UNIVERSITY OF SOUTHAMPTON

FACULTY OF LAW, ARTS & SOCIAL SCIENCES

School of Social Sciences

Young People and Retirement: Saving for the Future

by

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Thesis for the degree of Doctor of Philosophy

January 2009

UNIVERSITY OF SOUTHAMPTON

ABSTRACT

FACULTY OF LAW, ARTS & SOCIAL SCIENCES
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In the UK, new Government pension reforms aimed at preventing a future of poorer pensioners represent a continuing policy emphasis on individual responsibility. Two main elements of the reforms are the introduction of Personal Accounts and a gradual increase in the age of eligibility for state pensions, from 65 to 68. These reforms will affect young people in particular. The success of the reforms in preventing a future of poorer pensioners will require young people to save more in Personal Accounts or alternative retirement saving vehicles. Young people wishing to retire before the state pension age will need to save even greater amounts. Despite the implications of these reforms for young people, retirement saving amongst young people is an under-researched topic.

This research aims to help fill the gap. The research examines retirement saving behaviour and attitudes amongst young people under the age of 35, using secondary data analysis of the 2005/6 Family Resources Survey and semi-structured interviews. The findings are analysed within a framework of structure versus agency. The results suggest that although the majority of young people have positive attitudes towards retirement saving, actual pension saving activity depends more on labour market position than on saving intentions. In terms of access to pensions, young people are structurally disadvantaged when compared with other age groups, yet the blame for failure to save falls firmly upon the individual. The policy implications are that Personal Accounts will increase the level of retirement saving amongst young people, but considerable numbers of young people with limited access to the new scheme will remain disadvantaged. Furthermore, very few young people will be able to reach the level of saving required to retire before the new state pension age. Today's young people are set to save more and work longer than previous generations.

Old age is like everything else. To make a success of it, you've got to start young.

Fred Astaire

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Declaration of Authorship

I, Karen Jane Baker, declare that the thesis entitled: *Young People and Retirement: Saving for the Future* and the work presented in the thesis are both my own, and have been generated by me as the result of my own original research. I confirm that:

- this work was done wholly or mainly while in candidature for a research degree at this University;

- where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated;

- where I have consulted the published work of others, this is always clearly attributed;

- where I have quoted from the work of others, the source is always given. With the exception of such quotations, this thesis is entirely my own work;

- I have acknowledged all main sources of help;

- where the thesis is based on work done by myself jointly with others, I have made clear exactly what was done by others and what I have contributed myself;

- none of this work has been published before submission.

Signed:

Date:

Acknowledgements

Whilst the intellectual content and words in this thesis are my own, there are many people who made this work possible.

I would like to thank the individuals who made this research possible through taking part in the interviews.

I would like to thank my supervisors, Professor Maria Evandrou and Professor Sue Heath, for all their help and support over the past few years. Additional thanks to the Centre for Research on Ageing for providing essential financial assistance in the form of a studentship.

I would also like to thank Peter Ford and John Welford for their assistance with proof-reading and advice on presentation. Thanks to my sister, Nicky, for providing motivation when my own was lacking. Special thanks to my parents for (once again!) providing me with both transport and accommodation during my time at Southampton. Last, but by no means least, I would like to thank my husband, Kevin, for his ongoing practical and emotional support.

Abbreviations Used

BSP	Basic State Pension
CBI	Confederation of British Industry
CIPD	Chartered Institute of Personnel and Development
DWP	Department for Work and Pensions
ESRC	Economic and Social Research Council
FSA	Financial Services Authority
FRS	Family Resources Survey
NAPF	National Association of Pension Funds
PADA	Personal Accounts Delivery Authority
PAYG	Pay As You Go
PPI	Pensions Policy Institute
SERPS	State Earnings Related Pension Scheme
SHP	Stake Holder Pension
S2P	State Second Pension

Chapter One: Introduction and Background to the Research

Retirement is not a subject often associated with the under 35s. Yet the purpose of this research is to investigate whether more young people in the UK can start saving for retirement. Early retirement saving, but not early retirement is on the policy agenda. Recent retirees, i.e. those who retired between 1995 and 2005, retired at the optimal time to receive the greatest benefits from both state and company pensions (although large inequalities exist between different groups). As a whole, the experience of current pensioners will not be much of a guide for future pensioners; the young people of today, who will be expected both to save more and to work longer.

Government pensions policy over the last two decades prior to the recent Pensions Act (2007) has been about retrenchment, with the value of the state pension diminishing and an increased emphasis being placed on individuals taking responsibility for their own retirement income by saving through private pensions. However, many employers have reduced their pension commitments, by decreasing the value of their contributions and closing company pension schemes to new applicants (Association of Consulting Actuaries, 2003). Meanwhile, personal pensions are in decline; there has been no increase in the percentage of the workforce covered, and average levels of pension provision are falling (Pensions Commission, 2004). It has been estimated that close to thirteen million people are not saving enough for retirement (Association of British Insurers, 2007). The problem is particularly acute among young people, with an estimated 44% of *non* savers being adults under the age of 30 (Association of British Insurers, 2004). This situation describes the 'pensions crisis', the fear that future pensioners will be worse off relative to today's pensioners, because as the state withdraws from pension provision, private pension saving is failing to make up the shortfall.

The continuation of the existing pensions system would see the crisis worsening. However, following recommendations from the Pensions Commission, a body set up in response to the crisis, two new pensions bills were recently passed into law, creating the Pension Acts of 2007 and 2008. The reforms will begin to take effect from 2010. The key elements of these reforms will be an increase in the generosity of and eligibility for the basic state pension, paid for by a gradual increase in the state pension age to 68 and the establishment of a national

system of personal accounts which will extend occupational pension benefits to all employees.

These reforms will affect young people in particular. The trade-off of a more generous state pension for a longer working life means that young people wishing to retire early will have to save more privately. The success of the reforms in preventing a decline in the living standards of future pensioners depends on young people saving more in personal accounts or alternative vehicles for retirement saving. At present, relatively little is known about the extent and nature of young people's retirement saving behaviour. If policy makers are to encourage earlier retirement provision, it is important to understand the motivations for and barriers against saving for pensions at this stage of the life course.

This research attempts to answer the central research question 'Can more young people save?'. The question can be interpreted as referring to both the willingness of young people to save, and their actual ability to save, with both facets being examined in the study. Young people were defined as those under the age of 35 because the early thirties are considered young in pension saving terms (Anderson et al. 2000), and also because this allows any changes that occur between early and later youth to be examined. A mixed-method approach was taken in order to address the main research question and the research objectives and sub-questions outlined below.

The research had three key objectives with sub questions covering five main areas.

1. To **identify the demographic and socio-economic characteristics** of young pension savers and non pension savers.
   Sub Questions
   Characteristics: how does savings behaviour vary across demographic and socio-economic characteristics of age, gender, education, social class, employment industry, income, employment status, housing tenure, marital status, time spent in full-time work and ethnic group?

2. To **examine how young people make decisions** about retirement saving.
   Sub Questions
   Priorities: what are the financial priorities of young people? Where does saving come on the list? What are the savings priorities of young people? Where do pensions come on the list?

Expectations; what are the expectations of young people for retirement? When do young people expect to retire? What do young people think will be their main income sources? Do young people view retirement positively?

3. To **investigate the relative influence of attitudes versus circumstances** on the propensity of young people to save for retirement.
   Sub Questions
   Attitudes and Circumstances: what are the attitudes of young people towards pensions? What do young people see as the advantages and disadvantages of pensions? When do young people think retirement saving should start? What are the motivations for and barriers against pension saving amongst young people? What are the effects of life events such as further education and first time home buying? Is lack of financial education and information a barrier?
   Increasing Pension Saving: is there scope for more young people to save for retirement? How do some young people overcome the barriers to retirement saving? What might encourage young people to make pensions a greater priority?

Objective One is addressed through quantitative analysis of government survey data detailed in Chapters Five and Six. Objective Two is addressed through qualitative analysis of interview data detailed in Chapter Seven. Objective Three is addressed via the interview data in Chapter Seven and the discussion of results in Chapter Eight.

The rest of this chapter provides further detail about the contents of the following eight chapters, including the background to the research, information on the research design, the results, discussion and conclusions to the research.

Chapters Two and Three are the literature review chapters. Chapter Two covers the history of the UK pensions system from its earliest origins, focusing particularly on the debates surrounding the introduction of the first state pensions. Coverage of more recent history describes the shift away from state support for retirement income towards individual provisioning, before describing the 'pensions crisis' that besets the current system and the fear that future pensioners will be worse off than current retirees. The pending reforms designed to solve this crisis, including increased generosity of state pensions, an increase in the age of eligibility for state pensions and a new scheme to provide occupational pension access to all employees, are then detailed. Reasons are given why these reforms will have their greatest impact on today's young people and why the success of the reforms will

depend on the response of young people. The conclusion draws parallels between past and present events.

Chapter Three examines critically the existing theories and literature which attempt to explain saving for retirement. The life cycle hypothesis which predicts saving and dis-saving over the life course is viewed as being particularly useful in relation to explaining (the lack of) retirement saving amongst young people. However, the life cycle hypothesis is demonstrated to suffer from the same drawback as the other economic and psychological theories in which there are tendencies to blame the individual for failure to save. Much of the existing research also considers retirement planning as an individual activity covering people's expectations of retirement, their financial priorities, their knowledge of pensions, their personality and attitudes, and the extent to which people see retirement saving as an individual responsibility. Such factors are clearly relevant for understanding the reasoning behind retirement planning, but the focus on the individual means that the effect of the wider context (for example, the options and extent of support available to help people save), is often ignored. The fact that this is a problem is evidenced in research that shows that people's intentions to save do not always translate into action, and that attitudes towards and knowledge about pensions are not always congruent with whether a person belongs to a pension scheme or not. There is also the classic question of whether attitudes shape behaviour or vice versa. An alternative approach that was adopted in this research emerges from the literature on the 'risk society' and youth transitions. From this, a decision was made to explore young people and retirement saving in the context of tensions between structural constraints and individual agency.

Chapter Four details the research design that was used to make this exploration. The decision was taken to use a combination approach incorporating both quantitative and qualitative methods. The quantitative element used analysis of the government's Family Resources Survey to produce a 'structural' view of pension saving, identifying patterns of pension membership by demographic and socio-economic variables and then modelling the variables using logistic regression to find out more about their operation. The qualitative element sought to provide a 'processual' view of pension saving, exploring individual attitudes, reasoning and experiences in relation to retirement saving, but then placing them in the context of the quantitative (structural) findings to reveal the processes that link to the identified patterns of pension membership. Semi-structured interviews with young people under the age of 35 were used to achieve this, and vignettes proved to be a useful research tool. The chapter describes the difficulties and benefits of taking this mixed method approach. Two issues of particular interest were associated with the qualitative interviews, namely the

gap identified between intentions and actions and the impact of the interview itself on respondents' answers.

Chapters Five and Six are the results chapters for the quantitative analysis. Chapter Five discusses the findings from the bivariate part of the analysis, identifying the patterns of pension membership amongst young people according to demographic variables (age, sex, ethnic group and marital status) and socio-economic variables (socio-economic group, employment status, industry, income, education, number of years in full-time work and housing tenure). The characteristics of young pension savers are compared with the characteristics of pension savers of all ages, and the characteristics of young personal pension savers are compared with the characteristics of young occupational pension savers. The size of the differences in pension membership between categories for each variable are also examined and compared for young people and for all ages.

Chapter Six details the findings of the logistic regression modelling. Models were produced that indicated the relative influence of the variables on pension membership. Odds ratios and predicted probabilities provide additional information on the operation of the variables in combination. Models were produced for young people, young men and young women separately, and for all ages. Models were also constructed for overall pension membership, and for occupational and personal pensions separately.

Chapter Seven reviews the findings of the qualitative interviews. The five key areas examined in the analysis of the interview data were: acceptance of responsibility, ideas about risk and security, expectations of retirement, timing of retirement saving and retirement saving resources. The first four areas are regarded as relating to individual agency, providing the background motivations and aspirations, and the fifth area is seen as representing actual ability to save for retirement. Whilst two of the first four categories cover the same issues as previous research, the nature of the analysis in the framework of structure versus agency sheds new light on the findings, with a more complex picture emerging from the data.

Chapter Eight integrates the quantitative and qualitative findings and discusses their implications. It is argued that starting to save for retirement can be usefully viewed as a youth transition and examined in relation to individual responsibility, increased individual risk, choices and structural constraints. The transition into saving for retirement is also examined in relation to transitions into work and the idea that youth transitions are being delayed and extended. The implications of these findings for the new pension reforms are then considered. Additionally, the theories of saving are re-examined in the light of the results.

Chapter Nine summarises the research and draws conclusions.

Chapter Two: Literature Review: The History and Development of the UK Pensions System

2.0 Introduction

The main aim of this chapter is to provide the background and context of the research. To do this, the first section looks at the historical development of the UK pensions system, before section two describes the current system and its problems. Section three covers the pending reforms, explaining why these reforms will have the greatest impact on young people. The fourth section describes current private pension coverage according to demographic and socio-economic variables and, given that the crisis is characterised by under-saving, discusses definitions of adequacy in retirement saving to set the scene for the next chapter. Section five concludes.

2.1 The History of the UK Pensions System

The UK pensions system is complex and, in order to have some understanding of current problems and issues surrounding young people and pensions, it is useful to have some background knowledge of how the current position was reached. Many of the challenges faced today are similar to the problems faced by past policymakers; indeed, some of the new challenges result from previous policy decisions and some of the proposed solutions echo those of the past. This section looks briefly at the development of state and private pensions over the course of the nineteenth and twentieth centuries, examines current pensions policy, and explains how this is relevant to an examination of young people and retirement saving.

2.1.1 Early Development

The earliest private pension scheme in the UK was an occupational pension introduced for employees of the Customs Department in 1712 (Daykin 2002). In the nineteenth century, occupational pension schemes to which employees made contributions during their working lives became more common amongst government workers and employees of large companies. The civil service pension scheme was established in 1834 and provided a model

for schemes in other sectors such as the railways, gas utility companies and banks (Hannah 1986). Gradually, withdrawal from paid work became associated with receipt of a regular pension income, creating the concepts of pensions and retirement (Midwinter 1997). However, until relatively recently, occupational pensions were enjoyed only by public sector employees and those working for large companies. Amongst those not covered, a wealthy minority provided for old age from their own savings and investments, whilst the remaining majority continued to work for as long as they could (Midwinter, 1997). Thus, in the latter part of the nineteenth century, around two-thirds of workers continued to work after the age of 65 (Hannah 1986).

Once no longer able to work, those without a private pension or alternative support (charitable or familial) were reliant on the Poor Law, either the payments of outdoor relief or the workhouse. Levels of and eligibility for poor law payments varied by geographical area, with the costs of poor law provision being paid from locally set and collected property rates. Receipt of a poor law pension was not automatic but allowances were paid to the majority of older people, in particular members of the working class who made up three-quarters of the population. According to Thomson (1984), the pensions paid were not ungenerous, typically providing an income of two-thirds or more of the average working class wage during the period 1830s-1870s. On the other hand, this is countered by Thane's assertion that the typical allowances of outdoor relief alone were too low to provide an adequate survival income, and that supplementation from other sources (such as lodgers, small jobs and allotments) was needed in order to avoid the workhouse. For the majority of the population, the workhouse was to be avoided. Generally, older people regarded entry into the workhouse as a stigma and workhouses as "pitiless bastilles" (Thane 2000). Meanwhile, in government, although some saw the workhouse as a "haven for the helpless and friendless", others argued that that the conditions of the workhouse should be unpleasant enough to encourage saving amongst young people, and that it should act as "a grim deterrent to force young people to save for old age" (Walsham in Thane 2000 p.166)

The New Poor Law of 1834 set in motion the abolition of outdoor relief and workhouses became the focus of poor relief. The new law was not enforced against older people until the 1870s, when tightened eligibility criteria halved the number of pensions paid out and there were substantial reductions in the absolute and relative values of the payments (Thomson 1984). This 'crusade' against outdoor relief heightened public awareness of the problem of poverty in old age, especially when the situation of older people was compared to the rising living standards of the working classes (Thane 2000). Arguably, this new awareness was the

result of the withdrawal of outdoor relief rather than a sudden new recognition of enduring poverty amongst older people (Smith 1984).

Thane (1978) identified and outlined the lengthy debate that took place from 1878 to 1908 about possible solutions to the new pension problem. The debate centred upon the benefits and dis-benefits of contributory versus non-contributory pensions. The 1870s and 1880s saw the rejection of a plan for wage earners aged 18 to 21 to pay a one-off compulsory insurance of £10 against old age and sickness. Among the reasons for rejection were concerns that compulsion would undermine thrift. Later, during the 1890s, a voluntary tax-subsidised contributory pension scheme favoured by Joseph Chamberlain was opposed by the trade unions because of the disadvantages of contributory insurance for women and low paid workers. In the years around the turn of the century, the Treasury rejected plans for a means- and character-tested non-contributory pension because of the risks of fraud and escalating costs. Eventually, legislation enacted by the Liberal government decided the issue and provided the foundation for the pension system that we have today.

2.1.2 Collective Responsibility through State Pensions

Over the course of the years of debate, there came about a gradual recognition that the only way in which to help the existing aged poor was through the provision of a non-contributory state pension. This realisation was strongly influenced by Booth and Rowntree's studies examining the extent of poverty in Britain at the end of the 19th century. Their conclusions that poverty was both serious and widespread suggested that policy intervention through the state was needed.

Booth (1889) found that one third of London's families were living in absolute poverty caused by unemployment, old age and ill health (Please see Abrams 1993). In particular, Booth uncovered extensive destitution amongst older people, resulting mainly from their inability to continue earning a living. In East London, 39% of those over the age of 65 were classed as paupers. Booth concluded that the only solution to old age pauperism was a non-contributory pension paid to all over the age of 65 (Midwinter 1997; Thane 2000). Booth's findings were supported by Rowntree, who found in 1901 that 28% of the population of York were living below the poverty line (Thane 2000).

The Royal Commission on the Aged Poor (of which Booth was a member) was established to address the problem of old age poverty; it reported in 1895 with very similar conclusions to

those of Booth. Witnesses to the Commission stressed that many poor people earned too little to save for old age and were forced to prioritise improving their position, educating their children and sickness/burial allowances. However, the Commission remained anxious to promote independence from state support by encouraging the majority of people to provide for their own old age, despite the identified problem of sick clubs and friendly societies that were failing.

This discourse on poverty in old age led to a sustained campaign for state old age pensions to provide for deserving older people separately from the Poor Law, and was part of a wider debate on the role of the state in relation to individual and family responsibility (Thane 2000).

Agreement on the need for a state pension was finally reached and, in 1908, despite cost objections from the Treasury, the Old Age Pensions Act introduced the first means-tested state pension. The pension of five shillings a week was paid to men from the age of 70 and was funded by general taxation. The age of receipt for the pension was controversial, with arguments being made for and against 60 and 65 and also in favour of occupation-related pension ages. Although these proposed eligibility ages are not dissimilar to today's, average male life expectancy in 1901 was around 51, so the potential number of claimants was much lower (Thane 2000).

The non-contributory 1908 pension was followed by the 1911 National Insurance Act which introduced a second pension, this time contributory (Thane 2000). The 1911 Act created an insurance scheme for employees covering unemployment and ill health, being paid for from the contributions of employees, employers and the state. The insurance scheme was expanded in 1925 to include the contributory state pension (Midwinter, 1997). After the 1946 National Insurance Act this contributory pension became the (almost) universal basic state pension, a simple flat-rate pay-as-you-go (PAYG) scheme.

The Beveridge Report formed the basis of the 1946 National Insurance Act. Harris (2006) argues that some of the current problems in the UK pension system are a direct result of the Beveridge legacy. The original intention was the abolition of means-testing in retirement, but the transitional arrangements for the introduction of the basic state pension meant that means-tested National Assistance continued, and this was higher than the new state pension from the beginning. Since then, successive governments have found it cheaper to increase means-tested benefits rather than increase the basic state pension (BSP), with the result that means-testing has increased rather than disappeared. Pemberton (2006) adds that the desire to provide generous pensions for those who had worked through the depression and fought in

the Second World War meant that the delay necessary to ensure a generous and fully funded pension was seen as unacceptable. The new BSP was therefore an unfunded pay-as-you-go scheme, set lower than subsistence and not indexed to inflation; the scheme lacked both generosity and affordability.

The low generosity of the new BSP paved the way for further development of occupational pensions. Assisted by the tax exemptions of the 1921 Finance Act, the number of occupational pension schemes had grown. By the 1920s, many large employers regarded pension benefits as an essential part of the employment contract, and central to encouraging employee loyalty and length of service (employees who left would lose their pension rights). Workforce coverage of occupational pensions grew from an estimated 5% at the turn of the century to 13% by 1936 (see Table 2a). By the early 1950s, when coverage had risen to almost 30%, it was rare for a large company not to have a pension scheme (Hannah 1986). This expansion was assisted by the need to improve staff retention during a period of labour shortages and to fill the expectation gap left by the limited level of the basic state pension (Pemberton 2006).

Glennerster (2006) argues that the low level of the state pension in relation to the average wage meant that it was in the interests both of trade unions and employers to develop further a parallel system of occupational pensions, which were seen as a good way to attract and keep union members as well as employees. The 1950s saw fears that the rising costs of the state scheme would mean higher taxes and reduced private savings; as a result, private pension schemes came to be seen as vital for the economy, with state pensions limited enough to allow the growth of the private saving sector.

However, despite the increase in occupational pension coverage, the majority of the workforce was not covered when the BSP started to be eroded by rising prices. In 1957, plans for a superannuation scheme, that would have extended occupational earnings-related pension benefits to all workers, were rejected because of Treasury concerns about the increasing costs of the National Insurance scheme (Pemberton 2006) and the fears of private pension providers and the Trade Unions that the scheme would marginalise occupational pensions (Glennerster 2006). Instead, the Conservative government introduced the State Graduated Pension Scheme, which gave employers a public subsidy of fiscal incentives and rebates to encourage them to ‘contract out’ into private occupational pension schemes. This created the occupational pensions boom of the 1960s (Whiteside 2006), with occupational pension membership peaking in 1967 at around half the workforce (Table 2a).

Table 2a: Occupational Pension Coverage 1936-2004

	Number of Members (millions)			% of workforce who are members		
	Men	Women	Total	Men	Women	Total
1936			2.6			13
1953	4.9	1.3	6.2	34	18	28
1956	6.4	1.6	8.0	43	21	35
1963	9.4	1.7	11.1	63	21	48
1967	9.9	2.3	12.2	66	28	53
1971	8.7	2.4	11.1	62	28	49
1975	8.6	2.8	11.4	63	30	49
1979	8.3	3.3	11.6	62	35	50
1983	7.8	3.3	11.1	64	37	52
1987	7.2	3.4	10.6	60	35	49
1991	6.8	3.9	10.7	57	37	48
1995	*	*	10.3	*	*	*
2000	*	*	10.1	*	*	*
2004	*	*	9.8	*	*	*

(Source Falkingham 1997, p99) and GAD (* denotes not available)

Nevertheless, as occupational pensions continued to expand, large gaps in coverage remained, and pensioners without occupational pensions were left living on or below subsistence income (Scarborough 2002). In 1975, further policy debate resulted in the replacement of the State Graduated Pension Scheme with the State Earnings Related Pension Scheme (SERPS)[1]. SERPS aimed to provide an additional earnings-related pension based on the best twenty years of earnings to the value of 25% of earnings. Provision was also made for index-linked increases in the basic state pension (BSP) to the greater of prices or (average) earnings. However, contracting out for employers was retained (Whiteside 2006), a decision which limited the redistributive potential of the new state scheme because the contributions of better paid workers could not be used to subsidise poorer contributors (Glennerster 2006).

[1] Social Security Pensions Act, 1975.

2.1.3 Individual Responsibility through Private Provision

The start of the 1980s saw a major shift in the direction of pensions policy as fears concerning the potential costs of an ageing population led to the introduction of reforms to limit the generosity of state pensions; the 1980 Social Security Act index-linked growth in state pensions to prices only. As a result of growth in earnings outstripping growth in prices, by 1999 the value of the BSP had fallen from 20% of average earnings to 15% (Disney et al. 1999).

The 1986 Social Security Act halved the benefits of SERPS by reducing the maximum accrual rate to 20%, basing benefit levels on the contribution average (rather than the best twenty years) and reducing survivors' pension rights from 100% to 50%. At the same time, the Act stimulated growth in the private pension sector by using subsidies to encourage individuals to contract out of SERPS and buy personal pension plans sold by insurance companies (Whiteside 2006). Personal pensions received a further boost in 1988 when it became illegal to make membership of an occupational pension scheme a condition of employment. The government's overall strategy was to reduce the cost of state pensions by encouraging individuals to take responsibility for their own retirement income (Scarborough, 2002).

The take-up of personal pensions was initially successful; by 1994 the number of personal pension holders reached almost six million. This was done at high cost, firstly to the Exchequer in the form of £9.7 billion in lost tax revenue, and secondly to public confidence as a result of the subsequent mis-selling scandals. Five million people opted out of occupational pension schemes into personal pensions, many of whom would have been better off staying in their original schemes. Confidence in occupational pensions was also undermined by scandal. In 1991 Robert Maxwell was found to have raided the Mirror Group pension fund for capital to invest in his other companies, resulting in a £1 billion loss to the fund (Scarborough, 2002). These scandals provoked more extensive state regulation but no return to a state-run system (Whiteside 2006).

The 1995 Pensions Act followed the scandals, regulating the financial sector and also increasing the age of women's eligibility for state pensions from 60 to 65, saving £3 billion per annum in the cost of state pensions (Blake 2002). The possibility that the Conservative government would dispense with the state pension altogether was ended by New Labour's election victory in 1997.

2.2 The Current Pensions System

This section outlines the current policy situation in relation to pensions in the UK, including the failures and problems in the system that pending major reforms will attempt to address.

The Labour government, in office from 1997 to the present day, has continued the emphasis on individual responsibility for retirement provision, but in combination with the introduction of policies aimed at redistributing resources to the poorest pensioners. The 1998 Green Paper *A New Contract for Welfare; Partnership in Pensions* outlined the new objectives that:

- **Those who are able should save what they can for their retirement.**
- **The Government should support those who cannot save and regulate the pension system effectively.**
- **The private sector should provide affordable and secure second pensions.**

(Department of Social Security 1998 p3)

In order to achieve these objectives, the government initiated three new measures. First, in 1999, they introduced a means-tested, earnings-linked minimum income guarantee (MIG). Second, 2001 saw the launch of the Stakeholder pension (SHP), a new low-cost personal pension aimed at low to middle-income workers not already covered by occupational pensions; and third, in 2002, SERPS was replaced by the State Second Pension (S2P), an earnings-related but flat-rate pension targeted at those on lower incomes with higher earners expected to contract out.

The reforms have resulted in the current structure of the UK pensions system (as illustrated in Figure 2a below) with the foundation basic state pension supporting four pillars: the second state pension and means-tested benefits provided by the state, occupational pensions made available by employers, and private pensions offered by insurance companies.

The measures have proved less successful than anticipated. The differential index linking of the MIG (to earnings) and BSP (to prices) means that the gap between the two increases each year, because growth in earnings has consistently outstripped growth in prices. Consequently, the number of pensioners eligible for means-tested benefits and the amount an individual needs to save in order to avoid a means-tested retirement also increase. A ‘savings trap’ is created for those unable to save enough to escape means-testing; these people are, in fact, better off not saving anything at all. The introduction of the pension credit,

in an attempt to reward saving, has added further complexity to an already complex system whilst failing to alleviate the problem.

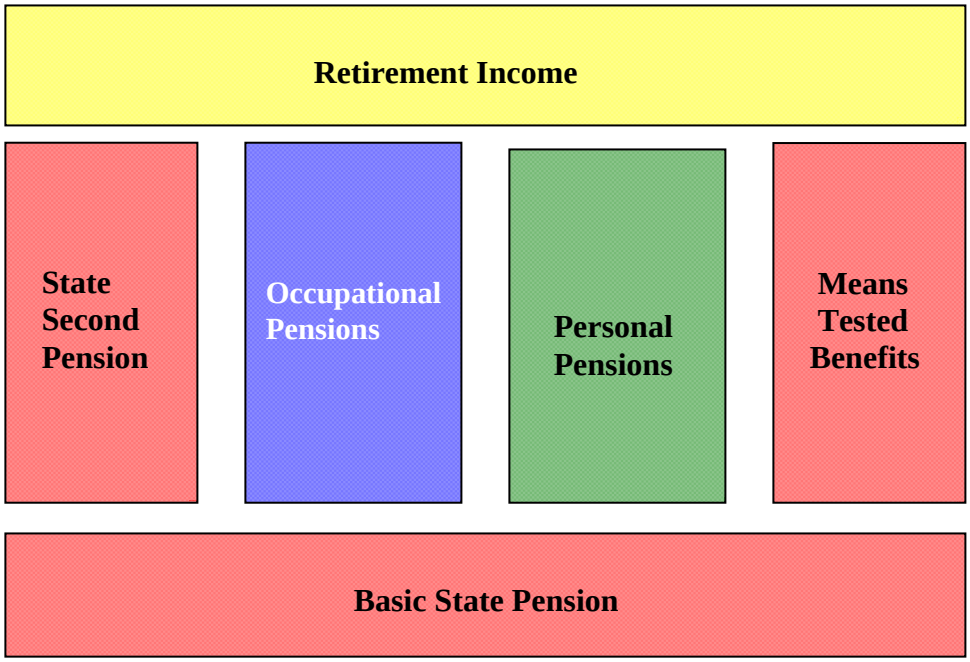


Fig. 2a: The Structure of the UK Pensions System

The take-up of stakeholder pensions has so far been low, amounting to less than 3% of the workforce (Trades Union Congress 2004). The condition that all employers employing five or more people must offer some form of pension provision means that many stakeholder pension schemes exist just as 'empty shells'. The costs of stakeholder pensions were intended to be kept low, with maximum charges of 1%, but pension providers successfully argued that this was too low to allow the pensions to be sold profitably, and the threshold was increased to 1.5%.

In addition, the regulatory legislation aimed at restoring public confidence in personal and occupational pensions, damaged by the scandals mentioned above, has had adverse impacts. In personal pensions, the greater regulatory burden on providers has resulted in increased costs to the consumer. In occupational pensions, new accounting rules revealed large deficits in pension fund schemes leading to further loss of confidence and contributing to the shift from defined benefit pension schemes (in which the employer bears the investment risk) to defined contribution schemes (in which the employee bears the investment risk) (Blake 2002).

This combination of pensions policy problems alongside external factors, including the collapse of Equitable Life, stock market falls, low interest rates, declining annuity rates, and unanticipated increases in longevity, has become popularly known as the 'pensions crisis'. The crisis is characterised by fears that future pensioners will be worse off relative to today's pensioners because the state and employers are withdrawing from pension provision and private pension saving is failing to make up the shortfall. Estimates vary as to the numbers of those unable or unwilling to save enough to provide an adequate retirement income, for example the Association of British Insurers (2007) estimates the figure to be almost thirteen million, close to half the workforce. The government's own estimates in 2004 were that three million people were under-providing and a further 5-10 million people may want to consider saving more or working longer (Department for Work and Pensions 2004).

In the midst of the 'crisis', the government published a paper entitled "Simplicity, Security and Choice" that re-emphasised their commitment to encouraging individual responsibility in retirement planning:

> "Individuals have a personal responsibility, where possible supported by their employer, to determine the level of income they want in retirement over and above the foundation provided by government."
>
> (Department for Work and Pensions 2004 p3)

The paper expressed particular concern about pension saving amongst young people. According to the paper, only 30% of workers in their twenties contribute to a private pension compared to around 55% of all working age people; furthermore, less than half (45%) of employees under 30 take up the offer of an occupational pension scheme. The paper argues that starting to save for retirement from an early age makes pension saving more affordable and makes a commitment to increasing "young people's awareness and understanding so that they make informed decisions about when to save" (Department for Work and Pensions 2004 p9). The notion of "informed choice", brought about by the provision of information and resources for retirement planning, was regarded as key to encouraging personal responsibility for retirement saving and formed part of a wider package of reforms in the subsequent 2004 Pensions Act. At the same time, the government set up the Pensions Commission to consider whether the existing voluntary pension system was adequate, and also to look at the case for compulsion in retirement saving. Yet again, major pension reform was on the agenda.

2.3 The Future Pensions System

This section details the new reforms, the response to the reforms and the implications for young people.

2.3.1 The Pensions Commission

The Commission carried out a thorough review of all aspects of the UK pensions system. In their first report, *Pensions: Challenges and Choices* (2004), the Commission argued that increases in life expectancy meant that, without some combination of working longer, saving more and paying higher taxes, future pensioners would be poorer. The Commission also pointed out that, although the existing system had appeared to work well in the past, it has always hidden major inequalities between different groups, a situation that was now worsening with risk being shifted to individuals who were often ill-equipped to deal with it.

Following extensive consultation, the Commission's second report *A New Pension Settlement for the Twenty-First Century* (2005) recommended two major policy reforms. The first of these was the creation of a funded National Pensions Saving Scheme (NPSS) to provide access to occupational pension saving for those not already covered. The proposed scheme would feature automatic enrolment of members, low management charges and a minimum default contribution of 8% (4% employee contribution, 3% from the employer and 1% from tax relief). The second recommendation was to base BSP entitlement on residency (i.e. non-contributory), and to restore earnings indexation. This would reduce the spread of means-testing and increase state pension coverage to near universal. To pay for this, the Commission maintained that there would need to be an increase in the percentage of GDP spent on state pensions in combination with increases in State Pension Age (SPA) proportional to increases in life expectancy. The Commission's preferred option was that the SPA would rise to 68 by 2050.

The Commission argued that their recommendations would create clearly defined roles for both the state and individuals:

> "The state should:
> i) Ensure that all people are kept out of poverty in retirement
> ii) Encourage people to achieve at least a base load of earnings-related pension provision

iii) Enable all people to save for a pension at low cost.

But individuals should have significant flexibility to make their own trade-offs between retirement age, savings rate, and level of income in retirement, in the light of their diverse preferences and circumstances".

(Pensions Commission 2004, p.28)

Thus the Commission's view was that the state should prevent poverty and provide adequate means for private saving whilst encouraging people to take responsibility and make their own choices.

2.3.2 Security in Retirement and a New Way to Save

In response to the Pension Commission's recommendations, the government has passed two new Pensions Acts: the Pensions Act 2007 and the Pensions Act 2008. The Pensions Act 2007 covers state pensions. The act includes three key changes. First, from 2010 there will be a reduction in the number of qualifying years needed to receive a full BSP, from 39 for women and 44 for men to 30 years for both. Second, from 2012 or the next Parliament, the BSP will increase in line with earnings rather than prices. Third, from 2024 to 2046 the state pension age will increase gradually from 65 to 68.

Differences from the Commission's recommendations are the later restoration of the earnings link and the earlier introduction of increases in State Pension Age, both of which will reduce costs to the state. More fundamental is the maintenance of the contributory principle in the Basic State Pension, in contrast to the Commission's proposed residency test. The Government's White Paper, *Security in retirement; towards a new pensions system* (Department for Work and Pensions 2006) justifies retention of the contributory principle as beneficial in promoting personal responsibility and rewarding contributions to society.

The Pensions Act 2008 legislates for the introduction of Personal Accounts, a national pension saving scheme aimed at low to moderately paid employees who do not already have access to good occupational pension provision. The scheme is similar to the National Pension Saving Scheme recommended by the Pensions Commission. The automatic enrolment feature and the contribution rates recommended by the Pensions Commission are accepted. Automatic enrolment will cover employees[2] earning more than £5000 per annum

[2] Automatic enrolment will cover employees who are working for an employer who does not already offer a 'certified' pension scheme.

who are aged between 22 and state pension age. Employees under 22 or between state pension age and 75 will be able to opt in with access to an employer contribution. Those earning less than £5000 can opt in but will not receive an employer contribution. Management charges at an estimated 0.3% will be much lower than the norm for private pensions, meaning that final pension funds could be up to 25% larger. In keeping with the emphasis on individual choice, savers will be able to choose between investment funds, and whether to make additional contributions or to remain with the default options. Individuals may also choose to opt out of the scheme, but will be automatically re-enrolled after three years. No transfers will be allowed in or out of the scheme, except in the initial year when savings of up to £10,000 can be transferred.

2.3.3 Implications of the Reforms for Young People

The new reforms to be introduced from 2010 will have the largest impact on young people. The trade-off of a more generous state pension for a longer working life means that young people wishing to retire early will have to save more privately. The success of the reforms in preventing a decline in the living standards of future pensioners depends on young people saving more for retirement in personal accounts or alternative retirement saving vehicles. However, as we have seen, retirement saving by young people is in decline, with numbers saving falling from one in three to one in four since 2000 (Purnell 2006)

2.3.4 Response to the Reforms

Overall, the new reforms have been well received with general support both for Personal Accounts and the changes to the state system that aim to create a firm foundation for saving. However, there are some concerns, including the risk of continued means-testing, the deferment of increased costs, the take-up rates of personal accounts, the danger that personal accounts will undermine existing occupational provision, the response of small businesses, and eligibility for auto-enrolment.

2.3.4a A Firm Foundation?

The reforms to state pensions aim to provide a firm foundation for private saving. However, although the basic state pension will be improved, this will not be enough to prevent a means-tested retirement for millions of pensioners (Price 2008). The Pensions Policy Institute (2006b) suggest that the government's forecast that anyone who has been in employment or

a caring role throughout their working life could receive £135 in state pensions a week at retirement is overoptimistic, and that the majority of people will receive less than £135 a week from the state, in today's earnings terms, even by 2050. The Pensions Policy Institute estimate that between one-third and two-thirds of households may still be eligible for pension credit by 2050. Indeed, the Department for Work and Pensions' own estimate is that just under one-third of households will still be eligible (Department for Work and Pensions 2006). Although this is an improvement from the estimated three-quarters of pensioners who would be entitled to means-tested benefits by 2050 without reform (The Pensions Commission 2004), these potentially high levels of means testing could act as a disincentive to saving in personal accounts.

2.3.4b Affordability

The reforms are regarded as affordable (at least initially). The Pensions Policy Institute (2006c) argue that the reforms will improve the sustainability of the state system, with increased public expenditure offset by increases in state pension age in the long term, but that this could be undermined by uncertainty over future levels of means testing. The total cost of the reforms will rise from 6.2% to 7.3% of Gross Domestic Product over the period 2010 to 2050 (Price 2008). The Institute for Fiscal Studies (IFS) cautions that the tax/borrowing required to pay for the increase in GDP and the delay in restoration of the earnings link jeopardises the future of the reforms (Emmerson et al. 2006a). Indeed, the Confederation of British Industry argues that the affordability of indexing the BSP to earnings should be reviewed according to economic conditions (Confederation of British Industry March 2006).

2.3.4c Risks for Personal Accounts

The Pensions Policy Institute (2006c) observes that the government continues to place high expectations on private saving; the government has set ambitious target income replacement rates. For example, the target 45% replacement rate for a median earner requires one third of pension income to come from private saving even with full state pension rights. As noted above, many people will not receive full state pension rights, and so personal accounts will be expected to make up for inadequacies in the state system as well as solve the under-saving problem. High take-up is needed to ensure the success of personal accounts; the PPI (Pensions Policy Institute 2006a) thinks that government estimates of opt-in rates of 62% (optimistic) and 50% may be too high, comparing them to a New Zealand estimate for a similar scheme at 25%. However, Emmerson et al. (2006a) are more positive, citing

examples of the way in which automatic enrolment schemes in the United States have increased coverage and adding that the loss of employer contributions increases the cost to the individual of opting out.

High participation rates would be regarded as a sign of the success of the reforms, but because of the risk of continued means testing, personal accounts may not be suitable for everyone (Pensions Policy Institute 2006a; Price 2008). The scheme is more likely to be suitable for people in their twenties than for those in their forties or fifties, but even young people may be better off opting out if they are single and have low earnings and broken work histories, or if they later become self-employed or end up renting in retirement. Personal accounts may also be unsuitable for people with high levels of debt and people who cannot afford the contributions (Pensions Policy Institute 2006a). For these reasons, and because personal accounts are aimed at low to moderate earners who cannot afford to make poor financial choices, people will need high quality information and advice about the decision as to whether to remain opted in. However, cost cutting means that there will be no individually tailored advice to assist with decision making (Pensions Policy Institute 2006a; Price 2008).

A further serious concern is that personal accounts could undermine existing pension provision, with additional bureaucracy and the costs of higher participation resulting in scheme closure (Confederation of British Industry March 2006; Emmerson et al. 2006a; National Association of Pension Funds 2006; Pensions Policy Institute 2006a, 2007; Society of Pension Consultants 2006). The Department for Work and Pensions (DWP) response is that the reforms are designed to ‘complement rather than compete with existing pension provision’ and will open up a new section of the market to the financial services industry. A second concern about the potential damage to existing provision is the risk of employers ‘levelling down’ and reducing their contributions to the default level (British Chambers of Commerce 2006; Confederation of British Industry March 2006; National Association of Pension Funds 2006; Pensions Policy Institute 2007; Society of Pension Consultants 2006). However, research carried out for the DWP found very little evidence that employers would level down existing provision; rather, there was evidence of strong support for automatic enrolment from employers as a means to reduce under-saving (Marshall and Thomas 2006).

A related concern is the impact of the additional costs of the employer contribution on small businesses and fears that employers would respond with wage reductions, redundancies, reduced investment and encouraging employees to opt out (British Chambers of Commerce 2006; Confederation of British Industry March 2006; Pensions Policy Institute 2007). Research carried out for the DWP confirmed that small and medium sized companies would,

by their own admission, be most likely to pass on costs either through increased prices or decreased wages (Marshall and Thomas 2006). If wage reductions occur, employees who opt out of personal accounts would lose out (Emmerson et al. 2006b). In the light of these concerns, the government has legislated in the Pensions Act 2008 to prevent employers from encouraging opt-out and to phase in employer contributions gradually so as to assist small businesses.

2.3.4d Age of Enrolment

The decision to set the age of eligibility for auto-enrolment at 22 has obvious implications for young people. Those who enter the labour market at younger ages will have to opt in if they wish to save in the scheme. The decision was made on the basis that young people change jobs more frequently, which would lead to increased administration costs for personal accounts and a potential risk that employers may become reluctant to employ younger workers. However, the DWP's own research has identified considerable support for automatic enrolment to start earlier. Most employers favour automatic enrolment from the age of 16 to prevent young people becoming accustomed to the extra amounts in their net pay and increasing the inclination to opt out later (Marshall and Thomas 2006). There was also more general public support for automatic enrolment to start at 16 to help create a savings habit, although people recognised that young people may also have affordability concerns (Marshall and Thomas 2006). In contrast, the Confederation of British Industry (2006) argued in favour of a higher age, 25, for auto-enrolment in order to prevent students from enrolling and to reduce the costs of high labour turnover.

2.3.4e The Public Response

The Pensions Advisory Service (2006) carried out a survey of callers to their services and found that 78% of those surveyed were in favour of personal accounts. This supports the DWP research which suggested that the public would welcome personal accounts as a means to bridge the saving gap. The DWP also received favourable responses with regard to automatic enrolment, employer contributions and the proposed individual contribution level (Bunt et al. 2006; Marshall and Thomas 2006). Automatic enrolment was regarded as a means to overcome inertia and increase participation rates. Matching employer contributions were seen as making enrolment worthwhile, and were also frequently cited by people as the reason they had joined their employers' occupational schemes (Bunt et al. 2006). There was overall support for the contribution levels suggested by the Pensions Commission, although

low earners were worried about affordability and higher earners thought that they might get a better deal elsewhere (Marshall and Thomas 2006).

A further issue from the DWP research was the security of personal accounts. Respondents felt that the large scale of the personal accounts scheme meant that their savings would be secure and protected by the government. People did not want to risk their money and wanted secure returns, ideally with some kind of guarantee, for example to receive back at least the amount that they would have received had their money been in a normal bank account. Many respondents, especially non-savers, felt that a guarantee would increase the attractiveness of personal accounts (Bunt et al. 2006; Marshall and Thomas 2006). However, personal accounts will take the form of a defined contribution scheme, with the government offering no guarantees against poor returns (Price 2008).

Recent research carried out for the DWP on young people, saving and pensions, details the responses of young people (aged 16 to 29) to personal accounts (Pettigrew et al. 2007). The idea of automatic enrolment was popular because it was regarded as overcoming apathy but retaining an element of control. The respondents were happy with the contribution levels and particularly liked the transferability of the pension. However, there were some concerns. Firstly, the government might mismanage the funds or use personal accounts as an excuse to decrease the state pension. Secondly, large employers might close existing schemes and small employers might reduce wages. Thirdly, some of the respondents were worried about whether or not the money could be accessed before state pension age (this will not be possible). Reactions to the automatic enrolment age criteria were associated with the respondents' levels of education. Those who were currently or had previously been in higher education were more likely to support an eligibility age of 22, whereas those who had not stayed on for higher education thought 18 would be fairer and lead to higher returns.

Finally, increases in state pension age were the least popular of the proposed reforms. Strong reactions came from some respondents who felt that increases in state pension age were tantamount to forcing people to work longer. However, particularly amongst younger people, there was some grudging acceptance of the inevitability of increases and an increase to 66 or 67 was seen as bearable, although an increase to 70 was regarded as totally unacceptable (Bunt et al. 2006).

2.4 Pension Coverage and the Issue of Income Adequacy

The final section looks at existing research on pension coverage and how pension membership varies according to demographic and socio-economic characteristics, and then considers the issue of adequacy and expectations in retirement income.

2.4.1 The Demographics of Pension Coverage

About half of the workforce are covered by occupational pensions (Disney et al. 2001; Mayhew 2003), approximately one quarter have personal pensions (Disney et al. 2001; Financial Services Financial Services Authority 2002; Mayhew 2003) and one quarter are covered by SERPS/S2P (Disney et al. 2001). Research has shown that private pension scheme membership varies significantly according to different demographic and socio-economic characteristics (Association of British Insurers 2004a; Baker and Price 2002; See, for example, Banks et al. 2002; CIPD 2003; Disney et al. 2001; Mayhew 2003).

2.4.1a Demographic Factors

The first demographic factor is sex. Historically, women have been less likely to be members of private pension schemes than men (Disney et al. 2001; The Pensions Commission 2004). Mayhew (2003) found that almost two-thirds of those who had never had a private pension were women. McKay and Kempson (2003) found that men were more likely than women to be members of occupational pension schemes from their mid-twenties onwards, with female occupational pension membership peaking in the mid twenties at one in three, and male occupational pension membership peaking 50% higher and in the mid thirties. They also found that men were more likely to have personal pensions, following a similar age pattern. Conversely, in recent years the gender gap in occupational pension membership has started to close (The Pensions Commission 2004).

The second demographic factor is age. McKay and Kempson (2003) found the proportion of the under-30s saving for old age to be “trivially small”. Notable increases occurred at the age of 30 and from 35 onwards, but the peak time for pension saving was from 45-55 with two-thirds of people saving for retirement by their late forties. Mayhew (2003) confirms that pension saving peaks at two-thirds in the late forties but also found rapid initial take-up of private pensions during the twenties with three-quarters of people who have ever belonged to

a private pension taking one out by the age of 30. In contrast, the ABI (Association of British Insurers 2004a) found that 44% of 18-29 year olds currently had no private pension provision compared with 20% of 30-50 year olds. Despite the variation in these findings, in each case there is a clear correlation of retirement saving rising with increasing age.

Recent government data (Office for National Statistics 2008) shows that overall private pension membership for men peaks at 60% at the age of 40 to 44. For women, peak pension membership is slightly later (and longer) at 47% from the age of 45 to 54. The data confirms that pension membership rises rapidly during the twenties from 2-3% for 16 to 19 year olds to 34-35% for 25 to 29 year olds. Men are less likely to have higher pension membership than women; during their early twenties, women have higher levels of private pension membership than men (17% compared with 15%).

Ethnic group is the third demographic factor; recent work by the Pensions Commission (2004) identified people from minority ethnic groups as being less likely than the majority White British to be members of private pension schemes. Previous research has found particularly low levels of retirement saving amongst Pakistani and Bangladeshi ethnic groups (Ginn and Arber 2001; Mckay and Kempson 2003; Pensions Commission 2004).

The fourth demographic factor identified from the literature is marital status. According to Anderson et al. (2000), individuals in couples are more likely to plan for retirement. Banks et al. (2002) found that non pension savers are more likely to be single. In contrast, McKay and Kempson (2003) found that marital status was related to general saving but had little impact on retirement saving.

2.4.1b Socio-Economic Factors

Firstly, private pension scheme participation varies by employment status. Fewer than one in ten of those not in paid work (including the unemployed, students and those looking after the family home) save for old age compared with two thirds of employees (Mckay and Kempson 2003). Amongst those in work, employees are more likely to have private pensions than the self-employed (65% and 50% respectively) and full-time workers are more likely to have private pensions than part-time workers (74% and 37% respectively). By type of pension provision, most occupational pension scheme members are full-time employees (82%), but only one quarter of employees had personal pensions compared to half of the self-employed (Mayhew 2003)

Secondly, amongst those in work, Mayhew (2003) identified the importance of industry sector; almost *all* public sector workers have private pension cover in comparison to just two-thirds of workers in the private sector. Hence, those in public sector roles such as healthcare, education and public administration are more likely to have private pensions than those in the private sector (particularly those working in the hospitality, wholesale, retail and motor trades). The private sector exception is financial services, where 85% of workers have private pension provision. Government data shows that in the year 2004 the number of public sector occupational pension scheme members, at five million, exceeded the number of private sector members, at 4.8 million, for the first time (Office for National Statistics 2008). Company size is also important for those in work, with the lowest levels of occupational pension coverage found in small private sector companies (under 50 employees) in which less than 29% of workers belong to an employer-sponsored pension scheme (The Pensions Commission 2004). Pension Trends data shows that only 2% of employees working in companies of fewer than 13 employees belong to employer pension schemes compared with 53% of those working in companies with 1000 or more employees.

Income is the third socio-economic factor. Harris et al. (2002) established that retirement saving becomes more important as income increases. McKay and Kempson (2003) confirmed income as a significant factor in retirement saving, finding that in comparison to the middle income quintile, the top income quintile was one and a half times more likely to be saving for retirement and the bottom two quintiles were half as likely. Mayhew (2003) found that most people on low incomes do not have private pensions, with 75% of those who had never had private pensions living on annual incomes of less than £10,400. The government data confirms the pattern; at least 80% of people with gross weekly earnings of more than £500 belong to private pensions, compared with less than one third of those whose gross weekly earnings are £100 to £200 (Office for National Statistics 2008). With regard to type of private pension, there is a strong correlation between income and occupational pension membership; 25% of the lowest earnings quartile are members compared with 80% of the highest earnings quartile. In contrast, the correlation of personal pensions with earnings is not as strong, with little difference between the three top earning quintiles (Disney et al. 2001).

The fourth socio-economic factor is education. In investigating general saving, Lunt and Livingstone (1991) observed that savers tend to be better educated. Specific research on retirement saving has identified that those with higher educational attainment levels are more likely to save for retirement than those with lower educational attainment levels (Joo and Grable 2000).

Finally, housing tenure is the fifth socio-economic factor. The majority of people with current pension provision live in owner-occupied accommodation (Mayhew 2003; The Pensions Commission 2004). Commercial research has found that non pension savers are less likely to own their own home and that their home is likely to be worth less if they do (Scottish Widows 2005). Additionally, McKay and Kempson (2003) discovered that, whilst people often start to save before they buy a home, they do not generally start to save *for retirement* until after they have purchased a home.

2.4.2 Adequacy in Retirement Income

Whereas many people are not saving for retirement, many more are saving but may not be saving enough. The definition of adequacy in retirement saving is problematic. For example, what is considered adequate by government may not be considered adequate by the individual. The Pensions Commission (2004) questions whether the government's role is in provision of an adequate safety net (with failure to provide beyond this being the individual's problem) or whether it is to ensure that individuals make provision that *they* would consider adequate.

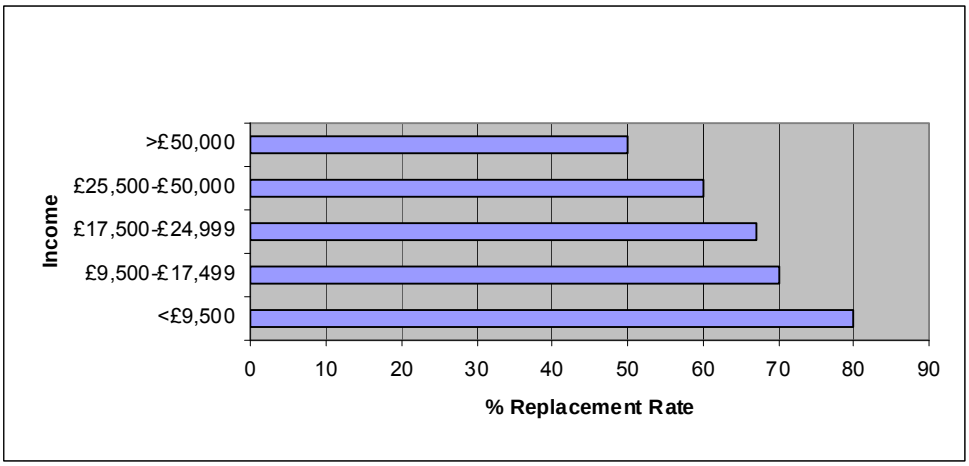
In a study comparing the ability of public pensions to provide a minimum income in old age, Evans and Falkingham (1997) distinguish between adequacy in terms of poverty alleviation and adequacy in terms of maintaining living standards. Adequacy of pension income in terms of maintaining living standards is measured by the *replacement rate:* the value of a pension as a proportion of final year earnings.

Acceptable replacement ratios vary and no ratio is right for all (Pensions Policy Institute 2004). In the UK, the average replacement ratio for new pensioners is two-thirds, and this is often used as a benchmark. Where adequacy is measured by replacement rate, those on low earnings may appear to have an adequate retirement income when in reality their income falls below the poverty line. Alternatively, where adequacy is measured by poverty alleviation, an individual may undergo a substantial decline in their standard of living but still be regarded as having an adequate retirement income. Hence both measures are important.

Defining adequacy as the amount that people would consider to be an adequate retirement income if they retired today, Mayhew (2003) found that the amount that people considered adequate varied by income; typically, lower earners thought that an adequate retirement income would be more than their current income, whilst those on moderate and high incomes

thought that a retirement income below their current income would be adequate. Overall, half thought that an adequate retirement income should be the same or more than their current income. Such findings led the Pensions Commission to conclude that there can be no clear definition of pension adequacy, instead proposing benchmark replacement rates set according to income level. For example, the benchmark replacement rate is set at 50% for those earning over £50,000 whilst for those earning less than £9,500 the suggested benchmark is considerably higher at 80% (See Fig. 2b below). This means that those on lower incomes need to save more in relative terms, although the earnings replacement by the state is also higher for lower earners.

Fig. 2b**: Benchmark Replacement Rates by Pre-Retirement Gross Income Level**



Source: Pensions Commission (2004 p.143, Fig 4.11)

The Association of British Insurers (2004b) asked young people to estimate, in today's money, the level of annual income they would need in retirement and the level of saving required to achieve it. Estimates of necessary retirement income ranged from £10,000-30,000 and the amounts young people needed to save to achieve this were grossly underestimated. Such findings suggest that young people may have some unrealistic expectations.

2.5 Summary and Conclusions

The history of pensions shows us that, before the development of the state pension system, only the minority who had access to occupational pensions, or who were wealthy enough to

make their own provision, could afford to retire, whereas the majority had no choice but to continue working in later life. Once no longer able to work, most people were eligible for poor law allowances, ‘outdoor relief’, but without supplementation from other sources there was a strong possibility of ending up in the workhouse. The widespread fear of the workhouse did not appear to be sufficient to encourage much saving for retirement, indicating that a ‘stick’ approach to encouraging retirement saving is unlikely to work. Public concern about poverty in old age arose at a time when payments of outdoor relief were being reduced. These concerns led to the development of the state pension system and also gave rise to debates about issues such as funding, age of eligibility and generosity, issues which still concern us today. The Victorian Commission on the Aged Poor (Thane 1978) learned that many poor people who earned too little to save for later life were being forced to prioritise more immediate concerns. It also learned that the private organisations existing to help people to make provision for their approaching inability to work were failing, but despite this the Commission still wanted to encourage the majority of people to take responsibility for making their own provision for old age.

The state and private sector solutions set up in response to these problems also introduced the ongoing problems of means-testing and inequality. The spread of means-testing decreases incentives for private saving. Inequality in access to private pensions means that some groups face greater difficulties in meeting the expectations of individual responsibility, but more importantly will be more at risk of an inadequate retirement income. The variation of private pension provision according to different socio-economic and demographic characteristics indicates who these groups are.

The current state of the UK pension system and the recent debates over how to reform it have several parallels in pensions history. First, large numbers of people are failing to save for old age and may have to work longer, yet some fortunate groups belong to occupational pension schemes and a wealthy minority are able to save enough without help. Second, the collapse of occupational pension schemes and poor returns from personal pensions echo the failure of the sick clubs and friendly societies. Third, the declining value of state pension provision could be compared with the withdrawal of outdoor relief, with means-testing being the modern equivalent of the workhouse. Fourth, there is the debate about the age at which pensions should be paid out. Finally, and fundamentally, there is the parallel concern to keep costs down by emphasising that it is the responsibility of the individual to save for retirement.

The new pension reforms offer more state and employer support, but continue to place responsibility for saving on the individual, who must make decisions about whether and how

much to save according to when they would like to retire and how much income they think they will need to live on. The greatest impact of the new reforms, to be introduced gradually over the first half of this century, will be on the current generation of young people. Whilst retirement may seem a long way in the future to many, the retirement saving decisions that this group make during the early decades of their lives will determine both the success of the reforms and the quality of life of their own later years.

It appears that the reforms will be broadly welcomed by the general public. However, they have already come under criticism from those in the retirement and pensions field. In relation to young people, of particular concern are the suggestions that estimates for the take-up of personal accounts are too high and that the eligibility criteria could damage the retirement prospects of younger workers at the start of their careers. Low take-up of personal accounts would damage both the reforms and the retirement prospects of future generations. If recent research is an indication of likely take-up, the indications are not positive; recent research has shown that retirement saving by young people is in decline. Despite this, there has been limited investigation into the causes of this decline and limited exploration of the wider issue of how and why young people make their choices about retirement saving. The following chapter identifies and discusses the existing theories and research on saving in general and retirement saving in particular, including the limited research done to date on retirement saving and young people, in order to provide a basis for my own research

Chapter Three: Planning for Retirement - Risks and Resources

3.1 Introduction

The main aim of this chapter is to examine the existing literature relevant to explaining retirement saving amongst young people. Section 3.2 discusses the various economic and psychological theories of saving, taking a critical approach. Section 3.3 considers the importance of early retirement planning, and the following sections go on to assess the research evidence concerning the influences on retirement planning. Sections 3.12 and 3.13 examine the 'Risk Society' approach in relation to pension provision and youth transitions, in order to provide the basis of a new approach to explaining retirement saving amongst young people.

3.2 Theories of Saving

3.2.1 Economic Theories of Saving

Economics has produced several general theories of saving which attempt to explain saving in relation to changes in income and consumption; however, there are some specific references to saving for later life in the Permanent Income and Life Cycle Hypotheses.

One of the earliest theories of saving was the Absolute Income Hypothesis. Keynes (1936) identified income and consumption levels as being fundamental to saving; as real income rises, consumption does not rise by an equal amount, so a greater amount is saved. Saving is therefore simply the difference between income coming in and expenditure going out. Those with the largest difference should save the most.

More recently, the Residual Income Hypothesis (Marglin 1975) offered a similar explanation for saving. Marglin argued that, apart from the decision to save to buy a house, most household saving is the residual of income after consumption and not the result of a deliberate decision to save. Consequently, a low-income household will save less than a high income one simply because they have a lower disposable income. From this, young people

who have low incomes might be expected to be worse savers; but this is not necessarily the case, as young people with fewer responsibilities may have relatively more disposable income.

Friedman's (1957) Permanent Income Hypothesis, like the absolute income hypothesis, is also based on increases in income. In the theory, permanent income is the present value of lifetime income, and transitory income is the difference between current income and permanent income. Where a rise in income is perceived as permanent, consumption levels increase, whereas a rise perceived as transient results in money being saved. Savings are regarded as provision for the future; a person saves to even out income over their lifespan in order to ensure a permanent income.

3.2.1a The Life Cycle Hypothesis

Modigliani and Brumberg's (1954) Life Cycle Hypothesis is probably the best-known theory of saving and is particularly relevant to retirement saving in relation to age. The Life Cycle Hypothesis is based on 'income smoothing', which is the idea that individuals act to smooth out their income over their life course. Initially, young people have negative saving (dissaving) due to a combination of low earnings and debt (e.g. from education, house purchase, costs of children), so they borrow to consume in advance of future income. As people move into middle age, earnings increase and debts are repaid, which allows saving for retirement. Later, during retirement, when income falls and savings are drawn upon, dissaving occurs again. The ability to save is seen as being age-related, and the primary saving motive is the wish to accumulate money for use in retirement. The model predicts that young people do not save for retirement.

The assumptions behind the Life Cycle Hypothesis have been challenged by Johnson and Falkingham (1992) who make three points. First, there is no evidence that assets are accumulated during mid-life and decumulated during retirement (US data show no consistent decline of wealth with age, rather there is evidence of housing wealth increasing). Second, when UK trends were towards early retirement, personal saving rates fell at the same time as retirement rates were rising. Third, the large number of older people living in poverty is contrary to the idea that people retire on the basis of economic calculation and careful planning. Poverty in old age suggests the opposite, namely that there has been inadequate financial planning.

