

Financial Services Authority

*Women and personal  
finance:*

the reality of the gender gap

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# Foreword

In working towards its statutory objective of 'promoting public awareness of the financial system' the Financial Services Authority (FSA) will need to develop an understanding of the needs of different groups of consumers. For example, a recent FSA report "In or Out?" pulled together research on the causes and impact of financial exclusion to help us identify areas where our efforts could best be focused.

We have now turned our attention to the needs of women as financial consumers. This follows discussions with the Women's Unit, part of the Cabinet Office, senior representatives from the financial services sector and HM Treasury at a breakfast meeting at Number 11 Downing Street at the beginning of last year. It was decided at this meeting that not enough was known about whether women as consumers of financial products had specific needs and a working group should be set up to identify, collate and review relevant research.

This report is the result of our work. I hope the findings will stimulate debate and encourage the financial services industry to think further about the specific needs of women who, after all, represent a sizeable market. There are also matters for government to consider, particularly in the area of further encouraging pension take-up by women. The findings will certainly help us at the FSA gain a clearer understanding of women's financial behaviour and requirements so that we can target our consumer education and consumer protection programmes more efficiently.

Christine Farnish  
Director, Consumer Division  
March 2001

# Preface

## **Acknowledgments**

We would like to thank a number of organisations without whose help this research could not have been completed.

First, we are grateful to the research organisations who provided the literature for this review. This includes NOP, IFF Research Ltd and Mintel International. In particular, we would also like to thank Clare Whyley from the Personal Finance Research Centre at the University of Bristol for her contribution to chapter 3. Finally, thanks also to Gabrielle Levy at the FSA for all her hard work.

## **Authors**

This review was compiled and written by Mary Graham, FSA Consumer Education and Rob Warren, FSA Consumer Research.

# 1 Introduction: the context

1.1 The Women and Personal Finance Working Group was established following a breakfast meeting held in Downing Street at the beginning of 2000. It was agreed that the Financial Services Authority (FSA) would convene and chair the group with appropriate membership drawn from the retail financial services sector together with observers from the government's Women's Unit and HM Treasury.

1.2 Terms of reference for the group were discussed and agreed by all the members. These were:

*'To identify, review and collate existing relevant published and unpublished research on women and personal finance. In particular the group will examine what information is available on women's financial capability, both perceived and real, their access to information and the appropriateness of products to meet their needs as well as the marketing and distribution of these products. Relevant UK research, published or unpublished, known to group members and carried out over the last ten years will be considered.'*

1.3 In carrying out the research analysis for this report we wanted to explore whether women's use of financial products and services differed from those of men and how and why this was. In particular we wanted to look at how women's different life stages and work and family experiences affected their long-term needs for financial products and services, and how this is shifting over time with the changing role of women in society. But it was important to realise that it is not just the role of women that is undergoing change - the changing world of work and the demise of the 'job for life' is affecting men as well as women.

## Setting the legislative scene

1.4 The last few decades have seen major legislative changes which affect all women at some point in their lives. The main areas of change are listed below.

1.5 The 1970 Equal Pay Act stated that women doing the equal work of men were entitled to equal pay for it. This was followed by the 1975 Sex Discrimination Act which made it illegal for companies to discriminate by reason of sex or marital status. Women were also given the right to return to a job after having a baby and could not be made redundant or given a lower grade job on their return if they had been with the company for two years.

1.6 Both pieces of legislation were updated in the 1980s to align them with the European Union. The Equal Pay Act was redefined in 1984 to extend the principle of equal pay for work of equal value and the Sex Discrimination Act was updated in 1986 to bring retirement age into the definition of discrimination. This made it unlawful for women to have a different 'normal retirement age' from men within the same pension scheme.

1.7 In April 1998 the British government signed a European Directive which gave part-time workers the same employment rights as full-timers. The Directive does not cover pay but does cover rights to occupational pensions, paid holidays and benefits such as bonus schemes and opportunities for training.

1.8 Pension splitting on divorce has been introduced at the end of 2000 which means that pension rights will be taken into account as part of an overall financial settlement upon divorce or annulment. The government estimates that approximately 50,000 women will benefit from this change.

- 1.9 The Financial Services Authority (FSA) is an independent body set up by government to regulate financial services and protect consumers. Although the Financial Services and Markets Bill received Royal Assent in June 2000, the FSA will not assume its full powers until summer 2001 but is already working towards its four statutory objectives which are: maintaining market confidence, promoting public awareness of the financial system, protecting consumers and reducing financial crime.
- 1.10 Financial capability was introduced into the schools' curricula for England, Wales and Scotland in September 2000 and the FSA played a major role in helping define curriculum content. Much thought was given to what children will need to know and be able to do in order effectively to manage their money in the future.
- 1.11 Improving adult financial literacy also plays a key role in raising awareness and includes the production and distribution of FSA consumer booklets and factsheets as well as a section of consumer web pages on the main FSA website and a helpline for the general public. Later this year will also see the launch of the FSA's comparative information tables.

### **Setting the industry scene for retail financial services**

*The following section is based on the views of the industry members of the working group*

- 1.12 The UK financial services industry is currently experiencing great change which may ultimately completely redefine how providers and consumers interact with each other, women as much as men.

### **Industry consolidation – is less more?**

- 1.13 The future financial services market could consolidate to comprise a much smaller number of much larger providers. The search for critical mass has driven much recent merger and acquisition activity. Increased pressure on new business margins has led to a greater need for internal cost reduction and economies of scale. The large life offices in particular have found takeovers more efficient than organic growth in their attempts to increase their customer base and business volumes rapidly.
- 1.14 Consolidation is also being driven by the need to diversify methods of distribution. Providers will need more than a single distribution channel to reach their existing and potential customers and the resources being ploughed into these new methods (especially on IT developments) also have implications for the continuation of existing channels. The consolidation of banks and insurance companies that has and is taking place could lead to a lack of choice for many consumers or a lack of access for those living in more rural areas of the country. Indeed, the effects of large-scale bank branch closures on these rural communities have been the focus of much debate.
- 1.15 Amongst the life and pensions industry the introduction of stakeholder pensions is thought likely to be a key driver in further accelerating mergers and acquisitions. The maximum charge for stakeholder pensions could significantly restrict the profits for entrants and it may be those companies with access to large customer bases that are best placed to benefit.
- 1.16 Finally, a continuation of the current economic environment of low inflation and low interest rates could be a further factor leading to industry consolidation. A sustained period of low interest rates will lead to a decline in medium and long-term investment returns which may impact upon the perceived attractiveness of savings and investment products in general.

## The one per cent world

- 1.17 Many commentators consider that the introduction of stakeholder pensions<sup>1</sup> by the government heralds a fundamental change in UK financial services. The most radical aspect of stakeholder is the concept of mandatory minimum product standards and in particular the one per cent cap on the annual management fee. This has implications not only for the future of the UK pension market, where we have already seen the reduction of personal pension charges, but potentially for all retail financial products.
- 1.18 It is inevitable that stakeholder pensions are the focus of much media and consumer attention. Just as inevitably, the government-backed minimum standards will be used as a benchmark for costs across all financial products not just pensions. Many of these products will compare unfavourably with stakeholder pensions on cost and this will lead to pressure on industry to bring their charges for other financial services into line.
- 1.19 The rationale for the stakeholder cap on charges was that consumers would benefit from a relatively simple, low cost pension product that could be bought, in many cases, without the need for the expensive individual advice that has been a feature of other financial products.
- 1.20 However, as well as simplicity, the imposition of a maximum charge also brings with it pressure on distribution costs. Many firms will find it difficult to maintain their existing expensive distribution structures, for example company representatives or independent financial advisers, on the back of the limited returns from the product. Therefore, one likely result of the one per cent world could be a greater importance being placed upon potentially cheaper remote access distribution, for example telephone sales, mailshots and the internet.
- 1.21 Ironically, the increased emphasis on remote distribution could work against the less sophisticated and poorer, i.e. the original target market for stakeholder pensions. In a wide variety of research studies this group has been found to attach particular value to face-to-face contact with advisers.
- 1.22 In the one per cent world long-term relationships with customers will become even more important than at present. It is possible that firms will even devote more resources to developing existing customer relationships than to acquiring new customers. If so, this could make it more difficult for those groups of consumers with little or no take-up of financial services to access products.

## The impact of the internet

- 1.23 The internet has been regarded by many as the panacea to the problem of low-cost, mass-market distribution of financial services and products. However, the recent experience of the internet-only banks indicates that the actual impact of this channel, in the short-term at least, may have been over estimated.
- 1.24 Britain's internet-only banks are struggling to win customers in the face of uninterested consumers and increasing competition. Along with consumer concerns over security, or the perceived lack of it, the biggest problem has been that while a growing number of people are happy to bank on-line, few are ready to abandon branches altogether. Internet-only banks have also found that customers have a stubborn preference for buying long-term savings products face-to-face.
- 1.25 Going forward it looks likely that the internet will have a role to play for some consumers, probably the more financially sophisticated and confident. However, to be successful in the mass market, financial services providers will have to ensure that they offer a range of different distribution channels to meet consumer needs and preferences.

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1 Stakeholder pensions are new low-cost, private pensions available from 6 April 2001. They are meant for people who currently do not have a good range of pension options available to save for their retirement and will have to meet a number of minimum standards to make sure they offer value for money, flexibility and security.



## **Demutualisation**

- 1.26 One of the most striking features of UK financial services over recent years has been the increase in demutualisations. This drift has been particularly evident amongst deposit takers and the majority of the largest building societies have now converted to plc (public limited company) status.
- 1.27 Having accounted for most of the largest building societies, the focus for demutualisation is now turning towards the mutual life offices. One of the problems these assurers face is that it is more difficult for them to quantify and communicate the gains derived from mutual status than it is for building societies.
- 1.28 Although many of the remaining mutual building societies continue to emphasise the benefits of mutuality, the drift towards demutualisation means that as a whole the financial services industry is moving away from policyholder/member-focused structures that may be more inclined to support branch-based distribution networks.
- 1.29 Subsequently the impact will be felt more amongst less confident investors who prefer face-to-face contact. The growth of plcs may lead to more ‘cherry-picking’ of high net worth consumers just at the time when products such as stakeholder pensions are targeted at the mass market.

## **Structure of this report**

### **Women today and tomorrow**

- 1.30 In Chapter 2, we have pulled together all the relevant demographic information we could to help us segment women into different groups with different needs. This has given us an overview of the position of women in society today and what the picture will look like for them in years to come. It sets out the percentage of the population that is female by age and number, illustrating the impact of women’s greater longevity. It identifies the growth in one-person households and the increase in numbers of single-parent households headed by women. It also looks at educational attainment and participation in the workforce, and the impact having children has on women’s lifetime earnings.

### **Women and personal finance**

- 1.31 In order to identify whether women really do have different needs as financial consumers, Chapter 3 looks at current patterns of consumption of financial products by gender. We needed to gain an understanding of where any differences lie between men and women in their use of financial products. Are women less likely than men to own financial products and if so, why? Are there any financial products which are actually more popular with women than men? And on what basis do women decide to buy a financial product? Out of customer loyalty or comparison of price? And in the ever-increasing high-tech society we live in, how do women actually access information about financial products?
- 1.32 A clearer understanding of these differences would provide the basis for an assessment of what, if anything, could be done to ensure that women are not disadvantaged. The reasons for men’s and women’s different financial behaviour is likely to be complex and not necessarily directly linked to gender. Not all women are going to behave in the same way, nor is it a gender-specific issue with many men behaving in a similar way to many women. More likely is the fact that circumstances in peoples lives will probably have a greater impact on women than men, for example, having children and the subsequent breaks in employment, single parenthood and women’s increasing longevity.
- 1.33 It is also important to acknowledge that differences in financial behaviour are not necessarily problematic. They do not automatically indicate that women are less effective consumers of financial products than men, only that they are different.
- 1.34 Whether women actively plan for their financial futures was another area of interest. Financial planning ensures security and independence for the future, whether events are planned or unexpected. There has

been a gradual move over the last twenty years away from State provision of benefits and pensions to a greater emphasis being placed on the individual. This is a trend which is likely to continue. With increased life expectancy, it is more important than ever that women plan for their financial futures in their own right. But is this happening in reality?

### **Summary and conclusions**

- 1.35 Chapter 4 summarises the most significant issues raised throughout the report and draws together the conclusions.

# 2 Women today and tomorrow

- 2.1 Major changes in women's role in society have occurred in the last fifty years. Not only are women living longer than men, they are more likely to live on their own for a substantial portion of their lives through choice or necessity. Women's share of the workforce has almost reached half, a factor helped by the increasing level of their educational qualifications. Many women are now choosing not to have children, or if they do, to bring them up on their own. This chapter gives an overview of the ever-changing position of women in today's society, how we have reached this point and what the likely picture will be in the future.

## Population trends

- 2.2 In 1996 women accounted for just over half the UK population, totalling almost 30 million. Up to the age of 45 there are fewer women than men - but over the age of 45, this trend is reversed quite significantly. Women of retirement age currently make up 23 per cent of the total population. This figure will increase slightly by 2006 to 23.2 per cent.

**Table 2.1: Shifts in female population structure by age: UK,1971 – 2006**

	1971 000s	1981 000s	1991 000s	1996 000s	2006 000s	% change 1996 - 2006
0 - 4	2216	1682	1892	1834	1690	-7.8
5 - 14	4340	3963	3487	3698	3598	-2.8
15 - 24	4008	4423	4021	3565	3801	6.6
25 - 34	3441	3975	4466	4615	3704	-19.7
35 - 44	3241	3365	3968	4020	4637	15.3
45 - 59	5232	4829	4769	5312	5973	12.4
60 - 64	1715	1559	1498	1418	1652	16.5
65 - 74	2765	2931	2795	2748	2613	-4.9
75 - 84	1443	1755	1986	1940	1948	0.4
85+	359	461	682	794	862	8.6
<b>Total women</b>	<b>28761</b>	<b>28943</b>	<b>29562</b>	<b>29946</b>	<b>30478</b>	<b>1.8</b>
<b>Women as percentage of total UK population</b>						
	%	%	%	%	%	
0 - 4	48.7	48.7	48.7	48.7	48.7	
5 - 14	48.7	48.6	48.6	48.7	48.7	
15 - 24	49.2	49.0	48.8	48.7	49.6	
25 - 34	49.4	49.6	49.3	49.0	49.1	
35 - 44	49.8	49.7	49.9	49.7	49.0	
45 - 59	51.3	50.6	50.2	50.2	50.0	
60 - 64	53.2	53.1	51.9	51.2	50.9	
65 - 74	58.0	56.4	55.2	54.3	52.6	
75 - 84	66.8	65.6	63.3	62.1	59.1	
85+	74.0	76.6	76.1	74.4	71.4	
<b>Total</b>	<b>51.4</b>	<b>51.4</b>	<b>51.1</b>	<b>50.9</b>	<b>50.6</b>	

Source: ONS/Mintel

- 2.3 Due to their greater longevity, women outnumber men by an increasingly wide margin as they get older. In 1997, life expectancy for women at birth was 79.6 years compared with 74.6 years for men. Table 2.2 illustrates that by 2021 it is expected that on average men will live to be just under 79 years of age and women, almost 83 years.
- 2.4 The ageing of the population will continue over the next few decades and women will continue to outnumber men by a considerable margin, concentrated at the oldest ages. Therefore, while men will be living longer and the gap will be narrowed, there will still be significantly more women in retirement than men.

