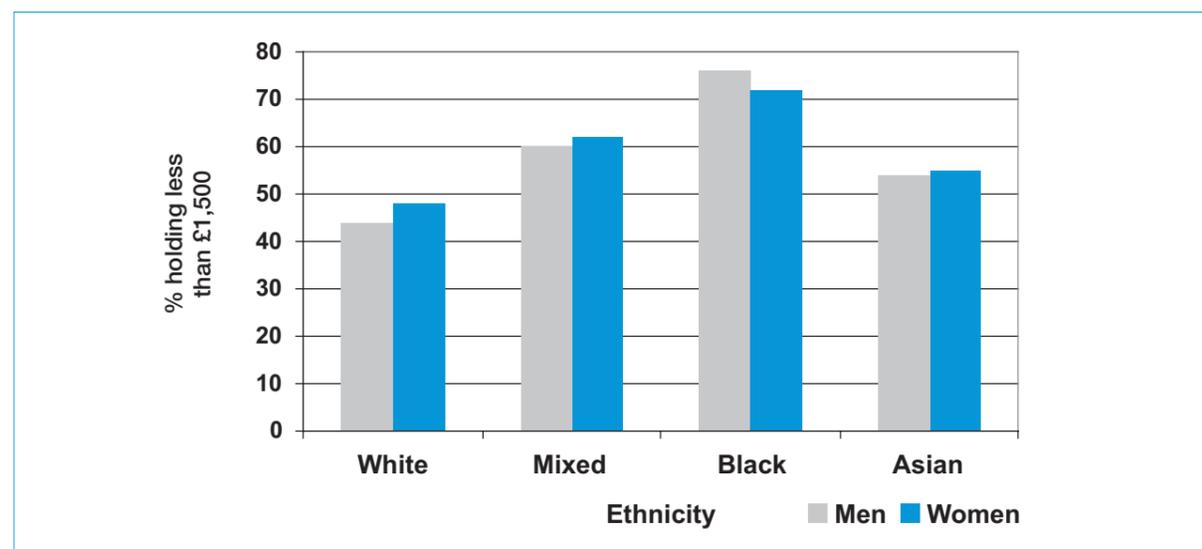
Ethnic minority women

- 72% of Black women have less than £1,500 in savings, compared to 62% of Mixed Race women, 55% of Asian women and 48% of White Women
- 24% of Black women are in arrears, compared to 21% of Mixed Race women and 9% of Asian and White women
- 39% of White women are saving into a non-state pension, compared to 32% of Black women, 24% of Mixed Race women and 20% of Asian women

Ethnic minority women have particular experiences of pensions saving, saving and debt. Previous research has indicated that ethnic minority women are less likely to hold financial products than ethnic minority men or the population in general⁸⁴ and that they are doubly disadvantaged when it comes to their levels of assets⁸⁵, with Bangladeshi and Pakistani women having particularly low levels of savings compared to the population in general and compared to Bangladeshi and Pakistani men.

Our analysis bore this out in data from the FRS, which has a sample size large enough to produce reliable figures for ethnic minority women. (The BHPS indicated similar issues, however the sample size was not large enough for us to rely on disaggregated data for ethnicity and gender). Although the gender gap varies by ethnicity, men have larger amounts in savings in every ethnic group apart from among Black women and men, where women have more. It is worth noting that these figures identify the amount held in savings accounts, but that Asian women are particularly likely to hold assets in the form of jewellery, which would not be measured here.

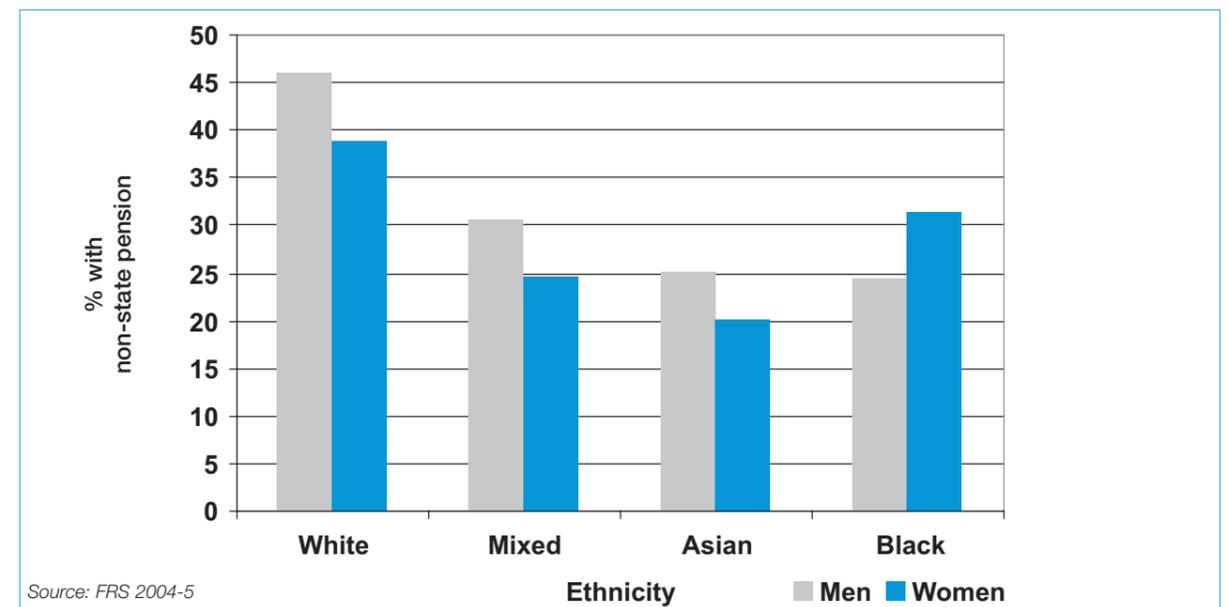
Figure 4.25 Percentages holding less than £1,500 in savings by gender and ethnicity



Source: FRS 2004-5

We see a similar picture when looking at pension savings, with men more likely to have non-state pension savings in every ethnic group apart from among Black women and men. This reflects the picture on pay, as highlighted by previous Fawcett research⁸⁶, which showed that women in every ethnic group apart from Black women earned average hourly rates lower than their male counterparts. It also showed that among women, of all ethnic groups White women received the highest rates of pay.