Beverly and Sherraden (1999) identify similarities between the life cycle and permanent income hypotheses; both theories are concerned with the long term, explaining saving and consumption in terms of expected future income. If current income falls below expected lifetime income, both theories predict less saving and increased borrowing (the anticipated situation of young people). If current income exceeds expected lifetime income for individuals and households, both theories predict increased saving (the anticipated situation of those in mid-life). The authors also criticise the assumption that individuals make rational economic decisions.

3.2.1b Buffer Stocks

The much more recent 'Buffer Stock' models of saving (Carroll 1998; Carroll and Samwick 1995) are less concerned with retirement saving but are more relevant to explaining saving amongst young people. Buffer Stock models emphasise precautionary saving motives - particularly for younger households and households facing greater income uncertainty. Such households are expected to accumulate small amounts of savings, 'buffer stocks', for smoothing consumption during short-term income fluctuations and liquidity constraints. In these models, wealth remains fairly constant until a person reaches the age of 50 and saving for retirement begins, so it is not anticipated that young people will be saving for retirement.

3.2.2 Psychological Theories of Saving

3.2.2a Self-Control

Psychologists have criticised economic theories for failing to provide remedies for economic problems such as how to stimulate saving (Warneryd 1989). Psychological theories attempt to remedy this. The theories are based on the premise that saving decisions are influenced by motives, preferences, aspirations and expectations, which are in turn shaped by social as well as economic conditions. According to Warneryd (1989), the psychological concept of self-control underlies most psychological theories of saving. Self-control is defined as the ability to resist the temptation to spend, an ability that is held to be greater in people who are older (as well as more educated and more middle class). The implication is that younger people are predicted to be poorer savers.

3.2.2b Ability and Willingness

Katona (1951; 1975) and Furnham (Furnham 1985) argue that saving is the result of ability to save combined with willingness to save. As with the economic theories, income remains central, with the level of disposable income used as the measure of ability to save. However, saving requires a degree of willpower, as those with the ability to save must choose to do so. Consumer sentiment, defined as how optimistic or pessimistic a person feels about the state of the economy, influences willingness to save. Optimism about the economy increases willingness to save, pessimism decreases it. The emphasis on ability acknowledges that variation in economic resources and consumption means that some individuals find it harder to save than others, but also allows for variation in saving where the ability to save is the same, by allowing for the influence of personality.

Katona (1975) makes a distinction between long-term contractual saving (for example, fixed regular pension contributions) and discretionary saving (in which deposits of income are used to accumulate reserve funds). Katona adds that the demographic characteristics of savers depend to some extent on the type of saving; for example, discretionary savers are usually middle aged and have high incomes. This seems at odds with the buffer stocks theory of saving, which suggests that younger people are less likely to save for their long-term future but are more likely to accumulate reserve funds for emergencies.

3.2.2c Relative Income Hypothesis

Duesenberry's (1949) Relative Income Hypothesis is very much a social theory of general saving. The emphasis is on the influence of peers or the 'reference group'. The savings ratio depends on household income relative to that of peers, and current income relative to past income, rather than on absolute income levels. Social comparison is seen as being central to consumption decisions, with consumption expenditure strongly influenced by comparison with other people's' consumption. Feelings of poverty or wealth depend on feelings of relative deprivation in comparison with the reference group; an individual's habits and beliefs about saving money will be partly determined by the norms of that person's reference group. Individuals with a high income relative to their reference group will be able to satisfy social and cultural requirements and save the surplus. Those with a relatively low income do not have enough to save, as all their money is consumed in meeting cultural demands; as a result they are likely to accrue debts. Overall, people save if their income is high relative to their peers or if their income has risen, and vice versa.

3.2.3 Behavioural Theories of Saving

In contrast to the assumptions made by economic theories such as the Life Cycle and Permanent Income Hypotheses, recent behavioural theories recognise that individuals may have imperfect knowledge or act irrationally. Behavioural theories attempt to combine psychological and economic theories to create solutions that will encourage saving. The best known is Shefrin and Thaler's (1988) Behavioural Life-Cycle Hypothesis. The theory views the individual as both a planner (saver) and a doer (consumer). The planner takes a long-term view, whereas the doer is present-oriented and 'myopic'. Restrictions, which can be external or self-imposed, that decrease the doer's opportunity to spend will allow for saving; for example, entering into a contractual saving agreement to set aside a certain amount of money each month. The theory focuses on identifying and overcoming barriers to saving, rather than making assumptions about a person's ability to save based purely on age and income.

3.2.4 Criticism of Theories

The above theories, both economic and psychological, are very much focused on the individual. Whilst the economic theories concentrate on the rational individual, the psychological theories focus on individual qualities such as self-control or willpower. The implication is that failure to save is the fault of the individual.

With the exceptions of Katona and the behavioural theories, little attention has been paid to distinguishing between different types of saving. The reality is that there is a large difference between saving for retirement and saving for other purposes, in that saving for retirement requires very large sums to be saved over a very long period. The only comparable sums are perhaps those needed to buy a house, but this is also a current living expense which can be offset against the rental that would otherwise need to be paid.

Only the behavioural theories recognise that the individual might require help to save such amounts. This help may take the form of tax relief, employer contributions, individual contributions deducted at payroll, and automatic enrolment. Access to such assistance varies between different groups, making it easier for some people to save in comparison with others, but this factor is also unrecognised. The lessons of history demonstrate that very few individuals manage to save the large sums required for retirement without considerable assistance.

The behavioural theories recognise the need for assistance, but take the economic viewpoint that the individual tends to be present-oriented and myopic rather than acknowledging the difficulties faced by all but the wealthiest individuals. Overall, existing theories attempting to explain saving may take into account the economic context or the immediate social context (in the case of Duesenberry), but there is a failure to account for the influence of the wider environment in which retirement saving takes place. This wider environment is shaped by social policy and an individual's position in the labour market. By ignoring these social influences it becomes easier to blame the individual for failing to save, and this is a situation which may suit those policy makers who like to emphasise the individual's responsibility to save for retirement.

3.3 The Importance of Early Retirement Planning

The continued emphasis in the new reforms on the individual's responsibility for retirement provision means that the income of future retirees will be more influenced by their individual choices and behaviour than was the case for current retirees. Understanding the reasons why some individuals plan for retirement and others do not has become even more important. More research is needed on retirement planning in general and on young people and retirement planning in particular. The Financial Services Authority's (2002) planning timeline (Fig.3a) demonstrates how financial planning for retirement takes place over a person's lifetime.

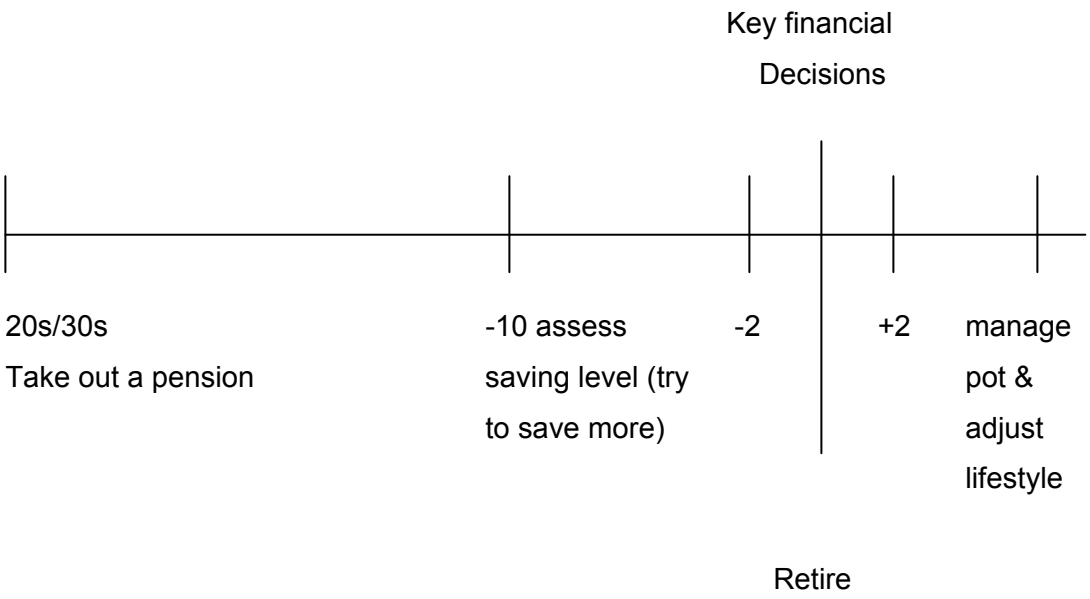


Fig. 3a: Financial Services Authority Planning Timeline
Source: Financial Services Authority (2002) page 23.

In this idealised situation, a person takes out a pension in their twenties or thirties, assesses their level of saving ten years prior to retirement and tries to save more, and makes key financial decisions and lifestyle adjustments in the two years prior to and two years after retirement. The timeline emphasises that retirement planning should begin early in adult life.

Why is early retirement planning important? From the literature, a number of reasons can be identified. First, to avoid poverty in retirement; as discussed in the previous chapter, the Pensions Commission (2004) has stated that action must be taken to avoid a future of poorer pensioners. Bardasi et al. (2002) looked at current pensioners and the transition into retirement. They found that retirement is strongly associated with a decrease in individual economic wellbeing, and that different paths into retirement produce different outcomes in terms of economic wellbeing. For example, membership of an occupational pension scheme is associated with a lower probability of having a low income, both before and after retirement. However, take-up of occupational pension opportunities by young people is in decline.

In relation to the risk of poverty in retirement, support for encouraging young people to start saving early comes from pensioners themselves. Jupp (1997) found that 60% of older people wished that they had saved more when younger, and Lusardi (2001) found that retirees who had not given much thought to retirement when working were less likely to rate retirement as satisfying.

Second, an individual who starts saving early may be able to retire early. Anderson et al. (2000) predicted that the shift towards self-provisioning for retirement would mean that the majority of the population would not be able to make adequate pension provision if they took no action until after the age of 40. In examining the trade-offs between current and future income, Hancock et al. (1995) found that the under 35s were more likely to pay more to increase an inadequate pension because they could see that, at younger ages, small extra amounts made a big difference. In the study, one third of those aged 20-34 wanted to retire before the age of 55, and 55% of these claimed that they would be willing to pay more to retire early. The new reforms mean that today's young people will need to save more in order to retire before 68.

Third, as indicated above, pension saving is more affordable if done over a long period. A five year delay in starting to save, from age 25 to 30, means that the amount saved must increase by 30% in order to reach the same level (Association of British Insurers 2004b). Borsch-Supan and Brugiavini (2001) claim that people need to experience the force of

compound interest to recognise that late saving is both expensive and carries higher risk. However, there is evidence that young people are delaying pension saving; in the 1960s, most people took out private pensions during their twenties, but today less than half of those under 30 are saving in a pension (Association of British Insurers 2004b).

There is, however, a gap in the literature with regard to retirement planning, especially amongst young people. Skinner and Ford (2000) point out that the transfer of responsibility for retirement provision is based on assumptions that individuals are informed, knowledgeable, able and willing to engage in new forms of financial planning. They argue that this is because much of the limited research on retirement planning which informs policy has tended to adopt lifecycle assumptions of rationality. Thus, individuals are expected to compensate rationally for decreases in state pension by increasing private provision. The fact that this has not been happening casts further doubt on the validity of these theories. Anderson et al. (2000) also comment that there is relatively little research on factors that enable and encourage people to give thought to retiring relatively early in their adult lives.

3.3.1 But Early Planning is Not Happening

One area which does appear to be covered by existing research is investigation into the prevalence of thought given to early planning. Although the statistics (Association of British Insurers 2004a; Department for Work and Pensions 2004) indicate a decline in planning as measured by actual behaviour, the findings are mixed. Anderson et al. (2000) found early planning for retirement to be more common today than it was twenty years ago. Nevertheless, they also found that substantial sectors of the population were not preparing for retirement, and demonstrated a clear class effect concerning the amount of thought given to it, with the working class least likely to do so. Whilst the amount of thought given to retirement was found to increase with age, feelings of being financially prepared, and expectations of comfort, did not. Whilst people *think* more about retirement at earlier ages, this does not necessarily translate into action. The many people who feel inadequately prepared presumably *are* inadequately prepared, because Anderson et al. also found that many people do not appreciate that making adequate pension provision in later life is almost impossible. Particularly worrying were the younger respondents, who claimed that retirement was not something they would think about seriously until their fifties. In the future, these young people may well face the same insecurities (feelings of being inadequately prepared) felt by those currently in their fifties.

Using omnibus survey data, Mayhew (2003) confirmed that younger people give less thought to retirement than do older people. Overall, 30% of respondents had given little or no thought to retirement arrangements, but the amount of thought given increased with age, peaking in the late 40s. Mayhew's findings were more optimistic than those of Anderson et al., as she found large increases in the amount of thought given to retirement occurring during the twenties; only 17% of teens had given some thought to retirement, by the early twenties this figure reached 40%, and by their late twenties 71% of young people claimed to have given at least some thought to retirement.

In contrast to the previous studies, which found that young people give less thought to retirement than older people, evidence from focus groups carried out by Banks and Tanner (1999b) found the reverse. Older participants expressed the view that people generally do not think about pensions until it is too late. Some admitted that they had never really thought about retirement and were still not doing so, despite retirement being almost upon them. In contrast to this, the younger participants said that they had already started thinking. The problem acknowledged by the authors of this study, and also indicated in the Anderson study, is that thinking about retirement, although a necessary first step to retirement planning, does not always result in any actual retirement saving activity.

3.4 Expectations

Expectations of retirement, in terms of age, length, income level, income source and living standards, provide the foundation on which retirement planning can be based. For example, an expectation or preference for early retirement means that higher levels of saving will be required, because the number of years spent in retirement will be greater and the number of years available for saving will be less. Alternatively, depending on their expectations for retirement income and living standards, a person may choose to trade a later retirement with a higher income for an earlier retirement with a lower income. Some individuals may prefer a longer working life or to continue working part-time during retirement, both of which have implications for the amount of saving required. Expectations of income source are also relevant; retirement may be funded by investment vehicles other than pensions. Should young people wish to retire before the age of 68, on an income that maintains their pre-retirement living standards, early planning and high levels of saving will be particularly important. Several studies have examined retirement expectations, including those of young people.

In focus group discussions and interviews, Pettigrew et al. (2007) found that young people (aged 16-29) thought old age was 'irrelevant', with many regarding retirement as dull and boring. The less affluent respondents were the least positive. Little thought had been given to retirement funding, but many imagined that they would be independent, and not need to rely on state benefits. Despite regarding retirement as boring, the idea of early retirement, at the age of fifty was popular, although most of the respondents were not saving in pensions.

From survey data covering all age groups, Mayhew (2003) found that the median expected age of retirement was 60. Younger respondents were more likely to expect to retire before the state pension age of 65, although the youngest, aged 16 to 24, were the least likely to know when they would retire. More recent research (Clery et al. 2006) has found that the very youngest now expect to work longer, with 22% of those aged 18 to 24 expecting to retire in their seventies and eighties compared with less than 10% in other age groups. This contrasts with those aged 25 to 34 who were the age group most likely to expect to retire in their forties and fifties (26% compared with 16% of those aged 18 to 24).

When asked how many years they expected to spend in retirement, over half of Mayhew's respondents stated at least 20 years, and half of these anticipated 25 years or more. Most people expected pensions to provide the major part of their income in retirement, and the majority of these expected their pension income to derive mainly from their own private pensions. However, one third of those expecting 25 plus years of retirement had not made any private pension provision (Mayhew 2003).

Unsurprisingly, older people had a better idea of what to expect in terms of level of retirement income than younger people. Those under the age of 35 were less likely to know whether they would have enough income in retirement on which to live comfortably. Those closest to retirement were the least likely to agree that they would have enough money on which to live comfortably in retirement. 73% of those aged 18 to 24 had no idea what their retirement income would be, compared with 21% of those aged 55 to 64 (Clery et al. 2006). Clearly, people have the best knowledge of their retirement income at a time when it is too late to take any remedial action if it is too low.

Commercial research by the Chartered Institute of Personnel and Development (2003) found that more than 80% of those aged 50 and under had not worked out how much retirement income they would need in order to retire comfortably. If people have not worked out the retirement income they will need, it is unlikely that they will have worked out how much they will need to save, thus increasing the risk of under-saving. Commercial research by the

Association of British Insurers (2004b) found that young people were shocked by the amount of saving required to generate a significant pension. This suggests that young people will also underestimate the importance of early and serious saving.

Similar findings were obtained by Baker and Price (2002) using in-depth interviews. They found that people do not check whether they have saved enough until about ten years before retirement, and very few people review their contribution levels. Most people were unsure about the amount that they needed to save and simply assumed or hoped that they were saving enough. Some respondents believed that any pension would be sufficient, whereas others were contributing all they could and hoping for the best.

3.5 Responsibility

A prerequisite for retirement planning is recognition of the need to do so. The previous chapter described how the policy emphasis on the individual's responsibility to save for retirement has grown since the 1980s. To what extent have young people accepted retirement saving as their individual responsibility? Several studies have examined the extent of people's' awareness and acceptance of the need to make individual provision for their retirement. The findings suggest that younger age groups are more willing to accept individual responsibility for retirement provision. Across all ages, Mayhew (2003) found an even split between those who see pension provision as primarily a government responsibility and those who regard it as an individual responsibility. However, survey evidence shows that those in the 25-34 age group are the most accepting of individual responsibility.

Looking specifically at 16-21 year olds, Furnham and Goletto-Tankel (2002) found that the majority believe that people need private pensions, with the more financially literate regarding them as a prerequisite for a comfortable retirement. The authors interpret this as evidence that young people are less reliant on the state, seeing their economic future as being 'in their own hands'. This study and others (Hedges 1998; Mayhew 2001, 2003) have found that people recognise the inadequacy of the basic state pension and many believe that it will no longer exist by the time they reach retirement. The new reforms may lead to more confidence in the continued existence of the basic state pension.

People may recognise their responsibility to plan for retirement, but, as with 'thinking' about retirement, this does not necessarily translate into preparatory action (Banks and Tanner 1999b). Research by the FSA (Financial Services Authority 2002) identified a popular belief

that it is ‘never too late to start saving for retirement’. Despite young people’s’ apparent acceptance of responsibility to make financial preparation for retirement, the evidence suggests that retirement saving is not a priority for young people.

3.6 Priorities

Several studies have suggested that the reason for people’s’ failure to save is that retirement saving is a low priority. Laibson et al. (1998) also observed the ‘gap between intentions and actions’, adding that people tend to err in favour of instant gratification. The authors described it as ‘the problem of self-control’, where people know that they should be saving more, yet fail to do so. This view aligns with the psychological theories of saving outlined above. Mayhew (2003) also found that people are generally slightly more predisposed to spend rather than save, prioritising current living standards over retirement saving.

Prioritising current consumption may be especially prevalent amongst young people, because they are more likely to see retirement as ‘a long way off’ and therefore not an immediate priority amongst other more pressing financial demands and short term goals (Banks and Tanner 1999b; Tanner 2000). The Financial Services Authority (2002) found that people aged 25-45 are constrained by many demands on their income and are generally saving for other reasons than retirement. Research by the ABI (Association of British Insurers 2004b) confirmed that young people prioritise more immediate concerns, such as paying off debt, setting up home, getting on the property ladder and enjoying life while young, and defer pension saving to the future when they expect to be settled and in receipt of higher salaries. They also found that young people often see pensions as being irrelevant to them, associating them with older people who are struggling to make ends meet. There was a lack of appreciation of the benefits of ‘sooner rather than later’ in pension saving, with many young people spending all their earnings each month; although for some this was due to high living costs, for others the emphasis was on enjoyment. Additionally, the ABI also found evidence of high levels of debt and relaxed attitudes towards credit and borrowing.

Pettigrew et al. (2007) confirmed these earlier findings. They found that young people prioritized spending on enjoying being young; saving in general and pension saving in particular, was thought to be something for the future, to be started once they had ‘settled down’. Younger respondents thought that they would begin saving when they started their first, career type job; older respondents thought they would start saving when they found better, higher paid work. The respondents thought that they would have many years ahead to

become wealthy and start acting responsibly, meaning that they had time to spend and enjoy themselves now.

These findings are supported in consumer research investigating the saving and spending priorities of people of all ages (Ifa Promotion 2003). The research found an overall trend of increased borrowing and decreased saving. The reasons people gave for not being in a position to save more included 'saving enough already', 'deferring saving to the future', 'paying off debt' and 'enjoying spending'. In particular, those aged 16-35 preferred to spend rather than save, to the extent that some people who could not afford to spend would borrow in order to consume. Significant numbers of those who claimed that they could not afford to save were spending on luxury goods such as mobile phones, digital/satellite televisions and health club memberships. Despite this evidence that pensions are a low priority for young people, it was the younger age groups who said that they would be prepared to make sacrifices in order to save more, although it was not clear whether this was for retirement.

Watson (2003) argues that the consumption ethic pushes out the saving ethic, finding that the most materialistic see themselves as spenders and have more favourable attitudes to borrowing. Debt is clearly an important issue when considering the finances of young people. The Life Cycle Hypothesis assumes that young people borrow in advance of future income. Over the last twenty years, student loans and, until recently, the easy availability of credit, have meant that levels of borrowing amongst young people have risen dramatically. An early attempt to explain 'dissaving' was offered by the psychological economist Katona (1975) who suggested three possible reasons: firstly, low income, so that necessary saving cannot be achieved; secondly, high income combined with high willingness to spend; finally, an unwillingness not to spend (regardless of income). Of these, the first and third appear to be the most applicable to young people.

Research amongst university students carried out by Davies and Lea (1995) suggests that young people's' attitudes towards debt are more complex than Watson suggests. They found that students were forced to take on loans as a result of economic adversity, despite having initially negative attitudes towards debt. Those attitudes had changed because the students had no choice; the debt increased first and attitudes changed later. They also found that students saw debt as temporary, with students from higher economic groups more predisposed to higher debt, being reluctant to give up comfortable lifestyles, and anticipating high income in the long term. This evidence supports the Life Cycle Hypothesis.

Other research findings also create a more complex picture of saving. Recent results from the quarterly National Savings and Investment survey (NS&I) (2005) suggest that young people are the best savers. The survey found that young people have the strongest saving ethic. The average saver saves 6.9% of their income, but the under-25s save 9.8% and 25-34 year olds save 8%. Younger savers were also found to have the clearest saving goals (although they did not include retirement saving). The under-25s were saving for homes, cars and education, the 25-34 year olds for homes, holidays and rainy days. The evidence that pension saving is not a priority for young people supports the Life Cycle Hypothesis, but the findings that young people make the best savers contrast with the Life Cycle Hypothesis assumption that middle-aged people are the best savers. The NS&I findings support the buffer stocks theories and also confirm the findings of the FSA that young people have saving priorities other than retirement.

Harris et al. (2002) also found evidence that the young are better savers. Their analysis found that those in middle-age save more in absolute terms due to higher income, but when relative income levels are taken into account, young people are more likely to save than those in middle age. Again, young people had different saving priorities, the top three saving motives overall being retirement, rainy days and holidays, but for those aged 18-24 holidays and durables were the primary saving motives.

In summary, the research evidence suggests that young people are more likely to accept responsibility for their own retirement provision than older age groups, and in relative terms are better general savers. However, saving for retirement does not appear to be one of the saving priorities of young people. In contrast, other research suggests that young people are more predisposed to spend than to save; such evidence supports psychological theories of self-control. Additionally, debt is an issue in the finances of many young people. Overall, it is apparent that young people have many competing financial priorities, providing one possible explanation for the widespread failure to save for retirement early in adult life.

There is fairly extensive existing research on retirement planning which focuses on the background to retirement planning in terms of thinking, expectations, acceptance of responsibility and priorities. In line with the policy emphasis on individual responsibility, the focus of this existing research is entirely on the individual. The area of actual decision making, namely how, why and what decisions are made and the context in which these decisions occur, appears to be neglected.

3.7 Personality and Attitudes

One explanation offered in the literature to explain retirement planning is personality. Hershey and Mowen (2000) view personality as a significant predictor of retirement planning. Retirement planning is a forward looking activity (Banks et al. 2002) and psychological studies suggest that a future time perspective is important in financial preparation for retirement. Hershey and Mowen found that having a future time perspective predicts financial knowledge and retirement preparedness, and that a future time perspective is associated with personality characteristics of conscientiousness and emotional stability. More generally, Atkinson et al (2006) found that financial capability in terms of planning ahead is highly correlated with age; this being poorest amongst young people and improving with increasing age[3]. Control has also been identified as an important psychological factor; Lunt and Livingstone (1991) found that savers believe in having personal control over finances, in such matters as budgeting and keeping things simple, whereas non-savers tend to make life more complicated for themselves and feel less in control.

Anderson et al. (2000) confirmed the significance of a combination of future time orientation and a sense of control. The authors found that those who plan ahead generally are more likely to plan for retirement. 'Proactive planners', who combine a future time perspective with a sense of control, are more likely to have given thought to retirement and to feel financially prepared. Those who 'take things as they come' and feel that they have little control over their lives are less likely to expect a comfortable retirement than are proactive planners.

Conversely, a present-time orientation, or myopia[4], has been cited by a number of authors as a reason for low levels of retirement saving (Borsch-Supan and Brugiavini 2001; Casey 2004; Tanner 2000). Banks and Tanner (1999b) found that time horizons vary by class, with those from lower social classes being more present-time oriented. Related to myopia, 'difficulties thinking about the future' is also thought to discourage retirement planning (Pensions Policy Institute 2004; Rowlingson 2002). The Pensions Policy Institute (2004) suggest further reasons for lack of interest in long term planning, including: connotations of old age with death, fears about not achieving the desired outcome, and negative peer influences. Rowlingson (2002) agrees that associating the future with possible unpleasantness discourages retirement planning, as do fears that to plan for retirement somehow tempts fate.

[3] Atkinson et al. also found that the youngest age groups were most likely to be weak within other domains of financial capability (money management, choosing products and staying informed) despite allowing for differences in income and financial experience.
[4] 'Myopia' - short sightedness about future needs.

The limited research specific to young people and retirement saving provides some supporting evidence. The Association of British Insurers (2004b) found that one of the reasons given for not joining an occupational pension scheme was 'being too young'. Pettigrew et al (2007) also found that a present time orientation, a belief that retirement was 'too far away' and that there was plenty of time to start saving in the future acted as barriers to young people starting to save for retirement. Banks and Tanner (1999b) confirmed that a belief in the importance of 'enjoying life whilst young' was associated with low levels of retirement saving. Young men in particular were worried about dying early, before having the chance to spend their retirement savings. The study concluded that holding the view that retirement is a long way off results in deferred saving, adding that this does not mean that retirement is not a cause for thought and concern, but that it is not a priority for any spare money.

In addition to a present-time orientation and a sense of not being in control, researchers have also argued that lack of willpower (Jupp 1997), and unfavourable financial attitudes (Joo and Grable 2000) contribute to low retirement saving levels. Atkinson et al (2006) found that 42% of people would prioritise their current standard of living before retirement saving. Furnham and Goletto-Tankel (2002) found that age was highly predictive in determining attitudes towards saving, with the 16-21 years age group regarding pensions and life assurance as being boring and unworthy of consideration. Considering saving in general, Furnham (1985) found that saving was not regarded as a universally positive goal. Some people, particularly younger respondents, believed that saving was pointless. Furthermore, some young people believe that pensions are only for the wealthy (Pettigrew et al. 2007).

As with the psychological theories, the above research focuses on the individual and appears to find that the individual is to blame. There is no consideration of the wider context, e.g. the amount that needs to be saved, the savings vehicles and the level of assistance available. There is a possibility, as demonstrated by Davis and Lea's debt research, that the situation shapes the attitudes rather than vice versa. However, some research studies have shown that saving attitudes do not always correspond to saving behaviour.

Mayhew (2003) used cluster analysis to form attitudinal groupings of those who were more, and less, resistant to retirement saving. The results indicated that 20% of respondents were predisposed towards saving, holding the attitude that the individual is responsible for retirement provision. Another 30% prioritised spending and current living standards over saving, and these respondents had a comparatively younger age profile. Crucially, however,

it was found that these attitudes did not necessarily correspond to behaviour; not all of those who had a private pension were predisposed towards retirement saving and vice versa. Atkinson et al (2006) found that, for many people, aspirations about planning ahead were not realisable because of insufficient resources. Similarly, the Association of British Insurer's (2004b) research on young people and pensions found that there were few attitudinal differences between savers and non-savers. Many of those with pensions had a detached attitude, having made a one-off decision and given it no further thought. Possible explanations for these findings may be found in the wider context.

3.8 Knowledge and Education

3.8.1 Knowledge

The influence of knowledge and education on retirement planning is one area of the wider context that has been researched. High levels of knowledge are associated with increased levels of retirement planning and preparation (Hershey and Mowen 2000; Mayhew 2003; Tanner 2000). The more educated and those who have been exposed to specific financial education are more likely to plan and save for retirement (Casey 2004; Joo and Grable 2000). The evidence also indicates that people, especially young people, are not particularly financially literate or knowledgeable. Gustman and Steinmeier (2001) measured people's' knowledge about future pension benefits and found that misinformation, imprecision and lack of information were the norm. A consumer survey carried out by the Chartered Institute of Personnel and Development (2003) found that many people did not know what type of pension scheme they were in or how it worked. Mayhew (2003) confirmed that young people were less knowledgeable about pensions in comparison to older people, with just over half of those in their twenties claiming that their knowledge of pensions was patchy or worse, compared with four out of ten of those in their late thirties.

The Association of British Insurers (2004b) explored the reasons why young people had not joined their employers' occupational pension schemes, and these appeared to be knowledge-related, including a lack of interest, ignorance about the benefits, and lack of awareness that their employer should be providing a scheme. However, they also found that young pension savers were no more knowledgeable or financially astute than non-savers. For example, many had only a vague awareness of the type of pension they were in and how it worked. This suggests that, whilst lack of knowledge may be a barrier to young people saving in pensions, there are other reasons that explain pension take-up. Overall, the research found

that the majority had at least a rudimentary knowledge of pensions and how they work, but there was a significant minority who did not have even that level of knowledge. Furthermore, most people knew little about different types of pension scheme and had low levels of knowledge regarding pension benefits. For example, many respondents were pleasantly surprised to find out about tax relief.

Pettigrew et al (2007) produced similar findings. They found that most young people had low levels of understanding about pensions, including those with employer pensions who were often unsure about their contribution level. Most occupational pension scheme members took little interest in the running of their scheme and with automatic deduction of contributions found that they hardly noticed the money taken from their salary.

3.8.2 Information and Education

Research has also explored the sources of information and advice available for financial planning and how these are used. The Financial Services Authority (2002) found that, generally, those who seek advice usually do so about specific products and decisions rather than overall retirement planning. Often, people are unaware of the need for advice. For example, there is limited recognition about the need for guidance on contribution levels; many people in occupational schemes assume that the default contribution level is adequate. Where people do access and receive information, it is not always useful; for example, the FSA found that pension predictions were not always understood, or retirement seemed so distant that the predictions were seen as being irrelevant. Generally, research suggests that purchasing a financial product is challenging, because the large number of different products, lack of comparability, and jargon, mean that people do not know what they are buying (Tanner 2000).

More recently, Atkinson et al (2006) found that people's' main sources of financial information were newspaper and television/radio programmes; they concluded that most people gain information about financial matters whilst reading, watching or listening to other things that interest them. They also found that young people have the lowest capability for staying informed about financial matters. Mayhew's (2003) survey found that financial advisors, employers, banks and building societies, friends, family and colleagues were the most commonly mentioned sources of pensions advice. One in ten people did not know where to seek advice, and these people tended to be younger and have low levels of knowledge about pension issues. Those with more knowledge were more likely to choose specialist sources of

information. Younger respondents were more likely to go to banks and building societies or friends and family. The 16-24 age group were most likely to ask family and friends and least likely to consult a financial advisor. Mayhew's findings support those of Lusardi (2001) that most people learn about saving for retirement from parents and older siblings, but the more educated have access to financial planners, accountants and relevant literature.

The Association of British Insurers (2004b) confirmed that young people lack access to independent financial advisors. They also found that employer guidance was key to young people joining occupational pensions. Pensions were found to have a general image problem with young people, because 'trusted influencers', such as friends and family, tell negative stories about pensions and positive stories about property. In fact, the recent UK property boom has led many to believe that owning property is a better means of providing for retirement than investing in pensions (Byrne 2004). The lack of media promotion for pensions, in contrast to the heavy marketing of property investments, loans, credit and insurance products, was also remarked upon. A perception of uncertainty and poor performance surrounded young people's' image of pensions. More positively, the research found that contact with older people demonstrated, to young people, the impact of good pension provision.

In summary, financial advice on pensions is well received but not sought by young people, who tend to rely on informal sources in the absence of an encouraging employer. Financial advice is not always helpful, and the complexity of pension products adds to the difficulties of retirement planning. Pensions have a rather negative image compared with other means of investment, although positive stories from pensioners with adequate pensions can have a positive impact. Whilst lack of knowledge may be a barrier to pension saving, many pension savers may also lack pensions knowledge, suggesting that knowledge is not the most important factor in determining pension membership.

3.9 Environment and Circumstance

As previously discussed, the Life Cycle Hypothesis ignores the impact of policy, assuming that individual behaviour is constant (Borsch-Supan and Brugiavini 2001). Most theories and research on retirement planning fail to take account of the policy context. However, the policy environment is important in encouraging and discouraging pension saving. Policy stability is necessary to sustain a stable planning environment (Banks et al. 2002; Banks and Tanner 1999a) and not saving can be a rational response for individuals caught in the savings trap

where policy favours means-testing (Banks et al. 2002; Banks and Tanner 1999a; Tanner 2000).

Complexity both in policy terms and pension product choice has been found to be detrimental to planning (Casey 2004; Jupp 1997; Lusardi 2001; Which? 2005). Too much product choice discourages people from taking out a pension (Jupp 1997). Consumer research by Which? (2005) found that people's' pension priorities are security and predictability, with access to a decent pension considered to be more important than choice.

Conversely, too little choice also impacts on chances of securing adequate private pension provision. Large numbers of people do not have access to occupational pension provision. Variation in provision of occupational schemes in the private sector means that securing a good pension scheme is a matter of chance (Bridgen and Meyer 2006). Occupational pensions make up the majority of private pension cover in the UK, and so access to occupational pensions is a key determinant of pension saving likelihood. The Association of British Insurers (2004b) found that employers were a strong influence on young people to start retirement saving. Young people with pensions had invariably started saving with their employer. Despite this, researchers examining private pension saving often fail to make a clear distinction between personal and occupational pension saving.

Beverly and Sherraden (1999) suggested four institutional variables that help promote saving: institutionalised saving mechanisms, targeted financial education, attractive saving incentives and facilitation. Many occupational pensions offer all four in the form of payroll deductions, advice on joining, employer contributions and ease of joining. These studies provide evidence of the importance of considering the wider context in order to understand retirement saving behaviour.

3.10 Income

Income is regarded as a key factor explaining retirement saving from both the economic and psychological perspectives. As discussed in the preceding chapter, pension membership is associated with higher income groups, particularly in relation to occupational pensions. Research amongst young people has found that affordability is one of the main barriers to joining a pensions scheme (Pettigrew et al. 2007). This includes company pensions, one of the reasons young people give for failing to join an occupational pension scheme is reluctance to have further salary deductions made, because of a perceived lack of disposable

income (Association of British Insurers 2004b), but low income has been found to inhibit not only retirement saving but also thinking and planning for retirement (Anderson et al. 2000; Banks et al. 2002; Banks and Tanner 1999a; Harris et al. 2002; Joo and Grable 2000; Mayhew 2003). Income can be related to beliefs about saving. Furnham (1985) found that, as income increases, beliefs about the pointlessness of saving decrease (providing another example of situation influencing attitude).

Lusardi (2001) found heterogeneity in saving behaviour even where income levels were similar. Morgan and Eckert (2004) comment that, among those with adequate incomes, it is not clear why some people prepare for retirement and others do not. One possible explanation is offered in the work of Beverly and Sherraden (1999), who found that low income households were less likely to have access to the four institutional variables that promote saving, arguing that this may help to explain their below-average saving rates. They conclude that low-income individuals have the potential to save more if access is improved. Income, although important, is clearly not the only influence on retirement saving; again, the importance of the wider environment needs more emphasis.

3.11 Possibilities for Encouraging More Young People to Save

3.11.1 Planning Prompts

Several research studies have identified prompts that encourage people to start saving for retirement. These include proximity to retirement (Morgan and Eckert 2004) and unpleasant events, such as poverty striking family members which triggers retirement saving through the desire to create security and avoid a similar fate (Lusardi 2001). Unpleasant events and increasing age cannot realistically encourage more saving amongst young people. More helpfully, the Financial Services Authority (FSA) (2002) identified eligibility to join a company scheme as a key prompt to retirement saving. The FSA also suggested that a natural tendency to save and changes in circumstances (e.g. death, divorce, becoming self-employed, having children or leaving a company scheme) could act as triggers.

3.11.2 Compulsion

The compulsion approach has already been considered and, for the present, rejected by government. The Pensions Commission was established to look at the case for compulsory pension saving. As detailed in Chapter Two, the Pensions Commission recommended a ‘soft

compulsion' approach of automatic enrolment for Personal Accounts which is now part of the new reforms. Research has shown that this soft approach is likely to be popular (Bunt et al. 2006; Marshall and Thomas 2006). There are more mixed responses to the idea of full compulsion amongst young people. The ABI (Association of British Insurers 2004b) found that the majority of young people supported compulsion, but a significant and vocal minority were opposed.

3.11.3 Scheme Design

Behavioural economists working in the USA have successfully focused on the way in which pension scheme design can encourage saving. Madrian and Shea (2001) found that 401K participation[5] was significantly higher with automatic enrolment, but most employees then retained the default contribution rates. From this, the authors conclude that changes in behaviour can be motivated purely by the power of suggestion. The problem of default contribution rates is likely to be a problem for personal accounts. A possible solution is suggested by Thaler and Bernatzi (2004) who demonstrated that a scheme called Save More Tomorrow (SmarT), in which individuals gradually save more of their salary by forfeiting a portion of their annual pay rise, can successfully increase saving. More generally, Munnell et al. (2000) found that a well-designed pension scheme can increase both participation and contribution levels. Employer matching was identified as an important feature. In the UK, the ABI found that pensions with employer matching (i.e. the contributions of the employer match those of the employee) were popular reform options amongst young people. Again, personal accounts will feature a matching employer contribution. However, some of these solutions are not exactly new; for example, automatic enrolment and employer contributions have been features of occupational pension schemes for many years.

3.11.4 Education and Promotion

The evidence suggests that even pension savers lack knowledge and understanding of how pensions work. Even if knowledge is not one of the key factors determining pension membership, it seems logical that an awareness of the benefits of pension saving and an understanding of how pensions work should be beneficial to retirement saving. Both Morgan and Eckert (2004) and Beverly and Sherraden (1999) suggest that less advantaged groups would benefit from financial education to encourage retirement planning. The ABI

[5] 401K schemes are voluntary occupational pensions to which both employer and employee can make pre-tax contributions. The employee makes the decisions on contribution levels and investment choices (Munnell, Sunden and Taylor, 2000).

(Association of British Insurers 2004b) found that lack of awareness of the benefits of pension schemes amongst young people and low levels of interest and awareness about the need to save for retirement changed with the provision of information and advice. They argue for a large-scale ongoing information and communications campaign to shift opinion and modify behaviour. Jupp (1997) proposes a possible campaign featuring school saving schemes, vouchers for financial advice, high profile advertising campaigns, deductions from pay, and pensions simplification, to help create a new culture of saving.

The FSA is already working to encourage retirement planning amongst young people. Early initiatives have included financial planning guides and pensions calculators (Baker and Price 2002). More generally, the FSA, alongside the government, is seeking to raise the profile and status of personal financial education in schools by increasing its importance within the school curriculum (Financial Services Authority 2006). However, recent research for the Department for Work and Pensions (Bunt et al. 2006) suggests that young people think financial education at school age is too early. Initiatives to reach young people after the end of compulsory education include the promotion of personal financial education on the curriculum in Further Education colleges and the provision of basic financial training to 20,000 professional youth workers to assist young people who are not in education, employment or training (NEETS). The DWP also supports a limited number of financial education workplace projects for employees and the self-employed of all ages, which focus specifically on pensions and retirement planning. The DWP recently started developing plans to support pensions reform, the aim of which will be to communicate state pension changes and ensure that individuals are aware of their rights with regard to personal accounts. The Personal Accounts Delivery Authority (PADA) will, however, be responsible for communicating the details about Personal Accounts (Financial Services Authority 2008).

Finally, Wills and Ross (2002) argue for increased involvement to change individual attitudes. Defined contribution schemes enable the individual to identify with amounts saved. The authors suggest an ‘Involvement model’ based on the perceived ownership of retirement savings, an awareness of the need to save and an understanding of how to save. Such an involvement model could be incorporated into personal accounts.

3.12 Risk in Retirement Planning

This section discusses a key theme in the pensions literature, namely risk. The decline of state provision and the emphasis on individual responsibility for retirement saving means that

the risks of pension saving have increasingly been passed on to individuals. Banks and Tanner (1999b) argue that the type of risk faced by individuals depends on the type of pension; for example, means-testing in state provision creates the risk of moral hazard[6], personal pensions carry the risk of uncertain returns, and occupational pensions are subject to mobility and earnings risks. The increase in means-testing and the emphasis on private provision suggests that individual pension risks are increasing in all three areas. Looking critically at pension reform in the same three areas, Ring (2005) reaches similar conclusions, arguing that there has been a failure to create security. Measuring risk by lack of security, Ring found that pensions insecurity has been increased through means-testing in state provision, through legislation that has exacerbated the difficulties faced in occupational pensions provision, and through failure to restore trust in the scandal-damaged personal pensions industry. For Ring (2003), risk in retirement provision is part of the wider picture of the UK as a 'risk society', with the welfare state crumbling and individuals now expected to take responsibility for themselves (see below).

Baker and Price (2002) argue that longevity and investment risks for individuals are being increased by the emphasis on self-provision, but they also identify a further five additional risk areas for the individual: inadequate planning, not saving enough, not understanding product choices, poor advice, and inability to make informed choices. Of these, the ultimate risk that individuals face is that of not saving enough for an adequate retirement income. Yet it has also been suggested that the high risk associated with personal pensions (the only pension option available for those without access to company pensions) is one of the factors that is discouraging private pension saving (Casey 2004). People must choose between the risks of not saving and of saving in a risky vehicle.

3.12.1 The Risk Society

The concept of the Risk Society was developed by Ulrich Beck (1992) who regarded it as a new phase of modernity. In the earlier phase of 'simple modernity', conflicts concerned distribution of wealth, and people's' life chances depended on how much money they had. In the new phase of 'late modernity', advances in science and technology have decreased material need, but have also resulted in the creation of newly manufactured hazards and risks. These hazards are difficult to escape and create great uncertainty. The fact that expert

[6] Moral hazard: where means-testing can result in those who make no effort to save, and save nothing, being as well-off as those who make efforts to save but cannot save enough to avoid means-testing. The temptation is for those who cannot save much not to save at all.

knowledge was used in their creation contributes to scepticism about the power of experts to solve them. Further uncertainty results from the process of 'detraditionalisation', being the fragmentation of traditional institutions and the decline of traditional values and norms, which means that individuals are less constrained by structures of inequality such as class, race and gender, and pathways are no longer preset. Social class loses its significance as risks are no longer based on class differences. Loss of social class solidarity and family/community support means that people must now confront and manage risk as individuals through their own decisions and choices. This is the process of "individualisation" in which the individual becomes responsible for ensuring that they are successful in life.

As demonstrated above, this focus on individual responsibility is central to current pensions policy. This policy approach of shifting responsibility for managing risk from the welfare state to individuals has been criticised by social policy academics; firstly for assuming that everyone perceives risks in the same way, and secondly for assuming that people will respond 'rationally' to cuts in state welfare by making private provision (Quilgars and Abbott 2000; Skinner and Ford 2000; Taylor-Gooby 1999). The approach ignores evidence that structure (positional advantages or disadvantages associated with characteristics such as social class, ethnic group, gender and age) continues to shape life experiences, meaning that some individuals are less well equipped than others to take on these responsibilities successfully (Abbott et al. 2006; Quilgars et al. 2008). Whilst the research shows that the majority of people accept responsibility, value planning and believe that they have choices (Quilgars and Abbott 2000; Vickerstaff 2006), it is those with fewest resources who are most at risk and who are least able to protect themselves (Quilgars and Abbott 2000). Furthermore, the widespread acceptance of individual responsibility means that failure is blamed on individuals, rather than on wider social processes (Abbott et al. 2006).

Examining financial planning in general, and financial planning for unemployment in particular, Quilgars and Abbott (2000) conclude that one's socio-economic group dominates one's ability to plan, with those from lower socio-economic groups unable to protect themselves due to lack of money. Research specifically on risk in pensions planning also confirms the importance of structural factors, with the least well off (Ring 2003), women (Ginn 2001) and those from minority ethnic groups (Ginn and Arber 2001) most at risk of entering a means-tested retirement. However there is little research in the literature on pensions risk that examines age and how age interacts with other structural constraints; this research attempts to fill that gap.

3.13 Youth Research

This section examines how research on young people and pensions may relate to youth research more generally. Many of the themes discussed above (for example, responsibility, risk and resources) are also found in the literature on youth research.

Definitions of youth and much youth research are concerned with transitions. Youth is regarded as a time of transition from childhood dependence to adult independence, marked by changes in economic status (leaving education / starting work), changes in household status (leaving home), and changes in family status (partnership formation / parenthood) (See Coles 1995). Recent research has focused on how youth transitions have changed in the last three decades in relation to wider changes in society. Much of this research has taken place within the context of debates about the existence and meaning of the 'Risk Society'.

3.13.1 Young People and Risk

In youth research, the concept of individualisation has been used to help explain changes in youth transitions. Transitions are regarded as having become longer, more diverse and more complex. Transition pathways are less predictable and secure, meaning that young people undergoing transitions face more choice, more opportunity and more risk (Furlong and Cartmel 2007) .

The background for the changes in youth transitions occurred in the early 1980s, when decreased demand for unskilled workers resulted in the loss of job and workplace training opportunities for unskilled youth, and there was a new emphasis on higher levels of education and training for young people. Opportunities for early transitions from school to work for working class youth became less available. More time spent in education, for both working class and middle class youth, meant extended youth transitions with a prolonged period of semi-dependency for the majority (Catan 2004). Du Bois Reymond (1998) describes how post-adolescence is characterised by ambivalence about the notion of adulthood. This is expressed through a 'choice biography' in which flexibility is valued and commitment avoided. Choice biographies are associated with the socially advantaged and educated. In contrast, individuals with a 'normal biography' follow a more traditional sequencing of transitions, planning and seeking a career from an early age and entering fixed relationships with the

intentions of family formation. Because of changes in the labour market, the normal biography is becoming less common.

The positive view of these changes is that young people have become the makers of their own futures; their paths are no longer mapped out for them, and their futures are determined by the market and their own agency (Kelly 1999). However, the degree to which structural factors (class, socio-economic background, family structure, gender and race) that are outside the control of the individual remain significant in constraining pathways has been the matter of much debate (Catan 2004). Furlong and Cartmel (2007) argue that there is an 'epistemological fallacy' whereby young people experience the impression of personal autonomy and choice, but this masks the reality of the underlying structuring of young people's' lives. Transitions are no longer predictable, but life chances remain differentiated by race, class and gender so that young people do not have equal ability to make the most of their opportunities. The emphasis on choice and individual biography means that failure is blamed on the individual rather than structure, and wider processes are obscured.

Much of the research evidence suggests that socio-structural factors remain fundamental in shaping youth transitions. For example, extended transitions have implications for the transmission of social inequality. This is because the state has withdrawn support from young people, leaving them reliant on families who have widely differing levels of resources (Jones 2005). In cases where the family is unable or unwilling to provide support, young people may fail to benefit from enhanced education and training opportunities and potentially become marginalised from society. Despite the evidence for the persistence of structural constraints, policy thinking continues to emphasise individual responsibility and supported decision making (Catan 2004).

Studies have also found evidence of young people's' acceptance of individual responsibility. In a comparison of English and German young people in the education, training and job markets, it was found that the English were less aware of structural constraints and more accepting of individual responsibility for failure; most believed that opportunities were open to all and that the future depended on proactivity and planning (Behrans and Evans 2002).

Conversely, atypical cases demonstrate that structural factors alone do not necessarily determine outcomes. Structural factors may be counterbalanced and ameliorated by practices within the family, and by the personal characteristics and self-determination of the individual (Catan 2004). Catan suggests that the debate has shifted to 'the socially located subject' and offers the concept of 'social and cultural capital' (nevertheless, rooted in

economic and material resources) that enables a dual focus on macro-structural factors and individual ability to exercise internal capacities to draw on material, social and personal resources.

It appears that both socio-structural factors and individual agency have a part to play. Pollock (2002) argues that social barriers remain strong and the present condition can be understood as one of “structured individualisation” in which there are continuities as well as change. Structured individualisation acknowledges a sense of choice and self-determination within socially structured environments. This relates to work by Giddens (1991), who developed a new theory of ‘high modernity’ in which agency and structure interact so that individuals are responsible for their own activities within the structure of opportunities available to them. These structures of opportunity vary between individuals in an unequal way (Jones 2005).

Although retirement planning and starting a pension cannot be seen as a classic youth transition, the theory and concepts used in the youth research literature can usefully be applied to researching young people and pensions. Important areas for examination are the extent to which young people face new uncertainty and risk in retirement provision and how this differs from that faced by previous generations; the pathways and choices available to young people for financing later life; the extent to which these are genuine choices offering real prospects of a comfortable later life; and the extent to which the pathways and choices taken by young people are constrained by structural factors.

3.14 Summary

A number of different theories exist that attempt to explain, and in some cases predict, saving. Of the economic theories, the best known is the Life Cycle Hypothesis, which attempts to explain saving levels in relation to age, predicting saving to be low for younger and older age groups and high during middle age. The theories are prescriptive, predicting saving levels on the basis of income and on the assumption of economic rationality. Because economic theories fail to provide solutions to problems such as how to increase saving, psychological theories attempt to do this by examining psychological factors such as self-control and willingness to save alongside economic factors such as ability to save. Recent behavioural theories of saving attempt to combine both economic and social/psychological theories in order to create practical solutions to overcome barriers to saving. The main drawback of these theories is that the individual is blamed for failing to save, and there is an assumption that the individual who does not save is either behaving irrationally or lacks self-

control. The context in which the individual is operating is generally ignored. Although the practical assistance suggested by behavioural theorists offers insight into wider processes, the tendency to blame the individual remains. Solutions are described in terms of 'harnessing procrastination and inertia' to increase saving rather than providing assistance to overcome the barriers to saving.

With the emphasis on individual responsibility, early retirement planning is central to ensuring an adequate retirement income. The benefits of early retirement planning and preparation include opportunities for earlier retirement, increased retirement satisfaction, increased retirement income and increased saving affordability. However, young people are less likely to give thought, or take action, in order to prepare for retirement. Currently, the existing research on retirement planning, especially in relation to young people, is rather limited. With the exceptions of key studies by Anderson et al. (2000) and the ABI (Association of British Insurers 2004b) there is limited focus on young people as a special group, although Mayhew's (2003) DWP commissioned research produced detailed age-related findings on attitudes towards pensions and retirement.

Another issue is that much of the research takes the theoretical perspectives of economics or psychology, so there is the same tendency to blame the individual. Whilst expectations of retirement, acceptance of responsibility, financial priorities, attitudes to retirement saving, and knowledge about pensions, are all key to an understanding and explanation of retirement saving decisions, the wider context in which those decisions are taken tends to be ignored. The wider context may provide insight into why there is no difference between the attitudes of pension savers and non-savers and how those with little knowledge about pensions can become members of schemes.

Although there has been no research on retirement planning within the sociology of youth, there are some surprising overlapping themes. Forming a backdrop to both areas/topics is the risk society, characterised by the fragmentation of traditional institutions and the subsequent loss of 'preset' pathways. On the one hand this is seen as good, because individuals are free to make their own decisions and choices. On the other hand, it means that individuals must face risk alone without the support of traditional institutions such as the welfare state. The individual becomes responsible for ensuring that they are successful in life and takes the blame for failure.

This is the case for pensions; risk and responsibility for provision have been passed to the individual and individuals are blamed for failing to save. For young people, the risk society

means that transitions to adulthood have become longer and more diverse, with more choices, opportunities and risks. Young people are seen as being responsible for making the most of these choices and opportunities to undergo successful transitions to adulthood, and failure to do so is blamed on the individual. However, youth researchers, such as Furlong and Cartmel, have argued that the impression of opportunity and choice masks the ongoing structuring of young people's' lives; young people do not have equal ability to make the most of opportunities, and those who are disadvantaged face greater risks than others.

Pensions research, whilst acknowledging that individuals face greater risks through the emphasis on self-provisioning, appears to blame the individual when attempting to explain failure to prepare for retirement. My research aims to take a wider approach, based on the work of Furlong and Cartmel, and to explore retirement saving amongst young people by examining the relative influence of structural constraints versus individual agency on retirement saving decisions.

The following chapter explains how the research was carried out, detailing the research design and methodology which took a mixed methods approach.

Chapter Four: Research Design and Methodology

4.1 Introduction

This chapter details the research design and its underlying rationale. The first section (4.2) describes and justifies the use of a combined methods approach. The second section (4.3) provides information on the pros and cons of secondary data analysis, then introduces the Family Resources Survey and explains how it is used in the analysis. The third and final section (4.4) deals with the interviews, covering the issues of sampling strategy, ethics, and reliability and validity, and relating them to the fieldwork.

4.2 Combining Quantitative and Qualitative Methods

The research design utilised in this research combines quantitative and qualitative methods, using analysis of secondary data and data from in-depth interviews. The secondary data analysis uses national survey data from the Family Resources Survey to provide a picture of overall patterns of pension saving in the UK, including characteristics of savers and non-savers, with a particular focus on age, whilst the interviews provide insight into the reasons underlying these patterns of retirement saving amongst young people.

There are a number of good reasons for utilising a combination approach as outlined by Bryman (1988). Firstly, the analysis of the secondary survey data assisted in the decisions about case selection for the qualitative interviews. Secondly, the two methods in combination helped to produce a more complete account; in this case, the survey data provided the means to establish patterns of pension provision in the UK (not accessible through qualitative interviewing) whilst the interview data enabled an exploration of the individual reasoning, attitudes and experiences, the 'world view', behind these patterns (not accessible through the survey data). This reflects the perspective outlined by Bryman (1988), namely that quantitative research provides a 'structural' view of social life (i.e. it establishes the regularities which are a feature of social life), whereas qualitative research provides a 'processual' view of social life (revealing the processes that link to the variables identified by quantitative research). Thus the interviews helped to facilitate the interpretation of causal relationships between the variables identified in the survey, providing an understanding of the processes and mechanisms that 'produced' the statistical relationships.

However, this combination approach is not without its challenges. From a practical point of view, using more than one method is costly in resources of time, money and skills (Mason 1996). As Silverman (2001) points out, the use of multiple methods means that more analysis skills must be learnt: in this case getting to grips with two different computer packages (SPSS and Nud*ist). Additionally, skills in qualitative interviewing techniques had to be obtained. Learning new skills takes time in addition to the time demands of carrying out secondary data analysis and interviews, together with their subsequent transcription and analysis. However, financial costs were relatively low because access to the data sets for secondary analysis was free (see below).

Practical challenges aside, there are other challenges linked to adopting a mixed methods approach. Silverman (2001) argues that multiple methods are often adopted in a mistaken belief that they will reveal 'the whole picture', and, according to Silverman, this is an illusion that can result in low quality research based on under-analysed data and a poorly defined research problem. Silverman urges researchers to think carefully before adopting multiple methods, because many models suggest that data cannot be simply aggregated to arrive at an overall "truth" (Silverman 2001 p. 122).

Silverman's concerns relate to the central challenge of combining methods that was identified by Bryman (1988), namely the view that quantitative and qualitative research approaches are each based on incompatible epistemological positions (different views about how social reality should be studied). Henwood and Pidgeon (1993) outline the debate. A realist epistemology regards reality as consisting of a world of objectively defined facts. Research therefore seeks to uncover universal laws of cause and effect through objective and unbiased observation, measurement and testing (the quantitative approach). A constructionist epistemology regards social reality as being constructed by individuals, with no one 'true' objective reality; meanings are not fixed, and everyone (researchers included) constructs their own accounts of social reality. Research is therefore a social activity in which researchers and research participants produce an account that is context-specific (the qualitative research approach). A multi-method research approach, where one method is attempting to uncover an objective reality and another seeks to uncover constructed accounts of reality, is therefore likely to encounter problems.

However, according to Hammersley and Atkinson (1983), nineteenth century researchers treated quantitative and qualitative techniques as being complementary. It was not unusual for researchers to utilise methods drawn from both traditions but, as distinct methodological

traditions began to form, those legitimated by positivism became dominant and the distinction between qualitative and quantitative methods gradually metamorphosed into an "epistemological chasm" (Hammersley and Atkingson 1983).

Henwood and Pidgeon (1993) argue that it is important not to overemphasise the epistemological distinction, and they advance three reasons for this view. Firstly, both approaches seek to arrange and re-arrange the complexities of raw data. Secondly, in practice, statements about how social reality ought to be studied are rarely followed up with exclusive use of qualitative or quantitative methods. Thirdly, viewing qualitative and quantitative methods as coming from incompatible paradigms denies the possibility of strengthening research through the use of an appropriate mixed method approach.

Additionally, Mason (1996) observes that qualitative research should not necessarily be seen as being in opposition to quantitative research because the distinction between them is not clear cut. Different methods can be used to answer different questions within an overall research strategy. Mason advocates thinking 'strategically' about the integration of multiple methods by addressing the questions of what each method can yield in relation to the research questions and how different methods can feed into each other. This approach allows qualitative and quantitative research methods to be successfully integrated into a research design.

Bryman (1988) suggests that some researchers avoid the problem by adopting a technical version of the debate. The technical version takes a utilitarian view that a researcher can adopt a combination of qualitative and quantitative methods by accepting that different methods are best placed to elucidate different elements of social life and choosing the most appropriate method(s) for the research problem. The approaches outlined by Mason and Bryman were adopted for my own research.

> "If some research topics are suited to survey, while others would be better served by a qualitative approach, still others will be even better served by the marriage of the two traditions, whereas the integrated strategy may not fit some issues. The critical issue is to be aware of the appropriateness of particular methods (or combinations of methods) for particular issues" (Bryman 1988 p.173).

It is interesting to note that several studies have successfully combined qualitative and quantitative methods in their approach to investigating pensions. For example, Anderson et al (2000) combined surveys with in-depth interviews in their research on retirement planning.

The interviews provided an in-depth explanation of answers given to questions in the survey. In an exploration of perceptions of risk and saving behaviour, Banks and Tanner (1999b) combined focus groups with secondary data analysis of government survey data. Here, the survey data provided the social and economic context for an understanding of people's' attitudes to risk (please refer to study information in Appendix 3).

4.3 Analysis of Secondary Data

4.3.1 Rationale for Using Secondary Data Analysis

The analysis of secondary data can be defined as:

> "The analysis of data by anyone else other than those responsible for its original commissioning or collecting" (Dale et al, 1988, p.4, see Burton, 2000b p. 348).

Burton (2000b) describes the two main ways in which secondary data analysis can be used: firstly as an alternative to undertaking primary empirical research, and secondly as one element in a research strategy. In this research design it was used as one element in the research strategy, with qualitative interviewing being the other.

According to Burton, the simplest approach is to use a single dataset. However, she adds that the huge increase in the number of datasets available means that researchers may have the option of analysing several datasets, from large-scale quantitative survey data to small-scale targeted qualitative data, thus allowing for a more comprehensive account producing different insights. This is extremely time-consuming; but with more time it would have been useful to compare results for different years of the FRS and to use the English Longitudinal Study of Ageing (ELSA) to assist in answering questions about retirement expectations.

Burton (2000b) outlines a number of clear advantages that result from using secondary data analysis as part of a research design. Firstly, secondary data analysis allows the time that would have been spent on the practical and methodological problems of collecting new survey data to be allocated to considering the theoretical aims and substantive issues of the study (Hakim, 1982, (See, Burton 2000b). Secondly, the datasets provide access to a nationally representative sample that would be impossible to achieve as a lone researcher. Related to this, the datasets are free of access difficulties, and, for example, provide access

to data on respondents, such as those in minority ethnic groups, who might otherwise be unobtainable or very difficult to reach. Here, time was saved compared with carrying out a survey because the design, access negotiation, data collection and data input had already been undertaken. Money was saved because access to the datasets was free of charge via the Economic and Social Research Council's UK Data Archive. The data was simply ordered and downloaded online. In addition, the data was of high quality, having been collected by experienced and well-trained researchers working for the Office for National Statistics and The National Centre for Social Research.

Conversely, there are also a number of disadvantages in using secondary data. From a practical point of view, Burton comments that the time taken to set up the dataset before analysis can begin can be extensive. Furthermore, an additional time investment may be required to learn computing and statistical skills in order to undertake more sophisticated forms of statistical analysis; for example, multiple regression. In this case, such additional training was considered necessary and subsequently undertaken. These time costs are, however, negligible in comparison with the time savings made through accessing readily available data. A greater concern with the use of secondary data relates to lack of control over the questions asked, a point well made in the following quotation:

> "The researchers undertaking the secondary analysis have no control over the questions that are asked; in effect it is an 'off the peg' approach rather than the 'haute couture' method of designing a survey which fits to your unique project's aims and objectives". (Burton 2000b p.351)

Thus, careful consideration was given to the adequacy of the FRS questions for answering my own research questions. It was decided that secondary analysis of the datasets would not be a sufficient basis for the whole research project; the analysis would need to be used in combination with qualitative techniques because there were not enough questions to enable a comprehensive insight to be gained into young people's' pension membership. Qualitative interviews would instead provide the means to investigate young people's' experience of, attitudes towards and reasons for pension membership.