**Table 2.2: Female expectation of life at selected ages, UK, 1911 – 2021**

	1911	1931	1951	1971	1991	1997	2011	2021
At birth	53.9	62.0	70.9	75.0	78.8	79.6	81.6	82.7
At age 20	46.4	49.4	53.6	56.7	59.6	60.3	62.0	63.1
At age 40	29.8	32.2	34.9	37.3	40.0	40.8	42.5	43.5
At age 60	15.3	16.4	17.8	19.8	21.9	22.6	24.1	25.1
At age 80	5.6	5.6	5.9	6.9	8.4	8.5	9.1	9.9

<b>Male expectation of life at selected ages, UK, 1911 – 2021</b>								
	1911	1931	1951	1971	1991	1997	2011	2021
At birth	50.4	58.0	66.1	68.8	73.2	74.6	77.4	78.6
At age 20	44.0	46.5	49.4	50.9	54.2	55.5	58.0	59.1
At age 40	27.5	29.5	30.8	31.8	35.2	36.4	39.0	40.0
At age 60	13.7	14.5	14.8	15.3	17.7	18.8	21.0	22.0
At age 80	4.9	4.8	5.0	5.5	6.4	6.7	7.7	8.3

Source: Government Actuary's Department

## Marital status

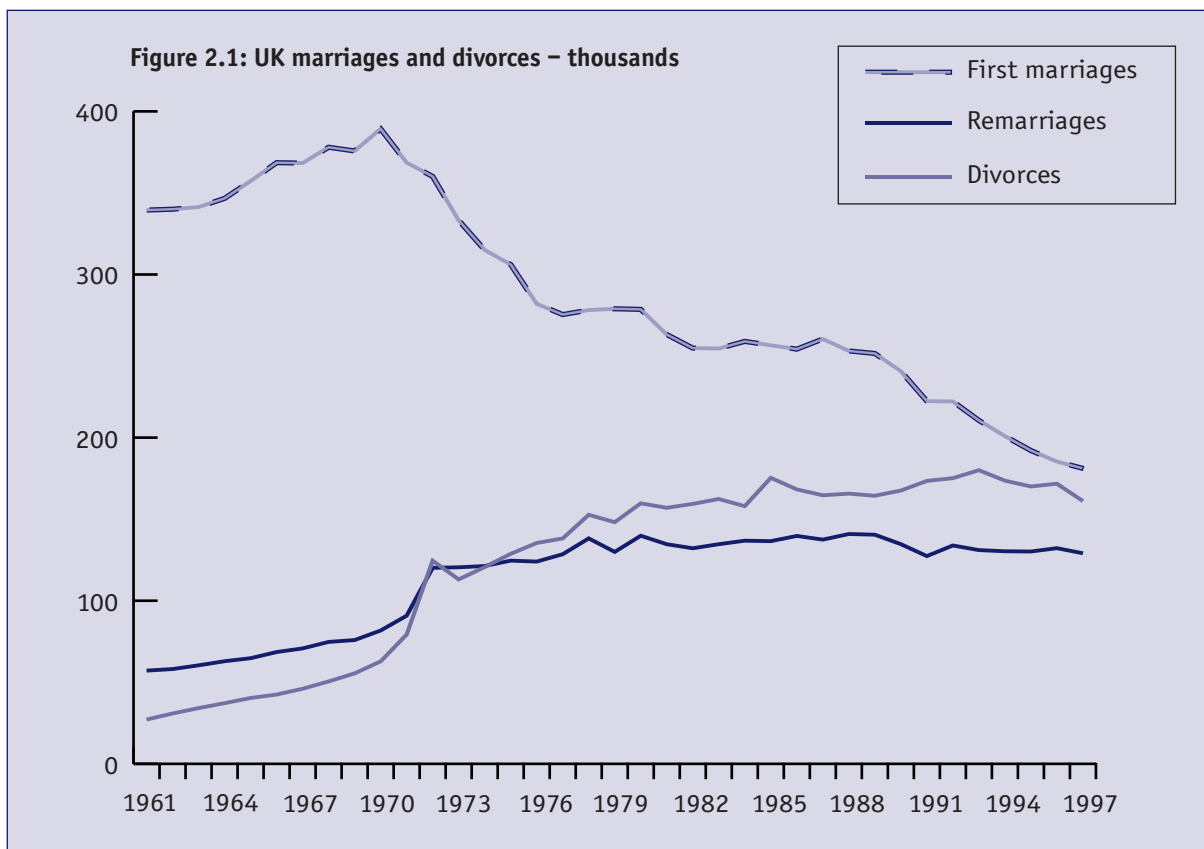
- 2.5 In 1996, nearly 54% of women aged over 16 were married, 24% were single, 9% were divorced and 13% were widowed. This is a very different picture to 1971 when over 65% of women were married and illustrates the declining trend in marriages seen over the last three decades.

**Table 2.3: Women by marital status, England and Wales, 1971 – 96**

All aged 16+	1971	1981	1991	1996	% change
	000s	000s	000s	000s	1971 - 96
Single	3583	4114	4822	5171	44
Married	12566	12284	11838	11406	-9
Divorced	296	828	1459	1819	515
Widowed	2810	2939	2978	2870	2
<b>All</b>	<b>19255</b>	<b>20165</b>	<b>21097</b>	<b>21266</b>	
	%	%	%	%	
Single	18.6	20.4	22.9	24.3	
Married	65.3	60.9	56.1	53.6	
Divorced	1.5	4.1	6.9	8.6	
Widowed	14.6	14.6	14.1	13.5	

Source: ONS/Mintel

- 2.6 Over the same period there had been a growing proportion of women divorcing, up from 1.5% in 1971 to 8.6% in 1996. The number of people getting married in the UK in 1997, at 310,000 was amongst the lowest it has been during the twentieth century.



Source: ONS; General Register Office for Scotland; Northern Ireland Statistics and Research Agency

- 2.7 The numbers of women cohabiting is also increasing. ONS data shows that the proportion of single women aged 18 - 49 cohabiting increased from 9% in 1981 to 27% in 1996/97. Not surprisingly with the sharp increase in divorce, a growing proportion of marriages were remarriages of divorced women, up from 5% in 1961 to 27% in 1998. In contrast, over the same period the proportion of widows remarrying had dropped significantly from 5% to 2.5%.

**Table 2.4: Womens' trends in marriage, England and Wales, 1961 – 96**

	1961 000s (%)	1971 000s (%)	1981 000s (%)	1991 000s (%)	1996 000s (%)	1998 000s (%)
First marriages	312.3 (90.1)	347.4 (85.8)	263.4 (74.8)	224.8 (73.3)	192.7 (69.1)	187.4 (70.1)
Remarriages of divorced women	18.0 (5.2)	39.6 (9.8)	75.1 (21.3)	73.4 (23.9)	78.9 (28.3)	73.3 (27.4)
Remarriages of widowed persons	16.5 (4.8)	17.7 (4.4)	13.5 (3.8)	8.6 (2.8)	7.3 (2.6)	6.6 (2.5)
<b>Total marriages</b>	<b>346.8</b>	<b>404.7</b>	<b>352.0</b>	<b>306.8</b>	<b>278.9</b>	<b>267.3</b>

Source: ONS

- 2.8 Aside from the emotional impact, one of the key results of marital splits is the effect it has upon earnings. A study by the Institute of Social and Economic Research<sup>2</sup> shows that marital splits (defined as a transition from a legal marriage or cohabiting union to living apart) are, on average, accompanied by substantial declines in real income for wives (a median net income change of -18%), whereas the real income for husbands changes little (median net income change of +2%). The study found that around two-thirds of separating wives (including women cohabiting) experienced an income fall. These figures

2 Jarvis and Jenkins, *Marital Splits and Income Changes* (Institute of Social and Economic Research, 1999)

emphasise that divorce or separation is a major risk factor for women’s financial health with one in ten married women facing divorce at today’s rates.

## Household status

- 2.9 The number of one-person households has increased rapidly during the twentieth century. In 1901, about 1 in 20 households were made up of one person living alone. This figure had increased to just under 1 in 3 by 1998 - 99, many of which will be headed by a woman. This again reflects the decline in marriage and the increase in the numbers of separations and divorces as well as the fact that many people now choose to live on their own before marrying or cohabiting.

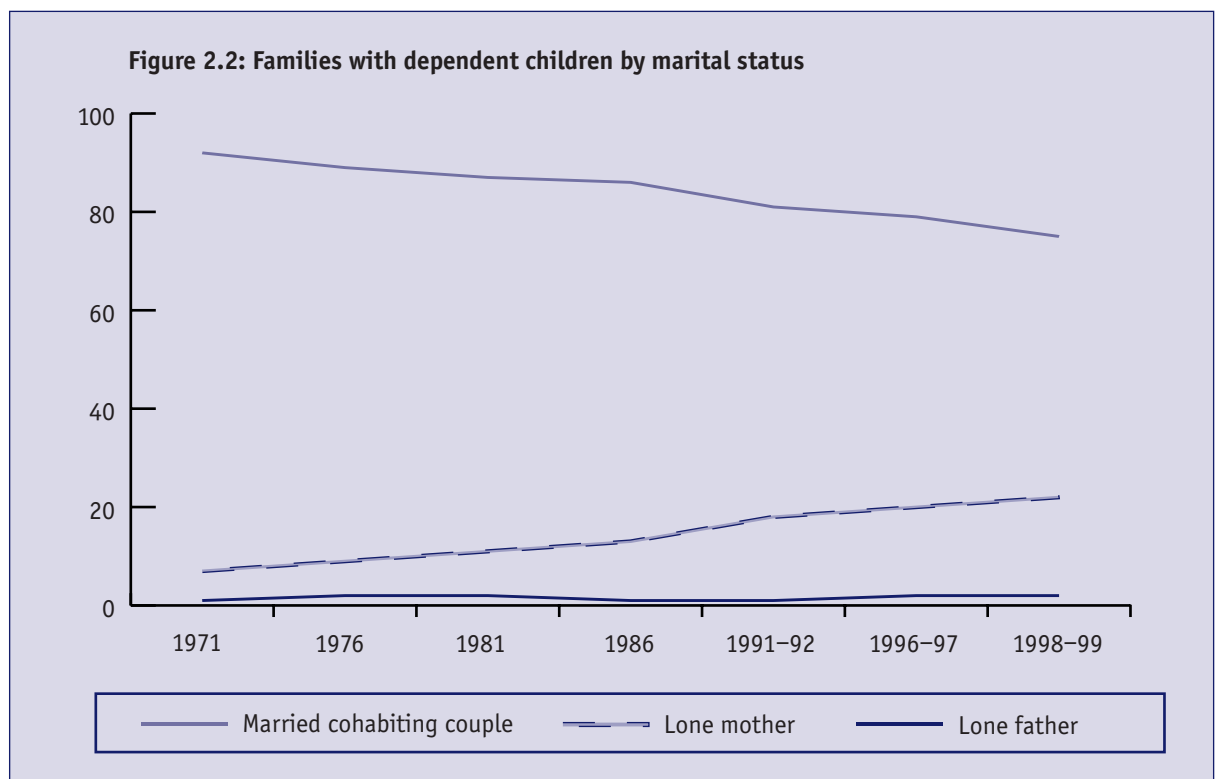
**Table 2.5: Percentage of households by family type, GB, 1961 – 1998/99**

	1961	1971	1981	1991	1998/99
One person: under pensionable age	4	6	8	11	14
One person: over pensionable age	7	12	14	16	15
Two or more unrelated adults	5	4	5	3	2
One family households: couple: no children	26	27	26	28	30
One family households: couple: dependent children*	38	35	31	25	23
One family households: couple: non-dependent children only	10	8	8	8	6
Lone parent: dependent children	2	3	5	6	7
Lone parent: non-dependent children only	4	4	4	4	3
Multi-family households	3	1	1	1	1

\* May also include non-dependent children

Source: ONS

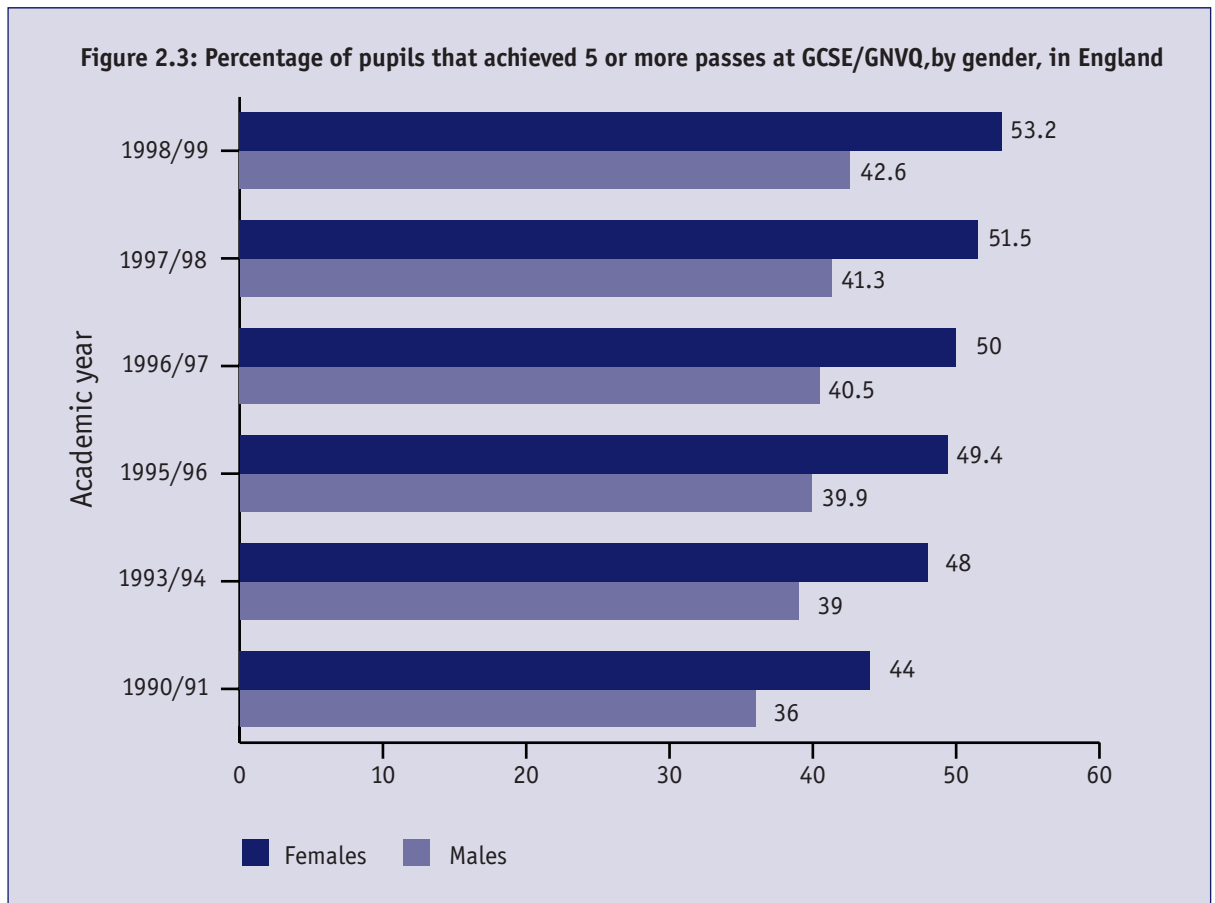
- 2.10 The number of single mothers with families now accounts for nearly a quarter of all families with dependent children (Figure 2.2). This has noticeably increased since 1986 whereas the number of single men heading up families has remained fairly static over the last thirty years.



