

POLICY BRIEF: PENSION PROVISION

Executive Summary

The Gender Pension Gap for women entrepreneurs in Scotland calls for urgent action. Recent research highlights the issue of pension provision has been exacerbated by the cost-of-business crisis¹ and the financial impact of the COVID-19 pandemic².

As revealed in the Survey of Women in Enterprise³, many women reported they are paying themselves a low income and applying their savings to their businesses while making no pension provision⁴. The combination of low income, using up personal savings and making no pension provisions highlights a challenging business environment for women seeking to sustain and grow their businesses. There is an urgent need for change to allow women-led businesses the opportunity to achieve their business aspirations without the risk of pension poverty.

This policy brief emphasises the stark pension challenge for many women entrepreneurs and proposes nine policy recommendations to enable women to thrive in business whilst being able to plan for their future retirement.

- Implement mandatory, automatic pension enrolment for the self-employed. Assess existing systems such as National Insurance with a view to using those systems to provide streamlined enrolment and payment processing.
- Offer financial incentives for pension participation to encourage participation and aid the group of women entrepreneurs making no pension provision – especially those over 50 years of age.
- Improve access to affordable financial advice to encourage engagement and financial planning for retirement.
- Provide, or encourage the provision of flexible pension plans that accommodate the unpredictable nature of entrepreneurial income.
- Providing start-up and business growth funding, including grant funds dedicated for women-led businesses and investment funds for women-led companies.
- Implementing equality impact assessments across the deployment of all business funding disbursements including loans, grants, and equity-based financial support. Provide staff training in equality impact assessment to assure capability where necessary.
- Offering incentives such as additional tax relief for equity investment in women-founded companies.
- Implement comprehensive education and awareness programs to inform women entrepreneurs about the importance of pension schemes and retirement planning.
- Such programs should emphasise the long-term financial benefits and address any misconceptions discouraging participation.

¹ Women and Retirement, Scottish Widows (2022)

² <https://www.lloydsbankinggroup.com/insights/how-has-coronavirus-affected-the-nations-pensions.html>

³ Survey of Women in Enterprise 2023, Women's Enterprise Scotland (2024)

⁴ Survey of Women in Enterprise 2023, Women's Enterprise Scotland (2024)

Introduction

The persistent issue of the gender pension gap is driven by multiple contributing factors. A wide scale challenge which directly affects women-led businesses and women's ability to make sufficient savings for their pension, is women-led businesses are largely undercapitalised. Women start up in business with 53% of the capital of their male peers⁵, and women-led businesses received just 2% of institutional investment during the past five years⁶. This lack of, and insufficient, funding has resulted in women turning to their personal savings to fund their businesses.

"I have funded my business from my own savings, other income and credit cards. There was no grant available for me to help me get the business off the ground⁷"

As a result, personal savings that could be allocated to retirement are instead being used to sustain women's businesses, leaving women potentially more vulnerable financially in older age than their male peers. Coupled with low personal incomes from their businesses⁸ this lack of pension provision presents a serious risk of poverty in retirement. Research⁹ suggests women entrepreneurs may lack awareness of the importance of saving adequate amounts for retirement and long-term financial planning. In addition, studies have found both the cost-of-business crisis¹⁰ and the COVID-19¹¹ pandemic have also adversely impacted the gender pension gap.

The factors mentioned above are all interrelated and combine to exacerbate the challenge women face in making adequate pension provisions. Without targeted action, the gender pension gap will continue, increasing the risk of greater pension poverty among women entrepreneurs. The current landscape not only hinders women's pension contributions but also has detrimental effects on the broader business economy, for example by constraining diversity, a key driver of radical innovation. For women to thrive in business, they must be able to access the same level of financial freedom afforded to men when funding their businesses and planning their financial futures.

This policy brief aims to highlight the urgent need for action to address the gender pension gap for women entrepreneurs and presents nine policy recommendations from Women's Enterprise Scotland (WES) designed to improve the retirement income prospects for women business owners in Scotland.

Brenda Santimano Chief Executive Officer at HFL Holistic Financial Leadership and pensions specialist. HFL - national independent financial planners

"Over the many years I have spent as a financial planner and business leader, I have seen the vast gap in pension provision for women and the huge financial implications it has to them in later life, their families and the state. Closing the pension gender gap is not just a matter of fairness; it's a financial imperative for a more secure and independent future for all women.

For too long, systemic inequalities in pay, career breaks for caregiving, and part-time work have left women at a significant disadvantage when it comes to retirement savings and affects the choices they have as and when they can retire.

At HFL, we believe that creating a more inclusive financial system—one that actively supports women's pension contributions and retirement provision which recognizes their diverse career paths and their roles and responsibilities to society as mothers—it is critical to achieving long-term economic stability for individuals and society as a whole."