The issue of lack of control also extends beyond the questions asked to the definitions, categorisations and methods of data collection used. The provision of comprehensive technical reports by the survey originators is essential in order to supply the necessary background information on these areas of the research; fortunately these were available for the FRS (Family Resources Survey). Therefore, on balance, it was decided that the benefits

of utilising the accessible, detailed and nationally representative FRS in combination with in-depth interviews would outweigh the costs of being unable to specify the questions asked. Research question one (How does retirement savings behaviour amongst young people vary across different demographic and socio-economic characteristics?) was subsequently addressed through analysis of secondary survey data, using the FRS, to which I now offer an introduction.

4.3.2 The Family Resources Survey

The FRS is an annual cross-sectional survey commissioned by the Department of Work and Pensions. The dataset used for the analysis was for the year April 2005 to March 2006 and was accessed from the ESRC UK Data Archive. The fieldwork was carried out through face-to-face interviews using computer-assisted interviewing in 26,134 households, producing a dataset of 49,320 cases. The sample was a stratified, clustered, probability sample obtained from the small users' Postcode Address File. The survey includes data on personal and occupational pension membership, household characteristics and housing tenure. The use of this survey allowed the generation of an overall picture of young people and pension saving in the UK that was then explored further in the interview stage. The analysis of the dataset involved both bivariate and multivariate techniques, and was carried out using the statistical package SPSS.

4.3.3 Using the FRS Dataset

4.3.3a Dependent Variables

Appendix 4a shows the questions asked for each of the variables used in the analysis (although for some derived variables examples only are given). Of key importance are the pension variables, which were the dependent variables in the analysis and defined the size of the dataset. The pension questions (Empay) were asked of all those interviewed who were under the age of 66 and who had also previously taken part in paid work. This meant that, from the original FRS dataset of 49,320 cases, two subsamples were created; the first of 37,306 individuals aged 16-65 and the second of 10,982 individuals aged 16-35. The pension questions were used to create the following FRS variables:

EMPAY1 Whether contributing to a personal pension (Yes/No/None)
EMPAY2 Whether contributing to a company/occupational pension (Yes/No/None)

EMPAY3 Whether contributing to a stakeholder pension (Yes/No/None)
(None = no private pension of *any* type)

These FRS variables were used to create the dependent variables for my analysis. First is the single dependent variable of *privpen2* which represents any private pension membership; all those who were classified as contributing to an occupational, personal or stakeholder pension in these variables were classified as having a private pension in the variable privpen2:

Privpen2 Whether belongs to any type of private pension (Yes/No)

The three separate variables (personal, occupational and stakeholder) were initially all used in the analysis to examine membership by pension type, but because of the low number of stakeholder pension members, the decision was made to create a new variable combining personal and stakeholder pensions, *SandP2.* EMPAY1 and EMPAY3 were used to create this variable; all those who answered that they were contributing to a personal pension, a stakeholder pension or both were classified as having a personal pension in SandP2:

SandP2 Whether belongs to a personal pension scheme (Yes/No)

The reason for this is that, although stakeholder pensions are provided by employers, they can also be accessed individually and it was thought that stakeholder pensions had more in common with personal than occupational pensions; this position was supported by the exploratory analysis. The variable *empay2mv2* represents the dependent variable of occupational pension membership and was derived solely from EMPAY2:

Empay2mv2 Whether belongs to an occupational pension scheme (Yes/No)

Appendix 4b shows the frequencies for the dependent variables privpen2, Empay2mv2 and SandP2 for the age groups 16-65 and 16-34.

4.3.3b Independent Variables

Decisions about which variables to use were based on the variables available in the dataset and the literature review (Please see section 2.4). Of the demographic variables, age was clearly an essential variable in an examination of young people and pensions, whilst gender, ethnic group and marital status were also identified from previous studies as being potentially

significant (Anderson et al. 2000; Banks et al. 2002; Mayhew 2003; Mckay and Kempson 2003; Pensions Commission 2004). Amongst the socio-economic variables, income, social class, employment status and industry were identified in the literature review as being of central importance to pension saving (Anderson et al. 2000; Banks and Tanner 1999b; Disney et al. 2001; Harris et al. 2002; Mayhew 2003; Mckay and Kempson 2003; Pensions Commission 2004). Housing tenure and education were also identified in previous studies as potential influences (Joo and Grable 2000; Lunt and Livingstone 1991; Mayhew 2003; Mckay and Kempson 2003; Pensions Commission 2004). Number of years in full-time work was not identified as a factor in previous research but, given its relationship to gender, age and employment status, it appears as though it may also have some influence on pension membership.

The Occupation variable was included in the initial bivariate analysis, but the multivariate analysis suggested that occupation and socio-economic group have some very similar categories. This was confirmed by running a cross tabulation of the two variables (see Appendix 4c). The similarity between the variables indicated a problem of multicollinearity, which is where one independent variable can almost completely predict another, meaning that the individual effect of an independent variable on the dependent variable is difficult to distinguish. As a result of this, the Occupation variable was excluded from the model.

4.3.3c Analysis

	N = asked pension questions
Under 25	3,625
25-29	3,214
30-34	4,143
Total Under 35	**10,982**
Full Sample (16-65 years)	**37,036**

Table 4a: Numbers in Samples Included in the Bivariate Analysis

The bivariate analysis involved running cross tabulations of private pension membership against variables representing different demographic and socio-economic characteristics. The chi-squared test was used to investigate whether the differentials for each variable were statistically significant. The analysis looked at the percentage of individuals under 35 with private pensions in relation to each of the variables. Comparisons were then made between

the under 35s and all savers (aged 16 to 65) and between different age groups within the under 35s (under 25, 25-29 and 30-34). Table 4a shows the numbers in each case.

In the multivariate analysis, logistic regression was used to explore the action of these variables in more detail and to create a model that would help predict the likelihood that an individual is a member of a private pension scheme. Logistic regression examines the relationships between three or more variables when the dependent variable is nominal and has two categories. In SPSS, running a logistic regression produces statistics to indicate how well the model fits the data (in this case the adjusted R-square and chi-square values were used) and a measure of the effect of the independent variables on the dependent variable (the odds ratios).

The initial regressions were carried out on all individuals under the age of 35 who were asked the pension questions in the 2005/6 Family Resources Survey. The first dependent variable was membership of *any private pension*, and then regressions were run for membership of *occupational* and *personal* pensions separately. Next, the regressions were run independently on sub-samples of young men and young women and on the full sample of all ages. Finally, the regressions for personal and occupational pensions were carried out on smaller samples of those who belonged to a private pension scheme (young people, young men and women, and all ages) in order to further clarify the factors that are important in determining type of pension membership. Table 4b shows the numbers in each sample.

	Members and Non Members	**Pension Members only**
Males Under 35	5,258	1,724
Females Under 35	5,724	1,775
Total Under 35	**10,982**	**3,497**
Full Sample (16-65 years)	**37,036**	**15,104**

Table 4b: Numbers in Samples Included in the Multivariate Analysis

The ability of the models to predict pension likelihood was measured by the adjusted R-square statistic. The R-square is based on a scale of 0-1.00 with 0 being no predictive ability and 1.00 being 100% accuracy. To measure the effect of each variable on pension likelihood, odds ratios were used. In this analysis, the odds ratios represent the odds of having a private, personal or occupational pension. The chi-square test was used to confirm that the models were statistically significant. A reference category was chosen for each predictor variable and this was set at 1.00. The effects of the other categories were then assessed relative to the

reference category, so that estimates of greater than 1.00 indicate an increase in the odds of having a private pension and estimates of less than 1.00 indicate a reduction in the odds of having a private pension. For ease of reading, the category chosen to be the reference category for each variable was the one most likely to have a private pension, meaning that the odds ratios were usually less than one, with some exceptions for the separate pension models.

4.3.4 Missing Data

The dataset that was used in the analysis had full responses for all variables except Socio-economic group, Industry and Years in full-time work. The first two variables had missing responses for two main reasons. The first reason, and the reason that accounts for most of the missing data, is the difficulty of classifying socio-economic group and industry for those not in the labour market. These include full-time students, early retirees, the unemployed, homemakers, those temporarily or permanently sick/disabled and those economically inactive for other reasons (for example, carers). These individuals made up about 20% of the total cases and were categorised as 'Not classified – not in work' for the purposes of the multivariate analysis. The most common reasons for not being in work are that the individual is retired or suffering from ill health, so the age distribution of this category is older, with more than half being over the age of 50. Had the sample included individuals who had never worked, the age distribution would have been younger. Another frequent reason for not being in work is that the individual is looking after their family or home, and this means that the gender distribution of 'Not classified – not in work' is more female (Appendices 4d and 4e show these categories broken down by reasons for not being in work, age, gender and pension membership). The second reason for missing responses was that economic activities were designated as being unclassifiable by the survey providers. This group was much smaller, making up less than 2% of the total cases, and its members were categorised as 'Not classified – in work' for the multivariate analysis. Members of this category were more likely to be middle-aged and male (for details see Appendices 4d and 4e).

In the case of the variable Years in full-time work, 645 (1.7%) of the cases were missing. Of these, 555 were found to be 25 years old or less and they were reclassified as having worked for ten years or less. These individuals had not been asked the relevant question because they were classified as not having completed full-time education (however, because they were asked the pension questions they must have taken part in paid work in the past). The remaining 90 cases account for just 0.2% of the dataset. The multivariate analysis was run

both with and without these missing cases and it was found that, either way, they made no significant difference to the result.

4.4 In-Depth Interviews

4.4.1 Rationale for Using Interviews

The semi-structured or unstructured interview is arguably the most common method of collecting data for qualitative analysis (Payne 2000). Stroh (2000) defines the qualitative interview as:

> "A conversation to explore an issue with a participant rather than simply test knowledge or categorise" (Stroh 2000, p.198)

The qualitative interview is characterised by dialogue, open-ended questioning and discussion, so that data is generated in the interaction between the researcher and the interviewee[7] (Mason 1996). The data produced by this technique has complexity and depth, providing access to attitudes and opinions and allowing the examination of difference and inconsistency. Qualitative interviewing can be seen as more representative of interviewees' perspectives and experiences, giving access to the world of the people being researched (Stroh 2000).

The discursive nature of the qualitative interview contrasts with the structured question-and-answer format of the survey interview. The two types of interview answer different questions, with qualitative interviews providing answers to the more challenging 'why?' and 'how' rather than the 'how many?' and 'how often?' questions (Stroh 2000). The quantitative survey interview achieves surface comparability of the accounts of large numbers of people (Mason 1996), providing breadth but limited depth (Stroh 2000). In this combination research design, the secondary data analysis provides the breadth and the qualitative interviews the depth.

The FRS data builds a picture of a typical pension saver and a typical non-saver, and identifies which factors have the greatest influence on pension membership. The interviews elaborate, by eliciting further detailed information, on the financial circumstances of individual pension savers and non-savers, but, more importantly, they also give access to young people's' own perspectives and experiences, so as to provide explanations of how and why

[7] With the exception of narrative interviews in which intervention from interviewers tends to be minimal.

decisions about retirement saving are made. It was found that the demographic and socio-economic characteristics of the respondents matched the pictures built by the data analysis.

However, in terms of attitudes and priorities, differences between savers and non-savers were not clear cut. It would be difficult to determine whether an individual was a saver or a non-saver from their attitudes and priorities alone. For non-savers, who, as compared with savers, appeared to place a similar (and surprisingly high) importance on retirement saving, there was a discrepancy between attitudes on the one hand and behaviours and actions on the other. This confirms previous research findings discussed in Chapter 2 (Association of British Insurers 2004b; Mayhew 2003). Had the research focused on attitudes alone, it would have given a rather false picture of actual retirement saving behaviour.

The decision was taken to use qualitative one-to-one interviews rather than any other method because of the detailed individual data that would be obtained. Focus groups were an alternative that was considered, but, in order to answer research questions four and five, the research method used must be able to obtain information about *individual* respondents' own circumstances, behaviour and views. Whilst focus groups are ideal for exploring attitudes and their underlying rationale in a more generalised context, individual interviews are more appropriate for eliciting detailed and confidential personal information.

4.4.2 Interview Content

Semi-structured individual interviews were therefore used as the second part of the research design to provide in-depth data to address research questions two to five (on financial priorities, retirement expectations, attitudes to pensions and decisions about saving for later life). The interviews provided information on the participants' financial situation, the extent of interest in and importance allocated to saving for retirement, and the reasoning behind individual decisions made about retirement saving. Respondents' priorities and reasoning were further examined through the use of vignettes, which

> "present third-party, hypothetical situations in which people may find themselves, and the respondents are then asked how they think the situation should be resolved"
>
> (Devine and Heath 1999, p.45).

The vignettes are set out in Figure 4a below. They were designed to explore pension saving dilemmas and decisions and covered deferring gratification (spending versus saving), saving

priorities (property versus pension) and pension type (occupational versus personal). Vignettes can help to improve data quality by reducing the influence of socially desirable responses (Hughes and Huby 2002) or interviewer pleasing, by allowing the respondent to explain both what they think the protagonist *should* do (the socially desirable response) and what they think the protagonist *would* do (suggesting the reality of the situation). Vignettes were also used because they are useful in qualitative research for exploring people's attitudes, perceptions, beliefs and meanings about specific situations (Barter 1999).

Devine and Heath argue that this specificity is both a strength and a weakness because, whilst vignettes, unlike attitude statements, are unlikely to be too general, there is a risk that they may be too specific, thus making them impossible to generalise from. Here, it was found that the specific (or not so specific) features of the vignettes generated helpful insights. For example, in the employment vignette, some respondents felt that the answer depended upon whether the job was a long term proposition. Additionally, the specification of age in each vignette led many respondents to indicate that their responses related to the age of the character and would change were the character younger or older (Please see section 7.5).

A second potential problem identified by Devine and Heath is that respondents may identify too closely with the situation, judging from personal experience what they would do, or even have done, rather than what the vignette character should do. This is not seen as a problem in this research; many of the respondents identified strongly with the lifestyle vignette (one respondent even said 'that's me'), but by asking 'what do you think?' rather than enquiring into what should have occurred, the respondents were allowed to provide answers that addressed both their own experiences and the hypothetical situation.

A copy of the Interview Schedule is provided in Appendix 4h; its accompanying cue cards are set out in Appendix 4i.

Fig. 4a: Interview Vignettes

1. Spending

Jim is 30; he loves to eat out and usually eats out three or four times a week. He hopes that one day he will be able to retire and enjoy more leisure time. He is currently contributing to a personal pension that will provide him with a very small retirement income. He is trying to decide whether to cut back on eating out in order to save for a larger pension.
What should Jim do?

2. Lifestyle

Sarah is 22 and has just started her first full-time job. A financial advisor suggests that she invest some of her income in a personal pension scheme, as her employer does not offer an occupational scheme. Sarah decides to delay starting a pension for a few years so that she can enjoy her money whilst young and commitment free.

What do you think of Sarah's decision?

3. Employment

Steven is 25 and is trying to decide between two job offers. The jobs are identical in all respects except that Job A offers a salary of £15,000 and the option of joining a generous final salary scheme (with an employer contribution of 7%) whereas Job B offers a salary of £16,000 but no pension scheme.

Which job do you think Steven should take? Why?

4. Property

Jane is 27 and looking forward to buying her first home. She can only afford to save 10% of her monthly income and, by doing so, it will take her 5 years to save enough for a deposit. However, she does not have a pension and would also like to start saving for retirement.

What do you think Jane should do?

In order to test and refine the interview schedule (see Appendix 4h), a total of six pilot interviews were carried out prior to actual data collection. As a result of the pilots, a number of changes were made. Firstly, there were changes to the order of the interview schedule which improved the 'flow' of the interviews. For example, the questions eliciting personal information on finances were moved to later in the schedule to allow the establishment of a rapport prior to these potentially sensitive questions being asked. Secondly, changes were made to the phrasing of certain questions, in order to clarify their meaning. For example, 'what do pensions mean to you?' became 'what does the word pensions make you think of?'. Furthermore, minor amendments were made to improve the realism of the Spending Vignette, with holidays swapped for meals out. In addition to the improvements made to the interview schedule piloting also provided a valuable opportunity to practice interview skills and increase the confidence of the interviewer.

4.4.3 Selection of Participants

A target number of thirty interviews was achieved. This target was decided on the basis that the time taken to arrange, conduct, transcribe and analyse the data from one qualitative interview has been estimated to take approximately one week (Stroh 2000). However, difficulties in recruitment meant that the actual time exceeded thirty weeks. A central issue of the research design was how to obtain a suitable sample of respondents for interview:

> "Sampling is a major problem for any kind of research. We can't study every case we are interested in nor should we want to. Every scientific enterprise tries to find out something that will apply to everything of a certain kind by studying a few examples. We need to sample to persuade people that we know something about the whole class" (Becker, 1998, cited in Silverman (2001) p.136).

Mason (1996) argues that qualitative research generally demands a logic of sampling and selection that is an alternative to the probability logic of quantitative research. The alternative logic establishes a different relationship between the sample and the wider population. In quantitative research, the sample represents the population; in qualitative research, the sample is not based on empirical representativeness but may instead be related to the wider population by providing a close-up view of cases that are relevant to, or appear in, the wider population. The sample 'encapsulates' rather than represents a relevant range of cases relating to the wider population.

The approach suggested by Mason is a 'theoretical' or 'purposive' sampling strategy. Devine and Heath (1999) write that a theoretical sampling strategy involves seeking cases to confirm or refute the theoretical ideas being developed; respondents who fall into certain categories are sought in order to take the analysis forward. For example, deviant cases may be sought to allow an emerging theory to be tested and developed (Silverman 2001). The sample is built in order to develop and test a theory and assist in developing explanations rather than establishing causality (Mason 1996). The definition of an 'adequate sample' consequently depends upon whether theoretical or statistical sampling is used (Glaser and Strauss in (Devine and Heath 1999). To illustrate this, a random selection would be less likely to provide an adequate sample for qualitative interviewing as it would probably locate fewer relevant cases (Silverman 2001).

In theoretical sampling, cases are selected to help explore processes, similarities and differences and to test and develop explanations that account for those similarities and

differences (Mason 1996). This means that the relatively small number of people selected for interview must be chosen with care (Stroh 2000). The sample should represent the diversity and variety of the target group and allow for the exploration of a number of subject positions within that group. The categories for selecting participants can be created based on the literature review and the aims of the research. In this research, a theoretical sampling approach was taken when selecting the participants to interview, with cases chosen in order to allow for an exploration of processes, similarities and differences relating to young people and pension membership. The following quota, based on the literature review, was used:

1) Both men and women
2) Different age groups (under 25, 25 to 29, 30 to 34)
3) Different income groups (under £10,000, £10,000 to £20,000, more than £20,000)
4) Different levels of educational attainment (no or basic qualifications, intermediate and advanced)
5) Representatives of those working in the public sector/large companies, those working in SMEs (small to medium sized enterprises), the self-employed and those not in paid work (students and unemployed).

Appendix 4j details the frequencies in each category.

Furthermore, attempts were made to identify individuals for interview who were in circumstances apparently adverse to pension saving yet who were making provision for retirement, thus enabling further exploration about how barriers may be overcome; and conversely, to identify those in circumstances that suggested they were in a position to make adequate pension provision but who were failing to do so. It was thought that this would allow further insights into how attitudes might influence saving behaviour. However, this proved difficult and only a few examples were found; despite this, the interview data provided a good insight into the way in which attitudes relate to pension saving behaviour.

A number of different recruitment techniques were used in order to find appropriate participants to take part. The main technique used was the “snowball” sampling technique of asking friends, acquaintances and initial student participants to introduce potential new participants. Problems which have been identified with this technique include people in the sample knowing each other and choosing other respondents already in the sample (Mason 1996), the possibility of the link person misinterpreting the aims and objectives of the research, difficulties in keeping track of refusals, and the risk of bias because networks tend to be homogenous (Burton 2000a). However, the provision of accurate explanations and

careful monitoring of the referral chains helped to minimise these potential problems in the research. Although it is in the nature of the technique that some respondents in the sample will know each other, initial link contacts were widely spread (both socially and geographically). Furthermore, the snowball technique was supplemented by use of outcropping: the sampling of a target population in a location where they routinely congregate (Burton 2000a). For example, contact was made with several small/medium sized companies and also youth organisations. Use of outcropping proved to be essential; without it, it would not have been possible to find willing participants to represent the different elements of the quota.

The recruitment process proved to be one of the most challenging parts of the research. Recruiting individuals from less advantaged educational and socio-economic backgrounds was particularly difficult. There appeared to be reluctance in these groups to take part because individuals doubted that they had the knowledge to contribute on the subject of pensions, despite reassurance that no prior knowledge of pensions was necessary. Others said that they would be happy to fill in a questionnaire but did not want to be interviewed on a face-to-face basis. This confirms Stroh (2000) who found that some people have difficulty in understanding the worth of their contribution because they are not 'expert', whilst others are intimidated by the prospect of a one-to-one in-depth interview. A further, unspoken, reason for refusal in this group may have been related to embarrassment or difficulty when talking about financial issues, coming from a position of financial hardship.

A copy of the letter to potential respondents is provided in Appendix 4f.

4.4.4 Interview Ethics

In addition to the ethical issue of using recruitment incentives, discussed above, there were also some ethical considerations to be taken into account in relation to confidentiality, informed consent, personal questioning and power relations in the interview process. Payne (2000) outlines the issues of confidentiality in relation to qualitative interviewing, pointing out that the small number of interviewees, the gathering of in-depth personal data, and the use of verbatim quotes, increases the possibility of a respondent being identified. Care was taken in both the data analysis and the write-up to use pseudonyms and to exclude any non-essential information that could possibly be used to identify a respondent.

Mason (1996) expands on the issue of informed consent, making the important point that it may be difficult to know whether consent is fully informed (for example, whether people have agreed simply to participate or to answer all the questions). This highlights the ongoing nature of consent. These issues were borne in mind in the research design, with the provision of written explanations given to the research participants, and in the obtaining of a signed consent form which specified that the individual had the right to withdraw their consent at any time.

The content and style of questioning also involve ethical considerations; for example, personal questions may cause a respondent to become anxious (Mason 1996). Sensitive personal questions were a concern for this research; before the research started it was thought that people might be reluctant to give details about their financial situation, particularly in relation to debt, yet this concern proved to be unfounded (perhaps because those not willing to share their financial information had refused to participate). As suggested above, respondents were much more concerned about being asked difficult technical pension questions that they would be unable to answer.
A copy of the Declaration of Consent for respondents is provided in Appendix 4g.

4.4.5 Interview Practicalities

Use of audio-recording, supplemented by written notes (of body language, etc) to create a reliable record of the interview, is highly recommended (Mason 1996; Payne 2000; Stroh 2000). Note-taking alone is considered too time-consuming and likely to miss some elements, while video-recording may capture body language but be considered too invasive (Payne 2000). Therefore, this research used the audio-recording approach. This approach generally worked well; the transcription was time-consuming but had the benefit of increasing the level of familiarity with the data. However, although not as invasive as the use of video-recording equipment, some of the respondents found being recorded to be initially slightly off-putting. Furthermore, throughout the interviews it was necessary to constantly check that the equipment was still working because of equipment failure during one of the pilot interviews. A possible solution for this would have been the use of a second audio recorder, but this would have been potentially more invasive (also, no second recorder was available!).

Payne (2000) writes that the ideal interview location should be comfortable, private and reasonably quiet, but adds that, although people may feel more comfortable and secure in their own space (at home or work), there are personal safety and control issues for the

researcher, so a compromise may be necessary. Here, a compromise was reached whereby participants who were already known to the interviewer were interviewed in their own homes, but interviews with other respondents took place at their workplaces, cafés, or, in the case of university students, the university interview room.

4.4.6 Reliability and Validity in the Interviews

> "Without rigour, research is worthless, becomes fiction, and loses its utility. Hence a great deal of attention is applied to reliability and validity in all research methods" (Morse et al. 2002 P.2).

Reliability is defined as the extent to which a research technique is reproducible. There is some debate about whether qualitative interviews can be reliable, because of the way in which the data is generated by the interaction of two individuals at a particular time and place. Even if the same researcher repeats an interview with the same respondent, different data may be generated because the first interview may have caused the participant to rethink issues and re-evaluate their views or behaviour (Payne 2000). Such an example from this research is provided below.

A good interview technique involves the establishment of a rapport between interviewer and interviewee. In this research, it was felt that an at least adequate degree of interviewer-interviewee rapport was established in every interview. Naturally, some participants engaged more with the interview issues than others and it was found that some individuals were simply more talkative than others; the length of interview varied from just over half an hour to well over an hour. An element of interviewing which was particularly enjoyable was when interviewees connected with a topic and were evidently considering the issues with new interest.

This leads on to further considerations of the extent to which the process of interviewing itself influences the participant's responses and may even, as Payne suggests, ultimately impact on future behaviour. In the case of the former, there were a few cases where respondents explicitly referred to the impact of being interviewed on their views. For example:

> **Interviewer:** On a scale of one to five, where one is not necessary and five is essential, how would you rate the importance of a pension in providing financial security in retirement?

Dee: Now five, I didn't before, but now five.

Interviewer: Since when?

Dee: Since you started, because I never … no one ever talks about pensions, or nothing, do you know what I mean? When you actually sit there and you think about it, and you're thinking, wow, you really do need that, it makes you think.

So, from Dee's point of view, pensions were not something that she had ever given much thought to until the process of the interview had brought the matter to light. What is difficult to be sure about is whether or not participants' responses were their own (if newly formulated) opinions or whether respondents were telling the interviewer what they thought the interviewer would want to hear.

The concept of *validity* originates from quantitative research and can be defined as:

> "The extent to which an account accurately represents the social phenomena to which it refers" (Hammersley, 1990, in Silverman, 2001, p. 232).

Silverman argues that one of the problems for establishing validity in qualitative research is that what people say in response to interviews does not have a stable relationship to how they actually behave. Some researchers argue that this does not matter because such responses represent normative views about socially acceptable behaviour (Finch and Mason, 1994, in Devine and Heath, 1999, p.55). In this research, for example, responses may indicate a 'shared awareness of a public morality' regarding responsibility to save for retirement. For at least some of the responses, the vignettes may have mitigated the 'problem' of socially desirable responses. On the whole, responses to the vignettes were congruent with previous answers, but there were several instances where, faced with a 'real life' situation, participants changed their views, or pointed out that there was a difference between what should happen and what was actually most likely to happen helpfully revealing both normative views and the participant's own perspective.

In the case of the interviews potentially influencing future pension decisions, a surprising number of the respondents informed me that they were just about to join a pension scheme. What was not clear was whether the intention had been there from the start or whether the interview itself had somehow led to this intent. Jack's comment below provides a good illustration of this problem:

Interviewer: What would encourage you to join a pension scheme?

> **Jack:** Oh well, basically the conversation we're having now would probably encourage me to do it anyway … No, it's something I've been thinking about for a little while, but yeah, it's just knowing there's something there for me when I do actually retire.

Ideally, this issue could be resolved through carrying out follow-up interviews; in this case, such additional interviews were beyond the time limitations of the research. Speculating on what such interviews might have found, it seems rather unlikely that the barriers to retirement saving could be overcome simply by one relatively short interview!

4.4.7 Interview Analysis

The analysis of the interview data took a categorical approach. Key themes and sub themes were identified; the key themes were mainly dictated by the interview questions themselves, with sub-themes emerging from the data as it was transcribed, re-read and coded. The five key themes and sub themes (placed in brackets), were responsibility (shared responsibility, forced responsibility and wider responsibility), risk (pensions as a necessity, pensions as insecure, the need to spread risk and wider financial security), expectations (high hopes, pensioner images and the importance of planning), timing (starting early, enjoying youth and settling down) and resources (affordability, knowledge, home ownership, accessibility, portability and personal accounts). Please see section 7.1.

The interview data were entered into Nud*ist software and the initial part of the analysis consisted of examining participant responses to each question in the interview schedule followed by the grouping of questions and responses by theme. For example, under the theme of responsibility were the questions directly addressing responsibility for pension provision, the questions addressing compulsion and the generosity of the state pension and the more general questions relating to saving, spending and debt. Relating to the theme of timing was the direct question on when retirement saving should start and the vignette scenarios (particularly the lifestyle vignette). Some of the questions and vignettes related to (and were classified under) more than one key theme, for example, the employment vignette related to both timing (settling down) and to resources (portability and long term prospects). The final part of the analysis consisted of the examination of responses according to respondent characteristics such as gender, social class, pension membership, income and education. The use of Nud*ist software proved an essential tool for data organization; for coding the text, and for the rapid retrieval of coded text segments which allowed for the straightforward examination of the patterning of coded responses.

4.5 Summary

This chapter has described the research design and methods used in this research, and provided a rationale for their use. Of central importance was that the research design should be appropriate to the research problem, and by using a combination approach it is felt that the two elements of this research design successfully addressed the different research questions, thus helping to solve the wider research problem. The quantitative secondary data analysis identified patterns of retirement saving and related variables (Bryman's structural view of social life), and the qualitative interviewing explored experiences and perspectives on retirement saving from an individual perspective (Bryman's processual view of social life).

It was equally important that the research design should be achievable from a practical point of view. Use of the Family Resources Survey meant that a high quality dataset was obtained with minimal financial and time costs, but the trade-off was the inability to tailor the survey questions to the needs of this research. The interview part of the research had greater practical difficulties; the main problem that had to be overcome was recruitment of suitable participants, which was achieved through use of recruitment incentives, resulting in high quality data but at extra cost in terms of money and time.

The next chapters detail the findings obtained from the secondary data analysis and interview fieldwork, and the way in which both the research design and the research findings fit into the overall theoretical framework and assist in addressing the research problem.

Chapter Five: Young Savers: Who Saves for Retirement and Who Doesn't?

5.1 Introduction

The UK pensions system is complex and therefore the factors that influence the likelihood of belonging to a private pension scheme are also likely to be complex. In this chapter I explore the influence of individual factors on young people's pension membership through an examination of the results of a bivariate analysis of the Family Resources Survey (2005/6). The analysis identifies the key demographic and socio-economic characteristics of young pension savers in the UK: age, sex, marital status, ethnic group, socio-economic group, employment status, industry, weekly income, educational attainment, number of years in full-time work and housing tenure.

The analysis is carried out by looking at the percentage of individuals under 35 with private pensions in relation to each of the variables. Comparisons are also made between the under-35s and all savers (aged 16 to 65) and between different age groups within the under-35s (under 25, 25-29 and 30-34). The analysis is based upon questions about current occupational and personal membership that were asked of respondents under the age of 66 who were either currently employed or who had previously taken part in paid work (See Chapter 4).

The level of private pension membership in the UK is found to be just over 40%, with about 30% of people belonging to occupational pension schemes and 11% to personal pension schemes (including the government's stakeholder pensions). Two main observations can be made from this. Firstly, the overall level of private pension saving is not particularly high; most people of working age are not currently saving via private pensions. Secondly, occupational pensions make up three quarters of private pension membership, and this is considered to be very important for the analysis.

Occupational and personal pensions have different features and are accessed in different ways, so it is anticipated that differences will be found between the characteristics of personal pension savers and of occupational pension savers. With occupational pension saving dominating total pension saving, the characteristics of most private pension savers will reflect those of occupational pension savers, making it necessary to examine the two types of private pension saving individually, as well as considering private pension saving overall.

This chapter details the findings related to each of the eleven variables in turn, focusing particularly on differences between occupational and personal pension membership and on cases where the characteristics of young savers differ from those of savers as a whole. The first section covers the demographic variables (age, sex, marital status and ethnic group) and the second section the socio-economic variables (socio-economic group, employment status, industry, income, education, years in full-time work and housing tenure). Significant differences in private pension membership are found between groups for each of the variables and, as anticipated, there are some fundamental differences between the characteristics of personal and occupational pension savers. However, the characteristics of young pension savers in comparison with pension savers as a whole show more similarities than differences.

5.2 The Demographic Characteristics of Young Savers

5.2.1 Age

Chart 5a shows the percentage of individuals with private pension membership, subdivided by age group. Please see Appendix 5b for the underlying data. Overall, private pension scheme membership is positively related to increasing age up to the late forties. For the youngest age group (16-19), scheme membership is low (at less than 5%) but it increases steadily through the twenties so that by their late twenties one third of young people belong to schemes. The increases then continue more slowly and, by their mid thirties, about half of all adults are making some form of private pension provision. From the late thirties to the early fifties, pension scheme membership is fairly steady at 50-55%, but it falls considerably in the late fifties and then dramatically for people in their early sixties, as those with private pensions (particularly occupational pensions) move into retirement.

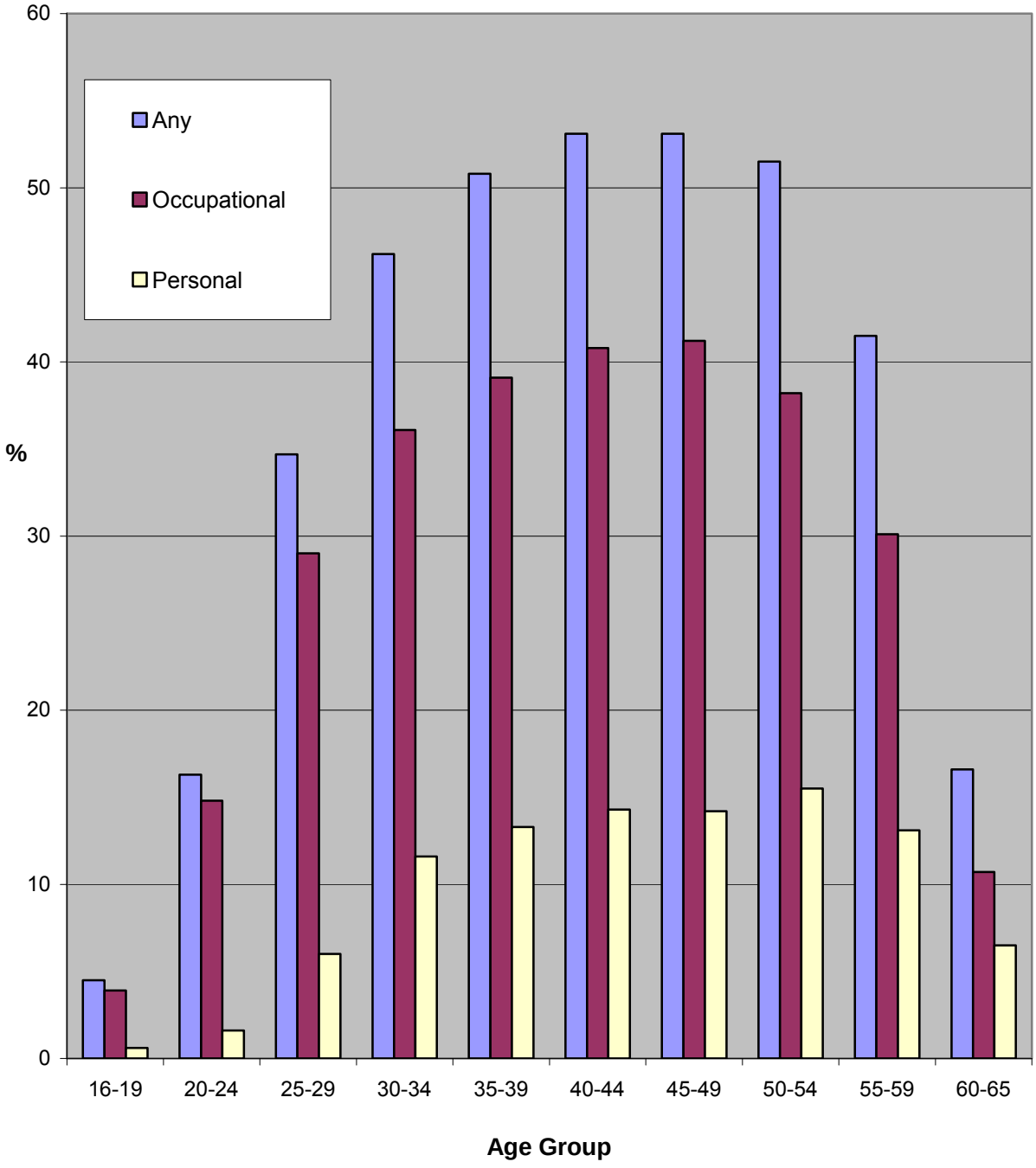
In comparison with previous research, the ABI (Association of British Insurers 2004a) found higher levels of pension membership amongst young people (56% amongst those aged 18-29)[8], whereas McKay and Kempson (2003) found the proportion of under-30s saving for old age to be “trivially small” with substantial retirement saving increases occurring only between the ages of 35 and 45. In this case, the findings that 35% of those in their late twenties belong to private pensions and that substantial increases occur during the twenties are most similar

[8] Based on a survey of 2,566 respondents.

to those of Mayhew who found that pension saving begins relatively early with rapid pension take-up during the twenties.

The peak of private pension membership occurs in the forties but remains well under 60%. This higher percentage of people making private pension provision in mid-life supports, to some extent, the predictions of the Life Cycle hypothesis that most saving for retirement occurs during middle age, although the significant drop in late middle age occurs earlier, and it is clear that a considerable minority (over 45%) of those in middle age are not saving via private pensions.

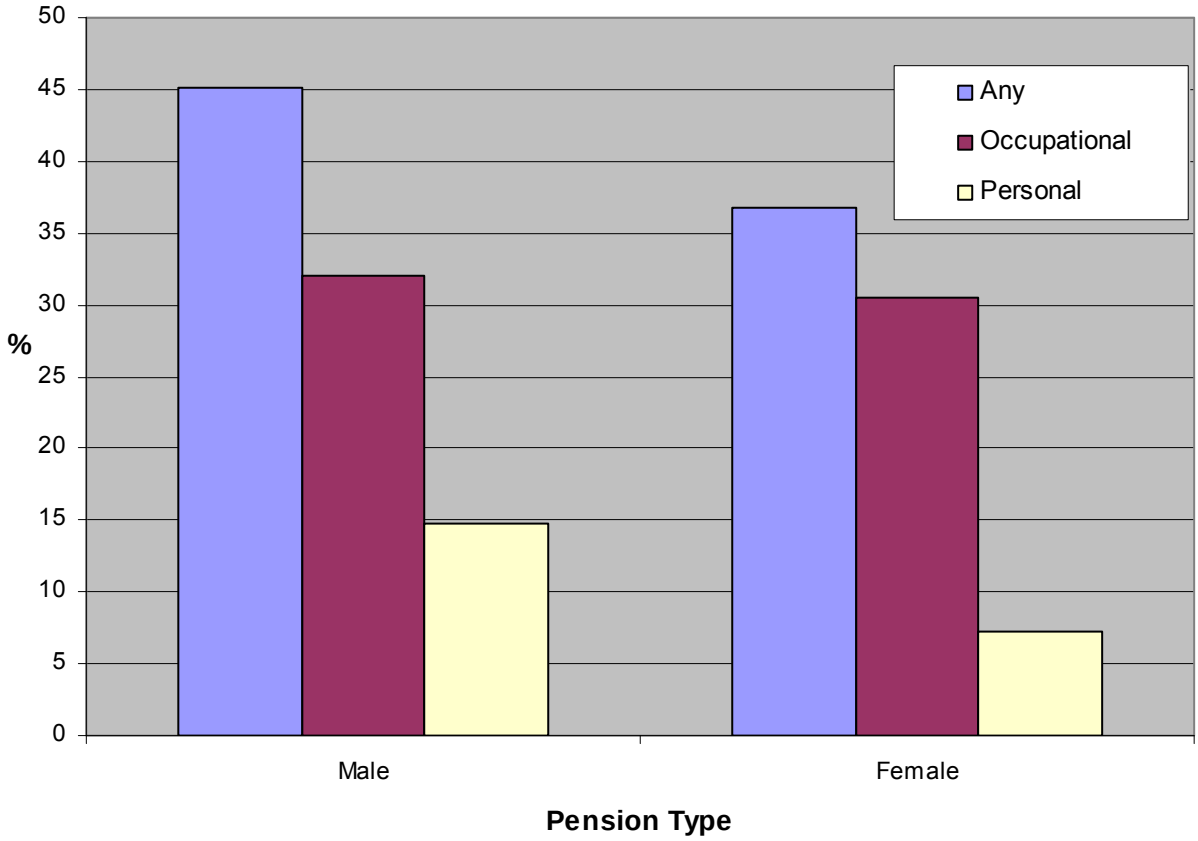
The patterns for occupational and personal pensions, seen individually, reflect the overall pattern of private pension membership by age. Occupational pensions account for the majority of pension scheme membership and there is considerable take-up throughout the twenties. Membership of occupational pensions is highest for those in their late forties and accounts for much of the initial drop in late middle age. This supports the findings of McKay and Kempson, who observed that occupational pension membership drops rapidly post-50, reflecting early exits from the labour force. For personal pensions, rapid take-up occurs slightly later, in the late twenties and early thirties. There is also less of a peak for personal pension membership, which is fairly consistent at around 14% from the mid thirties through to the late fifties, excepting a slight peak at age 50-54.



Chi-Squared (all significant at 0.1% level) N=37036

Chart 5a: Percentage of Individuals with Private Pension Provision by Age Group, FRS, 2005/6, UK.

5.2.2 Sex



Chi-Squared (all significant at 1% level) N=37036

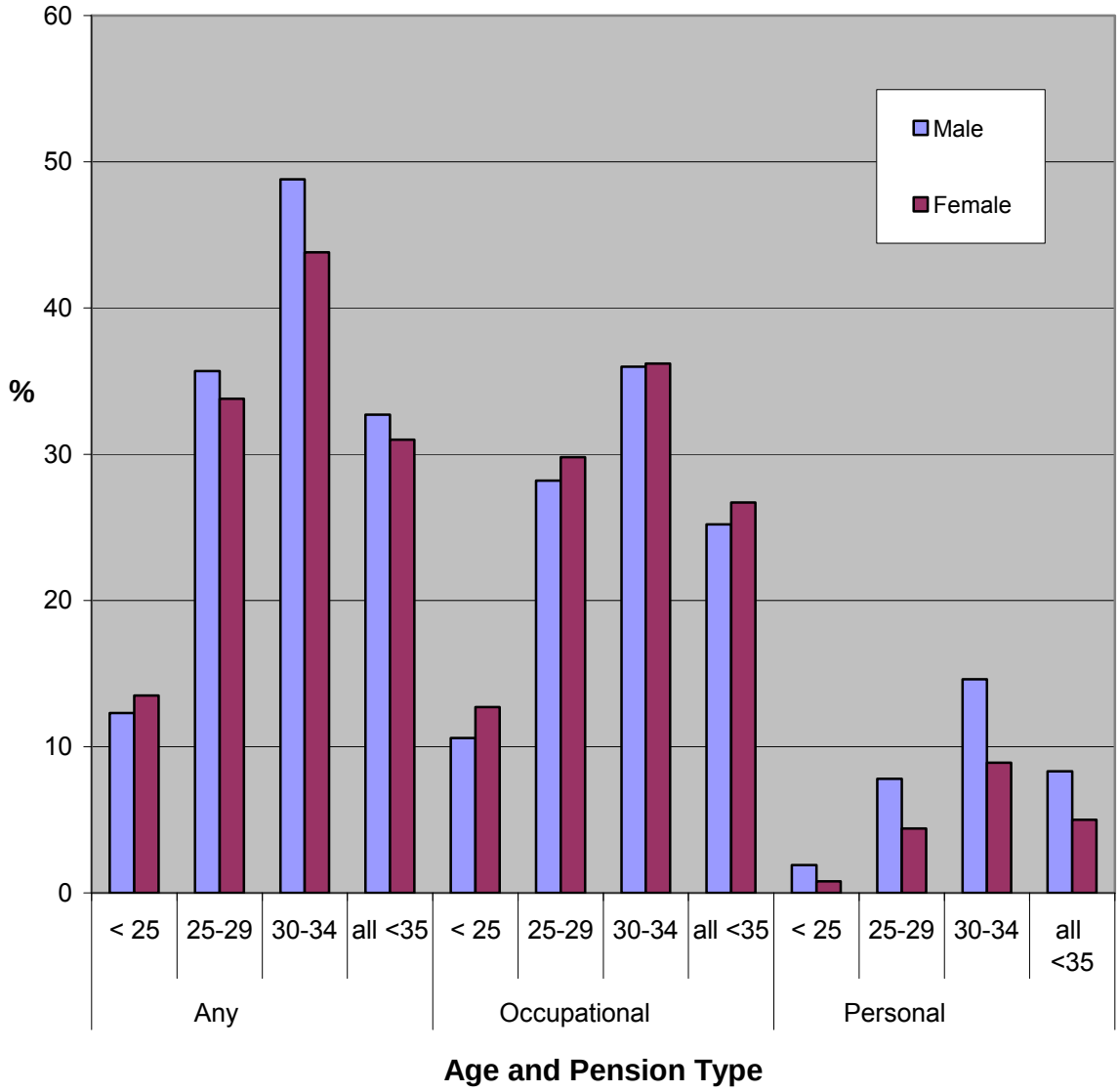
Chart 5b: Percentage of Individuals with Private Pension Provision by Sex, FRS, 2005/6, UK.

Chart 5b confirms previous research findings (Disney et al. 2001) that men are more likely than women to have private pension cover. Please see Appendix 5b for the underlying data. Women's overall pension membership was 37% - four-fifths that of men's pension membership at 45%. Much of the overall difference is accounted for by the differences in personal pension coverage; men have coverage at 15%, which is double that of women, whilst the gender difference for occupational pensions is small. This supports the finding by the Pensions Commission (2004) that the gender gap in occupational pension provision is decreasing. The Commission suggested that the reason for the convergence of men's and women's occupational pension membership was the greater concentration of women in the public sector (with good access to occupational pensions) and of men in the manufacturing sector (where many occupational pension schemes have closed). Part of the explanation for the gender gap in personal pension membership is the higher level of self-employment and

higher pay amongst men. The links between pension membership and employment industry, employment status and income are elaborated below.

Chart 5c further explores the relationship between gender and pension membership, looking at pension savers under 35. Please see Appendix 5c for the underlying data. Amongst the youngest age group (under 25), women have slightly higher levels of pension membership than men (although the difference is not statistically significant). This difference in private pension membership is the result of the gender difference in occupational pension membership, in that women under 25 are *more* likely to have an occupational pension than men under 25, and in this case the difference is significant. However, the gap decreases with age and is not significant for the over 25 age groups. Thus, with increasing age, women's higher occupational pension membership is equalled and then surpassed by that of men. This supports the findings of Mckay and Kempson (2003) who found that men only became more likely to belong to occupational pension schemes after the age of 25. For personal pensions, young men remain more likely to have membership than young women, but whilst this difference is statistically significant for all three age groups, the difference increases with age.

The finding that there is less gender inequality in pension membership amongst young people is confirmed by a comparison of the amount of difference (the size of the 'gap') between men and women's pension membership amongst young people, set against the gap for all ages. For example, amongst all ages, men are twice as likely as women to belong to a personal pension scheme compared to a gap of only 1.6 times amongst young people. Please see Appendix 5f.



Chi-Squared

Any Pension (only 30-34 significant at 1%)

Occupational Pension (only <25 significant at 5%)

Personal Pension (all significant at 1%)

Under 25 (N = 3625)

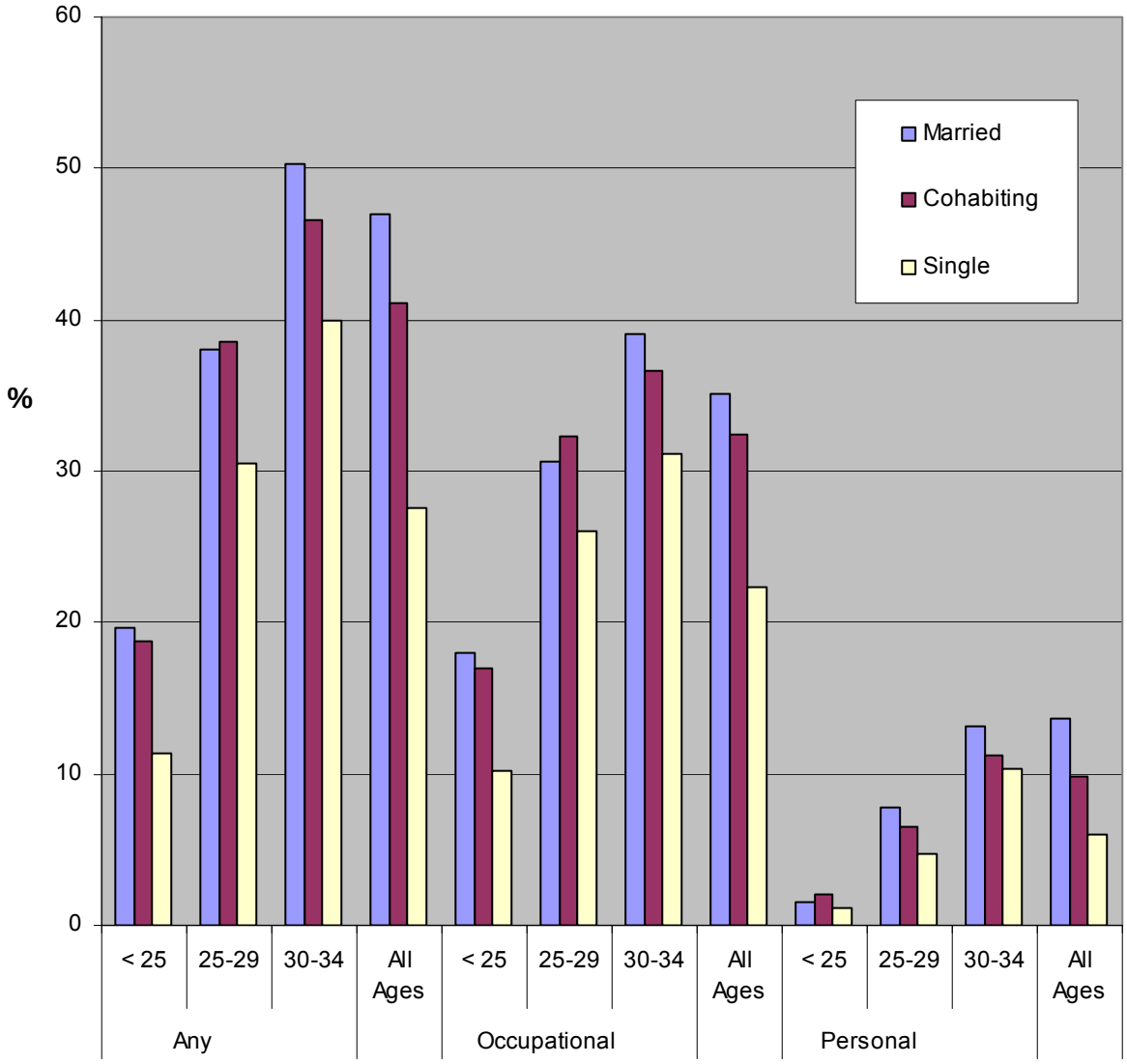
25-29 (N = 3214)

30-34 (N = 4143)

All under 35 (N = 10982)

Chart 5c: Percentage of Individuals with Personal Pension by Age and Sex, FRS, 2005/6, UK.

5.2.3 Marital Status



Age and Pension Type

All ages (N = 37036). All significant at 0.1%

Under 25 (N = 3625). Any and Occupational significant at 0.1%, Personal n/s

25-29 (N = 3214). Any and Occupational significant at 0.1%, Personal at 1%

30-34 (N = 4143). All significant at 0.1%

* Additional categories of separated, widowed and divorced were excluded from the chart due to low cell counts for the under-35s but can be found in appendices 5a and 5b.

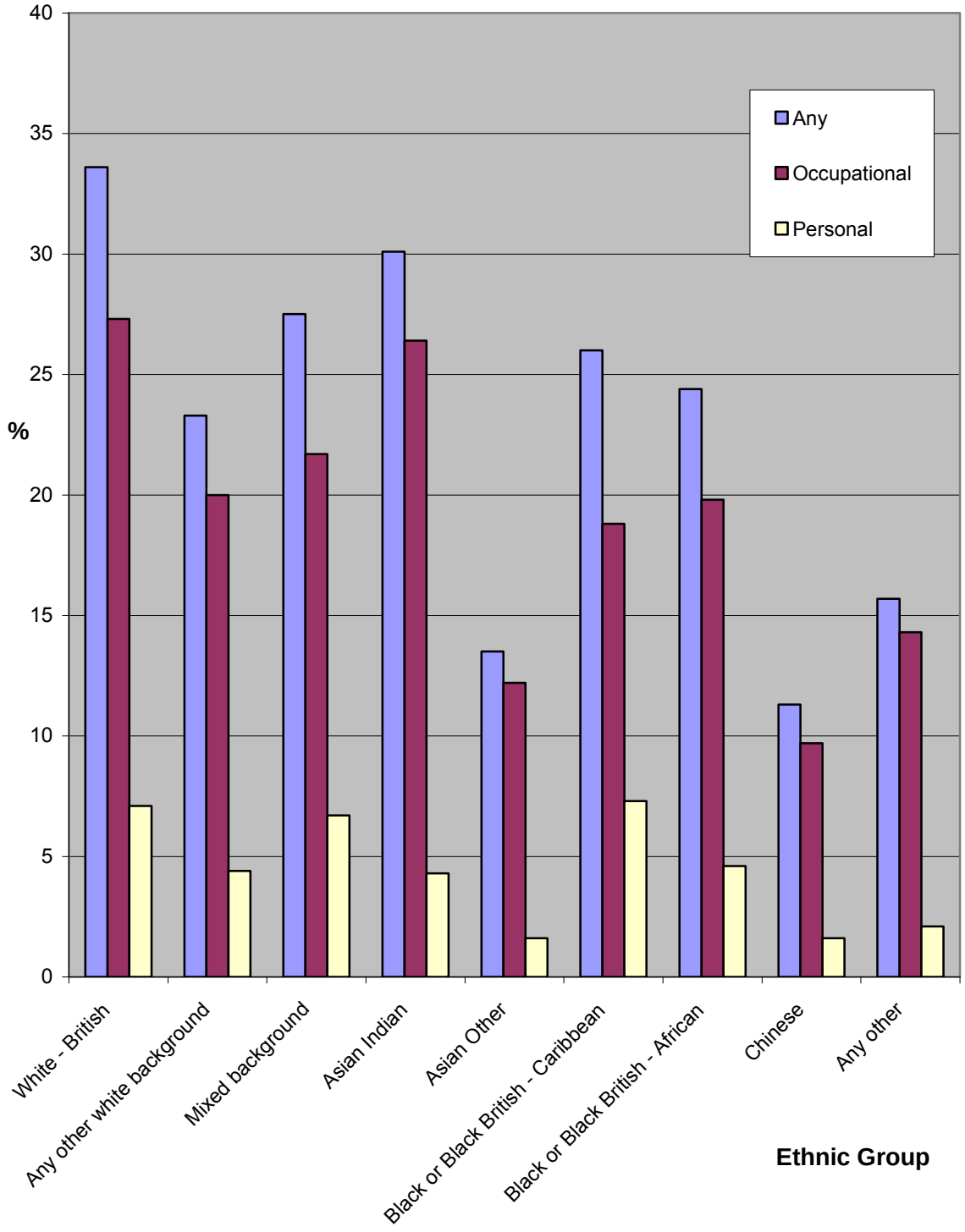
Chart 5d: Percentage of Individuals with Private Pension Provision by Age and Marital Status, FRS, 2005/6, UK

Chart 5d shows private pension membership by marital status for all ages (16-65) and for the three separate age groups under 35. Appendix 5c shows the underlying data. The results show that people who are single are the least likely to belong to a pension scheme across all the age categories and both pension types. For the cohabiting and married groups, the general pattern is that people who are married are the most likely to belong to a pension scheme, but the group aged 25 to 29 is an exception to this. Here, young cohabitees have higher levels of occupational pension membership and hence of overall pension membership.

The results show that pension membership increases with age for all categories of marital status, but young people are further disadvantaged because they are more likely to be single than the population as a whole; 45% of those under 35 are single compared with 20% for all age groups (please see Appendix 5c). People who are cohabiting also tend to be younger than those who are married; 21% of those under 35 are cohabiting compared with 12% for all age groups. So the general pattern of single and cohabiting individuals being less likely than married individuals to have private pension provision fits in with the age patterns of private pension saving.

Pension membership rises steeply with age for all three marital status groups. For example, overall pension membership for young people who are married is less than one fifth for the under-25s but rises to one half for the 30-34 age group. The increase is particularly steep for the single group, nearly tripling from 12% to 31% during the twenties. However, the gap in pension membership between couples and singles is wider for young people than it is for all ages (please see Appendix 5f).

5.2.4 Ethnic Group



Chi-Squared all significant at 0.1% (N = 10982)

Please note low cell counts for some categories, please see Appendix 5e.

Chart 5e: Percentage of Individuals under 35 with Private Pension Provision by Ethnic Group, FRS, 2005/6, UK.

Chart 5e shows the characteristics of young pension savers by ethnic group. Please see Appendix 5a for the underlying data. The results indicate that, amongst young people, those who are White British are the most likely to belong to private pension schemes (34% are members) followed by Asian Indians (with 30% membership). The Chinese and those from other Asian groups are least likely to have private pension membership (with levels of 11% and 14% respectively).

By pension type, levels of occupational pension membership amongst the White British and Asian Indians are very similar; the differences in overall pension membership are mainly accounted for by lower levels of personal pension membership amongst young Asian Indians. Levels of occupational pension membership amongst young Chinese are particularly low at less than 10%. Looking at personal pensions, membership is low amongst all ethnic groups (less than 7.5%). Black British people of Caribbean origin have the highest levels of personal pension membership[9] (7.3% compared to 7.1% for White British).

The analysis was also carried out on all ages (16-65) (see Appendix 5b). Generally, the patterns for pension membership amongst ethnic groups are similar to those for young people, with the exception that Black British Caribbeans have the highest level of overall pension membership, resulting from high levels of occupational pension membership. There is also an increase in personal pension membership amongst the Chinese, leaving Asian Others with the lowest overall pension membership. This suggests the possibility that the low level of pension membership amongst the Chinese might be partly explained by lack of access to occupational pensions.

Previous research (Ginn and Arber 2001; Mckay and Kempson 2003; The Pensions Commission 2004) found that people from minority ethnic groups are less likely to be members of private pension schemes. The finding that Black British Caribbeans are the most likely to have some form of private provision is therefore unexpected. Less surprising are the low levels of private pension membership amongst the Chinese and Asian Other groups, as these findings confirm those of previous research. McKay and Kempson (2003) suggested that low levels of saving amongst Asians could be linked to Islamic teaching (receipt and payment of interest is prohibited by Islam; investments must be permissible under Islamic law and cannot include companies whose main business is alcohol, gambling, pornography, pork products, financial services or tobacco).

[9] It should be noted that some of the cell counts for ethnic groups under 35 are low (e.g. Chinese and Afro-Caribbean) See Appendix 5a.

A further explanation, which also helps to explain low levels of pension membership amongst the Chinese, is employment status; Pakistanis, Bangladeshis and Chinese are all more likely to be self-employed or unemployed than White British. These groups also tend to be more concentrated in industries which lack access to occupational pensions, such as sales and distribution and the hotel and restaurant sector (Please see appendix 5e). In contrast, the high level of occupational pension membership among Black Caribbeans may be explained by the very high levels of full-time employment amongst Black Caribbean women in combination with their concentration in the public sector. Again, these links between pension membership and industry/employment status are elaborated below.

As was the case for marital status, the gaps in pension membership between different ethnic groups are wider amongst young people. For example, a young White British person is 4.4 times more likely to have a personal pension than a young Chinese person, compared to 1.4 times amongst all age groups (please see Appendix 5f).

5.3 The Socio-economic Characteristics of Young Savers

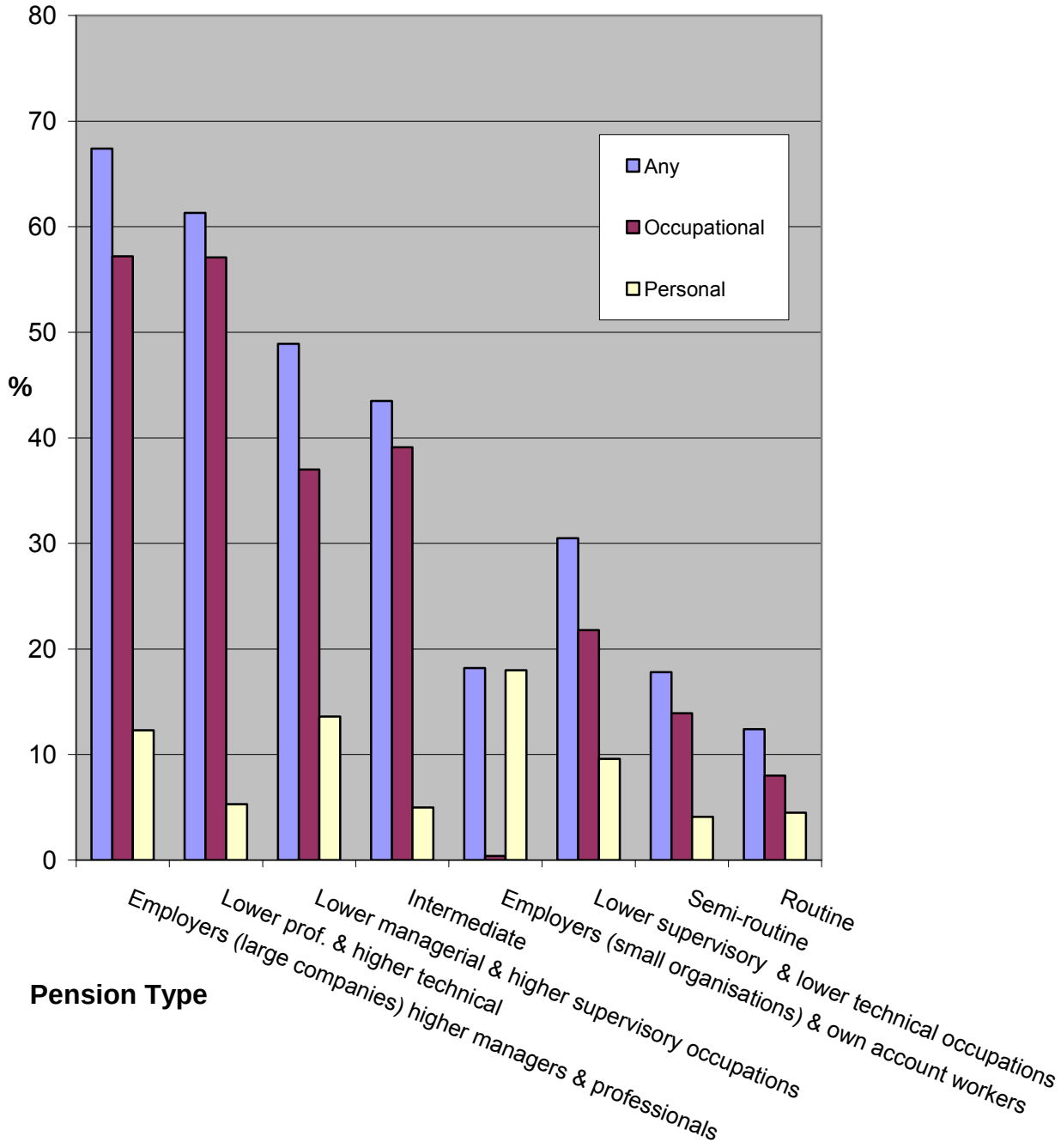
5.3.1 Socio-economic Group

Chart 5f shows young pension savers according to the socio-economic group variable. Please see Appendix 5a for the underlying data. From this we can see that large employers, and people in managerial and professional occupations, are the most likely to have private pension membership, with two-thirds covered. As expected, occupational pension membership makes up the majority of this cover, but this group also has relatively high levels of personal pension membership. This results in the highest level of overall pension membership despite those in lower professional and higher technical occupations having similar levels of occupational pension membership.