Source: General Household Survey

## Educational attainment

- 2.11 Today, fewer women are without any educational qualifications than ever before. The proportion has fallen from 46% in 1984 to 21% in 1998. The gap in the proportion of men and women with a qualification narrowed between 1975 and 1996, mainly because the proportion that reached GCE, GCSE and A or degree level equivalent qualification has grown at a faster rate among women than among men.
- 2.12 The examination performance of girls has improved over time and they now outperform boys at every examination level of the education system. In 1998/99, 53% of girls aged 16 achieved five or more grades A to C at GCSE or CSE Standard Grade, compared with 43% of boys



Source: DfEE Statistical First Release

- 2.13 Girls go on to higher education in equal numbers to boys although they are likely to pick different subjects to study.

**Table 2.6: Women obtaining higher education qualifications (sub-degree to Masters) by type of course 1995 – 96**

Subject type	Females 000s	Females As % of total
Medicine and dentistry	3.8	48.7
Subjects allied to medicine	20.4	50.0
Biological sciences	10.9	59.6
Physical sciences	7.0	36.3
Mathematical sciences	6.0	26.3
Engineering and technology	5.3	14.1
Social sciences	29.8	56.3
Business and financial studies	32.9	49.6
Languages	14.4	69.2
Creative arts and design	14.0	58.6
Other subjects	84.1	55.8
<b>All subjects</b>	<b>228.6</b>	<b>51.3</b>

Source: DfEE

- 2.14 There has been an enormous expansion of further and higher education since the 1970s and women particularly are taking advantage of this. Over a half of higher education students in the UK were women in 1997/98 compared with a third in 1970/71.

**Table 2.7: Students\* in further and higher education by gender (thousands)**

		1970/71	1980/81	1990/91	1997/98**
All further education	Males	1007 (58%)	851 (51%)	987 (44%)	1070 (43%)
	Females	725 (42%)	820 (49%)	1247 (56%)	1410 (57%)
All higher education	Males	416 (67%)	526 (64%)	638 (54%)	918 (47%)
	Females	205 (33%)	301 (36%)	537 (46%)	1021 (53%)

\* Home and overseas students  
 \*\* 1997/98 refers to enrolments rather than headcounts as for other years.  
 Further education data for England and Wales relate to 1996/97.

Source: DfEE

- 2.15 Female students gained more first-class degrees than their male counterparts for the first time in 2000, even in traditionally male-dominated areas such as agriculture, law and business.<sup>3</sup>
- 2.16 As the educational attainment of women improves the number of women entering higher-paying professions is increasing. For example, in law, accountancy and medicine, women now make up almost half the annual intake of graduates.
- 2.17 Historically, men have better numeracy skills than women. The average number of correct answers achieved by men was 8.6 compared with 7.3 for women in a recent numeracy survey (Table 2.8). While 54% of men correctly answered 10 - 12 questions, only 39% of women were able to achieve this score. The tasks included adding and subtracting decimals, calculating percentages and using fractions.



**Table 2.8: International Numeracy Survey: UK results by gender**

	Overall %	Male %	Female %
12 correct answers	20	23	17
10 - 12 correct answers	47	54	39
6 - 9 correct answers	27	24	31
5 or fewer correct answers	22	19	25
Could not answer any questions	2	1	3
Refused after seeing all questions	2	1	3
Average number of correct answers	7.9	8.6	7.3
Base: Male (338), female (323)			
Source: International Numeracy Survey, Opinion Research Business, 1996-97			

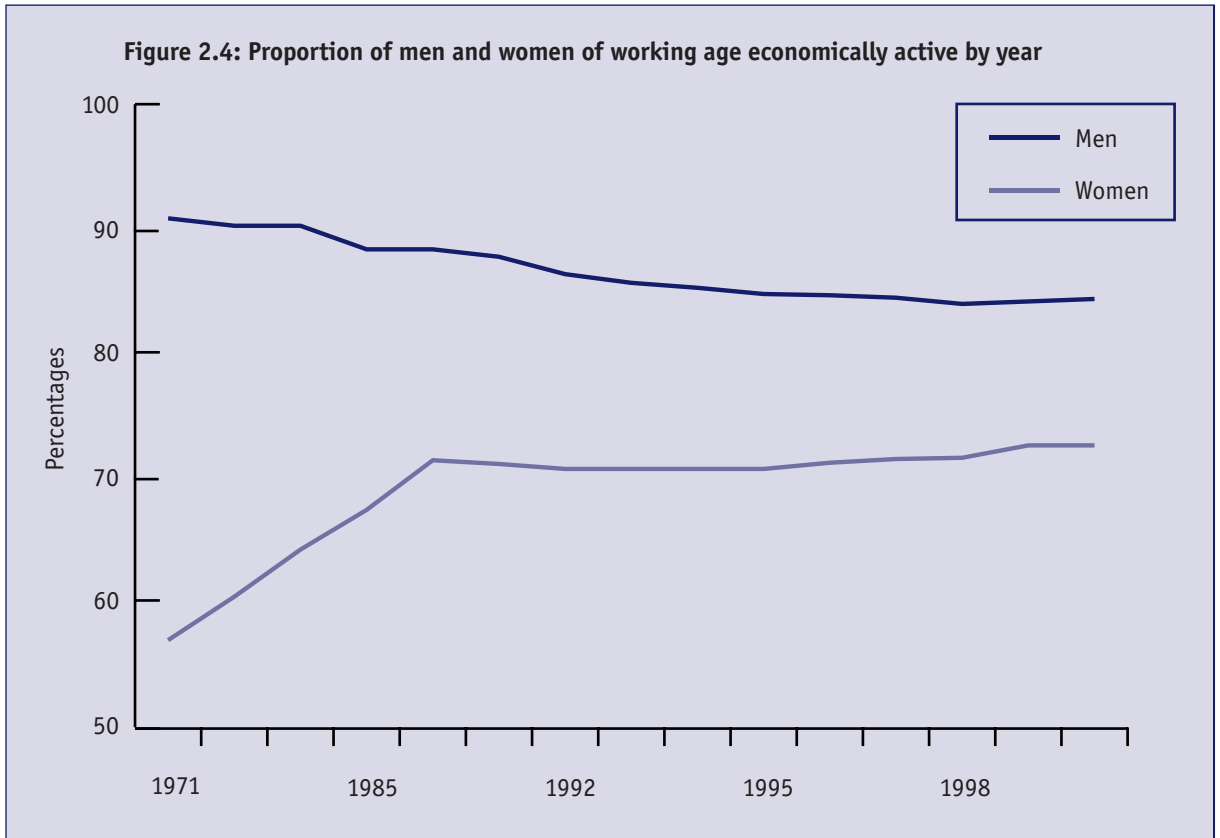
## Participation in the labour force

- 2.18 There are 23.8 million women in the UK aged over 16 of whom 13.1 million (55%) are economically active i.e. they are in employment or are actively looking for work, whilst 10.7 million (45%) are inactive.

**Table 2.9: Women's participation in the labour market, UK, 2000\***

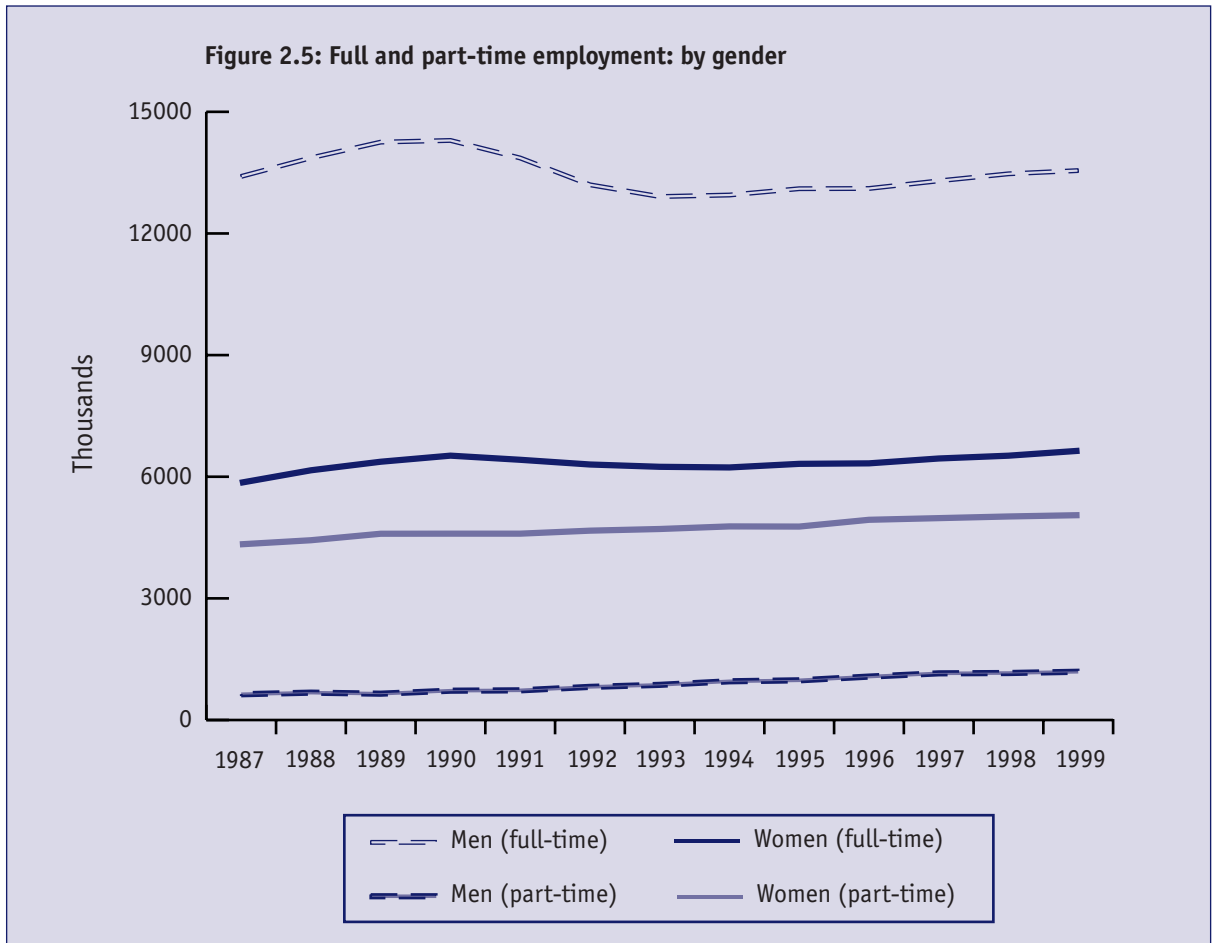
	Women 16+ 000s	Women 16 - 59 000s	Women 16 - 59 with dependent child under 18 000s
Total	23826	17292	7479
Economically active	13084	12534	5145
In employment	12457	11916	4864
Unemployed	628	618	281
Economically inactive	10742	4758	2334
% Economically active	54.9	72.5	68.8
* Spring quarter (March - May)			
Source: Labour Force Survey/ONS			

- 2.19 The proportion of women of working age, i.e. aged 16 to 59, that are economically active has increased at the same time that the proportion of economically active men has declined. Women's economic activity rates rose from 56% in 1971 to 73% in 2000 while men's economic activity rates fell from 91% to 84% over the same period. These trends are expected to continue. Women are therefore vital to the UK economy and their importance in the labour market is growing.



Source: Labour Market Trends/ONS

- 2.20 A distinguishing feature of women's employment is the high proportion working part-time. In 1998, 44% of women in employment in the UK worked part-time compared to only 8% of men. Part-time work is especially popular among mothers. In 1998, 60% of working mothers with dependent children had part-time jobs compared with 33% of women without dependent children.



Source: Labour Force Survey/ONS

- 2.21 Whilst women make up the majority of the part-time workforce, the number of men working part-time has more than doubled since 1984. The drivers for part-time working also differ by gender. ONS data show that in spring 1999, around 80% of women said they worked part time because they did not want a full-time job, compared with about 40% of men. Most of these women did not want to work full-time because they wanted to spend more time with their family or had other domestic commitments. Men were far more likely than women to be working part-time because they could not find a full-time job.
- 2.22 Women's employment is also distinguished from men's by where they work and the kind of work they do. Women are highly concentrated in certain sectors of the economy doing a narrow range of jobs, usually at the lower-paid end of the hierarchy especially if their jobs are part-time. Table 2.10 shows that women in the UK outnumbered men in clerical and secretarial work, personal and protective services (e.g. hairdressing, cleaning and catering) and selling. Over a half of all employed women worked in these three occupation groups.

**Table 2.10: Employees\* by gender and occupation: UK, 1991 and 1999 (percentages)**

	Males		Females	
	1991	1999	1991	1999
Managers and administrators	16	19	8	11
Professional	10	11	8	10
Associate professional and technical	8	9	10	11
Clerical and secretarial	8	8	29	26
Craft and related	21	17	4	2
Personal and protective services	7	8	14	17
Selling	6	6	12	12
Plant and machine operatives	15	15	5	4
Other occupations	8	8	10	8
<b>All employees** (millions)</b>	<b>11.8</b>	<b>12.4</b>	<b>10.1</b>	<b>10.8</b>

\* At spring each year. Males aged 16 - 64, females aged 16 - 59

\*\* Includes a few people who did not state their occupation. Percentages are based on totals that exclude this group

Source: Labour Force Survey/ONS

- 2.23 Women's penetration of managerial positions is increasing. Today, almost a quarter (22%) of managers are women, compared to only 8% in 1990. Women also have an increased presence in the boardroom with 9.6% now sitting on a board compared with 1.6% ten years ago.<sup>4</sup> However, out of all board directors of companies in the FTSE 100 Index, only 5% were women.
- 2.24 In 1999, 3.2 million people were self-employed, three-quarters of whom were men and a quarter women. As with the employed, male and female self-employed are concentrated in different industries. One in four self-employed women in the UK work in public administration, education and health compared with one in 20 men. Conversely, one in four self-employed men work in construction compared with around one in 50 women.

**Table 2.11: Self-employment by gender and industry – UK, spring 1999 (percentages)**

	Males	Females	All persons
Construction	27	2	21
Distribution, hotels and restaurants	18	23	19
Banking, finance and insurance	19	18	19
Public administration, education and health	5	24	10
Manufacturing	7	7	7
Agriculture and fishing	7	4	6
Transport and communication	8	3	6
Other services	8	19	11
<b>All industries (millions)</b>	<b>2.4</b>	<b>0.8</b>	<b>3.2</b>

Source: Labour Force Survey/ONS

## Earnings

- 2.25 Table 2.12 shows the median gross individual income by age, gender and family type. Older women have significantly lower incomes than their male counterparts, sometimes by as much as half or more (women in the 65-69 age group).