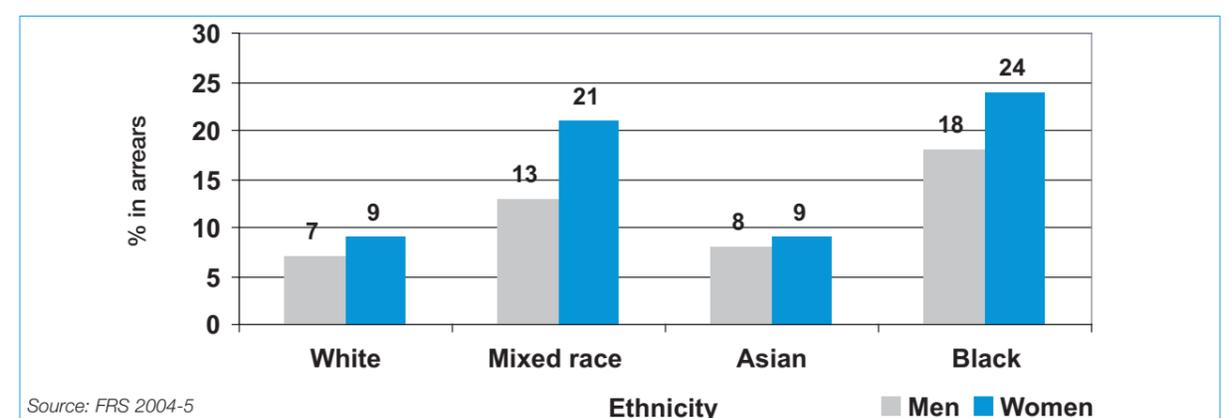
Figure 4.26 Percentages with non-state pension savings by gender and ethnicity



Source: FRS 2004-5

The BHPS indicates that Black women are slightly more likely to have debt than White women, and that both Black and White women are much more likely to have debt than Asian women. However, the BHPS has a small sample of ethnic minority respondents, so these figures should be treated with some caution. The FRS figures, which are more reliable for ethnic minority breakdowns, show that Black and Mixed Race women are considerably more likely to be in arrears than other women. This may be because Black and Mixed Race women are also more likely than other women to be lone parents⁸⁷ and to be on lower incomes⁸⁸, but more data in this area would be useful in order to ascertain whether these or other factors are at play.

Figure 4.27 Percentages in arrears by gender and ethnicity



Source: FRS 2004-5

Income quintiles

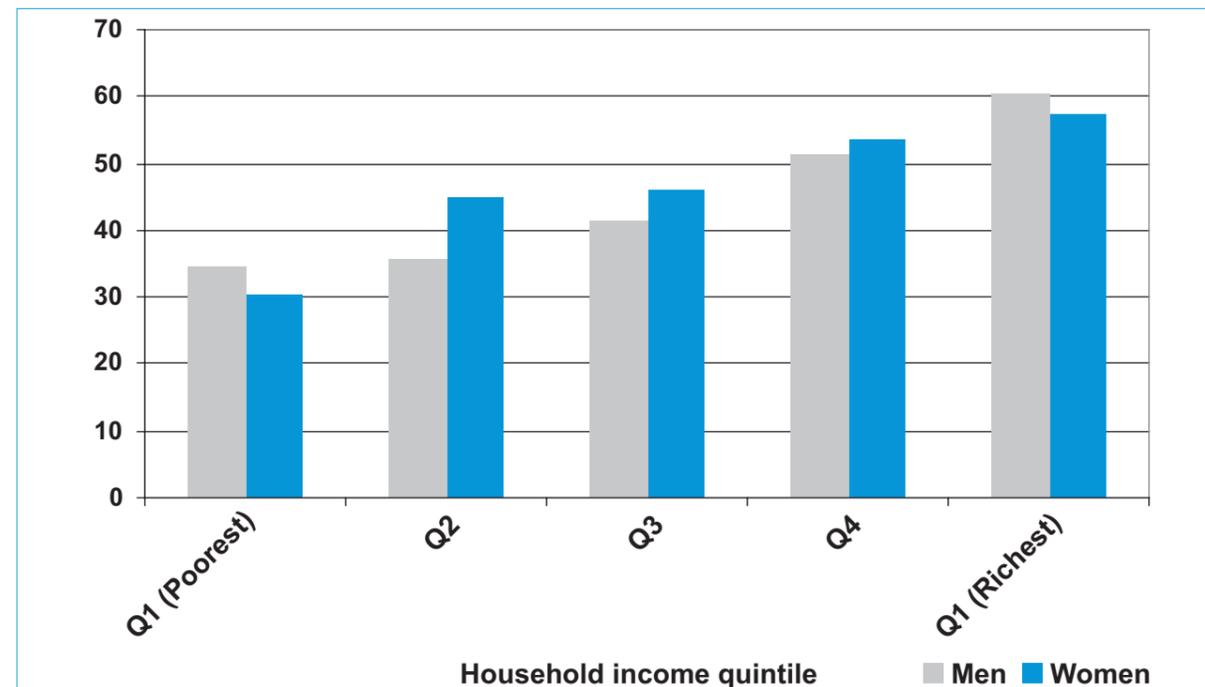
- In the bottom quintile of income, 53% of women and 46% of men save mainly for the short term
- 82% of working women in the top quintile have access to an employer pension, compared to 56% of working women in the bottom quintile

We undertook some analysis of gender differences in savings, debts and pensions by household income quintile. This analysis has enabled us to identify that there tend to be smaller gender differences in the lower income quintiles, where neither women nor men have much room for exercising choice in financial decisions. The income quintiles are based on household income; in the upper income quintiles intra-household income inequalities are likely to be larger⁸⁹, with men bringing in a disproportionately large percentage of household income. This appears to be reflected in the large differences in the amounts women and men are saving in these quintiles, underlining that resources - perhaps especially in higher-income households - are not shared equally.