A key difference between personal and occupational pension savers is identified by looking at the category of small employers and own account workers, as this group has the highest levels of personal pension membership (18%) with virtually non-existent membership of occupational pension schemes. In contrast, routine workers have low levels of occupational pension membership combined with low levels of personal pension membership, with the result that they have the lowest overall pension coverage, at just 12.5%. Routine workers and small employers/own account workers are joined by semi-routine workers in having levels of overall pension membership of less than 20%.

Relatively more young people are in routine, semi-routine and intermediate roles than is the case for the population as a whole (please see Appendix 5c). This is particularly true for the youngest age groups, for example those under 25, who are much more likely than people of other ages to be working in routine or semi-routine roles (38% as against 22%), rather than in managerial, technical or professional occupations (13% as against 31%). This helps to explain some of the age differences in pension saving. Young people at the start of their careers are likely to begin in lower status roles. Research by Elias and Purcell (2004) found that, of graduates employed immediately after graduation, 43% were employed in non-graduate jobs; however, seven years later only 11% were still working in non-graduate jobs.

The pattern of young people's pension membership by socio-economic group is very similar to the pattern of pension membership identified for all ages (please see Appendix 5b). However, amongst young people there are once again greater differences between groups than there are for all ages taken together. These differences are accounted for by occupational pensions; for young people, large employers, managers and professionals are 7.2 times more likely to have an occupational pension than are routine workers, whereas for all age groups the figure is 3.3 times. For personal pensions, the gaps between groups are slightly smaller for young people (please see Appendix 5f).



Chi-squared: all significant at 0.1% level, under 35 N = 10982

(non classified groups excluded)

Chart 5f: Percentage of Individuals under 35 with Private Pension Provision by Socio-Economic group, FRS, 2005/6, GB.

5.3.2 Employment Status

Chart 5g shows pension membership amongst young people and all ages by employment status. Please see Appendices 5a and 5b for the underlying data. The overall pattern of pension membership is the same for both age-related categories. From the literature review it was predicted that employment status would be the most important variable in explaining differences between occupational and personal pension membership, given that previous research has found that the self-employed are less likely to have private pensions due to lack of access to company schemes (Mayhew 2003). The results show that full-time employees are most likely to have pension provision, with around 45% having provision. Those working full-time, but self-employed, are next at just over 20%, followed closely by part-time employees, with the next level of pension membership being the part-time self-employed, at 15%, and lastly those who are not working have the lowest level at less than 5%.

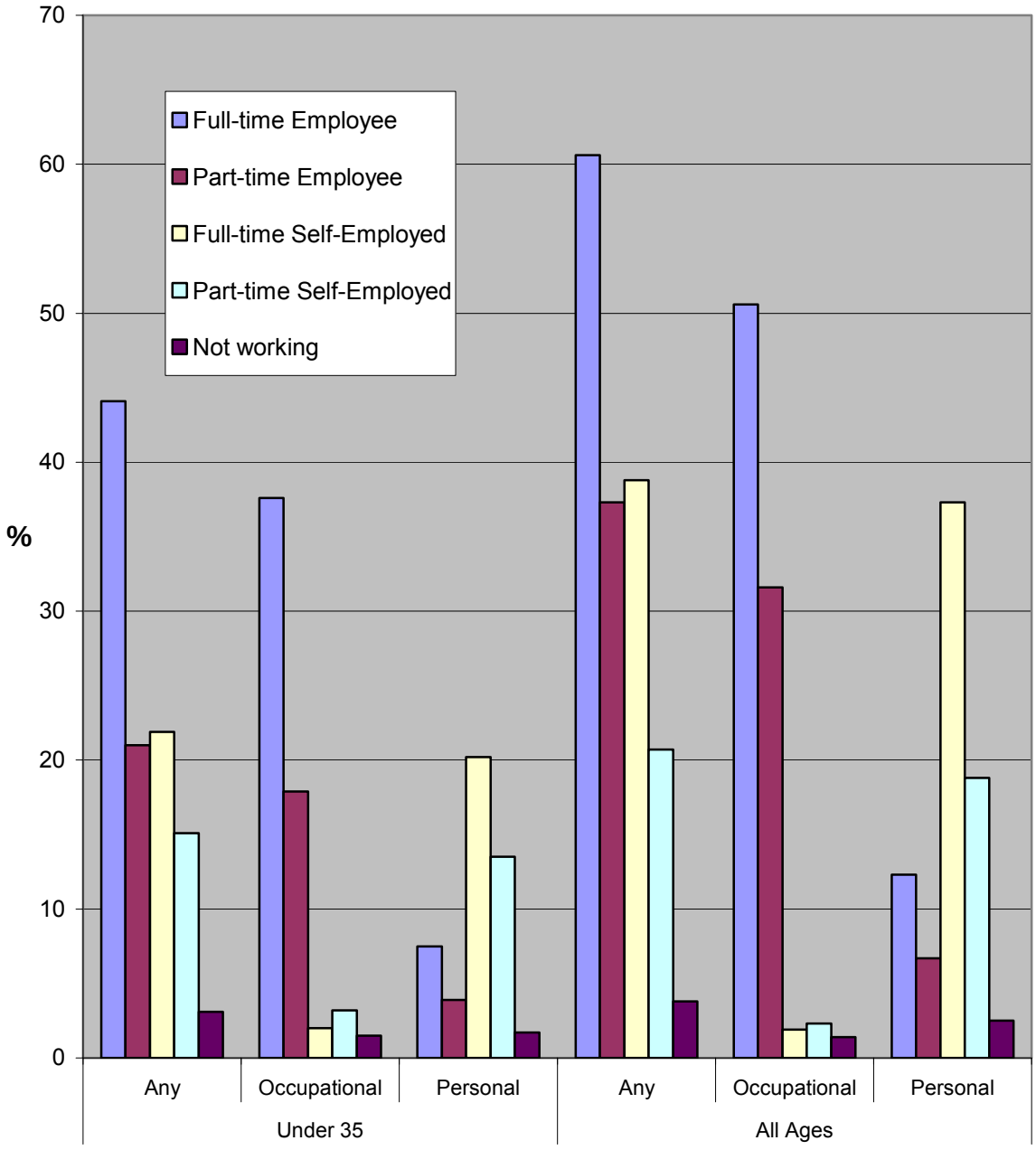
As regards pension type, employees are most likely to have occupational pensions (more than one third of those being full-time) and the self-employed are most likely to have personal pensions (one fifth of those being full-time). Employment status therefore appears to be confirmed as a key factor in determining both overall pension likelihood and also pension type amongst young people. In addition, hours worked (e.g. full-time or part-time) are also a significant factor. Levels of part-time employment are similar for the under-35s and all ages, but this disguises differences between the younger age groups; part-time employment is high for those under 25 (22%) but falls considerably for those aged 25-29 (12%). Appendix 5c also suggests that the under-35s have higher levels of full-time employment and lower levels of non employment than is the case for the population as a whole, which would suggest that young people are advantaged by their employment status in pension terms. However, the FRS sample does not include young people who have never taken part in paid employment, which explains this apparent anomaly.

These age differences in employment are related to life stage; the under-25s are more likely to be studying or training and therefore are more likely to work part-time; those aged 25 to 29 have generally finished their education, resulting in high levels of full-time employment; and those in their thirties are more likely to be involved in childcare[10], which is associated with higher levels of non employment and part-time employment. Furthermore, young people are less likely to be self-employed than people in other age groups (6% for all under-35s and 3%

[10] The average age for childbirth is 29.5 and 30-34 is now the most fertile age group (ONS 2007)

for under-25s compared with 9% for all ages – please see Appendix 5c) which helps to explain the lower levels of personal pension membership amongst young people.

The same patterns of pension membership by employment apply across the whole age range, although levels of pension membership are higher. However, as with socio-economic groups, the sizes of the gaps between employment status groups differ. For example, for young people there is a wider gap in the level of occupational pension membership between those working full-time and those working part-time (2.1 times compared to 1.6 times for all ages). Conversely, the gap in the level of personal pension membership between full-time self-employed and part-time self-employed is less for young people (1.5 times compared to 2.0 times for all ages). Please see Appendix 5f.



Chi-squared: all significant at 0.1% level, under 35 N = 10982/ all ages N = 37036

Chart 5g: Percentage of Individuals with Private Pension Provision by Employment Status, FRS, 2005/6, GB.

5.3.3 Industry

Chart 5h shows private pension membership by employment industry for young people and all ages. (Please see Appendices 5a and 5b for the underlying data.) Again, the overall patterns are the same for both sets of data. Previous research (Mayhew 2003) found that public sector employees are the most likely to benefit from private pensions because of high rates of occupational pension provision. Chart 5h supports this. People who work in the public sector are the most likely to have private pension provision, with 58% of young public sector workers having some form of private pension. When considering pension type, it is clear that this high level of pension membership amongst young people is mainly accounted for by occupational pensions, with 55% of public sector employees belonging to an occupational pension scheme but fewer than 5% having a personal pension. Conversely, young people working in primary and construction industries have the highest levels of personal pension provision (at 16% and 12% respectively). In the primary industry sector, the level of personal pension membership appears to exceed the level of occupational pension membership, although the cell counts are low (Please see Appendix 5a). Despite relatively high levels of personal pension membership, those working in construction have the lowest levels of overall pension membership (24%), followed by workers in the services and retail industry, who have relatively low levels of pension membership in both occupational and personal pensions (28% overall). Those working in manufacturing have reasonably high levels of occupational pension membership, so that overall pension membership is relatively high at 38%.

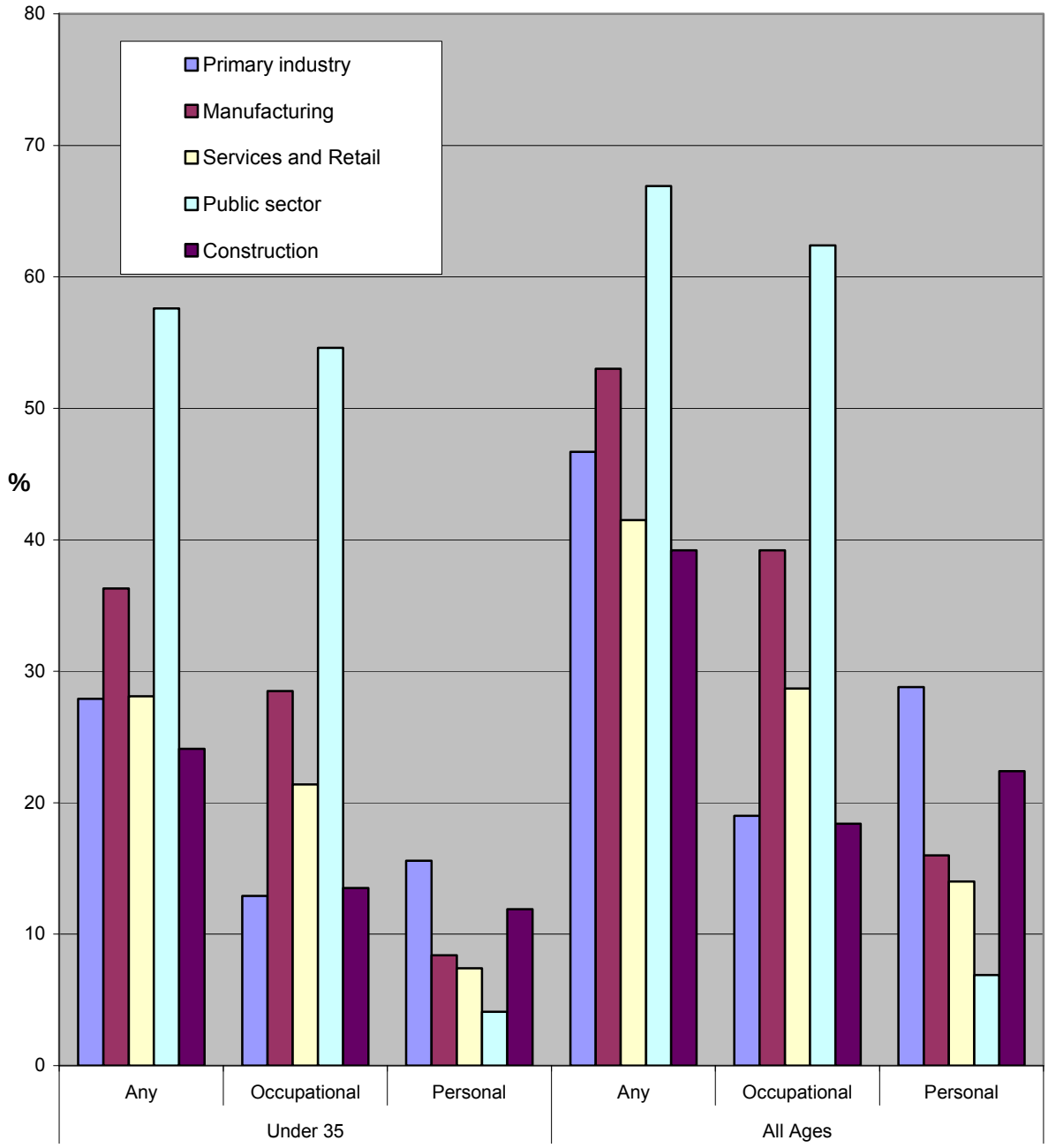
A greater proportion of young people are employed in the services and retail industry than is the case for the population as a whole (47% compared with 37%); conversely, proportionally fewer young people are employed in the public sector (21% compared with 24%).Please see Appendix 5c. Again, there are large differences for young people as between different age groups; amongst those in their early twenties 55% are employed in services and retail and 15% in the public sector, for those aged 30-34 the figures are 45% and 23% respectively. This is likely to be related in part to life stage; as discussed above, the under-25s are more likely to be working part-time[11], and part-time work is more usual in the services and retail sector. 81% of part-time workers under the age of 25 work in this sector.

The larger number of young people working in the services and retail sector reflects both life/career stage and wider changes in the economy, for example the shift from manufacturing to knowledge based services. The public sector has also grown in the past decade, but, as

[11] 22% of under-25s are employed part-time, see Appendix 5c.

indicated above, the public sector workforce is older than the private sector workforce. Government statistics show that, in 2004, around 72% of public sector workers were aged 35 and over compared with 62% of private sector workers. The consequences deriving from young people's different patterns of employment by industrial sector, and changes in the wider economy, are that young people, particularly the very youngest, are less likely to work in an industry which provides access to occupational pensions.

Again, patterns of pension membership by industrial sector are similar for all ages but, as before, the size of the gaps between different industrial sectors varies. As with both socio-economic group and employment status, the gaps in occupational pension membership are larger amongst young people but the gaps in personal pension membership are smaller; thus, young public sector workers are four times more likely to have an occupational pension than young workers in the construction industry, compared with 3.4 times for all ages, but young workers in the construction industry are 2.9 times more likely to have a personal pension than young public sector workers, compared with 3.2 times for all ages (please see Appendix 5f).



Chi-squared: all significant at 0.1% level, under 35 N = 10982/ all ages N = 37036 (non classified groups excluded)

Chart 5h: Percentage of Individuals with Private Pension Provision by Industry, FRS, 2005/6, GB.

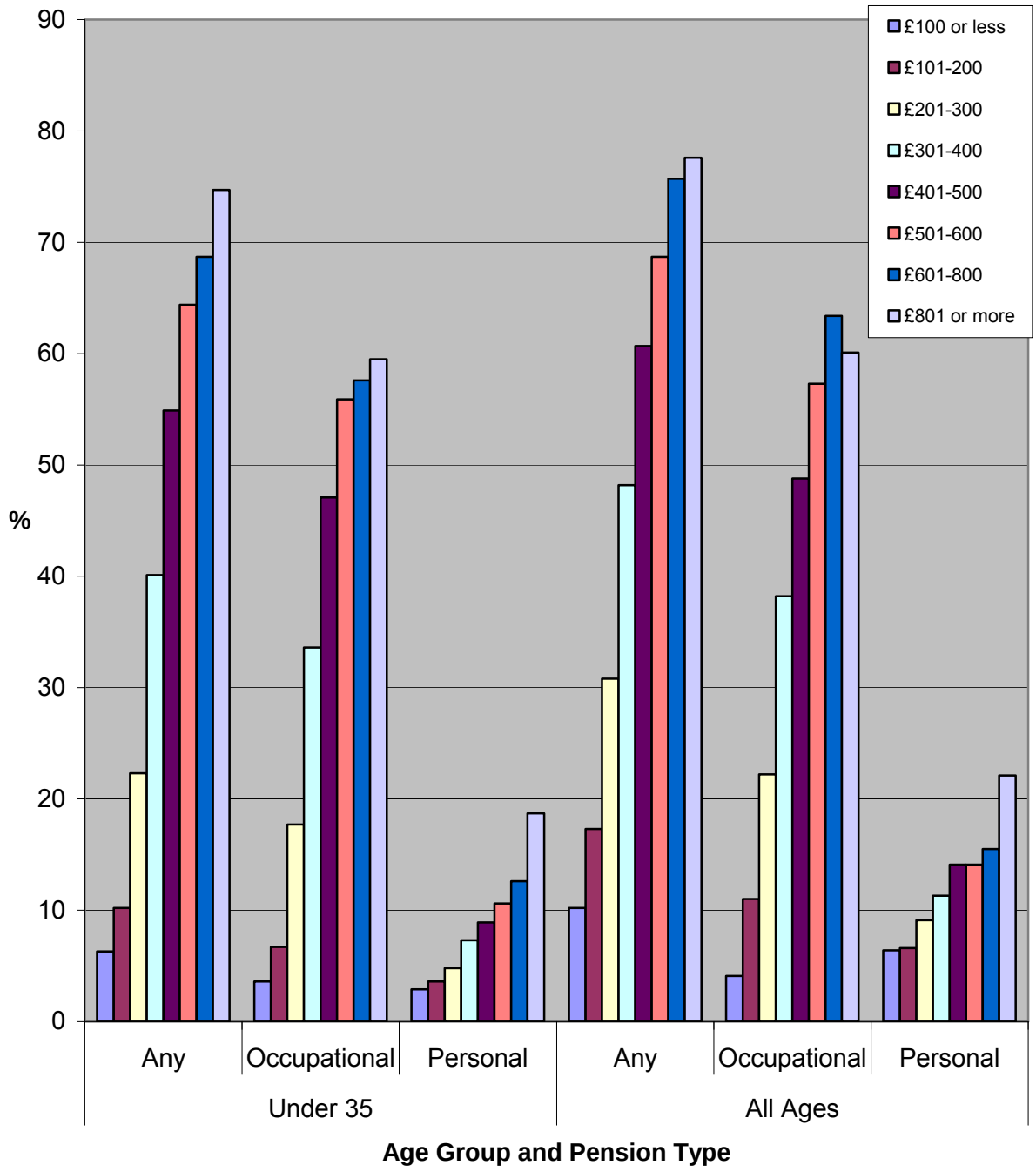
5.3.4 Income

Previous research has identified income as a key factor in explaining the likelihood of pension membership. For example, Harris et al (2002) found that retirement saving becomes a higher priority as income increases. Chart 5i shows the breakdown of private pension coverage by gross weekly income for both young people and across the whole age range, confirming an overall pattern of pension membership rising with income; for the under-35s, private pension coverage rises from 6% in the lowest income category to 75% in the highest. Please see Appendices 5a and 5b for the underlying data. The increase in occupational pension membership is particularly steep for the middle income bracket (£201 to £500). In contrast, the rate of increase for personal pensions is far more gradual, although there is a considerable jump for the top income group.

The only difference in the pattern across all age groups is in the levels of occupational pension membership for the highest income groups, with coverage falling for the top income group[12], whereas this group has the highest occupational pension coverage amongst young people. Notably, the levels of pension membership by income for under-35s are only slightly lower than for all ages, suggesting that young people's income levels can help to explain age differences in pension provision. Young people are less likely to be in the highest earning groups in comparison with the population as a whole (please see Appendix 5c). Furthermore, the under-25s contain the highest proportions of low earners; income is clearly an important factor in determining pension membership, and young people are disadvantaged in income terms.

There are wide differences in levels of pension membership between income groups for both young people and the whole age range, but these differences appear to be greater amongst young people. Young people in the highest income group are almost twelve times more likely than those in the lowest income group to have a private pension, compared with 7.6 times for all ages. The gaps are wider amongst young people for both personal and occupational pensions, but the difference is much greater for personal pensions (please see Appendix 5f).

[12] The slight drop in occupational pension coverage that occurs for the highest income group is compensated for by increased personal pension coverage so that, overall, the highest earners enjoy the most coverage.



Chi-squared: all significant at 0.1% level, under 35 N = 10982/ all ages N = 37036

Chart 5i: Percentage of Individuals with Private Pension Provision by Income, FRS, 2005/6, GB.

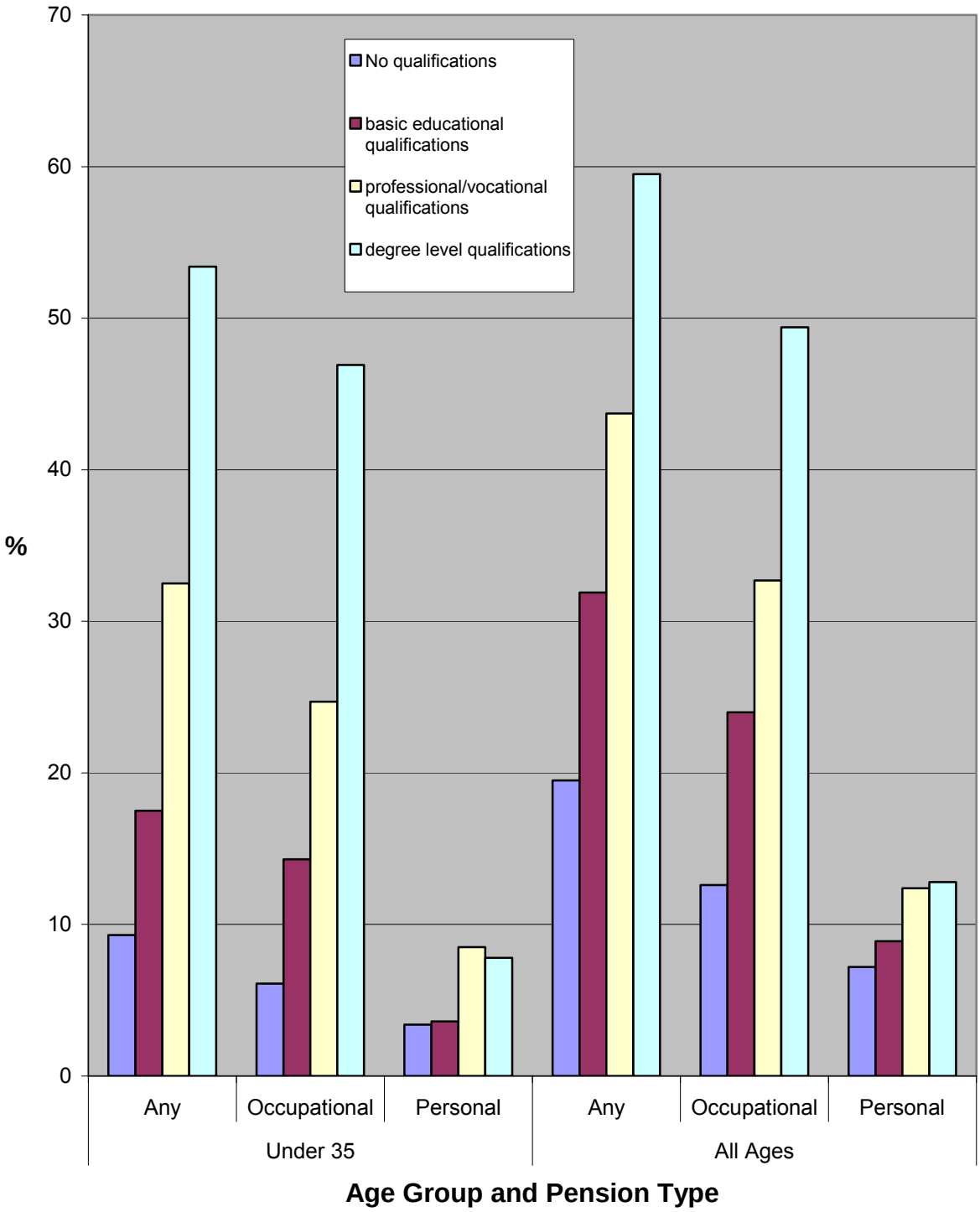
5.3.5 Education

There has been less research into the next variable explored in this analysis, namely educational attainment. However, Joo and Grable (2000) found that those with higher educational attainment are more likely to save for retirement than those with lower educational attainment. Chart 5j confirms that this is the case for pension savers; private pension membership increases with greater educational attainment. Please see Appendices 5a and 5b for the underlying data. One of the reasons for this is that university graduates are more concentrated in the public sector and in managerial and professional roles (Elias and Purcell 2004) and so are more likely to benefit from access to company pensions.

Amongst young people, fewer than 10% of those with no qualifications have some form of private pension cover compared with over half of those educated to degree level.[13] Occupational pensions account for the majority of this sharp difference, whereas for personal pensions the situation is less clear cut. Personal pension membership is less than 10% for all educational levels and there is little difference between those with no qualifications and those with basic qualifications, whilst those with professional qualifications have slightly higher levels of membership than those with degrees. Given that young people are less likely to have no education and are more likely to be university educated than the population as a whole (please see Appendix 5c), this relationship of pension membership with education should mean that young people are in a more advantaged position, at least in terms of occupational pensions.

Again, the pattern of pension membership by education for all ages is mostly similar to that for young people. However there are some small differences; for personal pensions, people with university degrees have higher levels of membership than those with professional qualifications. Once more, the gaps between different educational groups are larger for young people and this is the case for both personal and occupational pension membership (please see Appendix 5f).

[13] The education questions asked in the FRS do not refer to GCSEs and A-levels, only to whether an individual has certificates for basic, vocational/professional and degree level qualifications.



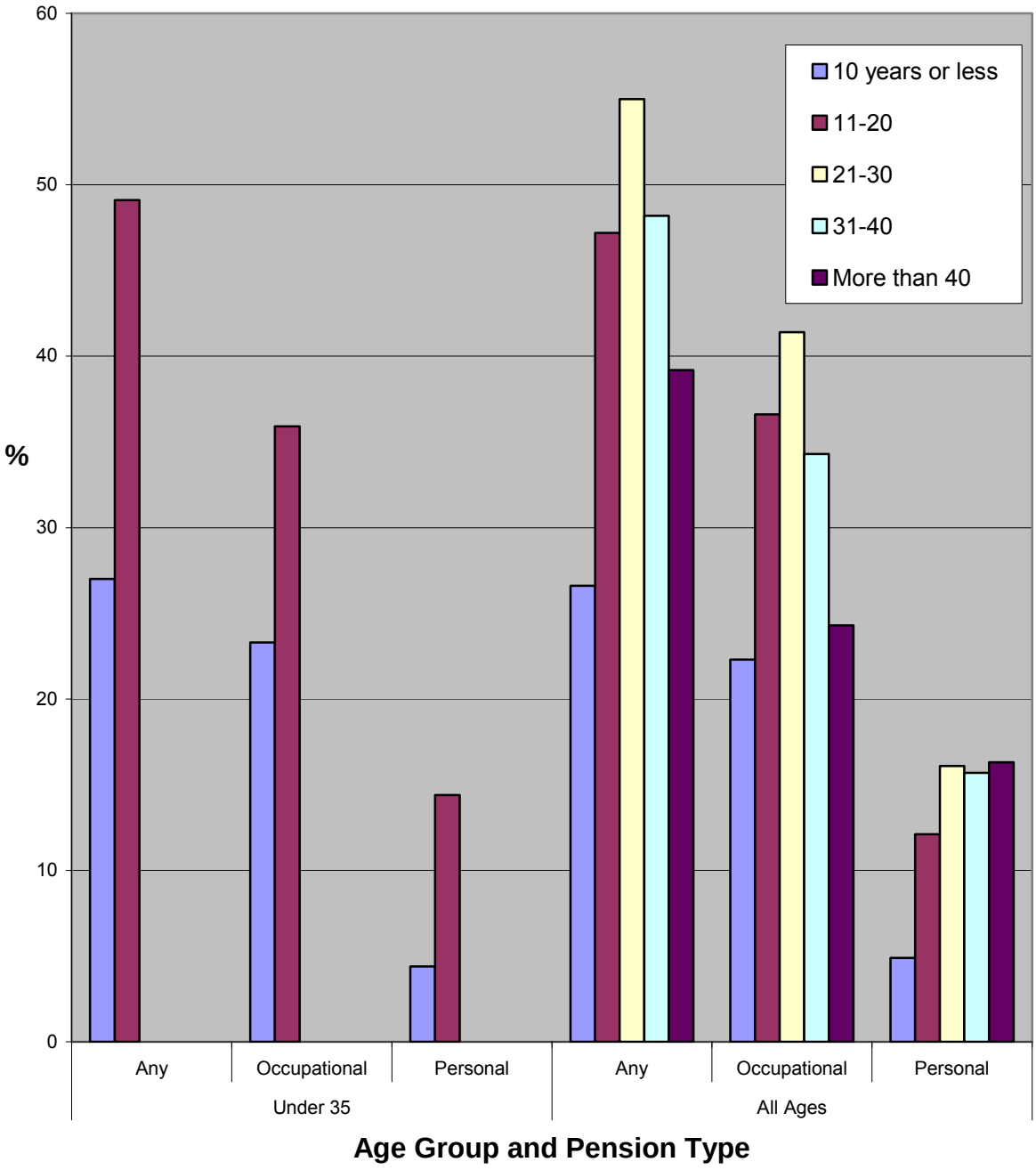
Chi-squared: all significant at 0.1% level, under 35 N = 10982/ all ages N = 37036

Chart5j: Percentage of Individuals with Private Pension Provision by Educational Attainment, FRS, 2005/6, GB.

5.3.6 Number of Years in Full-Time Work

No research relating to the next variable, number of years in full-time work, was found in the literature search. However, given that it has already been demonstrated that pension provision is associated with both full-time work and being middle-aged, it could be expected that pension membership would increase with rising number of years in full-time work. Chart 5k confirms that this is the case with pension membership across the full age range, with overall membership peaking at 55% for those who have worked 21-30 years. Appendices 5a and 5b show the breakdown of data. This compares with pension membership of just 25% for those who have worked full-time for ten years or less. For occupational pensions the pattern is repeated, with the peak at 21-30 years reaching just over 40%. However, the pattern for personal pensions is different, with more of a gradual increase to reach 15% for the 21-30 years group, a level of provision that is maintained for the remaining age groups with a slight increase for those who have worked for more than 40 years. The relatively lower figures for occupational pensions and higher figures for personal pensions, in the groups representing people with longer working experience, suggests that, as described above, people with occupational pensions are more likely to leave the labour force early, whereas those relying on personal pensions spend more years in work.

The under-35s have only two categories of years in full-time work, and there are large increases in both personal and occupational pension membership for the group of those with longer working experience (11 to 20 years in full-time work). The levels of pension membership in these two categories are at very similar levels for young people and for all ages. In particular, the slightly higher levels of pension membership amongst young people working full-time for 11-20 years are unexpected, as the majority of young people will be towards the lower end of this category. However, when considering these categories for the full age range, they include older workers with interrupted employment histories or prolonged part-time working as well as young people, thus providing the explanation as to why these categories do not have higher levels of pension membership across the full age range. Overall, the differences in occupational pension provision between those who have worked full-time for less than ten years and those who have worked full-time for 11-20 years are slightly similar amongst young people and those of all ages, but the differences in personal pension provision between these two groups are greater amongst young people (please see Appendix 5f).



Chi-squared: all significant at 0.1% level, under 35 N = 10927(-53+2) / all ages N = 36946 (-90)

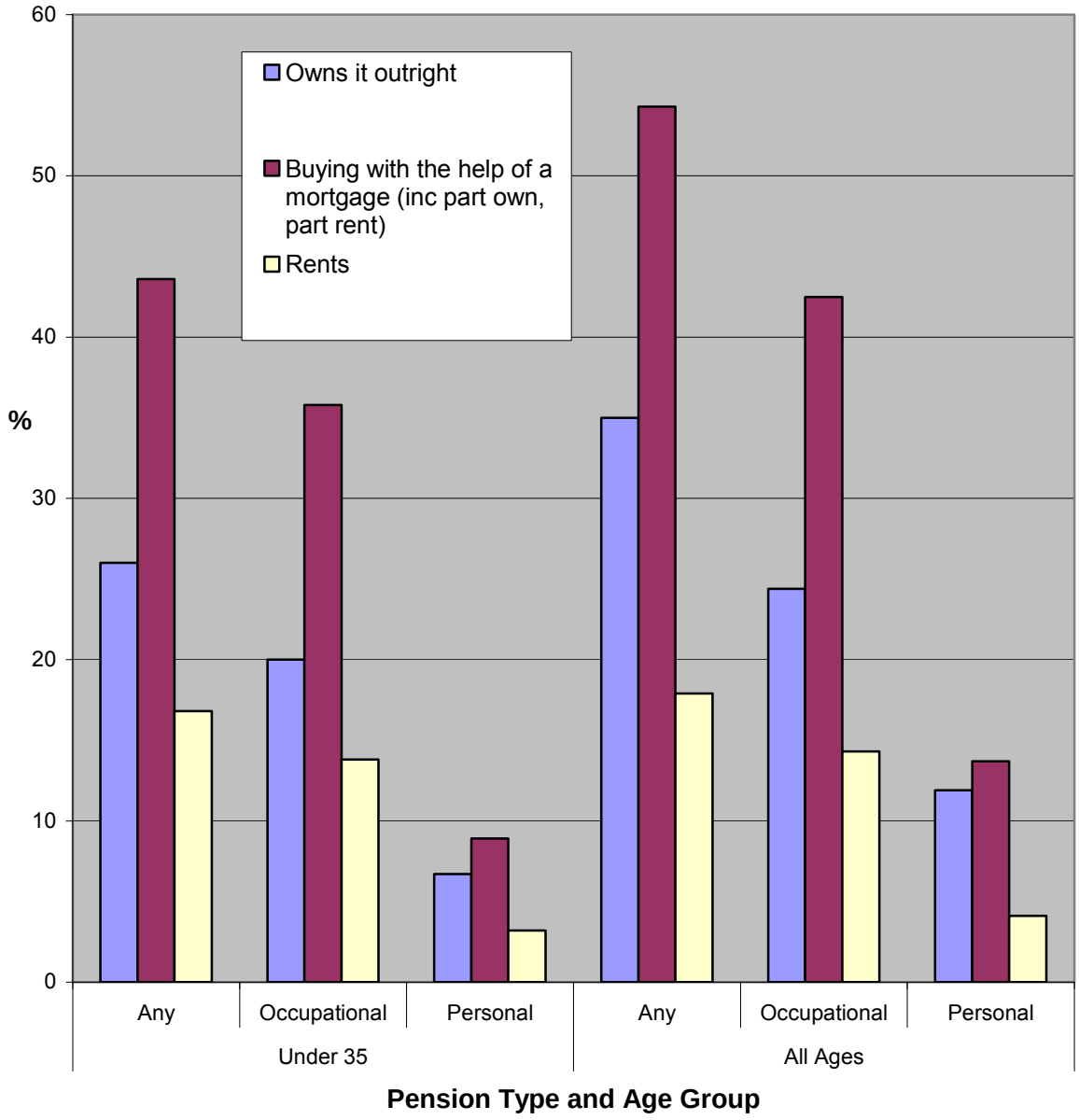
Chart5k: Percentage of Individuals with Private Pension Provision by Years in Full-time Work, FRS, 2005/6, GB.

5.3.7 Housing Tenure

The Pensions Commission (2004) argued that investing in home ownership was not a good substitute for pension saving because people who are pension-poor are also frequently property-poor. Chart 5l shows pension membership by housing tenure and confirms this association of housing tenure with private pension provision. Please see Appendices 5a and 5b for the underlying data. The group most likely to have provision are those who are buying with a mortgage (pension membership in this group is 40% amongst young people), those least likely to have private pension provision are in the rental group (in which pension membership is just over 15%). Young people are more likely to be renting, with 40% of those in their twenties renting compared with 24% across the whole age range (please see Appendix 5c). More unexpectedly, those who own outright have lower levels of membership than those buying[14]. Young people in the outright owners group are mainly those living with their parents (rather than being wealthy individuals who have already paid off their mortgages!) hence pension levels are lower than for those buying, who are likely to be in a better financial position.

For all ages, the patterns of pension membership by housing tenure are the same, although membership levels are substantially higher for each category. In this case, the gaps between different tenure groups are wider across the whole age range than for young people and this applies to both pension types (please see Appendix 5f).

8 Tenure was the only benefit level variable, so persons within one benefit unit are classified according to the head of benefit unit, meaning that young people living with their parents are classified by their parent's tenure – see methodology chapter; also see methodology chapter for discussion of tenure categories.



Chi-squared: all significant at 0.1% level, under 35 N = 10982/ all ages N = 37036
(rent free category excluded))

Chart 5l: Percentage of Individuals with Private Pension Provision by Housing Tenure, FRS, 2005/6, GB.

5.4 Young Savers: A Summary of Similarities and Differences

The analysis confirms that age is linked to the likelihood of pension membership. People under twenty have very low levels of pension membership and the majority of pension take-up occurs during the twenties. There are therefore large age differences in pension membership even amongst young people. Occupational pension membership peaks in the forties, whereas personal pension take-up is initially slightly slower and peaks slightly later, in the early fifties.

On the whole, the characteristics of young pension savers are the same as the characteristics of all savers. In demographic terms, young pension savers are more likely to be male, married and White British. In socio-economic terms, they are more likely to be in managerial/professional occupations, to be full-time employed, to work in the public sector, to have a high income, to be degree-level educated, to have worked full-time for more than ten years, and to be home buyers. Conversely, young non savers are more likely to be female, single and from ethnic minority groups. They are also more likely to work in routine or semi-routine occupations, to be part-time employed or self-employed, to work in primary or construction industries, to have a low income, to have no qualifications, to have worked full-time for less than ten years, and to rent their accommodation.

As a consequence of occupational pensions making up the majority of private pension saving, the overall characteristics of young pension savers tend to reflect occupational pension membership, whereas the characteristics of young *personal* pension savers are rather different. The main differences relate to employment characteristics; own account workers/small employers, the self-employed and those working in primary and construction industries are most likely to have personal pensions. There are also some slight differences by ethnic group and education; Black British Caribbeans have slightly higher levels of personal pension membership than White British, and people with professional qualifications have higher levels of personal pension membership than people educated to degree level.

Whereas generally the characteristics of young pension savers are similar to the characteristics of pension savers of all ages, the analysis did reveal some differences. Firstly, the gender gap in pension provision widens with age. Amongst the under-35s, women have higher levels of occupational pension membership than men, and the personal pension gap is smaller; indeed, women under 25 have higher levels of overall pension membership than men. Secondly, there is an age difference in marital status; for 25 to 29-year-olds the level of pension membership amongst cohabitees exceeds that of people who are married (although

for the under-35s overall, being married still offers the greatest likelihood of pension membership). Thirdly, there are some differences by ethnic group; for all ages, Black British Caribbeans have the highest levels of overall pension membership, whereas for young people it is the White British who have this status. Finally, there are differences by educational status; personal pension membership is highest for young people who have professional qualifications, but across the whole age range the degree-level educated have the highest levels of personal pension membership. With the exception of the gender difference, these differences between young people and people of all ages are fairly minor, but there is another kind of difference between ages that was identified in the analysis.

This difference is the extent of variation in levels of pension membership between the categories for young people compared with those of all ages (please see Appendix 5f). For income, education, ethnic group and marital status, these gaps are wider for young people in both occupational and personal pension membership (as well as pension membership overall). For gender and housing tenure the position is reversed, and the gaps are wider when the whole age range is considered. For the employment variables, namely socio-economic group, employment status and industry, there are wider gaps between categories for young people only in occupational pension membership (and therefore overall pension membership), whereas for personal pensions the gaps are wider when considering all ages. Finally, for years in full-time work the differences between categories are similar in overall terms and for occupational pensions, but wider amongst young people for personal pensions. These findings indicate a general pattern of greater inequality in pension membership between young people in comparison to the whole age range. Furthermore, this greater inequality amongst young people occurs more frequently for occupational pensions than it does for personal pensions.

In addition to the size of differences between categories, another difference between young people and the whole population is the distribution of the number of individuals within the categories. The characteristics of young savers are similar to the characteristics of older savers, but young people are more likely to have the characteristics associated with non savers. Young people are over-represented in the categories that have a lower likelihood of belonging to a private pension scheme and under-represented in the categories that have a higher likelihood of belonging to a pension scheme (please see Appendix 5c). So, young people are more likely to be single, more likely to be in routine work and more likely to be renting their accommodation. Conversely, they are less likely to work in the public sector and less likely to be highly paid. The disadvantage is greatest for the under-25s and decreases with age, so that the profile of the 30-34 age group is much closer to that of the population as

a whole. This provides much of the explanation for the steep increases in pension membership during the twenties.

The analysis of pension membership by age and socio-economic group/income suggests that these two factors are particularly important in explaining the low levels of pension membership amongst young people, because the differences between age groups are smaller when these factors are taken into account. However, the fact that age differences persist suggests that there is still an independent age effect. This initial analysis was not sufficient to determine the relative importance of each factor or to account for the interrelatedness of the variables. For example, there is a question as to whether variables such as age and gender have an independent effect, or whether age and gender differences in pension membership can be explained by age and gender related employment characteristics. The next chapter discusses the results of the logistic regression modelling that was carried out to clarify these issues and to examine the strength and significance of these variables in combination for predicting young people's private pension membership.

Chapter Six – A Model for Retirement Saving

6.1 Introduction

This chapter looks at the results from the multivariate analysis that was undertaken to further investigate the factors associated with private pension membership, with the aim of gaining an understanding of the relative importance of each variable and the ways in which they interact. The analysis uses logistic regression to construct models to explain private pension membership. Different combinations of predictor variables are used in the regressions to determine which combination best predict the likelihood of having private pension provision. The selection of these variables is based on evidence from the literature review and the findings from the bivariate analysis and includes: sex, age, income, socio-economic group, employment status, years in full-time work, industry, education, marital status, ethnic group and tenure.

As before, it is considered important to carry out separate analyses for occupational and personal pensions, because the greater membership of occupational pensions compared to personal pensions means that the factors explaining occupational pension membership are likely to dominate the any pension models. However, the any pension models are retained because of the need to gain an overall picture of private pension membership. For each pension type, regressions are run on samples of young people, young men and women separately, and on the full sample (all ages). Additionally, the regressions for personal and occupational pensions are repeated on smaller samples of those who belonged to a private pension scheme (again for young people, young men and women separately, and all ages) in order to further clarify the factors that are important in determining *type* of pension membership.

The chapter is structured as follows. The first section discusses the models for any private pension membership; the second, the models for occupational pension membership; the third, those for personal pension membership; and the fourth, the models for pension type. In section five, the overall results from the regression modelling are examined. The final section on predicted probabilities provides an illustration of how the key variables, identified from the modelling, predict private pension likelihood for individuals with different characteristics. More details of the regression analysis used, and an explanation of the different statistical

measures discussed in this chapter (R Square, Odds Ratios and Predicted Probabilities), can be found in Chapter 4.

Of the eleven variables, all are retained in one or more of the regression models, but only four variables - socio-economic group, employment status, age and industry - are included in every model. The relative importance of individual variables differ by pension type and sample characteristics. The predictive ability of the models also varies; for example, the variables are better at predicting occupational pension membership than personal pension membership. The odds ratios generally confirm the relationships identified in the bivariate analysis.

6.2 Modelling for Any Private Pension

Table 6a shows the results for four regression models, with the improvement in R square as each individual variable is introduced. The first column in Table 6a shows the best regression model for predicting the likelihood of any type of private pension provision for young people. The adjusted R square statistic suggests that the ten variables included in the model can explain almost half, 49% (R square = .493), of the differences in private pension provision. The first four variables, of weekly income, socio-economic group, industry and age, alone explain 45% (R square = .448). The remaining variables (tenure, ethnic group, employment status, education, marital status and years in full time work) further improve the model only by a very small amount. Sex was excluded from the model due to lack of statistical significance.

When the model is run separately on sub-samples of young men and women, there are changes in the relative importance of the independent variables. The most notable differences are that, for men, socio-economic group falls from second place to fifth, and years in full-time work is excluded. For women, socio-economic group remains in first place where it explains, on its own, 36% of the difference in private pension provision, and marital status is excluded. Thus, socio-economic group is more important in determining pension likelihood for young women, whilst income and industry are both relatively more important in determining pension likelihood for young men. Age, in third place, is equally important for young men and young women. For young women, the final model explains slightly more than half of the variance (53%) and for young men, slightly less (47%).

Comparing the model for the full sample with the model for all young people, the differences in the positions of variables are small. For the full sample, the position of employment status is higher, in fifth place compared to seventh, whereas the position of education is lower, falling from eighth to tenth place. The top four variables are the same, albeit in a slightly different order; socio-economic group is first, followed by weekly income, age and industry.

Income is the most consistently important variable, in first or second place in all four models, but industry and age are also both in the top four in every model. So, overall, weekly income, industry and age seem to be the most important variables in predicting the likelihood of having any form of private pension provision. Socio-economic group is also a key variable, but appears less important for young men. Employment status has a lower position than might be expected from the bivariate results.

Table 6a: Best Model for Any Private Pension (Adjusted R square). Family Resources Survey, 2005/6, GB

Young People **N - 10,982**	**Young Men** **N - 5,258**	**Young Women** **N - 5,724**	**All** **N - 37, 036**
Weekly Income .303	Weekly Income .313	Socio-economic group .363	Socio-economic group .351
Socio-economic group .391	Industry .378	Weekly Income .422	Weekly Income .418
Industry .421	Age .403	Age .457	Age .455
Age .448	Tenure .427	Industry .484	Industry .474
Tenure .470	Socio-economic group .444	Tenure .506	Employment Status .492
Ethnic Group .482	Ethnic Group .456	Ethnic Group .519	Tenure .507
Employment Status .487	Employment Status .463	Employment Status .525	Ethnic Group .512
Education .490	Education .467	Education .529	Marital Status .514
Marital Status .492	Marital Status .469	Years in F/t Work .529	Years in F/t Work .515
Years in F/t Work .493			Education .517
E = Sex	E = Sex & years in full-time work	E = Sex & marital status	E = Sex

All variables significant at 0.1% level and all improvements to the model significant at 5% level.

Table 6b: Best Model for Any Private Pension (Odds Ratios). Family Resources Survey, 2005/6, GB
(Reference group in italics)

Odds Ratios	**Young People N-10,982**	**Young Men N-5,258**	**Young Women N-5,724**	**all N-37,036**
Socio-economic group				
Large employers, higher managers & professionals	1.00	1.|00	1.00	1.00
Lower professional & higher technical	.89n/s	.76*	.93n/s	.86***
Lower managerial & higher supervisory	.60****	.71**	.50****	.71****
Intermediate	.79**	.72**	.74*	.83***
Small employers & own account workers	.55***	.73n/s	.39**	.85*
Lower supervisory & lower technical	.44****	.56****	.26****	.58****
Semi-routine	.38****	.47****	.31****	.49****
Routine	.28****	.35****	.20****	.35****
		.		
Weekly Income				
£100 or less	.14****	.15****	.18****	.27****
£101-200	.18****	.21****	.24****	.30****
£201-300	.27****	.21****	.40****	.37****
£301-400	.43****	.34****	.56**	.53****
£401-500	.59****	.52****	.68n/s	.69****
£501-600	.65***	.53****	.88n/s	.76****
£601-800	.84n/s	.66n/s	1.22n/s	.91n/s
£801 or More	1.00	1.00	1.00	1.00
Age				
16-19	.20****	.22****	.13****	.12****
20-24	.42****	.43****	.33****	.33****
25-29	.71****	.77***	.59****	.60****
30-34	1.00	1.00	1.00	.88**
35-39				1.07n/s
40-44				1.12**
45-49				*1.00*

50-54				1.06n/s
55-59				.85***
60-65				.38****
Employment Status				
Full-time employee	1.00	1.00	1.00	1.00
Part-time employee	.76***	.45****	.84*	.60****
Full-time self-employed	.37****	.41****	.24****	.35****
Part-time self-employed	.27****	1.056n/s	.16****	.16****
Not working	.30****	.19****	.34****	.16****
Industry				
Primary industry	.41****	.19****	1.11n/s	.54****
Manufacturing	.41****	.28****	.40****	.48****
Services and Retail	.36****	.24****	.40****	.42****
Public Sector	1.00	1.00	1.00	1.00
Construction	.34****	.19****	.57*	.33****
Tenure				
Owns outright	1.00	1.00	1.00	1.00
Buying with mortgage	1.38****	1.42***	1.46***	1.18****
Rents	.68****	.72**	.65***	.52****
Rent-free	.76n/s	1.36n/s	.45n/s	1.06n/s
Ethnic Group				
White British	1.00	1.00	1.00	1.00
Other White	.41****	.46****	.37****	.61****
Mixed Ethnicity	.89n/s	.72n/s	1.02 n/s	.90n/s
Asian Indian	.46****	.43****	.53***	.58****
Asian Pakistani/Bangladeshi	.30****	.32****	.27****	.34****
Black or Black British Caribbean	.77n/s	.54n/s	1.01 n/s	1.11n/s
Black or Black British African	.50***	.47*	.51**	.53***
Chinese	.17****	.19***	.14***	.35****
Other	. 24****	.25****	.21****	.48****
Years in Full-time Work				
10 or less	.81***	excluded	.63**	.45***
11-20	1.00		1.00	.52****
21-30				.60****
31-40				.71****

More than 40				1.00
Marital Status	.			
Married	1.00	1.00	excluded	1.00
Cohabiting	.86**	.80**		.82****
Single	.75****	.73***		.78****
Widowed	.68n/s	.00 n/s		.80*
Separated	.56***	.48*		.59****
Divorced	.74*	1.04n/s		.73****
Education				
No qualifications	.46****	.55****	.40****	.66****
Basic qualifications	.73****	.84n/s	.67****	.81****
Professional/vocational qualifications	.87*	1.11n/s	.76***	.84****
Degree level qualifications	1.00	1.00	1.00	1.00

N= Significance levels *10%, **5%, ***1%, ****0.1%

6.2.1 Examining the Odds Ratios

Table 6b shows the odds ratios for the variables in the models. The odds ratios for *socio-economic group* confirm that people in the reference group of large employers, higher managers and professionals are the most likely to have some form of private pension membership. However, in the models for young women and young people, lower professional and higher technical workers are not sufficiently different to be significant. For young men, several categories have very similar odds ratios, which may help to explain why socio-economic group is less important in the model for young men. Those in routine work are least likely to have any private pension cover, much less than half as likely as the reference group. Lower supervisory/lower technical and semi-routine workers are also considerably less likely to have a private pension than the reference group, all of which confirm the bivariate findings.

The model also confirms the relationship discussed in the previous chapter between *income* and private pension membership. The reference group is those with a weekly income of £801 or more and, moving down the income scale below the next highest income group (£601-800 which is not significant), the likelihood of private pension membership decreases considerably. Overall, the odds ratios and position of income in each model suggest that income is slightly better at explaining the likelihood of pension membership for young people,

compared with all ages, and is slightly better at explaining the likelihood of pension membership for young men as compared with young women.

The odds ratios demonstrate the importance of *age* in influencing pension membership even amongst young people. The reference category for young people is the 30-34 age group (45-49 for all ages). In all four models, the odds ratios for having a private pension rise steadily from the teens and through the twenties. For all young people, 30-34 year olds are around five times more likely to have a private pension than 16-19 year olds, twice as likely to have a private pension than 20-24 year olds, and one and a half times more likely than 25-29 year olds. For the model as a whole, the differences in pension likelihood between those in their late thirties, early forties, early fifties and the reference group are either small or not significant. These ratios provide further evidence that most private pension uptake occurs during the twenties.

Although *employment status* was not one of the key variables identified by the model, the odds ratios show very clear differences between pension likelihood for the different employment status groups. In the full sample model, those who are full-time employed are one and a half times more likely to have a private pension than the part-time employed, three times more likely than the full-time self-employed, and six times more likely than the part-time self-employed and those not in work. The other models demonstrate the same relationships, except for young women, where part-time employees are not significantly different from the reference group and those not in work have a relatively high odds ratio. Also, for young men, the odds ratios for part-time employees and the full-time employed are much closer.

Another employment variable, *industry*, confirms the importance of working in the public sector (the reference group) for determining pension membership; those working outside the public sector are about half as likely or less to belong to a private pension scheme, with those in construction least likely. For young men, the odds ratios are particularly low. For young women, the odds ratios for construction and primary industries are not significant, probably because of low cell counts (please see Appendix 5d). In the young people model, the odds ratios are close to each other (but not to the reference group).

The improvement shown in the R square statistic in Table 6a, compared to the other remaining variables, suggests that *tenure* is a relatively important contributor to the model. The odds ratios indicate that the reference category, outright homeowners, are less likely to have a private pension than are people who are buying with a mortgage, but about twice as likely as people who are renting.

Ethnic group is retained in the model, even after employment variables are taken into account. The reference category is White British, and members are more likely to have private pension provision than are members of other groups (except those of Mixed Ethnicity and Black British Caribbeans, whose odds ratios are not significant). White British are three to four times more likely to have a private pension than Asian Pakistani/Bangladeshi in all the models. This group have the lowest odds ratios in the all ages model, but, amongst young people, the Chinese have the lowest odds ratios, confirming the results of the bivariate analysis.

The model suggests that more *years in full-time work* increases the likelihood of belonging to a private pension scheme. The model for all ages shows that those who have spent *less* than 40 years in full-time work are less likely to have private pension provision, with those who have only worked full-time for up to ten years being the least likely. The findings differ from the bivariate analysis, in which there was a peak in pension likelihood at 21-30 years (the reason for this is discussed later in the chapter). The variable is retained in the model for young people, despite being a comparison between only two categories; 10 years or less and 11-20 years. The latter are 1.2 times more likely to have a private pension. Young women who have worked full time for 11-20 years are 1.6 times more likely to have a private pension than young women who have worked full-time for 10 years or less, but the variable is excluded from the model for young men.

For the variable *marital status,* the odds ratios confirm the bivariate analysis findings of the greater likelihood of the married (reference) group to have private pensions. For young people, the results are similar to the all ages model but, due to low numbers of young people in the divorced, separated and widowed categories, some of these are not significant (please see Appendix 5a). This also applies to the model for young men, but the variable is excluded from the model for young women due to lack of statistical significance. Young people who are married are 1.3 times more likely to have a private pension than young people who are single.

Education is the last variable to be retained in the model, adding little to its explanatory power, yet the odds ratios demonstrate a clear relationship between educational attainment and private pension likelihood, which increases with rising educational attainment. Amongst young people, the reference category of those with degree level education are 1.3 times more likely to have private pensions than those with basic qualifications, and twice as likely as those with no education. The relationship holds true for young women, but amongst young

men, those with professional or basic education are not significantly less likely to have a private pension than the degree educated.

6.2.2 Comparing Differences Between Categories

The odds ratios also indicate the extent of the difference in likelihood of private pension membership between the categories for each model. Lower odds ratios indicate wider differences, suggesting more inequality in pension membership likelihood. Comparing the young people and all ages models, there appear to be wider differences between the categories in socio-economic group, income, industry, education and ethnic group for young people, confirming the bivariate analysis findings. In contrast to the bivariate analysis findings, there are wider differences in employment status for all ages (rather than for young people), and in marital status and housing tenure the differences are of similar size, whereas in the bivariate analysis there were greater differences between marital status groups for young people and greater differences between housing tenure groups for all ages. Comparing the young men and young women models, there are wider differences for young men in employment status, industry and income, and wider differences for young women in education, age and socio-economic group. The differences are similar for ethnic group and tenure (marital status is excluded from the model for young women).

6.3 Modelling for an Occupational Pension

Table 6c shows the results for the four regressions carried out for the likelihood of belonging to an occupational pension scheme. For young people, marital status, years in full-time work and sex were not statistically significant and were excluded from the model, but for all ages all eleven variables were retained, including sex. The model for young people explains almost half the differences in occupational pension provision with an adjusted R square of .496. As above, the model for young women explains slightly more than half the difference in occupational pension provision, and the model for young men slightly less than half. The three models are almost identical to one another in the order of the variables included, although age and employment status exchange positions in the model for young men. The top three variables are socio-economic group, income and industry. In the model for all ages, the key variables are the same as for the other models; however, employment status rises from sixth to fourth place, exchanging its position with tenure.

The main differences in the occupational models, compared with the any private pension models, is that the position of age is lower (falling from third to fifth place), and the position of employment status is improved. Aside from this, the models are similar; in both cases employment status is less important in the models for young people than it is for all ages. Income and socio-economic group occupy the top two positions for all the models.

Table 1c: Best Model for an Occupational Pension (Adjusted R square). Family Resources Survey, 2005/6, GB

Young People **N - 10,982**	**Young Men** **N - 5,258**	**Young Women** **N - 5,724**	**All** **N - 37, 036**
Socio-economic group .327	Socio-economic group .287	Socio-economic group .371	Socio-economic group .375
Weekly Income .402	Weekly Income .380	Weekly Income .432	Weekly Income .441
Industry .450	Industry .434	Industry .477	Industry .491
Tenure .468	Tenure .447	Tenure .498	Employment Status .518
Age .477	Employment Status .460	Age .512	Age .534
Employment Status .487	Age .465	Employment Status .521	Tenure .543
Ethnic Group .495	Ethnic Group .471	Ethnic Group .531	Ethnic Group .545
Education .496	Education .473	Education .533	Marital Status .546
			Education .546
			Years in F/t Work .547
			Sex .547
E = marital status, years in full-time work and sex	E = marital status, years in full-time work and sex	E = marital status, years in full-time work and sex	

All variables significant at 0.1% level and all improvements to model significant at 5% level.

Table 6d: Best Model for an Occupational Pension (Odds Ratios). Family Resources Survey, 2005/6, GB

(Reference group in italics)

Odds Ratios	**Young People N-10,982**	**Young Men N-5,258**	**Young Women N-5,724**	**all N-37,036**
Socio-economic group				
Employers (large) higher managers & professionals	1.00	1.00	1.00	1.00
Lower professional and higher technical	1.08 n/s	.97n/s	.1.12 n/s	.97 n/s
Lower managerial and higher supervisory	.56****	.62****	.50****	.66****
Intermediate	.91 n/s	.82 n/s	.87n/s	.99 n/s
Employers (small/own account workers)	.06****	.06***	.08**	.09****
Lower supervisory & lower technical occupations	.44****	.53****	.25****	.62****
Semi-routine	.40****	.49****	.33****	.58****
Routine	.26****	.32****	.18****	.38****
Weekly Income				
£100 or less	.13****	.10****	.17****	.16****
£101-200	.18****	.19****	.23****	.25****
£201-300	.32****	.22****	.45****	.33****
£301-400	.52****	.43****	.65*	.54****
£401-500	.72***	.64***	.82n/s	.70****
£501-600	.78*	.70**	.93n/s	.84***
£601-800	.96 n/s	.73*	1.46n/s	.97 n/s
£801 or More	1.00	1.00	1.00	1.00
Industry				
Primary industry	.17****	.07****	.64n/s	.21****
Manufacturing	.33****	.23****	.32****	.32****
Services and Retail	.28****	.18****	.33****	.29****
Public Sector	1.00	1.00	1.0	1.00
Construction	.24****	.14****	.32****	.18****

Employment Status				
Full-time employee	1.00	.1.00	.1.00	1.00
Part-time employee	.82**	.39****	.90n/s	.65****
Full-time self-employed	.08****	.07****	.09****	.04****
Part-time self-employed	.13****	.35n/s	.06****	.04****
Not working	.33****	.27***	.33****	.19****
Age				
16-19	.24****	.34****	.16****	.17****
20-24	.50****	.61****	.44****	.41****
25-29	.75****	.87n/s	.66****	.63****
30-34	1.00	1.00	1.00	.83***
35-39				.98 n/s
40-44				1.03 n/s
45-49				1.00
50-54				1.02 n/s
55-59				.90*
60-65				.46****
Tenure				
Owns outright	1.00	1.00	1.00	1.00
Buying with mortgage	1.60****	1.70****	1.48***	1.27****
Rents	.82**	.95n/s	.71**	.66****
Rent-free	.787 n/s	1.24 n/s	.59n/s	1.00 n/s
Ethnic Group				
White British	1.00	1.00	1.00	1.00
Other White	.47****	.58***	.40****	.65****
Mixed Ethnicity	.81 n/s	.71 n/s	.85 n/s	1.01 n/s
Asian Indian	.58***	.64*	.54***	.70****
Asian Pakistani/Bangladeshi	.39****	.52**	.32****	.41****
Black or Black British Caribbean	.53**	.37*	.71n/s	.94 n/s
Black or Black British African	.43***	.47*	.44**	.49****
Chinese	.21***	.35*	.13***	.27****
Other	.30****	.29***	.28***	.57****

Marital Status	.			
Married	excluded	excluded	excluded	1.00
Cohabiting				.93*
Single				.87***
Widowed				.71***
Separated				.68****
Divorced				.85***
Education				
No qualifications	.51****	.56***	.48****	.76****
Basic qualifications	.82***	.93n/s	.74**	.90**
Professional/vocational qualifications	.87**	1.020n/s	.76***	.87***
Degree level qualifications	1.00	1.00	1.00	1.00
Years in Full-time Work				
10 or less	excluded	excluded	excluded	.67****
11-20				.71****
21-30				.76***
31-40				.84**
More than 40				1.00
Sex				
Male				1.00
Female				1.09**

Significance levels *10%, **5%, ***1%, ****0.1%

6.3.1 Examining the Odds Ratios

The odds ratios in Table 6d show the relative odds of having an occupational pension for each category in each of the variables included in the model. Because occupational pensions make up the majority of private pensions, the majority of relationships are similar to the any pension model.

