

# WE SHOULD MIND THE GAP

You pay a price for being a woman from your early teens.



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You might have assumed that the fact you were busy getting better grades than the boys, and becoming more likely to go to university than them meant you were building the foundations for a better career and higher pay. But you'd be wrong.

Because already those around you were deciding you were worth less than your male counterparts. Girls are far less likely to have had a pension started for them by the age of 15, and they already face lower pay: as early as the age of 14, boys are paid more for babysitting than girls.

When you finish education and enter the world of work, your second class citizenship is enshrined in lower pay. According to the Department for Education, female graduates earn around £1,600 less than male graduates from the outset – at an average of £18,300 instead of £19,900.

Over the next few years the gap grows slowly, so that after five years women make an average of £24,500 a year and men £27,800. But it's in the following ten years – by the time graduates enter their early 30s – that women really start to fall behind financially. Ten years after graduation, women earn an average of £27,100 and men £35,100. Beyond that, when we enter our 40s, the IPPR (Institute for Public Policy Research) finds that the pay gap widens even further – and peaks around this age.

The roles women take within the family can have a devastating impact on their earning potential. By their mid-30s more women tend to have taken maternity leave, and more women have gone into part time work, freelance jobs or taken a career break.

By their 40s, while the early years of intensive childcare may be over, the endless ongoing need for flexibility around school hours is set to continue for more than a decade. It's one reason why those who continue in work tend to reduce their commute time, limiting their employment and earning options further.

Even when the children have left home, mothers continue to pay the price. The years spent with caring responsibilities and the ongoing need for flexibility can mean they haven't been promoted to senior positions as quickly or as readily as their male counterparts. It's part of the reason why, in 2017, almost three quarters of all chief executives and senior officials were men.

And it's not just the motherhood penalty women pay – it's the 'good daughter' penalty too. Women are far more likely to give up work in order to care for elderly relatives in their 50s and 60s. This may be because society tends to expect this more from women. It may also be a knock-on effect of the gender pay gap: their pay took a beating while caring for children, so when it comes to deciding who should give up work to care for elderly relatives, it could make more sense for the lower-earning family member to do so.

All investments, including default funds, can fall as well as rise in value so you could get back less than you invest. This article is not personal advice, please seek advice if unsure.

All of these factors add up so that women end up with around 17.9% lower pay than men.

And it doesn't stop when work ends either, as the pay gap, the motherhood penalty and the good daughter penalty all translate into a pension gap. Career breaks and lower salaries mean less opportunity to contribute to pensions, and as a result at the age of 65 women have a pension pot that's 25% of the size of their male counterparts. Given that women live an average of four years longer than men, they end up having to spread less money over longer, which is one reason why women are more likely to face financial hardship in retirement than men.

But none of this is inevitable. If we take an alternative course of action at various key points in our lives we can close those gaps, and get a fairer outcome at every stage.

## YOUTH

There's little we can do to transform societal norms overnight, so society is likely to continue to believe that tradespeople are more worthy of reward than those in social care. It means that throughout school and at the point where children are choosing their options, they

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need to have positive female role models promoting those subjects that lead to better pay where women are under-represented.

## GRADUATION

Nobody is suggesting that pay is the only consideration when you graduate, but it is a factor. And rather than assuming that the kinds of roles that interest you are in specific industries, it's important to consider all the options. . Attending careers fairs can highlight opportunities that suit their skills and interests within higher-paying organisations and industries that they may not have considered.

## FIRST JOB

Given that the pay gap can start from the very first job, it's important to know your worth before going to any job interview. You can check online what similar roles are paid, which makes it easier to know what to ask for.

From the outset you need to consider your specialism carefully too. Take something like the legal profession. Male and female graduates on the same contracts with the same firm will earn the same from the outset, but the lawyer who decides to specialise in commercial law will find themselves on a faster track financially than one who chooses to specialise in families and charities. Of course, finding something you're

passionate about is vital, and specialising in something you don't enjoy for the sake of the money risks damaging your wellbeing. However, if you're in two minds about the direction you want to go in, or are finding yourself pushed in a particular direction by the organisation, it's worth factoring the financial implications into your thinking.

## PENSION PAYMENTS

Once you earn £10,000 with a single employer you should usually be automatically enrolled into your company pension. This may seem an awful long way off, and it can be difficult to prioritise your pension, but these are actually golden years for contributions, because they work harder for you, for longer. If you can free up a little extra cash each month, talk to your employer and see whether there are higher employer contributions for paying more into your pension, which can double the impact of your efforts. Remember, you can't access money in your pension until you're 55 (57 from 2028).







Throughout your working life  
If you're not getting the pay rises you expect and deserve, ask for them. Women are less likely than men to ask for a pay rise. They're less likely to get pay rises too. The pay gap among those who have been in the job for a year or less is 5.3%, but as time passes and men get more pay rises, after they've been in the same job for 20 years or more full time men earn 11.9% more than full time women. If you're refused a pay rise, ask what you need to do to be in a position to get one, and if you don't have something solid to work towards, there are plenty of other employers out there who could offer you something better.

### **TALK ABOUT CHILDCARE**

If you're in that situation, before you start a family, talk to your partner about parental leave, any career breaks, and ongoing childcare. There may be societal assumptions about who should take charge of care, but this is gradually changing, and there's no reason why anyone should feel they have to replicate the gender stereotypes of their parents.

Employer policies are opening up, you should genuinely have a choice over all these things. By thinking about this in advance your partner can consider their policies at work, and whether their current employer offers the necessary

flexibility. If it's not on offer from this employer, they have the opportunity to move to a more suitable workplace before you start a family

### **KEEP UP YOUR PENSION CONTRIBUTIONS**

If you end up taking some time away from work, or changing your working patterns, talk to your partner about how you will continue pension contributions. On a much lower personal income it's easy to cut them from your budget without considering whether your partner should take up some of the slack. Even non-earners can pay £2,880 into their pension each year and have it topped up with basic rate tax relief. So you can both agree the compromises you need to make elsewhere in your spending to be able to afford to continue contributions for both of you.

Pension and tax rules can change, and benefits depend on personal circumstances.

### **TALK ABOUT ELDERCARE**

Depending on your situation, this is a conversation for your parents, your partner and your siblings. Nobody should feel they are the only person able to change their life in order to care for elderly relatives. If you raise the issue early, it gives your parents or relatives time to consider their position, and make

provisions for their own care. If they need help, siblings with demanding jobs who live some distance away may be able to help pay for care. If you find yourself in the frame for caring for your in-laws, there's a long list of other people who need to consider their responsibilities too.

### **MAKE YOUR PENSION WORK HARDER**

There are three ways to potentially end up with more in your pension: you can pay more in, you can pay for longer, and you can try to make the money in your pension work harder. The last of these three involves the least effort from you.

When you open a workplace pension, you'll automatically be put into something known as the 'default fund'. This will tend to be averagely fine for most people, but will split your money between different assets including bonds and shares in order to take less risk. This will tend to mean lower returns over the long run than share-based funds. Shares will rise and fall in value, but if you have ten years or more until you need the money, they have better potential for growth over the long term.