As outlined earlier in the report, women are more likely to be saving for short-term needs, men for long-term needs. These preferences are maintained through income quintiles, but are less pronounced in the lowest two quintile income groups, in which both women and men are both more likely to be saving for the short-term. In the bottom quintile of income, 53% of women and 46% of men save mainly for the short term. In the top quintile, the figures are 35% and 24% respectively⁹⁰.

As shown in figure 4.28, women are more likely to have savings than men in every income quintile apart from the bottom quintile.

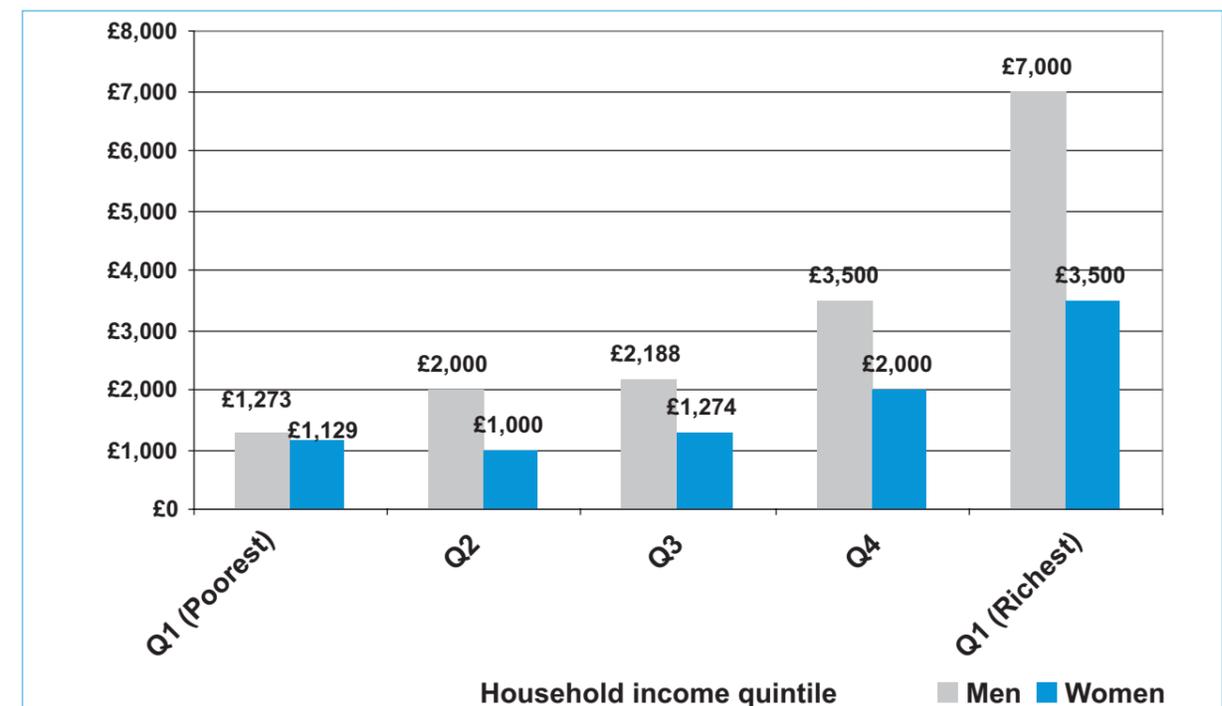
Figure 4.28 Percentage with savings or investments by gender and quintile of household income



Source: BHPS 2005-6

Women's savings are worth less in every quintile, but the difference grows considerably higher up the income scale, as figure 4.29 shows.

Figure 4.29 Median amount held in savings and/or investments by age and quintile (working age only)



Source: BHPS 2005-6

There is a clear correlation between the quintile of household income into which an individual falls and actually having the chance to save into an employer pension. 82% of working women in the top income quintile have access, compared to 56% of working women in the bottom quintile. Men are actually slightly less likely to have access to employer pension in all quintiles, with biggest gaps in lowest quintiles, most likely because men are less likely to work in the public sector.

There is a general correlation for women and men between being higher up the income scale and being more likely to owe money. In the bottom two income quintiles, women are around four percentage points more likely than men to owe money. Further up the income scale, men close this gap and in the top income bracket become more likely to owe money.

The BHPS also indicates that being higher up the income scale correlates with owing more money. Men's average debt rises sharply especially in the highest income brackets, while women's rises less steeply. This might be because in these richest households men are more likely to bring in a higher proportion of income and therefore take on a higher proportion of debt.

Qualitative evidence on saving on a low income

Recent interviews with women and men in low- to moderate-income heterosexual couples⁹¹ show how hard it is for many people on such income levels to save. The sample of couples had at least one partner of working age, and had had children at some point; most were claiming means-tested benefits or tax credits, or had done so in the past. Virtually all were married. Many had had previous relationships, including marriages; none came from minority ethnic groups, though this was not by design.

This study, like many others, focused primarily on income, and people were only asked briefly about saving, access to assets such as computers and cars, and borrowing and debt. Women and men were interviewed separately, and often gave different answers in terms of fact, as well as views and feelings. In addition, some interpreted the issue as being about joint savings, whilst others talked about their own, or about both joint and individual savings.

The emphasis on savings in the interviews was on 'putting something by', rather than on specific questions about pensions or investment vehicles. This was in part because, as noted elsewhere in this report, in lower income groups both men and women are more likely to be saving for the short term anyway. One woman said the couple was now trying to save for 'when they had no income'. Another woman, who said she had saved a bit of money 'to fall back on' in case her partner was ill and off work, turned out to have only about two weeks' income. A couple of men were putting money by for funerals.

