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Trust and confidence in pensions: A literature review

by Sarah Vickerstaff, Jan Macvarish,
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Tina Harrison

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A report of research carried out by researchers from the Universities of Kent and Edinburgh on behalf of the Department for Work and Pensions

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Foreword

This working paper presents the findings of a literature review, commissioned by the Department for Work and Pensions (DWP) in March 2009, to look at existing research and analysis on trust and confidence, with specific reference to pensions.

The paper is based on the existing literature on trust and confidence at the time of the review. The review itself was augmented by a small number of interviews with academics and practitioners.

The main aims of the review were to:

- increase DWP's understanding of trust and confidence generally, but particularly around pensions;
- inform DWP's thinking on how trust and confidence influence people's attitudes and behaviour around pensions; and
- highlight issues that might have some bearing on decisions over pensions communications and future research and analysis in this field.

The review was originally conceived as a precursor to a larger piece of DWP-sponsored qualitative or experimental research on trust and confidence in pensions. It was inspired mainly by findings from several surveys on attitudes towards pensions which had shown relatively low to moderate levels of trust and confidence in government and government pension provision[1]. The aim of the review was therefore to 'burrow beneath' the headline figures on levels of trust to try to discern the nature of trust in pensions, its foundations, its susceptibility to change and fluctuation, and how trust influences actual behaviour.

The review was completed in late 2009. DWP welcomed the review's insights and analysis and, as noted, had originally intended to use these to go on to explore options for further research around specific measures of trust and confidence in relation to pensions. However, given ongoing and competing pressures on research funding, the planned research did not proceed.

Our ongoing work on attitudes and behaviours around pensions since the review was completed has highlighted the growing recognition of the role and importance of trust and confidence in defining those attitudes and behaviours. It has therefore been decided, in the absence of further dedicated research on trust and confidence in pensions, that we should publish the review as a self-standing paper in the DWP Working Paper series.

Rob Hardcastle

Pensions Analysis and Strategy, DWP

March 2012

1 As shown most notably at the time in *Attitudes to pensions: The 2006 survey* (DWP Research Report No. 434, 2007); and *Trust and confidence in pensions and pension providers* (DWP Research Summary, 2007). Since the completion of the review, *Attitudes to pensions: The 2009 survey* (DWP Research Report No. 701, 2010), has been published. The pattern of responses in 2009 on trust and confidence in government was similar to that encountered in the 2006 survey, but there were some significant changes in the levels of trust reported in banking and financial institutions, and in potential sources of retirement income, such as property. These are discussed in the Introduction.

Summary

Introduction

This working paper presents the findings of a literature review, originally commissioned by the Department for Work and Pensions (DWP) in spring 2009, to look at existing research and analysis on trust and confidence, with special reference to pensions. Its main aim was to provide a greater understanding of the concepts of trust and confidence generally, but especially in relation to pensions. In so doing, the review aimed to cover the relationship between trust and confidence and individuals' attitudes and behaviour around pensions and retirement planning, and issues around measuring trust and confidence in pensions.

The review aimed to explore in depth the prevalence and nature of trust and confidence, including exploring issues such as:

- definitions and categories of trust and confidence;
- what engenders and influences trust and confidence;
- the nature of the relationship between trust, and attitudes and behaviour towards pensions.

The review also aimed to explore existing measures of trust and confidence in pensions and to highlight issues that might potentially have some bearing on policies over pensions information and communications, and future research and analysis in this field.

The nature and dimensions of trust and confidence

The review covered perspectives on trust and confidence from various disciplines, notably sociology, psychology, economics and management. Differences and similarities between the fields were drawn together so that, while there were many emerging and different perspectives and definitions across the fields, it was possible to identify common themes and issues.

Several authors differentiate between trust and confidence, mainly on the perceived basis that confidence is something we may have in institutions and their behaviour, whereas trust generally refers to people. There is also an argument that trust involves a choice and an awareness of the potential for being let down, whereas confidence exists in contexts where the possibility of negative outcomes is not even considered. However, for the most part, the terms tend to be used interchangeably in most analysis and discussion in the literature.

Several surveys purport to be surveys of 'confidence': thus, the Consumer Confidence Tracker by the British Market Research Bureau (BMRB) conducts an online omnibus of 1,000 adults, while in the United States (US), the Employee Benefit Research Institute (EBRI) conducts an annual Retirement Confidence Survey, which consists of a telephone survey of a representative sample of people over the age of 25. However, here, as in the literature and research more generally, no distinction between trust and confidence is made and the words are used interchangeably.

The review identified different kinds of trust from across the literature, for example:

- **cognitive trust**: grounded in rational, instrumental judgement, alignment of incentives (or deterrence or 'calculus-based' trust);
- **affective trust**: relational, ethics, values generated through interaction, empathy;

- **personal trust**: interpersonal trust, 'facework commitments' (trust relations built and sustained by face-to-face encounters);
- **impersonal trust**: trust in systems, institutions, expertise;
- **generalised trust**: the idea that others will, in general, behave reasonably;
- **category-based trust**: when you are more likely to trust someone from a similar social category, i.e. based on race or gender or social class.

These distinctions focus essentially on two different dimensions: the basis for trust as cognitive or affective and the focus of trust as interpersonal (horizontal) or institutional (vertical).

In behavioural terms, factors that can affect trust can be discussed at different levels.

At the level of the **individual**, the literature tends to focus on the affective (grounded in relationships) and cognitive (grounded in rational judgements) dimensions of trust. There can often be overlaps between the two in that trust can relate to a known or unknown individual or institution, or to the role of an individual within an institution e.g. a doctor or bank manager. The psychological behavioural literature also looks at the individual capacity to trust which may be conditioned by personality and fundamental psychological processes, such as 'negativity bias', whereby there is a tendency for bad news to be more persuasive than good news or, analogously, in attitudes to loss, whereby individuals give more weight to potential losses than potential gains.

At the social level, i.e. mainly concerning how individuals relate to each other, there seem to be two main themes. The first of these views sees trust as based on analysis and beliefs about the incentives which the party to be trusted is likely to identify and act upon. Trust then becomes a matter of alignment of incentives and interests. The second sees trust as based more on the belief that the trusted party shares values with you and is committed to serving your interests.

At the wider, **environmental** level, the issue of trust concerns factors over which the individual has little control. Thus, in the context of pensions, this would comprise factors such as the wider economy, financial markets and the pensions system itself[2]. Moreover, ongoing changes in society, such as globalisation and individualisation, are seen to increase the need for trust in an increasingly complex and fragmented social world. The role of trust in contemporary society is therefore seen as absorbing this complexity to ensure that society functions effectively.

Trust in pensions

The literature on trust in pensions has focused on the need for trust at these various levels. The degree of trust required on the part of individuals will depend on the extent to which they regard pensions as complex and rely on others to absorb that complexity – this will, in turn, depend on their knowledge and experience of pensions. There is therefore the potential for circularity in the relations between trust, knowledge and behaviour, discussed below.

Pensions, therefore, usually require the individual to rely on the expertise of third parties and trust is multi-dimensional: consumers need to have a degree of trust in advisers, in individual pension providers and products and beyond that, in the stock market or economy as a whole. Other factors that may well play a part include individual brand, and the past performance of providers and pension products. Market imperfections, such as a lack of information on product performance and

[2] Although individuals may have some influence over the operation of their particular pension scheme, it is unlikely they will as individuals have any over the parameters of the wider pension system.

quality, may well also increase the risk associated with the purchase of pensions and the level of trust required.

At the same time, people tend to place higher levels of trust in their immediate associates, irrespective of their levels of expertise or knowledge of pensions: these are family and friends with whom they can build 'thick' trusting relationships based on familiarity and similarity. Such relationships serve to affect behaviour around saving and retirement planning. Analogously, research in the financial services field tends to find higher trust in advisers closer to the individual or household's situation rather than generic advisers or external agencies. This therefore has relevance for the frequency and type of communication with people on the part of government, providers and others involved in the delivery and administration of pensions.

Trust, attitudes and behaviour

In a complex and diverse society, trust is an important lubricant for social and economic transactions, including pensions, and will impact upon attitudes and behaviour. The field of behavioural economics has developed to better understand decision-making and the role played by individual psychology. As discussed in the behavioural economics literature, psychological factors, such as preferences for the status quo and avoidance of financial loss, as well as inertia and procrastination, will have an influence on attitudes and behaviour. Indeed, in the pensions literature, one hypothesised aspect of a 'trust deficit' (or lower capacity to trust) is a low level of financial literacy.

The literature on pensions acknowledges potentially complex interactions between trust, knowledge and behaviour. Knowledge is needed to understand pensions and make decisions, but there is usually an information asymmetry between consumers and sellers, so individuals must depend on experts, which creates the need for trust. Risk and uncertainty are inherent in retirement planning and behaviour. Trust (usually affective) can serve to mitigate such risk but at the same time it is quite possible in some circumstances that knowledge, gained for example through information and communications campaigns, can, somewhat paradoxically, heighten perceived risks and require yet higher levels of (cognitive) trust.

Measuring trust and confidence in pensions

The specific literature on the measurement of trust in pensions is less developed than that concerning health or broader consumer/business relationships. There are two main forms of research, that which seeks to measure consumer trust in pensions and providers and that which is framed more broadly to look at trust in the context of pension policy and development.

Regarding the former, in the UK, the Financial Services Research Forum at Nottingham University Business School operates the Financial Services Trust Index. This is a multi-layered measure of trust in financial services providers and products, and attempts to measure both base level (cognitive) trust or trustworthiness, which relates to the extent to which an organisation can be relied on to do what it says it will do; and higher level (affective) trust or trustworthiness which relates to the extent to which the organisation is perceived as concerned about the interests of its customers. To measure trust and trustworthiness the Index asks questions about different financial institutions and various facets of trust, such as benevolence, integrity, ability/expertise, shared values and communications.

Regarding research that seeks to look at trust in the context of macro pension policy development, a number of approaches have been adopted. These include studies, in the UK, using qualitative interviews with people to gauge their thoughts and feelings about the future, including their retirement and private pension plans they were making; in Norway, using public opinion and survey data to explore confidence in the pensions system to deliver in the future; and, in the US, surveys to study attitudes towards the national pension system among the American population over time.

