

Family Resources Survey: Estimates of Private Pension Participation Rates 1999/00 – 2009/10

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Contents

Background	3
Methodology	5
Results	6
Impact of Pension Participation modelling from 2003/04 to 2008/09	6
Table 1: Percentage of working age people contributing to a non-state pension, by gender, UK	7
Table 2: Percentage of working age people contributing to a non-state pension, by age band, UK	8
Table 3: Percentage of working age people contributing to a non-state pension, by region, UK	9
Table 4: Percentage of working age people contributing to a non-state pension, by earnings band, UK	10

Background

The Family Resources Survey (FRS) collects information on income and circumstances of private households in the United Kingdom. For 2009/10 around 25,000 households were interviewed across the UK from April 2009 to March 2010.

Further information can be found at the following link;

<http://research.dwp.gov.uk/asd/frs/>

The FRS is a key data source for pension participation estimates. The block of pension questions that provide this information were the subject of changes¹ in 2006/07 following a review carried out in 2003-2005. This was intended to improve the quality of the estimates.

However, problems tailoring questions to the correct target population led to an overstatement of the employee pension participation rates compared to both FRS 2005/06 data and external HMRC administrative data sources.

DWP analysts subsequently applied the following amendments to correct this overestimation from FRS survey data.

- Corrected the routing variable to ensure only respondents who were economically active were asked occupational questions
- Removed records for cases receiving money from a personal or employer pension and contributing to a personal pension; who are under 66 and are unemployed, retired, permanently sick/disabled or other inactive.
- Removed records for cases not receiving a pension but who are 66 and over and are unemployed, retired, permanently sick/disabled or other inactive.
- Removed records for cases where a contribution amount of zero was recorded for personal and stakeholder pensions

However, concerns remained among pension analysts, as it was thought that dormant (closed) personal and stakeholder pension memberships were being incorrectly reported as live, and with respondents reporting to be making continuing contributions to such dormant pension schemes.

Both poverty and pensions analysts agreed that it was not possible to identify and exclude all these dormant memberships on a consistent basis.

As a result, tables containing pension participation estimates were not included in the FRS report from 2006/07 to 2008/09, with an explanatory note placed on the UK Data Archive.

1. The new set of questions sought to:

- separate out the employed/self employed;
- include questions from the General Household Survey on eligibility and membership of employer schemes and;
- Minimise the burden on respondents.

The FRS questions are now better tailored in the 2009/10 survey², with the problems resolved. This means raw FRS output can now again be used to produce standard participation data.

These changes apply to data from 2009/10, but robust estimates of pension participation from the 2006/07 to 2008/09 FRS datasets needed to be modelled. While every effort has been made to reliably adjust these survey data within this paper, FRS users should be aware of data quality concerns relating to pension contribution records for 2006/07 to 2008/09, and the fact that the corrections applied will introduce a discontinuity in the figures.

This paper describes methods used to model these estimates for the years 2006/07 to 2008/09, and to improve the existing FRS estimates for 2003/04 to 2005/06. These methods have been considered and agreed within DWP and with analysts in HMRC and ONS. The modelled results are also published here for the first time.

2. Changes adopted for 2009/10 survey:

- Routing problems were corrected
- Private pension questions moved so they come after the income questions and a hard check introduced to ensure pensions recorded in the private pensions block are not pensions in payment.
- Wording of personal and stakeholder pensions questions changed to make clear that only pensions receiving contributions in the previous 12 months should be recorded.
- Respondents who state that they have a personal or stakeholder pension are asked about the date of the last contribution and a hard check introduced to ensure the contribution date was within the previous 12 months.

Methodology

Analysis of the 2006/07 data identified three groups of respondents that may have been incorrectly recorded as having active pension scheme memberships. The first group was found to apply to the survey years 2006/07 to 2008/09:

- respondents who were not economically active but had been asked about their membership of employer schemes

This group were incorrectly routed through the questions relating to employer-sponsored pensions. This affected respondents who had retired or left work in the previous 12 months.

The following two respondent groups however could have applied to data from 2003/04³ to 2008/09:

- respondents in receipt of private pension income who also reported making identical contributions to a personal pension

It is very unlikely that respondents who receive a regular amount as a pension in payment are also paying exactly the same amount into another pension. It was therefore assumed that these respondents were confused by the terminology and incorrectly reported their pension as a contribution rather than a payment only.