Only just over half the couples said that they had any savings, even interpreted in this way as 'putting something by'. It was rare that people saved a specific pre-arranged regular amount - though some do, and one man in a couple where both saved described the effect that this had: 'you always feel if you've got savings in your bank everything seems all right for you - it's a comfort factor'. It was more common to save what was left over at the end of the month, or after the bills had been paid. One couple put half the money left over into their joint savings account; they had tried previously to save a specific amount at the beginning of the month, but this had not worked

for them. The commonest form of savings to be mentioned was an ISA (though people sometimes talked of these as joint and sometimes as individual). A few still saved money in cash in the house. (One man said that when he was young he had paid for his wedding and honeymoon from the cash (several thousand pounds) he had managed to save in the tin at the end of his bed.)

As this example shows, time in the lifecycle (as well as employment status) was also a determining factor for savings. It was rare to be able to save when children were young. Several people described how they had had savings, but these had been eaten up by misfortunes such as redundancy, or just by unexpected expenses. 'We try, but something happens, and goodbye savings', as one woman said. One couple had learned a 'sharp lesson' when things had gone very wrong, and had always put a bit of money by since then. Another had agreed together that the woman should follow her decision to go back to college and then take a lower-paid job, so they were now no longer able to save. Many, especially older people, expressed a horror of debt, and said that they always saved up for anything big.

A tension between individualism and coupledness was clear in some answers. Occasionally, adopting one rather than the other perspective in relation to debt or savings seemed to be useful, particularly for some men. For example, one man, stressing the jointness of the marital bond, could say of a debt he had incurred prior to marriage that 'it's my bill, but both of us are responsible because we're a couple'. Another man said: 'she could have thousands [of pounds] stashed away, but I don't know, I'm not fussed'; and another said 'I haven't got a clue how much my wife has got in savings - she doesn't tell me and I don't enquire'. It was not clear how much this stemmed in either case from a desire to give their wives a measure of autonomy and privacy, or how much it betrayed instead a 'breadwinner' view of the secondary nature of their partners' income and a need not to be dependent on it in any way. More specific differences between men and women in attitudes and behaviour in relation to savings are explored in the other section about findings from this research (see chapter 3).

Chapter 5

A role for policy

The need for intervention

Our analyses have revealed the extent to which broader economic inequalities have an impact on women's and men's savings, pensions and debt. In particular we have established that life transitions such as becoming a parent and relationship breakdown appear to have a much greater and much longer-lasting negative financial impact on women than on men. These analyses present a number of good reasons for intervention by Government. They also indicate how the financial services industry and not-for-profit organisations providing money advice or financial services might consider the ways in which they could better serve women's needs.

The Government's own financial inclusion goals⁹², include that everyone should be able to manage their money effectively and securely, plan for the future and cope with financial pressure, and deal effectively with financial distress. These goals will not be achieved unless the Government's strategy takes into account women's different life experiences and needs. Indeed, the public sector gender equality duty, which came into force in April 2007, places a positive duty on Government to ensure that policies promote gender equality, not simply that they do not discriminate. At the time of writing, the Government was due to publish its financial inclusion action plan later this year. We would hope to see a strong understanding of the different needs of women and men in this.

The stark results we have identified around relationship breakdown resonate with a picture of women are still leaving as the poorer partner after divorce and cohabitation breakdown. The economically weaker position of mothers and lone mothers as shown by our analyses is yet another example of the economic penalty that women pay as primary carers of children. These are gender equality issues in their own right that the Government should be addressing under the gender equality duty. Furthermore, as children are likely to be staying with women as the poorer partner after a relationship breakdown, the potential positive impact on child poverty rates of economically empowering women should be another reason to act.

There are a number of areas of Government policy highlighted in this chapter which would particularly benefit from a strong gender perspective. However this is not meant to be an exhaustive list or to replace the function of gender impact assessments, which should be taken out on proposed policies under the specific duties contained in the overall in the gender equality duty.

The financial services industry has a part to play in working with Government to ensure that schemes delivered in partnership, such as the proposed Saving Gateway or Personal Accounts, are designed and delivered in a way which serves women's needs. Not-for-profit organisations such as charities delivering money advice or credit unions should also be gender-proofing their activities to check that they are serving the needs of women and men.

Research by the Financial Services Authority (FSA)⁹³ indicates that many women are less confident as consumers of financial products than men and although their day-to-day money managing skills tend

to be as good as or better than men's, their abilities to plan for the future and chose financial products are not⁹⁴. Women are more likely to need good financial planning skills because their incomes are lower and much more likely to fluctuate over their lifetimes and because of their greater longevity. We would urge all agencies engaged in attempting to increase financial literacy including Government, the FSA, schools and the not-for-profit sector, to ensure gender sensitivity in their policy and practice.

Economic gender inequalities: the root of the problem and solution

It is important to acknowledge that gender inequalities in savings, pensions and debts cannot be addressed by policies relating to these areas alone. The inequalities we have identified in this report have their roots in the broader gender inequalities in paid and unpaid work.

Our analyses have shown that where women and men have similar rates of employment and pay (ie in younger age groups where income is more equal and caring responsibilities are likely to have yet to kick in), women and men are saving similar amounts and have more equal levels of debt.

If the aim is to significantly narrow the gender gaps in savings, pensions and debt, it will be necessary to move to a society in which the gender pay gap is eliminated, responsibility for caring and other unpaid work is shared equally between women and men, penalties for caring are eliminated in the workplace and benefits system, and childcare provision and support for carers increases. In moving towards such a society, it will also be important to address the specific issues facing ethnic minority women, as our analyses reflect previous findings⁹⁵ that race and gender interact to place particular barriers in the way of ethnic minority women achieving economic equality. Fawcett's broader policy agenda lays out the approach needed to address the economic inequalities faced by women in order to reach such a position.

Closing gender gaps in savings, pensions and debt will, however, be difficult if increasing emphasis continues to be put on the individual's ability to earn and save rather than a more collective sharing of society's earning and caring requirements. This is particularly obvious in pensions policy; the Government acknowledges that the Basic State Pension will be considered an inadequate retirement income by many. The route out of this will be to save privately, something that those with greater caring responsibilities, predominantly women, will not be as well-placed to do. A more collective sharing of risks, which is possible through state provision, is more likely to enable equality goals to be reached than greater emphasis on the individual's responsibility for providing for themselves.