**Table 2.12: Median gross individual income 1998/99 (£per week 1998/99 prices)**

Age	Women					Men			
	Single no children	Single with children	Couple no children	Couple with children	All women	Single no children	Couple no children	Couple with children	All men
16 – 19	73	*	*	*	74	87	*	*	90
20 – 24	144	101	180	38	132	161	247	178	171
25 – 29	251	116	276	87	182	252	333	278	276
30 – 34	277	136	300	103	154	253	370	350	325
35 – 39	222	165	244	131	155	265	360	374	347
40 – 44	199	184	185	141	159	231	315	383	336
45 – 49	184	178	150	157	159	203	348	406	350
50 – 54	189	*	121	127	130	206	345	362	327
55 – 59	150	*	85	*	97	148	286	242	261
60 – 64	125		73	*	90	142	224	*	209
65 – 69	116		59		82	134	178		171
70 – 74	106		52		81	125	152		144
75 – 79	106		49		86	116	128		124
80 – 84	100		52		90	113	135		123
85+	109		*		102	117	*		118

\* Indicates that the sample size was too small and a reliable estimate could not be made

Source: Women's Unit

- 2.26 Looking at average hourly earnings of women working full-time compared to men (Table 2.13), it can be seen that women earn 81% of what men earn. This is a slight increase since 1991 when women earned on average 78% of men's earnings. The difference is due to a number of factors including women interrupting their careers to care for children or ageing relatives which may have knock-on effects on their promotion and salary prospects, discrimination in some cases and fewer women holding senior positions.

**Table 2.13: Average weekly and hourly earnings and hours of full-time employees on adult rates: Great Britain (at April), all industries and services, 1991 - 98**

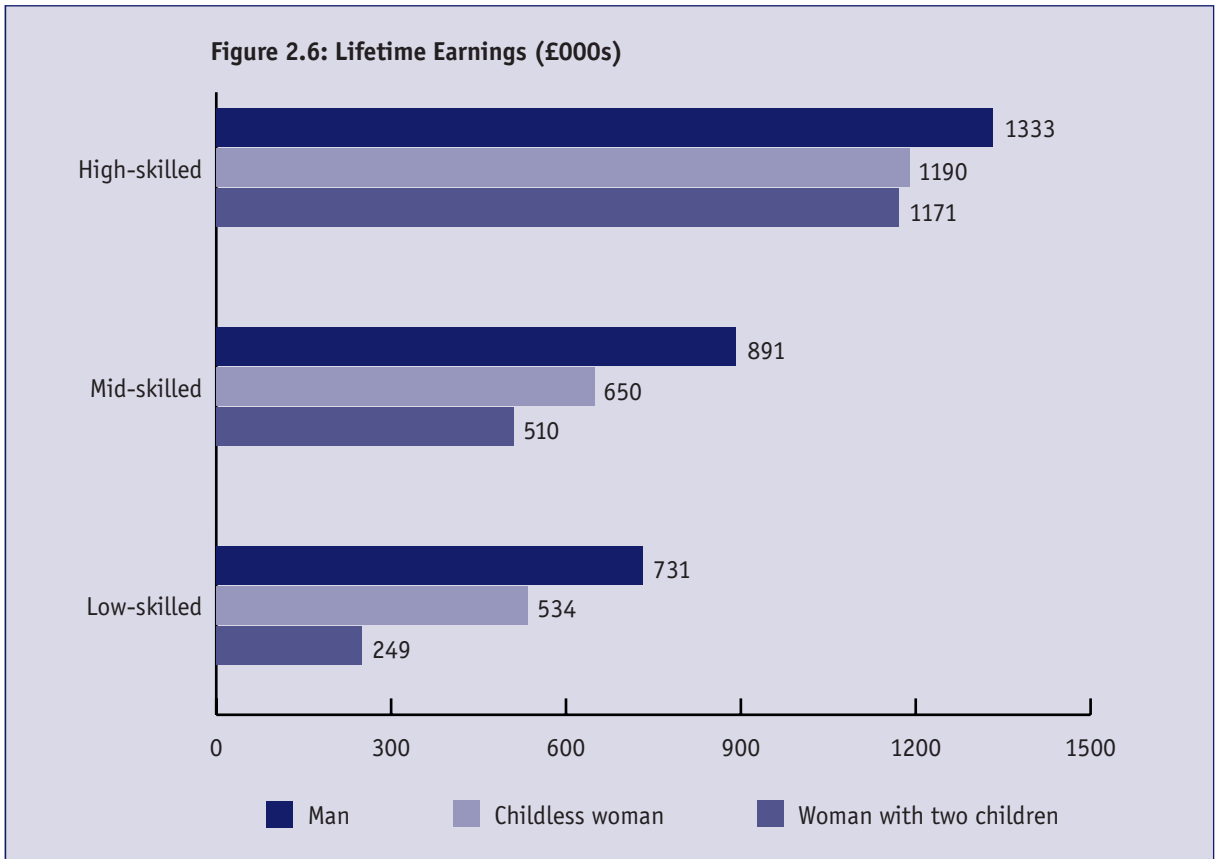
Total	Weekly earnings £*	Hours worked	Hourly earnings £**	
1991	284.7	40.0	7.00	
1992	304.6	39.9	7.50	
1993	316.9	39.8	7.84	
1994	325.7	40.1	8.03	
1995	336.3	40.3	8.31	
1996	351.7	40.2	8.71	
1997	367.6	40.3	9.10	
1998	384.5	40.2	9.53	
<b>Men</b>				
1991	318.9	41.5	7.55	
1992	340.1	41.4	8.07	
1993	353.5	41.3	8.44	
1994	362.1	41.6	8.61	
1995	374.6	41.9	8.91	
1996	391.6	41.7	9.34	
1997	408.7	41.8	9.74	
1998	427.1	41.7	10.20	
<b>Women</b>				% of men's hourly earnings
1991	222.4	37.4	5.91	78.3
1992	241.1	37.3	6.40	79.3
1993	252.6	37.4	6.70	79.4
1994	261.5	37.6	6.89	78.0
1995	269.8	37.6	7.15	80.2
1996	283.0	37.6	7.51	80.4
1997	297.2	37.6	7.88	80.9
1998	309.6	37.6	8.23	80.7

\* excluding those whose pay was affected by absence

\*\* including overtime pay and overtime hours

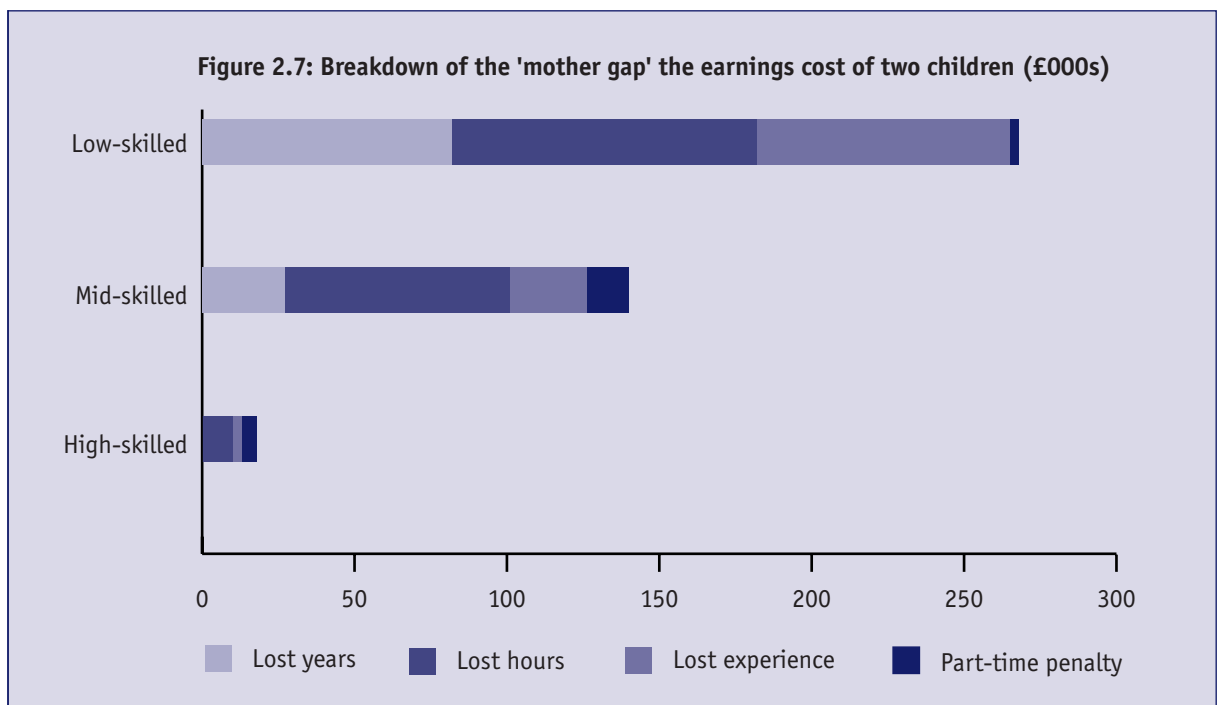
Source: New Earnings Survey/ONS

- 2.27 Research<sup>5</sup> reveals that the level of a woman's educational achievement has the biggest single impact on her likely lifetime's income. However, the hours she works, how many children she has and when she has them, and whether she divorces also have significant impacts on her lifetime income.
- 2.28 The Women's Unit report uses three hypothetical individuals with given characteristics, a key one being skill level. Mrs Low-Skill has no qualifications, Mrs Mid-Skill has qualifications at GCSE level and Mrs High-Skill has a degree qualification.
- 2.29 The size of the gender earnings gap (the difference in lifetime earnings between equivalently skilled childless women and men) varies by educational level. For Mrs Low-Skill and Mrs Mid-Skill, the gender gap represents over a third (37%) of their lifetime earnings, compared to Mrs High-Skill who experiences a smaller shortfall of around an eighth (12%).



Source: Women's Unit

2.29 In addition to the gender earnings gap, women who have children experience a 'mother gap', which represents the difference in lifetime earnings between equivalently educated women with and without children. For two children these figures are: Mrs Low-Skill, £285,000; Mrs Mid-Skill, £140,000; and Mrs High-Skill, £19,000. High-skilled mothers forgo much less income than low- or mid-skilled mothers do as they largely retain their place in the employment market. For Mrs Low-Skill, the effect of having children exceeds the already large impact of gender on her lifetime earnings.



Source: Women's Unit

2.30 The combined effect of both 'gender' and the 'mother gap' can be thought of as the difference in lifetime earnings between the mother and a father in a family (the 'parent' gap) and is substantial across the skills spectrum. Mrs Low-Skill with two children earns around half a million pounds less than her low-skilled husband does. For Mrs Mid-Skill the equivalent figure is £380,000, and for Mrs High-Skill, £160,000. This shows that the most important source of variation on women's lifetime earnings is the level of educational attainment.

### Summary

- Women are living longer;
- They outnumber men by an increasingly wide margin as they get older and will therefore, be more likely to live alone in their old age;
- Older womens' incomes are significantly lower than their male counterparts;
- The decline of marriage and the increase of divorce or separation has led to an increasing number of women heading up family households;
- Divorce and/or separation leads to a substantial decline in real income for women;
- Women outperform men at every examination level of the education system;
- The number of women in work or looking for work has increased dramatically and is set to increase further;
- Women make up the majority of the part-time workforce although the number of men working part-time has increased;
- The number of women in management is increasing;
- However, earnings are still not equal with men's but have slightly increased in the last decade;
- The most important source of variation on women's lifetime earnings is her level of educational attainment.



# 3 Women and personal finance

## Patterns of ownership of financial products

- 3.1 This chapter looks at the patterns of ownership of financial products for men and women, how they actually engage with the financial services industry and how they plan for their financial future, if at all. We wanted to find out where there are differences and where there are similarities. If differences do exist, we wanted to find out how much they are down to gender or, how much they are down to the different circumstances experienced by women throughout their lives (for example, breaks in employment, low wages or lone parenthood). Alternatively, they could relate to factors that tend to impact more heavily financially on women than they do on men, such as relationship breakdown.
- 3.2 If differences do exist, it does not necessarily mean that women are less effective consumers of financial products than men (or vice versa). However, knowing where these differences lie could promote a better understanding of men and women's financial behaviour and provide the basis for an assessment of what, if anything, might need to be done to ensure that women are not disadvantaged.
- 3.3 Top-line analysis of Financial Research Survey (FRS)<sup>6</sup> data indicated some differences between men and women in their use of financial products. In particular, it found that:
- Men and women held different attitudes to financial products with women being more cautious, more careful and more traditional than men;
  - Women owned slightly fewer financial products, with the exception of savings accounts, than men;
  - There were gender differences in current account and pension ownership; and
  - Women preferred different distribution and delivery channels to men, favouring a smaller number of suppliers, being more influenced by their existing relationships with financial institutions, and being less likely to have switched suppliers or be planning to do so.

## Further analysis of FRS data

- 3.4 To gain a clearer understanding of these patterns further analysis of the FRS was required. A more direct comparison of the financial behaviour of men and women in similar circumstances resulted. In particular, the further analysis:
- Illustrated that women (as consumers of financial products) are not a homogeneous group. Often there are no differences between women and men in similar positions or roles;
  - Where differences do exist, these are down to 'structural' factors such as age, employment, ethnic origins and social backgrounds as well as particular circumstances. They do not relate to gender per se;
  - Identified where the key differences between men and women's financial behaviour lie; and
  - Highlighted the factors that had a particular impact on women's financial behaviour.

Care is needed with some of the analysis in this section as the sub-group may be small.

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6 NOP Financial Research Survey

## **Ownership of financial products**

- 3.5 Patterns in ownership of financial products did not apply equally to all women. Instead, they were concentrated among particular groups of women. This section looks in greater detail at where the differences are concentrated.
- 3.6 Financial products are defined as current account, savings account, life assurance, PEPs, National Savings, stocks and shares, unit trusts, ISAs, investment bonds, other investments, pension (occupational/personal), credit card, mortgage, store card, charge card, personal loan, household insurance, health insurance.

## **Likelihood of having any financial products**

- 3.7 Although the Mintel research showed that women's take up of financial products had increased during the 1990s,<sup>7</sup> the FRS analysis shows that they were still slightly less likely than men to own any financial products at all (Table 3.1).

---

7 *Women and Finance* (Mintel International, 1998)

**Table 3.1: Likelihood of having no financial product***Percentages*

	Men	Women
<b>Age</b>		
16 - 20	10	10
21 - 24	4	8
25 - 34	4	6
35 - 44	3	4
45 - 54	3	4
55 - 64	4	4
65+	4	6
<b>Marital status</b>		
Married	2	3
Cohabiting	5	5
Single	9	10
Separated	9	10
Divorced	6	7
Widowed	9	8
<b>Dependent children in the household</b>		
Yes	4	7
<b>Ethnic group</b>		
White	4	5
Black	7	13
Indian	6	9
Pakistani	11	19
Bangladeshi	14	31
Other	9	14
<b>Employment status</b>		
Full-time employment/self-employment	1	1
Part-time employment/self-employment	3	2
Full-time education	8	8
Retired	4	6
Unemployed	17	15
Unable to work	17	16
Economically inactive	15	11
<b>Household income level</b>		
Up to £9,499	11	10
£9,500 - £15,499	2	3
£15,500+	*	*
<b>Total</b>	<b>4</b>	<b>6</b>

Source: NOP Financial Research Survey

\* Numbers too small to calculate percentages

- 3.8 Overall, 6% of women had no financial products at all compared with just 4% of men. The following characteristics have a particular influence on whether women have any financial products.

### *Age*

- 3.9 A clear age effect was apparent in ownership of financial products. Women aged between 21 and 34 and those aged over 65 were less likely to have financial products than men of the same age.