For the first variable - *socio-economic group* - most of the categories are similar to the any pension model. However, the lower professional/higher technical and intermediate categories are no longer significant, being too close to the reference category (large employers, higher managers and professionals). The main difference is the fall in the odds ratios for small employers and own account workers, now ten times *less* likely to have an occupational pension than the reference group.

For weekly *income* the patterns are also the same as in the any pension model; as income decreases so do the odds of having an occupational pension relative to the highest earners. Inequality of pension provision between income groups appears to be greater for occupational pensions in the young people, young men and all ages models; for young men, the odds of having an occupational pension are lower for the lowest income group (e.g. the odds are .10 in the occupational model compared to .15 in the any pension model) and higher for the higher income groups (e.g. for those earning £501 to £600 the odds are .70 in the occupational model compared to .53 in the any pension model). In the model for young women, the pattern of initial rapid increase in odds ratios for the younger age groups, with the higher categories not being significant, is repeated.

The pattern of odds ratios for *Industry* also follows the any pension model; for each category, members of the reference group (public sector) are at least three times more likely to have an occupational pension. Here, the odds ratios are all lower, indicating that the gaps in pension likelihood between those people who work in the public sector and those who work elsewhere are greater for occupational pensions alone than they were for any pension.

In *employment status,* as expected, the self-employed categories have substantially lower odds ratios than they did in the any pension model; for young people, .08 for full-time self-employed (compared to .37) and .13 for part-time self-employed (compared to .27). The odds ratios for the part-time employed and not working categories are similar to the any pension model, but the fall in odds for the self-employed means that those not in work are *more* likely to have an occupational pension than those who are self-employed. As previously, part-time employed young women are not significantly less likely to have an occupational pension than full-time employed young women.

The only difference in the occupational model pattern for *age* is that the odds ratios for those in their teens and twenties are slightly higher (e.g. for all ages, 20-24 age category, .50 compared to .42), suggesting that where a young person does have a pension it is more likely to be an occupational one. Also, young men aged 25-29 are not significantly less likely to have an occupational pension than those aged 30-34. This suggests that age is less important for determining occupational pension likelihood, which is also evidenced by the lower position of age in the occupational models.

Tenure repeats the relationship identified in the any pension model, with buyers being more likely to have an occupational pension than owners, and renters being less likely. However,

whilst the three models for young people show higher odds ratios for those buying with a mortgage, the odds ratios for those renting have moved closer to those who own outright.

For *Ethnic group*, the pattern of White British being more likely to have a pension than minority ethnic groups is repeated, although Black Caribbean is now significant for young people (this group are half as likely to have an occupational pension as White British). Most of the minority ethnic groups have slightly higher odds ratios for occupational pensions compared with any pensions, with the exception of Black Africans who have slightly lower odds ratios. Asian Indians have the highest odds ratios for all models and the Chinese the lowest (except for young men, but the result is not significant).

For occupational pensions, *Marital status* is only included in the all ages model. The pattern is similar to the any pension model, with the non married groups being less likely to have an occupational pension. However, the odds ratios for the occupational model show that cohabitees are not significantly different from those who are married, and the odds ratio for those who are single is higher, suggesting that there are narrower differences between these groups.

For *education*, the occupational models follow the any pension pattern, with the degree educated being the most likely to have an occupational pension, although the odds ratios for the other groups are a little higher, particularly in the case of those with no qualifications. The odds ratios for those with basic and professional education are much closer than was the case in the any pension model.

Years in full-time work is included only for the all ages model. The occupation regressions repeat the pattern of pension likelihood increasing with increasing years in work, but with higher odds ratios suggesting, as in the bivariate analysis, that an occupational pension is the more likely pension for those who have worked full-time for fewer years.

The final variable, *sex*, is only included in the model for all ages and was not included in the any pension models. The odds ratios show that women are slightly more likely than men to have an occupational pension.

6.3.2 Comparing Differences Between Categories

The differences between the categories follow similar patterns to those for the any pension models, thus, comparing the young people and all ages models, there appear to be wider differences between the categories in socio-economic group, income, education and ethnic group for young people and, again, the differences in employment status are wider for all ages. The differences for housing tenure and industry are similar and marital status is excluded. Industry differs from the any pension model where there were wider differences for young people. In the bivariate analysis, employment status and industry differences for occupational pension membership were wider amongst young people, and housing tenure differences were wider amongst all ages. For young men and young women, the same patterns of differences between the categories for any pension are repeated for occupational pensions.

6.4 Modelling for a Personal Pension

Table 6e shows the results for the four regressions carried out for the likelihood of having a personal pension. Given that occupational pensions make up the majority of private pensions and therefore dominate the any pension model, it is not surprising that the model for personal pensions looks rather different from both the any pension and the occupational pension models. The key differences are that age and employment status have become more important and income much less important.

The regression model for young people has nine variables, with sex and years in full-time work excluded due to lack of statistical significance. The explanatory power of the model is now much lower, explaining 20.1% of the difference in personal pension provision. As in the model for occupational pensions, socio-economic group is the first variable, but weekly income has fallen to last place. After socio-economic group, age, employment status and industry make up the top four variables, explaining 17% of the difference in personal pension provision. Tenure, education, marital status, ethnic group and weekly income then add a further 3% to the model.

In the model for young men, socio-economic status falls to third place with age and employment status rising to first and second places respectively. The remaining six variables are also in a slightly different order as compared with the young people model; noticeably, weekly income has risen two places. However, the model for young women excludes weekly

income (along with marital status, ethnic group, years in full time work and sex). As for young men, age is the top variable but this is followed by industry and tenure rather than socio-economic group and employment status, which are now in fourth and fifth positions respectively. The model for young men explains 22% of the difference in personal pension provision, and the model for young women 17%.

The model for all ages only excludes sex. The order of variables differs from the young people model, with socio-economic group falling from first place to fifth and employment status rising from third to first place. However, weekly income is again in last place. The model accounts for 21% of the variance in personal pension membership, with the first three variables, namely employment status, age and industry, accounting for 18% of this.

Overall, it appears that employment status and age are the key variables in explaining the likelihood of personal pension membership, followed by tenure and industry. For young people, socio-economic group is also central, although this is not so for young women separately. Income appears to be much less important in explaining personal pension provision.

Table 6e: Best Model for a Personal Pension (Adjusted R square). Family Resources Survey, 2005/6, GB

Young People **N - 10,982**	**Young Men** **N - 5,258**	**Young Women** **N - 5,724**	**All** **N - 37, 036**
Socio-economic group .083	Age .099	Age .087	Employment Status .124
Age .145	Employment Status .148	Industry .125	Age .161
Employment Status .159	Socio-economic group .171	Tenure .139	Industry .182
Industry .171	Tenure *.182*	Socio-economic group *.155*	Tenure .194
Tenure .181	Industry .194	Employment Status .161	Socio-economic group .200
Education .187	Education .201	Education .166	Years in F/t Work .202

Marital Status .191	Weekly Income .210		Education .205
Ethnic Group .197	Ethnic Group .218		Marital Status .207
Weekly Income .201	Marital Status .224		Ethnic Group .209
			Weekly Income .210
E = sex and years in full-time work	E = sex and years in full-time work	E = sex, years in full-time work, marital status, ethnic group and weekly income	E = sex

All variables significant at 0.1% level, and all improvements to the model significant at 5% level.

Table 6f: Best model for a Personal Pension (Odds Ratios). Family Resources Survey, 2005/6, GB (Reference group in italics)

Odds Ratios	**Young People N-10,982**	**Young Men N-5,258**	**Young Women N-5,724**	**all N-37,036**
Employment Status				
Full-time employee	1.00	1.00	1.00	1.00
Part-time employee	.93 n/s	1.20n/s	.86n/s	.85**
Full-time self-employed	4.16****	4.38****	3.54***	4.07****
Part-time self-employed	3.16****	7.09****	2.24*	1.96****
Not working	.59*	.40n/s	.60n/s	.48****
Age				
16-19	.08****	.08****	.06****	.07****
20-24	.19****	.23****	.11****	.19****
25-29	.59****	.65****	.50****	.63****
30-34	1.00	1.00	1.00	1.03 n/s
35-39	-			1.07 n/s
40-44	-			1.08 n/s
45-49	-			1.00
50-54	-			1.09 n/s
55-59	-			.89*
60-65	-			.50****

Industry	3.74****	3.86****	4.60***	3.40****
Primary industry	2.00****	2.57****	1.68**	2.32****
Manufacturing	2.12****	2.83****	1.72****	2.15****
Services and Retail	1.00	1.00	1.00	1.00
Public Sector	2.68****	2.84****	4.35****	2.57****
Construction				
Tenure				
Owns outright	1.00	1.00	1.00	1.00
Buying with mortgage	.88 n/s	.83n/s	.98n/s	.93*
Rents	.53****	.50****	.54**	.46****
Rent-free	.69 n/s	1.24n/s	.00 n/s	1.11 n/s
Socio-economic group				
Employers (large) higher managers & professionals	1.00	1.00	1.00	1.00
Lower professional and higher technical	.58****	.53***	.52***	.86**
Lower managerial and higher supervisory	1.38**	1.64***	1.04n/s	1.33****
Intermediate	.80 n/s	.90n/s	.59**	.81***
Small employers & own account workers	.52***	.69n/s	.31**	.85*
Lower supervisory & lower technical	1.23 n/s	1.50*	.78 n/s	1.23***
Semi-routine	.88 n/s	1.08n/s	.61*	.88*
Routine	.93 n/s	1.17n/s	.59n/s	1.13*
Years in Full-time Work				
10 or less	excluded	excluded	excluded	.47****
11-20				.56****
21-30				.65****
31-40				.68****
More than 40				1.00

Education				
No qualifications	.65*	.65*	.56n/s	.65****
Basic qualifications	.84 n/s	.75n/s	.96n/s	.80****
Professional/vocational qualifications	1.25**	1.22n/s	1.32*	.86***
Degree level qualifications	1.00	1.00	1.00	1.00
Marital Status				
Married	1.00	1.00	excluded	1.00
Cohabiting	.74***	.66***		.79****
Single	.72***	.66***		.83***
Widowed	1.88 n/s	.00n/s		1.16 n/s
Separated	.24***	.37n/s		.59****
Divorced	.54*	.34n/s		.74****
Ethnic Group				
White British	1.00	1.00	excluded	1.00
Other White	.65*	.61n/s		.80**
Mixed Ethnicity	1.25 n/s	1.11 n/s		.90 n/s
Asian Indian	.49**	.32**		.63***
Asian Pakistani/Bangladeshi	.28***	.20***		.40****
Black or Black British Caribbean	1.49 n/s	1.11 n/s		1.20 n/s
Black or Black British African	.89 n/s	.76 n/s		.88 n/s
Chinese	.24*	.00 n/s		.89 n/s
Other	.37*	.64 n/s		.52***
Weekly Income				
£100 or less	.40****	.35***	excluded	.78***
£101-200	.50***	.40***		.68****
£201-300	.54***	.47****		.80***
£301-400	.60***	.50****		.78****
£401-500	.66***	.63**		.87***
£501-600	.71**	.62**		.78****
£601-800	.73*	.73n/s		.81***
£801 or More	1.00	1.00		1.00

Significance levels *10%, **5%, ***1%, ****0.1%

6.4.1 Examining the Odds Ratios

As discussed above, the dominance of occupational pensions in the any pension model means that it is difficult to see how the variables operate in terms of personal pensions. Table 6f shows the odds ratios for the personal pension models and, as expected, there are some considerable differences, from the previous regression models, in the variables' relationships with personal pension provision.

For *employment status*, the patterns of the occupational pension regressions are reversed, as the two self-employed groups become more likely than the full-time employed (reference category) to have a pension. Amongst young people, the full-time self-employed and part-time self-employed are four times and three times more likely to have a personal pension than the full-time employed, respectively. The categories of part-time employed and not working are not significant for any of the young person models.

For *age*, the model follows the pattern of the previous models, with younger people being less likely to belong to a personal pension scheme. However, the likelihood of the youngest age groups (16-19 and 20-24 year olds) having a personal pension is substantially lower than for an occupational pension (e.g. .08 compared to .24 for the 16-19 group). The youngest age group has a far smaller chance of having a personal pension, compared with the 30-34 age group, than they do an occupational pension. For the all sample model, the 30-34 age group is not significantly different from the reference group (in this case 45-49), which is slightly at odds with the idea that personal pension take-up begins later than is the case for occupational pensions, but at the same time emphasises the lower personal pension likelihood of the youngest age groups.

For *industry*, the patterns of pension likelihood are reversed from the previous models. The members of all the industry categories are more likely to have a personal pension than those working in the public sector. For example, amongst young people, those in the services and retail industry are twice *more* likely than those in the public sector to have a personal pension compared with being 3.5 times *less* likely to have an occupational pension. In all four models, those working in the primary and construction industries have the highest likelihood of having a personal pension.

In the personal pension odds ratios for *tenure*, buyers no longer have a greater likelihood of pension membership than owner occupiers, and there are now no significant differences between the two categories. This supports the bivariate analysis, where it was suggested that there are more owner occupiers with personal pensions because those with personal

pensions work longer (and are therefore more likely to have paid off their mortgages). For all four models, those renting are only half as likely to have a personal pension as those who own their homes outright.

For *socio-economic group*, the reference category of employers, higher managers and professionals is still more likely to have a personal pension than other groups (including small employers/own account workers), except for lower managerial/higher supervisory workers and lower supervisory/lower technical workers. However, the odds ratio for lower managerial/higher supervisory workers is not significant for young women and for lower supervisory/lower technical workers none of the odds ratios are significant except for all ages. Indeed, many of the odds ratios are not significant. The most surprising finding is that small employers/own account workers (where significant) who would be expected to be more likely to have a personal pension are actually less likely. This is because self-employment is already accounted for through the inclusion of employment status[15]. Furthermore, the category of large employers, higher managers and professionals also includes a significant number of self-employed people (Please see Appendix 6c).

The variable of number of *years in full time work* is only included for the all ages model. As with previous models, the odds ratios show that personal pension likelihood increases with increased years in work.

For the *education* variable, the pattern for young people appears to be that those with no education are less likely to have a personal pension than those with degree-level education, but that those with professional qualifications are *more* likely to have a pension (the odds ratios are not significant for young men and young women). The odds ratios for all ages show a straightforward relationship of personal pension membership likelihood increasing with educational attainment. This difference between all ages and young people in terms of education and personal pensions confirms observations from the bivariate analysis.

Although *marital status* is excluded from the model for young women, it is included for the other three models, whereas in the occupational pension models it was only included for all ages. As expected, those who are single and cohabiting are less likely to have a personal pension than those who are married. However, the odds ratios for single and cohabiting are very close in the models for young men and young people and for all ages, whereas people

[15] When employment status is excluded from the model, small employers/own account workers become more likely than the reference category to have personal pension membership.

who are single appear to have slightly higher odds of belonging to a personal pension scheme than cohabitees, thus reversing the usual pattern.

For the three models which include ethnic group[16], only the categories Asian Indian and Asian Other are significant for all three. Both of these groups are less likely to have personal pensions than White British, with Asian Indian having the lowest odds ratios.
Weekly *income* is only just retained in the models (and is excluded for young women). The relationship of personal pension likelihood increasing with income is repeated for young people; those in the highest income group are 2.5 times more likely to have a personal pension than those in the lowest income group. However, there is much less difference between income groups than was the case for occupational pensions; the odds ratios for the lowest income groups are much higher. Furthermore, in the all ages model, although all income categories are less likely to have a personal pension than the reference group (£801 or more), the odds ratios are very close together and do not simply increase with income.

6.4.2 Comparing Differences between Categories

The odds ratios indicate that there are wider differences between the categories amongst young people for personal pension membership, in marital status, ethnic group, employment status, education and income. The differences for socio-economic group and industry are also still slightly wider amongst young people compared to all ages although much of the gap has closed. Differences for housing tenure are similar for young people and all ages. For marital status (previously the models had similar levels of difference) and employment status (previously wider for all ages) these are changes from the any and occupational pension models.

In the bivariate analysis, there were wider differences in personal pension provision amongst young people for marital status, ethnic group, education and income, and wider differences amongst all ages for socio-economic group, employment status, industry and tenure. This means that, in the multivariate analysis, the positions of employment status, socio-economic group, industry and tenure differ from their position in the bivariate analysis.

For young men and women, differences are still wider for age and (slightly) socio-economic group for young women, and wider in employment status for young men. In a change from the any and occupational models, differences in industry category are wider for young women

[16] Ethnic group is excluded for young women.

than for young men. Differences for housing tenure are similar. Marital status, ethnic group and income were excluded.

6.5 Modelling for Pension Type amongst Pension Savers

Table 6g shows the results for eight regressions that were carried out on pension savers for both occupational and personal pension membership. Both models are included in the same table because the predictor variables are the same, although the variables have less predictive power for personal pensions (as evidenced by the lower R square).

The adjusted R square statistic indicates that, for young people, the four variables of socio-economic group, employment status, industry and age can explain 33% (R square = .333) of the differences in occupational pension provision and 32% (R square = .318) of the differences in personal pension provision for all pension holders. The first three variables account for most of the explanatory power of the total model, with age only further improving the model by an additional 1.6%. The models for young men and young women both include the same four variables, with the addition of years in full-time work for the female model. The order is slightly different, with socio-economic group falling to third place, and employment status and industry taking first and second positions. For young men, age is again in fourth place, but for women, years in full-time work takes fourth place, pushing age into fifth position. The model for young men explains more of the difference (36% for occupational pensions and 35% for personal pensions) than the model for young women (29% for occupational pensions and 28% for personal pensions).

The model for all ages has an additional three variables, namely weekly income, sex and tenure. The first three variables are in the same order as for the young men and young women models (employment status, industry and socio-economic group) and, with the addition of weekly income, these variables account for most of the explanatory power of the model (44% for occupational pensions and 39% for personal pensions). The remaining variables, namely age, sex and tenure, add little further explanatory power.

Overall, the work related variables of employment status, socio-economic group and industry are the most important variables in predicting private pension type, with age and income (for all ages only) as secondary factors.

Table 6g: Best Models to Compare Occupational and Personal Pensions. Family Resources Survey, 2005/6, GB

(Occupational pensions shown in bold, Personal pensions shown in italics)

Young People **N - 3,497**	**Young Men** **N - 1,724**	**Young Women** **N - 1,775**	**All** **N - 15,104**
Socio-economic group **.214** *.201*	Employment Status **.214** *.198*	Employment Status **.118** *.123*	Employment Status .**305** *.272*
Employment Status **.262** *.248*	Industry .**312** *.292*	Industry **220** *.218*	Industry **.403** *.355*
Industry **.321** *.302*	Socio-economic group .**353** *.331*	Socio-economic group .**270** *.262*	Socio-economic group **.424** *.373*
Age **.333** *.318*	Age **.364** *.346*	Years in full-time work .**281** *Excluded*	Weekly Income .**431** *.378*
		Age .**290** *.281*	Age **.435** *.384*
			Sex **.436** *.384*
			Tenure .**436** *.385*
E = Sex, tenure, ethnic group, education, years in full-time work, marital status and weekly income	E = Sex, tenure, ethnic group, education, years in full-time work, marital status and weekly income	E = Sex, tenure, ethnic group, education, marital status and weekly income	E =ethnic group, education, marital status and years in full-time work

Table 6h: Best Models to Compare Occupational and Personal Pensions. Family Resources Survey, 2005/6, GB

(Occupational pensions shown in bold, personal pensions shown in italics)

Odds Ratios	**Young People N - 3,497**	***Young People***	**Young Men N - 1,724**	***Young Men***	**Young Women N - 1,775**	***Young Women***	**all N- 15,104**	***all***
Employment Status								
Full-time employee	**1.00**	*1.00*	**1.00**	*1.00*	**1.00**	*1.00*	**1.00**	*1.00*
Part-time employee	**.82 n/s**	*1.33**	**.31*** **	*2.96***	**1.00n/s**	*1.11 n/s*	**.97 n/s**	*1.02 n/s*
Full-time self-employed	**.05**** **	*19.24****	**.04**** **	*24.98****	**.06**** **	*12.05****	**.03**** **	*32.86****
Part-time self-employed	**.04**** **	*47.13****	**.05*** **	*12.71***	**.03**** **	*n/s*	**.04**** **	*20.16****
Not working	**.27**** **	*3.04***	**.56 n/s**	*2.02 n/s*	**.20**** **	*4.01*** .*	**.82 n/s**	*1.15 n/s*
Industry								
Primary industry	**.11**** **	*7.72****	**.05**** **	*13.73****	**.32n/s**	*4.55***	**.12**** **	*6.10****
Manufacturing	**.27**** **	*2.98****	**.17**** **	*4.46****	**.32**** **	*2.64****	**.22**** **	*3.40****
Services and Retail	**.22**** **	*3.79****	**.13**** **	*5.88****	**.29**** **	*3.15****	**.22**** **	*3.35****
Public Sector	**1.00**	*1.00*	**1.00**	*1.00*	**1.00**	*1.00*	**1.00**	*1.00*
Construction	**.16**** **	*6.27****	**.01**** **	*8.92****	**.14**** **	*8.44****	**.13**** **	*5.85****
Socio-economic group								
Large employers, higher managers & professionals	**1.00**	*1.00*	**1.00**	*1.00*	**1.00**	*1.00*	**1.00**	*1.00*
Lower professional & higher technical	**1.66*****	*.61****	**1.69***	*.54***	**1.279****	*.64** .*	**1.13***	*.99 n/s*

Lower managerial & higher supervisory	**.50******	*1.86*****	**.48******	*2.03*****	**.58****	*1.65***	**.62******	*1.53*****
Intermediate	**.99n/s**	*.89 n/s*	**1.03n/s**	*1.02n/s*	**1.04n/s**	*.86n/s*	**1.20***	*.80****
Small employers & own account workers	**.07******	*22.02****	**.05*****	*14.69***	**.15n/s**	*n/s*	**.09******	*16.47*****
Lower supervisor & Lower technical	**.40******	*2.21*****	**.43******	*2.13*****	**.34*****	*2.77****	**.67******	*1.41*****
Semi-routine	**.46******	*1.74****	**.52*****	*1.61***	**.42*****	*1.91***	**.94n/s**	*1.00n/s*
Routine	**.29******	*2.84*****	**.32******	*2.60*****	**.20******	*4.09*****	**.51******	*1.85*****
Weekly Income								
£100 or less	**X**	*X*	**X**	*X*	**X**	*X*	**.28******	*2.65*****
£101-200							**.43******	*1.64*****
£201-300							**.51******	*1.45*****
£301-400							**.76*****	*1.06 n/s*
£401-500							**.87***	*.998 n/s*
£501-600							**1.10n/s**	*.84***
£601-800							**1.06n/s**	*.87**
£801 or More							**1.00**	*1.00*
Age								
16-19	**2.42***	*.31****	**2.67***	*.28***	**1.62n/s**	*.43 n/s*	**3.26*****	*.26****
20-24	**2.87******	*.32*****	**2.57******	*.36*****	**2.79*****	*.26*****	**2.89******	*.32*****
25-29	**1.16***	*.73****	**1.09n/s**	*.76**	**1.09n/s**	*.69***	**1.08n/s**	*.73****
30-34	**1.00**	*1.00*	**1.00**	*1.00*	**1.00**	*1.00*	**.92 n/s**	*1.01 n/s*
35-39							**.92 n/s**	*.998 n/s*
40-44							**.99 n/s**	*.98 n/s*
45-49							**1.00**	*1.00*
50-54							**.95 n/s**	*1.07 n/s*
55-59							**1.01n/s**	*.99 n/s*
60-65							**1.09n/s**	*.94 n/s*

Tenure								
Owns outright	**X**	*X*	**X**	*X*	**X**	*X*	**1.00**	*1.00*
Buying with mortgage							**1.15****	*.87****
Rents							**1.33*****	*.78****
Rent-free							**.75***	*1.17 n/s*
Sex								
Male							**1.00**	*1.00*
Female							**1.21*****	*.85****
Years in Full-time Work								
Less than 10			**X**	*X*	**1.52****	*X*	**X**	*X*
11-20					**1.00**			

Significance levels *10%, **5%, ***1%, ****0.1%

6.5.1 Examining the Odds Ratios

The odds ratios in Table 6h allow examination of how the variables included in the model operate for the two pension types relative to each other. As would be expected, the odds ratios are in opposing directions for the two pension types, highlighting the differences between them.

So, amongst those with pensions, in the variable *employment status,* young people who are full-time self-employed are 19 times *more* likely to have a personal pension than young people who are full-time employed, and twenty times *less* likely to have an occupational pension. Although in some of the models the odds ratios are not significant (in the part-time employee and not working categories), the overall pattern for the odds ratios is that all groups are less likely to have occupational pensions and more likely to have personal pensions than the full-time employed. The widest differences are for the self-employed groups[17].

Almost all of the odds ratios are significant for employment *industry*. The difference between the public sector and other industry sectors is stark, with non public sector workers having much lower chances of having an occupational pension than public sector workers (at least 3

[17] The extra wide gap in the part-time self-employed category for young people is probably the result of the low cell counts, see Appendix 5a.

times less), but much higher chances of having a personal pension (at least 2.5 times more). The gap is greatest for those who work in primary industry. There are wider differences between occupational and personal pension likelihood for young men than for young women, reflecting men's greater likelihood of personal pension membership.

In *socio-economic group*, all the categories have a lower likelihood of occupational pension membership and a higher likelihood of personal pension membership than the reference category (large employers, higher managers and professionals), with the exception of lower professional/higher technical and intermediate workers[18]. The largest difference, by a considerable margin, is for small employers and own account workers (who are fourteen times less likely have an occupational pension and twenty-two times more likely to have a personal pension than the reference group in the young person's model). The differences in odds ratios are larger and have higher significance levels for young people than for all ages, which may help to explain why socio-economic group rose to first place in the young people model.

The results for *income* (although the variable is only included for the all ages model) are particularly interesting, confirming that income increases are more associated with occupational pension membership than with personal pensions. In comparison to the highest income group (£801 or more), the three lowest income groups are less likely to have an occupational pension and more likely to have a personal pension. The lower the income group the larger the gap between the odds ratios. Those on £100 or less are 3.5 times less likely to have an occupational pension and 2.6 times more likely to have a personal pension. For the higher income groups, most of the odds ratios are not significant.

Some of the odds ratios for *age* are not significant, but there is clear evidence that, as anticipated, younger age groups are more likely to have an occupational than a personal pension in comparison with older age groups. Young people in the 20-24 age category are 2.5 times more likely to have an occupational pension and 3 to 4 times less likely to have a personal pension than the 30-34 age group.

Tenure and *sex* are only included in the model for the full sample. The odds ratios for tenure suggest that renters and buyers are more likely to have an occupational pension than a personal pension, in relation to owner occupiers. The odds ratio for sex suggests that women

[18] Some of the categories for lower professional/higher technical and intermediate workers are not significant but, where they are, the relationship is reversed.

are more likely to have an occupational pension than men and less likely to have a personal pension, confirming the bivariate analysis findings.

6.6 Summary of Regression Findings

The models for having any pension and having an occupational pension explain about half of the difference in pension provision, but the personal pension models only explain about one fifth of the variance, suggesting that this combination of variables has less predictive ability for personal pensions. The occupational pension model is better at explaining young women's provision in comparison to young men's, whereas the personal pension model is better at explaining young men's provision in comparison to young women's. The full sample models have slightly better explanatory power than the models for all young people. However, there are clearly other, unidentified factors determining pension membership for all pension types and groups.

As the only variables to be included in every model, socio-economic group, employment status, age and industry, with the addition of income (which is highly placed in the any pension and occupational pension models), emerge as the key factors in explaining private pension membership. *Socio-economic group* is the most important factor in explaining occupational pension membership and is a key factor in the any pension models (except for young men). In the personal pension models, socio-economic group remains important for all young people but is less important for explaining personal pension membership in the other three groups. Socio-economic group is also an important variable in the comparison models (particularly amongst young people). *Age* is a key variable for explaining personal pension membership and is an important variable in the any pension models, but is less important for explaining occupational pension membership. *Employment status*, like age, is more important for explaining personal pension membership (although less so for young women), but is less important for explaining occupational or any pension membership. Employment status is very important for explaining pension type. Additionally, employment status appears to be more important for explaining pension membership for all ages than for young people. *Industry* is not the top variable in any of the models but is always in the top five. It is especially important in explaining pension type. *Income* is important for explaining differences in pension provision for occupational pensions and any pensions, but rather insignificant for explaining personal pension membership and for the pension comparison model.

Generally, the odds ratios support and elaborate the relationships identified in Chapter 5.

For example, the regression results indicate that the strength of the relationship between the highest *income* groups and pension provision is much greater for occupational pensions than for personal pensions because, in the comparison model, low income groups are more likely to have a personal pension than the highest income group. Similarly, *Age* was confirmed as a key factor in determining pension likelihood, with both personal and occupational pension likelihood increasing with age. However, the results also demonstrated that personal pension likelihood is low at very young ages, with the youngest age groups in the comparison models more likely to have a personal than an occupational pension.

The three employment variables were predicted to be of central importance in the analysis because they relate to access to occupational pensions.

In *employment status*, it is the full-time self-employment category that vastly increases the likelihood that a person will belong to a personal pension scheme; however, the number of self-employed people and the number of personal pension holders are relatively low when compared with the number of employees with occupational pensions. This may help to explain why employment status is less important in the occupational and any pension models, and also why it is less important in explaining personal pension membership for young women (because they are less likely to be self-employed).

Industry relates directly to occupational pension membership because some sectors are more likely to offer occupational pensions than others, with people working in industries that are less likely to offer company pensions being more likely to join personal pension schemes. The industry sector may also reflect the likelihood of self-employment, as there are relatively high levels of self-employment in construction and primary industry and very low levels within the public sector (please see Appendix 6c). It is therefore not surprising to see industry as an explanatory variable in all the regression models. There is more evidence of differences in pension membership by industrial sector for men and women than there is for young people and all ages, reflecting the fact that men and women are concentrated in different sectors (please see Appendix 5d).

The third employment variable is *socio-economic group*. Although those people categorised as small employers and own account workers are nearly all self-employed, socio-economic group reflects type of work or job status rather than employment status; therefore, within the professional categories, there are significant numbers of self-employed workers (Please see Appendix 6c). Job status is clearly an important factor in determining occupational (and any) pension membership, but this is less so for personal pension membership, as indicated by

the lower position of job status in some of the personal pension regression models. However, whereas socio-economic group falls in importance in the personal pension model for all ages, it retains its top position for young people, perhaps because of the wider differences in pension likelihood by socio-economic group amongst young people. The wider differences between different socio-economic groups amongst young women, in comparison with young men, may also help to explain why socio-economic group is the top variable in the any pension model for young women but in fifth place in the any pension model for young men.

The remaining variables all make smaller but significant contributions to explaining pension membership. This is especially the case for *tenure*, which frequently appears as the fourth or fifth variable. There is no obvious direct relationship to pension membership, but the key dynamic is that belonging to a private pension scheme is more likely for people buying their home than for people renting. The increased pension likelihood for home buyers may relate to increased financial awareness or to the idea of being settled, as well as the more obvious relationship between housing tenure and variables such as income, age and employment status, which are taken into account in the regression models.

Years in full-time work is a more difficult variable to interpret. In the bivariate analysis, the peak category was 21-30 years in full-time work, yet in the regression models the odds ratios indicate that the peak category is 40 years or more. The explanation for this is found by running a regression with years in full-time work only, and then repeating the regression with the addition of age. The odds ratios of the first regression follow the bivariate analysis pattern. It is the inclusion of age in the model that changes the pattern for years in full-time work.

Sex is another interesting variable, although it is included only as the last variable for the all ages occupational pension model and the all ages comparison model. The problem is that it does not add any explanatory power to the occupational model because occupational pension membership rates are quite similar for men and women. If a regression is run for occupational pensions, with sex as the only independent variable, the R square value is 0. However, in a regression for personal pensions, with sex as the only independent variable, there is a small R square of .029 with the odds ratios indicating that women are less likely to have a personal pension than men. This explains why sex is included in the comparison model but not the any pension model[19].

[19] But further explanations are needed to explain why sex appears in the occupational pension model and not the personal pension model.

The final three variables, *education*, *marital status* and *ethnic group,* are all included in the majority of the models (except the comparison regressions), although they only add a little to the explanatory power of the models. Education would be expected to be indirectly associated with pension membership through its relationship to the employment related variables (please see Appendix 6b), but there could also be some more direct links through increased education leading to a greater understanding of pensions and their importance. Marital status is not included in the model for young women, and appears to be more important in the personal than the occupational pension models. There may be some indirect associations linking marital status with pensions, for example through income and age (please see appendix 6a), but again there is the possibility of more direct links, as with tenure, through ideas about settling down. Lastly, considering ethnic group, there are likely to be many factors at work here, both direct and indirect, for example cultural norms and values. The problem is, that it is difficult to gain a clear picture because the low cell counts often result in non significant odds ratios.

In terms of the extent of differences or inequalities in pension likelihood between the categories for each variable, the bivariate analysis suggested that there were larger differences between the categories amongst young people (compared to all ages) for the key variables of income, socio-economic group, industry and employment status in any/occupational pension likelihood, and smaller differences in personal pension likelihood. On the whole, the multivariate analysis supports this, although the odds ratios for employment status are an exception, suggesting that, when comparing young people with all ages, the differences are narrower for any/occupational pensions and wider for personal pensions.

6.7 Predicted Probabilities

The analysis so far has established the characteristics of pension savers and identified five variables as being key to predicting pension likelihood (employment status, industry, income, socio-economic group and age). To illustrate how these five key variables operate for individuals with different characteristics, regression models were run including only these five variables, and the 'predicted probabilities' were calculated. As previously, the models were run for overall pension membership and occupational and personal pensions separately[20], and also for men and women separately. These predicted probabilities provide the stand-

[20] The probabilities for the separate pension types do not add up to the overall pension probability because of the effect of cases where individuals hold both personal and occupational pensions.

alone probability of an individual having a private pension. The range of the predicted probability values is 0 to 1, with 1 representing a 100% probability of the outcome that an individual has a pension. Unless otherwise indicated, the cases were chosen to provide realistic examples according to age category. Table 6i below details each case.

Table 6i: Predicted Probability Cases, Family Resources Survey, 2005/6, GB UK, 2005/6

	Age	Income	Industry	Socio-economic Group	Employment Status	**Predicted Probability Of Pension**		
						Any (All **Male** *Female)*	**Occupational** (All **Male** *Female*)	**Personal** (All **Male** *Female*)
1	16-19	Less than £100	Services & Retail	Routine	Part-time employee	2% **1%** *1%*	1% **1%** *1%*	1% **1%** *1%*
2	16-19	£201-£300	Services & Retail	Intermediate	Full-time employee	10% **10%** *9%*	9% **10%** *8%*	1% **1%** *1%*
3	16-19	£201-£300	Public Sector	Intermediate	Full-time employee	21% **25%** *18%*	26% **34%** *20%*	<1% **<1%** *<1%*
4	20-24	£201-£300	Public Sector	Intermediate	Full-time employee	39% **41%** *40%*	44% **48%** *43%*	<1% **<1%** *<1%*
5	20-24	£201-£300	Services & Retail	Intermediate	Full-time employee	21% **19%** *23%*	19% **16%** *21%*	2% **2%** *1%*
6	25-29	£301-£400	Services & Retail	Lower managerial & Higher Supervisory	Full-time employee	41% **41%** *39%*	29% **28%** *30%*	9% **10%** *9%*
7	25-29	£301-£400	Public Sector	Lower Professional & Higher technical	Full-time employee	66% **68%** *67%*	67% **71%** *66%*	3% **3%** *3%*
8	25-29	£301-400	Manufacturing	Lower Professional & Higher technical	Full-time employee	50% **48%** *49%*	41% **39%** *40%*	7% **7%** *7%*

9	25-29	£301-400	Manufacturing	Semi-routine	Full-time employee	33% **36%** *27%*	27% **31%** *22%*	6% **7%** *5%*
10	30-34	£301-400	Manufacturing	Lower supervisory & Lower technical	Full-time employee	53% **54%** *41%*	38% **38%** *30%*	16% **16%** *12%*
11	30-34	£601-800	Manufacturing	Employers, Managers & Professional	Full-time employee	80% **76%** *82%*	67% **64%** *69%*	16% **15%** *18%*
12	30-34	£401-500	Public Sector	Lower Professional & Higher technical	Full-time employee	82% **82%** *82%*	80% **82%** *80%*	6% **6%** *7%*
13	30-34	£501-600	Public Sector	Employers, Managers & Professional	Full-time employee	86% **86%** *87%*	83% **86%** *83%*	7% **6%** *10%*
14	30-34	£401-500	Services and Retail	Lower Managerial & Higher Supervisory	Full-time employee	61% **60%** *60%*	44% **41%** *45%*	18% **19%** *16%*
15	30-34	£801 or More	Services and Retail	Employers, Managers & Professional	Full-time employee	78% **75%** *80%*	65% **62%** *67%*	18% **17%** *16%*
16	25-29	£201-£300	Services & Retail	Small employers & own account workers	Full-time Self-employed	16% **16%** *11%*	<1% **<1%** *<1%*	19% **21%** *16%*
17	25-29	£201-£300	Construction	Small employers & own account workers	Full-time Self-employed	**13% (male only)**	**<1% (male only)**	**22% (male only)**
18	30-34	£201-£300	Retail	Small employers & own account workers	Full-time Self-employed	25% **23%** *19%*	<1% **<1%** *<1%*	32% **32%** *29%*
19	30-34	£401-£500	Retail	Small employers & own account workers	Full-time Self-employed	39%. **40%** *28%*	<1% **<1%** *<1%*	35% **36%** *29%*

20	30-34	£301-£400	Construction	Small employers & own account workers	Full-time Self-employed	**27% (male only)**	**<1% (male only)**	**35% (male only)**
21	25-29	£101-200	Services & Retail	Semi-Routine	Part-time employee	11% **5%** *13%*	9% **3%** *10%*	4% **3%** *4%*
22	25-29	£101-200	Public Sector	Semi-Routine	Part-time employee	**24%**	**24%**	**2%**
23	25-29	£101-200	Public Sector	Lower professional and Higher technical	Part-time employee	38% **21%** *45%*	39% **18%** *44%*	2% **1%** *3%*
24	30-34	£101-£200	Retail	Semi-routine	Part-time employed	18% **8%** 22%	13% **4%** 15%	7% **6%** *7%*
25	30-34	£301-£400	Public Sector	Lower Professional & Higher technical	Part-time employed	66% **40%** *74%*	66% **39%** *72%*	5% **3%** *6%*
26	25-29	Less than £100	Not in Work	Not in Work	Not in Work	1% **1%** *1%*	<1% **<1%** *<1%*	1% **1%** *1%*

The examples focus on people in the labour market. This is because those outside the labour market, regardless of the reason, have very low pension probabilities. To illustrate this, a 25-29 year old not in paid work and living on an income of less than £100 per week has only a 1% probability of private pension membership. The examples cover full-time employees, part-time employees and the full-time self-employed. Where possible, the examples were chosen to best represent typical work roles, employment statuses and salaries in each age group, but also to reflect the variation within each age category.

<u>16-19 Part-time and Full-time employed</u>

A 16-19 year old part-time person employed to do routine work in the retail industry, and earning less than £100 per week, has just a **2%** probability of having a private pension. A person with this combination of characteristics is a 'worst case' example, but one which fits the profile of many young people who work part-time whilst still in education and/or as a first

step in the labour market. In comparison, a young person in the same age group employed full-time and earning a larger income of £201-300 per week, by working in an intermediate role in the services and retail sector, would have a **10%** probability of having a private pension. If the same individual worked in the public sector, this would increase the probability to **21%**; however, a person in this age group is less likely to be employed in the public sector (Please see Appendix 5c). In each example, the 16-19 year old has a much greater chance of having an occupational pension than a personal pension; the probabilities of having a personal pension are 1% or less in all three cases. A gender gap in occupational pension probability is also evident for 16-19 year olds working in the public sector, with men (34% probability) being more likely to have an occupational pension than women (20% probability). Thus, although pension probability is low in this age group, being male, being full-time employed, and working in the public sector, are factors that considerably increase pension probability.

20-24 Full-time employed

With an increase in age to 20-24 there is a considerable increase in private pension likelihood. A public sector worker (again full-time employed, at an intermediate level and earning £201-300 per week) now has a **39%** probability of a private pension, whereas a retail sector worker in the same position now has a **21%** probability. Again, these 20-24 year olds are more likely to have an occupational pension because the probability of a personal pension is only 2% or less in both cases. The public sector gender gap in occupational pension membership has narrowed (48% probability for men and 43% for women). In the retail sector there is now a gender gap, but the positions are reversed; men now have a lower probability than women (16% and 21% respectively). These examples show the independent impact of increasing age on occupational pension probability, and also demonstrate that gender differences in pension membership vary by both age and industry.

25-29 Full-time employed

With age, both income and socio-economic status tend to increase (Please see Appendix 5c). A 25-29 year old full-time employee earning £301-400 in the services and retail sector, working in a lower managerial/higher supervisory capacity, has a **41%** probability of belonging to a private pension scheme. The pension is still most likely to be an occupational pension (29% probability), but this time there is also a reasonable probability of personal pension membership (9%). In contrast to the previous services and retail example, there is no significant gender difference.

An individual who is also 25-29 and working full-time for £301-400 per week, but this time in a lower professional/high technical capacity in the public sector, has a greater probability of having a private pension, at **66%**. Here, the pension is much more likely to be an occupational one, with the probability of a personal pension being just 3%. A relatively small gender gap in occupational pension probability remains (the probabilities are 71% for men and 66% for women).

If the individual's sector of work is changed again to manufacturing, the probability of pension membership for a 25-29 year old working full-time in a lower professional/high technical capacity falls to **50%** (7% for personal pensions and 41% for occupational pensions). There is no significant gender difference. If the work role is changed to semi-routine, the individual has only a **33%** chance of pension membership; the fall in pension likelihood resulting from the role change is greater for occupational pensions (from 41% to 27%) and negligible for personal pensions (just 7% to 6%).

These examples demonstrate that holding higher status jobs with commensurate larger salaries, which becomes more likely with increasing age, also significantly increases pension probability. However, there is still considerable variation amongst full-time employees within the same age and income bracket, according to both industry and socio-economic status.

30-34 Full-time employees

The following examples of individuals with middle and higher income/socio-economic categories also reflect age-related status trends and their impact on pension probability.

A 30-34 year old working full-time in the manufacturing sector, earning £301-400 per week in a lower supervisory/lower technical role, has a **53%** probability of having a private pension. In this case, the probability of a personal pension is relatively high at 16% (the occupational pension probability is 38%). There is a gender gap for both pension types, with men in this position having the higher pension probabilities (38% versus 30% for occupational pensions, and 16% versus 12% for personal pensions). With a change in work role to employer/manager/professional, and an increase in income to £601-800 per week, the private pension probability rises to 80%. As with the previous example (25-29 year old in manufacturing), the change is in the occupational pension probability (from 38% to 67%, whilst personal pension probability remains at 16%). The increase in pay and status has also reversed the gender gap, although it is relatively small; women now have the greater pension probabilities in both pension types (64% versus 69% for occupational pensions and 18% versus 15% for personal pensions).

In the public sector, a typical 30-34 year old, employed full-time for £401-500 per week in a lower professional/higher technical capacity, has a large (**82%**) probability of belonging to a private pension scheme. As with previous public sector examples, most of this high probability is accounted for by occupational pensions (separately, there is an 80% probability of an occupational pension and a 6% probability of a personal pension). The gender difference found in the previous public sector examples is no longer there. Changing the work role to employers/managers/professionals and a slightly higher income of £501-600, the probability of private pension membership rises only slightly to **86%.** Here, a small gender difference re-emerges with men having a higher probability of *personal* pension membership than women (10% versus 6%)[21].

In the services and retail sector, a 30-34 year old full-time employee, working in a lower managerial/higher supervisory capacity for £401-500 per week, has a **61%** probability of private pension membership. As for manufacturing, personal pension membership is a relatively important component here (there is an 18% personal pension probability and 44% occupational pension probability). Changing the work role to employers, managers and professionals, and the income to £801 or more per week, increases the probability of having a private pension to **78%**, with this increase being entirely accounted for by increases in the probabilities of occupational pension membership (increasing from 44% to 65% whilst the probability of a personal pension membership remains the same at 18%). In both cases there were small gender gaps, with women having higher probabilities of occupational pension membership and men having higher probabilities of personal pension membership.

These examples again confirm that, where both socio-economic group and income are high, so is the probability of a private pension. The increasing income and higher status work roles, which become more likely with increase in age, are particularly important in explaining the higher levels of pension membership amongst the 'older young'. Those with lower incomes and lower status work roles have pension probabilities similar to those with the same characteristics in younger age groups. A further observation is that differences in pension membership between industrial sectors appear lessened for employers, managers and professionals in the top income groups.

[21] This relates potentially to the inclusion of large employers, in the socio-economic category, who are both self-employed and more likely to be men.

25-29 Full-time self-employed

As discussed previously, the likelihood of self-employment rises with age; whilst levels of self-employment are very low for the under 25s, by the late twenties the levels increase. Furthermore, self-employment is associated with particular industries (e.g. construction) and with male rather than female workers (See Appendices 5d and 6c).

A 25-29 year old full-time self-employed person in the retail and services industry, earning a typical income of £201-300 per week, has a much lower pension likelihood, at **16%**, than full-time employees with similar characteristics. The separate probabilities for pension type indicate a 19% probability of having a personal pension and, not surprisingly, less than 1% probability of occupational pension membership. There is a gender gap with men having higher personal pension probabilities than women (21% and 16% respectively).

Changing the industrial sector to construction, there were no cases in the sample of women working in this position. The predicted probabilities for a self-employed man working in the construction industry and earning £201-300 per week were **13%** for overall pension membership (22% for a personal pension and less than 1% for occupational pension membership). These cases confirm that pension membership amongst the young self-employed is particularly low. They also show that not only do women have lower levels of self-employment than men, but that self-employed women tend to have lower probabilities of personal pension membership than self-employed men.

30-34 Full-time self-employed

With increasing age levels of self-employed people, levels of pension membership also increase. A 30-34 year old full-time self-employed person in the services and retail industry, earning £201-300 per week, has a **25%** probability of having a private pension (compared with 16% for the 25-29 year olds in the previous section). An increase in income to £401-500 per week further increases the probability to **39%**. However, the probabilities for personal pensions show less of a difference (32% for the lower earners and 35% for the higher) than the difference for overall pension membership, indicating, as found in the wider analysis, that income is less important in explaining personal pension membership. In both cases (as for the 25-29 examples), the probability of having an occupational pension is negligible at less than 1% and men have higher probabilities of personal pension membership than women.

Changing the industrial sector to construction, again, as in the 25-29 example, there are no women. So, a 30-34 year old male who is full-time self-employed and earning £301-400 has a **27%** probability of a pension (compared with 13% for the 25-29 year old male earning £201-

300 per week). Here, the increase in personal pension membership probability is substantial, rising from 22% in the 25-29 example to 35% (occupational pension probability remains less than 1%).

These examples show that, whilst there are large increases in personal pension probabilities for the self-employed as age increases, levels are still relatively low compared with occupational pension probabilities for full-time employees of the same age. Furthermore, the services and retail examples confirm that income is a less important factor in determining the likelihood of personal pension membership than it is in determining the likelihood of occupational pension membership.

25-29 Part-time employed

Whilst the self-employed are more likely to be male, part-time employees are more likely to be female. In addition, part-time workers are more likely to be low paid and working in lower status socio-economic roles (Please see Appendices 5d and 6c). Individuals choose part-time work for different reasons; for the youngest age group, 16-19, part-time work is associated with being a student; in the late twenties and early thirties, part-time work is more likely to be associated with childcare responsibilities.

A 25-29 year old employed part-time in the services and retail sector and earning £101-200 per week to do semi-routine work has an **11%** probability of having a private pension (9% probability for an occupational pension and 4% probability for a personal pension). There is a large gender gap in occupational pension probability, with women having higher probabilities (10% versus 3%).

Changing the industry to the public sector, all the cases were female and the probability of having a private pension was substantially higher at **24%** (24% for an occupational pension and 2% for a personal pension). A further change in work role to lower professional/higher technical provides cases of both men and women and increases the probability of private pension membership to **38%.** Again, the gender gap in occupational pension membership probability is large (18% for men compared with 44% for women) and, despite the low personal pension probabilities, there appears to be a gender gap here too (1% for men compared with 3% for women). These cases confirm that the probability of private pension membership is reduced for part-time workers, but being female, working in the public sector and belonging to a higher socio-economic group increases pension likelihood.

30-34 Part-time employed

Part-time employees are more likely than full-time employees to remain in lower socio-economic and earnings groups despite age increases, but age does appear to make a difference to pension probabilities.

A 30-34 year old, working part-time in the services and retail sector, and earning £101-200 per week from semi-routine work, has an **18%** probability of a private pension (the probabilities are 13% for occupational and 7% for personal) as compared with a 25-29 year old in the same position.

Part-time workers are more likely to have higher incomes and higher status work roles in the public sector (Please see Appendix 6c). A 30-34 year old in this sector, earning £301-400 per week from part-time work in a lower professional/higher technical role, would have a **66%** probability of a private pension (a 66% probability for an occupational pension and a 5% probability for a personal pension).

In both these examples, there were very few males with these characteristics and there was a large gender gap in pension probabilities, particularly in occupational pension membership, with the probabilities for women being much higher.

6.7.1 Summary of Predicted Probability findings

The predicted probabilities derive from the regression models, so it is not surprising that the examples confirm the relationships identified in the regression analysis. However, the examples are clearly useful in illustrating how the key variables operate to influence pension likelihood in practice. Particularly interesting is the way in which the gender differences in pension probabilities vary across different industries and different socio-economic groups. But, more importantly, the examples enable a picture to be built of how pension likelihood changes with age, partly as a result of the changes in labour market position that tend to occur as a young person becomes established in their working life. The examples also show how differences in labour market position explain differences in pension likelihood within age groups.

6.8 Conclusions

The data analysis of the demographic variables, namely sex, age, ethnic group and marital status, revealed the following:

Sex: Men are more likely to have private pension membership than women, and the difference is mainly accounted for by personal pensions. This gender gap increases with age. However, sex is excluded from the regression models predicting pension likelihood because the gender difference can be explained by other factors such as gender differences in employment status.

Age: Pension membership increases with increasing age, with rapid pension uptake during the twenties. Occupational pension saving starts (and finishes) at earlier ages than personal pension saving. Age is a key factor in explaining personal pension likelihood and is an important determinant of overall pension likelihood.

Ethnic group: Pension membership varies by ethnic group. Amongst young people, the White British have the highest likelihood of membership. However, much of the difference can be explained by other factors, and ethnic group makes only a small contribution to models predicting pension likelihood.

Marital status: Married people are more likely to have private pensions than those who cohabit or are single. Marital status is not an important factor in predicting pension likelihood but is relatively more important in explaining personal pension membership as against occupational pension membership.

Of these demographic variables, age appears to have the strongest influence on pension membership.

The variables which most strongly influence pension membership are in the socio-economic category. Socio-economic group, employment status, industry and income have the strongest influence on private pension likelihood. The data analysis demonstrated the following:

Socio-economic group: Managers and professionals are more likely to have private pensions than routine and semi-routine workers. Socio-economic group is a key factor in predicting pension likelihood and is especially important in explaining occupational pension membership.

Employment status: Full-time employees are more likely to have private pensions than part-time employees, the self-employed and those who are not in work. This difference is accounted for by occupational pensions. When looking at personal pension membership, the self-employed are more likely to have membership. Employment status is more important in explaining personal pension membership and pension type than overall and occupational pension membership.

Industrial sector: People who work in the public sector are more likely to have a private pension than those who work in other industries. However, in considering pension type, public sector workers are the most likely to have an occupational pension but least likely to have a personal pension. Industry is an important factor in explaining private pension likelihood and is particularly important in explaining pension type.

Income: People in higher income groups are more likely to have private pensions than those in lower income groups. Income is a central factor in predicting overall private pension likelihood, but this relates to its importance in explaining occupational pension membership, and income as such provides little explanation of personal pension membership.

Of the remaining socio-economic variables, housing tenure is a relatively strong influence on pension membership, but education and number of years in full-time work are less influential. The data analysis established the following:

Housing tenure: People who are buying their homes are more likely to belong to private pension schemes than either outright owners or renters. Although less significant than age and the employment factors, tenure is relatively important in predicting private pension likelihood.

Education: People educated to degree level are the most likely to have a private pension. However, amongst young people, those with professional/vocational qualifications are the most likely to have a personal pension. Although education is not a key variable in predicting private pension membership, it is relatively more important for explaining personal pension membership.

Number of years in full-time work: The likelihood of private pension membership increases with more years spent in full-time work. The bivariate analysis suggests that occupational pension membership peaks earlier (at 21-30 years) than personal pension membership (40

years or more). Accounting for age, the factor of years in full-time work makes little contribution to predicting pension likelihood and is excluded from most of the models for young people.

Overall, the analysis confirmed that the characteristics of young savers are much the same as the characteristics of savers of all ages, but young people are less likely to have these characteristics and are therefore less likely to be pension savers. The key influences on private pension likelihood relate to an individual's position in the labour market, which determines access to occupational pension schemes. As a group, young people are disadvantaged in pension terms as they struggle to become established in the labour market, starting out in lower paid and lower status jobs.

However, there are also differences between young people. Some enter the labour market in a better position than others, and the analysis suggests that inequality in pension likelihood may be wider amongst young people than amongst all ages. This issue may be linked to pension type. Looking at the characteristics of savers by pension type, there are crucial differences in the factors which determine whether a person is more likely to have a personal or an occupational pension. However, as most pension membership is occupational, those factors which explain occupational pension saving also explain private pension saving overall. This means that the factors which make personal pension saving more likely are also the factors associated with *not* having a private pension. Because young people have very low membership of personal pension schemes, the labour market influences on pension scheme membership, which relate more strongly to occupational pensions, become more important in determining pension likelihood, with wider differences being seen between those categories which are associated with pension membership and those which are not[22].

The following chapter goes on to examine pension membership from the perspective of young people. The key issues which emerged from qualitative interviews with young people are explored, including the acceptance of responsibility, ideas about risk and security, expectations of retirement, timing of retirement saving, and retirement saving resources. The chapter then considers how young people's' views on retirement saving relate to the findings of the data analysis and a wider understanding of young people's' pension saving behaviour.

[22] This may also explain why, in the multivariate analysis, there is less inequality between categories for employment status, which has been shown to be the key factor in determining pension type.

Chapter Seven – Responsibility, Risk, Retirement and Resources

7.1 Introduction

This chapter focuses on some of the key themes that arise from the interviews with young people. Whilst the data analysis explored the characteristics of savers and the socio-economic and demographic factors influencing retirement saving behaviour in the wider population of young people, the interviews explored the motivations and background to retirement saving decisions taken by young individuals. Respondents' attitudes towards pensions and retirement, their views on pensions policy, and their financial circumstances and priorities, are all examined. There are five key issues arising from the analysis of the interview data that are considered to be central to an understanding of young people's' retirement saving behaviour. These are: acceptance of responsibility, ideas about risk and security, expectations of retirement, timing of retirement saving, and retirement saving resources.

The idea that the individual should take *responsibility* for making pension provision has been a central theme of UK pensions policy since the 1980s. The new pension reforms mean that individuals will be expected to continue to take responsibility for their retirement saving decisions. The interviews throw interesting new light on the perceptions of young people in relation to responsibility for retirement saving. The concept of *risk* is a recurring theme in the pensions literature (Ring 2003). A number of different risks are discussed in the literature review in relation to retirement saving (e.g. policy risk, investment risk and risk of later life poverty). The interview data provides insight into how young people view pensions in relation to risk and its opposite, security, and the extent to which concerns about risk and security act as a barrier or motivation for pension saving. From early in the research project, young people's' *attitudes towards retirement* have been considered an important focus area for the research, with previous research suggesting that attitudes and behaviour in retirement saving do not always match up. The interviews provide new data on retirement expectations that are analysed in relation to policy reforms aimed at encouraging longer working lives. The interviewees' views on *timing of retirement saving* are also considered to be of central importance for this research. The popular view is that young people see pension saving as being irrelevant to their age group and therefore not high on the agenda of competing priorities for limited resources, yet a far more complex picture emerges from the interview data.

The first four themes relate to reasoning and motivation, and to the individual as the agent behind decisions about saving for retirement. It would seem logical that an individual who believes that they are responsible for retirement provision, who is anxious to avoid the risk of later life poverty, who wants to retire early on a good pension income, and who thinks that pension saving should start early in life, would decide to start saving for retirement early in life. Conversely, an individual who believes that the state should provide, who views pensions as risky investments, who is happy to continue paid work in later life, and who thinks that it is important to spend money on enjoying their youth, would be expected to delay pension saving or forego it altogether. However, these attitudinal findings are not always or even generally consistent with demonstrated behaviour. Thus, alongside an understanding of what might motivate young people's' decisions about saving for retirement, a consideration of the *resources* that enable or prevent retirement saving is essential. This is the key point at which the results from the survey data and the results from the interview data interrelate. The data analysis indicates the importance of structural features, such as socio-economic group, employment status, industry and age, which impact on the individual's likelihood of pension saving. The interview data provides crucial insight into the extent to which both structural factors and individual agency play a role in shaping retirement saving decisions.

This chapter examines each of these five key areas in turn. The thirty interviewees are divided into four groups according to their 'saving situation': those currently contributing to a private pension who also have additional savings (the Pension and Savings group), those currently contributing to a private pension with no additional savings (the Pension Only group), those with savings but no current pension membership (the Savings Only group), and those with neither savings nor pension membership (the No Pension, No Savings group). There are interesting variations in relation to age, education, home ownership, debt and employment factors between the four groups, which are shown in table 7a below. Pen portraits of individual respondents can be found in Appendix 7.1.

Of the nine respondents who currently contribute to private pensions, the majority share the following characteristics: they are over 25, educated to at least intermediate level, earn at least a medium income, work full-time for medium-sized or large companies, have been in full-time work for three or more years, and belong to occupational pension schemes. The one exception, James, shares all these characteristics except that he is self-employed and belongs to a personal pension scheme. Additionally, all are married or cohabiting, with the exception of Harry. There are four members with savings in addition to their pensions, making

up the Pension and Savings group, and five just with pensions, making up the Pensions Only group.

Table 7a: Characteristics of Saver Groups

Characteristics		Group			
		Pension and Savings* PS (4)	**Pension Only PO(5)**	**Savings* Only SO(9)**	**No Pension, No Savings NPNS (12)**
Age	*Under 25*			5	8
	25 plus	4	5	4	4
Education	*None*				4
	Basic			2	3
	Intermediate		3	2	5
	Advanced	4	2	5	
Income	*Low (less than £10k)*			1	8
	Medium (10-25k)	2	2	5	3
	High (more than £25k)	2	3	3	
Employment status	*f/t small company*			4	1
	f/t medium or large company	3	5	1	2
	Self-employed	1		1	1
	Part-time				2
	Not working			3	6
Years in full-time work	*None*			2	6
	Less than 1			2	1
	1-3			1	
	More than 3	4	5	4	5
Marital status	*Married or cohabiting*	4	4		3
	Single		1		9
Tenure	*Owns with mortgage*	4	5	6	3
	Rents			2	8
	Lives with parents			1	1
Debt	*None or low*	3	4	4	7
	Medium (10k or less)	1	1	1	2
	High (over 10k)			4	3

*Savings in the £1000-5000 plus category

Those without pension provision have more diverse characteristics. There are twelve members in the No Pension, No Savings group. Overall, these respondents tend to be younger (eight are under 25), on lower incomes (eight have low incomes), less likely to be in full-time employment (just four are in full-time work), less likely to be homeowners (there are just two homeowners), less likely to be educated past level 2 (seven have no qualifications or GCSEs only, and there are no graduates), and less likely to be married or cohabiting (just three are in couples). The nine respondents in the Savings Only group are better resourced: they are more likely to be homeowners (two-thirds) and well-educated (there are five graduates). In terms of employment status, five people work full-time for small companies (one is a company owner). Of the remaining four, two are students, one is about to start a new job, and the other is a full-time parent. Age, income and marital status vary considerably in the group.