Savings

ISAs and the Child Trust Fund already exist as two major savings schemes created since 1997. With Personal Accounts and, we hope, the Saving Gateway to follow, the Government has made steps forward in enabling and encouraging a wider range of people to save.

The Saving Gateway

More specifically and looking at the shorter term, we are excited by the possibility that the Saving Gateway presents in enabling women on low incomes to save. Two pilots of the Saving Gateway have tested this scheme, which is a saving programme aimed at those on low incomes with saving incentivised by the Government matching money saved into the accounts. For example, in the first pilot the Government contributed £1 for every £1 saved by participants. The pilots were time-limited to 18 months, and had maximum levels of monthly contributions. The first pilot was open to those with household incomes under £15,000. The second pilot went further up the income scale and included those on individuals incomes up to £25,000 or household incomes of under £50,000.

In the first pilots over 60% of participants were women. In the second pilots the clear majority of participants were also women, although the proportions of women clearly varied according to the method of recruitment. Where eligibility was established through randomly selecting postcode (and then controlling for household income) women made up 72% of participants contacted by phone and 67% of participants contacted by post. Where eligibility was established by DWP record and contact made via post, women made up a much lower 54% of those taking part⁹⁶.

A striking outcome of the pilots, particularly the first pilot, which was restricted to those on lower maximum incomes, was the extent to which the Saving Gateway encouraged new saving. Only 17% of participants said that they had been saving regularly before they opened their Saving Gateway account. In contrast, 39% of people said they regularly paid money into their Saving Gateway account by standing order or direct debit and a further 38% regularly paid cash or cheques into their account⁹⁷. Furthermore, those asked directly about the impact of their Saving Gateway account tended to think it had positive benefits; 39% of participants said that they felt more in charge of their life, 60% felt more secure financially⁹⁸.

At the time of writing the Government had yet to make a decision on whether to roll out the Saving Gateway nationally, but the 2007 Pre-Budget Report announced that the Government was taking forward work into the feasibility of rolling out the scheme. The indications are that, if introduced nationally, eligibility would most likely be similar to that of the first pilot, including those on incomes under around £15,000.

We very much encourage the Government to introduce this scheme, which could enable women on low incomes to build up the buffer that our evidence shows many lack from unexpected or large economic shocks. This could go some way in enabling women in this position not to have to resort to sub-prime forms of credit. It also has the potential to enable Muslim women to build up greater amounts of savings since it would potentially not involve interest payments; Bangladeshi and Pakistani women have particularly low levels of savings compared to the population in general and compared to Bangladeshi and Pakistani men⁹⁹. However, the design and marketing of the scheme will be vital in ensuring it plays a role in promoting gender equality as required by the public sector gender equality duty.

In terms of eligibility, we want the scheme to be accessible to women and ensure gender equality. If eligibility is by entitlement to certain benefits, it will be important to ensure that the benefits chosen promote equality of access to the scheme. Careful analysis of the overall proportions of women and men potentially eligible by various benefit entitlement and the characteristics of these women and men (eg age, ethnicity, parenting status) should be carried out as part of a gender impact assessment. Consideration should also be given to whether eligibility should be given at the individual or household level. As the ippr¹⁰⁰ have noted, if eligibility to the Saving Gateway is passported 'at the very least eligibility should not be confined to the formal benefit claimant as this could depress participation and reinforce gender inequalities.

If this scheme is to reach the maximum number of women who could benefit from it, it will be vital that it is delivered and marketed in a way that reaches women. As the statistics from the first pilot show, when local DWP offices were used as a conduit to engage participants, the proportion of women taking part was lower with the other model. The first pilot used local third sector intermediaries such as credit unions, housing associations and Citizens Advice Bureaux, which were successful in recruiting high proportions of women. It would be very important to maintain these channels of recruitment in a UK-wide scheme alongside any national marketing in order to reach those who are currently most financially excluded.

Child Trust Fund

We acknowledge the laudable aim of the Child Trust Fund (CTF) that children from lower income households begin adulthood with a financial asset, as children from higher income households often do. Nonetheless, from a gender equality point of view, we do have a concern that the CTF may further consolidate the inclination of mothers to prioritise saving for children and family over making savings in their own name. While this would result in better outcomes for children and young people, it may leave mothers, who are already saving less in their own names than fathers, even more at risk, especially in the case of relationship breakdown or divorce. It would, of course, be inappropriate for Government to be dissuading women from saving for their children or, indeed, attempting to interfere with mothers' choices to prioritise this.

However, it could be helpful for the CTF to be used as a way of opening a conversation with mothers and fathers about their own financial planning for various eventualities¹⁰¹ and the choices that they are making. The ideal time to do this might be when the second payment by the Government is made into the CTF when the child is seven. As our longitudinal data indicates (see figure 4.13), mothers' saving rates do not recover, as fathers' do, within the first ten years after a child's birth. But after five years they do start to rise and so seven years may well be a good time to further stimulate parents' saving rates. This could be done in the communications that parents will receive at this stage.

Pension saving

Recent reforms promise to improve women's entitlement to the Basic State Pension (BSP) and State Second Pension (S2p) in the future. The Government's proposed Personal Accounts are the second stage of its pension reform, aimed at improving non-state provision and so our recommendations concentrate on making sure that these deliver for women.

The Government intends that Personal Accounts will help up to 10 million low and median earners to build up private savings with contributions from their employers and the state. Proposed for introduction from 2012, individuals over the age of 22 and earning more than around £5,000 would be automatically enrolled into a Personal Account or an approved equivalent scheme, with the right to opt out. Employees within the scheme will contribute a minimum of 4% of their gross earnings, matched by a minimum 3% of their gross earnings by the employer and 1% by the state in the form of tax relief. The management costs will be kept low; the Government is aiming for a 0.3% annual management charge.

Our evidence gives encouraging signs for the potential for Personal Accounts to increase at least some women's non-state pension provision. We found that where young or childless women have the choice to save into an employer or occupational pension they are as likely, or more likely, to take up this option than men. However, our evidence also shows that even where women with dependent children or women who have been through relationship breakdown have the option of saving into a pension, they are less likely than their male counterparts to do so. The automatic enrolment planned for Personal Accounts may well help here. A strategy that prioritises encouraging people to stay opted in as early as possible in their working lives could also be important in catching women before they are likely to have gone through life events that will make it even harder to encourage them to consider saving into the scheme.