### *Household income and employment status*

- 3.10 Analysis shows that household income and employment status made little difference to the likelihood of men and women having financial products. In fact, women who lived in low-income households and who were outside the labour market as a result of unemployment, sickness, disability or caring responsibilities were actually less likely to be without financial products than their male counterparts. The same is true of women in part-time employment or self-employment.
- 3.11 However, percentages only tell part of the story and these findings must be viewed in the context of the different proportions of men and women in each of the categories. Women are, for example, nearly seven times as likely to be economically inactive than men, largely because they tend to take responsibility for caring for children and the home. They are also six times as likely as men to be working part-time. The absolute numbers of women without any financial products in these groups is therefore much larger than their male equivalents.

### *Children*

- 3.12 Women with dependent children were much less likely to have financial products than men in the same position. In fact, women with young children were nearly twice as likely to be without any financial products as men in similar circumstances.

### *Ethnic origin*

- 3.13 Gender differences did exist related to ethnic origin:
- People of all minority ethnic groups were less likely to have financial products than their white counterparts, but ethnic minority women were particularly likely to be without them;
  - Bangladeshi women were least likely to have financial products and one in three had none at all; and
  - Women who were black or of Pakistani or Bangladeshi origin were, in fact, around twice as likely to have no financial products at all as men of the same ethnic groups.

However, cultural reasons are likely to play a significant role in these differences (for instance Muslim banking).

## **Overall use of financial products**

- 3.14 In overall terms, where women did use financial services they tended to use fewer products than men (Table 3.2). On average, men owned 6.0 financial products, compared with just 5.2 among women. Again, however, this lower use of financial products was more noticeable among particular groups of women.

### *Age*

- 3.15 Age influenced the number of financial products owned by both men and women, with lower levels of product ownership among the 25-plus age group and the oldest age groups. Women never owned as many financial products as men at any age apart from the 16-24 age group. The difference became particularly evident once they were aged over 35.

### *Marital circumstances*

- 3.16 Women who were married, cohabiting, separated or widowed all used fewer financial products than men in the same circumstances. This is likely to be because women often give up financial products in their own name when they become part of a couple or when they marry.

### *Children*

- 3.17 Women also stop using financial products in their own right once they leave the labour market or reduce their engagement with it, due to caring responsibilities. Consequently, women with dependent children made use of only 5.5 financial products, compared with 6.6 among their male counterparts.

### *Ethnic origin*

- 3.18 Ethnic origin also influenced the extent to which women were engaged with the financial services industry. Women whose cultural background made them less likely to be in employment or who lived in households in which men tended to take responsibility for household finances, made far less use of financial products than their male counterparts.

**Table 3.2: Average number of products held by men and women (product holders)**

	Men	Women
<b>Age</b>		
16 - 20	2.0	2.1
21 - 24	3.7	3.8
25 - 34	6.2	5.7
35 - 44	7.4	6.6
45 - 54	7.6	6.7
55 - 64	6.7	5.6
65+	4.9	3.9
<b>Marital status</b>		
Married	7.2	6.2
Cohabiting	6.3	5.5
Single	3.8	3.6
Separated	5.7	4.5
Divorced	5.4	5.1
Widowed	4.4	3.9
<b>Dependent children in the household</b>		
Yes	6.6	5.5
<b>Ethnic group</b>		
White	6.1	5.3
Black Caribbean	4.5	4.1
Black African	4.5	4.3
Black other	6.4	4.4
Indian	5.7	4.4
Pakistani	3.6	2.6
Bangladeshi	3.0	2.2
Chinese	5.9	4.3
Other Asian	6.1	5.0
Other	4.8	4.1
<b>Employment status</b>		
Full-time employment/self-employment	7.2	7.0
Part-time employment/self-employment	5.6	6.4
Full-time education	2.4	2.5
Retired	5.4	4.1
Unemployed	3.0	3.2
Unable to work	3.8	3.4
Economically inactive	3.6	4.5
<b>Total</b>	<b>6.0</b>	<b>5.2</b>

Source: NOP Financial Research Survey

### Ownership of particular financial products

- 3.19 Women were less likely to own nearly all financial products than men (Table 3.3). For example, almost half of men had a life assurance policy compared with just two in five women.

3.20 Only savings accounts and store cards were more likely to be owned by women than men. The preference for savings accounts may reflect their greater risk aversion compared with men, found in other research. Women also made greater use of store cards whilst men were more likely to take out personal loans or hire purchase agreements which may be due to the different responsibilities men and women have for spending.<sup>8</sup>

**Table 3.3: Ownership of financial products among men and women**

*Percentage owning products*

	Men	Women
Current account	83	79
Savings account	57	59
Life assurance	48	41
PEP – lump sum or regular	14	11
National savings	7	8
Stocks and shares	7	5
Unit trusts	4	2
ISA	3	2
Investment bonds	1	1
Other investments	1	0
Pension	40	22
Occupational	29	18
Personal	12	5
Credit card	45	37
Mortgage	36	31
Store card	16	28
Charge card	2	1
Personal loan	21	14
Household insurance	58	50
Health insurance	5	4
<b>Base</b>	<b>27,729</b>	<b>29,157</b>

Source: NOP Financial Research Survey

Base – respondents aged 18+

3.21 Of interest were the differences in relation to two particular financial products – current accounts and pensions.

### Ownership of current accounts

3.22 Current accounts are a basic financial product, and provide an important gateway into other financial services. Consequently, although there is only a relatively small difference between men and women in their likelihood of owning such an account, the implications of this gender difference could be greater than is the case with other financial products.

<sup>8</sup> Berthoud, R and Kempson, E. *Credit and Debt* (Policy Studies Institute, 1992)

- 3.23 The analysis of the FRS confirmed findings from other research that show that women are less likely to have current accounts than men, due to their lower personal incomes.<sup>9</sup> Those particularly likely to be without an account were older women and lone parents.

Analysis for the FRS highlighted the following factors:

#### *Age*

- 3.24 Women are less likely than men to have a current account if they are either very young or very old. Just one in seven men aged 21 - 25 was without a current account, compared with one in five women of the same age. Women's levels of current account ownership actually caught up with men in the 45 - 54 age group but, although the likelihood of owning an account fell for both men and women past this age, it dropped faster among women than men. Consequently, eight in ten men aged over 65 had a current account compared with seven in ten women of the same age.

#### *Marital circumstances*

- 3.25 The impact of relationship breakdown on women who had given up current accounts in their own name when they married or stopped work in order to care for children was also apparent. A quarter of separated men lacked a current account, compared with over two-thirds of women in the same circumstances.

#### *Employment status and children*

- 3.26 Although there was very little difference in the likelihood of men and women having a current account if they were in employment or full-time education, having dependent children in the household did affect women's likelihood of owning a current account but did not affect men's. Once again, this is likely to relate to women's disengagement from the labour market when they start a family.
- 3.27 Not all women, however, were less likely to have current accounts than men. Some were, in fact, more likely to have one than their male counterparts. Those who were outside the labour market due to unemployment or economic inactivity were in fact more likely to have a current account than men in the same circumstances.

#### *Ethnic origin*

- 3.28 There was also a striking difference in the likelihood of men and women from some minority ethnic groups owning a current account. However, as discussed earlier, this is likely to be due to cultural differences.

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9 Kempson, E and Whyley, C. *Access to Bank Accounts* (British Bankers Association, 1998)



**Table 3.4: Current account ownership according to demographic characteristics***Percentage owning current account*

	Men	Women
<b>Age</b>		
16 – 20	71	69
21 – 24	85	79
25 – 34	85	80
35 – 44	87	84
45 – 54	87	87
55 – 64	85	83
65+	79	70
<b>Marital status</b>		
Married	89	86
Cohabiting	84	81
Single	77	72
Separated	75	68
Divorced	74	73
Widowed	72	68
<b>Dependent children in the household</b>		
Yes	83	77
No	83	80
<b>Ethnic group</b>		
White	84	80
Black Caribbean	68	64
Black African	86	66
Black Other	74	70
Indian	81	71
Pakistani	71	54
Bangladeshi	64	48
Chinese	91	80
Other Asian	87	76
Other ethnic group	80	81
<b>Employment status</b>		
Full-time employment/self-employment	92	94
Part-time employment/self-employment	85	90
Full-time education	74	73
Retired	81	72
Unemployed	54	61
Sick/disabled	55	57
Economically inactive	60	67
<b>Household income level</b>		
Up to £4,499	51	51
£4,500 – £9,499	66	66
£9,500 – £15,499	87	85
£15,500 – £19,999	93	92
£20,000 – £24,999	96	96
£25,000 – £34,999	98	97
£35,000 or more	100	100
<b>Total</b>	<b>83</b>	<b>79</b>

Source: NOP Financial Research Survey

## Ownership of occupational and personal pensions

3.29 Analysis of the FRS confirmed the significant link between gender and pension ownership that has been established in a great deal of other research.<sup>10</sup> Women were, in most circumstances, less likely to have either an occupational or a personal pension than men (Table 3.5). This difference in levels of pension ownership among men and women is interesting because it is so large.

### *Employment status*

3.30 Women in full-time employment or self-employment were less likely to have a personal pension than men. Similarly, men who were in full-time education or retired were twice as likely to have a pension as women in the same situation, and men who were not working due to sickness or disability were four times as likely to have a pension as their female counterparts.

3.31 However, men and women in full-time employment had exactly the same levels of occupational pension ownership. This highlights the importance of opportunity in pension ownership and indicates that gender differences are being overcome. Nevertheless, this will not be a long-term solution for women who break their careers to care for a family. Research has shown that, in these circumstances, women tend to rely on their partners' pension provision.<sup>11</sup>

### *The effect of part-time working*

3.32 Women who were employed or self-employed on a part-time basis were twice as likely to have a pension as men who worked part-time. This is a reflection of the different implications of part-time working for men and women:

- Men tend to work part-time because they are unable to find full-time employment, or because they are less engaged with the labour market due to health problems. As they tend to be the main household earner, part-time working among men is likely to be associated with financial constraint;
- Women, on the other hand, are more likely to work part-time by choice and, more importantly, their employment generally provides a second income for their household.

### *Household income*

3.33 This had an interesting effect on pension ownership among men and women. There was, in fact, little difference between the likelihood of men and women in low-income households having a pension. However, the gender gap in pension ownership became increasingly stark in households with higher incomes. For example, a third of men living in households with an income between £9,500 and £15,499 had a pension compared with just over a fifth of women with this level of household income. Among households with incomes of £50,000 or more, however, more than four in five men had made provision for old age, compared with just over half of women.

### *Age*

3.34 Gender differences were particularly apparent with age, and older women were far less likely to have a pension of any sort than men of a similar age. So, while the difference between men and women in the 16 - 20 age group was just two per cent, men aged 55 - 64 were twice as likely to have a pension as women of the same age. This is because the older women are, the more likely they are to have stopped working when they married or had children, and the less likely they are to have gone back to work later in life.

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10 *Biggest pensions underclass is women* (press release NatWest, 1998)

11 *Women's Incomes over the Lifetime*: (Women's Unit, February 2000)

### *Marital status*

- 3.35 This had an important effect on pension ownership. Being part of a couple suppressed pension ownership among women, with less than one in three married or cohabiting women having one, compared with half of cohabiting men and over two-fifths of married men.

### *Children*

- 3.36 Women were also much less likely to have a pension if they lived in a household with dependent children. Men with dependent children were more than twice as likely to have a pension than women in the same circumstances. Again, this is probably due to the woman either not working or working part-time due to child caring.
- 3.37 These patterns were largely similar for both occupational and personal pensions, although gender differences in personal pension ownership were more pronounced than they were for occupational pensions.

**Table 3.5: Pension ownership according to demographic characteristics***Percentage owning pensions*

	Any private pension		Occupational		Personal	
	Men	Women	Men	Women	Men	Women
<b>Age</b>						
16 – 20	7	5	6	4	*	*
21 – 24	23	17	19	15	4	2
25 – 34	53	32	38	25	15	7
35 – 44	62	36	44	28	17	8
45 – 54	59	39	41	31	18	8
55 – 64	33	16	21	13	12	3
65+	2	1	2	*	*	*
<b>Marital status</b>						
Married	47	27	33	22	14	6
Cohabiting	50	31	36	24	14	4
Single	29	20	21	16	8	7
Separated	38	21	27	17	11	4
Divorced	30	23	21	18	10	5
Widowed	7	4	5	3	2	*
<b>Dependent children in the household</b>						
Yes	55	25	40	20	16	5
No	34	21	24	17	10	4
<b>Ethnic group</b>						
White	41	23	29	18	12	5
Black Caribbean	34	30	25	26	10	4
Black African	27	23	25	20	2	3
Black Other	33	21	30	19	3	2
Indian	39	22	29	19	11	3
Pakistani/ Bangladeshi	18	6	13	6	5	*
Other ethnic group	32	21	23	16	9	4
<b>Employment status</b>						
Full-time employment/self-employment	67	60	48	48	19	12
Part-time employment/self-employment	19	36	11	29	8	7
Full-time education	4	2	3	2	1	*
Retired	2	1	2	*	*	*
Unemployed	3	3	1	1	2	2
Sick/disabled	4	1	2	*	2	*
Economically inactive	4	3	3	1	2	2
<b>Household income level</b>						
Up to £4,499	4	3	2	1	2	1
£4,500 - £9,499	6	6	4	4	2	2
£9,500 - £15,499	33	22	22	17	10	5
£15,500 - £19,999	56	36	40	29	16	7
£20,000 - £24,999	66	46	47	34	19	12
£25,000 - £34,999	73	51	54	40	19	10
£35,000 - £49,999	80	58	58	46	21	12
£50,000	83	55	58	44	25	11
<b>Base</b>	<b>40</b>	<b>29</b>	<b>29</b>	<b>18</b>	<b>12</b>	<b>5</b>

Source: NOP Financial Research Survey

\* numbers too small to calculate percentages

## How women engage with financial services

### Choosing financial products

- 3.38 There were some indications that different factors may be important to men and women when they make decisions about financial products.
- 3.39 Men were much more likely to make decisions based on product characteristics and price for both savings accounts and mortgages. Nearly half of men said that they took these factors into account when they were choosing a mortgage, compared with just two-fifths of women. Having an existing relationship with a financial institution was the most important factor in women's decision-making, particularly in relation to savings accounts (Table 3.6).

**Table 3.6: Methods of choosing a mortgage and savings accounts**

*Percentage – all mentions*

	<i>Mortgage</i>		<i>Savings account</i>	
	<b>Men</b>	<b>Women</b>	<b>Men</b>	<b>Women</b>
<b>Product/price</b>	48	42	35	31
<b>Recommendation</b>	24	25	16	17
<b>Service features</b>	18	19	n/a	n/a
<b>Relationship with supplier</b>	15	17	32	37
<b>Convenience of branch</b>	9	6	25	26
<b>Brand image</b>	8	9	9	8
<b>Other channels</b>	1	1	8	7
<b>Other</b>	16	17	14	13

Source: NOP Financial Research Survey

- 3.40 Looking at savings accounts in particular, it was apparent that choosing a financial product on the basis of its characteristics or price was subject to an age effect that was slightly stronger for men than it was for women (Table 3.7).