The respondents' characteristics relate well to the results of the secondary analysis in which greater age, greater income, full-time employment, better education, couple status, and more years in full-time employment, are associated with an increased likelihood of pension membership. Occupational pension membership dominates for those with pensions, but the sole personal pension member has the key characteristics of being male and full-time self-employed. For the sake of brevity, the groups are referred to using the following abbreviations: Pension Only (PO), Savings Only (SO) No Pension, No Savings (NPNS), Pension and Savings (PS).

7.2 Acceptance of Responsibility

An individual is unlikely to save for retirement if they do not consider it their responsibility to do so. Acceptance of responsibility would appear to be a prerequisite for private pension saving. Government policy assumes that individuals who are able to should take responsibility for saving for retirement. Previous studies (Mayhew 2003) have shown that younger age groups are more likely than older age groups to regard pension provision as an individual responsibility, suggesting that to some extent these policy messages have been accepted by young people. The interview data provides interesting insights into young people's' understanding and acceptance of responsibility for pension provision, and the way in which responsibility for pension provision fits into a wider picture of financial responsibility in general.

7.2.1 Shared Responsibility

Respondents were asked whether individuals, government, employers, or a combination of these, should be responsible for pension provision. Almost all the respondents thought that the individual should be responsible for pension provision, but, more importantly, most people felt that this responsibility should be shared either with the government or employers or both. The most popular response was that responsibility should be shared by all three. Women, the better educated and the more middle class were most likely to opt for all three. Amongst those who opted for all three, there were varying degrees of emphasis on the extent of individual responsibility. Lily, for example, emphasises the individual:

> I find it a bit of both, I mean you shouldn't leave it all down to them [government and employers] because it's your life, it's your well-being at the end of it …if you don't make sure your money's sorted yourself and you're just leaving it to them, then it's your own fault if something goes wrong, 'cos you've got to take responsibility yourself too.
>
> **Lily (NPNS)**

Harry (PO) argues that, ideally, responsibility should be shared, but that in reality a person can only rely on themselves. Only two respondents, Max and Helen (both without current pensions) thought that pension provision was purely down to the individual. Max's views may relate to his recent experience of job mobility. He has just changed jobs, leaving his company pension scheme, and argues that the increase in employee mobility means that employers should no longer be expected to take responsibility for employee pensions. Max also feels unable to trust the government. This view, that employers should not be responsible, was held by a minority who thought that responsibility should be shared by government and individuals only (typically younger, less educated, male respondents from lower socio-economic groups, working for small companies and belonging to the No Pension groups). In contrast, another minority, all of whom belonged to company pension schemes, thought that pension responsibility should be shared between individuals and employers only (this group were more likely to be male but varied in terms of age, education and socio-economic group).

The answers given by Harry and Max do not suggest an acceptance of individual responsibility, but, rather, that people are left with no option but to take responsibility for themselves. They answer the question of who they think actually *is* responsible for pension

provision (rather than, or in addition to, the question of who *should* be responsible). The government's policy agenda has left young people with little option but to accept responsibility for pension provision, yet the reality is that most of the young respondents would prefer this burden of responsibility to be shared.

In line with this view that pensions should be a shared responsibility, two-thirds of the respondents thought that the government should provide a more generous state pension. Several of these respondents added the proviso that a more generous state pension should be targeted towards low earners rather than those who had not worked, further emphasizing that the individual has a part to play and indicating recognition of the difficulties faced by low earners in retirement saving. The remaining third thought that the government should provide no more than a basic minimum income. This group was divided between those who emphasized individual responsibility (typically those in the Savings Only group) and those who argued that the government's role should be to ensure that employers provide generous pensions (typically those in employer pension schemes).

7.2.2 Forced Responsibility

The question 'should individual pension saving be made compulsory?' provided further insights into the different interpretations of individual responsibility held by the respondents. The group was evenly split between those who favoured compulsion and those who were against, with a number of in-between people holding major reservations. There were no strong links between views on compulsion and the variables of age, gender, education or socio-economic group. Some supporters of compulsion argued that it would *force people to take responsibility* and save. The notion of forced responsibility is an interesting one as it seems to be a contradiction in terms. A person who is forced to save cannot be taking responsibility for saving, but these responses demonstrate a strongly held belief that individuals should provide for their own futures whilst acknowledging that many people, if left to their own devices, will fail to do so. On the other hand, those opposing or holding reservations about compulsion stressed the importance of choice and of variation in individual circumstances, and did not refer directly to responsibility. It was implicit that deciding to save for the future was the responsible course of action:

> I think people do have to make their own choices. I think it should be made obvious what people will get, or what they will expect when they retire if they don't get it. It

should be made so blatantly obvious that people choose to do it, and if people still don't choose to do it, then that's their fault.
Harry (PO)

Members of the No Pension groups tended to support compulsion, whereas those currently making pension provision were more likely to see retirement saving in terms of choice and to be against compulsion. The latter were more concerned that people should be able to choose how they save for retirement, but some were concerned about the affordability of compulsion for those on low incomes, and were against compulsion for this reason. Others in the group were against individual compulsion but were in favour of compulsion for employers instead.

7.2.3 Wider Responsibility

Ideas about responsibility for saving for retirement were linked to wider notions about an individual's responsibility to work and earn their own living. Several respondents said that they saw retirement as a reward for one's working life:

I'd like to think that retirement is your opportunity maybe, to sit back and reap the rewards for all the hard work that you've put in throughout your life.
Jane (SO)

There was also a feeling amongst some of the respondents that responsibility for retirement saving and pension provision was simply another element of the personal responsibility required by life in general:

…The person themselves needs to take responsibility for what they want in the future, because it's like everything in life.
Liz (PO)

The view that a more generous state pension should be targeted at low earners rather than those who have not worked is further evidence of the links being made between work, saving and responsibility. In addition, when asked about their preferred Pension Commission options[23], the individual option of saving more was the most popular. Working longer was thought to be acceptable for those who had not saved, but respondents were not keen to

[23] Work longer, save more or pay more tax.

work longer themselves. Higher taxation was rejected by the majority of interviewees, several of whom saw it as paying for people who had failed to plan and save:

> I think it's again, it should be more down to the person, I don't think that we should all pay higher taxes because some people can't think far enough ahead and I think that if somebody hasn't saved enough they should be allowed to work longer but you shouldn't have to. So if you've saved enough and you want to retire at sixty and you can afford to you should be allowed to, but I don't think the general public should pay higher taxes because some people haven't thought far enough in advance; they should work longer.
> **Richard (SO)**

It is clear that retirement saving cannot be seen in isolation from other financial responsibilities and priorities, more specifically debt, spending and saving. Debt is a significant factor in the finances of many of the respondents, as it is amongst young people more generally. Just under half of the respondents have debts of over four thousand pounds, with seven people owing more than ten thousand pounds. Most of the debt is found amongst those without pensions, and repayment tends to be prioritized over saving:

> **Interviewer:** Is becoming debt-free a priority for you?
> **Eve (NPNS):** Yes, because it's horrible. I hate it, I hate being in debt, it's probably one of the worst things at the moment, it's just constantly on my mind.

In the other groups, where student loans are a significant form of debt, there is evidence of a more relaxed attitude to repayment; in the SO group, student loans are part of the debts for four out of the five who owe money. For these graduates, who have greater income resources than those in the NPNS group, loan repayment does not appear to prevent concurrent saving:

> **Interviewer:** Paying off those debts, is that a priority to you?
> **Claire (SO):** No that's not, because it's all student loan, because of the rate of repayments it doesn't … if it was debt other than that, it would be a priority

Saving is important to most of the respondents, who are either currently saving or express their intention to save in the future. However, general saving is more likely to be for short-term purposes than towards retirement (see security section below). Spending is another area that provides an indication of what the respondents consider to be financially

responsible behaviour. In the answers given to the spending vignette (see chapter 4), almost everyone thought that Jim should cut back on eating out in order to save more so as to enjoy his retirement. Balancing financial priorities and putting some money aside, where possible, was considered to be the responsible approach:

> I think he should cut back on eating out … if he wants to enjoy life when he retires than he should start putting money aside now, because no one else is going to do it for him.
> **Liz (PO)**

Overall, there is an acceptance amongst the respondents that the individual has a duty to save for retirement, which fits into a wider picture of the individual's responsibility to work and manage their finances. Opinions vary regarding the extent of support necessary to assist with retirement saving; for example, in terms of compulsion and state pension generosity. On the whole, the respondents thought that the benefits of retirement should be earned through work and saving, **but** that government and/or employers should also share in the responsibility for pension provision.

7.3 Ideas about Risk and Security

As discussed in Chapter 3, risk and security are common themes in the literature on pensions and saving. The interviews revealed that pensions are typically associated with both security and risk, with respondents attempting to balance the two. Different risks may act to encourage or discourage pension saving.

7.3.1 A Necessity and a Safety Net

Pensions are generally seen by the respondents as a necessity and a safety net. When asked *'Why did you join your pension scheme?'* some of those who belonged to pension schemes said that they had joined because they knew they needed a pension, and a similar answer was given by some of the pension non-members to the question *'What would encourage you to join a pension scheme?'* This indicates that pensions may be viewed as a necessity regardless of whether or not a person has one, and links in with the perception that the individual has no alternative but to save. Other respondents said that they had joined a

pension scheme as a back-up or 'plan B' should other investments in business and property not be successful.

When asked what a pension meant to them, a number of the respondents associated them with safety, support and security (particularly males, under thirty). Security was also one of the most frequently cited advantages to having a pension. It was mentioned most frequently by those in the No Pension groups, those under thirty, those with intermediate education and those in higher socio-economic groups:

> A pension to me is a safety net to take away the worries and pressures in later life and to give you some kind of quality in your later years where you don't have to work.
> **Max (NPNS)**

Most respondents saw pensions as central to financial security in later life. More than two-thirds considered pensions to be very important or essential for security. This was the case across different ages, sex, socio-economic groups, and levels of education. However, those over twenty-five were more likely to qualify their statement by saying that they considered pensions essential for them personally, but that this may not be the case for other people with different means of investing. The importance of having a pension for financial security is indicated in Tara's answer to the question of whether individual saving should be made compulsory[24]:

> I think it [compulsion] would be a good idea. I mean like, how can I put it? So that you're made to kind of save and that you will definitely have money when you retire. I mean if someone like me, not paying into a pension at the moment … as I said earlier if there was no state pension by the time I retire and I had no savings and nothing, what would I live on?
> **Tara (NPNS)**

7.3.2 The Insecurity of Pensions

Having to work longer, poverty, and a poor quality of life in retirement, were seen as the risks of not having a pension or not saving enough. Such fears were also associated with private pension problems and the decline of the state pension. Those with pensions, in older age groups, men, the more educated, and those in higher socio-economic groups, were more

[24] Tara's answer also illustrates ideas about forced responsibility, discussed above.

concerned about private pension risks, referring to scandals and pension schemes going bust. Those without pension membership, younger respondents, women, those from lower socio-economic groups, and those with less education, were likely to be concerned about having to work longer and the decline of the state pension. Most of the respondents perceived that pensions had a negative public image, and this related to their awareness of problems with both state and private pensions, which, for some of them, created feelings of insecurity:

> **Interviewer:** Do you know of any pension issues that are currently in the news?
> **Vicky (NPNS):** Yeah, the state pension, they keep saying that there's going to be no money left in the pot, like we're all paying our national insurance but it's all being spent at the moment rather than put into a fund for when I retire, so there's rumours that that will be scrapped, in which case I really don't know what I would do -- panic? And the fact that they say the current national pension isn't enough money for people to live off, and also work-related pensions companies are going bust and taking their pensions money with them, so it doesn't seem a very secure idea to have a pension.

The choice of pension provider is viewed as a choice between different types of risk. Because of concerns about the future of the state pension, there was an overall lack of trust in government ability to provide secure state pensions; nobody liked the idea of a pension scheme being run solely by the government. Harry's comments below illustrate the popular insecurity about state and private pensions and the view that the individual is left with the responsibility for creating their own security:

> I think it's generally quite bad because I think that a lot of people think that the government won't look after you. I think most people think that, and that you kind of have to look after yourself … and also obviously there's been lots of problems with pension companies going bust, and companies not keeping their pension funds up, so I think a lot of people try and do it privately, and have things that they can fall back on as they don't really trust it.
> **Harry (PO)**

Respondents also had very limited trust in insurance companies, but a few people said that they would prefer to save with an insurance company for reasons of portability and security and because of the companies' perceived expertise. The individual control offered by self-invested pensions was popular with some, but rejected by others as too risky because they

lacked confidence in their knowledge of how pensions work and feared that they would be too difficult to manage:

> It's because you don't really know who to trust these days and you can't trust no one more than what you trust yourself, can you? So I'd think I'd rather myself … the only thing with the self-invested is that you've got to be really clued up to understand all this and you've got to be right on the ball, that's something I wouldn't be good with so it would have to be one of the other three…
> **Lily (NPNS)**

Meanwhile, whilst one third of respondents trusted employers as pension providers, there were still fears about company pension collapses:

> I would run a mile from an insurance company because they have a habit of going bust suddenly without telling anyone, no warning, although employers can be dodgy as well, look at all the people in Austin Rover and things, then the government are just as shonky aren't they? So I'm staying with my employer because they're good.
> **Nicky (PS)**

This group tended to be over thirty, female, from higher socio-economic groups, more educated and with experience of company schemes.

Just as responsibility for pension membership is seen in the context of responsibility in general terms, and responsibility to work in particular, so pension risk is also linked to security of employment. Job mobility and lack of portability were regarded as additional risks to employer pensions. In their responses to the employment vignette (see Chapter 4), two-thirds of those interviewed would choose a final salary scheme over higher pay, but the final salary scheme was viewed as being secure only if the job was also secure. Of those who did not express a clear preference for the final salary scheme, half said that the decision would depend on whether or not the job was a long term prospect (the issue of job 'security' is examined further below). For Nicky, concerns about portability and financial security resulted in her initially taking out a stakeholder pension:

> **Interviewer:** What prompted you to take that [stakeholder pension] out?
> **Nicky (PS):** The hotel pension scheme, you had to be with the company for five years and hotel pensions aren't very good, plus, in the hotel industry, people are moving

> from job to job and I was all the time, so I wanted some kind of security, something I could take with me basically.

Pensions are viewed as providing security but also as being risky; on the one hand they appear to decrease the risks of poverty and having to work longer in later life, but, on the other hand, they are seen as exposing the individual to new risks such as pension scheme collapse, scandal, and poor choices, which mean that the individual could still be exposed to the original risks of not having a pension. Individuals may take responsibility and attempt to create security by saving, but insecurity is created by pension problems and state pension cuts which are beyond the control of the individual. The risk of pensions not paying out as expected was the most frequently identified disadvantage of pensions, and was mentioned more often than security was identified as an advantage. Respondents from higher socio-economic groups and those with more education were particularly concerned about this.

7.3.3 Spreading Risk

In consequence, pensions are regarded as necessary but not sufficient for creating financial security for later life. Most respondents thought that the best way of dealing with pension risk was to have other investments, so that an individual pension becomes less important. A pension as one of a number of options was popular amongst the group and was particularly emphasized by the small minority who gave pensions a low rating for security:

> At the moment I consider a pension just one of many options of being able to save for the future.
> **Adam (SO)**

Home ownership was considered to be an essential part of this portfolio of investments, and getting on the housing ladder was generally thought to be more important than starting a pension, with some viewing property as a safer investment. Just under two-thirds of the respondents were owner-occupiers, one third was renting, and all of the renters were in the No Pension groups. This finding of an association of home ownership with private pension membership concurs with the results from the FRS and the findings from the literature review (Mayhew 2003; Scottish Widows 2005; The Pensions Commission 2004). Home ownership was an important goal for everyone; those renting all wanted to buy in the future (although not everyone had firm plans). Security, along with saving on rent, was identified as the main reason for the importance of home ownership:

> For security, mainly, and to save on rent. I've lived in rented accommodation for quite a long time; my parents did as well, it's just not secure really.
> **Claire (SO)**

Two respondents (NPNS) thought that property alone could provide for them in retirement; however, the majority was emphatic that it would be too risky to rely solely on property, preferring to have a pension as well. In the main, property was seen as a potential source of retirement income alongside a pension:

> I've still got a work pension as well, I wouldn't just rely on the house because obviously the housing market could go completely wrong, I think it's a really good way to be honest, I don't have much fear of it, but I'll always have a pension as well, I wouldn't bank on one thing.
> **Harry (PO)**

Most respondents thought that a private pension combined with at least one other investment was the best way to save for retirement. The most popular answer was pension and property together followed by property, pensions and other savings/investments. This may, in part, help to explain the association of pension membership with home ownership:

> I think the way that property is going at the moment that's probably a really, really, good thing to do, but I'd say in a pension scheme and property as well, so you're not just depending on one thing.
> **Anna (NPNS)**

As well as the preference for spreading risk amongst different investments, there was a desire to spread risk amongst different providers too. Although there was no combination option for the question on provider preferences, some respondents, like Lily below, chose more than one answer or made the decision contingent on circumstances:

> I don't know which one I trust more … well, I'd have the A and the B, the employer and the government, I'd stay well away from the insurance company.
> **Lily (NPNS)**

7.3.4 Wider Security

In addition to the associations made between pensions and security, there were wider associations made between general saving and security when respondents were asked about their reasons for saving. Those under thirty, from higher socio-economic groups and with more education, were most likely to say that financial security was their reason for saving. Security was thought to be achieved from short-term general saving, with evidence of a strong desire to set aside a sum of money as a *buffer*, for *safekeeping*, or for a *rainy day*. This money was not seen as savings for later life but as a fund to meet more immediate emergency needs, such as car repairs, job loss and unexpected bills. This was the most popular reason given for saving or wanting to save, and fits in with the buffer stocks theory of saving amongst this age group (discussed in Chapter 3). Only a few respondents claimed to have savings set aside for their long term future, but those in the Pension Savings group and, surprisingly, some of the NPNS group, were more likely to indicate a desire for long term saving (possibly the insecurity of living on a low income could be related to a desire to create security through saving).

Again, the issue of secure employment arose with both current and future financial security associated with finding "proper" work:

> I've got my granddad that's retired; he hasn't got much benefits of the pension part … I don't know, I'd rather, like, work in a better job than he'd done, that way, because then I know I'm secured a lot better than he would be. I don't want to see myself in the next fifty, sixty years struggling with money.
> **Helen (NPNS)**

In summary, pensions are associated with both security and risk. Two-thirds of those interviewed regard a pension as essential or very important for providing financial security, and several respondents define pensions in relation to safety, support or security. One of the most cited pension advantages was that they are safe investments; however, the risk of pensions not paying out or of being swindled was cited more often, as being a disadvantage. When identifying current issues and discussing the media portrayal of pensions, some of the respondents revealed feelings of insecurity regarding state and private pensions.

The majority felt that the best way of creating retirement security was through a combination approach, as it was seen as being risky to depend on just one thing. So, although property investment was more popular than pensions, hardly any of the respondents saw it as an alternative. Relying on your own house to provide a retirement income was thought to be particularly risky. Most people wanted to fund their retirement via both property and pensions and, ideally, additional savings and investments.

Preference for spreading risk and anxiety about pensions problems were also apparent in answers about how pension schemes should be run. Nobody trusted the government to run pensions alone, there was a low level of trust in insurance companies, and better (but still limited) trust in employers. This meant that, despite low levels of professed pension knowledge (discussed in detail below), some people expressed a preference for running their own schemes. Others suggested some kind of joint management of pension schemes, even though this was not one of the options on offer in the question. Spreading risk was regarded as the best way of managing risk. However (as will be demonstrated in the resources section), some individuals are in a better position to spread pension risk than others.

7.4 Expectations of Retirement

This section examines the images and expectations held by the respondents about pensions, pensioners and retirement, and how these might relate to pension planning and provision.

7.4.1 Retirement Hopes are High

Respondents' views on retirement were very positive; retirement was associated with not working and the chance to enjoy freedom and leisure, to pursue hobbies and new activities, and to spend time with the family. The themes of enjoyment, leisure, hobbies, family, relaxation, free time and freedom from work were mentioned numerous times (and across all the different groups). Two-thirds of the respondents made reference to retirement in terms of leisure, enjoyment, or freedom:

> Spending lots of time with your family doing all the things that you haven't had a chance to do, so, holidays and all that kind of stuff, taking up new hobbies.
> **Nicky (PS)**

Retirement is seen in relation to work (e.g. stopping work, finishing work, and in some cases continuing work) by most of the respondents. Whilst a few people anticipate working in retirement, staying on in their jobs or moving to easier part-time work, for the majority retirement means withdrawing from work. There is little enthusiasm amongst this majority for working longer, several of them regarding retirement as a reward for a lifetime of work (these respondents tended to be younger, less educated and from lower socio-economic groups) or a time free from work or money worries:

> It would be not having to worry about working full-time every day and worrying about the next money and next wage packet coming in.
> **Jo (SO)**

The respondents are keen to retire promptly. Despite concerns about working longer and the demise of the state pension, the current state pension age has a strong influence on retirement expectations, with two-thirds of the respondents expecting to retire aged 60-65 (of the remainder, three people expect a later retirement and seven earlier). In this group, those who were degree educated, in higher socio-economic groups, and male, were most likely to expect to retire before the age of sixty. These expectations provide further evidence that working longer is seen as being for other people rather than the choice the young individuals themselves would make.

The respondents' *ideal* retirement ages were even earlier. Although one-third said they would be satisfied with their expected retirement age, half the respondents would like to retire at least five years earlier and several people (all in the NPNS group) would like to retire as soon as possible. In total, more than half of the respondents would like to retire, or expect to retire, before the age of sixty. There were no differences by age, socio-economic group or education, but nearly all the men said that they would like to retire by the age of sixty, whereas only half the women said this. The desire to retire early appears to relate to the positive view of retirement as an enjoyable life stage (something to look forward to rather than put off), a view that, theoretically, should help motivate retirement saving.

There is further optimism regarding other aspects of retirement; financial expectations were quite high, the majority expecting to be average to well-off, with only a small minority (all women under twenty-five) expecting to encounter financial difficulties. Two-thirds of the respondent group think that their main retirement income will come from a pension or a combined investment that includes a pension. Most respondents are looking forward to a long retirement, expecting to reach 80-85 years of age and to enjoy a retirement lasting twenty

years or more. A minority within the NPNS group (who were mostly female, under twenty-five, from lower socio-economic groups and with limited education) had lower expectations of life expectancy and retirement length; they thought their retirement would last fifteen years or less and/or that they would not reach the age of seventy-five.

7.4.2 Images of Pensioners

This generally positive view of *retirement as a life stage* contrasts with the way in which *pensioners as a group* are viewed. When respondents were asked what they associated with the term pensioner, mentions of age and the term 'old' were almost universal and there were frequent references to advanced age (eighties as opposed to fifties), particularly by the more educated, younger, middle class and male respondents:

> It conjures up immediately the image of someone in their eighties or nineties … someone not of 55, more of 80; it's a term with a lot of negative imagery I would have thought for someone in their fifties.
> **James (PS)**

Furthermore, some respondents associated the term 'pensioner' with dependency and financial difficulty, and referred to the concessions and discounts received by pensioners:

> Using that term actually would conjure up in my mind someone probably who wasn't even very well off, though I reckon, I don't know why, just that term isn't very, I don't think it's a very nice word … you talk about pensioners like I don't know. People that don't have enough money to live and they get all these concessions.
> **Amy (SO)**

Respondents also thought that the media portray pensioners as dependent and struggling financially:

> They sort of more portray the older pensioner as being frail, as got no heating, they can't afford fuel, they can't afford their council tax, things like that.
> **Vicky (NPNS)**

However, there was a feeling amongst some of the respondents that the media and even their own stereotypes of pensioners and dependency do not relate to their actual experience of pensioners, with pensioners being portrayed as older and poorer than they actually are:

> I think you hear all the bad stuff that happens to them, and pensioners getting mugged, and pensioners who can't afford their heating, you hear about all the bad things. I don't think you really get any publicity of the nice things that people like, people who just go on holiday all the time, like my grandparents and stuff, those kind of people. I don't think you really hear the good side of it, although it does exist. **Harry (PO)**

Additionally, in contrast to the majority view, a few of the young women in the NPNS group associated pensioners with wealth rather than poverty. This suggests that, for many of the respondents, the risk of later life poverty may not seem real. As several people pointed out, poverty is not the experience of the retired people they know; most respondents had friends or family members in retirement, and generally their financial experience of retirement was good. The majority had retired family members who were financially comfortable overall, and some respondents had retired friends or family whom they described as "very comfortable", "really well off", or "wealthy". Only three respondents (all women) had retired family members whom they perceived to be struggling.

7.4.3 The Importance of Planning

So, although the respondents have picked up on pension crisis issues, they may feel that these are not relevant to them or prefer to believe that they are not relevant to them. This may help to explain their optimism with regard to retirement age and finances. Alternatively, it could be that this view is held by those who are either making retirement provision or are planning to, and therefore feel secure about their financial future. Max, below, demonstrates that he sees a sharp contrast between those pensioners who have or have not made provision. Similar distinctions are made by several other respondents (forced versus chosen retirement, pensioner versus retiree):

> **Max (NPNS):** Initially, the first response is somebody old probably losing their marbles, a bit decrepit and usually struggling for money which has been my experience of most pensioners I've known … well, these days I almost view it as if

they're, well, I would consider, still fairly youthful in their minds, somebody who has worked, achieved and is reaping the rewards of it now.
Interviewer: There's two sides of the coin -- struggling and reaping reward?
Max: Definitely, for one of those you look at the state pension and somebody who's not made any arrangements.

The respondents were less optimistic about the retirement prospects of their generation as a whole. When asked about whether retirement is likely to be a better or worse experience for their generation, more than a third were pessimistic about the future. Those from lower socio-economic backgrounds were the most pessimistic. This pessimism mainly related to their concerns about the state pension, although rising debt and living costs, later retirement and lack of planning were also mentioned. Amongst the other respondents, planning was considered to be the fundamental element determining retirement prospects. An equal number of the group (particularly the more educated) argued that the future experience of retirement could go either way, with the deciding factor being whether or not the individual has made adequate provision:

I think it depends on the person to be honest, and it depends on how the person manages their finances earlier on in life … because obviously some people decide to take out a pension, some people decide to have personal savings, some people just blow it all, it depends on the person.
Ben (SO)

The remaining minority of respondents (all female) were optimistic that retirement would be a better experience for their generation. They argued that people are more aware of the importance of planning.

7.5 Timing of Retirement Saving

7.5.1 An Early Start?

To summarise the findings so far, the majority of interviewees are optimistic about their own retirement prospects and see retirement as a positive time. There is awareness of some of the problems with state and private pensions, which are seen as the reasons for the poor public image of pensions. Pensioners are stereotyped as being elderly and dependent, but the popular view is that this fate can be avoided by planning and making provision for the

future (by taking individual responsibility). A fundamental question is, therefore, when should planning and provision for retirement start? The respondents were asked this question, and nearly half thought that people should begin saving for retirement as soon as they start their first job or career (with no differences between different ages, sex, socio-economic group or levels of education):

> *As soon as you get a proper job,* whether that's 16 and you've got a job that you're going to do for like, ever, or however old, but as long as you start early.
> **Sally (NPNS)**

A third of those interviewed answered that people should start saving as soon as they can; this was typically elaborated to be when saving becomes affordable and/or when debts have been repaid. This view was most common among those with more education and those from higher socio-economic groups:

> I just think if you're *in a situation where you can afford to pay* into a pension of some kind for your future, then there is no wrong time to start doing it, because the longer you do it for, the more you're going to have at the end of the day.
> **Liz (PO)**

A few respondents suggested ages rather than stages at which retirement saving should start. These ages suggested a later start for retirement saving than the previous answers. In particular, twenty-five and thirty were mentioned:

> I think probably around thirty, I think if you start too early then it can put excessive strain on your finances at a time when you're just *trying to get established* in the world
> **John (PO)**

7.5.2 Enjoying Being Young

With the exception of those who think that saving should start at 25 or 30, the popular view is that saving for retirement should start as soon as possible. However, when asked to choose between saving for retirement and spending money on enjoying being young, the question of when people should start saving becomes more complex. In response to the lifestyle vignette (see Chapter 4, section 4.4.2, Fig.4a), a third of the respondent group thought that Sarah should enjoy her money and delay retirement saving, a view slightly more popular with those

from lower socio-economic groups. Many respondents related to Sarah's position, feeling that they had been there themselves; their answers emphasized youth and enjoyment, and a sense that, at twenty-two, retirement was a long way off, so saving was not urgent and could be delayed. Furthermore, Sarah's behaviour was regarded as the 'done thing' at her age:

> That's actually me, that really is, I don't know, I think I'm sure you know in hindsight I'll think … why didn't I start saving when I was 18 and just started working, but like I said earlier, you just don't think about it … I think because it's so long in the future it's not an urgency so you think … I'll leave that, I'll enjoy myself for a couple of years and when I get to 25 I'll start saving properly … I'm 24 now … so I think that's a hard one really. I think to be honest … that's probably what most people around her or my age would do.
>
> **Eve (NPNS)**

For some of these respondents this is in direct contradiction to the answer they gave to the previous question. Sarah's age is part of the issue; despite the ideal that a person should start saving for later life '*as soon as',* there was a view that Sarah at twenty-two had enough time left to afford a few years' delay before she 'settles down' into her career and starts saving. It was not only the younger respondents who took this view, but, echoing Eve's prediction that she would regret the decision to delay saving, some of the older respondents (over twenty-five) spoke about the benefits of hindsight and experience. They wished they had started earlier and would advise younger people to start early; some argued that Sarah's decision was inevitable but she would later realize that she had made the wrong decision:

> I think it would be a wise decision on her part to go for the pension as early as possible, because the earlier she does it, the less she'll have to save over her entire working life. I think in that circumstance, I think nobody would choose to do that, because at 22 you would always choose to do that. So, I'm not surprised that she would decide to do that, but then ultimately, in five years time, she'll realise she made the wrong decision like everybody does.
>
> **Harry (PO)**

In contrast to this idea of inevitability, the majority, around half the respondents, although often sympathetic to Sarah's youth and desire to enjoy herself, thought it was vital that she start saving even just a small amount. This group thought it was important to get the savings habit immediately, in order to prevent future procrastination, and to allow the savings to add

up. Respondents holding this view were slightly more likely to be in the higher socio-economic groups:

> Well, she's only 22 … I like to think, though, that if I was in her position I would still think about it though and put money away just because I think that ... It is really important and it's something that you could just put off and put off and put off and then, and then you're stuck. I mean, it's not like she has to put in lots and lots of money.
> **Amy (SO)**

7.5.3 Settling Down

There is a common theme in the answers relating to ideas about being settled/being sorted/getting finances together before starting to save for retirement. For the respondents who answered that retirement saving should start as soon as you start working, this appears to mean starting their first full-time, permanent job or career:

> I think 21, 22 years old would probably be the ideal *once you've actually got your feet under the desk and started a career.* I think it should be one of the first things you should think about.
> **Adam (SO)**

For the respondents who answered that retirement saving should start as soon as possible, the definition seems to be wider, referring not only to being in work but also to affordability, which is something more subjective and which may or may not involve making lifestyle sacrifices. Going further, some related settling down to reaching a certain age (usually twenty-five or thirty); this may be an age at which a person may be expected to be established in their career, earning enough money to afford to save, and having enjoyed their youth. With this thinking, even if a person has been in a well-paid job for several years and could easily afford to start saving, there is no urgent need to do so:

> I would say ideally now, but realistically I reckon about mid twenties, late twenties, because I reckon teenagers just like my age now are all about going out enjoying yourself, living your life before you have to settle down, so honestly I would say about twenty-five.
> **Helen (NPNS)**

The importance of age is emphasized in the responses to the vignettes; as discussed above, some people felt that Sarah is young enough to be able to afford a few years' delay. Meanwhile, Jim, at thirty (see Chapter 4, section 4.4.2, Fig.4a), has reached the age at which people are expected to have started saving, and he received much less sympathy. Almost everyone felt that he should cut his spending back to save more. In the property vignette, respondents were concerned that, at twenty-seven, Jane could be leaving it too late to start a pension and get on the property ladder. Finally, it seems that age is relative; some respondents thought that Stephen, at twenty-five, was likely to be settling down and starting a 'proper' job, whereas some of the older respondents thought that Stephen in his youth would be tempted to choose extra money over a pension scheme.

The association of pensioners with advanced age, mentioned above, means that retirement may be more likely to be seen as being a long way off. In answer to the spending vignette, several respondents (all male), argued that Jim should enjoy himself now rather than cut back his current spending to save for an early retirement that he might never live to see. However, despite these concerns about age, being too young is not usually offered as an explanation for not having a pension; only two respondents (one aged 20, the other 31) said that they had delayed joining a pension scheme on the grounds that they were too young. In the case of the latter, Jack also acknowledged that it is better to start saving early:

> **Interviewer:** So why haven't you joined a pension scheme?
> **Jack (NPNS):** I don't really know to be honest. I mean, I'm still quite young, 31, I just don't 'cause you just hear the word pension scheme, and you think, well, that's a long, long, way away, but another thirty years I think I could probably save up enough for me to live quite comfortably, but it's never really crossed my mind. I've always thought I don't really need to start a pension scheme until I'm a bit older, but obviously, being older and wiser now, the younger you start the better.

In summary, a desire to retire early in order to enjoy retirement means that most people would prefer to save more rather than work longer. Although many respondents are aware of the current pension problems and the rather negative media image of pensions, most think that a pension will be important for them in retirement. Images of pensioner poverty and dependency have not had much impact on individual retirement expectations, and, although there is considerable pessimism about retirement prospects for the generation as a whole, it is thought that, in future, retirement will still be good for those who have planned and saved for it. The majority think that saving should start as soon as a person begins paid work or as

soon as possible. However, there is some conflict between the desire to save in order to retire early and enjoy later life, and the desire to spend in order to enjoy life now. In some cases, 'as soon as possible' may mean as soon as it is possible to save without compromising on lifestyle. In other cases, the early and even mid-to-late twenties is thought to be too young to start saving. However, these are minority views: most people think that saving should start early and that it is possible to enjoy being young and save at the same time. The next question concerns how these views relate to the reality of retirement saving within the group.

7.6 Retirement Saving Resources

The section on responsibility showed that the respondents accept individual responsibility to save for retirement, but they think that the responsibility should be shared, with additional help from employers and government to enable saving. The section on risk showed that pensions are seen as important for financial security in later life, but the risks associated with various kinds of pension mean that a pension is regarded as one of a number of investments for later life. The section on expectations showed that young people have positive expectations of income and quality of life in retirement, despite the stereotypes of pensioner poverty, and that most respondents expect, and would prefer, to retire early despite an awareness of problems with the state pension and the prospect of increases in the state pension age. Poverty and working longer are viewed as being avoidable via the means of planning and making provision for retirement. Finally, the section on timing reveals a general consensus that retirement provision should start early in life (although this is not necessarily reflected in saving behaviour).

In summary, young people accept responsibility for retirement saving, think pension saving is important for financial security, and hope to have a long and comfortable retirement by making early provision in a number of investments with the help of government and employers. However, the reality is that only nine of the thirty respondents are currently making any provision for later life. Pensions are viewed as necessary, and individuals seen as being responsible for their own pension provision, but this is clearly not sufficient to result in pension membership.

Of the twenty-one people with no pension provision, nine people are not in paid employment, being either students, unemployed, about to start a new job, suffering temporary ill-health, or full-time parents. Women, the under-25s, and those with no education, were the most likely

not to be in paid employment. Members of this group not only do not have access to occupational pensions, but they also have no earnings to allocate to any other type of pension scheme. The remainder, namely those with no pensions who are in paid employment, are nearly all self-employed or working for companies that do not offer occupational pensions. This means that their only options are to join a personal pension scheme or to save for retirement in non-pension investments.

7.6.1 Affordability

Affordability is clearly a factor for those respondents not in work and living on state benefits, student loans and grants, and who are therefore in no position to put money aside in pension contributions. Most of this group say that they intend to join a pension scheme when they are in a position to do so. Affordability is also given as a reason by some of those in work, who say that they have been waiting to earn enough or to sort their finances out after leaving university. At the time of their interview, many indicated that they are now established in work and can therefore afford to start saving. For example, two recent graduates who work for small companies say that they are just beginning to get their finances together, and can now start thinking about their pension arrangements:

> I think the reason, what would make me decide to join a pension, is purely based on whether or not I can afford to put aside income, and I now can. Up until January I couldn't do that because I wasn't in a regular job, and I wasn't earning anywhere near enough money, but now, I'm earning considerably more, and, not being a student anymore, I think that's the only real factor, I would've done it at fifteen if I'd been earning enough.
> **Simon (SO)**

However, there is also a minority who are vaguer about when they intend to start, referring to starting at some point 'in the future' when they have 'sorted their finances out'.

Logically, retirement saving may mean that non-essential spending needs to be reduced. However, it appears that respondents with high levels of non-essential spending are typically those who already have pension provision or at least significant savings. For example, in the case of socializing, the most popular 'non-essential spending' area, most respondents spent money every month, all the exceptions to this being in the NPNS group. Those in the NPNS

group, like Eve below, have little scope to start saving by reducing non-essential spending, whereas those in other groups are more likely to be able to save without needing to cut back:

> **Interviewer:** Would you be prepared to reduce your leisure spending in order to save?
> **Eve (NPNS):** If I could, I would, but to be honest, like I was just saying to my Mum the other day, I haven't been out in so long, I really don't know where it's all going at the moment, it's all on bills and rent and boring stuff, really.

For many of the respondents, affordability seems to be about having enough money to maintain an enjoyable lifestyle and to save for retirement at the same time. Pensions may be valued for improving quality of life in retirement, but not at the expense of any current lifestyle sacrifices:

> I think that until you get into a salary bracket, maybe, that allows you to have spending and money that you can put aside and still have the lifestyle that you'd like to lead, then, I think it's up to you when to make that decision, that you can do that, rather than them stipulating when you turn eighteen or when you turn twenty-five, you've got to do it.
> **Liz (PO)** (responding to the question on compulsion)

Replies to the spending vignette suggest that most respondents *would,* theoretically, be prepared to reduce their current leisure spending, if necessary, to secure an enjoyable retirement. Getting the right balance between saving and enjoying life was seen as responsible behaviour. In reality, however, the respondents were more likely to be cutting back on spending for debt repayment or to achieve short-term saving goals (such as weddings, holidays, cars, emergency funds and degree fees) than for retirement saving. Short-term saving goals were typically given higher priority, whilst retirement saving was more likely to be put off until there was enough surplus to save without cutting back. In the case of loan repayment, as discussed earlier, those with significant debt in the NPNS group are the most likely to prioritise debt repayment over saving. Those with more resources and those repaying low interest student loans may make their debt repayments alongside retirement saving and leisure spending.

Another factor related to affordability was mentioned above, namely waiting to start work, becoming established in work, or earning more money. This would seem to be linked to those ideas about settling down, 'getting sorted', or reaching a certain age such as twenty-five. On

the one hand, such reasons for delaying saving may have validity, but on the other hand they could be interpreted as evidence of procrastination. Two respondents, a couple (interviewed separately), were saving for their wedding at the time of the interviews; neither had pensions, but both said that they intended to start saving for retirement shortly after their marriage. Getting married may be seen as a marker of adulthood - evidence of settling down and a life event that acts as a catalyst for starting a pension. Saving habits may also be developed in saving for a wedding; conversely, the high cost of a wedding may lead to debt and delay retirement saving. Saving for a wedding and a pension at the same time may also be possible, where there is access to an occupational pension, as was the case for one of the other respondents.

7.6.2 Knowledge

Poor knowledge of pensions may act as a barrier to pension membership. Almost all the respondents expressed a lack of confidence in their knowledge about pensions; this was the case regardless of whether they belonged to a pension scheme or not. Two-thirds of those interviewed rated their knowledge as limited or very limited, and only two people thought that their knowledge of pensions was above average. Those under thirty, those with limited education and those from lower socio-economic groups, were the least confident.

Not surprisingly, given this lack of confidence, many of the respondents were uncertain about the advantages of pensions and a number were unable to identify any. The advantages that were identified tended to be general (relating to security and quality of life) rather than specific; Only a few people mentioned tax relief or compound interest. The majority of respondents did not identify the benefits of employer-provided pensions, although naturally those with experience of company schemes had much greater awareness (often having received information from their employers). The respondents also found it difficult to identify the disadvantages of pensions. As discussed previously, the risk of pensions not paying out as expected was the most frequently mentioned disadvantage, but several people raised their specific concern about the dangers of not knowing how pensions work. Related to this lack of knowledge and confidence about pensions, respondents seemed to view the investigation of their pension options as a considerable undertaking.

7.6.3 Home Ownership

As discussed previously, most respondents thought that home ownership was more important than pensions, and in their response to the property vignette (Please see section 4.2.2 fig.4a) more than half said that they would delay retirement saving for five years in order to save for a property deposit. This supports the research by McKay and Kempson (2003), who found that whilst people often started to save before buying a house, they did not tend to start saving for retirement until afterwards. Of those (younger, more educated) respondents who would attempt to save for a pension and a deposit at the same time, most would put more towards a house than a pension. Given this, it seems that home buying could act as a barrier to pension saving. However, the bigger picture is that housing is seen as part of a retirement investment portfolio; ownership means not having to pay rent in retirement, and a property may be an income generator through downsizing, equity release or buy-to-let. As discussed above, most respondents said that they would not rely on property alone but would like a pension alongside their income from property. In both the secondary analysis and the interviews, home ownership is associated with pension membership, suggesting that it is less a question of priorities and more one of resources. Those who cannot access the housing market may also have problems accessing pensions. The age of first-time home buying has increased with the decrease in the availability of affordable homes, and perhaps there are similar difficulties for young people in accessing pensions, following the decline in availability of occupational schemes which make pension saving affordable (discussed below).

Pension scheme members were asked about their motivations for joining. Two of their answers have already been mentioned, namely awareness of the necessity of a pension (for financial security), and affordability. The payment of pension scheme charges and the additional contributions made by employers make a pension much more affordable, even more so for those respondents who initially enjoyed non-contributory pensions. A third reason given for joining was company culture; some respondents described joining a pension as the ‘done thing’, which happened almost automatically (to the extent that several people said that only later did they come to appreciate the benefits of joining).

7.6.4 Accessibility

When the eight occupational pension members were asked whether they would have joined a personal pension if they had not had access to an occupational pension, three replied that they would have done, two that they would do so now (but would not have done at the time), and three that they would not have done. The latter three were concerned about loss of employer contributions, and charges, but also referred to the inconvenience of the effort of having to go out and organise a pension:

> No, I don't know that I would've gone out of my way and gone and done it, I think it's because it is all sort of there, and, after speaking to people, everybody would always say a company pension is better than a private one if they're going to contribute to it for you as well, because you're getting double the amount, so all the investigation into it and everything is already done for you, so you don't think about it, just sign the piece of paper.
> **Liz (PO)**

It appears that occupational pensions provide not only the obvious cost or affordability benefits but also a benefit that is less visible, namely that of convenience. There is no need to go out and research the options; everything is '*already done for you*'. Occupational pension schemes make pensions both more affordable and more accessible. The impact of these benefits in encouraging membership is considerable; as well as the eight current occupational pension scheme members, there were five respondents who had belonged to workplace pensions in the past. All had moved to different occupations and no longer had access to such schemes, but only one person had subsequently joined a personal pension scheme. James started his personal pension membership as a back-up for his financial security after starting his own business. Conversely, one occupational pension scheme member had previously belonged to a stakeholder pension scheme, but after starting employment with the NHS transferred into the NHS scheme because of the additional benefits.

Initially, affordability seems to be the main reason why young people do not join pension schemes (responses to the question 'why haven't you joined a pension scheme?' related to affordability and other priorities), but on closer examination it is access to occupational pensions that is the crucial factor. The employment situation determines access; almost all those respondents who have access to occupational pensions have joined, but most of the respondents do not have access to an employer scheme because they are not in work or

because they work for themselves or for an employer who does not provide one[25]. Access alone accounts for nineteen of the twenty-one people who do not have private pensions. This leaves only two people with access to traditional employer-provided pension schemes who have not joined, and in the case of one of these the job was a temporary one taken in order to pay for further study.

The high value placed on occupational pensions with employer contributions is confirmed by responses to the employment vignette. Two-thirds thought that Stephen should take a lower-paid job offering a final salary scheme rather than a higher-paid job with no company pension. These respondents felt that Stephen would receive more financial benefit from the pension than from the higher salary. This group includes Eve, who initially said that she would rather save in an ISA, and Jack, who has access to a company pension but has not joined. Tara's comments reinforce the importance of convenience as well as anxiety at the prospect of having to make her own pension arrangements:

> Well, job A, I mean with that job it comes with a generous final salary scheme which sounds really good, so you don't have to worry about it, if you join it it's all sort of all sorted out for him, he won't have to worry about it if that makes any sense?
> **Tara (NPNS)**

7.6.5 Portability and Long Term Prospects

However, despite favouring the final salary scheme, some people argued that they would not choose a job based solely on pension provision. If this is the case more widely, it would seem that those who have access to a company pension gain this more by luck than by design. As we have seen, most of the respondents who have no experience of company pensions are unaware of the benefits, and even those who belong to schemes and know of the benefits may move to occupations without access to company pensions. This indicates the main drawback that the respondents identified about company schemes, namely the issue of portability. Where job mobility is high[26] and a company pension scheme is not portable, there is a risk that a person could end up with several small pensions which are worth very little. Several of the respondents are in this situation and one individual has a total of six pensions. Conversely, one highly mobile respondent suggested that this was one of the reasons why she had not taken up the offer of a company pension in the past.

[25] Many companies, particularly smaller ones, only offer stakeholder pensions without employer contributions
[26] High job mobility may be the case for young people in particular.

Could this problem of portability help to explain some of the logic behind ideas about being settled and established before starting to save for retirement? Young people may be waiting to start their first ('proper career') job before starting to save, in order to ensure that saving is worthwhile. The circumstances of the job were certainly a major consideration in responses to the employment vignette; some thought that Stephen should opt for the pension because, at twenty-five, he was likely to be in a secure job with long term prospects. Conversely, two of the older respondents thought that Stephen should opt for the pension but would probably be tempted by the extra money:

> To be honest, actually, [at 25] I would be going for the sixteen because you just think money straight away, you don't think pensions. It's only now that you know what it's all about that you're thinking the other way, but no, if I was him and not having a clue of what things are, you'd definitely go for the salary.
> **Chris (PS)**

The attitudes of other respondents do not appear to support Chris's perspective; the deciding factor was not age, but rather whether Stephen's job was a long term prospect. Some of the respondents did not give a definitive answer to the vignette, but argued that the decision depended on whether the job was likely to be permanent or temporary. This long term element was also important in the experience of some of the respondents who had joined occupational pensions, but who had had to wait for a period of months or years to become eligible. This means that company pension scheme set-up may reinforce the attitude that a pension is something to worry about later, when settled. However, evidence from the actual circumstances of the respondents suggests that, when an individual has access to a company pension, they are likely to join (and join straight away where the scheme allows). One past pension member had even joined when working in a temporary part-time student role. Of those respondents who belonged to occupational pension schemes, half had started saving in their early twenties and were either with the same company or had moved to other companies that provided company pensions. The others had only joined their companies at later ages.

Those not making current pension provision almost all expressed an intention to join a pension in the future, and many stated a preference for joining employer schemes. Respondents not in employment needed to find work first, and made references to 'getting a proper job with a pension'. Respondents in jobs without access to employer schemes said that they would be looking into personal pensions, but their responses to the employment

vignette suggested that most would be keen to join an occupational pension scheme if it were an option. Conversely, respondents belonging to company pensions did not appear to have put a great deal of thought or effort into the process. For most, it was the obvious (and expected) decision to make, requiring little input in terms of research, with some respondents not even aware of the tax and employer-provided benefits until later:

> **Interviewer:** So why did you decide to join the scheme?
> **Harry (PO):** Well, because I know that I need to get a pension. I'm not getting any younger, I know it's sensible, it's a good pension as well. I haven't actually compared it to many others but, from what I've been told, it's quite good.

This contrasts sharply to the research being planned and anxieties expressed by respondents about their intentions to start personal pensions.

7.6.6 Personal Accounts

The government's proposed Personal Accounts appear to offer the convenience and employer contributions provided by company schemes whilst also overcoming the problem of portability. When outlined to the respondents, the idea was universally popular. Automatic enrolment was appreciated for maintaining freedom of choice, whilst offering convenience and taking away the anxiety of decision making:

> It saves you having to look around at all these different companies and read all their literature, and make the decision, and then worry whether you've chosen the right one or not.
> **Vicky (NPNS)**

Automatic enrolment was also supported as a means of overcoming procrastination tendencies and the inconvenience of having to organize a pension:

> Because if you have to actually do something, people don't, they think, I'll do it tomorrow, I'll do it next month, you just never get round to it.
> **Claire (SO)**

There were some concerns for and about employers regarding their proposed contribution. Some thought that, although the scheme would be good for individuals, it could be difficult for

companies, especially small companies, to contribute. Conversely, others question why employers are not contributing already, or raise the possibility that some employers may pressurize employees to opt out. Overall, however, the prospect of an employer contribution is appreciated; respondents like the idea that everyone, the individual, government and employers, would be doing their bit, meeting the ideal of shared responsibility for pension provision.

7.7 Similarities and Differences

The interview data suggests that there are some interesting differences in attitudes towards pensions and retirement between those in different age, gender, education and socio-economic groups.

For gender, the key differences were that men were more likely to expect and want to retire early, and to be concerned about private pension risks, whereas women were more likely to expect a short retirement and to be concerned about working longer and state pension risks.

For education and socio-economic group the differences are similar, which is not surprising given that education was one of the factors used to determine which socio-economic group the respondents belonged to. Those who are well-educated and from higher socio-economic backgrounds are more likely to expect to retire before the age of 60, and they are more likely to trust employers, although they are also more concerned about the risks of private pensions, and in particular of private pensions not paying out as expected. Those who are less educated and from lower socio-economic groups are more concerned about having to work longer and the state pension declining than they are about private pension risks; also, they are more likely to be pessimistic in their retirement expectations, expecting a shorter and later retirement and poorer pension prospects for their generation. At the same time, this group are more likely to view retirement as a reward for hard work. Evidence from the vignettes also suggests that those from higher socio-economic groups are more likely to think that it is vital that saving starts from a young age, whereas those from lower socio-economic groups are more likely to think it reasonable to delay saving in order to enjoy being young.

The main differences between younger and older respondents were that younger respondents were more likely to associate pensions with security, to think that pensions are not an employer's responsibility, and to worry about working longer and poor state pension prospects. Younger respondents were also more likely to associate pensioners with

advanced age. In contrast, older respondents were more likely to trust employers as pension providers and to be concerned about private pension risks.

Whilst the findings from both the interviews and the FRS analysis associate pension membership with being older, belonging to a higher socio-economic group and having more education, most of these differences in attitudes also relate to whether or not the individual belongs to a pension scheme. Thus, those who belong to pensions are more worried about private pension risks and are more likely to trust employers, whereas those who do not belong to pensions are more concerned about working longer and state pension risks. In addition to this, respondents who are pension scheme members are more likely to be against compulsory pension saving and to think that the government should only provide a basic state pension, whereas those without pensions tend to favour compulsion and a more generous state pension. Additionally, there were some interesting views held by those in the NPNS group; for example, members of this group were more likely to want to retire as soon as possible, they were more likely to regard pensioners as wealthy, and there was evidence of a stronger desire to have long term savings.

However, there are far more shared attitudes than differences amongst the young people interviewed. First, most, or all, of the respondents felt that the individual has a responsibility to save for retirement, and that this responsibility should be shared with government or employers or both. Second, most, or all, of the respondents view pensions as a necessity for financial security, but thought it risky to rely on one source of retirement income, preferring to spread the risk between different investments (to include both property and pensions). Third, most, or all, of the respondents see retirement as something to look forward to and would prefer to save and retire sooner rather than work longer. Fourth, most of the respondents gave affordability as the reason why they had joined or not joined a pension scheme, and expressed a preference for company pension schemes. Finally, all of the respondents liked the idea of personal accounts and automatic enrolment.

Thus the pension priorities of the different respondents are similar. Pensions are generally considered to be one of the basic requirements for a financially comfortable retirement, and the ideal is that pension saving should start early so that working longer can be avoided. At the same time, there is a desire to balance the need to save with enjoying being young. There are concerns about the risks of pension saving, but the risk of poverty in retirement is seen as greater, and spreading the risk with other retirement investments is the popular solution to managing the risks. Those who do not currently have the security of pension membership, and who are at greater risk of poverty in later life, are just as likely (if not more

likely) than pension scheme members to emphasise the importance of pension saving, but often have fewer resources with which to make provision and manage risk.

The pension priorities of the respondents may be similar, but levels of resources and access to pensions differ. Those with a reasonable income can choose to spend, save or repay debt, but only those with access to an occupational pension can join one. Occupational pensions are strongly preferred; they are seen as being secure, generous and worry-free, by pension holders and non-holders alike. The barriers of low knowledge, effort and affordability are overcome with employer-provided information, easy access and employer contributions. The main drawbacks to occupational pension schemes are the lack of portability and, in some cases, waiting times to join, but traditional occupational pensions are strongly favoured; most people act as if the company stakeholder pension does not exist (or are not aware that it does).

Temporary work and high job mobility may act as barriers to joining occupational pensions, whilst self-employment and working for smaller companies usually imply no access to occupational pensions at all. For the many who do not have access to a traditional scheme, their only option is a personal pension. Personal pensions lack the convenience and contribution elements of company pensions. Lack of employer contribution influences perceptions of affordability. Having to examine all the options and choose a pension increases the likelihood of procrastination and creates a barrier. The main advantage of personal pensions is portability, but although some respondents have portability concerns, this does not translate into actual membership of personal pension schemes.

Chapter 8 goes on to examine how the quantitative and qualitative findings ‘fit’ together to explain pension saving behaviour amongst young people. Taking the standpoint that starting to save for retirement can be thought of a youth transition, the extent to which pension saving amongst young people is determined by structural factors or individual agency is explored. This is followed by a consideration of the implications of the research findings for the new pension reforms, with particular discussion of personal accounts.

Chapter Eight – The Transition to Saving for Retirement

8.1 Introduction

This chapter examines the research findings in relation to the process of starting to save for retirement, viewing this process as a youth transition. In this context, the chapter also considers the extent to which young people are able to take responsibility and start saving, or are constrained by structural factors. The first section (8.2) argues the case that saving for retirement can be considered as a form of youth transition; a transition that, alongside more general financial planning, tends to be neglected by youth researchers. The second section (8.3) takes the perspective of those researching youth transitions, and asks whether the transition to saving for retirement takes longer and involves more choice, more risks, more complexity and more diversity now than it did for previous generations. The third section (8.4) considers the extent to which structural factors such as labour market position determine pension choices, and the fourth section (8.5) looks at the possible influences on occupational pension scheme take-up. Section 8.6 examines the implications of the research findings for the new pension reforms, and the final section (8.7) re-examines the relevance of saving theories in helping to explain retirement saving amongst young people.

8.2 Saving for Retirement as a Marker of Adulthood

One of the themes emerging from the interview data was that of a link between taking out a pension and 'settling down'. As discussed in Chapter 7, the notion of 'settling down' has different meanings for different people, but, in each case, the phrase appears to be used in relation to some form of transition to notions of maturity; for example, starting a career, getting married, buying a house, organising finances or reaching a particular age.

These findings suggest that it is useful to look at starting to save for retirement as a type of youth transition: a move towards adult independence and the taking up of adult responsibilities. This would appear to be particularly relevant in cases where joining a pension scheme is related to starting a career, because the transition from education to work is regarded as one of the key youth transitions. It is clear from both the secondary analysis

and the interview data that retirement saving is not a feasible option for those young people who are unemployed/looking for work, or who are still in education or working to fund further studies.

Partnership formation and becoming a homeowner are also seen as key youth transitions towards family and household within the sociology of youth. Reaching a particular age relates more to official and legal definitions of adulthood than to social transition processes, but age often has particular significance for individual definitions of adulthood and, as discussed previously (and below), age may directly determine pension access. Sorting out or organising finances is not a transition to adulthood as such, but, nonetheless, financial independence and therefore money management are part of the experience of being an adult, and are clearly associated with conceptualisations of adulthood by the young people involved in this research.

8.3 Choice and Risk, Delay and Diversity

If starting to save for retirement can be thought of as a youth transition, do the arguments of youth sociologists such as Furlong and Cartmel (2007), namely that today's young people undergoing transitions face more choice and more risk than did previous generations, and that transitions have become longer, more diverse and more complex, hold true for pensions?

8.3.1 Saving Options

In relation to personal pensions, today's young people have a much wider product choice than was available to previous generations, but the interview data suggests that this is detrimental to retirement saving because gaining understanding of, and choosing between, the many different types of pension on offer is regarded as a major undertaking, requiring effort and research. The decision to take out a personal pension is further hampered by a widespread lack of knowledge about pensions and an overall lack of confidence in pensions knowledge, even amongst the better informed. This is in addition to the expense of personal pensions, which have high charges and lack an employer contribution, which in turn means that saving in a personal pension is more expensive.

In relation to occupational pensions, young people now have less choice than previous generations. The widespread closure of private sector company pension schemes means that

there are fewer jobs offering access to traditional occupational pensions; the total number of occupational pension schemes in the UK fell from 105,320 in 2000 to 66,710 in 2006 (Levy and Miller 2008). The interview data suggests that, although the benefits of occupational pensions are greatly valued, pension arrangements are just one of many factors taken into consideration when choosing a job, and may not actually have any influence on job choice at all. Theoretically, stakeholder pensions should widen choice in occupational pensions, because employers are legally bound to provide them. In reality, lack of awareness (of their existence) and the lack of benefits means that they are effectively personal pensions accessed via an employer.

Finally, many pension savers in the past relied on the state pension in the absence of any private provision; previous generations were more likely to have felt that they could fall back on the state for a basic standard of living[27]. This research has confirmed previous research (see for example, (Mayhew 2003) that there exists a common perception that the state cannot be relied upon to provide even the most basic pension income, with many people believing that the state pension will soon disappear completely.

Beyond pensions, young people are aware of the wider investment choices for retirement saving. Housing is regarded as a key investment for the future, although general savings and other investments are also recognised as important. Housing is not viewed as a replacement for a pension but as an option alongside one, indicating a preference for choosing more than one means of saving for retirement.

Pension choice for young people is therefore somewhat illusory. In personal pensions, young people appear to have plenty of different choices, but the variety, complexity and cost of the products mean that the majority of young people lack the confidence, knowledge and financial ability to choose between them (Financial Services Authority 2005). In occupational pensions, choice has actually been reduced, and there is a popular belief that relying on the state is only an option for those who wish to have a means-tested retirement. This means that saving privately for retirement is viewed as a necessity, not a choice, but, at the same time, many young people lack the means to join private pension schemes.

[27] Although this faith may have been misplaced, given that state pensions have not always delivered to the level expected and there were always those left reliant on means testing.

8.3.2 Adequacy and Poverty

There is also the important question of whether these pathways are likely to provide an adequate retirement income (assuming that the individual reaches the point of having chosen them). This relates to the issue of saving adequacy, which is one of the key issues of the 'pensions crisis'; that not only are many young people failing to save, but also, of those who are saving, many are not saving enough. Definitions of adequacy were discussed in Chapter 2 (please see section 2.4.2). Certainly the evidence suggests that less is being saved in private pensions; for example, the level of employer contributions has fallen as schemes have moved from defined benefit to defined contribution, and the contribution gap between defined benefit and defined contribution schemes is widening (Levy and Miller 2008). In the interviews, two of the interviewees said that they had experienced such changes to their company scheme, and the changes increased their levels of cynicism about pensions in addition to decreasing the level of contribution. At the same time, both respondents were aware that they were in a fortunate position to be receiving an employer contribution at all. So, in comparison with previous generations, young people are less likely to enjoy company pensions, and, when they do, those pensions are likely to be much less generous. For those without access to company pensions, the levels of contribution from the individual must be higher to compensate for the lack of employer contributions, yet many people saving in personal pensions are not saving enough.

Young people today do indeed appear to be facing greater retirement saving risks than previous generations. In recent years, unable to rely on the state, with declining chances of having a job that offers an occupational pension, and often lacking the financial means to start a personal pension, young people have faced, and continue to face, increased risks of poverty in later life. The data shows that many of the young people interviewed are aware of the risks they face in relation to retirement saving. The interviewees associate having a pension with security, and not having a pension with the risk of poverty and/or having to work longer. At the same time, the majority do not seem to think that they will experience poverty or later retirement, because they think that they will have enough time to be able to save enough for a comfortable and even early retirement (the perception is that there is plenty of time, firstly to put off retirement saving, and secondly to save enough once saving has started). This suggests an underestimation of the risk.

Although the majority of respondents thought that pensions were a necessity, each pension type was also associated with different types of risk; for personal pensions, it is choosing the 'wrong' pension which fails to deliver the required retirement income (through

mismanagement or stock market falls); for occupational pensions, the risk is of the employer going bust or of a lack of portability between jobs; and for the state pension, the risk is of it disappearing altogether before the state pension age is even reached. The data suggests that there is a desire amongst those interviewed to reduce risk by spreading it amongst several investments, but, for the majority, this is an ideal, or at best an intention, as there is little evidence of it actually happening. Furthermore, pension risks are not evenly distributed; those people with access to occupational pensions are better positioned to manage risk.