What seems to be agreed by most authors on trust in pensions is that it is particularly difficult to evaluate because of the multiple dimensions to the trust relationship. It may be that the individual experience of dealing with a provider and the reputation of the brand are likely to provide a more concrete basis for decision-making than the level of trust people have in pension providers in general, where there is not the same experience to draw on.

It may also be difficult to determine the direction of trust interdependencies, for example, between political trust and interpersonal trust. Thus, people may have low trust in the system, but trust their personal contact; they may have trust in a particular brand while having low trust in the system overall.

A further potential complexity in measuring trust is that traditional trust measures, of attitudes or stated intentions, may not predict actual behaviour in a particular situation. Several views differentiate between trust as a belief, trust as a decision and trust as an action. Studies which have attempted to capture actual 'trust behaviour' have done so either through experimental approaches or through collecting data about actual, real-life pension decisions, not always successfully according to critics of the methodologies used.

A further issue arises around measuring trust over time. Longitudinal data obviously avoid the snapshot problem of a one–off survey or experiment, but, with the exception of the various trust indexes, which have been run over a number of years there are few, if any, longitudinal data. Thus, it is difficult to isolate the variable(s) that may trigger trust or distrust and 'trust thresholds' i.e. the points at which trust turns into distrust, although writers tend to agree that the form these thresholds take is that of a 'tipping point' and there is no kind of continuum between 'trust' and 'distrust'.

Conclusions

Trust is complex. This complexity is reflected in the conceptualisation of trust, the range and variety of literature and academic activity that has looked at it and the different approaches to measuring trust.

The literature does not provide a conclusion about the relationship between trust in systems or organisations and interpersonal trust. This is significant for the pensions arena, as clearly people are influenced by a general climate of mistrust or lack of confidence in financial institutions, but may still trust their employer's pension or their individual financial adviser. They may find it easier to trust the advice of a partner or close relative than that of an expert. It is not clear how these levels of trust interact and affect each other.

Moreover, both theoretically and methodologically, there is the problem of the relationship between attitudes or intentions and actual behaviour. There is a lack of research that looks at past behaviour and situates current action in the complex web of past and contemporary influences and knowledge that affect an individual's disposition to trust and act upon that trust.

There is little in the literature, perhaps unsurprisingly, that convincingly measures or assesses the dynamic nature of trust. With respect to cognitive trust it is easier to see how a loss of trust might be rebuilt by convincing the truster that the trustee has changed, now has the truster's interests at heart and has the ability to deliver on the congruence of interests. If, however, trust is necessarily seen as having an affective dimension then rebuilding trust is likely to be a much more complex affair.

In the field of pensions there is a surprising lack of literature on how individuals differentiate between different pension products and their providers. There are surveys which suggest that some financial service providers are trusted more than others, but little on the impact that different features of pension design, for example, defined benefit or defined contribution, voluntary versus mandatory enrolment, have on people's trust in a pension.

Trust is necessary to absorb complexity and allow the individual to feel secure in their actions but in the field of pensions the objects of trust are numerous: these include government, financial institutions and individual financial advisers and we do not really understand how individuals allocate their trust between these various objects and how shifts in trust between the various objects might occur.

Moreover, while trust is required to facilitate pensions and retirement planning actions, the relationships between levels of trust, knowledge, risk (perceived and actual) and behaviour are potentially complex and unpredictable.

1 Introduction

This working paper sets out the results of an extensive review of the literature on trust and confidence in pensions commissioned by the Department for Work and Pensions (DWP) in early 2009 and completed by the end of that year by the authors, Professors Sarah Vickerstaff and Peter Taylor-Gooby (University of Kent), Jan Macvarish (University of Kent) and Tina Harrison and Wendy Loretto (University of Edinburgh).

The review was originally inspired by the results of several surveys undertaken by DWP asking people whether and to what extent they placed trust and confidence in pensions and types of pension providers[3]. The surveys provided interesting results that tended to confirm existing prevailing attitudes as reported in qualitative research and the popular press alike, that people's views of pensions and pension providers had somewhat dimmed through the 2000s, that this was likely a continuation of a longer term trend and that people were, if not saving or investing at all, moving or considering moving to different forms of funding their retirement.

At the same time, the surveys, together with other research, provided some fascinating insights into people's attitudes around trust and confidence, as well as some apparent paradoxes and contradictions. Thus, why did people seem to lack trust in government, relative to other types of provider, such as insurance companies and employers, to *'act in their best interests'*[4], yet at the same time seemed to place trust in government to provide accurate information on pensions?[5] Likewise, people seemed to have significantly more faith that their own employer would guarantee or deliver a sufficient income in retirement than employers in general; and people seemed to have more trust in individuals with whom they dealt, whatever their institutional background, than in institutions with whom they had little or no direct contact.

The review was therefore commissioned as a first stage in attempting to unravel these issues. The intended focus was on pensions, but this did not preclude reviewing the literature on other areas where there was more evidence or evidence that was likely to carry some degree of resonance for pensions, such as in health provision. No boundaries were set around the academic disciplines which the review would cover, with evidence drawn from a wide cross-section of the psychological, sociological and economics literatures.

Since the review was completed, the global banking crisis and subsequent economic downturn seems to have changed some people's trust and confidence in other, non-pension ways of saving. Thus, trust and confidence in investing in property and in financial companies generally seem to have diminished substantially[6]. Interestingly, people's views of pensions as a means of saving for retirement seemed to have improved, but not by much, at the expense of the decline in trust in

[3] See *Trust and confidence in pensions and pension providers* (DWP Research Summary, 2007).

[4] Only just over one in ten respondents to the Attitudes to Pensions survey in 2006 thought government was most likely to do so compared with other types of provider.

[5] Nearly seven in ten respondents to a 2007 survey of recipients of automatic State Pension forecasts said they had a lot or some trust in information from the government.

[6] Thus, *Attitudes to pensions: The 2009 survey* (DWP Research Report No. 701, 2010) found that 31 per cent of respondents thought that investing in property was the *'best way to make the most of your money'*, compared with 47 per cent in 2006; while just 18 per cent of people were confident that financial companies would guarantee an income in retirement, vis-à-vis 34 per cent in 2006.

non-pensions vehicles[7]; at the same time, trust and confidence in government, relative to other providers, to 'make the most of your money' and to 'act in your best interests' hardly changed at all between 2006 and 2009, suggesting that the increase in negative perceptions of banks and building societies had not necessarily meant more positive attitudes to government.

The Department's work on attitudes and behaviour around pensions since the review has also reaffirmed the important underpinning role of trust and confidence. For example, work on the attitudes and likely reactions to the workplace pensions reforms[8] presents a range of attitudes and intended behaviours that are suffused with issues of trust, around likely and preferred forms of information and advice and so on.

The evidence presented by this review therefore still seems to be of high relevance to ongoing analysis of attitudes and behaviour around pensions, especially that on the different facets of trust; its 'mutability', both over time and in its characteristics; and the difficult areas of measuring trust and 'trustworthiness' and 'attitudinal' versus 'behavioural' trust.

1.1 Background

It is estimated that as many as seven million people are currently not saving enough to deliver the pension income they want, or expect, in their retirement. To address this, the government is committed to increasing private pension provision and saving (Pensions Bill, 2007 Impact statement: 2008:14). This savings deficit is attributed to various factors including changes to pensions offered by employers. Another potential contributing explanation for pension under-saving is that people have lost trust in private pensions as reliable savings vehicles (DWP, 2006a: 11). Part of the Government's response to these issues is that from the autumn of 2012 there will be a rolling programme of automatic enrolment for those with no current pension provision into a new scheme of personal pension accounts[9] with compulsory employer contributions:

> *'...all eligible employees will be automatically enrolled into either a personal account or an employer-sponsored scheme. Employees will contribute a minimum of four per cent, matched by a minimum three per cent employer contribution and around one per cent in the form of normal tax relief from the State. This will overcome the inertia and short-termism that characterise attitudes to saving.'*
>
> (DWP, 2006b:9)

There will also be reforms to the State Pension to make it simpler and fairer, and measures to support longer working lives. It is in this context that the Department for Work and Pensions wants to better understand the concepts of 'trust' and confidence' with regard to pensions. In particular, it would like a greater understanding of the role these factors play in determining knowledge and behaviour around pensions and retirement planning and how this understanding might influence the content and nature of its information and communications on pensions.

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7 Those saying that paying into an employer or personal pension was the best way to make the most of your money increased from 15% to 24%, still less than those preferring property; and those saying that pensions were the safest way to save for retirement remained largely unchanged, despite a fall in confidence in property as the safest savings vehicle.

8 See *Individuals' attitudes and likely reactions to the workplace pension reforms 2009* (DWP Research Report No. 669, 2010).

9 Employees will have to be enrolled in an approved employer scheme or into a ' personal pension' administered by the National Employment Savings Trust (NEST).

1.2 Methodology

The aim was not to perform a systematic literature review, but to produce a summary of current knowledge, to identify areas of uncertainty or disagreement and to suggest gaps in the research. The intention was to try to draw on the academic and commercial sector literature, and from the perspectives of a range of sectors and disciplines. The existing knowledge of the researchers was drawn upon to decide the parameters of the search, to determine the key authors in the academic discussion of trust and confidence and to identify research on consumer trust in financial services and pensions generated by the academic and commercial sectors.

In addition to the literature review, a number of known experts in the field of trust research were interviewed. The purpose of these interviews was to explore in greater detail some of the key theoretical and methodological issues identified in the literature stage of the review. Semi-structured telephone interviews were conducted with these respondents, the interview guidelines are reproduced in Appendix A.

1.3 Report structure

Chapter 2 provides a review of the literature on defining trust. It begins with a summary of current understanding of the key concepts: trust and confidence. This draws upon discussions in a number of different fields: the broadly sociological or social policy literature, the psychological and economic literatures which are concerned with the individual and the financial or management literature which takes a consumption and organisational perspective. Chapter 3 considers how trust has been measured and operationalised in a range of studies; in particular it looks at trust scales, trust games and qualitative methods. The chapter then considers the specific issues which face researchers trying to measure trust in pensions. The insights gained from the expert interviews are woven into the accounts in chapters 2 and 3. The final chapter provides a summary of the gaps in the literature and some thoughts on the potential implications for information and communications about pensions and retirement planning.