**Table 3.7: Choosing a savings account on the basis of product/price***Percentage that choose on product/price*

	Men	Women
<b>Age</b>		
16 - 20	24	21
21 - 24	21	25
25 - 34	29	26
35 - 44	31	32
45 - 54	43	34
55 - 64	46	41
65+	43	37
<b>Marital status</b>		
Married	38	34
Cohabiting	24	31
Single	30	26
Separated	*	16
Divorced	*	28
Widowed	*	27
<b>Dependent children in the household</b>		
Yes	24	26
No	38	33
<b>Employment status</b>		
Full-time employment/self-employment	34	31
Part-time employment/self-employment	39	33
Full-time education	28	24
Retired	47	34
Unemployed	16	18
Unable to work	31	31
Economically inactive	23	27
<b>Total</b>	<b>35</b>	<b>31</b>

Source: NOP Financial Research Survey

\* numbers too small to calculate percentages

- 3.41 Deciding to open a savings account on the basis of an existing relationship with the supplier was also subject to an age effect (Table 3.8). Gender differences were most pronounced at either end of the age spectrum. Nevertheless, women of all ages were more likely to base their decision-making on this factor than their male counterparts.
- 3.42 In addition, single women, women without dependent children and those who were working full-time were much more likely to base their decision on an existing relationship with a supplier than single men. This suggests that this factor is particularly significant among women who are financially independent. However, once they begin living as part of a couple, have children or reduce their engagement with the labour market, it appears that they are likely to become more influenced by their partner.

**Table 3.8: Choosing a savings account on the basis of an existing relationship***Percentage that choose on existing relationship*

	Men	Women
<b>Age</b>		
16 - 20	28	39
21 - 24	37	38
25 - 34	32	37
35 - 44	31	35
45 - 54	30	32
55 - 64	38	36
65+	33	41
<b>Marital status</b>		
Married	31	34
Cohabiting	42	30
Single	31	42
Separated	*	42
Divorced	*	37
Widowed	*	44
<b>Dependent children in the household</b>		
Yes	30	33
No	33	39
<b>Employment status</b>		
Full-time employment/self-employment	33	39
Part-time employment/self-employment	31	33
Full-time education	*	*
Retired	24	44
Unemployed	35	39
Unable to work	31	26
Economically inactive	31	33
<b>Total</b>	<b>32</b>	<b>37</b>

Source: NOP Financial Research Survey

\* numbers too small to calculate percentages

## Finding out about financial products

### *Newspapers*

- 3.43 Analysis of the FRS indicated that women were less likely than men to say that they read about financial products and services in newspapers. A third of men said they regularly read the financial pages of a newspaper, compared with just under a fifth of women.

**Table 3.9: The extent to which men and women regularly read the financial pages of a newspaper**

*Percentage that regularly read financial pages*

	Men	Women
<b>Age</b>		
16 – 20	17	12
21 – 24	26	13
25 – 34	30	13
35 – 44	34	18
45 – 54	41	24
55 – 64	41	23
65+	39	23
<b>Marital status</b>		
Married	39	21
Cohabiting	28	17
Single	27	15
Separated	33	13
Divorced	31	16
Widowed	28	23
<b>Dependent children in the household</b>		
Yes	29	14
No	36	22
<b>Ethnic group</b>		
White	34	19
Black	35	18
Indian	36	26
Pakistani	24	12
Bangladeshi	18	*
Other ethnic group	42	20
<b>Employment status</b>		
Full-time employment/self-employment	35	23
Part-time employment/self-employment	36	17
Full-time education	28	14
Retired	41	23
Unemployed	20	16
Sick/disabled	21	9
Economically inactive	21	15
<b>Base</b>	<b>34</b>	<b>19</b>

Source: NOP Financial Research Survey

\* numbers too small to calculate percentages

- 3.44 Differences in the likelihood of men and women saying they regularly read the financial pages of a newspaper were, however, greatest among particular groups of women. It was especially striking among those who were not in full-time employment and, consequently, had little personal income. Those who worked part-time, were retired or unable to work due to sickness or disability were all only half as likely to say they read the financial pages of a newspaper as were men in the same position.
- 3.45 In addition, women who were separated or divorced were much less likely to say they read about financial products in a newspaper than their male counterparts. These are likely to be women who had given up financial products in their own name when they married and, subsequently, relied on their



partner to deal with the household finances. In addition, women who are separated or divorced may also be living in financially constrained circumstances due to the loss of the main breadwinner from the household.

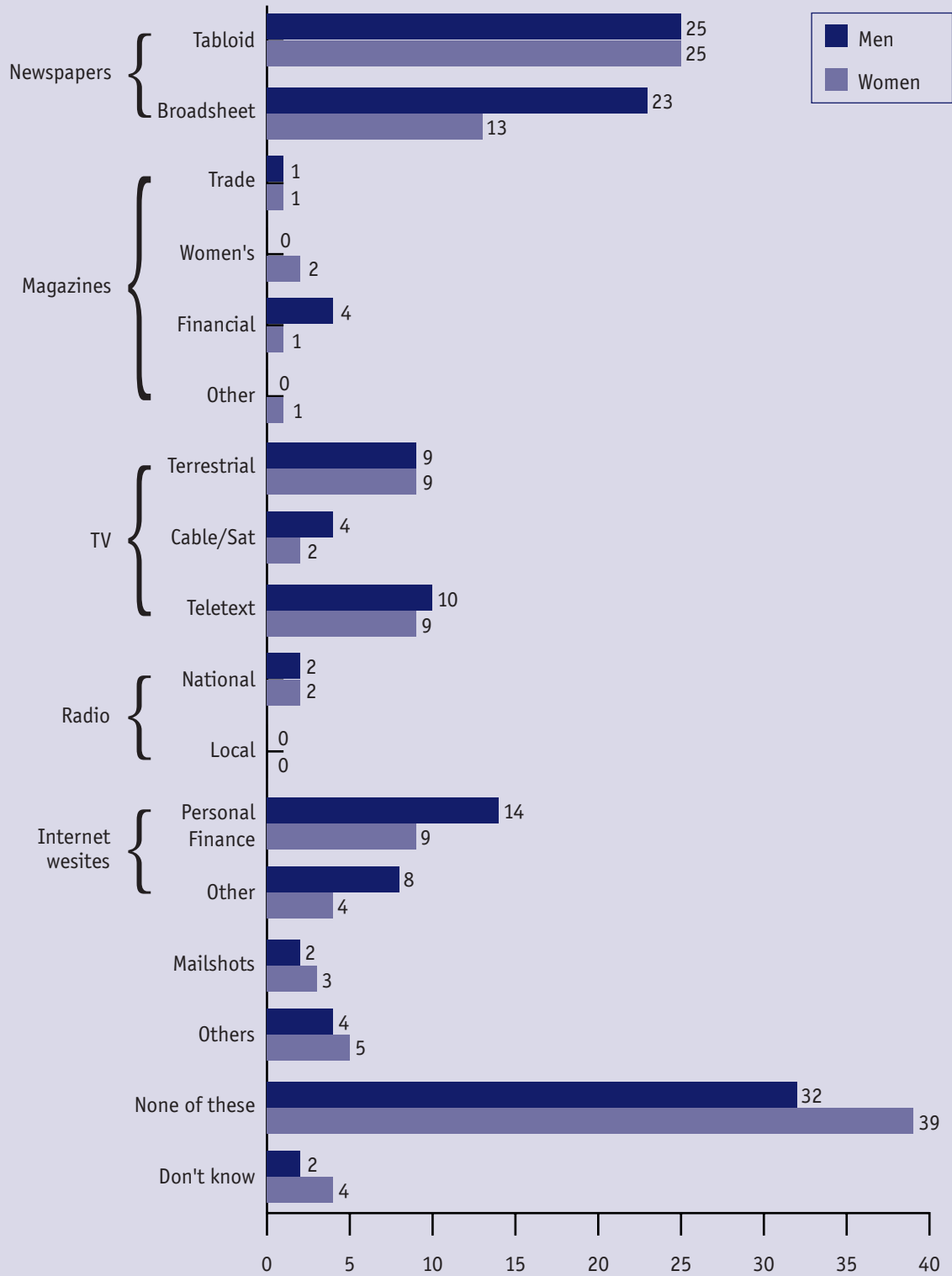
- 3.46 Gender differences in the likelihood of people reading the financial pages of a newspaper increased with age. The difference was relatively small among men and women aged 16 - 20. Yet men aged 55 - 64 were nearly twice as likely to say they regularly read about financial products in a newspaper as women of the same age group.
- 3.47 Although the NOP Omnibus Survey<sup>12</sup> confirmed these findings, it revealed that when women do read newspapers to access financial information, they prefer reading the tabloids rather than the broadsheets. Gender differences for this preference are particularly apparent among the 45 - 64 age group, with over a third of women in this age group reading the tabloids compared with just over a fifth of men.

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12 NOP Omnibus Survey, (November 2000)

**Figure 3.1: Finding out about financial products**

*Media used for financial information (%)*



*Base: NOP Omnibus 463 men, 487 women*

3.48 Despite the fact that women are less likely to read about financial products in newspapers, they remain the most popular source of financial information for women. This choice was repeated when women were asked which media they would prefer to use.

### *Television*

- 3.49 Television as a source of financial information tended to be used equally by women and men although half as many women use cable or satellite channels as men. It was seen as being familiar and trusted by the women interviewed by Pearl,<sup>13</sup> less likely to go wrong and took preference over internet usage.
- 3.50 However, more women expressed a preference for using cable or satellite television as an information source than men - which indicates that this could be an area of growth for the marketing of personal finance to women.

### *Women's magazines*

- 3.51 Only 2% of women surveyed for the NOP Omnibus said they used women's magazines as a source of financial information and only half this number said they prefer to use them if given a choice.
- 3.52 However, financial advertising in women's magazines has almost doubled in the five-year period to July 1998 shown in Table 3.10. The most significant rise was in the 1994/95 period when total spend in these magazines more than doubled in this single year, and which since then has held at around £4 million.

**Table 3.10: Financial advertising spend in women's magazines, 1993/94 – 1997/98**

	1993/94 £m	1994/95 £m	1995/96 £m	1996/97 £m	1997/98* £m	% change
Women's monthly magazines	1.03	2.72	2.61	2.46	2.08	102
Women's weekly magazines	0.96	1.46	1.55	1.5	1.86	94
<b>Total</b>	<b>1.99</b>	<b>4.18</b>	<b>4.15</b>	<b>3.96</b>	<b>3.94</b>	<b>98</b>

\* July 1998  
Source: MMS/Mintel

### *The internet*

- 3.53 Virtually all women in the FRS survey were less comfortable about using the internet for banking than men. Almost two-fifths of men were happy to use the internet for this purpose, compared with just a quarter of women. This confirms the findings of other research that has highlighted a general reluctance to use new technology among women. Barriers to using the internet for e-banking were mainly to do with security issues and inconvenience.
- 3.54 Women in full-time education, full-time employment or self-employment had a more positive attitude to internet banking as did those women who were living with a partner.
- 3.55 Economically inactive women also appeared to have a positive attitude which is likely to be due to their exposure to computers through their children. The Pearl research shows that having children was the greatest driver behind engaging in e-commerce, with children being the trigger for buying computers in the first place.
- 3.56 However, some women were especially resistant to the idea of using the internet to access their banking facilities. Gender differences were most pronounced among those in their mid-fifties to mid-sixties especially those who were widowed or retired. Divorced women were much less likely to feel comfortable with the idea of internet banking than their male counterparts, often perhaps because they had previously relied on a partner to deal with financial matters on their behalf.

13 *E-enabled or e-excluded* (Pearl Personal Welfare Study Programme, 2000)

**Table 3.11: Men and women’s attitudes to using the internet for day-to-day banking**

*Percentage happy to use internet for day-to-day banking*

	Men	Women
<b>Age</b>		
16 – 20	54	43
21 – 24	57	43
25 – 34	51	40
35 – 44	44	33
45 – 54	38	26
55 – 64	21	12
65+	8	5
<b>Marital status</b>		
Married	33	25
Cohabiting	46	40
Single	49	36
Separated	33	28
Divorced	32	20
Widowed	9	6
<b>Dependent children in the household</b>		
Yes	47	35
No	33	20
<b>Ethnic group</b>		
White	37	25
Black	43	29
Indian	48	35
Pakistani	43	26
Bangladeshi	14	*
Other ethnic group	43	31
<b>Employment status</b>		
Full-time employment/self-employment	46	38
Part-time employment/self-employment	41	30
Full-time education	63	51
Retired	11	6
Unemployed	40	37
Sick/disabled	23	22
Economically inactive	26	27
<b>Base</b>	<b>37</b>	<b>25</b>

Source: NOP Financial Research Survey

\* numbers too small to calculate

3.57 Not only were women less likely to use the internet for personal banking, but they were also less happy about using personal finance websites as a source of financial information than men. However, when NOP Omnibus asked which media they would prefer to use for accessing financial information, the internet came second to newspapers, with nearly a third of young women aged 18 - 24 saying that it would be their preferred option.

## Other sources of information

- 3.58 According to the NOP Omnibus nearly three-fifths of women said they obtained information from their bank or building society compared with one-fifth using an independent financial adviser. This was more apparent among young women aged 18 - 24 and women aged 45 - 54.
- 3.59 Women were more likely to use family as a source of information than men. A quarter of women questioned for NOP Omnibus said they would do this compared with under a fifth of men.

## Approaches to financial decision making

- 3.60 Women tend to be less confident than men about their knowledge and understanding of financial products and services but given that misplaced confidence risks that people may unknowingly make the wrong decisions, this may be a good thing. The Financial Services Consumer Panel's<sup>14</sup> annual survey of consumers found that 57% of people who said they did not have a clear idea about the sorts of products they needed nonetheless stated that they felt confident about making their own decision, suggesting that their confidence may be somewhat misplaced. Men were more likely to be at risk from this overconfidence with 42% seeing themselves as confident about making their own financial decisions compared to 34% of women.
- 3.61 The results also indicated that more men than women who did not have a clear idea of the sorts of product they needed nonetheless stated that they felt confident about making their own decisions (63% compared to 52%).

**Table 3.12:**

I feel confident making my own financial decisions	I have a clear idea about the products I need					
	Men			Women		
	Agree %	Neither %	Disagree %	Agree %	Neither %	Disagree %
Agree	85	77	63	83	49	52
Neither	8	19	23	10	30	34
Disagree	6	4	14	7	21	14

Source: Financial Services Consumer Panel Annual Survey 2000

## Preferred delivery and distribution channels

- 3.62 Women have a stronger preference for buying products face-to-face than men (Table 3.13). More than half of women stated this as their preferred method of taking out a financial product with just two-fifths of men. Men tended to favour a combination of remote and face-to-face channels.

**Table 3.13: Preferences for buying financial products among men and women**

	Men	Women
Remote only	3.5	3.5
Remote and face-to-face	56.4	43.3
Face-to-face only	40.0	53.2

Source: NOP Financial Research Survey

14 As reported in the Financial Services Consumer Panel Annual Report 2000

- 3.63 Women's preference for more traditional face-to-face transactions is likely to be related to the fact that they have been found to be less impulsive consumers of financial products, less embarrassed to ask questions and less likely to trust their own judgement than men.<sup>15</sup> A face-to-face discussion about a financial product or service is, therefore, more likely to fulfil their needs than remote purchase channels.
- 3.64 It was particularly important to people at either end of the age spectrum to buy financial products through face-to-face transactions (Table 3.14) Nevertheless, it was valued more by women of all ages and gender differences were widest among people aged over 65.