- respondents with dormant personal pensions

This group was the most difficult to identify as there is no clear way of identifying dormant pensions. A number of editing strategies were suggested and discussed with the FRS team and pensions analysts in HMRC and ONS, which resulted in the following criteria being used to identify those most likely to be dormant.

- The value of the contribution is recorded as zero (unless the respondent is an employee and the pension receives a National Insurance rebate, the respondent is temporarily away from work or the zero contribution is an imputed value.)
- The respondent is an employee and states they have a pension, but neither they nor their employer contributes to it and the pension does not receive an NI rebate.
- The respondent stopped work more than a year before the survey date, but states that they are making regular contributions to a personal pension.
- The respondent is an employee with a current employer-sponsored pension and also states they are making regular contributions to a personal pension set up more than 10 years before, unless this receives an NI rebate.
- The respondent states they receive income from a private pension, make regular contributions to a private pension, and have a personal pension of more than 10 years old. This is therefore treated as dormant.

3. 2003/04 is the earliest year that consistent data collection for all variables has been applied.

Results

Based on the methodologies described in previous section, pension participation estimates were modelled for 2006/07 to 2008/09.

These results continued the overall declining trend of pension participation, as seen in other sources such as the Annual Survey of Hours and Earnings (ASHE), the General Lifestyle Survey and the Occupational Pension Schemes Survey (OPSS).

The relevant edits as prescribed above have also been retrospectively applied to FRS data from 2003/04 to 2005/06.

This now means that as far back as is feasible, the FRS estimates presented in this paper provide a consistent measure of trends in pension participation rates, an important factor for monitoring changes in policy.

Impact of Pension Participation modelling from 2003/04 to 2008/09

Compared to the figures produced before the edits there was a reduction in pension participation across all categories of economic status. However, the reduction among employees was smaller than for other groups. This is expected as part of the deletion strategy, the identification of dormant pensions, addresses personal and stakeholder pensions and does not affect membership of employer-sponsored pension schemes.

The groups showing the most marked changes were the self-employed and those not economically active. It is likely that some over-statement of participation for part-time employees remains, but it has not been possible to identify an editing strategy that focuses on this particular group.

The results below represent the best estimates from 2003/04 to 2008/09 from the available FRS data and justified and agreed assumptions.

Results are also supplied for years 1999/00 to 2002/03, and for 2009/10 to highlight the overall participation trends before and after the years for which modelling was necessary.

Table 1: Percentage of working age people¹ contributing to a non-state pension, by gender, UK²

	Men	Women	All
1999/00 ²	52	39	46
2000/01 ²	52	38	45
2001/02 ²	50	39	45
2002/03	50	40	45
2003/04 (revised data)	47	39	43
2004/05 (revised data)	46	38	42
2005/06 (revised data)	44	38	41
2006/07 (revised data)	45	39	42
2007/08 (revised data)	44	38	41
2008/09 (revised data)	42	38	40
2009/10	39	37	38

Source: Modelled estimates from the Family Resources Survey

Notes:

- 1) Working age has been defined here as 20 to 59 for women and 20 to 64 for men. From 2010/11, the retirement age for females has started to rise from 60.
- 2) Northern Ireland figures are only available from 2002/03. Prior to this, the results are GB based.

Table 2: Percentage of working age people¹ contributing to a non-state pension, by age band, UK²

	1999/00 ²	2000/01 ²	2001/02 ²	2002/03	2003/04 (revised data)	2004/05 (revised data)	2005/06 (revised data)	2006/07 (revised data)	2007/08 (revised data)	2008/09 (revised data)	2009/10
20-24	19	17	19	18	16	16	14	13	13	13	11
25-29	43	42	39	38	38	35	33	33	32	32	31
30-34	52	51	49	49	48	45	45	46	42	41	39
35-39	54	54	53	53	51	49	49	48	46	45	44
40-44	54	54	54	54	53	52	50	51	51	49	47
45-49	56	55	57	56	54	53	51	54	53	53	50
50-54	51	51	52	50	49	51	51	51	51	49	47
55-59	38	38	37	40	40	39	41	42	42	41	42
60-64 ³	24	26	26	28	22	24	25	30	31	29	27
All	46	45	45	45	43	42	41	42	41	40	38