While the first and second tiers of the state pension bring women to what many would consider a still inadequate level of income, more needs to be done through the third tier, including Personal Accounts, to reward care and redistribute funds to enable women to build up decent retirement income. The Government has accepted the principle of rewarding the important contribution made by those bringing up children and caring for other family or friends in its reforms to the BSP and S2p. The reforms include a weekly credit for those caring for children up to the age of 12 and or spending 20 hours a week caring for severely disabled people, allowing them to build up full credits to the BSP while caring.

The Government could support low earners through the structure of Personal Accounts in at least two ways. We welcome the fact that Personal Accounts and qualifying schemes will continue to attract a tax relief contribution from the Government and an employer contribution. Already tax credit recipients are able to make pension contributions before their income is assessed for tax credits. This principle of discounting pension contributions when assessing benefit entitlement should be retained within Personal Accounts. A logical next step would be a direct payment by the Government into the personal accounts of low earners.

In addition Fawcett is concerned that some women who are on low incomes or take several years out of employment to care may get lower returns from their private pension saving. Whilst the state pension reforms will lift many women out of means testing entirely, where pensions savings do interact with means tested benefits in retirement this will offset their entitlement to them and so potentially their savings incentives.

We urge the Government and the Personal Accounts Delivery Authority (PADA) to examine possible ways of mitigating against this. One way would be to enhance the role of 'trivial commutation' (allowing people with small pension funds to take their entire pension saving as a lump sum, without having to buy an annuity). We recommend raising the trivial commutation limit and that trivial commutation must be exempt from calculations of pension credit entitlement (at least Guarantee Credit entitlement), or at the very least the capital disregard should be raised significantly.

We would also urge the Government and PADA to reconsider their proposal for an annual rather than a lifetime savings limit. As women continue to take time out of the labour market due to family responsibilities and spend fewer years in the labour market in total than men, they are likely to be able to contribute into a Personal Account for fewer years. This means that an annual limit on contributions will disfavour women. We recommend that the Government set a lifetime limit for personal account contributions to allow women to make up a short fall in their pension contributions when they can afford to do so. If a lifetime limit is not possible, other options for consideration include a rolling accumulation of the annual limit and/or special allowances to individuals to make up shortfalls when in receipt of an inheritance or divorce settlement.

Fawcett is keen to see a robust monitoring regime for the Personal Accounts Delivery Board. In order to measure the degree to which Personal Accounts are enabling women to narrow the gaps in retirement income, the board and the Government must have a sophisticated monitoring and evaluation system not only to look at issues such as the proportions of women opting out and their circumstances but also to look at employers' alternative approved pensions schemes.

Nonetheless, it should be noted that Personal Accounts, like all third tier pension provision, will be based on individual contributions. And therefore it will reflect inequalities in lifetime earnings without narrowing the gender income gap in retirement. Indeed the increasing emphasis on the private individual's responsibility – rather than the state's responsibility - for pension provision is likely to result in greater gender inequalities in retirement. The evidence in this report and other research suggests that the larger gender gap in non-state pensions provision is likely to persist as the gendered patterns of unpaid and paid work, which limit women's ability to save into a private pension, remain stubbornly intact.

Financial capability and advice

We welcome the fact that financial capability education will be extended in primary and secondary schools. In order to serve boys and girls equally well, it would be useful if these lessons covered strategies for managing money within relationships and anticipated the possibly different life courses that those who will have caring responsibilities and lower incomes might have.

There are many good financial capability outreach services based locally or working with specific groups such as students or prisoners, but their reach needs to be extended further. In order to reach women, it is vital to use trusted intermediaries¹⁰² and with services located in the right places for women to access, such as family and children's centres¹⁰³.

A recent pilot run by the Financial Services Authority is a good example of scheme targeted at a particular group. It used midwives to distribute a 'parents guide to money' folder. Of 100 people who received the pack in the first pilot, 99% planned to take, or had taken, action such as setting up a savings account or rearranging borrowing as a result of reading the pack, and 68% had actually done so. Half said they had found out about an entitlement of which they were previously unaware of and 90% said the guide had improved their understanding of one or more financial areas such as tax credits, state benefits for families, Child Trust Fund or more generally the new financial considerations now they were going to have a baby. These approval rates are very high, and this may well be because participants opted into receiving the pack so were already in favour of the concept. Nonetheless, such a scheme, tailored to a particular group that our analysis show are having difficulties with saving and debts is an example of good practice.

The Government has asked Otto Thoresen to carry out a review examining the feasibility of delivering a national approach to generic financial advice¹⁰⁴. If such a service is introduced, it must be sensitive to women's very different life trajectories and therefore very different financial planning needs. For example, this might mean that when providing information to employees to enable them to decide whether to save into Personal Accounts, for instance, the service takes into account the different ability and patterns of saving by women.

The debt advice sector capacity continues to grow, partly due to funding from the Government's Financial Inclusion Fund. But there are still problems with low recognition of availability of services, particularly among financially excluded communities who may need them the most¹⁰⁵. As the debt advice sector grows, it will be important to ensure that expansion happens in the right places to meet those who need it most, including women. Debt advisor training must have an aspect of gender sensitivity. For example, the advisors should understand how to deal with victims of domestic violence and the different resolutions that might be available for with their financial difficulties (see section on domestic violence and financial abuse below).

Access to affordable credit

The Government's Growth Fund¹⁰⁶ has already allowed an expansion of affordable credit schemes provided by Credit Unions. Figures provided by the Treasury show that between July 2006 and June 2007, 72% of loans made as a result of the Growth Fund were made to women (almost 21,000 loans) and 46% of loans were made to lone parents. We urge the Government to further expand the coverage of this scheme and provide stability of funding to ensure that good schemes can continue.