**Table 3.14: Characteristics of people who prefer to buy products face-to face**  
*Percentage that expressed a preference for buying face-to-face*

	Men	Women
<b>Age</b>		
16 – 20	80	84
21 – 24	52	58
25 – 34	33	43
35 – 44	30	42
45 – 54	33	45
55 – 64	38	52
65+	45	66
<b>Marital status</b>		
Married	32	49
Cohabiting	31	44
Single	58	63
Separated	37	45
Divorced	43	47
Widowed	52	64
<b>Dependent children in the household</b>		
Yes	36	50
No	42	55
<b>Ethnic group</b>		
White	39	52
Black	56	65
Indian	46	68
Pakistani	61	80
Bangladeshi	74	87
Other ethnic group	44	66
<b>Employment status</b>		
Full-time employment/self-employment	31	36
Part-time employment/self-employment	44	46
Full-time education	76	80
Retired	42	63
Unemployed	63	69
Sick/disabled	60	67
Economically inactive	62	57
<b>Total</b>	<b>40</b>	<b>53</b>

Source: NOP Financial Research Survey

## Customer loyalty

- 3.65 Evidence from the NOP Financial Research Survey suggested that women were more loyal consumers of financial products than men although the numbers of people of both sexes who intended to switch were very small. The gender difference was more pronounced in relation to savings accounts than it was for any other financial product. (Table 3.15).
- 3.66 The likelihood of switching was influenced by age. Everyone was less likely to change the supplier of their savings account as they got older, but this was more the case for women than men.
- 3.67 Marital status was also influential. Women who were separated or widowed were only half as likely to be thinking about switching their savings account as men in the same position. In addition, gender differences were greater among people with dependent children than among those without.
- 3.68 In terms of employment status, women who were working part-time were much less likely to be intending to switch to a new supplier for their savings account than their male counterparts. This is likely to reflect the different circumstances that prompt men and women to work on a part-time basis.
- 3.69 By contrast, women who were younger, single or cohabiting, or in full-time education were almost as likely as their male counterparts to be intending to switch to a new supplier for their savings account.

**Table 3.15: Characteristics of people who intend to switch their savings account**  
*Percentage that intend to switch in the next 12 months*

	Men	Women
<b>Age</b>		
16 – 20	4.7	4.6
21 – 24	4.6	3.4
25 – 34	3.6	2.4
35 – 44	3.7	2.5
45 – 54	2.6	1.9
55 – 64	2.9	2.0
65+	1.8	1.0
<b>Marital status</b>		
Married	2.8	1.8
Cohabiting	4.1	3.6
Single	4.0	3.6
Separated	4.2	2.0
Divorced	2.7	2.9
Widowed	1.7	0.8
<b>Dependent children in the household</b>		
Yes	3.5	2.3
No	3.0	2.1
<b>Ethnic group</b>		
White	3.5	2.1
Black	4.6	4.3
Indian	3.8	2.8
Pakistani	4.3	3.4
Bangladeshi	*	4.1
Other ethnic group	5.6	7.1
<b>Employment status</b>		
Full-time employment/self-employment	3.5	2.8
Part-time employment/self-employment	4.1	2.1
Full-time education	4.4	4.4
Retired	2.2	1.2
Unemployed	1.9	2.5
Sick/disabled	1.1	0.5
Economically inactive	2.5	2.4
<b>Total</b>	<b>3.2</b>	<b>2.2</b>

Source: NOP Financial Research Survey

\* Numbers too small to calculate

## Women and financial planning

- 3.70 This section examines whether consumers in general, and women in particular, actively plan for their financial futures. The capability to plan ahead to meet events and mitigate any financial impact they may have is a key factor in ensuring financial security and independence.



- 3.71 It is arguably more important for women to plan for their financial future than men, as they still tend to be the primary carers for both children and relatives and as a result tend to experience a more broken work record. There is also evidence<sup>16</sup> that women suffer more financially as a result of divorce and separation, the incidence of which has increased substantially over recent years.
- 3.72 Unless stated, the findings in this section come from a qualitative research study conducted by IFF Research Ltd on behalf of the Financial Services Authority. Findings are also included from two other studies, Fate, Hope and Insecurity (Joseph Rowntree Foundation) and Women and Finance, (Mintel International Group).

### **Do people plan financially?**

- 3.73 The clear finding that emerges is that people generally do not plan financially in the sense of having an overall plan that carries them through life, or a significant part of life. Instead, people tend to react to specific events or particular needs.

*'When you have children, or when you know someone who dies you think you should do something'*

*'The main one [need] is retiring and making sure the children are OK'*

- 3.74 Key milestones which prompt thought (but not necessarily action) about financial planning include:

- Wanting to buy a house - prompts people to look into mortgages;
- Having children or experiencing illness or death (of a family member or friend) - prompts thought about life insurance; and
- Getting older - prompts thought about retirement provision and care in old age.

- 3.75 In addition, key life events such as redundancy or divorce are likely to have a significant financial impact. However, despite this recognition of the potential impact of some events, the view that is usually taken is that one cannot (afford to) plan for every eventuality. Many people adopted what they would consider to be a pragmatic approach, in that they face the main financial concerns (paying the mortgage, insuring your car and house, providing for the kids) as they arise and the rest somehow 'works itself out along the way'.

*'You stretch yourself – you need to live today. You pick the most important ones, retirement and life insurance and then leave the rest'*

*'You plan for the things that are definitely going to happen, retirement and death... you just deal with the rest as it comes along'*

- 3.76 This reaction is not seen as 'planning'. People tend to act in the most sensible way that they are able to afford, sometimes having taken advice.

*'You cannot plan for everything that might happen. You do what you can and deal with it when it happens'*

- 3.77 This same approach appears to be adopted by those that are more organised in the rest of their lives (keeping diaries, checking bank statements, organising parties, etc.) and those who are generally more disorganised.

- 3.78 According to the Mintel research, women are increasingly feeling the need to do something about their finances as their disposable incomes increase and they become realistic about relationship breakdowns. However, despite this, the proportion of women who leave financial arrangements to someone else at home has changed relatively little. Around a fifth of women agreed with the statement, 'I leave the financial arrangements in our home to someone else.' The Mintel research also asked two questions on

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16 Jarvis and Jenkins, *Marital Splits and Income Changes* (Institute of Social and Economic Research, 1999)

female attitudes to looking after day-to-day (e.g. bills, credit cards) and longer-term (e.g. savings, investments) financial matters. The major difference found in the responses to both statements was that between married and non-married women.

**Table 3.16: Self-description; attitudes towards day-to-day and long-term money management, married and non-married women, July 1998. base: 1,646 women**

Agreement with statement	Day-to-day finances			Long-term finances		
	All %	Married %	Not married %	All %	Married %	Not married %
I look after this side of affairs and quite enjoy it	38	30	49	29	21	40
I look after this side of affairs but don't really enjoy it	21	13	31	16	8	26
I tend to look after this side of affairs but my partner/ others do help from time to time	6	9	3	7	9	4
I share this roughly equally with my partner/ others	17	28	3	22	35	5
I leave most/all of this to my partner/others	12	17	5	14	21	5
None of these	5	2	8	10	5	18
Don't know	1	*	2	2	1	2
Total	100	100	100	100	100	100

\* less than 0.5%  
Data may not add up to 100 due to rounding

Source: BMRB/Mintel

### Concentrating on the present

- 3.79 Although there is little evidence of active long-term financial planning to mitigate the effects of potential life events, people do plan or are driven to plan for a number of reasons.
- 3.80 The Joseph Rowntree report drew some conclusions on the direction and extent of people's time horizons when it comes to planning. Most people gave some thought to the future and past but concentrated their attention on the present. In general this was because there was little money to spare towards future needs.
- 3.81 Age is an important factor in future outlook. Retired people do not spend much time thinking about the future as this is largely associated with failing health, possible financial difficulties and ultimately death.
- 3.82 Young people (under 35) without children were much more likely to think about the future, but not necessarily about their financial future. Few under 40 had seriously thought about retirement, for instance. Little difference in future outlook by social class and gender was found, although women did tend to think a great deal about their children's futures.

### Anticipatory planning v. precautionary planning

- 3.83 The Joseph Rowntree report also made a distinction between anticipatory planning (for positive events) and precautionary planning (for negative events). People are generally keen to think about and plan ahead for positive events, such as holidays, rather than negative events such as illness and death. Many financial needs fall squarely into precautionary planning and therefore few had thought about such things as illness or accident insurance. It also found that although a number of people had thought about pensions they had mostly done so because they had focused on the positive side of pension provision – the hope of enjoying their retirement. By and large, people who made lots of plans tended to make both anticipatory and precautionary plans. Those who made few plans tended to make anticipatory plans only.

## Barriers to planning

### *Lack of financial security*

- 3.84 The major barrier to planning was simply a lack of financial resources and fears about long-term job security. Basically, if you have little or no disposable income you cannot plan for the future even if you recognise that you should and want to.

*'If you are in and out of work, you don't know what you might earn so it is very difficult to plan'*

*'I haven't thought, I haven't planned at all. I just think what will be will be. That probably isn't very sensible but if you are on a low income.... or your income changes what can you do?'*

- 3.85 The Joseph Rowntree report also considered economic security to be the key determinant of planning with job security particularly important. Few people felt that their jobs were very secure. Those with a secure and high income have more capacity to plan ahead than those with insecure or low income. Therefore, those with most need to plan ahead are also the least able.

### *Trust*

- 3.86 Consumers use a wide range of information sources, from family and friends, to banks and professional advisers. However, it is evident that there is a large measure of distrust and fear about financial services and a perceived need for independent, easy-to-access and easy-to-understand advice.

*'You pay your money and then you see the Maxwell pensioners and things like that – you can't be sure what you will get'*

*'If you go to your own bank they will only sell you their products, they don't advise you'*

*'You need independent advice but you are wary of the hard sell'*

*'You hear so much about people ripping people off, giving bad advice – it worries me as you don't know who you can trust'*

*'I don't know where to go for help and advice – I wish I did'*

### *Other barriers*

- 3.87 Along with this distrust of, and a general lack of interest in financial services, a number of other barriers to planning were identified by the Joseph Rowntree report. These include:

- A feeling of limited control over the future. Many people feel that unexpected events could jeopardise the best-laid plans thereby making it pointless to think or plan ahead. Stories of people dying suddenly are commonly recounted and these made a much greater impact than the more widespread experience of living to a reasonable old age;
- It is also difficult for people to calculate the risk that a particular event will occur to them at particular times. Even if they can, people generally have few resources that they can use to do anything to reduce the risks or alleviate their negative consequences;
- As a result, even those who think about the future quite a lot do not necessarily make plans for it.

## Differences between men and women

- 3.88 Overall, no real differences were revealed between men and women in terms of financial planning. However, women do tend to have stronger concerns about family issues (caring for the children and older relatives). This often means that women are more organised in life generally, but this greater degree of organisation does not appear to be affecting women's behaviour when it comes to financial planning.

*'If you have kids, you have to save, for their school trips, they might need trainers or football boots. Everything revolves around them, you can't think about much else'*

*'You think about what you should do (plan for), but you still have to buy food, shoes, go on holiday'*

- 3.89 Yet as this report has indicated earlier, the need for women to plan financially, given the greater likelihood of financial 'shocks', is more crucial than for men if they are not to suffer financially in later years.

# 4 Summary and conclusions

**There is little difference regarding financial product ownership between men and women in similar social positions and roles. However, there are wide variations in ownership amongst different groups of women.**

- 4.1 Women in full-time employment own 7.0 financial products compared to 7.2 for men, which is not a significant difference. These women have the same occupational pension ownership (48%) as their male counterparts. Indeed, women who work part-time are more likely to have occupational or private pensions than men in similar positions.
- 4.2 At the other end of the spectrum, 11% of men and 10% of women in households with an income under £9,500 had no financial products. The difference in the average number of products held by men and women in full-time education was very slight, at 2.4 and 2.5 respectively. And one half of those with incomes of £4,500 or below had current accounts, with no difference between men and women.
- 4.3 In contrast, women in low-income households or who are not working because of unemployment, sickness, disability or caring responsibilities are slightly less likely to be without financial products than their male counterparts. The same is true of women in part-time employment or self-employment. However, these differences are not dramatic and, where they exist, may be due to the fact that these women have partners who are earning.

**Variations in ownership are mainly due to the fact that more women are likely to be working part-time or on low incomes due to caring responsibilities.**

- 4.4 On average, 6% of women are without financial products compared to only 4% of men, and where they do own them, on average, they only have 5.2 compared with 6 for men. And 83% of all men have current accounts, while the proportion of women is only 79%.
- 4.5 There are clear generational patterns in consumption of financial products and services, and, in addition, where there are gender differences, they tend to be even greater in the older age groups. For example, 79% of men over 65 have current accounts while only 70% of women do. Around a third of men would be willing to use the internet for day-to-day banking, compared to one in four women, yet the figure for those over 65 was only one in 20 women compared to one in twelve men.
- 4.6 More men work than women, and many more men work full-time. Only 44% of the economically active population are women. And in 1998 while 44% of women worked part-time, the equivalent percentage for men was only 8%.
- 4.7 Thirty-one per cent of Bangladeshi women had no financial products compared to only 14% of Bangladeshi men. Similar differences were also found in other minority ethnic groups such as Pakistani women and men (19% and 11% respectively) and black women and men (13% and 7%). However, many of these differences are likely to be based on cultural differences which are gender-specific in the way they manifest themselves.

- 4.8 Changes in family and household structure have been significant in recent years. From 1961 to 1998 the proportion of adults living in one person households nearly quadrupled from 4% to 14% for those under the age of retirement, while they more than doubled for those in retirement from 7% to 15%. As a result many more women are having to be financially independent than was the case in the past.
- 4.9 The proportion of households that consist of lone parent families with dependent children more than tripled from 1961 to 1998 from 2% to 7%. The vast majority of these were lone mothers. For women there is an increasing likelihood that they will go through divorce or separation and be left with dependent children. Over the same period (1961 - 1998/99) the proportion of households consisting of a couple with dependent children has fallen from 38% to 23%.
- 4.10 In addition the significantly increased likelihood of relationship breakdown has a dramatic impact on the financial situation of women. A woman's income is likely to decline on average by nearly 20% following divorce, while that of a man's changes little. This is because women are more likely to bear the brunt of the pressure of child-care following a relationship breakdown, which has an impact on their earnings capacity.

### **Significant gender differences exist in pension ownership**

- 4.11 There is, however, one general area where there are significant differences between groups of men and women and that is pensions.
- 4.12 Overall 29% of men compared to only 18% of women have occupational pensions. Partly this is because marital status has a significant impact on pension ownership for women in a way that it doesn't for men. Being part of a couple suppressed pension ownership among women, with less than one in three married or cohabiting women having a pension, compared to one half of cohabiting and two-fifths of married men. Women with dependent children were half as likely to have a pension as men in the same circumstances.
- 4.13 The current picture of pension ownership shows that the differences between men and women escalate with age. While 6% of men and 4% of women under 20 have occupational pensions, for women between 35 and 44 the difference has grown to 44% of men and only 28% of women, and the figure for personal pensions is 17% for men and only 8% for women.
- 4.14 Whether this is an age effect, a generational effect or a combination of the two, the outcome is that there are increasing numbers of women approaching or already in retirement with little savings who will need to rely on state provision in old age.