2 Defining trust and confidence

This literature review will aim to cover the perspectives on trust and confidence from various disciplines such as sociology, psychology, economics and management; differences in perspectives and similarities between the fields will be drawn together throughout the report. As a result there are many different definitions, although it is possible to identify common themes and issues (for a review see Rousseau *et al.*, 1998). Writers from all traditions agree that trust is necessary when there is uncertainty, vulnerability or risk and that trust implies a relationship and a degree of dependence (Ennew and Sekhon, 2007).

A working definition that sums up these features of trust is:

> *'Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another.'*
>
> (Rousseau *et al.*, 1998: 395)

If we are thinking about the importance of trust in the field of pensions, it is clear that we are talking about the risks that individuals perceive in relation to their future (which is necessarily unpredictable), those organisations who are developing policies or products to ameliorate these risks and those who are seeking to provide guidance, advice and regulation to the individuals facing risks. It is worth posing the question then of who needs trust and why in relation to pensions? While issues of and reasons for possessing trust may appear relatively straightforward at first sight (as in Table 1), further analysis of the literature reveals a much more subtle, and complex picture as we go on to discuss.

Table 2.1 Who needs trust and why?

Individuals To be able to plan, act, and assess risk effectively in relation to its impact on future security	Government To provide a suitable environment for transactions between actors and to implement policies effectively
Financial Services Industry To sell products	Voluntary and Regulatory Services To provide advice and adequate safeguards

There are a number of related concepts to trust and in the literature clear distinctions between trust, confidence and security are not always maintained. Luhmann makes one of the strongest arguments for a distinction between confidence and trust (2000): confidence is something we may have in institutions, whereas trust refers to people. He also argues that trust involves a choice and an awareness of the potential for being let down: Trust is only required if a bad outcome would make you regret your action (2000). Confidence exists where the possibility of negative outcomes is not even considered. Newton similarly makes the distinction between trust in people and confidence in institutions, although he goes on to talk about political trust and confidence without differentiating them (2007). Here confidence is closer to the notion of legitimacy and as such is something that institutions have to earn and sustain.

While a number of authors seek to maintain a theoretical distinction between trust and confidence, in practice the terms are often used interchangeably. The main usefulness of such discussions is the reminder that it is necessary to distinguish between interpersonal trust and institutional trust, while recognising that the two may well interact, for example there may be an important relationship between an individual's generalised level of trust in the personal pension industry and the degree to which they trust their individual financial adviser.

Many authors make distinctions between different kinds of trust, for example:

- cognitive trust: grounded in rational, instrumental judgement, alignment of incentives (or deterrence or calculus-based trust);
- affective trust: relational, ethics, values generated through interaction, empathy;
- personal trust: interpersonal trust, facework commitments;
- impersonal trust: trust in system, expertise;
- generalised trust: the idea that others will, in general, behave reasonably;
- category based trust: when you are more likely to trust someone from a similar social category, i.e. based on race or gender or social class.

These focus on two different dimensions: the basis for trust as cognitive or affective and the focus of trust as interpersonal (horizontal) or institutional (vertical).

It is also clear from the literature that it is necessary to talk about degrees of trust:

- thick and thin trust (see Putnam, 2000; Khodyakov, 2007);
- bandwidth of trust (see Rousseau *et al.*, 1998);
- fast and slow trust (see Blomqvist, 2005).

Thick trust is built on frequent interactions and familiarity, it is interpersonal whereas thin trust is impersonal, as Illingworth put it:

> *'Thin trust is the glue that links people among different groups to each other. Thin trust, unlike thick trust, fosters a willingness to trust people outside our immediate circle.'*
>
> (2005:94)

Bandwidth of trust refers to the fact that trust can 'vary in scope as well as degree':

> *'Where a trustor believes in the positive intentions of the trustee across a broad range of situations, bandwidth is great. In contrast, bandwidth is narrow when trust's range is limited to specific conditions only.'*
>
> (Rousseau *et al.*, 1998: 398)

Writers concerned with trust in organisations and trust within teams have used the notions of fast or swift trust to describe situations in which individuals who know little of each other can nevertheless find a quick basis for trusting each other to develop a project or partnership:

> *'The process leading to fast trust emerges through interest, understanding, earning, adaptation and commitment.'*
>
> (Blomqvist, 2005: 133)

Writers in this field see fast trust as necessarily fragile in its early stage. Although acknowledged as important there is little in the literature that considers to what degree trust is static or dynamic, that is how trust is built or lost

In short, trust is a multi-layered concept. To explore further how trust is conceptualised in the literature it is possible to discern particular traditions in research on trust, which tend to have different starting points and foci; although in practice many individual contributions take an inter-disciplinary approach.

Table 2.2 The trust literatures

Social policy, sociological and political science literature at the macro level	Management and financial literature, trust within and between organisations and a consumption perspective
The individual level: psychology and economics	Applied focus on the policy level

2.1 Social policy, sociological and political science literature

This literature, in its different ways, is concerned with macro changes in society: globalisation, individualisation and risk, which are seen to increase the need for trust in an increasingly complex and fragmented social world. The role of trust in contemporary society is to absorb complexity. However, these same social processes are also responsible for a general decline in social trust in experts and official authority (for a summary of the arguments and the literature see P.F. Taylor-Gooby, 2005).

There are two main themes in the literature to do with rational judgements and with normative and affective issues. Many economists and some political scientists see trust as based on beliefs about the incentives which the party to be trusted is likely to identify and assumes that their actions will be influenced by those incentives (for example, Dasgupta, 1988). Trust then becomes a matter of alignment of incentives and interests. Someone will trust another person or agency if they believe that the incentives faced by that agency will cause them to act in ways that fit with the person's own interests. Trust is then understood as built through the provision of good evidence about the interests and incentives of those concerned and programmes to promote trust emphasize transparency, communication and regulation that are seen to follow the public interest.

The second theme is more likely to be emphasized by sociologists and some political scientists and concerns shared values and feelings. This approach sees trust as based more on the belief that the trusted party shares values with you and is committed to serving your interests. You trust people if you believe they are in this sense on your side. Trust is built primarily through congruence of values. Statements of belief and commitment are important, and again transparency and information helps to carry the conviction that values are shared. Consultation also helps to ensure that trusters are convinced that the trustee respects them as persons and takes their values seriously (Rothstein, 2005, Seligman, 2000, Sztompka,1998).

Recent work on trust has sought to combine both approaches. Thus Russell Hardin understands trust as alignment of interests, plus a commitment to the other party, which will allow those involved to have confidence that the behaviour driven by the alignment of interests will continue in an uncertain future (2004). Social psychologists and psychologists have developed this approach in more detail through work that links cognitions about how people perceive their and others' interests with work on values and affect (see for example Poortinga and Pidgeon, 2003: 964-5).

This social policy, sociology and political science literatures place issues of trust in pensions and savings in the broader social and political context of the legitimacy of governments and trust in the wider welfare state. It reminds us that systemic trust is a factor in individual's pension decisions.

2.2 The individual level

The literature in psychology inevitably starts from the individual level and is primarily concerned with perceptions, cognitions and affect. Economists are also interested in individual decision-making and the role trust plays in actions such as investment behaviour: Trust is an important lubricant for social and economic transactions (Ermisch, *et al.*, 2007). In a complex and diverse society where people have to interact and rely on a range of individuals with whom they have no personal connection, a degree of social or generalised trust *'as the belief that others will not deliberately or knowingly do us harm'* (Newton, 2007:343) is necessary for social and economic life to continue.

The psychological and the economic literatures tend to focus on the affective (grounded in relationships) and cognitive (grounded in rational judgements) dimensions of trust respectively; although both agree that trust is multi-dimensional. Poortinga and Pidgeon (2003) summarise debates within the literature as to the core elements of trust: a long-standing tradition suggests that trust is basically two-dimensional, composed of an assessment of competence and of care or trustworthiness; although other researchers have extended these dimensions to include factors such as objectivity, fairness, commitment, consistency and predictability (for a wider discussion of dimensions see Dietz and Den Hartog, 2006).

It is also important to raise the question of who or what is trusted: what is the object of trust? The literature differentiates between interpersonal trust, social trust and role-based trust. Interpersonal trust, as the term implies, refers to trust in an individual; social trust refers to generalised trust in unknown others or impersonal trust in institutions, systems or expertise. Some writers make a third distinction, that of role-based trust, which is interpersonal, trust is placed in someone but not because they are known, but rather because they hold a position or a role which is trusted, for example trust in all doctors or all bank managers (on role-based trust see Kramer, 1999).

Trust in others may be higher than confidence in institutions (Alesina and La Ferrara, 2002). It is not surprising that people tend to have high levels of trust in their immediate associates: family and friends with whom they can build thick trusting relationships based on familiarity and similarity (Khodyakov 2007).

When it comes to organisations, institutions or government as Eiser and White put it:

> *'In short, we tend to trust actors, at least in the context of risk, who we believe know what they are talking about, care about public safety and are open and transparent in their operations.'*
>
> (2006)

Trust in institutions therefore tends to be based on calculations of their capability, expertise and interests, although in practice, people's contact with institutions is typically through interpersonal relationships with representatives of the organisation concerned and so role-based trust may be significant as well. Credentials and expertise are important for role-based trust. It is necessarily more difficult for the truster to judge the ability, reliability and benevolence of a distant institution and its representatives and to build up a consistent relationship with it if contact is infrequent.

This suggests that we need, as Dietz and Den Hartog (2006; 561) argue, to view trust as a three way process involving: the characteristics of the truster, the characteristics of the trustee and the nature of the relationship between the two.

The psychological literature reminds us that the individual capacity to trust may also be conditioned by personality and fundamental psychological processes. Eiser and White, (2006) suggest that processes which can play a role in sustaining or changing degrees of trust include: negativity bias, that is a tendency for bad news to be more persuasive than good news; cognitive consistency, in which people try to maintain consistency in their views and information diagnosticity which means that more information rather than less helps form a strong view (though not necessarily the 'correct view' (de Meza, *et al.*, 2008). Emotions may also play a role in behaviour that involves a degree of trust such as saving (Nenkov *et al.*, 2009).