Examinations¹⁰⁷ of the way the Social Fund operates have thrown up a number of problems, including that it is hard and unpredictable to access and little known. Initial changes suggested in a 2006 report published by the Joseph Rowntree Foundation¹⁰⁸ to improve the way that the fund serves those most in need included more publicity for the fund so that potential applicants are aware of its existence, faster processing times for applications, lower and negotiable repayment rates and more transparency about the way loans requests are considered. The report recommended that in the longer term the fund should be reformed to be more grant-based than the present system. Such reforms would be a key step in addressing financial exclusion and of particular benefit to women as they are more likely than men to have to rely on the Fund¹⁰⁹.

Work is currently being undertaken by the Joseph Rowntree Foundation¹¹⁰ to explore the commercial feasibility of a not-for-profit home credit service. This could be of particular benefit to women as they are much more likely than men to use home credit¹¹¹. We urge the Government to consider seriously any options for developing such a service identified by this work.

Divorce and relationship breakdown

Our analyses revealed the much greater difficulty that separated and divorced women have in building up savings and pensions and avoiding falling into arrears.

This is not surprising. Even though divorce courts now increasingly acknowledge the contributions made by unpaid caring work and provide some protection to women who have given up or cut back on earning in order to raise a families, the focus of the financial settlement has primarily been on ensuring housing or rehousing of the parties¹¹². This has for many years meant that in the financial settlement the carer of any children (almost invariably the mother) retains the house or sufficient share of it to ensure re-housing with the children¹¹³. Deliberation about the future ability of the carer to earn sufficient money to contribute to savings or a pension that might mean that she could live comfortably in retirement has generally been sacrificed to these considerations¹¹⁴.

The Government introduced a new pension sharing law in December 2000 with the hope that it would be a step towards security in retirement for divorced women. Before the new pension sharing law was introduced, the Government had projected that pension sharing orders would be made in a third of cases, with a widely publicised prediction that 50,000 pension sharing orders would be made in the first year¹¹⁵. However, the incidence of pension sharing orders has fallen well below this. Statistics from the former Department for Constitutional Affairs¹¹⁶ indicate that in 2005 pension sharing orders were

made (either by consent between the parties, or by a judge after a trial) in just 2,943 or less than 2% of divorce cases. Fawcett would like to see a much greater number of pension sharing orders in divorce cases and for lawyers to much more proactively include pensions in divorce negotiations.

Of course, many women cannot afford to pay divorce lawyer to help them receive a fair settlement. According to Rights of Women¹¹⁷ the phenomenon of ‘advice deserts’, where people are unable to find legal aid lawyers, even if they are entitled to free advice, is increasing. The charity further warns that the Government’s changes to legal aid funding following from the Carter Review¹¹⁸ will result in a further reduction in the number of legal aid solicitors providing advice and representation on family law matters. We would urge the Government to ensure that sufficient funding is made so that those on low incomes can receive advice on their legal rights upon relationship breakdown.

Fawcett was pleased to see that the Government had asked the Law Commission to consider the financial hardship suffered by cohabiting couples and their children on separation and whether new legislation should be brought in to provide protection to cohabitants. Of course, in heterosexual cohabiting relationships it is more often the woman who is more financially disadvantaged when cohabitation breaks down, especially if she has given up or cut back on paid work in order to care for children. Our analyses of savings, pensions and debt also reflect this. While the proposals in the Law Commission’s report¹¹⁹ would improve the financial wellbeing of many cohabiting women and their children upon breakdown of a relationship, Fawcett is concerned that the protection would still not be as great as that given to divorced women (which itself is not enough to prevent unequal gender outcomes). Fawcett does not believe the historic status that marriage has had should mean that cohabitants fail to receive equal protection under the law.

Domestic violence and financial abuse

The worrying picture around the part that financial abuse plays in domestic violence should also be a matter of concern for the Government. Domestic violence is a cross-Government priority led by an Inter-Ministerial Group for Domestic Violence, and there is a National Domestic Violence Delivery Plan to co-ordinate work on this issue. Public Service Agreement 23 commits the Government to prioritising reducing domestic violence, while tackling violence against women, including domestic violence, is a priority for the Ministers for Women. In spite of this commitment and although the Home Office recognises that financial abuse can be a form of or aspect of domestic violence, government work so far has not focused on the financial effects of domestic violence. We would urge the Government to consider this in all its future work to reduce domestic violence and provide support for victims.

Domestic violence charities such as Refuge and Women’s Aid have wide experience in supporting domestic violence victims with financial issues. The money advice sector more generally should be drawing on their broad experience. For instance, Refuge has developed a scheme with some creditors by which the charity certifies that debt is a direct result of domestic violence and the creditors waive the debt or treat the woman more leniently. This is just the kind of best practice scheme that more creditors could adopt as part of their commitment to corporate social responsibility. Furthermore such policies could be promoted by the FSA as part of its Treating Customers Fairly agenda and the Office of Fair Trading as part of its work with businesses to set high standards of customer service.

Refuge is currently developing a money advice guide for its own support workers to advise victims of domestic violence. The best practice in this guide should be disseminated more widely to money advisors across the country.

It would also be worth police specialist domestic violence teams and Crown Prosecution Service prosecutors looking at whether fraud, identify theft or blackmail prosecutions could be brought against perpetrators in some cases where the evidence is strong enough.

Chapter 6

Areas for future research

Intra-household use of resources

Our analyses would be well complemented by more detailed information on how assets and debts are distributed within couples; how couples make decisions in relation to assets and debts; how couples manage assets and debts; and how all this impacts on financial and general well-being in families. For instance, to what extent does ownership of an asset indicate who will have the benefit of consumption of the asset within a family? To what extent does relationship breakdown change this? To what extent do childcare responsibilities correlate with a greater or lesser share of influence over household resources and spending decisions? Key groups to include would be married and cohabiting couples; couples with children; and re-partnered couples. Age, employment status, ethnicity and income would also provide useful dimensions.