### **Future trends**

- 4.15 There are signs that, despite demographic changes, in the future prospects look more positive for many women who are now reaching adulthood.
- 4.16 The proportion of women who are economically active is increasing and is reaching similar levels to that of men. Between 1971 and 1999 the proportion of women in the population who were economically active rose from 56% to 72%, while that of men fell from 91% to 84% over the same time period. This trend is expected to continue.
- 4.17 Even in recent times, women in full-time employment have earned significantly less than men, but these differences are being eroded. In 1991 women on average working full-time earned only 78% of men's full-time hourly earnings while by 2000 this had risen to nearly 82%.
- 4.18 This change is reflected in the increasing numbers of women going into management. In 1999 over 20% of managers were women, compared to only 8% in 1990. And this is beginning to feed through into senior management with just under 10% of board members now being women compared to less than 2% in 1990.

- 4.19 These changes are likely to continue, stimulated by the increasing educational attainment of women reaching adulthood. Fewer women than ever before are now leaving school without any educational qualifications. In 1984 the figure was still nearly half of women. By 1998 it had fallen to one in five.
- 4.20 Girls go on to higher education in the same proportion as boys and make up around half the numbers in vocational subject areas with potential for good earnings such as medicine, dentistry, business and financial studies. They now outperform boys at every level of the education system.
- 4.21 Numeracy is a key underlying skill needed for financial capability. Currently in the adult population, women are significantly less numerically competent than men. As time passes, improved educational achievement will redress this imbalance.
- 4.22 Educational attainment is also particularly significant for the future given the positive correlation the Women's Unit research identified between this and lifetime earnings for women with children. This showed that women with higher educational attainment not only earned more than women with low educational attainment, but also that the gap between those with and without children was much smaller.

### **Marketing to women**

- 4.23 Women are more likely than men to remain loyal and stay with a provider with whom they have an existing relationship and this is particularly the case for women who are financially independent.
- 4.24 Women have a much stronger preference for buying products face-to-face than men. More than half of women stated this as their preferred method of buying a financial product compared with just two-fifths of men.
- 4.25 They are also slightly more likely than men to use a financial adviser when buying a financial product. When they do, nearly one-third of women rely on the adviser's recommendation without doing their own research compared to only one in four men. However, more than 60% went through their bank or building society compared to only 20% through an independent financial adviser.
- 4.26 Women of any age and status (employment, ethnic origin, marital status) are much less likely than men to read the financial pages of the newspapers. Overall more than one in three men regularly read the financial pages compared to only one in five women.
- 4.27 Surprisingly women did not see women's magazines as a more attractive source of information on personal finance. Only 2% used women's magazines for this purpose and only half this number said this would be their preferred source of information.
- 4.28 All women were less comfortable about using the internet for banking than men, with overall nearly four out of ten men comfortable with this idea compared to only one in four women.
- 4.29 However, there is some evidence that women with school age children are increasingly becoming computer and internet users with the support of their children. When asked which media they would prefer to use for accessing financial information, the internet came second to newspapers, with nearly a third of women between 18 and 24 saying it would be their preferred option.
- 4.30 Research has shown that women believe they are less financially literate, less confident as consumers and more risk averse. This implies that they might need to be marketed to differently than men. However, when asked directly whether this is what they would want, the evidence is mixed. For example, four in ten women believe that they should be treated differently from men by financial services providers.<sup>17</sup> Women who worked part-time, women with young children and women from better-off families were among those who thought that they should be treated differently, the main reason given being having and bringing up children.

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17 *Women and Finance* (Mintel International, 1998)

- 4.31 Women are also just as likely not to financially plan although they do tend to have stronger concerns over family issues which may lead to some planning. Concern for their children's future is a major motivator and could be a key to marketing to these women.
- 4.32 A simple lack of financial resources is however, the main barrier to financial planning for both men and women.

## Conclusions

- 4.33 Demographic changes mean that in future there will be many more women of working age who are financially independent with earning potential greater than ever before, and who have a need for financial products and services.
- 4.34 In the past the financial services sector targeted married couples, often overlooking the needs of the wife and focusing on the man who was seen as the lead customer. Increasingly they now need to target women as individuals in their own right with their own financial needs.
- 4.35 With couples, particularly married couples, historically it has tended to be the man who is the first-named on any joint accounts. Firms should make clear that this is a matter of choice for couples to decide for themselves as there are implications, as has been found with demutualisations in the past. Although the assets are equally owned as with a joint bank account, due to the legal structure of the deed the first-named of the account has tended in practice to receive any benefit of membership. Therefore existing mutuals may wish to highlight the potential implications to couples when they are taking out financial products jointly.
- 4.36 However, women's life styles are more likely to be interrupted by shocks to their earning power as they take breaks from work or shift from full to part-time working to accommodate having dependent children or other caring responsibilities.
- 4.37 As a result they have a greater need than men of equivalent age and status for financial products to protect them from these shocks to their earning capacity. This is not just to protect themselves from the financial impact of children but also from the risks of divorce, separation and widowhood. Financial planning for women is therefore of paramount importance.
- 4.38 In addition they will continue to live longer in retirement with all the implications that has for their need for retirement income in the longer-term. While there is some evidence that women are aware of these needs, there is not much evidence of them making sufficient provision for such eventualities.
- 4.39 While this is a historic picture, clearly there are dangers that as women get older they may not keep their pension provision going. There is a clear need to ensure women have access to information about their need to provide for their retirement.
- 4.40 Recent legislative changes affecting pensions have been particularly relevant to women. These include pension rights for part-time employees and pension splitting as well as the arrival of stakeholder pensions which are more flexible and therefore more for those likely to take breaks from work. Longer-time these changes should have a positive impact. However, more may well need to be done to provide women with adequate information about the changes that have and are occurring. There is a role here for both government and the FSA.
- 4.41 Changes in the nature of products to make them more flexible have been particularly welcomed by women, who in the past have been disadvantaged by the penalties imposed on customers who give up long-term products early, or stop paying into them. These changes have also benefited men, who increasingly have uncertain working lives due to changes in the nature of employment patterns.



- 4.42 However it may be that more needs to be done to effectively market more flexible products to women as they may not always be aware of what exists. Indicative findings from focus groups being conducted by the Women's Unit show that women believe the government could help by making flexible pensions and mortgages available. Yet such products are already available in the marketplace, or will be shortly.
- 4.43 Little evidence has been found so far that the financial services sector is specifically targeting this market. There are exceptions, in particular women IFAs who specifically target better-off women with services tailored to their needs. However, such services only help a very small and relatively well-off section of the female population.
- 4.44 The recent spate of branch closures means that there has been a decline in traditional face-to-face contact. As women prefer this type of relationship, providers need to be aware that the impact of closures is likely to be greater for them.
- 4.45 More than ever before women will have the income they need to provide for themselves - but they need to be encouraged by the FSA and the industry to make informed decisions so that they can do this. Targeted information and education will be one key element of this.
- 4.46 However, there are many women who are going to remain disadvantaged compared to men. The single mother bringing up three children on her own, the woman approaching retirement whose husband has just died and has no pension of her own - these women are still going to face financial difficulties. The ability to make any financial provision at all is so minimal that they are much more likely to be financially excluded. One in five women don't have current accounts and as a result can incur additional costs in paying bills which can amount to over £200 per annum, a significant cost for someone on a low income.
- 4.47 These women are not nearly such an attractive business proposition for the industry, but they still need information and advice to help them make the best of their circumstances. They will also be more difficult to help due to other factors which can often include greater difficulties with numeracy. Here the FSA is likely to need to play a more significant role, working with other consumer advice networks.
- 4.48 The FSA's educational work highlighting initiatives of particular relevance to women is set out in Annex I.

## Further reading

Berthoud R and Kempson E, *Credit and Debt*, Policy Studies Institute, 1992

*Biggest pensions underclass is women*, press release NatWest, 1998

*E-enabled or e-excluded*, Pearl Personal Welfare Study Programme, 2000

*Fate, Hope and Insecurity*, The Joseph Rowntree Foundation, 2000

*A cycle of disadvantage? Financial exclusion in childhood*, Financial Services Authority (FSA), 2000

Financial Services Consumer Panel Annual Report, 2000

Higher Education Statistics Authority

Jarvis and Jenkins, *Marital Splits and Income Changes*, Institute of Social and Economic Research, 1999

Kempson E and Whyley C, *Access to Bank Accounts*, British Bankers Association, 1998

*National Management Salary Survey*, Institute of Management, 2000

NOP Omnibus Survey, November 2000

*Women and Finance*, Mintel International, 1998 available from [www.mintel.com](http://www.mintel.com) or telephone 020 7676 6000.

*Women's Incomes over the Lifetime*, Women's Unit, 2000

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## Annex I

The Financial Services and Markets Act 2000 gives the FSA statutory objectives to protect consumers and promote public understanding of the financial system. The Act recognises that the need for protection will vary according to the type of consumer and transaction involved, and at the same time acknowledges the general principle that consumers should take responsibility for their decisions.

Following consultation we further defined our interpretation of the FSA's public awareness remit as 'to help consumers to plan their finances and make informed choices, while not being prescriptive or recommending individual products or services'<sup>18</sup>. We went on to say that our priority would be 'inexperienced purchasers of financial products and services, in particular the less well-educated and people on low and moderate incomes including those making little use currently of financial products and services.'

We also said that we would, 'encourage and work with the industry and others to improve the quality of marketing and product literature, and, where appropriate, to simplify the design of products.'

This report has been published to help encourage the industry to take into account the needs of women. The information and analysis contained within it will help the FSA to make sure that its educational work properly takes into account the needs of women. Initiatives currently underway to promote public understanding of the financial system are highlighted below. Where relevant, clarification is given about how they specifically target and meet the needs of women as identified in the report.

- The FSA runs a Consumer Helpline, charged at local rate, which is available between 8am and 8pm on weekdays to answer enquiries about financial services from any member of the public. The helpline takes orders for FSA consumer booklets (see below), can check whether a firm is properly authorised, explain the procedure for making a complaint, or give general information and guidance on personal finance questions. If the FSA itself cannot help, directions to the appropriate body are given.

The helpline usually receives about 2,500 calls a week but this can go up to two or three times that number when there is a particular matter of interest to consumers, such as when the FSA factsheet on mortgage endowments was being sent out by firms to their policyholders. To be able to cope with these peaks, as well as with the increasing number of calls overall, the FSA has recently outsourced the helpline to a professional call centre. Partnership with this company will also enable us to draw on their expertise to make best use of telephone and internet technology in order to further improve the service.

The helpline is promoted through the media but in the past the most active take-up has been by the personal finance press, which as the report shows, is not the most effective channel to reach women. Research found that 67% of callers to the helpline are made with a bias towards readership of the broadsheets particularly the Financial Times, but also the Daily Mail, which has heavy personal finance coverage. A trial advertising campaign is currently being run in local media (newspapers and radio) to redress this imbalance and encourage wider take-up of the FSA's consumer services. This has been specially designed to target women and younger, more inexperienced consumers and research will be carried out to test its effectiveness.

The Helpline number is 0845 606 1234.

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18 *Consumer Education: A strategy for promoting public understanding of the financial system* (FSA Policy Statement, 1999)

- Over a million FSA consumer factsheets and booklets have been distributed to date either free or by paid-for distribution through the industry. The publications are all written in plain language and are widely available through Citizens' Advice Bureaux, public libraries and MPs' constituency offices, as well as from the FSA Helpline and website (see below).
- Around five million endowment policyholders in the UK received the FSA factsheet *Your endowment mortgage – what you need to know* in January 2000 with a letter from their endowment company explaining that they would be receiving a re-projection of their policy. This reflected a commitment on the part of the industry to improve communications to consumers. A regional press campaign targeting local radio and print media ran to coincide with the mail-out reaching over two million readers.
- A new section of the FSA website written specifically for consumers was launched in Spring 2000. The home page was specifically designed to be inclusive and welcoming to women and was consumer tested before launch for its attractiveness as well as its usability. *Consumer Help* provides easy-to-understand, independent information and includes simple explanations of different financial products and services. It explains consumer rights and responsibilities, suggests how consumers can protect themselves against scams and swindles and provides updates for consumers on market and regulatory developments. Users can order publications and email questions to the helpline using the site. It is not possible to identify use by gender from high level statistics. However, from launch *Consumer Help* has been the most popular section of the FSA website and traffic has risen considerably since then, rising by 250% between June and December 2000 from around 350 to over 900 user sessions a day. Time spent on the site has risen considerably as well from 3 minutes 30 seconds on average to over 9 minutes. The address is [www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer)
- To further encourage take-up of the FSA's consumer services by less experienced consumers who don't read the personal finance press, a twelve-month campaign will run from May 2001 in main post offices throughout the country (1400 in total). It is hoped that this will encourage consumers to use the FSA's consumer services, in particular the helpline, publications and website. The fulfilment will be a basic FSA booklet which explains simply the services offered by the FSA. This has been tested on consumers to make sure that it is eye-catching and attractive and will be available at all locations. The pilot will test the effectiveness of the Post Office as a distribution and delivery mechanism, and pre- and post-evaluation will be carried out. The Post Office was selected as an effective means of reaching a wide range of consumers and is seen as particularly effective in reaching a greater proportion of women than we have succeeded in reaching in the past. It will also help promote a basic banking leaflet to the key target audience which includes women who don't have accounts. This is currently in development and helps explain the benefits, in particular reduced costs in paying bills, that having such accounts can bring.
- The FSA is developing a financial services learning programme for adults which has secured funding from the European Commission in collaboration with the DTI. The progress and outcomes of this initiative will be reported to the Commission and EU Member States. National standards for consumer understanding of financial services have been developed. The pensions and financial planning modules of the programme are currently in development, and will reflect the differing needs of men and women. We welcome the involvement of the two National Training Organisations, the Qualifications and Curriculum Authority and the University for Industry in this project.
- The FSA has continued to work to encourage the effective teaching of personal finance in schools throughout the United Kingdom, with the support of the Personal Finance Education Group (pfeg). We have helped ensure that personal finance is now firmly embedded in the revised National Curriculum for England, Scotland and Wales.
- Nearly two hundred primary school teachers and educationalists attended the first FSA annual education conference in March 2000. The conference, addressed by Schools Minister Jacqui Smith,

considered ways in which personal finance can be used as a context for classroom numeracy work. A second education conference for secondary school teachers will be held shortly. We make sure that in all our work with schools, the resources take account of gender differences (as well as to children with other relevant differences such as ethnic and religious origin).

- In November 2000 the FSA published research on the impact of financial exclusion on primary school childrens' understanding of personal finance and the implications for teachers.<sup>19</sup>
- The FSA has helped fund a series of schools programmes on the personal finance curriculum for 11-14 year olds being produced by Channel 4 for broadcast this Spring. It has a soap format and a major storyline brings together issues of personal finance and sex education, both of which fall within the PSHE (Personal Social Health Education) curriculum. One of the major characters is a teenage girl student struggling with debt trying to decide whether or not to carry on at college. Her mother gave up her studies after becoming pregnant as a teenager and now works part-time on low wages. She wants her daughter to get the education she wasn't able to have. This provides the peg for teachers to talk with pupils about the impact that education, and parenthood at a young age, can have on girls' future prospects.
- The FSA will launch a new Comparative Information Service in the summer of 2001. This will provide an on-line service to consumers, giving them the opportunity to compare the features of financial services products of specified types. It will also be available to financial professionals. The FSA's telephone helpline will offer comparative information to those without access to the internet. The initial material will concentrate on long-term investment products but the product range will be extended regularly, including the addition of information on mortgages at an early stage.