Behavioural economics has developed to better understand decision making and the role played by psychology and knowledge and understanding. This is highly relevant to trust in pensions as one hypothesised aspect of a trust deficit is financial illiteracy. Due to what are believed to be a set of deep-seated cognitive biases (such as procrastination, status quo bias; regret aversion) the current conclusion is that:

> *'The indirect evidence from behavioural economics is that low financial capability is more to do with psychology than knowledge.'*
>
> (de Meza *et al.*, 2008:4)

A social psychological approach adds to this literature to suggest that capacity to trust as well as being conditioned by cognitive biases is likely also to be affected by social differentiators such as race, gender, age and social class. Social identity theory suggests that interpersonal trust may in certain circumstances be category based, that is an individual may be more likely to trust someone from their in-group, someone they perceive as having the same social identity as themselves (Simpson *et al.*, 2007).

It is clear from this body of literature that it is important to acknowledge that characteristics of the truster and the trustee need to be built into any analysis of trust. The role of individual psychology, cognitive biases and emotion are significant in understanding how trust is built, sustained and lost.

2.3 Management, financial and marketing literature

There is a long tradition in the management and organisational behaviour literature, which considers the impact of trust on relationships between organisations and within organisations (Dietz and Den Hartog, 2006). In addition to the focus on the distinctiveness of the truster and the trustee, this literature highlights the importance of the nature of the relationship between the two. This literature is typically trying to apply concepts of trust from sociological or psychological theories to improve trust in organisational settings: to enhance the performance of an organisation; to facilitate better relationships between organisations or to improve the marketing and selling of a product.

The financial services marketing literature tends to place emphasis on the distinguishing characteristics of financial services and the implications for the consumer-financial institution relationship. The term 'financial services' tends to be used broadly to describe a whole range of products and services varying in terms of duration, complexity, degree of uniformity and extent of consumer participation, and offered by a variety of different financial institutions. Llewellyn (1999) notes a number of market imperfections in relation to financial services including: inadequate information on the part of the consumer; asymmetric information; problems of ascertaining quality at point of purchase; inability of retail consumers to assess the safety and soundness of firms. These characteristics increase the risk associated with purchase and create conditions for dependency between the consumer and the financial institution. Under these circumstances, the need to trust and have confidence in financial institutions increases. The literature also notes that due to the inherent intangibility of the products and inseparability of the production and marketing functions, sales people, particularly financial advisers, occupy an important 'boundary-spanning' role in the relationship (Bowen and Schneider, 1988). Yet, problems associated with agency costs, coupled with the dual role of adviser and salesperson, have put the impartiality of advice into question. Hence, from the consumer's perspective, identifying indicators of trust can be problematic. Pensions meet all of these criteria of risk: they are complex, brand may be important, as is past performance and typically they require the individual to rely on the expertise of a third party (Beckett *et al.*, 2000).

Research by the Association of Independent Financial Advisers (undated) highlights the concern within the industry over declining consumer trust. While acknowledging the specific features of financial products discussed above, they also draw attention to the impact of pension and insurance mis-selling and the tendency for media coverage of the industry to focus on negative stories such as endowment shortfalls and 'pension holes' . With respect to restoring trust the report recommends a separation of sales from advice so as to overcome the problem that:

> *'Consumers are confused as to the role of IFAs as they are unsure of whether they are getting impartial advice or being sold a product.'*
>
> (AIFA, 2008:7)

The multi-dimensionality of trust here is clear; the consumer needs to have a degree of trust in the adviser, in the product and beyond that in the stock market or economy as a whole. Providing more information to the consumer, while apparently an obvious response to this degree of complexity and uncertainty, is not straightforward either. Research suggests that generic advice or information may have much less impact on retirement planning than specialist advice which addresses the individual's or the household's specific situation (Clark *et al.*, 2008). Research also indicates that there are significant differentiations among consumers in terms of their capacity to understand and process information about financial products: age, ethnicity, gender, level of education and social class have all been shown to have an impact on people's confidence in their own ability to make sensible judgements (King, 2003; Lunt, interview, 2009; Waine, 2009; Clark *et al.*, 2008).

The literatures in the management, financial and marketing fields are focused upon trying to solve specific problems and focus upon the issues of information, expertise and competence. The financial services literature points to the specificity of financial products and the multidimensional nature of the trust required for individuals to take up inherently risky investment products.

2.4 Applied policy focus

A further strand within the trust literature is that which looks explicitly at trust in relation to specific policies or areas of policy development, reform and implementation. There is a growing literature which considers the role of trust in health care and the extent to which changes in health care systems and the wider society have impacted upon individuals' trust in doctors, hospitals and medicine generally (Calnan and Rowe, 2008; Meyer *et al.*, 2008; van der Schee *et al.*, 2007). This literature makes a point that is relevant also to the pensions field that you need to understand the relationship between public trust or trust in institutions, i.e. the NHS or the pensions system and interpersonal trust in individual doctors or financial advisers (see van der Schee *et al.*, 2007: 57). As Meyer *et al.*, put it:

> *'Rather than linear, trusting relationships can be understood as a complex "web of interaction".'*
>
> (2008:182)

Social policy writers have also been interested in the impact of policy reform on consumer attitudes and perceptions of citizenship. This literature often locates the issue of pension reform in the context of wider debates about reform of the welfare state and the nature or degree of public support for pension reform (for example Taylor-Gooby, 2009; O'Donnell and Tinios, 2003; Jacobs 1998; Hicks, 2001; Forma and Kangas, 1999; Edwards, 2001; Black, 2002; Bay and Pedersen, 2004; Boeri and Borsch-Supan, 2001, 2002). Much of this literature suggests that public trust in pension institutions has declined (Hyde *et al.*, 2007:457-8). In particular there seems to be widespread concern across countries about the ability of national pension schemes to meet their obligations regardless of the type of pension system (Hicks, 2001; Jacobs, 1998)

There is also a literature, which while not focusing on trust explicitly, locates attitudes to pensions in the wider context of retirement planning (Rowlingson, 2002; Vickerstaff, 2006; Vickerstaff *et al.*, 2008; Hedges 2009; Hall and Floyd, 2009; Waine, 2009). This research provides insights into how retirement is perceived, how the financial services and pension industry are viewed and how decisions about planning (or not) for retirement are embedded in domestic, employment and social contexts. It locates attitudes towards pensions in wider orientations towards retirement. It is thus, difficult to isolate trust in a specific policy area as there may be spillovers from other policy issues.

A handful of writers address trust and pension design explicitly. Ring (2005a, 2005b) discusses the importance of creating security for people through pension provision and that security is necessarily linked to trust:

> *'One means of achieving ontological security is to have confidence or trust that things are as they appear to be, confidence in the reliability of a system to produce given outcomes.'*
>
> (Ring, 2005a: 349)

Trust is needed because of information asymmetry between government, financial institutions and consumers; consumers lack knowledge and are therefore reliant on experts (Ring, 2005b). Ring proceeds to analyse developments in the state, occupational and private pensions over the last decade or so which have served to dent people's confidence in both their reliability and outcomes. Research undertaken by the Department for Work and Pensions (DWP) (Kelly, 2007) indicates that there is a hierarchy of trust: employers are trusted more than the financial services industry, which in turn is more trusted than government. This reinforces research in the financial services field mentioned earlier that finds advisers closer to the individual or household's situation are valued more than generic advisers, i.e. the company pension specialist rather than the bank manager (Clarke *et al.*, 2008:22). Ennew's (2009) research shows that there is a hierarchy of trust among institutions within the financial services industry.

The degree to which there is a 'crisis of confidence' (or 'crisis of trust', the two are typically conflated) in financial services is disputed. Mis-selling and scandals have dissipated trust (ABI 2002) but the Financial Services Trust Index suggests that crisis is too strong a word as just over 75 per cent of those surveyed are moderately trusting of Financial Services Institutions (FSIs) and this has been consistent over the last five years. (Ennew, 2009). The Index attempts to measure both cognitive trust, that is can an institution deliver on what it says it will do and affective trust namely whether the institution is concerned with its customers' interests. The results of the survey indicate that cognitive trust is higher than affective trust in FSIs.

Ring (2005a) makes the link between trust and ontological security. He argues the point (following Giddens and Luhmann) that security is not the absence of risk, there are no risk free decisions, but there are ways of reducing anxiety and normalising risk.

With regard to the necessary role of experts he suggests that standards of advice need to be established and regulated. He also sees a role for improving financial education and awareness (Ring, 2005a). However, he argues that there are necessary limits to the role that information and education can play:

> *'For a significant element of the population, education and 'simplification' of the private sector will not magically enable them successfully to manage their long-term financial security through private provision.'*
>
> (Ring, 2005b: 66)

Improving the nation's financial literacy would at best be a generation away.

Ring (2005b) provides a number of solutions to the problems of trust he identifies: increase trust by providing a non-means-tested, guaranteed State Pension for all and reduce the amount of trust required by simplification. If a base line of economic security in retirement is guaranteed through the State Pension then people may be more willing to save some of their income for retirement because the 'heat' has been taken out of the planning. In addition he argues that the governmental exhortation to save more does not need to mean that people should invest in private pension provision:

> *'Second-tier funded provision, through some form of simple, state-sponsored (though not necessarily state administered) vehicle, might be the means of addressing the 'savings gap'. The simplicity, clarity and soundness of a straightforward, low-cost, investment medium, overseen by the state, could provide a savings mechanism individuals might be more willing to trust.'*
>
> (2005b: 67)

Hyde and colleagues develop Ring's work to emphasise 'the strategic importance of institutional design in the trust process' (Hyde *et al*., 2007:457). By which they mean that:

> *'… trust in pensions institutions is dependent on the legitimacy of the principles that are embedded in their design, and the retirement outcomes to which they give rise.'*
>
> (458)

They draw on the work of Szomptka (1998; 1999), Giddens (1990) and O'Neill (2002) to incorporate individual psychology and social relationships into an understanding of trust. Like many others, they define trust as follows:

> *'… the degree of confidence of actors in the intentions and actions of other actors regarding specific outcomes.'*
>
> (Hyde *et al*., 2007: 459)

They are particularly concerned to avoid simplistic models of trust-building whereby:

> *'… people's perceptions of pension arrangements, including their willingness or reluctance to place trust, can be 'read off' from institutional design.'*
>
> (2007: 459)

They acknowledge the complexity of factors and contingencies which may both complement and frustrate 'the intentions of those who are responsible for designing pension institutions' (2007: 459). The importance of the broader context of societal change is emphasised, for example, demographic ageing, globalisation, cultural shifts towards individualism and consumerism.