Source: Modelled estimates from the Family Resources Survey

Notes:

- 1) Working age up to 2009/10 is 20 to 59 for women and 20 to 64 for men
- 2) Northern Ireland figures are only available from 2002/03. Prior to this, the results are GB based.
- 3) Estimates for the 60 to 64 age band relate only to men

Table 3: Percentage of working age people¹ contributing to a non-state pension, by region, UK²

	1999/00	2000/01	2001/02	2002/03	2003/04 (revised data)	2004/05 (revised data)	2005/06 (revised data)	2006/07 (revised data)	2007/08 (revised data)	2008/09 (revised data)	2009/10
North East	38	40	41	41	40	39	34	38	37	35	35
North West	45	45	44	45	45	41	41	38	40	38	38
Yorkshire and the Humber	46	46	42	45	42	41	44	41	39	36	35
East Midlands	46	41	41	41	42	39	37	39	38	35	35
West Midlands	46	44	45	44	42	40	38	39	39	37	34
East	48	49	50	50	48	45	45	47	44	44	41
London	41	41	42	40	37	37	38	38	38	37	34
Inner London	35	33	34	33	33	30	35	34	34	31	33
Outer London	45	47	47	44	40	42	40	42	41	40	35
South East	52	51	50	49	48	47	45	47	46	45	43
South West	47	48	47	48	46	45	45	46	45	44	41
England	46	46	45	45	44	42	41	42	41	40	38
Wales	43	40	41	42	40	42	40	43	36	40	40
Scotland	44	44	46	44	44	46	44	43	43	43	42
N. Ireland ²	-	-	-	41	38	39	37	38	36	34	33
GB/UK	46	45	45	45	43	42	41	42	41	40	38

Source: Modelled estimates from the Family Resources Survey

Notes:

- 1) Working age up to 2009/10 is 20 to 59 for women and 20 to 64 for men
- 2) Northern Ireland figures only available from the 2002/03 survey.

Table 4: Percentage of working age people¹ contributing to a non-state pension, by earnings band², UK³

Earnings per week ⁴	1999/00 ³	2000/01 ³	2001/02 ³	2002/03	2003/04 (revised)	2004/05 (revised)	2005/06 (revised)	2006/07 (revised)	2007/08 (revised)	2008/09 (revised)	2009/10
Not in range	5	5	5	5	4	4	4	5	4	4	4
£0-£50	17	19	17	18	18	21	20	23	22	21	18
£50-£100	24	23	23	20	20	22	19	22	20	15	14
£100-£150	39	38	38	38	34	33	30	30	28	27	22
£150-£200	44	42	40	40	38	36	37	34	37	36	33
£200-£300	58	54	52	52	48	44	41	40	37	36	34
£300-£400	72	68	65	63	61	58	56	53	51	47	45
£400-£500	82	80	76	74	72	68	66	65	60	58	59
£500-£600	87	84	82	80	76	73	71	70	69	68	69
£600-£700	84	86	82	82	80	80	76	78	77	71	70
£700-£800	88	86	83	84	84	80	80	78	79	78	79
£800-£900	87	85	83	85	83	79	79	81	77	78	81
£900-£1000	88	84	86	82	81	80	77	79	78	75	78
£1000>	86	86	84	85	85	81	82	83	82	80	78
All	46	45	45	45	43	42	41	42	41	40	38

Source: Modelled estimates from the Family Resources Survey

- 1) Working age up to 2009/10 is 20 to 59 for women and 20 to 64 for men
- 2) Earnings include the gross income from employment and self-employment
- 3) Northern Ireland figures are only available from 2002/03. Prior to this, the results are GB based
- 4) Earnings are reported in cash terms, the raw responses that are given to the Survey each year

FRS datasets holding raw data with the full set of adjustments back to 2003/04 are available to pension analysts. FRS users wishing to do further analysis on pension provision using these datasets are advised to contact the Private Pensions Statistics Unit on the email addresses provided below.

Please note it is not possible to replicate these estimates from the released FRS datasets available on the UK Data Archive. These publicly available datasets include the deletion methodology adopted for the FRS and Households Below Average Income (HBAI) publications. This was revised in the context of pension provision for the current modelling.

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