8.3.3 Late Transitions

Furlong and Cartmel (2007)argue that transitions from youth to adulthood have been extended and delayed. These later transitions include later partnership formation and childbearing, later home ownership and later entry to the labour market. Overall, these could be considered to constitute delays in 'settling down', which may also help to explain why fewer young people are joining pensions early on in life. It has been argued that a new life stage of semi-independence has developed from these extended transitions (Catan 2004). Certainly, in pension terms, the traditional ideal of pension saving, in which an individual leaves school, chooses a career, and then takes a job for life with an occupational pension, has all but disappeared[28]. However, even at the peak of occupational pension coverage in 1967, only two-thirds of workers were covered, so the classic model for pension membership was never universal. Nonetheless, it is clear that the chances of getting a job for life with a final salary pension scheme have fallen dramatically.

8.3.4 Increasing Complexity and Inequality

Although the appearance of wider choice may be an illusion, the decisions to be made about saving for retirement have become more complex. For example, someone may have several pensions, resulting from job mobility, the sum of which may not add up to a reasonable retirement income; others may find that the availability of hundreds of different types of personal pension makes the job of choosing a pension difficult, and the continuous changes to the state pension system make it difficult for an individual to keep track of what they are likely to receive. This complexity also increases diversity; although at any one time an individual may have limited choices in pension provision, the existence of personal and

[28] Except, perhaps, within the public sector, but only where the individual remains in their public sector role throughout their working life.

stakeholder pensions, in addition to company and state pensions and other methods of saving, means that different people will have different combinations of pension saving. For example, one person may only have a state pension entitlement, another may have both company and personal pensions in addition to their state pension entitlement, and another may have several occupational pensions. There has always been inequality in retirement saving between those with private savings and those reliant on state support, but now inequality amongst private pension savers is increasing too.

How do these inequalities arise? Furlong and Cartmel (2007) assert that, whilst transitions are no longer predictable, life chances remain differentiated by race, class and gender, so that young people do not have equal ability to make the most of their opportunities. The emphasis on choice and individual responsibility masks the underlying structuring of young people's' lives; failure is blamed on the individual rather than on structural factors. The evidence from this research suggests that young people's' pension saving opportunities are also structured, whilst there is an emphasis on the individual needing to take responsibility for their retirement saving.

8.3.5 Blaming the Individual

The argument that failure is blamed on the individual, because the individual has taken responsibility, is partially borne out by the interview data. The interviewees did hold some strong views about the need for individuals to take responsibility for retirement saving, but the data also suggested that at least some of these views resulted from a perception that there was no alternative but to take responsibility. The real preference shared by the majority of young people was that responsibility for pension provision should be shared with employers and/or the state. Most of the interviewees felt that they needed support to save for retirement, and the majority[29] preferred this support to take the form of a company pension with employer contributions. At the same time, there was evidence of the blame for failing to save being placed solely on the individual; for example, some respondents argued that there was no reason why those who had failed to save should not work longer, and others suggested that current pensioners could be divided into the well-off, who had made provision, and those dependent on the state, who had failed to do so. Rather surprisingly, these views were held both by pension savers and non-savers.

[29] With the exception of the self-employed.

As observed above, the interviewees were optimistic about their own retirement and pension saving prospects, providing some supporting evidence for Evans, Behrens et al. (2002). who found that most young people believed that the opportunities were open to all and that the future depended on proactivity and planning. Indeed, some respondents thought that the retirement prospects of their generation were better than those of the current generation of pensioners, because people were more likely to plan. Again, some concerns were expressed about (other) people who choose to spend rather than save and then expect the state to bail them out. More positively, there were also concerns about those on low incomes who are not able to save, and it was felt that the state should help these people out. Most of the interviewed individuals did not see themselves as belonging to either of these two groups. The prevailing view was that those who are able to should save for retirement and receive government/employer support to do so. So, on the one hand, young people accept personal responsibility for retirement saving provided that it is shared, and, on the other hand, the majority of young people are confident in their own ability to save enough to avoid poverty in retirement. However, the evidence that this will indeed be the case was not particularly convincing; on the whole, only the respondents with access to company pensions were actually making any provisions for retirement.

8.4 The Structuring of Pension Membership

So, who does have the ability to save for retirement? Do socio-structural factors remain fundamental in shaping youth transitions, as Furlong and Cartmel (2007) assert? We have seen that there are currently more choices and that there has been an increase in risk, but what of structural constraints? Are risks and choices evenly distributed? The evidence from the data analysis shows that, in pensions, the interlinked factors of socio-economic group, employment status, industry and income are central in determining pension likelihood. The position of a young person in the labour market is the key influence in determining private pension membership.

8.4.1 Labour Market Position

The analysis in previous chapters explains why young people are less likely than those in older age groups to have a pension. Many young people, particularly those under the age of twenty-five, are in education or training, meaning that they are less likely to be in full-time work, and therefore less likely to have access to an occupational pension scheme, or to have

a high enough income to pay into a personal pension scheme. This is one of the reasons why pension scheme membership increases so rapidly during the twenties and early thirties, as young people enter the labour market for full-time work.

Amongst those young people who are in work, the fact that they are at the bottom of the career ladder means that they typically earn less than those further up the career ladder; for example, only about 3% of under-25s in the sample were earning more than £500 per week compared to 30% of 40-49 year olds. Being at the start of working life also means a greater likelihood of belonging to a lower socio-economic group; for example, 38% of under-25s in the sample were classified as semi-routine and routine workers, compared with 22% of 40-49 year olds. (Please see Appendix 7b). The analysis demonstrated that having a higher income and being in a higher socio-economic group both make company pension scheme membership more likely. Those at the start of their careers also have higher job mobility, so they are less likely to meet any age and length of service requirements of an occupational pension scheme, and, in addition, an individual planning to move on to a different company will also be less likely to accept an offer to join a company pension scheme.

Lower income and lower likelihood of self-employment also mean that young people are less likely to join a personal pension scheme; fewer than 5% of those under 30 are in full-time self-employment compared with 9% of those in their 40s. Young people have a much greater likelihood of belonging to a private pension scheme if they are working in the public sector, however, young people are less likely to be working in the public sector than older age groups; 15% of under-25s work in the public sector compared with 29% of 40-49 year olds. Conversely, younger people are more likely to be working in services and retail, 55% of under-25s as against 36% of 40-49 year olds. The analysis showed that those in service and retail have lower chances of having a private pension than those working in other industries (except construction). (Please see Appendix 7b).

The evidence therefore points to there being a life stage issue; young people not yet established in their careers are not in a position to save for retirement. However, additional explanations are required to explain why pension saving is declining amongst younger age groups. A key factor here is delayed transitions; the decline in the youth labour market and the expansion of education and training mean that young people are making the transition to work at later ages, with less advantaged groups experiencing particular difficulties in becoming established in the labour market. Financial planning generally, and retirement saving in particular, are deferred alongside other markers of adulthood. Delayed transitions mean that young people have fewer years in which to save for retirement and may have to

work for more years as a consequence. The problem is exacerbated by the winding up of occupational pension schemes, or their closure to new entrants, and by economic restructuring which means that young people are less likely to work in industries such as manufacturing, which have traditionally offered occupational pension schemes.

Thus, young people suffer a disadvantage in pension likelihood, compared with older age groups, as a result of their labour market position. Just as importantly, pension membership *amongst* young people is also structured by labour market position, with employment factors acting as the fundamental influence on the likelihood of having a private pension. Those young people who are disadvantaged in the labour market relative to their peers are also disadvantaged in their ability to save for later life.

8.4.2 Labour Market Disadvantage

Young people earning higher incomes than their peers are more likely to have private pensions; from the data analysis sample, young people earning over £400 a week made up just over a quarter of the under-35s, but just over half of those under 35 who belong to a private pension. By employment status, young people in full-time employment are the most likely group to be saving privately for retirement; the full-time employed make up 60% of the under-35s in the sample but account for 84% of those with private pensions. By socio-economic group, young people working as managers or professionals are more likely to have private pensions than those working in routine and semi-routine roles; those in semi-routine and routine groups constitute almost one third (32%) of under-35s in work but make up only 13% of under-35s with pensions. Conversely, higher managers and professionals make up 12% of under-35s in work but 21% of the under-35s with pensions. Lastly, as mentioned above, by industry, young people working in the public sector are the most likely group to have private pensions; those in the public sector make up just under 1 in 4 (24%) of under-35s in work, but well over 1 in 3 (38%) of under-35s in work who belong to pension schemes.(Please see Appendix 7b).

Disadvantage in the labour market is associated with lower levels of educational attainment. Although education did not emerge from the multivariate analysis as one of the key factors determining pension likelihood, it was included as a secondary factor and was more important for young people than for the full sample model. Education may have some direct influence on pension membership, in that those with more education may have an increased understanding of how pensions work, but, more fundamentally, the level of education is likely

to reflect social class and to be a significant determinant of labour market position, thus influencing the likelihood of having a pension in this way. In the under-35 sample, those with either no education or basic qualifications only made up one third of the whole group (35%) but less than one fifth (17%) of those under 35 with a private pension. Since education influences labour market position and this determines pension chances, those disadvantaged in education and subsequently in the labour market are disadvantaged in terms of their ability to make pension choices. In turn, disadvantage in education is associated with social class disadvantages in the family of origin, so that inequality of opportunity runs through from family of origin to education, to work and housing, and to pensions and retirement. Those in this situation are also less likely to receive pensions advice from family members. Some of the youngest interviewees had little family support and limited education, hence they had problems in finding work and were reliant on social housing (hostels). These young people placed a particularly high value on private pensions in terms of security, but were the least likely to be able to access one.

Labour market position is thus the strongest determinant of pension position and, because labour market position varies amongst young people, some individuals have more pension choices than others. The view that young people are too busy enjoying themselves to save for retirement (Association of British Insurers 2004b) does not reflect reality. Young people are more likely than older age groups to have accepted responsibility for saving for retirement, but less likely to enjoy labour market positions that provide access to the occupational pension schemes that still make up the majority of private pension provision in the UK. The emphasis on individual responsibility to save for retirement has obscured the reality; for the majority of pension savers it is not individual agency that has resulted in pension membership but access to an occupational pension, which is a shared responsibility between employee and employer.

8.4.3 Structure Versus Agency

The extent to which structural factors that are beyond the control of the individual remain significant in constraining transition pathways has been a matter of much debate.
Atypical cases demonstrate that structural factors alone may not always determine pension outcomes. Other frameworks suggest more of a combination approach, such as a dual focus on macro structural factors and individual ability to draw on materials and social and personal resources. For example, as discussed previously in section 3.13.1, Catan (2004) argues that structural factors may be counterbalanced and ameliorated by practices within the family and

by the personal characteristics and self-determination of the individual, and Giddens (1991) argues that agency and structure interact so that individuals are responsible for their own activities within the structure of the opportunities available to them ..

Amongst the interviewees, there were only two atypical cases of young people who belonged to personal pension schemes. Nicky joined a stakeholder pension at the age of twenty-five, aware that her industry did not provide good pensions and that, with high job mobility, she would need a pension that could move with her. Having received advice about pensions from her parents and being educated to degree level and from a middle-class background, Nicky was in a relatively advantageous position, but even so, by organizing and joining a personal pension at the age of twenty-five whilst working as an employee, Nicky is an exception. The second case was James, who took out a personal pension after setting up his own company; he had previously belonged to an occupational scheme and had received financial advice to take out a personal pension. As a self-employed male working full-time, he was a likely candidate for a personal pension. He was also educated to degree level. In addition to their relatively advantaged positions, both Nicky and James demonstrated proactivity and planning, providing evidence of a combination of relatively favourable structural factors with individual agency. However, these examples indicate that individual agency is itself linked to structural factors; those who have material and social resources to draw on are better able to exercise agency.

Nevertheless, most of the evidence from this research suggests that the balance of influence between structure and agency leans very much in the direction of structure. The policy focus on individual responsibility has allowed the blame for failure to start saving for retirement to be shifted on to young people, despite the considerable influence of structural factors that affect access to affordable means of saving. The young people who took part in the interviews wanted to save; they wanted the security of having savings for both short term and long term needs. The majority wanted to save enough to retire early, but this aspiration was not being translated into action because of the structural barriers. Only in exceptional cases does proactivity and planning (by relatively advantaged young individuals) overcome these barriers and result in private saving in personal pensions. The majority of young pension savers have access to company pensions, and this access is clearly associated with an advantaged labour market position and not with individual agency. Whilst young people appear to accept that it is their responsibility to make retirement provision and seem to believe that they have the ability to do so, the popular view that the responsibility should be shared with government/employers, and the widespread appreciation of company pension

schemes, suggest some implicit level of recognition of the difficulties/barriers to individual retirement saving.

These arguments are supported by evidence from the history of pensions. The first state pensions were introduced because the majority of people were unable to save enough to support themselves in retirement on an individual basis. Following on from this, it was the growth of final salary occupational pensions that accounted for the trend towards early and wealthier retirement, rather than any saving by individuals in personal pensions. The evidence in Chapters 5 and 6 indicates that people with personal pensions retire at later ages than those with occupational pensions. However, the decline in occupational pension coverage and the move towards money purchase schemes are key factors in the reversal of those earlier and wealthier retirement trends. Policy expectations that individuals alone would be able to make provision for their own future did not appear to take into account these lessons from history (please see section 2.1). Just as in the past there was a minority who managed to save privately, today there is also a minority of individuals who are saving in personal pension saving schemes, but efforts to turn this minority into a majority have failed. Conversely, there is a small minority of about one in four individuals who, although eligible, do not take up the offer of occupational pensions. Given the importance of occupational pensions for private pension saving, and the implications for the new pension reforms, it is essential to consider the possible reasons for this.

8.5 Company Pension Scheme Take-up

In the secondary data analysis, information on whether a person had access to an occupational pension was not available, but in the public sector, the industry where employees are most likely to be offered an occupational pension, it was found that two-thirds of full-time employed under 35s were members of occupational pensions (by age, three-quarters of 25-34 year olds, but just half of 16-24 year olds). This suggests that occupational pension take-up rates are lower amongst young people than for the population as a whole. What are the possible reasons for young people failing to take up the offer of joining an occupational pension scheme?

8.5.1 Scheme Type

The first possible reason is scheme type. As discussed previously, there has been a trend towards both company pension scheme closures and scheme changes (e.g. from final salary to money purchase schemes, with final salary schemes increasingly becoming the preserve of the public sector). This trend is clearly reflected in the current membership rates by industry that were shown in the bivariate analysis. The move from final salary to money purchase pension schemes shifts the risk from employer to employee, yet there is evidence that individuals prefer less risk. For example, some young people in the interviews expressed a desire for a guarantee of the income they would receive in retirement, and showed a reluctance to be exposed to the risks of the stock market. This suggests that final salary schemes would be preferred to money purchase schemes and would therefore have a higher level of take-up; indeed, a higher level of take-up for defined benefit schemes has been demonstrated by government research (Office for National Statistics 2006), and the lower levels of risk have been suggested as a possible reason for this (Levy and Miller 2008). However, against this, when questioned, most of the respondents did not know the difference between a final salary and a money purchase pension scheme. This may be specific to young people, as Clery et al. (2006) found that only 5% of pension scheme members were unsure about the type of scheme. Further research into the reasons behind different take-up rates for these different types of company scheme would be useful.

8.5.2 Scheme Contributions

Another potential influence is the employer contribution; this has obvious implications for the affordability of pension savings and the likelihood of the level of saving being adequate. Again there is a difference between final salary and money purchase schemes; with the shift in pension type, employers have taken the opportunity to reduce their contribution levels (the average contribution is 15% for defined benefit schemes compared to 6% for defined contribution schemes). A larger contribution would clearly make a pension scheme more attractive and hence increase membership. This is another reason suggested by Levy and Miller as a cause of the fall in company pension membership (Levy and Miller 2008). However, as with scheme type, individuals may not be aware of the level of employer contribution. Clery et al. found that almost 40% of pension scheme members were unable to state the level of their employer's contribution (Clery et al. 2006). If people do not know the level of employer contribution, it is not likely to affect their decision-making. Again, further research would be useful on the level of awareness amongst young company pension

holders of the level of employer contribution offered by their scheme, as well as the impact of employer contribution rates on take-up.

Linked to employ*er* contribution rates is the issue of employ*ee* contribution rates. Higher contribution rates for employ*ees* may lead to lower take-up of company pensions, particularly amongst young people on low incomes. Jane was one of the interviewees who had previously belonged to a non-contributory company pension scheme (she now works for a smaller company and has no pension); she commented that, at the time that she joined, she had student loans and would not have joined the pension scheme had it been contributory. With the decrease in employer contribution rates, employee contribution rates have risen and may be one of the reasons for lower company pension take-up amongst young people. Clery et al. (2006) found that affordability/not earning enough was the single most commonly cited reason, given by a third of employees, for being eligible to belong to a company pension scheme but not doing so. Marshall and Thomas (2006) asked employers why they thought that some employees chose not to join their schemes; employers thought that a lack of sufficient employer contributions could be one reason, but that low pay or more pressing financial needs were more important determinants[30]. An example of a more pressing financial need may be debt repayment; both employer and employee contribution levels may have an influence on whether an individual who is in debt joins a pension scheme. A low employee contribution may mean that an individual can afford to join and pay off debt at the same time, and a large employer contribution may make joining worthwhile by outweighing the cost of interest on the debt. Should the employer contribution be low and the employee contribution be high, however, even graduates with low interest student loans may decide not to join.

8.5.3 Scheme Changes

A fourth potential issue, which is linked to the move from defined benefit to defined contribution and declining employer contributions, is that of changes to an existing company scheme. When an employer shifts risk from themselves to their employees and also decreases their own contributions, there is a risk that the employees will lose trust in the security of the scheme. One of the interviewees, Liz, had seen her company scheme move from a non-contributory final salary scheme to a defined contribution scheme, with lower employer contributions and a requirement for employees to contribute. Although Liz remained a member she was clearly disillusioned, and her disillusionment may have had some

[30] Conversely, employers who described their pension take-up as high gave the employer contribution as a key factor.

influence on her partner Jack, who was one of only two interviewees with access to a company pension but who had not joined. Lack of trust in his employer was one of the reasons Jack gave for his decision not to join. It would seem likely that changes to occupational pension schemes have damaged trust and reduced take-up amongst young people. Clery et al. (2006) found that 14% of people who had not joined schemes did not like/trust their employer's pension scheme. Further research would be useful to determine whether this is the result of scheme changes.

8.5.4 Scheme Joining Process

Another possible factor in occupational pension scheme take-up is the joining process. The interviews suggested that, for those who had joined their company pension scheme, it was typically a non-active decision, 'the done thing', with joining occurring almost automatically, simply by signing a piece of paper. There was the suggestion that it would be difficult *not* to join. Conversely, joining a personal pension was something that was seen to require active research, knowledge and effort. This is likely to be one of the factors resulting in higher occupational pension membership. However, where a company scheme may require more effort, for example where the employee must take the initiative or where there is no culture of joining, membership is likely to be lower. As discussed previously, automatic enrolment increases up-take but it is used more often in defined benefit than in defined contribution schemes (Office for National Statistics 2006) , providing another reason for lower membership of defined contribution schemes.

8.5.5 Scheme Eligibility Criteria

The sixth factor likely to reduce company pension membership amongst young people is scheme eligibility criteria. Some schemes require a minimum length of time working for the company before the employee becomes eligible for membership, which may be a period of months or years. These types of requirement are related to the reasons why many employers offer pension schemes in the first place, namely to encourage staff loyalty and staff retention. Eligibility may also relate to role; some company pension schemes are only available for managers and senior executives, and in some cases companies have different schemes for different types of worker, thus reinforcing differences between different socio-economic groups. Other employers have an age criterion for their schemes, for example that the individual must be 21, 25 or 30 years old before they can join. Such criteria reinforce ideas

about needing to be settled/established and of being too young to save. For example, one of the reasons Jack gave for not having started a pension was that he was ‘too young’. Whilst it is the case that young people are less likely to be established in work and that transitions into work are being delayed and extended, such criteria both represent and create the perception that life stage can be defined by age, rather than the individual’s actual situation, thereby damaging the prospects of those who make the transition to work early. At best, these membership conditions will delay pension saving; at worst, they may put people off or entirely prevent them from joining. Indeed, several of the interviewees had had to wait several years to join their schemes, and been forced to delay saving until their late twenties or thirties because of eligibility criteria.

8.5.6 Job Mobility and Portability

A final factor to be considered regarding occupational pension take-up is that of job mobility and portability. Lack of portability was one of the main disadvantages of occupational pensions that was identified by the interviewees. Young people are particularly likely to have high levels of job mobility, and this links in with ideas about being settled in a permanent job before starting to save. Young people who do not consider a job to be permanent are presumably less likely to join a company pension scheme (reinforced by length of service membership criteria). For example, Claire, one of the interviewees, had access to her company pension scheme but did not join on the grounds that she was only working to pay for her postgraduate degree course. High job mobility and lack of scheme transferability is likely either to delay retirement saving or result in an individual having a collection of several small pensions, as was the case for Lynne, who had five pensions. This is likely to be a key reason for low take-up amongst the under-25s, who are more likely than other age groups to be working in temporary and stop-gap jobs to fund travel and higher education, or to be simply earning money whilst looking for their ideal/career job (Johnson and Burden 2003). This clearly relates to the idea of life stage; young people in this situation are not yet fully established in the labour market and the transition from education to work is extended. This is the period defined by Du Bois Reymond (1998) as ‘post-adolescence’, in which individuals following a ‘choice biography’ avoid long term commitments (see section 3.13). Those following a ‘normal biography’ are likely to be disadvantaged by pension scheme eligibility criteria, as described above.

The factors influencing company pension scheme take-up are particularly relevant in relation to the potential success of Personal Accounts. The next section will discuss the implications

of these factors and the research findings in relation to the new pension reforms in general and Personal Accounts in particular.

8.6 Implications for Pension Reforms

The new pension reforms should increase choice for young people in a positive way. Personal Accounts will mean that more young people who are in employment will have the choice of whether or not to save in an occupational pension scheme[31]. The implications from the interview data are that most young people will join Personal Accounts and will appreciate the opportunity of having an employer contribution. The conclusions from the data analysis and interview data were that the likelihood of saving for retirement depends less on agency and more on access to occupational pensions and as determined by labour market position. Personal Accounts thus have the potential to vastly increase the numbers of young people saving, simply by increasing access.

8.6.1 Personal Accounts: the Positives

Three features of Personal Accounts in particular are likely to lead to high levels of membership, especially amongst young people: automatic enrolment, employer contributions and transferability. Automatic enrolment means that ease of joining is no longer an issue and will particularly appeal to those with views similar to the interviewees who appreciate the idea of 'everything being done' for them and 'not having to worry about it', whilst not offending those who value choice in their saving decisions. Employer contributions are recognised as the key benefit to occupational pension schemes, making pension saving affordable for the individual. A guaranteed contribution of 3% from the employer is an obvious advantage and provides a good reason to join; alongside the government's 1% contribution, it means a doubling of the individual's investment. The interviewees liked both the additional contributions and the idea that saving for retirement would be a shared endeavour. Furthermore, the level of individual contribution was seen as acceptable. There were several people who felt that taking up such an opportunity might be difficult but ultimately worthwhile. Because Personal Accounts will be offered by all employers, they will be transferable between employers, and as such they will have an advantage over traditional company pensions, also helping to solve the problem of multiple pensions and delaying saving until settled (in a permanent job) which, as discussed above, is one of the likely reasons for lack of

[31] Provided they are 22 or older and earning at least £5000 per annum they will be enrolled automatically.

pension uptake. Finally, the potentially high levels of membership as a result of these features could prove to be self-reinforcing, as joining a personal account becomes the 'done thing' and people may feel a certain 'safety in numbers' deriving from mass participation.

8.6.2 Personal Accounts: the Risks

In contrast, there are also several factors emerging from the analysis that could damage the success of individual accounts for young people. In particular, these are the age criteria (scheme eligibility), lack of trust in government, and lack of a guarantee of pension income (pension type).

The decision that the age of eligibility should be 22[32], in order to reduce administration costs and to fit in with eligibility for the national minimum wage main rate, may work for those just starting their career after university (although the Pensions Commission recommended 21), but it will send out the wrong message to those who are starting their careers at younger ages. As observed above, these individuals are more likely to be in disadvantaged labour market positions and subsequently earning lower incomes. The target group for Personal Accounts is moderate to low earners, so it seems strange that the eligibility criteria should be more appropriate for graduates; the government risks disadvantaging the very group that they are aiming to assist. Making a pension contribution from the start would mean that the money would not be missed, but potentially working for up to four years and then seeing a drop in income upon automatic enrolment is likely to increase the temptation to opt out. Furthermore, as discussed in the literature review, saving even a small amount early on makes a large difference; it seems a shame to waste this advantage, especially for those who might have most need of it.

In addition, in the same way that default contribution rates come to be seen as advice on how much to save (Madrian and Shea 2001), the default enrolment age may be taken as advice on when to start saving; in which case, 22 would be considered the age at which a person should start saving. The interview data and previous research (Clery et al. 2006) show that the popular view is that retirement saving should start when an individual starts work. The age of 22 fits with starting work for those who stay on in education, but would be breaking the link between starting work and saving for those who begin their working life earlier. Pettigrew et al. (2007) found that those in higher education supported an automatic enrolment age of

[32] Younger employees can choose to opt in and their employer can choose to enrol them automatically, but is not required to do so.

22, but that those not in education thought that 18 would be fairer and result in higher returns. Research by Jones (2005) argues that policy legislation, such as age-graded rates for the job-seeker's allowance and the transitional rate for the national minimum wage, treats young adults aged 18-25 as being semi-dependent. As a result, the period of dependent youth has become extended for a growing majority of young people, but there is a minority who undergo fast track transitions, entering the labour market early, who are particularly disadvantaged by these policies. The proposed auto-enrolment age is another policy which disadvantages this group, and such policies, which encourage extended dependency, seem to be at odds with policies aimed at encouraging responsibility.

The interview data suggested a widespread lack of trust in government to deliver on pensions. Central to this were concerns about the level and continuation of state pensions. If Personal Accounts are perceived to be a state scheme (more likely if there is a single provider, as has been decided) this could be damaging for take-up. However, trust is also low for personal pension providers, and the multiple provider model of Personal Accounts delivery, while increasing choice, would in addition increase complexity, and therefore would also have a potentially damaging effect on take-up. The preference expressed by respondents for employers to deliver pensions was not an option for Personal Accounts.

Related to the trust and security issues is the lack of guarantees. Personal Accounts will work on a money purchase basis and be dependent upon investment returns. The Personal Account fund must ultimately be used to purchase an annuity. There will be no guarantee that the final fund will be worth the amount contributed to it (as it will depend on stock market performance), and no guarantee as to the level of pension income the fund will be able to purchase (this will depend on annuity rates). Many people consider investment in shares to be similar to gambling and there was evidence of similar views in the interviews. Several people mentioned that they would prefer a guarantee. With final salary schemes, people know the income that they will receive in retirement; the uncertainty of Personal Accounts may be detrimental to membership. Furthermore, the option of choosing an investment fund may emphasise the risk factor for some, and add responsibility and choice that they would rather not have. The interviews suggest, however, that while this would be the case for some young people, others would appreciate the sense of control that such choices would provide.

As discussed in Chapter 3, there are other concerns about Personal Accounts, in terms of costs to employers, risk that existing schemes will close, and risk that contribution levels to existing schemes will be levelled down (although legislation will prevent employers punishing or rewarding employees into opting out). There are also concerns about Personal Accounts

not being suitable for some individuals and of their limitations in income replacement (adequacy). However, overall, Personal Accounts look set to increase equality of opportunity within pensions. Even with later retirement and lower levels of pension income than might previously have been received, Personal Accounts will make private pension saving more universal.

Two large groups will not be covered automatically by Personal Accounts, namely people outside the labour market and the self-employed. These individuals will have the right to opt in but will not be enrolled automatically and, not having an employer, will not receive employer contributions. Those not in paid work will receive tax benefits of £28 for every £100 they contribute up to a maximum of £3,600 total contributions a year, and the self-employed will also receive tax incentives, but in both cases the level will not make up for the loss of employer contributions. The opt-in, rather than opt-out, and loss of contributions, are likely to mean that the majority in these groups will not be covered. On the plus side, many in both groups will probably already have Personal Accounts which they started as employees, and the fact that they will be able to continue making contributions to their account is likely to increase pension saving overall. The transferability of Personal Accounts is a particular strength for these groups.

Other elements of the pension reforms include a reduction in the number of years' contributions in order to qualify for the full basic state pension, and the restoration of the earnings link (discussed in Chapter 3). These changes mean that more young people will ultimately become eligible for the full basic state pension. The restoration of the earnings link (provided that earnings continue to rise faster than prices) should reassure young people of the continued existence of the state pension[33]. However, if restoration of the link is left too late, the value of the state pension will fall further relative to means-tested benefits, thus increasing the number of people eligible for means testing and undermining Personal Accounts. The reforms, if introduced promptly, are likely to increase young people's' confidence in state provision.

8.6.3 Later Retirement

The third element of pension reform that is particularly relevant to young people is represented by the plans to increase the age of eligibility for state pensions to 68. Many

[33] If the recent trend of increased inflation continues, retaining price indexing may be preferable.

young people will not yet be aware of these plans, which are unlikely to be popular. The idea received a mixed reaction from the interviewees. Although there was some concern about the possibility of being forced to work longer, the majority were, surprisingly, more positive, regarding the increased state pension age as simply a choice between saving more and working longer. Given that the majority wanted to retire considerably earlier than the current state pension age, there was an overall preference for saving more and retiring as soon as possible. This provides further evidence for the view that young people believe that opportunities are open for all and the future depends on individual proactivity and planning. Whilst it may be true that individuals who save enough will be able to retire early, this group is likely to be a minority. It seems more likely that only the very wealthy will be able to save enough in an individual personal pension to allow this to happen. The level of saving required will be high and will need to be achieved through individual saving, as retirement ages for company pension schemes are rising.

Previous trends towards earlier retirement were mainly the result of company policies, not individual saving alone; people saving in personal pensions stay longer in the labour market than those with occupational pensions. The trend towards early retirement was related to companies shedding older workers in times of recession and providing generous final salary schemes as a perk; older workers are now needed in the labour market and final salary schemes have become too risky and expensive for companies to bear. A return to early retirement looks unlikely.

The interviewees' belief, that through saving more they will be able to retire early, contrasts with the limited retirement saving actually taking place amongst the group. The interviewees demonstrated an acceptance that it will be necessary to save in order to retire, yet there was little evidence of this actually happening. The motivation of wanting to retire early is not enough to overcome the barriers. The reforms mean that the majority of young people will be retiring later than either their ideal or expected retirement ages.

8.7 Theories of Saving Re-Examined

8.7.1 Economic Theories

How do theories of saving fit into this? The Life Cycle hypothesis (Modigliani and Brumberg 1954) predicts that young people will not save. The Life Cycle hypothesis is based on income versus spending, so people save when their income is higher than their outgoings and borrow when their income is lower than their spending. There is a logical assumption that young people will be in the borrowing group. This research demonstrates that retirement saving is related indirectly to income but directly to access to occupational pensions. There can be logic to joining an occupational pension because of employer contributions and compound interest, even where individuals are also paying off debt. Hence, young people do participate in pensions but at lower rates than those in middle age. Access to occupational pension schemes is related to employment factors such as employment status, socio-economic group, industry and income. Because young people are more likely to be either outside the labour market or in a disadvantaged position within it, the overall pattern of the Life Cycle hypothesis appears to fit. However, with wider access to occupational pensions amongst young people, which is likely to occur with Personal Accounts, the retirement saving behaviour of young people may no longer fit the model. The Life Cycle hypothesis can therefore be criticized as being oversimplified, in failing to take account of the wider context beyond income and debt as well as focusing too much on the individual.

The Permanent Income hypothesis (Friedman 1957) similarly relies solely on income to predict saving, but does not relate income directly to age. The hypothesis states that where an increase in income is considered to be permanent, consumption rises, whereas saving occurs when an increase is considered to be temporary. High earners are thought to have a larger temporary element in their income. Furthermore, individuals are thought to consume a constant proportion of their permanent income, with low earners having a higher propensity to consume than high earners. This means that high earners are more likely to save. Again, the hypothesis would not be able to account for a young person who may be on a low income (and/or repaying debt), who is saving in an occupational pension in order to benefit from the employer's contribution. However, high rates of personal pension membership at the highest income levels suggest that the theory is more relevant to personal pensions.

An additional problem with the income-related hypotheses in general is that they fail to account for the precautionary saving that occurs at young ages when income is low, yet this

precautionary saving was a high priority for many of the young people who were interviewed. Having short term savings set aside for emergencies and unexpected events was important for most of the interviewees. This attitude appeared to be linked to a sense of security, and this may be especially important to young people who have not had the chance to build up other investments. As noted previously, this type of saving fits in with the Buffer Stock models of saving (one interviewee actually used the term 'buffer'). This suggests that many young people do have the capacity to save individually, but that capacity is limited to small amounts for more short term needs. Retirement saving is most likely to occur alongside Buffer Stocks saving when a young person has access to an occupational pension. The assumption in the Buffer Stocks model is that retirement saving only occurs from the age of 50. This may, to some extent, fit in with personal pension saving, which tends to occur later and peak in the fifties, but occupational pension saving starts much earlier.

8.7.2 Psychological Theories

Looking at the psychological theories, there is not much evidence from the interviews for or against Duesenberry's Relative Income hypothesis of social comparison (Duesenberry 1949). The desire to own a home may be the exception; becoming a home owner was a top priority for the young people who were interviewed, and the desire to buy a property was universal. The theory would assume that those buying a home in order to 'keep up' despite their financial difficulties would be less likely to save for retirement. However, as discussed previously, evidence from the interviews and other research suggests that home owners are the most likely to save for retirement. One possible explanation is that the advantage in the labour market that is associated with pension saving is also associated with advantage in the property market. Another is that home owning acts as a trigger for other forms of financial planning. If Duesenberry's theory could be extended to include social comparison of saving, in addition to social comparison of consumption, then it may have more relevance to pension saving, for example where occupational pension saving is the majority activity in a company because it is the 'done thing'.

Warneryd's idea concerning self-control, namely that willingness not to spend is fundamental to saving, puts the responsibility for retirement saving firmly upon the individual, but the current research has shown that saving for old age is unlikely to occur purely on the basis of individual agency unless the individual also has substantial resources. Thus Katona's argument, that saving is the result of ability to save combined with willingness to save, fits better with the findings of this research. Ability to save can be seen as being determined by

structural factors (rather than income alone) and willingness to save can be represented by agency. However, Katona relates willingness to save more to the individual's perception of the economy.

Proof or confirmation of the impact of the wider economy on saving is beyond the scope of this research. However, it is interesting to note that the research took place many years into a long period of growth for the UK economy, combined with cheap borrowing and historically low interest rates which have encouraged a culture of high spending and borrowing and of low saving. It seems likely that this will have influenced young people's' attitudes to saving. Since the interview data was collected there has been enormous change in the economic situation; borrowing has become more expensive and difficult and banks are encouraging saving, but the fall in interest rates means that returns for savers are poor. The previous economic climate, which influenced lower levels of saving, has changed, but it is not yet clear whether or not the new conditions will be favourable to saving. In terms of pension saving specifically, the situation is pessimistic; stock market falls have damaged the performance of pension funds, leading to reductions in the value of defined contribution pensions and deficits in the accounts of defined benefit schemes, which are likely to lead to more scheme closures. Indeed, a recent report by NAPF (National Association of Pension Funds 2009) estimates that 52% of defined benefit pension schemes currently open to new members will close within the next five years, furthermore, 27% of defined benefit schemes only open to existing members are intending to switch to defined contribution schemes.

8.7.3 Behavioural Theories

Finally, theories of behavioural economics are particularly relevant to this research, because of their influence on the new pension reforms. The decision to use the opt-out element in Personal Accounts results from research in this area. The interview data suggests that such support to encourage retirement saving will be both popular and relatively successful. What is interesting about opt-out is that it changes the active decision from deciding to save to deciding not to save. It allows the individual agent freedom to do as they choose, whilst stacking the odds in favour of pension saving.

A potential pitfall is that the contribution rates of Personal Accounts will simply be accepted at their default levels, thus limiting the level of replacement income in retirement. The government is considering the introduction of a Pension Increase Pledge (PIP) in which employees will save more through agreeing to an annual increase in their pension

contribution. The idea is based on the Save More Tomorrow scheme that has been successful in the United States and is itself based on concepts from behavioural economics.

The default age for automatic enrolment is likely to have a similar effect, but there are no plans to mitigate this. One possible impact (that fits with the predictions of behavioural economics) is that 22 will become the age at which retirement saving should start, meaning that those who join the labour market at 18 will miss out on four years of contributions. A worst case scenario is that those who start work early will be more tempted to opt out when they are eventually enrolled automatically, although behavioural economics predicts that inertia would prevent this outcome.

The focus in behavioural economics does appear to be on occupational pensions; with the pending introduction of Personal Accounts it would be useful to have some solutions for those who will not benefit from automatic enrolment and employer contributions. As discussed in Chapter 3 (section 3.2.3a) behavioural economics currently fails to recognize that different social groups have differential access to saving resources.

8.8 Summary

Starting to save for retirement can be usefully regarded as a type of youth transition. In this saving transition, young people appear to face more choice than previous generations, but this choice is largely illusory; instead, it is becoming more difficult for young people to save for an adequate retirement income because of the closures and changes to occupational pensions. As a result of such changes, young people are more exposed to the risk of poverty in retirement and having to work for more years than they had anticipated, but, although young people are aware of these risks, they are potentially underestimating them by overestimating their ability to save for a prompt and comfortable retirement. Delays to retirement saving may relate to other delayed transitions such as entry to the labour market; also, the traditional transition into a job for life with a company pension no longer exists for the majority. Changes to private and state pensions that have increased their complexity, and other factors such as job mobility, mean that forms of retirement saving have become more diverse. Young people see retirement saving as being their responsibility, alongside the responsibilities of employers and government, but, at the same time, most of them have a strong belief in their own ability to save for retirement. Pension choices are structured by labour market position, and disadvantage in the labour market explains young people's' lower private pension membership in comparison with older age groups. Amongst the under-35s,

different positions in the labour market explain why some young people have more options and a greater likelihood of pension membership than others, relating to wider patterns of the social transmission of inequality. Structural factors determine pension likelihood to a far greater extent than individual agency.

Occupational pensions are central to private pension saving and their benefits are widely appreciated by young people. The majority of those with access to occupational pension schemes join them; however, a growing minority of young people are not taking up offers of company pensions. Possible reasons for this include insecurity caused by scheme changes, the greater risks of defined contribution schemes, lower employer contributions, higher employee contributions, difficulty of joining, eligibility criteria, and lack of portability. More research is needed regarding issues of occupational pension scheme take-up, especially their implications for the uptake of Personal Accounts.

Personal Accounts will increase access and choice in retirement saving for young people. On the positive side, Personal Accounts will encourage more pension saving through affordability (employer contributions), ease of joining (auto-enrolment), and transferability between jobs. Less positively, age criteria, lack of trust in government and in pension providers, and lack of a guarantee, could damage take-up. Financial education and decreasing the age of eligibility to 18 may help to reduce the damage. Changes to the state pension may also help to restore confidence. The increases in state pension age and changes to company schemes mean that, despite Personal Accounts and high expectations, the majority of young people are likely to retire later rather than sooner.

Many of the main theories of saving are income-based and do not take into account the key issue of access to an affordable way of saving. The income theories are not particularly useful in explaining occupational pension saving, but some may be helpful in explaining personal pension saving. The Buffer Stocks theory is useful for explaining short term saving but does not help to explain retirement saving. Duesenberry's theory could be modified to account for social influences on saving as well as consumption. Katona's theories can be related to the structure versus agency debate, but actually relate to the influence of the wider context of the economy.

In conclusion, young people have been disadvantaged by changes in the UK pension system, yet an emphasis on personal responsibility has obscured the inequality of pension saving opportunity both within and between age groups. The new reforms are likely to be successful in offering more choice and increasing pension saving by young people; however, young

people’s’ expectations of saving enough to enable them to retire early are likely to be disappointed.

Chapter Nine – Conclusion: Pensioners of the Future

If young people are not to face lower standards of living in retirement than today's pensioners, they will need to save more and/or work longer. New policy reforms that will raise the state pension age and provide wider access to occupational pension saving are designed to encourage longer working and increase the level of private pension saving. These policies will have the greatest impact on the current (and following) generation(s) of young people, and their success in preventing a future in which pensioners are poorer will depend upon increased levels of private pension saving in both Personal Accounts and alternative retirement saving vehicles. Pensions policy since the 1980s has attempted to encourage more private pension saving, and policy failure in this regard is one of the factors behind the current pensions crisis. Particularly notable are the declining numbers of young people who are saving in private pension schemes. The causes of this decline are an under-researched topic, yet an understanding of young people and their retirement saving decisions would, in the light of the new reforms, now appear to be of critical importance. This research has examined the topic of young people and saving for retirement, and the findings have implications for the likely success of the new pension reforms.

Existing theories and research on retirement saving tend to be economic or psychological in nature and focus on ability to save (as measured by income and outgoings) and individual propensity to save (as measured by rationality, willingness and self-control). According to these theories, any individual who has outgoings higher than their income (and is therefore in debt) will be unable to save (for retirement). Furthermore, any individual whose essential outgoings are lower than their income but who fails to save (for retirement) is at fault. As in pensions policy, the onus is upon the individual to take responsibility for their actions and to save if they are able; failure is blamed upon the individual. In this research, the main criticism of these approaches is that they fail to take into account the wider context, the constraints on decision making, and the choices available to an individual.

Youth researchers studying youth transitions argue that the individual is viewed as being responsible for the successful outcome of a transition, but that this emphasis on individual responsibility hides the reality that individual choices are constrained by structural factors. Individuals do not have equal ability to take advantage of the opportunities that are presented to them. In the pensions arena, the emphasis on individual responsibility in both policy and research is strong; young people are seen as being responsible for their saving choices, and are blamed for failure to save, whilst structural constraints are ignored. This research has

attempted to redress the balance by exploring young people's' individual retirement saving decisions in the context of structural constraints, using a mixed method approach that combines an analysis of quantitative survey data with semi-structured interviews.

Using the Family Resources Survey, the research identified the demographic and socio-economic characteristics of pension savers and non-savers under the age of 35. The demographic characteristics were as follows: it was found that pension saving increases considerably during the twenties and early thirties, that young men are more likely to belong to pension schemes than young women, that individuals in couples are more likely to be scheme members than those who are single, and that White British and Afro-Caribbean young people are more likely to belong to pension schemes than young people from other ethnic groups. Looking at these demographic characteristics for occupational pensions and personal pensions separately, there are two key differences. Firstly, by age; personal pension saving starts at a slightly later age than occupational pension saving. Secondly, by gender; membership of occupational pensions is similar amongst young men and women, with the gender differences in private pension membership accounted for by personal pensions. Comparing the demographic characteristics of young people with the demographic characteristics of adults from all age groups, the patterns of pension saving are very similar. The main exception to this is that there is a larger gender gap in private pension membership for all ages.

The socio-economic characteristics included in the analysis were: socio-economic group, employment status, income, industry, number of years spent in full-time work, education, and housing tenure. It was found that the young people most likely to belong to private pensions were those who worked as managers and professionals, those who worked full-time, those who worked for employers, those who earned high salaries, those who worked in the public sector, those who had worked full-time for more than ten years, those with university degrees, and those who were buying their accommodation.

Conversely, the young people who were least likely to belong to a private pension were those who worked in semi-routine or routine roles, those who worked part-time, those who were self-employed or not working, those on low incomes, those who did not work in the public sector, those who had spent fewer than ten years working full-time, those with no educational qualifications, and those who rented their accommodation. There were considerable differences in the socio-economic characteristics of savers and non-savers according to pension type, particularly by employment status and industry.

Personal pension savers were more likely to be self-employed and more likely to work in the construction and primary industries, whereas occupational pension savers were more likely to be employees and to work in the public sector. The socio-economic characteristics of young savers were very similar to the socio-economic characteristics of adults from all age groups. However, an examination of the differences between the categories in each variable suggests that there is more inequality in occupational pension membership between groups amongst young people than there is amongst all ages. Young people already in a situation favourable to occupational pension saving are therefore more advantaged relative to their peers.

The regression modelling of these eleven variables indicated that the four employment factors (socio-economic group, employment status, industry and income), along with age, had the greatest influence on the chances of a young person belonging to a private pension scheme. Socio-economic group and industry were important influences on both types of pension membership, whilst age and employment status were more relevant to explaining personal pension membership; meanwhile, income was *only* relevant to explaining occupational pension membership. This finding regarding income is of particular importance. Income, unlike socio-economic group, industry or employment status, does not directly determine access to occupational pensions, but is a factor associated with occupational pension membership. Given that income is regarded by saving theory as a determining factor in ability to save, one would expect it to be an important variable in explaining personal pension membership. The finding suggests that those who are in the best position to save independently in personal pensions are also those most likely to have access to occupational pensions, whereas those least likely to have access to occupational pensions are those with lower ability to save independently.

As discussed above, the characteristics of young pension savers are generally the same as the characteristics of pension savers of all ages; however, young people in general are less likely to have these characteristics, and they are less likely to be in a position favourable to pension saving. For example, whilst pension savers are more likely to be married, to be home owners, to be high earners and to work in high status occupations, young people are more likely to be single, to be renting their accommodation, to be low earners and to work in low status occupations. The regression modelling demonstrates that it is the individual's position in the labour market that determines access to occupational pension schemes. As a group, young people are disadvantaged in pension terms as they struggle to become established in the labour market, starting out in lower paid and lower status jobs. The predicted probabilities clearly demonstrate the way in which pension likelihood changes with age, mainly as a result of the changes in labour market position which tend to occur as a young person becomes

established in their working life. The way in which differences in labour market position explain differences in pension likelihood between young people was also demonstrated by the predicted probabilities.

As a general pattern, this fits with the Life Cycle hypothesis, which predicts that young people will not be able to save and rather will be in debt, deferring saving to the future when income is higher. However, the hypothesis fails to explain the significant numbers of young people who do save for retirement.

The interviews explored how decisions about retirement saving were made by young people, namely by examining their financial priorities, retirement expectations, attitudes and circumstances. High levels of non-essential spending and debt are thought to be barriers to pension saving. However, the interviews found that non-savers typically had very low levels of non-essential spending compared with savers. Furthermore, debt did not necessarily prevent retirement saving, with several occupational pension scheme members having significant levels of debt. Retirement was viewed positively and most respondents were keen to retire early. The majority thought that pensions would be an important source of retirement income and most respondents expected to be comfortably off, even those who were not making provision. Pensions were generally seen as being essential for financial security in later life, but there was also some awareness of the risks of pensions and so it was considered important to spread the risk by combining pension saving with property and other investments, although hardly anyone was doing this. The young respondents accepted that they had a responsibility to save for later life, and the majority thought that retirement saving should start early so that working for longer could be avoided, even though many holding this view had not yet started to save.

The interviews confirm that attitudes are not always congruent with behaviour. The desire to retire early, the view that pensions are a requirement for financial security, the acceptance of responsibility, and the recognition that retirement saving should start early, do not necessarily translate into action. This is because, although the pension priorities of the respondents may be similar, access to pensions differs. Those with a reasonable income can choose to spend, save or repay debt, but only those with access to an occupational pension can join one. When the non-savers were asked why they had not joined a pension scheme, the main reason given was affordability; no one suggested that they were not saving because they could not join an occupational pension scheme. This suggests that individuals are unaware of the constraints that are operating on their pension choices and will be more likely to accept the blame for failure to save. In the same way, the findings also suggest that occupational

pension savers would be happy to accept the credit for acting responsibly. In spite of this, the fact that most respondents accept their responsibility to save for retirement, but feel that it should be shared with government and/or employers, suggests a recognition that saving enough to retire on, from an individual basis, is difficult (if not impossible). There is also a clear preference for the benefits of occupational pension saving, as indicated by the respondents' universally positive reactions to the idea of Personal Accounts.

When responding to the question of when retirement saving should start, a significant number of respondents related their answers to the concept of 'settling down'. This appeared to relate particularly to becoming established in the labour market (first significant job or the start of a career). This concept is supported by the survey evidence regarding patterns of pension saving; those established in the labour market are more likely to belong to private pension schemes, particularly occupational pension schemes. The concept can also be related to youth transitions, specifically the transition from education to work. The evidence from youth research suggests that transitions are being delayed and extended, so that becoming 'established' in the labour market is likely to take longer and occur later, with the consequence that pension scheme membership is also likely to be delayed. The changes occurring in youth transitions, in combination with the closure of occupational pension schemes, provide possible explanations for the decline of private pension saving amongst young people, although more research is needed to explore the reasons why some young people with access to occupational pension schemes decide not to join them. Longitudinal research would also be useful to examine whether and how the pension saving intentions expressed by young people are put into action.

Overall, despite shared attitudes regarding the desirability of pension saving, young people's' pension choices are structured by their position in the labour market. The separate analysis of personal and occupational pension saving is vital to an understanding of young people's' pension choices and decisions. Those with the highest incomes, who would be best placed to save in personal pensions, are also best placed to have access to occupational pensions; these young people have choices. For those without access to occupational pensions, choice in pension saving is limited and the barriers to pension saving are considerable. Retirement saving is low amongst young people, mainly because young people, who may be undergoing extended transitions from education to work, are more likely to lack access to occupational pension saving and are less likely than other age groups to be in a position to save in personal pensions. Delayed transitions may be one of the explanations for declining levels of pension saving amongst young people. The desire for shared responsibility suggests that young people recognise the need for assistance to save for retirement. The popularity of

occupational pensions, and the positive reactions to Personal Accounts, indicate the high value placed on such help.

The findings suggest that widening access to occupational pension saving through Personal Accounts will increase private pension saving amongst young people in employment. However, the government needs to think carefully about the impact of excluding young employees under the age of 22 from the benefits of automatic enrolment, as this may ultimately damage take-up in the target group. Serious consideration should be given to starting automatic enrolment at the age of 18, in order to avoid disadvantaging young people who make early transitions from education to work. Consideration should also be given to making it mandatory for the level of employer pension contributions to be clearly stated alongside salary in all job advertisements. This would increase the profile of pensions overall, and awareness of the benefits of work-based pensions in particular, as well as assisting young people to make informed choices about working and saving.

Without additional benefits to make up for lack of automatic enrolment and lack of employer contributions, it is unlikely that Personal Accounts will significantly increase private pension saving amongst young people in self-employment or young people not in paid work, and the difficulties of such excluded groups should be recognised (and they should not classified as being irresponsible!). Education and awareness campaigns targeted at these groups could provide some compensation for lack of automatic enrolment, and additional government contributions could help compensate for lack of employer contributions; however, for cost reasons, neither measure is likely. This means that inequalities between different groups will continue, with existing employer pensions offering more generous benefits than Personal Accounts, whose members, in turn, will be better positioned than those with no access to occupational benefits. As a whole, in comparison with today's pensioners, more young people will save for retirement; they will make larger contributions over a longer period and they will retire later. The hope is that these higher levels of saving will mean that the pensioners of the future will be no worse off.

Appendices (Note: numbered by chapter)

Appendix 3: Study Information

STUDY INFORMATION			
Author and Date	Study subject	Research Design	Coverage of study
Association of British Insurers (2004a)	The nation's savings & attitudes to saving.	Survey 2,566 working & semi retired adults, women aged 18-59, men aged 18-64	National
Association of British Insurers (2004b)	Young people and pensions	Focus groups (16) Employed adults aged 18-30 (104)	England and Scotland
Anderson et al. (2000)	Younger and middle aged adults retirement preparation	Survey (301) and in depth interviews (52) General population mostly aged between 30 & 49. Part of follow up to 1986 ESRC study	Local – Kirkcaldy, Scotland
Attanasio& Banks (1998)	Examining saving behaviour in a lifecycle context	Construction of lifecycle profiles from secondary data source FES & Consumer expenditure survey	International UK & USA
Banks & Tanner (1999)	Attitudes to risk and saving	Focus groups (12) defined by gender, age and social class. Secondary data analysis of FES and financial Research Survey	National
Bardasi, Jenkins & Rigg (2002)	Retirement transitions & the probability of becoming poor.	Secondary data analysis British Household Panel Survey	National
Byrne (2004)	Attitudes & knowledge saving and investment decisions in DC plans.	Survey of members of a mid sized occupational pension scheme (1118 members)	Local
Canova, Ratazzi & Webley (2005)	Reasons for saving	Questionnaire – used 97 of the respondents, school of psychology general public panel	Local - Exeter
Chartered Institute for Personnel Development (2003)	Attitudes & expectations of pensions & retirement	Commissioned telephone survey (599) working and retired	National?
Clery et al (2006)	Survey to explore attitudes, knowledge and behaviour towards pensions & saving for retirement	Postal survey (1950) Age range 18 to 69	National
Davies & Lea (1995)	Student levels of debt and attitudes towards it	Survey questionnaire of university students (140)	Local - Exeter

Disney, Emmerson & Wakefield (2001)	How reforms encouraging private provision have impacted on saving behaviour & rates.	Secondary data analysis (GHS, BHPS, FES)	National
Financial Services Authority (2002)	Generational differences in pensions/savings & consumer attitudes to financial planning	In depth interviews (60) with consumers close to retirement 4 Group discussions (30) with younger consumers	Regional? – North London & Birmingham.
Furnham & Goletto-Tankel (2002)	Attitudes and understanding of pensions, saving & life assurance in 16-21s	Questionnaire survey (452) respondents from 4 different universities, FE colleges, fee paying schools, plus working/unemployed	National?
Gustman & Steinmeier (2001)	Knowledge about future pension benefits	Secondary data analysis USA health and retirement survey	National - USA
Hancock, Jarvis & Mueller (1995)	Attitudes and expectations with regard to retirement age and income	Specific questions in omnibus survey. 1200 people aged 20-64	National
Hedges (1998)	Attitudes, knowledge & aspirations in relation to pensions & retirement planning	16 Focus group discussions 97 people Cross section of adult population pensioners & working age	National – 8 locations in England
Harris, Loundes & Webster (2002)	Determinants of household saving in Australia	Analysis of telephone survey. Random sample quarterly over 5 years, 17,585 households.	National - Australia
Hershey & Mowen (2000)	Factors that influence financial preparedness for retirement	Survey questionnaire, 230 participants members of Arkansas household research panel	Regional – Arkansas USA
IFA promotion (2003)	Examining the relationship between consumption, debt and saving	Commissioned consumer research of 2,020 adults aged 15+, nationally representative sample	National
Joo & Grable (2000)	Creating a model of how retirement investment & savings decisions are made	Secondary data analysis using USA Retirement Confidence Survey. Interviews of 1,022 people aged 25+	National - USA
Lunt & Livingstone (1991)	Investigating the determinants of saving	In depth postal questionnaire survey, (279) university subject panel plus snowballing technique	Local - Oxford

Lusardi (2001)	To explain why people don't save.	Analysis of secondary data using US Health and Retirement Survey.	National - USA
Madrian & Shea (2001)	Impact of automatic enrolment on pension scheme membership	401k Case study of company introducing automatic enrolment to 401k scheme	Specific – Large US corporation
Mayhew (2001, 2003)	Attitudes towards pensions and retirement	Questions placed in National Statistics Omnibus Survey, representative of adults 16+ in UK (2000, 2002)	National
Morgan & Eckert (2004)	Explaining financial preparation for retirement	Secondary analysis of data from Maryland Individual Long-Term Care Planning Survey.	Local or Regional? – Maryland, USA.
Munnell, Sunden & Taylor (2000)	To identify factors that determine pension scheme membership & contribution	Secondary analysis of data from US Survey of Consumer Finances. 401k	National - USA
National Savings & Investments (2005)	Examining savings behaviour (who, how much, targets, average)	Quarterly survey. ? telephone ? numbers	National
Pettigrew et al (2007)	Exploring the attitudes of young people to saving, retirement and pensions	16 Focus groups and 20 in depth interviews with young people aged 16-29	National (6 locations)
Quilgars & Abbott (2000)	Looking at understanding and management of employment risks.	semi-structured Interviews (90)	Leicester and Selby
Skinner & Ford (2000)	Investigating awareness of need for and extent of financial planning.	In depth interviews (45) Mainly home owners – purposive sample	Leeds and London (Croydon/Streatham)
Thaler & Bernatzi (2004)	The Save More Tomorrow scheme – encouraging employee saving	Case study of three companies.	Local - USA
Watson (2003)	Examining the relationship between materialism, spending and borrowing	Mail surveys (322) Sampling frame – telephone directories Urban and non urban areas	Regional – Pennsylvania, USA
Which? (2004)	Examining what people want from choice.	522 interviews (nationally representative) 8 focus group discussions 50 in depth interviews	National (GB interviews) Group discussions and in depth interviews – 6 English regions

Appendix 4a: Variables and Questions used in the secondary data analysis, FRS, 2005/6

Variable Name Used in Analysis	Variable Name In FRS	Derived?	Questions (inc. Name)
Iagegrp (5 year age bands)	IAGEGRP	Yes	*AgeOf* What was [name]'s age last birthday?
Sex (Gender)	SEX	No	*Sex* Interviewer code; 1. Male 2. Female
tenure1 (housing tenure)	TENURE	No	*Tenure* In which of these ways do you occupy this accommodation? 1: Own it outright 2: Buying it with the help of a mortgage or loan 3: Pay part rent and part mortgage (shared ownership) 4: Rent it 5: Live here rent free (including in a relative's/friend's property; excluding squatting) 6: Squatting
Ethgrp5 (Ethnic Group)	ETHGRP	No	*EthGrp* To which of these ethnic groups does [name] consider he/she belongs? 1: White – British 2: Any other white background (please describe) 3: Mixed – White and Black Caribbean 4: Mixed – White and Black African 5: Mixed – White and Asian 6: Any other mixed background (please describe) 7: Asian or Asian British – Indian 8: Asian or Asian British – Pakistani 9: Asian or Asian British – Bangladeshi 10: Any other Asian/Asian British background (please describe) 11: Black or Black British – Caribbean 12: Black or Black British – African 13: Any other Black/Black British background (please describe) 14: Chinese 15: Any other (please describe)
Marital (marital status)	MARITAL	Yes	*MS* Is [name]... 1: ... single, that is, never married, 2: ... married and living with husband/wife, 3: ... married and separated from husband/wife, 4: ... divorced, 5: ... or widowed? *CupChk* May I just check, are you/is [name] living with someone in this household as a couple?

Quals (Education)	EDATTN1 EDATTN2 EDATTN3	No	*EdAttn1* Do you have any educational qualifications for which you received a certificate? *EdAttn2* Do you have any professional, vocational or other work-related qualifications for which you received a certificate? *EdAttn3* Was your highest qualification.... 1. At degree level or above 2. Or another kind of qualification
Sic3 (industry)	SIC	No	*FirmDo* What does/did the firm/organisation you work[ed] for mainly make or do (at the place where you work[ed]?
Ftwk2 (number of years in Full-time work)	FTWK	No	*FtWk* Looking back to the time when you finished continuous full-time education how many years since then have you spent ... in paid FULL-TIME work?
Income3 (weekly gross income)	INDINC	Yes	Questions from QEmpJob and QSelfJob (employee pay details and self-employment earnings) include; *PayAmt* What was your last take-home pay, including overtime, bonus, commission, tips or other payments such as tax credits? (asked of employees) *SEIncAmt* On average, what was your WEEKLY or MONTHLY income from this job/business over the last 12 months? (asked of self-employed)
Empstati1 (employment status)	EMPSTAT	Yes	Questions from QCurst (employment status) include; *Working* Did you do any paid work in the 7 days ending Sunday the [date/month], either as an employee or as self-employed? *NoLook* what was the main reason you did not look for work (in the last 4 weeks)? 1: Waiting for the results of an application for a job 2: Student 3: Looking after the family/home 4: Caring for a disabled/elderly person 5: Temporarily sick or injured 6: Long-term sick or disabled 7: Believes no jobs available 8: Not yet started looking 9: Any other reason *EmpStat* Are you working as... 1: an employee 2: or self-employed (including Business Start-Up)? *FtPt* In your job are you working ... 1: ... full time 2: ... or part time?