Hyde *et al.*, (2007) are critical of policy's reliance on the 'rational actor model' and emphasize different types of trust: cognitive trust – which involves a strategic orientation and predictability and affective trust – driven by emotion, reflecting personal ethics and values. They provide a set of benchmarks for the trust requirements of institutional design, but acknowledge that design is a dynamic process and unintended consequences may always arise:

1. **Flexibility for the pension holder**, a degree of choice regarding contributions, interim withdrawals, deferring or early retirement.
2. **Inclusive administration**: a feature of accountability – the ability of pension scheme members to influence decision-making. They cite the concepts of 'voice' and 'control' (Papadakis and Taylor-Gooby, 1987).
3. **Transparency**: citing Gerard *et al.'s* study (2001) which found that the involvement of pension funds in mergers and acquisitions had led to job losses and diminished confidence of North American labour unions in financial institutions. They highlight evidence suggesting that regarding pensions, individuals have a lack of knowledge (Taylor-Gooby 2005) but a desire for greater transparency (King, 2003).
4. **Security**: stability and predictability in the accumulation and benefit phases (Ring 2005; Sztompka 1998). Increased longevity makes this more problematic. A Greek study suggested that there was a heightened sense of insecurity regarding public pensions because of doubts about the stability of public policy (O'Donnell and Tinios, 2003). Boeri, Börsch-Supan *et al.* (2001) compared attitudes in Germany and Italy.
5. **Rights enactment**: the degree to which citizenship entitlements are embedded in the design of pension institutions. Research suggests overwhelming support for the contributory principle (Forma and Kangas 1999). This benchmark refers to a sense of perceived fairness of pension entitlement.
6. **Rights enforcement**: the extent to which design allows for the enforcement of citizenship rights. Perceptions of complexity and difficulty are relevant here, see The Annual Reports of the Pensions Advisory Service, 1999 through to 2009 for the complaints and queries that they receive (http://www.pensionsadvisoryservice.org.uk/publications.aspx).

This applied literature which focuses on particular areas of public policy such as health care or pension provision stresses the need to think about the interconnections between interpersonal trust and trust in institutions. It focuses on the specific institutional design of policies while also locating trust in its wider social and political context.

2.5 Specific characteristics of trust in the pension sector

From the various literatures discussed above we can highlight some key issues for trust in the pension arena:

- Pensions are complex and potentially difficult to understand, individuals will vary in their ability to access and understand information. This can usefully be thought of as differences between 'information poor' and 'information rich' people (see Meyer *et al.*, 2008: 183).
- There are conflicting models of retirement, both positive and negative (Hedges *et al.*, 2009) and many people at earlier ages want to delay thinking about the future. Individual decisions about savings and pensions are thus not wholly rational, but are also affected by emotion and social context.

- There is little evidence in the research to suggest that people are naturally planners, especially if planning requires handling complex information and taking risks. The fact that pension saving requires current pain for future potential gain is likely to reinforce the human tendency to focus on the current moment.
- Knowledge is needed to understand pensions and make decisions, but there is information asymmetry between consumers and sellers, so to some extent individuals must depend on experts, which creates the need for trust.
- There is debate about the degree to which there is a crisis of confidence in financial services, brought on by experience and media reporting of scandals and general perceptions of financial system failure. It is clear, however, that the general sense of turbulence, unreliability and possibly dishonesty in the financial services industry is regularly rehearsed and repeated in popular public discourse.
- It is easier to trust someone that you have built up a relationship with over time than a more distant adviser or institution. Hence there is a hierarchy of trust in financial advice.
- The motives of the trustee are important in building any trust relationship and hence it may be more difficult to trust advice from someone who is also perceived as having an interest in selling you something or making you do something different.
- There seems to be a larger loss of trust in government and ‘the system’ so that the dynamic relationship between trust in the system and interpersonal trust in financial or other advisers needs to be understood.
- People face the risk that they may not have saved or be entitled to enough for a comfortable retirement. Reducing uncertainty is difficult and this may breed inertia.
- Affective features of trust limit the impact of educational or informational solutions. Increasing knowledge might heighten perception of risks.

2.6 Conclusion

The various approaches to trust have implications for the stability of trust, the extent to which trust in an institution may continue when it is no longer appropriate and the question of rebuilding trust. If trust is understood as primarily cognitive and to do with beliefs about the incentives facing the other, it will last only so long as good evidence of those incentives is supplied and will disappear when it is no longer available. However, it can be restored relatively rapidly by producing evidence of a new incentive structure, which may be powerfully supported by a system of state regulation and close monitoring of the agencies involved. If trust is primarily understood as affective or normative, the situation is more complex. Trust may endure to some extent after evidence that the trustee has opposed interests emerges and there may well be conflicts and debates which include elements of emotion and finally feelings of betrayal. On the one hand these may open up opportunities for exploitation. On the other they make trust difficult to rebuild. A very high degree of consultation and evidence of commitment and of respect for the other’s values and interests and also apologies may be required. It may be appropriate to establish an entirely new institutional framework to remove any associations with the previous untrustworthy structure (Renn, 2009).

The balance of conclusions from the literature reviewed here would suggest that affective trust is stronger and more enduring than cognitive trust, or put in other terms it is easier to trust someone with whom you have a long standing relationship than to trust an institution. The wider literature on retirement planning and saving strongly suggest that a majority of people delay or even avoid thinking about their old age, hence disposition and emotion are key to understanding people’s orientations towards, and trust in, pension institutions.

3 Measuring trust

Given the range of disciplines who are interested in trust it is not a surprise that there are a range of methodologies employed in trying to measure it. Early studies were primarily concerned with individualised and interpersonal trust (Rotter 1967; Wheeless and Grotz 1977; Larzelere and Huston 1980; Johnson-George and Swap 1982; Couch and Jones 1997), but the issue of measurement was developed by those interested in questions of social trust (Putnam, Leonardi *et al.*, 1993; Putnam 2000). The development of methods of measuring trust has since spanned a number of fields of study: Organisational behaviour, management science and personnel studies (Butler Jr 1991; Currall and Judge 1995; Dietz and Den Hartog 2006); education (Tschannen-Moran and Hoy 2000); consumer-business relationships (Delgado-Ballester, Munuera-Aleman *et al.*, 2003; Johnson and Grayson 2005) and most recently, there is a growing body of work concerned with measuring trust in online (largely commercial) relationships (Bhattacherjee 2002; McKnight *et al.*, 2003; Wang and Emurian 2005; Corritore, *et al.*, 2003).

A further notable body of research has developed in the field of medicine and healthcare. United States (US) research into trust and its measurement within the healthcare system is particularly extensive and exploration of the trust relationship between doctors and patients has produced an international body of work (Currall and Judge 1995; Hall, Dugan *et al.*, 2001; Hall, Zheng *et al.*, 2002; Hall *et al.*, 2002.; Calnan 2005).

In the American literature there is more of a consensus that trust can be measured (Hall *et al.*, 2001), in the UK there is greater debate. In either case, methodological developments are still premised on the further refinement of the conceptualisation of trust and the need to develop this for particular settings. In the methodological literature, there is much discussion about the difficulty of developing reliable and valid measures for trust for example, Ermisch and Gambetta have recently argued that:

> *'… the difficulty of measuring trustworthiness has been a major obstacle to the progress of trust research generally, which as a result has been unsatisfactorily one-sided. Countless papers refer to trust, and by this they mean disposition to trust or 'trustingness', without a clear idea of the extent to which people's trustingness is an idiosyncratic disposition or belief or a response to actual trustworthiness in the reference group people have in mind when answering trust related questions.'*
>
> (2006: 3)

In other words, as discussed above, trust always implies a relationship between the truster and the trustee, and therefore methodologies to measure trust need to measure the relationship and not merely focus on the truster.

Within the literature on the measurement of trust, although the language of quantification is prevalent, there is still extensive discussion of qualitative distinctions between types of trust, components of trust, consequences of trust and determinants of trust prior to experimenting with methods of measurement, the investigation of correlations with other variables, or the further exploration of the relationship between trust attitudes, trust intentions and trust behaviour. As with approaches to defining trust, we can identify a number of different traditions in the measurement of trust and we will discuss these in turn.

Table 3.1 Approaches to measuring trust

Surveys and trust scales for measuring trust and confidence	Mixed methods
Experimental designs: games or tests	Qualitative methods: focus groups, interviews, testing models of attitudes and behaviour

3.1 Surveys and trust scales

Earlier studies of social trust relied on simple questions about trust incorporated into large-scale surveys, such as the General Social Survey conducted by the National Opinion Research Center in the US, which asked the following question from 1972 to 1992.

> *'Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?'*

This question and variations upon it, are still used as a general measure of trust in both large-scale surveys and as part of smaller studies and experiments. The advantage of large-scale surveys is their large sample size and the additional information gathered about respondents which can then be analysed for correlations, for example with demographic features such as age, gender, class etc. Alesina and La Ferrara (2002) used the General Social Survey for the United States, but correlated the results with other variables, finding recent experience of trauma, race, belonging to a discriminated against group, economic success/lack of success and community heterogeneity to be particularly significant (Alesina and La Ferrara 2002). Drilling down from the general measure of trust they included questions concerning how much the respondent trusts certain institutions like banks and financial institutions, Congress, the army, public officials, medical doctors etc. While this kind of methodology can tell us much about correlations, it cannot tell us about the causes of trust. It is argued that large-scale trust surveys are better at predicting overall levels of trustworthiness in society than any individual's level of trust (Glaeser, *et al.*, 2000).

As interest in trust grew so did criticisms of the existing measures. Increasingly specialised scales have been developed to measure different types of trust, in different domains. The two most common alternative methods of measuring trust are Trust Scales and Trust Games. Trust scales aim to measure trust attitudes using from a few to many questions or items. Trust games aim to measure the way in which individuals act out trust behaviour.

3.1.1 Trust scales

A number of trust scales are referred to in the literature:

- The five-item 'Faith in People Scale' developed by Morris Rosenberg in 1958 (cited by Glaeser et al. 2000: 826) .
- The 'Belief in Human Benevolence Scale' (Thornton and Kline 1982).