⁵Rose Review of Female Entrepreneurship, NatWest Bank (2019)

⁶Pathways: A New Approach for Women in Entrepreneurship, Ana Stewart and Mark Logan (2023)

⁷Survey of Women in Enterprise, Women's Enterprise Scotland (2024)

⁸Survey of Women in Enterprise, Women's Enterprise Scotland (2024)

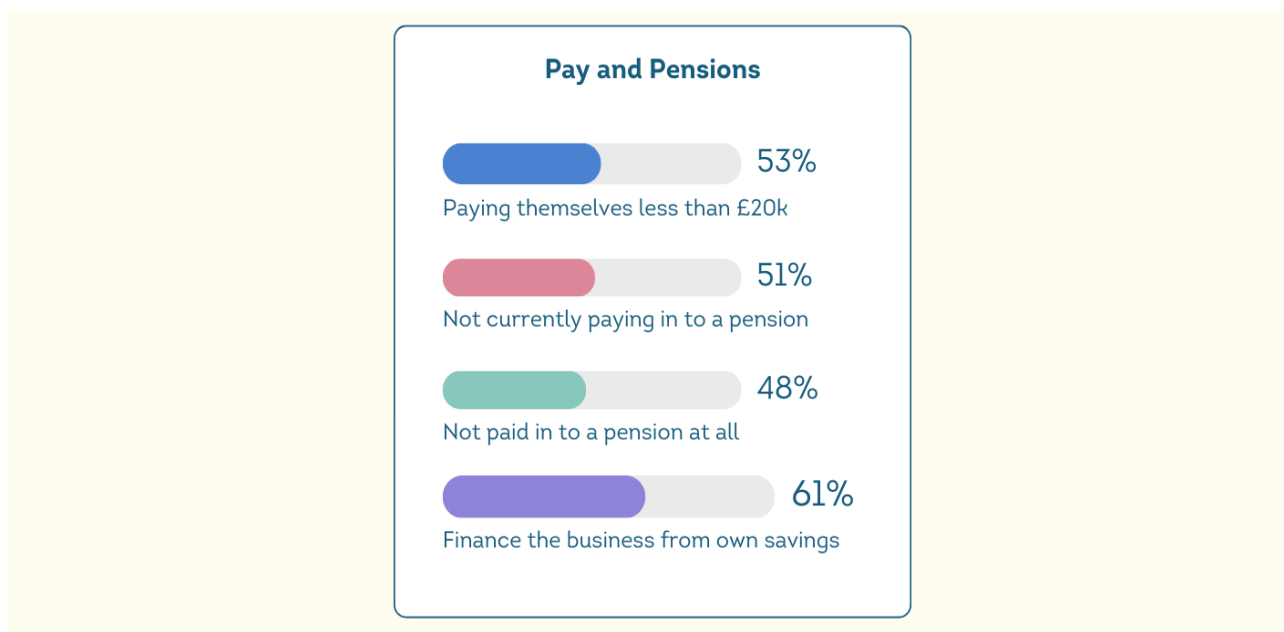
⁹Survey of Women in Enterprise, WES (2023) and Pay and Pensions, WES (2019)

¹⁰Women and Retirement, Scottish Widows (2022)

¹¹<https://www.lloydsbankinggroup.com/insights/how-has-coronavirus-affected-the-nations-pensions.html>

Key Findings

The 'Survey of Women in Enterprise 2023', published by WES in early 2024 found respondents were:



Conclusion and Recommendations

These stark findings from the Survey of Women in Enterprise underscore the need to change attitudes towards pension provision. Addressing this need means less women will experience pension poverty and have a more stable financial future. WES proposes nine policy recommendations to enable women-led businesses to reach their full economic potential without being disadvantaged at retirement age. Successfully achieving this aim could add billions of pounds to the Scottish economy in addition to ensuring a brighter retirement for many women.

Encourage Participation

Encouraging women to make pension provisions, will prevent a substantial proportion of women entrepreneurs reaching retirement age and facing a serious risk of pension poverty.

WES recommends:

- Implementing mandatory, automatic pension enrolment for the self-employed; assessing existing systems such as National Insurance with a view to using those systems to provide streamlined enrolment and payment processing.
- Offering financial incentives for pension participation to encourage participation and aid the group of women entrepreneurs making no pension provision – especially those over 50 years of age.

Improve Existing Support

Improving access to and the quality of pension advisory services is crucial for supporting women entrepreneurs. Enhancing the support already available and tailoring it to address the specific needs of women entrepreneurs, will help improve current levels of retirement saving and planning.

WES recommends:

- Improving access to affordable financial advice to encourage engagement and financial planning for retirement.
- Providing, or encouraging the provision of flexible pension plans that accommodate the unpredictable nature of entrepreneurial income.

Address Funding Challenges

Research continues to highlight substantial inequalities in women's access to finance and the resulting constraint on business growth. Implementing strategies to provide fair, transparent and equitable access to funding and business capitalisation will improve the ability to make pension provisions. For example, greater access to finance will reduce the pressure placed on personal savings and reduce the time spent trying to fund ongoing business operations. Time and money freed up can be redirected to pension planning and greater financial sustainability. Addressing systemic issues such as access to finance, will leave women more room to consider their financial futures and start making pension provisions.

WES recommends:

- Providing start-up and business growth funding, including grant funds dedicated for women-led businesses and investment funds for women-led companies.
- Implementing equality impact assessments across the deployment of all business funding disbursements including loans, grants, and equity-based financial support. Provide staff training in equality impact assessment to assure capability where necessary.
- Offering incentives such as additional tax relief for equity investment in women-founded companies.

Provide Education

In the Survey of Women in Enterprise, a majority said they were not currently contributing to a pension or part of a pension scheme. This lack of pension provision for women entrepreneurs is a serious risk to future financial stability, the ability to cover living costs in older age and for health and well-being.

WES recommends:

- Implementing comprehensive education and awareness programs to inform and prompt women entrepreneurs on the importance of retirement planning and pension provision.
- Ensuring education programs address any misconceptions and barriers that may discourage participation in pension schemes and retirement planning.

For further information visit [Women's Enterprise Scotland - Research](#)