Collection of government statistics

The collection and analysis of statistics at an individual as well as a household level is a prerequisite to understanding gender differences and to formulating gender sensitive policy. Yet too often government statistics are collected exclusively at the level of the family/benefit unit. Also, we would urge the Government to continue to produce the Individual Income Series, which was not published in 2007, as it is an invaluable resource to understanding women's economic position.

Causes of debt

There is a need for clearer data on the reasons for debt and arrears, and this should be broken down by variables such as gender, age and ethnicity. The most notable previous piece of research to look at this was the report published by the Department of Trade and Industry in 2002, *Over-indebtedness in Britain* which included reasons for financial difficulties and arrears given in a survey. More detailed quantitative information not only on the reasons debtors give for problems but also what credit is used to pay for would be useful. Government surveys such as the BHPS, the FRS and the new Wealth and Assets Survey could be used to collect this information.

Divorce and relationship breakdown

Our analyses revealed stark patterns of disadvantage for women who go through divorce and separation, with a strong 'scarring' effect indicating that financial disadvantage continues for at least as long as a decade after relationship breakdown. We attempted to place this in the context of a broader literature on the differential financial impact of relationship dissolution on women and men, but found a paucity of existing literature to do this.

There is a need for much more data on the impact on relationship dissolution on women's and men's ability to earn, build savings and pensions, use credit as they would wish, avoid poverty and other measures. The role that the legal system plays and could play in entrenching or alleviating gender inequalities around relationship breakdown could be an important element to such research. Research into any effect that the level of financial equality within relationships has on long-term outcomes for the partners would also be of value; it was striking that the amounts of savings held by married couples who stay married are more equal than the amounts held by couples who go onto divorce.

Domestic violence and financial wellbeing

There is a dearth of evidence on how financial abuse as a form of domestic violence affects women victims and survivors of violence. Issues such as how financial abuse occurs, the short and long-term effects and how victims could be better supported by a range of agencies including domestic violence support services, the police, debt and money advice services and creditors should be explored. Refuge will be undertaking some research in this area over the next two years, which should help to plug some of these gaps in understanding.

Carers

Our analysis of the FRS and the BHPS did not reveal particularly clear differences between carers and the general population. This may well be because the definition of carer in these surveys is broad. It would be helpful to have research revealing the financial situation of carers broken down by more variables such as the amount of time spent caring each week, the length of time an individual has been a carer, other responsibilities of the carer, for example caring for children and parents, and the age, gender and ethnicity of a carer.

Women's mental health and debt

Our new analysis does not provide data on links between poor mental health and over-indebtedness. However previous research¹²⁰ has indicated that there is a strong correlation. This was reflected in the experiences of women who had experienced poverty interviewed by the Women's Budget Group interviewed for a 2005 report¹²¹. Furthermore a project¹²² undertaken recently by Oxfam, found that this correlation was particularly strong among lone mothers and single women. Although this project looked at just 24 low-income households, it seems that it would be worth exploring whether there is a gender effect here.

Endnotes

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- ³ See evidence from the Within-household Inequalities and Public Policy project, part of ESRC-funded Gender Equality Network. <http://www.genet.ac.uk/projects/project5.htm>
- ⁴ See, for instance, *Individual Income Series, 1996/97-2004/05*, Women and Equality Unit 2006 or K. Bellamy and K. Rake, *Money, money, money: is it still a rich man's world?*, Fawcett Society, 2005
- ⁵ Equal Opportunities Commission, *The Gender Agenda*, July 2007
- ⁶ Debt figures in this report presented from the BHPS relates to credit such as credit cards, personal loans and mail order debts; it does not deal with debt owed on mortgages or secured credit
- ⁷ BHPS 2005-6
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- ⁹ Ibid
- ¹⁰ *Individual Income Series, 1996/97-2004/05*, Women and Equality Unit 2006
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- ¹² The 12.6% pay gap represents the difference between the median average hourly wage for full-time male and female workers. The gap between women's and men's full-time mean hourly wages is 17.2%. Both figures come from the Office for National Statistics Annual Survey of Household Earnings, 2006.
- ¹³ BHPS 2000-1
- ¹⁴ FRS 2004/05
- ¹⁵ Ibid
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- ¹⁷ Childless here and elsewhere in the report meaning without dependent children in the household, rather than never having had children.
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- ³⁷ *Individual Income Series, 1996/97-2004/05*, Women and Equality Unit 2006
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- ³⁹ See, for instance, Fawcett Society, *Saving Lives*, 2007
- ⁴⁰ *When Ends Don't Meet*, Oxfam, 2006
- ⁴¹ Department of Trade and Industry, *Over-indebtedness in Britain*, Elaine Kempson, 2002
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- ⁴³ J. Goode, C. Callender and R Lister, *Purse or Wallet? Gender Inequalities within Families on Benefits*, 1998
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- ⁵⁶ Ibid
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- ⁶⁹ BHPS 2005
- ⁷⁰ This measurement looks at parents having more children, which might mean moving from a first to second child, second to third child or more
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- ⁷² BHPS 2005-6
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- ⁷⁷ <http://www.duluth-model.org/documents/PhyVio.pdf>
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- ⁹⁵ *Black and Minority Women in the UK*, Fawcett Society, 2005, *Moving on up*, Equal Opportunities Commission, 2007
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About Fawcett

Fawcett works to close the inequality gap between women and men at work, at home and in public life. We are proud to trace our roots back to 1866, when Millicent Garrett Fawcett began her lifetime's work leading the peaceful campaign for women's votes. Today we campaign so that all women can enjoy fair treatment and live with dignity and respect.

We campaign to transform women's lives by tackling the vicious cycle of inequality from all angles. We do this by focusing on women's access to:

- **Power:** a woman's right to exercise power and take the decisions that affect her life;
- **Money:** a woman's right to fair pay and pensions and to live free from poverty and discrimination;
- **Justice:** a woman's right to live free from violence and enjoy fair treatment.

We set the gender equality agenda through innovative campaigns supported by robust research, a national network of supporters and activists and unrivalled access to decision makers within politics, business and the media. We ensure that women's voices are heard in every debate and offer pragmatic solutions that never fail to put women first.

For more information on Fawcett and our work visit www.fawcettsociety.org.uk

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