- The 'Interpersonal Trust Scale' (Rotter 1967).
- Robinson's Trust Scale (Robinson 1996).
- The 'Brand Trust Scale' (Delgado-Ballester *et al.*, 2003)
- The 'Trust in People Scale' used by the US Survey Research Centre from 1969 and subsequently widely used, for example European Social Survey Social Trust Scale (van der Veld, W. M. 2008).

  This scale has three items, with a response scale running from 0 to 10:

  1. 'Using this card, generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people?'
  2. 'Do you think that most people would try to take advantage of you if they got a chance or would they try to be fair?'
  3. 'Would you say that most of the time people try to be helpful or are they mostly looking out for themselves?'

Trust scales have been developed in a comprehensive and sophisticated way in the field of healthcare and medicine, for example, the Wake Forest Physician Trust Scale measures five dimensions of trust between physicians and patients, using ten items: fidelity (are they on your side), competence, honesty, confidentiality and global (not general trust, still specific to own physician). Others recommend that a shortened Wake Forest Scale of five items will suffice (Thom, *et al.*, 2004).

> *'While short, even single-item measures of trust may be appropriate for some purposes, multi-item measures are useful for identifying specific areas for improvement by delivery systems or individual physicians. Specific items can also provide insight into changes in important aspects of the patient-physician relationship.'*
>
> (Thom, *et al.*, 2004: 129)

The most commonly commented upon distinction that trust scales need to be able to pick up on is that between individual relationships at the micro level and relationships with institutions or systems at the macro level. Hall suggests that:

> *'... scale development and empirical testing are much more advanced for trust in known physician than for trust in the medical profession, medical institutions, or the system of medicine.'*
>
> (Hall *et al.*, 2001: 624)

Alesina and La Ferrara (2002) confirm the importance of clarifying this distinction because there is higher reported trust in other people than reported confidence in certain institutions. Calnan and Rowe (2006) emphasise the need to distinguish between micro and macro level trust relationships, but also to understand that trust relations are multi-layered – for example, relations within the workforce and between providers may also influence patient-provider relationships (Calnan and Rowe 2004).

> *'This approach suggest that trust is not primarily dispositional or an individual attribute or psychological state, but is constructed from a set of inter-personal behaviours or from a shared identity. Those behaviours are underpinned by sets of institutional rules, laws and customs.'*
>
> (Calnan and Rowe 2006)

More recently, research concerned with trust in online relationships has developed trust scales designed to cope with the specificities of the online domain. Battacherjee categorises three dimensions of trust: trustee's ability, benevolence and integrity and uses 'an iterative testing and refinement procedure using two field surveys of online retailing and online banking users' to develop a seven item trust scale (Bhattacherjee 2002).

The Financial Trust Index developed by Sapienza and Zingales of Chicago Booth/Kellogg School (www.financialtrustindex.org/resultswave1.htm) aims to capture both micro and macro level attitudes towards risk. It was used specifically to test whether recent financial shocks had undermined American's trust in stock markets and financial institutions. It tried to link general trust to specific events and to the individual's own financial situation and how trust might be changing in the face of financial events. It asked the following questions in a telephone interview:

1 How much they trusted certain types of people or institutions on a scale ranging from one to five. Other people, banks, bankers, government, large corporations, stock market.
2 How their trust in some institutions has changed.
3 What were their intentions to invest in/withdraw from the stock market
4 What was the percentage change in their financial wealth over the past 12 months.
5 Their feelings about certain key policy issues – e.g. what they felt was the cause of the financial crisis, provided with six possible answers (e.g. manager's greed, poor corporate governance)
6 Did they think that government interventions in financial markets over the last three months had made people more or less confident in stock market investing.
7 Should government intervene more to regulate the financial sector.
8 What did they think were the primary motivations for the Treasury Secretary's actions.

The results revealed some apparently contradictory answers, but seemed to suggest that cynicism about government's motives was widespread.

3.1.2 Issues in the use of trust scales

According to Hall *et al.*, (2002), 'some scales do better than others in distinguishing trust itself from predictors and consequences of trust' and others 'do not include all the important domains of trust'. The same authors claim that further limitations in studies of trust include the narrow range of respondents surveyed (with an under-representation of minorities and the disadvantaged), weak bases for inferring causal relationships, reliance on self-reported attitudes and behaviours, lack of longitudinal studies, few studies have used experimental design and none have used independently observed outcome measures. There have been four main issues raised in the use of scales: arguments about the clarity of definition; the need for specificity; the need for comparability between studies and the gap between attitudes and behaviour. These are considered in turn.

Attempts to develop the measurement of trust usually entail the further development of the conceptualisation of trust. The growing interest in trust in diverse sectors has meant the specific issues involved in understanding sector-specific trust must first be clarified. Studies which experiment with the measurement of trust tend also to be concerned, therefore to further explore a) the dimensions of trust, b) the determinants of trust c) the predictors of trust and d) the consequences of trust.

There is consensus that trust is complicated and multi-dimensional, and is rooted in social relationships. This means that research must take the time to clarify the object of trust it is concerned with, how this is related to by individuals and the context in which trust relationships take place. Underlying the capacity to measure trust, is the necessity to tailor the method of measurement to the particular domain in which the trust relationships of interest take place. In their article analysing 14 trust measures in the organisation and management literature on intra-organisational trust, Dietz and Den Hartog write:

> *'... since our knowledge of a construct can only be as good as the measures we use to examine it, it is essential to evaluate the 'validity' of these instruments (e.g. Schriesheim et al.1993) – not only their statistical performance, but perhaps more importantly for how well they reflect the conceptualisation of the construct, with due consideration to its subtleties.'*
>
> (2006: 558)

The need to recognise the multi-dimensionality and specificity of trust relationship is also made by Collard (Interview with Loretto). Collard argues that researchers need to be 'absolutely clear about what you are measuring' and concerning financial products, 'you have to break that down to a trust in the product itself' as well as deciding whether to also measure trust in the provider and trust in the intermediaries. She goes on to say, 'do you want to measure trust in all those things, or is there an aggregate measure of trust that you can develop'. She made the further point that the link between attitude and behaviour is not necessarily straight forward, you might not trust pension products very much but may actually see no other alternative. This sharpens up the issue of the relationship between trust and engagement.

The need for specificity is a common recommendation in the discussion of trust measures. Glaeser *et al.*, (2000: 812) criticise the General Social Survey (GSS question as 'vague, abstract and hard to interpret'. They argue that individuals could interpret the question in a number of ways, for example, who is meant by 'most people', what is meant by trust, or there may be an unwillingness to answer truthfully. Alesina and La Ferrara (2002) make the further challenge that there is an important distinction between trust in individuals and confidence in institutions which is elided by the general character of the question. Although in practice in the literature a clear distinction between trust and confidence is rarely maintained. Calnan and Sanford (2004) have developed a questionnaire for use in Germany, the Netherlands and the UK, which is tailored to the issue of trust in healthcare, but has two items specific to the NHS (see Calnan and Sanford 2004 for the full list items). Respondents were asked to give a rating between 1 and 10 in response to a general question about their confidence in today's healthcare system, but this was followed by 32 specific items of trust, working with six dimensions of trust: patient-centred, macro level policies, professional expertise, quality of care, communication and provision of information and quality of cooperation. The two NHS specific items addressed the decline in deference to doctors and concern about the regulation and accountability of doctors.

Although there is a strong argument for specific measures which can pull apart the many dimensions of trust and capture the nuances of trust in particular sectors, the disadvantage of such specificity is the reduced capacity for comparison (Ennew, interview 2009). This would depend on the level of analysis one was seeking, if one was concerned with trust at the systemic level it might be useful to compare levels of trust in the National Health Service with levels of trust in the State Pension or pensions more generally. If, on the other hand, one was trying to track changes in trust over time in a particular domain such as pensions, the reduced capacity for comparison might be less injurious.

A recurring problem raised with trust scales is the disjuncture between trust attitudes and behaviour which actually expresses trust. Lunt (interview 2009) states that attitudes are not a reliable predictor of behaviour – there is a big gap between intention and behaviour. Trust scales have been criticised for failing to predict trust behaviour, but also failing to predict other trust attitudes. Besides the difficulty of wording questions in a sufficiently unambiguous way, using terms that are universally recognised as capturing trust, there is the further problem of trusting behaviour having a moral and social value attached to it that would tend to push up self-reported levels of trust. Calnan argues that measures must get at behaviour rather than relying on self-reports of trust.

> *'If trust is claimed to embrace both attitudes and behaviours then in order to allow for socially desirable responses, it may be more appropriate for research to focus on enacted trust behaviour than espoused levels of trust.'*
>
> (Calnan 2005:19)

Drake (interview with Loretto) also emphasises that the difference between attitudes and behaviour is absolutely key to accurately measuring trust, given that self-perception influences self-reported levels of trust. She argues that to measure trust, we need to look at outcomes – what people actually experience, to gather:

> *'... some really hard evidence on the outcome of the engagement with financial products and financial institutions because that's what people actually experience and that's what will either influence their behaviour or they will communicate to their children or their colleagues. So actual outcomes, actual behaviours and less so on attitudes.'*
>
> (Drake interview with Loretto)

Arguably in relation to trust in pensions, the policy interest in trust stems from the hypothesis that a trust deficit is having an effect on peoples' retirement planning and savings behaviour, whether that be a lack of trust in the government, in financial services, employers or individual financial advisers or all or any of these. The motive for trying to measure trust and increase trust therefore in policy terms would seem to be in order to have an impact on behaviour.

3.2 Trust games

The Experimental Trust Game method, developed largely by economists, claims to create experimental conditions in which 'pure trust' can be measured (Croson and Buchan 1999; McCabe, Rigdon *et al.*, 2003). Trust Games are often used in conjunction with other, psychometric measures of trust. The aim is to correlate trust behaviour with trust attitudes. Psychometric measures of trust may rely on self-report or try to get at trust attitudes more indirectly. The claims of psychometric measures, however, are disputed by Ermisch and Gambetta:

> *'... while there may be some limited value in asking attitudinal questions about trust – of the kind 'do you think most people are trustworthy?' – surveys are useless when one aims to measure trustworthiness: words are cheap – people would respond positively when asked whether they are trustworthy, whether they are or not.'*
>
> (2006: 3)

However, Ermisch and Gambetta also question the validity of experiments which, they say, fail to replicate real conditions in their selection of non-representative samples, their 'laboratory' conditions and the use of money which is not regarded by the respondents in the same way as they would regard their own money. In order to capture trust behaviour, Ermisch and Gambetta recommend combining an experiment with a representative sample, to 'obtain sound and representative behavioural measures of both trust and trustworthiness.' (2006: 4) and rejects the idea of 'pure trust'. Trust, they argue 'is always trust in someone to do something, e.g. pay their debts, or look after one's children.' (2006: 11). They are stressing the relational quality of trust, not that the psychological dispositions which affect trust are irrelevant but that rather we most always measure those in the context of who or what is being trusted.