Nssec4c (socio-economic group)	NSSEC	Yes	Questions from QCurst and QJobDes (employment status and details of employment) include; *EType* tell me which of these best describes your employment situation? 1: Employee 2: Running a business or a professional practice 3: Partner in a business or a professional practice 4: Working for myself 5: A Sub-contractor (includes SC60) 6: Doing freelance work 7: Self -employed in some other way *Title* What was your (main) job in the week ending Sunday the (date/month) *Respdo* What do/did you mainly do in your job? *Qualif* What training or qualifications are needed for that job?
Privpen2 (private pension membership) Empay2mv2 (occupational pension membership) SandP2 (Stakeholder and Personal pension membership)	EMPAY1 EMPAY2 EMPAY3	No	*EmpPay* Are you [or your employer] paying contributions to any of the pension arrangements shown on this card? Do you (or your employer) pay contributions to... (stakeholder pension run by their company should be coded as stakeholder and NOT occupational) 1. A personal or private pension fund, or retirement annuity 2. A company or occupational pension scheme run by my employer 3. A stakeholder pension scheme fund 4. None of these

Appendix 4b: Frequencies for Dependent Pension Membership Variables, Source; FRS, 2005/6

Privpen2 whether belongs to any type of private pension	Frequency 16 - 65	Percentage 16 - 65	Frequency 16 - 34	Percentage 16-34
No	21932	59.2	7485	68.2
Yes	15204	40.8	3497	31.8
Total	37036	100	10982	100

SandP2 whether belongs to a personal pension scheme	Frequency 16 - 65	Percentage 16 - 65	Frequency 16 - 34	Percentage 16-34
No	32980	89	10259	93.4
Yes	4056	11	723	6.6
Total	37036	100	10982	100

Empay2mv2 whether belongs to an occupational pension scheme	Frequency 16 - 65	Percentage 16 - 65	Frequency 16 - 34	Percentage 16-34
No	24463	68.8	8128	74
Yes	11573	31.2	2854	26
Total	37036	100	10982	100

Appendix 4c: Overlap Between Occupation and Socio-Economic Group

Occupation	Socio-economic group				
	Employers (large companies) higher managerial & professional	Lower professional & higher technical	Lower managerial & higher supervisory occupations	Intermediate	Employers (small organisations) & own account workers
Managers & Senior Officials	35.8%		50.7%		13.1%
Professional Occupations	59.0%	36.4%	.8%	1.6%	1.4%
Associate Prof. & Technical Occupations	4.4%	74.7%	5.0%	9.9%	2.2%
Admin & Secretarial Occupations	.1%	2.7%	15.4%	64.2%	2.9%
Skilled Trades Occupations	.1%		1.5%	4.5%	30.3%
Personal Service Occupations			3.9%	16.2%	9.5%
Sales & Customer Service			4.7%	19.0%	3.4%
Process, Plant & Machine Operatives				.3%	11.1%
Elementary Occupations					5.1%

4c Continued

Occupation	Employers (small organisations) & own account workers	Lower supervisory & lower technical occupations	Semi-routine	Routine	Not Classified	Total
Managers & Senior Officials	13.1%				.4%	100.0%
Professional Occupations	1.4%				.7%	100.0%
Associate Prof. & Technical Occupations	2.2%	1.4%	1.1%		1.3%	100.0%
Admin & Secretarial Occupations	2.9%	2.5%	10.4%		1.9%	100.0%
Skilled Trades Occupations	30.3%	38.9%	8.8%	15.3%	.7%	100.0%
Personal Service Occupations	9.5%	8.7%	50.5%	8.1%	3.1%	100.0%
Sales & Customer Service	3.4%	8.9%	53.2%	1.2%	9.7%	100.0%
Process, Plant & Machine Operatives	11.1%	21.4%	29.5%	37.3%	.3%	100.0%
Elementary Occupations	5.1%	9.0%	27.5%	52.6%	5.9%	100.0%

Appendix 4d: Socio-Economic Group Not Classified Categories - Detail

Socio Economic Group - Not Classified (not in work) (N= 7962)	%
Student	11.3
Unemployed	6
Retired	28.4
Permanently sick/disabled	28.1
Temporarily sick/disabled	1.3
Looking after family/home	18.3
Other reasons for not working	6.6

Age Group Of not classified (not in work) Socio-economic group	% N=7962
16 to 19	3.0
20 to 24	7.0
25 to 29	5.8
30 to 34	7.1
35 to 39	8.7
40 to 44	8.1
45 to 49	7.5
50 to 54	8.8
55 to 59	14.6
60 to 65	29.5
Total	100.0

Gender of those not classified (not in work) socio-economic group	% N=7962
Male	35.3
Female	64.7
Total	100.0

Pension Membership Of not classified (not in work) Socio-economic group	% N=7962
No	97.2
Yes	2.8
Total	100.0

Age Group Of not classified (in work) Socio-economic group	% N=356
16 to 19	7.3
20 to 24	6.2
25 to 29	8.4
30 to 34	11.0
35 to 39	10.7
40 to 44	12.1
45 to 49	11.5
50 to 54	8.4
55 to 59	13.8
60 to 65	10.7
Total	100.0

Gender of those not classified (in work) socio-economic group	% N=356
Male	57.9
Female	42.1
Total	100.0

Pension Membership Of not classified (in work) Socio-economic group	% N=356
No	66.3
Yes	33.7
Total	100.0

Appendix 4e: Industrial Sector Not Classified Categories - Detail

Industrial Sector - Not Classified (not in work) (N= 7297)	%
Student*	2.8
Unemployed	6.6
Retired	31.1
Permanently sick/disabled	30.7
Temporarily sick/disabled	1.5
Looking after family/home	20
Other reasons for not working	7.3

Age Group Of not classified (not in work) Industrial Sector	% N=7297
16 to 19	.6
20 to 24	3.4
25 to 29	5.2
30 to 34	7.2
35 to 39	9.1
40 to 44	8.6
45 to 49	8.0
50 to 54	9.6
55 to 59	15.9
60 to 65	32.3
Total	100.0

Gender of those not classified (not in work) industrial sector	% N=7297
Male	34.7
Female	65.3
Total	100.0

Pension Membership Of not classified (not in work) Industrial sector	% N=7297
No	97.7
Yes	2.3
Total	100.0

Age Group Of not classified (in work) Industrial Sector	% N=659
16 to 19	5.5
20 to 24	8.6
25 to 29	9.6
30 to 34	13.2
35 to 39	12.4
40 to 44	12.9
45 to 49	10.5
50 to 54	7.4
55 to 59	10.8
60 to 65	9.1
Total	100.0

Gender of those not classified (in work) industrial sector	% N=659
Male	59
Female	41
Total	100.0

Pension Membership Of not classified (in work) Industrial sector	% N=659
No	63.6
Yes	36.4
Total	100.0

Appendix 4f: Fieldwork Letter

Dear,

I am a PhD student in the Centre for Research on Ageing at the University of Southampton carrying out a piece of research on young people and pensions. The aim of the research is to investigate the pension choices of those under the age of 35, to examine the reasons behind those choices and to find out whether more young people could save for later life.

As part of the research I will be carrying out a number of in-depth interviews. I very much hope that you would consider taking part (no prior knowledge of pensions necessary!). Your participation will make a significant contribution to my PhD research. Information given during the interview will be considered confidential and the results will be anonymised. The interview will last approximately one hour and you will be free to terminate the interview at any time. With your agreement the interview will be audio recorded. Should you be willing to participate I will contact you to arrange a convenient time and place to meet. A summary of the results will be sent to you on completion of the research.

Should you have any questions or require further information, please do not hesitate to contact me.

Yours Sincerely,

Karen Baker

Contact details
Karen.baker@soton.ac.uk
Telephone 07949 023 886

Appendix 4g: Declaration of Consent

I give my consent to be interviewed by Karen Baker for her PhD research and I consent for the interview to be audio recorded. The purposes of the interview have been explained to me and I am aware that my responses will be treated as confidential and that I have the right to withdraw my consent at any time.

Signature Date

Appendix 4h: Interview Schedule

A) Formal Section

1) Sex m/f
2) Can you tell me your date of birth? So that makes you xx next birthday?
3) What's your occupation?
    a) Is that full or part-time? (If applicable)
    b) (Have you ever worked full-time?) How many years have you worked full-time? (If applicable)
    c) Roughly how many people work in your organisation? (If applicable)
4) Marital status –Can you describe your household situation with reference to whom you live with? (If living with family or friends, do you pay rent? Do you pay for household utility bills?)
5) Education – What is your highest educational qualification? (When did you obtain it?)
6) Ethnic Group- which ethnic group do you belong to? **Show Card A**

B) Topic Guide

Retirement age and length

I. At what age do you expect to retire?

II. At what age would you like to retire?

III. How many years would you expect to spend in retirement?

Retirement Finances

IV. What do you think will be your main income source(s) in retirement?

V. On a scale of one to five with one being struggling and five being well off how would you anticipate your finances in retirement?

1	2	3	4	5
Struggling				well off * (realistic?)

Retirement images, experiences and future

What does retirement mean to you – how would you define it? Would you say that your overall view of retirement was positive or negative?

Do you have close family or friends that are retired? How would you describe their lifestyle(s) Would you be happy with a similar lifestyle when you reach retirement?

Do you think that retirement for your generation is likely to be a better or worse experience than the experience of those currently in retirement? In what ways? Why?

Image of pensions/pensioners

What does the word 'pensions' make you think of?
What do you think is the public image of pensions? For example, how do you think pensions are portrayed in the media?
What does the word 'pensioner' make you think of? How do you think pensioners are portrayed in the media?

Knowledge and Awareness

On a scale of one to five where one is no knowledge and 5 is very well informed how would you rate your knowledge of pensions?

1	2	3	4	5
None				V. Well informed

Do you know of any current pension issues in the news?

Source/s of information on pensions

Option question - Do you discuss pensions with family or friends?

A) Never
B) Once or twice a year
C) More often? – how often

Option question - Do you read newspaper articles/watch TV programmes about pensions?

A) Never
B) Once of twice a year
C) More often? – how often

What are the main sources of your knowledge about pensions? Who would you ask if you wanted to find out more about pensions?

Benefits and risks of pension saving

Can you think of any advantages in using a pension to save for retirement? Can you think of any disadvantages?
Do you know what the difference is between defined benefit and defined contribution pension schemes?

Lifestyle (Spending, Saving, Debt, Home ownership and Security)

I'm now going to ask you some questions on spending, saving and debt and I just want to emphasise that any response that you give will be treated as confidential.

Spending

a) Do you usually have money left at the end of the week/month/term after accommodation, household bills and travel costs?
b) If yes - **Show Card B** Please pick a letter for the amount of money you usually have left.
c) During the last month which of the following have you spent on? **Show Card C** Please pick all letters that apply**.** Is this typical?

Saving

How important is it for you to have savings set aside for the short-term future? How about the long-term? Why?

a. Do you have a sum of money set aside as savings?
b. Do you set aside money as savings on a regular basis for example weekly or monthly?

c. What is/are your reason/s for saving?
d. Which category best defines your current level of total savings? **Show Card D**
e. Do you have any of the following investments? **Show Card E** please pick all letters that apply

Would you reduce or have you reduced your leisure spending in order to save more? Why or why not? Does this feel like a sacrifice?

Home ownership

Housing tenure - Do you own or rent your home?
If own – is that owned outright or owned with a mortgage?
If renting – is that private or public sector?

How important is it for you to (eventually) own your own home, why? Do you have parents who own their own home?

What are your thoughts on using housing as a source of income in retirement/Can property act as a substitute for pensions?

Debt

Which of the following debts or loans do you have? **Show card F** please pick all letters that apply
Excluding any mortgage loans which letter represents your total level of outstanding debt **Show Card G**
Is being/becoming debt free a priority for you? How important is it to you to pay off debt (loans/overdrafts/credit cards) quickly? Would you reduce leisure spending in order to do so? Can it ever make sense to pay off debt and save at the same time – if so; can you give me an example?

Financial security

On a scale of one to five (where one is not necessary and five is essential) how would you rate the necessity of a pension for providing financial security in retirement?

1	2	3	4	5
Not necessary				essential

Pension choices and decision-making

Pension membership

a) Have you ever been a member of an occupational pension scheme? Are you currently a member? If yes is that a DC or DB scheme?
b) Have you ever been a member of a personal pension scheme (inc. stakeholder)? Are you currently a member?

Why have/haven't you joined a pension scheme?
Did concerns about debt repayment/house purchase influence your decision-making?
Why did you leave your pension scheme?
Do you think you will join a pension scheme in the future? When? (Students)
What circumstances would encourage you to join a pension scheme?
If you were not a member of an occupational scheme would you join a personal pension scheme? Why or why not?

Pensions and Young People

When (age or stage) do you think it is appropriate to start saving for retirement? Why?

Responsibility

Who do you think should be responsible for pension provision? **Show card H** please pick a letter

a) The individual
b) The government
c) Employers
d) A combination – please state which

Do you think employers should contribute to their employees pensions?
Do you think the government should provide more than a basic safety net income to pensioners?
Do you think that private (individual) pension saving should be made compulsory?

The government appointed the Pensions Commission to look into pension saving, the commission concluded that we must choose between the following four options. **Show Card I**
Of these four options which one or which combination would you prefer the government to adopt?
1. Poorer pensioners
2. Working longer
3. Higher taxes
4. Saving more
5. Combination – please state which

Do you think people should work longer to make pensions more affordable?
If a person is in good health what do you think is a reasonable retirement age?

Have you heard of the National Pensions Saving Scheme or Personal Accounts?
If yes, ask, what do you know about it?
If no, briefly outline (where no employer pension scheme automatic enrolment – opt out with employee contribution of 4%, employer contribution of 3% and government contribution of 1%)
What do you think of the idea?

Show card J
Would you prefer to save in a pension scheme that is,
A. Run by your employer
B. Run by the government
C. Run by an insurance company
D. Self invested?

Please pick a letter

Show card K
In your view what is the best way to save for retirement?

A. In a Pension scheme
B. In an Ordinary (non pension) saving scheme
C. By investing in property
D. Through other investments – please state what
E. Some combination of these – please state which? And what would be the best balance between them?

Please pick a letter

Appendix 4i: Showcards

A. Ethnic Group
White –
English
Scottish
Welsh
Irish
Any other white background (please state)

Mixed –
White & Black Caribbean
White & Black African
White & Asian
Any other mixed background (please state)

Asian/Asian British-
Indian
Pakistani
Bangladeshi
Any other Asian background (please state)

Black or Black British –
Caribbean
African
Any other Black background (please state)

Chinese

Any other background (please state)

B. Money remaining
Is the money left
a) Less than £50
b) £50 to £100
c) £101-£200
d) £201-£300
e) £301-500
f) More than £500?

C) Spending
Hobbies/pastimes
Holidays/leisure travel
Socialising/going out
Home entertainment
Sporting/health activities
Luxury goods (designer clothes, perfume, beauty treatments etc)

D) Current Level of Total Savings
None
Less than £200
£200 to £500
£501 to £1000
£1001 to £5000
£5001 to £10,000
£10,001 to £20,000
£20,001 to £50,000
£50,001 or more

E) Any Investments
Shares
Bonds, Gilts, Unit/investment trusts
Premium bonds
ISAs
Bank/building society/post office/supermarket savings accounts
Other (please state)

F) Debt
A Mortgage
A student loan or loans (if so is that for everyday expenditure or saving?)
A loan or loans from family or friends
Any other loan or loans
In use bank overdraft
Money outstanding on a credit card or cards

G) Level of Outstanding Debt (excluding mortgage)
Less than £200
£200 - £500
£501-1000
£1001-2000
£2001-4000
£4001-6000
£6001-10,000
£10,001-15,000
£15,001 – 25,000
£25,001 or more

H) Responsibility
Who do you think should be responsible for pension provision?
The individual
The government
Employers
A combination – please state which.

I) Pensions Commission Choices
1. Poorer pensioners
2. Working longer
3. Higher taxes
4. Saving more
5. Combination – please state which

J) Preference for running a scheme
Would you prefer to save in a pension scheme that is,
Run by your employer
Run by the government
Run by an insurance company
Self invested?

K) Best way to save for retirement
In your view what is the best way to save for retirement?
In a pension scheme
In an ordinary (non pension) saving scheme
By investing in property
Through other investments – please state
Combination – which?

Appendix 4j: Sample Characteristics by Quota.

Characteristic				
Gender	*Men* **11**	*Women* **19**		
Age	*18-24* **12**	*25-29* **9**	*30-34* **9**	
Income*	*Less than £10,000* **11**	*£10,000 To £20,000* **11**	*More than £20,000* **8**	
Education* (qualifications)	*None* **4**	*Basic* **5**	*Intermediate* **10**	*Advanced* **11**
Work Status	*Full-time Employed* **17**	*Part-time Employed* **2**	*Full-time self-employed* **3**	*Not working (students, unemployed homemakers)* **8**
Company Size (employees only)	*Large* **12**	*Medium* **1**	*Small* **6**	

*Estimated
** Basic education was defined as GCSEs or equivalent, Intermediate education as A-levels or equivalent, and Advanced education as bachelors degree or higher

Appendix 5a: Private Pension membership by Various Demographic and Socio-Economic Characteristics, 16-34 Years, Family Resources Survey, UK, 2005/6

	% with *any* private pension	% with an occupational pension	% with a personal pension	Count
Age				
16-19	4.5	3.9	0.6	1032
20-24	16.3	14.8	1.6	2593
25-29	34.7	29	6	3214
30-34	46.2	36.1	11.6	4143
Chi-Square (Sig)	1050.545	665.75	337.92	
Sex				
Male	32.7	25.2	8.3	5258
Female	31	26.7	5	5724
Chi-Square (Sig)	3.666 (.056)	3.104 (.078)	51.138	
Marital Status				
Married	45	35.4	10.9	3332
Cohabiting	36.1	29.7	6.9	2302
Single	21.4	18.1	3.7	4975
Widowed	33.3	16.7	16.7	12
Separated	24.6	22.6	2	199
Divorced	29.6	25.9	4.9	162
Chi-Square (Sig)	538.339	334.559	177.412	
Ethnic Group				
White - British	33.6	27.3	7.1	9295
Any other white background	23.3	20	4.4	550
Mixed background	27.5	21.7	6.7	120
Asian Indian	30.1	26.4	4.3	276
Asian Other	13.5	12.2	1.6	312
Black or Black British - Caribbean	26	18.8	7.3	96
Black or Black British - African	24.4	19.8	4.6	131
Chinese	11.3	9.7	1.6	62
Any other	15.7	14.3	2.1	140
Chi-Square (Sig)	115.81	74.35	30.703	
Socio-economic Group				
Employers (large companies) higher managers & professionals	67.4	57.2	12.3	1070
Lower prof. & higher technical	61.3	57.1	5.3	1346
Lower managerial & higher supervisory	48.9	37	13.6	888

Intermediate	43.5	39.1	5	1479
Employers (small organisations) & own account workers	18.2	0.4	18	523
Lower supervisory & lower technical occupations	30.5	21.8	9.6	856
Semi-routine	17.8	13.9	4.1	1653
Routine	12.4	8	4.5	1231
Chi-Square (Sig)	2502.882	2495.011	374.9	
Industry				
Primary industry	27.9	12.9	15.6	147
Manufacturing	36.3	28.5	8.4	1187
Services and Retail	28.1	21.4	7.4	5143
Public sector	57.6	54.6	4.1	2271
Construction	24.1	13.5	11.9	792
Chi-Square (Sig)	1268.844	1524.949	141.413	
Employment Status				
Full-time Employee	44.1	37.6	7.5	6637
Part-time Employee	21	17.9	3.9	1777
Full-time Self-Employed	21.9	2	20.2	544
Part-time Self-Employed	15.1	3.2	13.5	126
Not working	3.1	1.5	1.7	1898
Chi-Square (Sig)	1317.115	1312.229	277.629	
Income				
£100 or less	6.3	3.6	2.9	1738
£101-200	10.2	6.7	3.6	1959
£201-300	22.3	17.7	4.8	2407
£301-400	40.1	33.6	7.3	1868
£401-500	54.9	47.1	8.9	1174
£501-600	64.4	55.9	10.6	739
£601-800	68.7	57.6	12.6	611
£801 or more	74.7	59.5	18.7	486
Chi-Square (Sig)	2551.166	2191.484	263.402	
Education				
No qualifications	9.3	6.1	3.4	1029
basic educational qualifications	17.5	14.3	3.6	2827
professional/vocational qualifications	32.5	24.7	8.5	4302
degree level qualifications	53.4	46.9	7.8	2824
Chi-Square (Sig)	1112.022	1059.27	91.827	
Years in Full-time Work				
10 years or less	27	23.3	4.4	8489
11-20	49.1	35.9	14.4	2438
Chi-Square (Sig)	423.744	157.81	309.89	

Tenure				
Owns it outright	26	20	6.7	1138
Buying with the help of a mortgage (inc part own, part rent)	43.6	35.8	8.9	5756
Rents	16.8	13.8	3.2	3989
Rent-free	21.2	16.2	5.1	99
Chi-Square (Sig)	808.608	619.786	123.932	

Appendix 5b: Private Pension Membership by Various Demographic and Socio-Economic Characteristics, 16-65 Years, Family Resources Survey, UK, 2005/6

	% with *any* private pension	% with an occupational pension	% with a personal pension	Count
Age				
16-19	4.5	3.9	0.6	1032
20-24	16.3	14.8	1.6	2593
25-29	34.7	29	6	3214
30-34	46.2	36.1	11.6	4143
35-39	50.8	39.1	13.3	4607
40-44	53.1	40.8	14.3	4748
45-49	53.1	41.2	14.2	4276
50-54	51.5	38.2	15.5	3914
55-59	41.5	30.1	13.1	4197
60-65	16.6	10.7	6.5	4312
Chi-Square (Sig)	3303.114	2204.397	746.02	
Sex				
Male	45.1	32	14.8	17889
Female	36.7	30.5	7.3	19147
Chi-Square (Sig)	269.277	9.044(.003)	538.467	
Marital Status				
Married	47	35.1	13.6	21174
Cohabiting	41.1	32.4	9.8	4392
Single	27.6	22.4	6	7361
Widowed	23	17.2	7.3	717
Separated	32.2	26.7	6.2	1014
Divorced	34.8	28.6	7.7	2378
Chi-Square (Sig)	1024.163	498.17	403.471	
Ethnic Group				
White - British	41.8	31.9	11.4	32979
Any other white background	34.7	27.5	8.6	1387
Mixed background	36	29.5	7.9	278
Asian Indian	35.9	28.7	7.9	668
Asian Other	18.9	14.8	4.5	628
Black or Black British - Caribbean	42.2	33.8	9.4	308
Black or Black British - African	32.1	26.5	6.5	321
Chinese	22.1	14.2	8	113
Any other	30.2	25.4	5.4	354
Chi-Square (Sig)	212.793	122.947	69.989	

Socio-economic Group				
Employers (large companies) higher managers & professionals	74.1	60.4	17	3807
Lower prof. & higher technical	68.6	61.1	10.4	4566
Lower managerial & higher supervisory occupations	63.3	48.7	17.3	3196
Intermediate	54.2	47.9	7.5	3859
Employers (small organisations) & own account workers	32.4	0.4	32.1	2528
Lower supervisory & lower technical occupations	50.2	37.3	14.8	2636
Semi-routine	34.4	28.1	7.1	4708
Routine	27.3	18.1	10.1	3418
Chi-Square (Sig)	9460.972	9258.628	2245.497	
Industry				
Primary industry	46.7	19	28.8	527
Manufacturing	53	39.2	16	3893
Services and Retail	41.5	28.7	14	13683
Public sector	66.9	62.4	6.9	8695
Construction	39.2	18.4	22.4	2282
Chi-Square (Sig)	7182.606	7590.189	1450.005	
Employment Status				
Full-time Employee	60.6	50.6	12.3	18866
Part-time Employee	37.3	31.6	6.7	5795
Full-time Self-Employed	38.8	1.9	37.3	2627
Part-time Self-Employed	20.7	2.3	18.8	711
Not working	3.8	1.4	2.5	9037
Chi-Square (Sig)	8322.955	8380.029	2711.475	
Income				
£100 or less	10.2	4.1	6.4	5762
£101-200	17.3	11	6.6	6614
£201-300	30.8	22.2	9.1	6827
£301-400	48.2	38.2	11.3	5565
£401-500	60.7	48.8	14.1	3795
£501-600	68.7	57.3	14.1	2660
£601-800	75.7	63.4	15.5	2955
£801 or more	77.6	60.1	22.1	2858
Chi-Square (Sig)	8712.449	7535.185	767.718	

Education				
No qualifications	19.5	12.6	7.2	6546
basic educational qualifications	31.9	24	8.9	6600
professional/vocational qualifications	43.7	32.7	12.4	15724
degree level qualifications	59.5	49.4	12.8	8166
Chi-Square (Sig)	2682.817	2480.428	181.612	
Years in Full-time Work				
10 years or less	26.6	22.3	4.9	13516
11-20	47.2	36.6	12.1	9316
21-30	55	41.4	16.1	7125
31-40	48.2	34.3	15.7	4951
More than 40	39.2	24.3	16.3	2038
Chi-Square (Sig)	2000.003	1038.742	880.8	
Tenure				
Owns it outright	35	24.4	11.9	8677
Buying with the help of a mortgage (inc part own, part rent)	54.3	42.5	13.7	19017
Rents	17.9	14.3	4.1	9032
Rent-free	41.9	29	13.5	310
Chi-Square (Sig)	3514.689	2508.126	601.903	

Appendix 5c: Membership Distributions for Variables in the Analysis by Age 1, Family Resources Survey, UK, 2005/6

	% 16-19	% 20-24	% 25-29	% 30-34	% 40-49	% All
Sex						
Male	54.7	46.3	47.3	47.6	48.0	48.3
Female	45.3	53.7	52.7	52.4	52.0	51.7
Marital Status						
Married	0.6	7.3	29.9	52.5	67.4	57.2
Cohabiting	6.6	20.9	27.8	19.2	9.5	11.9
Single	92.7	70.8	39.7	21.8	10.2	19.9
Widowed	0	0	0.1	0.2	0.9	1.9
Separated	0.1	0.8	1.5	3.1	3.7	2.7
Divorced	0	0.2	1.0	3.0	8.2	6.4
Ethnic Group						
White - British	91.7	85.3	81.5	84.9	89.4	89.0
Any other white background	1.9	4.9	6.8	4.4	3.7	3.7
Mixed background	1.8	1.0	1.2	0.9	0.9	0.8
Asian Indian	1.6	1.9	3.0	2.8	1.6	1.8
Asian Other	2.0	3.2	3.0	2.8	1.4	1.7
Black or Black British - Caribbean	0.5	0.9	0.9	0.9	1.1	0.8
Black or Black British - African	0.2	1.0	1.3	1.5	1.0	0.9
Chinese	0.1	0.5	0.8	0.5	0.2	0.3
Any other	0.2	1.2	1.6	1.3	0.9	1.0
Socio-economic Group						
Employers (large companies) higher managers & professionals	0.5	3.2	11.6	14.7	12.7	10.3
Lower prof. & higher technical	2.3	8.1	14.5	15.6	14.6	12.3
Lower managerial & higher supervisory occupations	1.7	5.2	8.5	11.2	10.4	8.6
Intermediate	10.4	16.0	14.3	12.0	10.2	10.4
Employers (small organisations) & own account workers	1.1	3.2	4.8	6.6	7.9	6.8
Lower supervisory & lower technical occupations	8.9	8.1	7.8	7.3	7.6	7.1
Semi-routine	26.7	19.8	13.5	10.4	13.0	12.7
Routine	23.1	13.9	9.7	7.7	8.9	9.2
N/C not in work	22.8	21.4	14.4	13.6	13.7	21.5
N/C in work	2.5	0.8	0.9	0.9	0.9	1.0

Employment Status						
Full-time Employee	53.0	59.0	65.5	59.2	55.8	50.9
Part-time Employee	29.3	18.9	11.7	14.7	17.2	15.6
Full-time Self-Employed	0.9	3.4	4.9	7.0	8.8	7.1
Part-time Self-Employed	0.5	0.7	0.9	1.8	2.0	1.9
Not working	16.4	17.9	17.0	17.4	16.2	24.4
Industry						
Primary industry	1.5	1.0	1.5	1.4	1.6	1.4
Manufacturing	10.2	9.8	10.8	11.6	12.1	10.5
Services and Retail	60.2	52.8	44.5	41.6	35.8	36.9
Public sector	8.6	17.0	23.0	24.2	29.3	23.5
Construction	11.7	7.5	6.4	6.5	6.0	6.2
S/NC in work	3.5	2.2	2.0	2.1	1.7	1.8
S/NC not in work	4.4	9.7	11.8	12.6	13.4	19.7
Income						
£100 or less	34.2	17.5	12.5	12.7	12.3	15.6
£101-200	38.1	23.1	13.6	12.7	15.3	17.9
£201-300	22.9	31.3	21.4	16.2	16.4	18.4
£301-400	4.1	16.2	21.6	17.2	15.2	15.0
£401-500	0.8	7.6	13.6	12.8	11.0	10.2
£501-600	0	2.5	7.5	10.4	8.3	7.2
£601-800	0	1.3	5.6	9.6	10.2	8.0
£801 or more	0	0.3	4.1	8.3	11.3	7.7
Education						
No qualifications	10.9	8.8	8.4	10.1	15.6	17.7
basic educational qualifications	61.8	34.9	18.8	16.4	16.7	17.8
professional/vocational qualifications	27.0	38.9	40.0	41.7	45.1	42.5
degree level qualifications	0.2	17.4	32.8	31.8	22.7	22.0
Years in full-time work						
10 years or less	100.0	100.0	88.0	50.1	19.6	36.6
11-20			12.0	49.8	27.9	25.2
21-30				0.0	45.2	19.3
31-40					7.2	13.4
More than 40					0.0	5.5
Housing Tenure						
Owns it outright	14.0	13.2	10.5	7.6	15.3	23.4
Buying with the help of a mortgage (inc part own, part rent)	50.4	42.3	48.5	62.3	63.7	51.3
Rents	34.9	43.5	40.0	29.4	20.3	24.4
Rent-free	0.8	1.1	1.0	0.7	0.6	0.8
Count	*1032*	*2593*	*3214*	*4143*	*9024*	*37,036*

Chi Squared - significant at 0.1% Level

Appendix 5d: Membership Distributions for Selected Variables in the Analysis by Sex, Family Resources Survey, UK, 2005/6.

Variable		Male	Female
Industry	Primary industry	2.4%	0.5%
	Manufacturing	15.7%	5.7%
	Services and Retail	40.2%	33.9%
	Public sector	13.9%	32.4%
	Construction	11.4%	1.2%
	S/NC in work	2.2%	1.4%
	S/NC not in work	14.1%	24.9%
Employment Status	Full-time Employee	63.2%	39.5%
	Part-time Employee	5.0%	25.6%
	Full-time Self-Employed	11.5%	2.9%
	Part-time Self-Employed	1.4%	2.4%
	Not working	18.8%	29.6%
Weekly Income	£100 or less	10.4%	20.4%
	£101-200	12.6%	22.8%
	£201-300	16.2%	20.5%
	£301-400	16.2%	14.0%
	£401-500	12.2%	8.4%
	£501-600	9.4%	5.1%
	£601-800	10.7%	5.4%
	£801 or more	12.4%	3.3%
Socio-economic Group	Employers (large companies) higher managers & professionals	14.4%	6.4%
	Lower prof. & higher technical	9.8%	14.7%
	Lower managerial & higher supervisory occupations	9.8%	7.5%
	Intermediate	5.5%	15.0%
	Employers (small organisations) & own account workers	10.2%	3.7%
	Lower supervisory & lower technical occupations	11.1%	3.4%
	Semi-routine	10.1%	15.2%
	Routine	12.2%	6.5%
	N/C not in work	15.7%	26.9%
	N/C in work	1.2%	0.8%
Total N		17,889	19,147
			37036

Chi Squared - significant at 0.1% Level

Appendix 5e: Membership Distributions for Selected Variables in the Analysis by Ethnic Group, Family Resources Survey, UK, 2005/6

	White British	Any Other White	Mixed Background	Asian Indian
Industry				
Primary industry	1.5%	0.9%	1.1%	0.4%
Manufacturing	10.7%	10.2%	9.0%	11.1%
Services and Retail	36.2%	42.2%	42.4%	46.4%
Public sector	23.3%	24.3%	23.0%	21.3%
Construction	6.4%	6.4%	3.2%	3.1%
S/NC in work	1.8%	1.4%	2.2%	2.4%
S/NC not in work	20.0%	14.6%	19.1%	15.3%
Employment Status				
Full-time Employee	50.6%	56.9%	50.0%	57.6%
Part-time Employee	15.8%	13.3%	17.6%	14.5%
Full-time Self-Employed	7.1%	7.6%	5.0%	6.9%
Part-time Self-Employed	1.9%	2.6%	1.4%	0.3%
Not working	24.5%	19.6%	25.9%	20.7%
Weekly Income				
£100 or less	15.3%	15.7%	15.1%	17.1%
£101-200	18.0%	15.7%	18.7%	15.4%
£201-300	18.5%	15.7%	20.1%	18.4%
£301-400	15.0%	14.4%	17.6%	15.4%
£401-500	10.3%	9.8%	8.3%	10.8%
£501-600	7.2%	7.9%	6.1%	5.1%
£601-800	7.9%	9.7%	7.2%	8.2%
£801 or more	7.7%	11.0%	6.8%	9.6%
Socio-economic Group				
Employers (large companies) higher managers & professionals	9.9%	14.7%	13.3%	17.5%
Lower prof. & higher technical	12.1%	17.4%	8.3%	11.4%
Lower managerial & higher supervisory occupations	8.8%	8.3%	9.0%	8.1%
Intermediate	10.5%	9.3%	9.7%	10.8%

Employers (small organisations) & own account workers	6.9%	6.3%	5.8%	5.7%
Lower supervisory & lower technical occupations	7.4%	4.5%	5.4%	3.4%
Semi-routine	12.5%	11.0%	16.9%	15.0%
Routine	9.2%	10.6%	7.9%	8.5%
N/C not in work	21.6%	16.8%	22.7%	18.6%
N/C in work	1.0%	1.1%	1.1%	1.0%
Total	32,979	1,387	278	668

Chi Squared - significant at 0.1% Level

Appendix 5e continued

	Asian Other	**Black or Black British Afro Caribbean**	**Black or Black British African**	**Chinese**	**Other**
Industry					
Primary industry	0.2%	0.0%	0.0%	0.9%	0.8%
Manufacturing	7.6%	8.4%	6.9%	7.1%	7.9%
Services and Retail	45.9%	33.1%	36.4%	54.9%	42.7%
Public sector	20.4%	29.9%	35.8%	14.2%	28.8%
Construction	1.6%	4.5%	2.2%	1.8%	4.8%
S/NC in work	1.6%	1.3%	1.6%	0.9%	1.4%
S/NC not in work	22.8%	22.7%	17.1%	20.4%	13.6%
Employment Status					
Full-time Employee	43.0%	54.5%	55.1%	54.9%	53.4%
Part-time Employee	16.4%	9.1%	15.0%	12.4%	16.1%
Full-time Self-Employed	9.2%	3.9%	3.4%	4.4%	5.9%
Part-time Self-Employed	0.8%	1.0%	1.6%	2.7%	3.1%
Not working	30.6%	31.5%	24.9%	25.7%	21.5%
Weekly Income					
£100 or less	21.2%	14.0%	15.6%	26.5%	20.3%
£101-200	22.6%	16.9%	13.1%	12.4%	14.7%
£201-300	19.9%	17.9%	16.5%	20.4%	17.2%
£301-400	15.0%	15.9%	15.0%	12.4%	13.0%
£401-500	8.4%	13.6%	13.4%	6.2%	10.2%
£501-600	4.5%	7.8%	10.6%	6.2%	6.5%
£601-800	4.3%	9.1%	10.9%	12.4%	9.3%
£801 or more	4.1%	4.9%	5.0%	3.5%	8.8%
Socio-economic Group					
Employers (large companies) higher managers &	7.6%	10.1%	11.2%	18.6%	13.0%

professionals					
Lower prof. & higher technical	11.1%	12.7%	19.0%	8.8%	13.8%
Lower managerial & higher supervisory occupations	4.3%	6.5%	5.6%	6.2%	8.5%
Intermediate	7.5%	14.3%	8.1%	7.1%	9.6%
Employers (small organisations) & own account workers	9.1%	3.9%	2.2%	3.5%	6.2%
Lower supervisory & lower technical occupations	4.5%	6.2%	5.0%	3.5%	4.2%
Semi-routine	16.4%	13.6%	16.8%	17.7%	14.4%
Routine	9.7%	6.5%	8.4%	7.1%	10.5%
N/C not in work	29.1%	25.0%	22.7%	27.4%	19.2%
N/C in work	0.6%	1.3%	0.9%	0.0%	0.6%
Total	628	308	321	113	354

Chi Squared - significant at 0.1% Level

Appendix 5f: Differences between Categories for Young People and All Ages, Family Resources Survey, UK, 2005/6

	Under 35			All Ages		
Variable	***Any***	***Occupational***	***Personal***	***Any***	***Occupational***	***Personal***
Sex (male and female)	1.0	0.9	1.6	1.2	1.0	2.0
Marital status (married and single)	2.1	2.0	3.0	1.7	1.6	2.3
Ethnic group (White British v Chinese)	3.0	2.8	4.4	1.9	2.2	1.4
Socio-economic group (Professionals and routine) (*own account and semi-routine for personal pensions)	5.4	7.2	4.4	2.7	3.3	4.5
Employment Status (self employed and employee)	2.1	2.1	1.5	1.6	1.6	2.0
Industry (construction and public sector)	2.4	4	2.9	1.7	3.4	3.2
Income (£100 or less and £801 or more)	11.9	16.5	6.4	7.6	14.6	3.5
Education (no qualifications and degree education)	5.7	7.7	2.5	3.0	3.9	1.7
Years in Full-time work (10 years or less and 11-20 years)	1.8	1.5	3.3	1.8	1.6	2.5
Housing Tenure (renting and mortgage)	2.6	2.6	2.8	3.0	3.0	3.3

Appendix 6a: Membership Distributions for Marital Status by Weekly Income and Age, UK, 2005/6

	Marital Status						
	Married	**Cohabiting**	**Single**	**Widowed**	**Separated**	**Divorced**	**Count**
Income							
£100 or less	17.8%	13.7%	15.3%	6.7%	6.5%	6.6%	5762
£101-200	16.3%	13.9%	21.8%	31.4%	18.9%	22.2%	6614
£201-300	15.5%	19.4%	24.4%	21.5%	19.9%	23.2%	6827
£301-400	13.6%	18.3%	15.4%	16.7%	18.3%	18.4%	5565
£401-500	10.2%	12.6%	8.8%	8.5%	12.2%	10.8%	3795
£501-600	7.5%	8.2%	5.4%	5.6%	10.7%	7.1%	2660
£601-800	9.3%	7.4%	5.3%	5.3%	8.3%	6.8%	2955
£801 or more	9.9%	6.6%	3.6%	4.3%	5.1%	5.0%	2858
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	37036
Age							
Age 16 to 19	0.0%	1.5%	13.0%	0.0%	0.1%	0.0%	1032
Age 20 to 24	0.9%	12.4%	25.0%	0.0%	2.0%	0.2%	2593
Age 25 to 29	4.5%	20.4%	17.3%	0.3%	4.7%	1.3%	3214
Age 30 to 34	10.3%	18.1%	12.3%	1.4%	12.8%	5.3%	4143
Age 35 to 39	13.3%	14.4%	9.5%	2.4%	16.2%	11.4%	4607
Age 40 to 44	14.7%	11.8%	7.3%	2.9%	19.1%	15.5%	4748
Age 45 to 49	14.0%	7.8%	5.2%	8.6%	14.2%	15.7%	4276
Age 50 to 54	13.1%	5.7%	3.9%	12.0%	12.5%	16.1%	3914
Age 55 to 59	14.3%	4.8%	3.6%	22.7%	10.3%	17.8%	4197
Age 60 to 65	14.8%	3.1%	2.9%	49.7%	8.1%	16.7%	4312
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	37036

Chi Squared - significant at 0.1% Level

Appendix 6b: Membership Distributions for Educational Attainment by Weekly Income, Employment Industry, Socio-Economic Group and Employment Status, UK, 2005/6

	Educational Attainment (quals = qualifications)				
	No quals	**basic educational quals**	**professional/ vocational quals**	**degree level quals**	**N**
Weekly Income					
£100 or less	25.5%	19.3%	12.8%	9.9%	5762
£101-200	28.4%	22.7%	17.2%	6.8%	6614
£201-300	22.2%	21.5%	19.7%	10.5%	6827
£301-400	12.2%	15.2%	17.8%	11.8%	5565
£401-500	5.7%	8.8%	12.1%	11.5%	3795
£501-600	2.9%	4.9%	7.6%	11.6%	2660
£601-800	1.8%	4.2%	7.5%	16.9%	2955
£801 or more	1.4%	3.4%	5.2%	21.1%	2858
Total	100.0%	100.0%	100.0%	100.0%	37036
Employment Industry					
Primary industry	1.9%	1.0%	1.7%	0.9%	527
Manufacturing	9.9%	10.3%	11.8%	8.7%	3893
Services and Retail	29.8%	46.7%	36.3%	36.0%	13683
Public sector	8.5%	15.6%	24.4%	40.1%	8695
Construction	5.9%	5.7%	8.2%	2.8%	2282
S/NC in work	1.6%	2.2%	1.7%	1.7%	659
S/NC not in work	42.5%	18.5%	15.8%	9.8%	7297
Total	100.0%	100.0%	100.0%	100.0%	37036
Socio-Economic Group					
Employers (large companies) higher managers & professionals	1.0%	4.2%	6.1%	30.8%	3807
Lower prof. & higher technical	1.8%	6.5%	10.7%	28.6%	4566
Lower managerial & higher supervisory occupations	3.5%	8.8%	10.1%	9.8%	3196
Intermediate	4.6%	15.3%	12.4%	7.4%	3859

Employers (small organisations) & own account workers	7.1%	6.6%	8.4%	3.9%	2528
Lower supervisory & lower technical occupations	5.1%	5.9%	11.0%	2.2%	2636
Semi-routine	16.9%	16.4%	14.2%	3.5%	4708
Routine	16.7%	10.9%	9.6%	1.3%	3418
N/C not in work	42.6%	24.5%	16.8%	11.3%	7962
N/C in work	0.9%	0.9%	0.9%	1.2%	356
Total	100.0%	100.0%	100.0%	100.0%	37036
Employment Status					
Full-time Employee	30.9%	46.5%	54.5%	63.8%	18866
Part-time Employee	13.6%	21.6%	15.6%	12.6%	5795
Full-time Self-Employed	5.9%	6.5%	7.8%	7.1%	2627
Part-time Self-Employed	1.5%	1.3%	1.9%	2.7%	711
Not working	48.0%	24.1%	20.2%	13.7%	9037
Total	100.0%	100.0%	100.0%	100.0%	37036

Chi Squared - significant at 0.1% Level

Appendix 6c: Membership Distributions for Employment Status by Weekly Income, Employment Industry, Socio-Economic Group and Employment Status, UK, 2005/6 See also 5f

	Employment Status					
	Full-time Employee	Part-time Employee	Full-time Self-Employed	Part-time Self-Employed	Not Working	Count
Weekly Income						
£100 or less	2.0%	15.3%	14.5%	26.7%	43.3%	5762
£101-200	5.9%	36.5%	18.5%	23.6%	30.3%	6614
£201-300	18.3%	23.0%	17.9%	17.7%	16.0%	6827
£301-400	20.6%	12.9%	12.4%	9.8%	5.9%	5565
£401-500	15.7%	5.6%	9.6%	5.8%	2.3%	3795
£501-600	11.7%	2.9%	6.7%	2.8%	0.9%	2660
£601-800	13.4%	2.4%	7.5%	4.8%	0.7%	2955
£801 or more	12.3%	1.4%	12.9%	8.7%	0.6%	2858
Total	100.0%	100.0%	100.0%	100.0%	100.0%	37036
Employment Industry						
Primary industry	1.6%	0.4%	6.5%	6.5%	0.2%	527
Manufacturing	16.8%	3.9%	6.7%	6.7%	2.9%	3893
Services and Retail	42.9%	51.6%	49.1%	49.1%	10.0%	13683
Public sector	29.2%	41.3%	8.4%	8.4%	4.7%	8695
Construction	7.1%	1.7%	26.0%	26.0%	1.4%	2282
S/NC in work	2.4%	1.0%	3.2%	3.2%	0.0%	659
S/NC not in work	0.0%	0.0%	0.0%	0.0%	80.7%	7297
Total	100.0%	100.0%	100.0%	100.0%	100.0%	37036
Socio-Economic Group						
Employers (large companies) higher managers & professionals	16.3%	3.9%	11.5%	9.8%	1.5%	3807
Lower prof. & higher technical	16.9%	13.8%	10.3%	19.1%	1.9%	4566
Lower managerial & higher supervisory	14.7%	4.7%	0.6%	0.1%	1.6%	3196

Intermediate	13.2%	19.7%	0.2%	0.0%	2.5%	3859
Employers (small organisations) & own account workers	0.1%	0.1%	74.8%	60.9%	1.1%	2528
Lower supervisory & lower technical occupations	11.9%	4.5%	0.1%	0.1%	1.5%	2636
Semi-routine	13.6%	29.3%	0.0%	1.5%	4.7%	4708
Routine	11.7%	15.3%	0.1%	0.1%	3.6%	3418
N/C not in work	0.4%	8.4%	0.2%	2.3%	81.7%	7962
N/C in work	1.3%	0.3%	2.2%	5.9%	0.0%	356
Total	100.0%	100.0%	100.0%	100.0%	100.0%	37036

Chi Squared - significant at 0.1% Level

Appendix 7a: Pen Portraits

Adam (26) works full time in a small company as a sales account manager, he has worked full time for 7 years. Adam owns his home with his partner via a mortgage and has basic education. Adam does not have a pension, he has just started thinking about them and is worried that he is a late starter, however he sees a pension as one of a number of options. Adam finds pension information and issues confusing. Adam has no debts and is currently saving for his wedding.

Amy (23) is a full time PhD student, she is single and lives in rental accommodation. Amy currently spends all her money each month and has student loans but also savings. She does not have a current pension but previously belonged to a pension scheme when she worked part-time for a major retailer. Amy assumes she will start a pension when she starts work, future home ownership is also a priority for her. Amy emphasises a balance between saving and spending.

Anna (19) is a pre university student who currently lives with her parents. Amy doesn't have any savings or debts and currently spends her allowance each month on socializing and luxury goods, she thinks that at university she will become better at managing her money. Amy hasn't given much thought to pensions but thinks she will eventually join one when she gets a job. She would also like to own property. Amy hopes the government will have sorted pensions out be the time she reaches retirement, but has low expectations of her future retirement income.

Ben (24) works full time in sports education and is just about to move from working in a small company to a public sector job. He is single and owns his own home with a mortgage. He is educated to intermediate level. Ben considers himself good at managing money and he saves each month for security in a 'buffer fund'. Ben does not currently belong to a pension scheme but intends to join the occupational scheme provided in his new job.

Chris (27) works fulltime as an accountant in a large firm. Chris owns his home with his partner via a mortgage and is educated to degree level. Chris would like (and expects) to retire early (but would then seek to work part time) , he anticipates being well-off financially. Chris is a member of his company pension scheme and emphasises multiple investments, employer pension provision and starting to save when young. He is a regular saver. Aware of pension issues put still gives himself a low pension knowledge rating.

Claire (22) is a full time office administrator in the public sector. She is educated to degree level, is single and lives in rented accommodation. Claire is very much a saver and is currently saving to fund her future Masters degree course. She has student loans which are not a current repayment priority. Claire does not currently have pension membership but intends to join a pension scheme (occupational or personal) when she gets a permanent job. She regards 25 as the watershed age for pension saving.

Dee (20) is unemployed and has only ever done agency work for a few months at a time, she lives in supported housing and has no education. Dee does not have a pension but in the future sees it as her main source of retirement income and hopes to be well off financially. Dee does not have any spare income, most goes on housing costs, she has some family and crisis loans that she will prioritise repaying when she gets a job. Dee would like to get a pension once established in work (12-18 months). Dee believes that she is knowledgeable about pensions. She enjoys working and doesn't want to retire early.

Donna (21) works part time in a fast food restaurant, she has only ever worked full time for three months. She lives in the YMCA. Her current job doesn't offer a pension, she is rather confused about pensions and finances and views pensioners as well off in comparison to young people. Donna feels strongly that people should be educated to start saving when young. Donna is aware of state pension age increasing to 68. Donna claims that she has always worried about how she'll live in retirement and wishes she could have started saving at 16, she very much would like to start a pension but has no spare income.

Eve (24) works in a small company as a sales administrator, she has worked full-time for 6 years. Eve is single and lives in rental accommodation and has intermediate education. Eve does not have a pension and thinks property is the best way to save. Eve currently spends very little on leisure, she has substantial debt and no savings, repaying her debt then building up a 'buffer' fund are her financial priorities. Eve has low expectations of her future retirement finances.

Harry (28) works full time for a large company as a product manager. He has worked full time for seven years. He is single and buying his home with a mortgage. Harry is educated to intermediate level. He expects to retire and be well off on his works pension. Harry thinks that people must look after themselves in terms of pensions. Not a saver, he doesn't see saving as important, he has manageable credit card debt. Harry regards property as more important than saving in a bank or pensions but wouldn't rely on it solely to fund retirement. Harry joined his company pension scheme after he became eligible after working there for a few months. Harry is very much pro free choice but sees a large gap between what people should do and what they actually do.

Helen (19) is currently unemployed but applying to join the army. She has a GCSE equivalent qualification and has previously only worked part time. She is single and lives in rented accommodation. Helen thinks saving for retirement is important and would like to join the army pension if her application is successful, however, she is not keen on personal pensions. Helen is concerned about what the government is doing with the state pension. Helen currently lives on benefits so has no spare money and some debts. Helen expects to retire early if she joins the army, but would otherwise be happy to work to 70. Helen is also keen to buy into property. Helen has limited pension knowledge but has picked up on some of the issues.

Jack (31) as a warehouse operative and has worked full-time for 15 years. He lives with Liz and they are buying their home with a mortgage. Jack is educated to GCSE level. And would like to retire early. Jack wants to save but finds it difficult not to spend money when he has it. Currently Jack has no pension but feels he is quite young still and has turned down offers to join his company scheme because he doesn't trust his employer. Jack thinks he will join a pension at some point in the future or save enough to retire on by other means but he would prefer not to use his property to fund his retirement.

James (32) works full-time as a self employed business consultant. He has worked full-time for eight years and previously worked in large companies. James lives with his partner in a property that he is buying with mortgage. Educated to degree level. James previously joined company pensions but since setting up his own business, cashed in and joined a personal pension one year ago. He is aiming to afford to retire by the age of 55 but says he would prefer to carry on working. James sees his company as his main retirement fund. He is not very interested in pensions, associates pensions industry with scandal. James is both a high spender and a high saver, he has no debts. Thinks government has a responsibility to encourage saving culture. Believes that people should start saving for retirement when they start work (but not necessarily in a pension)

Jane (29) works as a sales manager in a small company and has worked full-time for the last 8-9 years. She is engaged to Adam and they are owner occupiers with a mortgage. Degree educated. Jane would like to retire early and hopes to be well off drawing on a number of investments including a pension. Jane doesn't currently have a pension (her company doesn't offer one) but is looking to start after her wedding which she is saving for. She has already done some research on the internet and is concerned that she hasn't started yet, but plans to make large contributions when she does. Jane has some debt but considers it manageable. Previously a member of a non contributory pension scheme in her previous company.

Jo (23) works full-time in marketing and business development in a small company. Degree educated. Lives with a partner as owner occupiers with a mortgage, they are also buying a second home overseas. Property and paying off her debts are priorities, but Jo also wants a pension, her company is looking into providing a scheme which she would join, but otherwise says she says she will organize a personal pension within the next 18 months. General saving is also important to Jo – she has joint savings with her partner.

John (30) works full-time as an IT consultant in a large company. Married and degree educated. John owns his home with a mortgage. He is very knowledgeable about pensions having just joined his company scheme, which has recently undergone considerable changes. Due to eligibility criteria, John had to wait until he was 30 to join. John feels cynical about pensions. He saves for short term goals

and has nearly finished repaying student loans. Emphasises the responsibilities of employers in pension provision.

Lily (21) is unemployed, and has only ever worked full time for three months (in a supermarket). She lives in supported housing. Lily has no education. She expects to retire at 70 but would like to retire at 50. Has limited knowledge about pensions. Lily has very limited spare income and also debts in the form of family and crisis loans, she says these will be a priority for repayment when she finds work. Has no pension, but is keen to start one when she finds work, as she believes she will be able to repay her loans quickly.

Lisa (32) is a full-time nurse advisor for a medium sized company. Married and degree educated. Owner occupier. Currently belongs to a pension scheme and also belonged to NHS pension in previous job. Views a pension as something that has to be done, that is important for security. Lisa is aware of pension issues. She both expects and would like to retire in her fifties. Lisa has just paid off her student loan. She is both a spender and a saver.

Liz (30) works full-time as a trainer in a large company and has worked full-time for 12 years. Liz lives with partner, an is an owner occupier with a mortgage. Intermediate education. Liz would like to retire early. Liz's parents are retired and are struggling financially (her Father was self-employed). Recently saved for the deposit to buy her home, Liz is both a spender and saver. She has an overdraft and credit card debt. She values pensions for providing security. Liz joined her pension scheme when she joined her company, the scheme was initially a non- contributory final salary scheme but has changed to a contributory stakeholder which Liz is upset about. Liz emphasises employer responsibility and affordability.

Lynne (34) works full-time as a banking officer is a large bank. Has worked full-time for 18 years in various companies. Married with two children. Jointly owns her property with a mortgage. Intermediate education. Lynne does not consider herself a saver but has small amounts of money in various saving schemes. Currently, belongs to her company pension scheme and also has a number of pensions from previous jobs. Lynne is anxious about her pension situation, feels she doesn't understand pensions and that she will struggle in retirement. Regards property as very important but not a substitute for a pension.

Mark (20) is unemployed but has an employment history of two years working in pubs. Has basic education. Currently renting. Looks forward to retiring and would like to retire early. Is a spender with significant credit card debts. Mark believes that he is too young to start a pension but intends to start a personal pension in the future when he has 'sorted out' his debts, Mark thinks its reasonable to leave pension saving to mid 20s/early 30s. Doesn't think employers should be responsible for provision.

Max (27) has worked full-time for ten years in IT, he has recently started a new job having been made redundant from his previous company. Owner occupies with his partner. Has intermediate education. His goal is to retire early. Lacks confidence in his level of pension knowledge but comes across as well informed. Recent interest in pensions as had to leave his final salary scheme in previous job – not transferable or cashable. Max says that he is planning to research pension options but hasn't had time. He has just finished repaying large debts and is now concentrating on his mortgage and saving for security, wants to invest in more property.

Nicky (32) works full-time training to be a paramedic, she previously worked in the hotel industry and has worked full-time for nine years. She is engaged and lives with her fiancé in a house that they are buying with a mortgage. Degree educated. Nicky gives herself a low knowledge rating but is relatively well informed about pension issues. Currently saving for her wedding and repaying student loans. Nicky has been a member of the NHS final salary scheme since she started her training. Previously, Nicky started a stakeholder pension scheme at the age of 25. Nicky expects to retire early, but does not think that she will be well off in retirement.

Richard (26) runs a small company employing five people. He is married with one child and an owner occupier with a mortgage. Educated to intermediate level. Richard doesn't belong to a pension but intends to start one soon, to go alongside his business and property to help fund retirement. Until recently the cost of starting his own business has left him with little spare money. Richard associates pensions with scandal. Believes the onus for pension provision should be on the individual and to a lesser extent, government, rather than on employers.

Sally (24) is currently unable to work but previously worked as a full-time support worker in the NHS for 18 months. She lives in a hostel and is single. Intermediate education. As Sally has been ill she won't be able to get insurance for a mortgage and thinks that she will never own her own home. Has large debts built up whilst studying for an HND, Sally expects to pay off some of this when she starts work but the rest will probably be written off. Sally has plans to train to be a nurse and sees herself as eventually joining the NHS pension scheme.

Sara (30) works full-time in accountancy for a large company. Degree educated, she has worked full-time for six years and been in her present company for one year. She is buying her home with her partner, Max. Sara favours property to fund retirement but she does belong to her company pension scheme, which she recently became eligible to join. Recently, Sara finished repaying her debts and is now keen to save.

Sarah (34) is not in paid work, but works as a full-time parent to two children with financial support from her husband, an accountant. Owns with a mortgage. Previously Sarah worked full-time for two years in a department store but she doesn't intend to return to paid work. Retirement doesn't mean that much to Sarah but she supposes she will retire when her children leave home. She has not previously

thought that much about pensions, her husband is in finance and will receive a generous final salary scheme, she has recently discussed this with him.

Simon (22) works full-time for a small company as a creative developer. He is degree educated who graduated last year and is currently living with his parents. He expects to go into property development which he hopes will enable him to retire early living from rental income put he also plans to have a pension too. Simon see himself as a regular saver and conservative with his money, but has just had to pay for a car repair bill which has reduced his savings. Simon has a high level of student debt. Simon intends to start a personal pension in the near future because he can now afford to. Simon sees himself as financially responsible compared to others his age.

Tara (29) works full-time as a nanny, she has been working full-time for 11 years. Tara is currently single and living in rented accommodation. Educated to intermediate level. Particularly anxious about the state pension disappearing. No current pension membership but previously belonged to a company pension for 6 years. Tara has considerable debt and no savings. Tara would like to join a pension scheme in the future but thinks she should pay off her debts first. Believes that saving should start young.

Vicky (32) works part-time as an office administrator, she has worked 10 years full-time and 2 years part-time. She has had a number of different jobs during this time. Vicky is married and owner occupies with a mortgage. Educated to intermediate level. On the one hand Vicky is anxious about state pensions and not having made provision, but on the other, she is optimistic that she will be able to sell her home to fund a retirement and a small business abroad. Has some spare income but also significant debt, including a second mortgage taken as a consolidation loan to pay off credit cards and other loans. Vicky is particularly concerned about the risks associated with pensions. Thinks she will eventually start a pension but is not sure when. The reasons Vicky gives for not joining are risk, job mobility, affordability and ‘not getting round to it’. Vicky is a supporter of the idea of compulsory pension saving.

Appendix 7b: Membership Distributions for Variables in the Analysis, Family Resources Survey by Age 2, UK, 2005/6

	% Under 25	% 25-29	% 30-34	% 40-49	% All	% Under 35	% Under 35 with pension
Sex							
Male	48.7	47.3	47.6	48.0	48.3	47.9	49.2
Female	51.3	52.7	52.4	52.0	51.7	52.1	50.8
Marital Status							
Married	5.4	29.9	52.5	67.4	57.2	30.3	42.9
Cohabiting	16.9	27.8	19.2	9.5	11.9	21.0	23.8
Single	77.1	39.7	21.8	10.2	19.9	45.3	30.5
Widowed	0.0	0.1	0.2	0.9	1.9	0.1	0.1
Separated	0.6	1.5	3.1	3.7	2.7	1.8	1.4
Divorced	0.1	1.0	3.0	8.2	6.4	1.5	1.4
Ethnic Group							
White - British	87.1	81.5	84.9	89.4	89.0	84.6	89.4
Any other white background	4.1	6.8	4.4	3.7	3.7	5.0	3.7
Mixed background	1.3	1.2	0.9	0.9	0.8	1.1	0.9
Asian Indian	1.8	3.0	2.8	1.6	1.8	2.5	2.4
Asian Other	2.8	3.0	2.8	1.4	1.7	2.8	1.2
Black or Black British - Caribbean	0.8	0.9	0.9	1.1	0.8	0.9	0.7
Black or Black British - African	0.8	1.3	1.5	1.0	0.9	1.2	0.9
Chinese	0.4	0.8	0.5	0.2	0.3	0.6	0.2
Any other	0.9	1.6	1.3	0.9	1.0	1.3	0.6
Socio-economic Group							
Employers (large companies) higher managers & professionals	2.5	11.6	14.7	12.7	10.3	9.7	20.6
Lower prof. & higher technical	6.5	14.5	15.6	14.6	12.3	12.3	23.6
Lower managerial & higher supervisory occupations	4.2	8.5	11.2	10.4	8.6	8.1	12.4
Intermediate	14.4	14.3	12.0	10.2	10.4	13.5	18.4
Employers (small organisations) & own account workers	2.6	4.8	6.6	7.9	6.8	4.8	2.7
Lower supervisory & lower technical occupations	8.4	7.8	7.3	7.6	7.1	7.8	7.5
Semi-routine	21.8	13.5	10.4	13.0	12.7	15.1	8.4
Routine	16.5	9.7	7.7	8.9	9.2	11.2	4.4

N/C not in work	21.8	14.4	13.6	13.7	21.5	16.6	1.4
N/C in work	1.3	0.9	0.9	0.9	1.0	1.1	0.6
Employment Status							
Full-time Employee	57.3	65.5	59.2	55.8	50.9	60.4	83.7
Part-time Employee	21.9	11.7	14.7	17.2	15.6	16.2	10.7
Full-time Self-Employed	2.7	4.9	7.0	8.8	7.1	5.0	3.4
Part-time Self-Employed	0.7	0.9	1.8	2.0	1.9	1.1	0.5
Not working	17.5	17.0	17.4	16.2	24.4	17.3	1.7
Industry							
Primary industry	1.2	1.5	1.4	1.6	1.4	1.3	1.2
Manufacturing	9.9	10.8	11.6	12.1	10.5	10.8	12.3
Services and Retail	54.9	44.5	41.6	35.8	36.9	46.8	41.3
Public sector	14.6	23.0	24.2	29.3	23.5	20.7	37.4
Construction	8.7	6.4	6.5	6.0	6.2	7.2	5.5
S/NC in work	2.6	2.0	2.1	1.7	1.8	2.2	1.8
S/NC not in work	8.2	11.8	12.6	13.4	19.7	10.9	0.6
Income							
£100 or less	22.3	12.5	12.7	12.3	15.6	15.8	3.1
£101-200	27.4	13.6	12.7	15.3	17.9	17.8	5.7
£201-300	28.9	21.4	16.2	16.4	18.4	21.9	15.3
£301-400	12.8	21.6	17.2	15.2	15.0	17.0	21.4
£401-500	5.7	13.6	12.8	11.0	10.2	10.7	18.4
£501-600	1.8	7.5	10.4	8.3	7.2	6.7	13.6
£601-800	0.9	5.6	9.6	10.2	8.0	5.6	12.0
£801 or more	0.2	4.1	8.3	11.3	7.7	4.4	10.4
Education							
No qualifications	9.4	8.4	10.1	15.6	17.7	9.4	2.7
basic educational qualifications	42.6	18.8	16.4	16.7	17.8	25.7	14.2
professional/vocational qualifications	35.5	40.0	41.7	45.1	42.5	39.2	39.9
degree level qualifications	12.5	32.8	31.8	22.7	22.0	25.7	43.1
Years in full-time work							
10 years or less	100.0	88.0	50.1	19.6	36.6	77.7	65.7
11-20		12.0	49.8	27.9	25.2	22.3	34.3
21-30			0.0	45.2	19.3	0.0	0.0
31-40				7.2	13.4		
More than 40				0.0	5.5		
Housing Tenure							
Owns it outright	13.4	10.5	7.6	15.3	23.4	10.4	8.5
Buying with the help of a mortgage (inc part own, part rent)	44.6	48.5	62.3	63.7	51.3	52.4	71.8
Rents	41.0	40.0	29.4	20.3	24.4	36.3	19.1
Rent-free	1.0	1.0	0.7	0.6	0.8	0.9	0.6
Count	3625	3214	4143	9024	37,036	10,982	3497

Chi Squared - significant at 0.1% Level

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