3.3 Mixed methods

Within the study of trust, a distinction can be made between studies which seek to quantify trust as a single entity and those which seek to measure the relationship between trust levels or trust behaviour and other correlates, such as demographic characteristics (age, gender, class, and race). However, both methodologies are often brought together, for example, Glaeser *et al.*, seek to demonstrate that:

> *'... experiments can be integrated with surveys to measure individual-level variation in traditionally hard-to-measure characteristics such as trust and trustworthiness.'*
>
> (Glaeser, *et al.*, 2000: 812)

and claim that:

> *'The primary difference between our work and most previous work is that we ask whether subject characteristics predict the choices that subjects make in these experiments.'*
>
> (Glaeser *et al.*, 2000: 813)

Their study uses two types of survey questions: questions about trusting attitudes and questions about past trusting behaviour. These responses are correlated with the results of two trust games, designed to measure both inclinations to trust and trustworthiness. The researchers found that questions about past behaviour were more strongly predictive of trust in the experiments than attitudinal questions.

3.4 Qualitative measurement of trust

Another way in which researchers have tried to measure trust is through qualitative techniques such as interviews and focus groups. It can be difficult to distinguish between qualitative studies which further develop the conceptualisation of trust and those which actually measure trust. Mechanic and Meyer (2000) conducted 90 in-depth semi-structured, open-ended interviews with three groups of patients suffering from three different serious illnesses and analysed the transcripts using qualitative analysis software to code for dimensions of trust. The aim was to develop the dimensions of trust between patient and doctor, but also to compare between the patient groups. The dimensions of trust used were initially generated from a literature review, but were added to as themes emerged from the transcripts. Word counts were conducted to measure the frequency of particular words. Hedges *et al.*, (2009) ran 16 group discussions among members of the public exploring people's doubts and insecurities about what will happen in the future regarding their own financial security. Thomas *et al.*, (1999) developed a typology of different types of people with regard to pension attitudes and behaviour: Active pension planners, passive pension planners, those who had considered a pension but not pursued it and those who had not thought about pensions. These qualitative studies could also be said to be measuring trust.

These studies focus on behaviour and try to understand individual's orientations to their treatment or savings and link this back to degrees of expressed trust. They are useful in trying to understand the impact that trust, among other factors, has in specific contexts although they are not really trying to measure trust as such. As smaller scale qualitative studies they cannot say anything about general levels of trust.

3.5 Measuring trust in pensions

The specific literature on the measurement of trust in pensions is less developed than that concerning health or broader consumer/business relationships. There are two main forms of research, that which seeks to measure consumer confidence and trust in pensions and that which is framed more broadly to look at trust in the context of pension policy and development. Information about the instruments used in consumer confidence research varies and is particularly difficult to ascertain in commercial-sector research.

The Employee Benefit Research Institute (EBRI) in the US conducts an annual Retirement Confidence Survey, which consists of a telephone survey of a representative sample of Americans over the age of 25. It asks respondents whether they are confident that they will have enough money to live comfortably in retirement; their confidence that social security will continue to provide benefits equivalent to those received by retirees today; what age people plan to retire; whether they expect to continue to work for pay in retirement and other related questions. Here, as in the literature and research more generally, no distinction between trust and confidence is made, the words are used interchangeably. The survey is in its 19th wave in 2009 and therefore has the great benefit of offering a view of how confidence and attitudes on these issues are changing over time. The 2009 survey indicated record low confidence levels in having enough money for a comfortable retirement (EBRI, 2009).

The Consumer Confidence Tracker by the British Market Research Bureau (BMRB) conducts an online omnibus of 1,000 adults, which covers areas that contribute to a consumer's overall confidence; issues such as financial security, job security, confidence in the housing market, expenditure on basic necessities, cutbacks they may have made recently and likely future expenditure. The June 2009 results indicated that only one in ten adults aged 16–64 feel financially secure and that 47 per cent definitely do not feel financially secure (http://www.bmrb.co.uk/news/article/consumer-confidence-tracker-june-2009/).

The Customer Trust Index is a commercial survey operated by Corporate Culture. The index uses 45 different drivers of trust in focus groups, depth interviews, an online survey of 2,400 members of the public and advanced data analysis, to explore:

- The importance of trust.
- Factors that increase or decrease trust.
- Hierarchy of most/least trusted companies and sectors.
- Personal beliefs that influence trust and buying behaviour.
- Consumer actions in response to winning or losing trust.
- Key communication channels for building trust and influencing behaviour.
- Key actions that can be taken to earn trust.

(http://www.corporateculture.co.uk/downloads/cti_summary.pdf)

The Financial Services Research Forum at Nottingham University Business School operates the Financial Services Trust Index. The trust index was developed in 2005 and has been run annually for four years. It is a telephone-based survey in which all 1,400 respondents are asked a series of questions about two institutions or product contexts: main bank, building society, general insurance provider, life insurance provider, broker/adviser, investment company and credit card provider (Ennew, 2009). The index recognises that trust and trustworthiness may exist at two levels:

> *'Base level (cognitive) trust or trustworthiness relates to the extent to which an organisation can be relied on to do what it says it will do. Higher level (affective) trust or trustworthiness relates to the extent to which the organisation is concerned about the interests of its customers.'*
>
> (Ennew, 2009:2)

To measure trust and trustworthiness they ask questions about the different financial institutions and the degrees of benevolence, integrity, ability/expertise, shared values and communications that the respondents attach to different financial services providers. (Ennew, 2009). These mirror the dimensions of trust discussed earlier.

Turning now to research which seeks to look at trust in the context of macro pension policy development, a number of approaches have been adopted. Rowlingson conducted qualitative research on future financial planning, which entailed 41 depth interviews with a cross-section of the public. (Rowlingson 2000; Rowlingson 2002). This research was not focused explicitly on the issue of trust, but is relevant as it touches on related issues such as financial literacy and the degree to which people are planning for their retirement. Participants were asked to talk about their thoughts and feelings about the future, including any private pension plans they were making. She concluded that many people are not planning far ahead, they find it difficult to 'imagine the future' and take a lead from those around them (2002).

Another piece of research, which similarly is relevant while not attempting explicitly to measure trust, is Bay and Pedersen's (2004) case study of confidence, satisfaction and political attitudes in Norway. This analysed public opinion data and undertook a survey in Norway to explore confidence in the pensions system to deliver in the future, and satisfaction with what people believe they will receive on retirement. This study focuses on the systemic level of trust discussed earlier. Possible background variables which might affect confidence were also considered: gender; attachment to the labour market; income; age; employment sector (public/private); education and political orientation. In a similar vein, Jacobs and Shapiro (1998) studied attitudes towards the national pension system among the American population over time, asking, 'How confident are you, personally, in the future of the Social Security system?' Guiso *et al.*, (2007) measured respondents' general sense of trust as well as their more specific attitude toward their own bank officer or financial advisor to explore whether lack of trust can explain why some people do not invest in the stock market.

3.6 Key issues in measuring trust in pensions

From these different studies we can identify a number of key issues which occur in the consideration of the measurement of trust in pensions. These are discussed below.

3.6.1 Defining the dimensions of trust

There seems to be a general agreement that the field of pensions is a particularly complicated one in which to measure trust. Ennew suggests that trust in pensions is particularly difficult to evaluate because of the multiple dimensions to the trust relationship.

> *'... for pension providers it is of particular interest and value to know about the levels of trust that consumers or customers have in them and how they benchmark and what drives it. But from a policy perspective you might argue that actually it may be of more interest to know about trust in the sector because that's one of the factors that will move people from not pension saving to pension saving.'*
>
> (Ennew 2009)

She describes how the individual experience of dealing with a provider and the reputation of the brand are likely to be a more concrete basis for decision-making than the level of trust people have in pension-providers in general, where there is not the same experience to draw on. There may also be a tendency towards 'dissonance reducing' or post-hoc rationalisation of the decision to go with a particular provider. In the field of pensions, the multidimensionality of trust is clear. A major difficulty is in untangling how trust at different levels: in government, in financial services, in employers, in individual financial advisers interacts to affect behaviour. Peter Lunt (interview, 2009) suggests that measuring trust requires a 'battery of different questions' to capture the multiple indicators of trust in an institution. In other words, it is necessary to deconstruct trust into its component parts.

To do this the Financial Services Trust Index uses ability, expertise, integrity, communication, shared values and benevolence as determinants of trust and trustworthiness, and distinguishes between high and low level trust.

> *'... we essentially did a card sorting exercise. So we gave people different items and looked for the low and the high level trust – a set of items and said 'can you group together in a way you see being similar?'. For the dependent variable – for trust - we had a set of items, I think four, that were broad based generic statements about low level trust.'*
>
> (Ennew interview 2009)

Dietz and Den Hartog (2006) also explore the content of trust, considering integrity, competence, consistency, loyalty, openness, discreetness, fairness, promise fulfilment, availability, receptivity, overall trustworthiness, ability, benevolence, predictability (or reliability), but finally reduce this list to the key dimensions of ability, benevolence, integrity and predictability.

3.6.2 Defining the objects of trust

When it comes to pensions, Ennew (2009) considers there to be four objects of trust: The system; the provider; the industry; and the individual within the organisation who the customer deals with. This echoes the earlier discussion of the inter-relationship between interpersonal trust and institutional trust. Soroka *et al.*, (2002) and Hardin (2001; 2002; 2006) describe the difficulty in determining the direction of trust interdependencies, for example, between political trust and interpersonal trust. It is not clear that it is useful to see the relationship as a linear one, people may have low trust in the system, but trust their personal contact; they may have trust in a particular brand while having low trust in the system overall. This suggests that trusting relationships need 'to be understood as a complex 'web of interaction'. (Meyer *et al.*, 2008:182).

3.6.3 The trustee

Research in a number of different fields demonstrates that an individual's capacity to trust is variable and socially structured. This is clearly a relevant point with regards to trust in pensions. The Financial Services Trust Index finds that customer characteristics have an important impact on degrees of trust, for example women and older customers tend to be more trusting than men and younger customers (see also Clark *et al.*, 2008 for similar results on who plans for retirement). Given the complex nature of pensions it is also to be expected that higher income groups and the better educated are more likely to trust their own judgements about pension providers than those who are information poor.

3.6.4 Negotiating the gap between attitudes and behaviour

Many of the studies of trust are dogged by the problem that people's attitudes may not adequately predict their behaviour. Uslaner (2001) (see also Dekker and Uslaner 2001; Uslaner 2008) suggests that the traditional trust measures do not predict trust behaviour in a particular situation, but rather the 'moral values' associated with trust. As trust is likely to be seen as a desirable social quality, people may report trust in surveys. Studies which have attempted to capture behaviour have done so either through experiments or through collecting data about actual, real-life decisions. Agnew *et al.*, (2007) combined trust questions with questions in a telephone survey to measure financial literacy, with administrative data of actual savings behaviour to explore patterns in employee sign-up to 401(k) savings plans in the US (2007). This data was correlated for demographic variables and variables of the plans themselves. They found that financial literacy was an important variable in explaining variations in saving behaviour and that trust played a role in determining quit rates in automatic enrolment plans. They concluded that:

> *'Savings behaviour is driven by a complex set of factors, including neoclassical employee and plan design variables, information or transaction cost problems such as financial literacy, and psychological or behavioural biases such as procrastination and mistrust.'*
>
> (28)

Although dealing with intra-organisational trust and not in the pensions field, Dietz and Den Hartog (2006) offer some useful points to consider in the possible design of a trust measure, They make the useful point that it is worth differentiating between trust as a belief, trust as a decision and trust as an action and offer a number of recommendations for the development of trust measures.

1 *'Which form of trust is being measured', a belief, a decision or an action? .For example, 'a measure of trust should aim to capture more than the respondent's belief about the other party's trustworthiness...Knowing that A considers B trustworthy is of little use if A does not intend to act on that basis...'*

2 *'... all four components* [dimensions of trust: ability, benevolence, integrity and predictability] *are significant and separable elements of the decision to trust. It follows that each should form part of a comprehensive measure.'*

3 *'... the source of evidence...provides valuable information on the link between a trust-inducing intervention and the decision to trust.'*

4 *'... trust levels may vary according to the relationship under examination...it needs to be clear to respondents to whom the items refer...'*

5 *'... the complexity of the trust process is such that respondents' probable initial reaction it seems will be, 'it depends'...(I)t therefore seems prudent that the wording should ask the respondent to make an overall assessment of the trustee, and cover a range of different work-based situations ('domains').'*

(2006:565)

3.6.5 Stability of trust

It is clearly important in the field of pensions to have an understanding of how trust is gained, sustained or lost. The literature in many fields agrees that trust is 'incremental, dynamic and continuous' (Dietz and Den Hartog, 2006: 571). and that it may be thick or thin. However, this is difficult to measure empirically. Longitudinal data obviously avoids the snapshot problem of a one-off survey or test, however with the exception of the various trust indexes, which have been run over a number of years we do not have longitudinal data. It is also unclear what the relationship between trust and distrust is:

> *'... in the trust literature trust and distrust are not seen as poles of a continuum...a negated item on trust may tap distrust rather than low trust.'*
>
> (Dietz and Den Hartog, 2006: 566).

Degrees of trust or trust thresholds largely remain a mystery in the research and although it seems to be possible to measure, on some level, the existence of trust or its absence, the journey between the two is much more difficult to capture.

4 Conclusions

This final section draws the review together by considering the gaps identified in the literature and concludes with some thoughts on the implications of the analysis for the Department for Work and Pensions (DWP) approach to the issue of trust in pensions.

4.1 Gaps in the literature

Trust is complex and perhaps better thought of as a family of concepts to do with circumstances in which the behaviour of one party is influenced by assumptions about the future behaviour of another, rather than as a simple concept. This complexity is reflected in the conceptualization of trust, the range and variety of literature and academic activity that deals with it and the different approaches to measuring trust. Thus, although there is a consensus that trust is important there is still considerable debate as to its components, the relationship between trust in organisations or institutions and interpersonal trust and how to measure it. In particular, both theoretically and methodologically there is the problem of the relationship between attitudes or intentions and actual behaviour. A large part of the research, which seeks to measure trust in a range of different contexts, actually measures attitudes. The trust games and other experiments discussed above attempt to look at behaviour, but often in very artificial situations, which may or may not translate well in to 'real-world' behaviour. There is a lack of mixed methods research, which looks at past behaviour and situates current action in the complex web of past and contemporary influences and knowledge that affect an individual's disposition to trust and act upon that trust: more emphasis is needed on trusting behaviour.

The literature does not provide a conclusion about the relationship between trust in systems or organisations and interpersonal trust. This is significant for the pensions arena as clearly people are influenced by a general climate of mistrust or lack of confidence in financial institutions, but may still trust their employer's pension or their individual financial adviser. Individuals also build up an understanding of issues like retirement and pensions from those in their immediate family and social circles. They may find it easier to trust the advice of a partner or close relative than that of an expert. It is not clear how these levels of trust interact and affect each other. This suggests that there may be some mileage in trying to better understand how people perceive risk and therefore the need to trust and whether this mediates between attitudes and behaviour.

It is agreed in the literature that trust can be thick or thin and that it can be lost, but there is little, perhaps unsurprisingly, that convincingly measures or assesses the dynamic nature of trust. With respect to cognitive trust, it is easier to see how a loss of trust might be rebuilt by convincing the truster that the trustee has changed and now has the truster's interests at heart and has the ability to deliver on the congruence of interests. If, however, trust is necessarily seen as having an affective dimension, then rebuilding trust is a much more complex affair. Achieving or rebuilding a congruence of values is much more difficult than a congruence of interests.

Specifically in the field of pensions there is perhaps a surprising lack of literature on how individuals differentiate between different pension products and their providers. There is a developing literature on savings behaviour and how the population can be segmented into groups with different dispositions to think about and plan for the future. There are surveys which suggest that some financial service providers are trusted more than others (for example Ennew, 2009), but little on the impact that different features of pension design, for example, defined benefit or defined contribution, voluntary versus mandatory enrolment, have on people's trust in a pension.

4.2 Implications for policy development

Different stakeholders in the pensions arena have different needs for trust. Government wants people to save or save more for their retirement and greater trust in the system and in particular pension products may contribute to changing savings behaviour. However, trust in itself is not necessarily a good thing. The history of pension mis-selling suggests that some people may have trusted too much in the past. It is discriminating trust that individuals need and for this they must have some confidence in their own ability to make judgements about the advice and expertise on offer. The literature is clear that people's capacity to make such assessments is highly differentiated.

There is also a need to make a distinction between savings and investments. Drake (interview with Loretto) made the point that people still talk about saving for a pension, whereas increasingly it's actually about investment. This relates to the notion of the object of trust and confidence, as saving and investment are two very different objects. There may be scope for encouraging people to recognise the focus is on investment and not on saving and thus have a more realistic understanding of the likely outcomes of different pension vehicles, though whether this would increase people's trust in pensions is questionable.

It has been clear throughout the discussion that numerous different factors affect trust in pensions policy. Pensions are complex and difficult to understand, they demand a future planning orientation and financial capability that research suggests many people do not have. Trust is necessary to absorb complexity and allow the individual to feel secure in their actions but in the field of pensions the objects of trust are numerous: government, financial institutions and individual financial advisers, and we do not really understand how trust in different levels interacts to strengthen or confound each other.

Individuals find it easier to trust those they have direct personal contact with over time and hence partners, families, friends and colleagues may be the most important sources of information and advice on pensions for many people.

The inherent risks in planning and saving for an unknown future cannot be dispelled but they may be mitigated. Some of the factors reducing trust in pensions are beyond the control of government policy. The literature review indicates that the most important among those that are not are:

- institutional design; especially levels of complexity as opposed to simplicity;
- the availability and communication of information about retirement and retirement incomes, about the kinds of pension provision available and about the steps taken by other people to secure better retirement incomes; and
- the monitoring and regulation of non-State Pension provision.

It is in these areas that it is realistic for DWP to seek to develop policy responses to the problem of a deficit of trust affecting people's willingness to invest in pensions.

Improving communications and information is likely to be a highly differentiated affair, in terms of the capabilities of the audience being addressed and with respect to whether the target is people who are currently not saving as opposed to those who are saving, but might save more. We know from research that it is a minority of the population who consciously plan and save for retirement. Further research could usefully be directed at gaining a better understanding of the sources of information and advice that people rely on in thinking about their futures.

Appendix Interview schedule

1. General opinions

Are trust and confidence in pensions low?

Factors leading to changes in trust and confidence?

Is trust becoming more critical and evidence-based?

Is it in decline?

2. Detailed probing of concepts

How would you define 'trust' and 'confidence'

- are they different?
- what is the relationship between them?

Is trust always a good thing? (issues of degree of dependence)

Does the concept of trust run counter to the culture of individualism?

Relationship between trust and confidence and degree of engagement or disengagement with pensions?

3. Measuring trust

How do you measure trust?

Are attitudes a reliable predictor of behaviour?

Are pensions and other financial products different from other consumer goods and hence people's trust in them needs to be measured in different ways?

Experimental designs?

4. How trust and confidence (or lack thereof) affect people's behaviour

Do people differentiate between different types of, and providers of, pensions?

How do knowledge and understanding affect trust and confidence?

Can people trust the product without trusting the provider?

Do trust and confidence exist mainly at the level of the individual, or do other factors shape individual's attitudes?

5. How can trust and confidence be improved?

Increasing knowledge and information?

Focus on improving relationships?

Role of government regulatory agencies

Role of insurance industry and stakeholders

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This Working Paper reviews the available literature on trust and confidence in pensions. Although the emphasis is on pensions, it draws on evidence from other fields, including health, in order to investigate the nature, types and components of trust. It also discusses the measurement of trust, the relationships between trust and attitudes and behaviour, and the dynamics of trust.

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