Research report

Attitudes to Pensions: The 2012 survey

by Pat MacLeod, Alice Fitzpatrick, Becky Hamlyn, Andrew Jones, Andrea Kinver and Leon Page

DWP Department for Work and Pensions

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Abbreviations and glossary of terms

BSP	Basic State Pension
CAPI	Computer assisted personal interviewing
CHAID	Chi-squared automatic interaction detection
DRA	Default Retirement Age
DWP	Department for Work and Pensions
GB	Great Britain
ISA	Individual Savings Accounts
NEST	National Employment Savings Trust
NIC	National Insurance contributions
ONS	Office for National Statistics
PAF	Postcode address file
S2P	State Second Pension
SPA	State Pension age
UK	United Kingdom

Demographic classification

Owner occupied	Accommodation that is owned outright or being bought with a mortgage.
Public sector rented	Includes accommodation rented from a local authority or housing association or is part of a shared-ownership scheme.
Socio-economic classification	An occupationally based classification National Statistics Socio-economic Classification (NS-SEC) combining occupation, employment status, size of employer and supervisory status into, in this report three mutually exclusive groups indicating economic status.
Tenure	Whether the respondent lives in accommodation that is owner occupied, privately rented, or rented from the public sector.

Pensions/other resource classification

Ever/never had a private pension	Been/never been a member of any private pension scheme either currently or in the past.
Individual Savings Account (ISA)	Accounts which can be used to hold many types of savings and investment products including cash, life insurance and stocks and shares. The returns earned in an ISA are tax free.
No/some resources for later life	Does not have/has a private pension or other resources for later life.
Other resources for later life	Covers ISAs and other types of savings and investments respondents said were specifically for retirement. It also includes those who owned property which they would consider selling and downsizing, or releasing money from.
Private pension	Any non-State Pension including employer, personal and stakeholder pensions.
Personal pension	A private pension arrangement between an individual and a pension provider. In some cases the employer also makes a contribution to the pension, but not in all cases.
Workplace pension	A pension scheme offered by an employer.

Pension policy

Annuity	An annuity is where a pension pot is given to an insurance company in return for a regular income, usually until the person dies.
Automatic enrolment	The phased requirement for employers to enrol eligible employees into a qualifying workplace pension.
Default retirement age (DRA)	The Employment Equality (Age) Regulations which came into force in October 2006 provide for a default retirement age of 65 that employers can rely on if they wish. The regulation makes earlier retirement ages unlawful, unless employers are able to justify them, and introduced a right for individuals to request postponement of retirement beyond the age of 65.
NEST	National Employment Savings Trust. A low-cost pension scheme that is open to all employers who wish to use it. The scheme is intended to provide a suitable savings vehicle for those moderate-to-low earners to whom the existing private pension industry does not offer a suitable product.
Pension Credit	An income related benefit for pensioners living in Great Britain which supplements weekly income after the qualifying age is reached. The amount payable varies by age and income.
State Pension age (SPA)	The age at which a person can claim their State Pension.

Working and retirement status

Retired	Defined as those who either gave their economic status as retired, or who gave an alternative non-active economic status (full-time education, looking after the home or family, or other) and were over SPA.
Not retired	All those not classified as retired including those who are economically inactive, economically active or in education.
In paid work	All those who either gave their economic status as paid employment, or who had done any paid work in the last seven days, including employees and those who are self-employed.
Not in paid work	All those who are not defined as being in paid work, based on the definition above.
Economically active	Defined as those who either gave an active economic status (working, looking for work, training or temporarily ill), or who were below SPA, gave a non-active status of looking after the home or family, or other, but had done paid work in the last week, or definitely expected to do paid work in future.
Economically inactive	Defined as those long-term sick or disabled (regardless of age), or who were below SPA, gave a non-active status of looking after the home or family, or other, had not done paid work in the last week and did not definitely expect to do so in future.

Reporting conventions

This report presents selected findings from the Attitudes to pensions Survey 2012. It is designed to meet three key objectives:

- Explore how attitudes and beliefs affect actual and intended behaviour relating to pensions and saving for retirement.
- Provide data to benchmark and inform key pension initiatives/reforms.
- Examine how attitudes change over time.

Data files and survey documentation will be available from the UK Data Archive[1].

Statistical significance

As a general rule the discussion of results focuses on findings that were statistically significant at least at the five per cent level. This is most likely to represent a real difference rather than be due to chance. Where no real difference is indicated, this means the results are not statistically significant, even though there may be slight variation in actual percentages between the answers being compared.

Figures and tables

All percentages presented in the figures and tables are based on weighted data (see Appendix A for further details of weighting). However, figures and tables show the un-weighted base which represents the number of respondents interviewed in the specified group.

Bases sizes

Where base sizes shown are below 100 this is footnoted. In general results for base sizes below 50 are not reported. Where they are reported, the results are provided as absolute numbers rather than percentages and this is footnoted.

Percentages

Percentages may not add to 100 per cent due to rounding and where questions had a ‘don’t know’ option, percentages saying this are generally not shown.

On occasion, two or more percentages shown in a figure are combined in the accompanying text. The combined percentage may differ slightly from the sum of the individual percentages shown due to rounding.

1 UK Data Archive website: http://www.data-archive.ac.uk/

Summary

Current long-term population trends mean that older people make up a large and growing proportion of the total UK population. These trends are one of the main drivers of Department for Work Pensions (DWP) pension policy, which is designed to increase the number of people accumulating resources to support their later life and the amount they accumulate, principally through workplace pension schemes. DWP also aims to reduce complexity in the State and private pension systems and establish longer and more flexible working in later life.

This report presents the results of a survey commissioned by DWP to investigate attitudes to pensions and financial preparations for later life, providing evidence to support policy and communications. A randomly selected sample of 1,949 adults in Great Britain took part in the survey between February and June 2012.

Previous surveys in the series were conducted in 2006 and 2009. Reflecting the fast pace of change in this policy area, a number of changes were made to the survey, while retaining comparability on key measures.

Part 1: Financial preparations for later life

Identifying and predicting behaviour

Almost a quarter (23 per cent) of employees said their employer did not offer a workplace pension. Half (49 per cent) of employees were a member of a workplace pension scheme and almost one in five (18 per cent) were eligible to join one but had not. Of employees who were eligible, almost three-quarters (73 per cent) had taken up membership in 2012, a similar result to that seen in previous years.

Examining all possible ways of funding later life, having some form of private resource was relatively widespread with 59 per cent of respondents having ever had a private pension and 22 per cent having other resources and no private pension. Other resources include savings, investments or property that respondents said were specifically available to fund retirement. However, one in five (19 per cent) had no private resources of any kind for later life.

Different combinations of age, gender and economic circumstance were associated with different levels of resource. At younger ages men and women had a similar likelihood of having no private resources for later life (for example 42 per cent of 18-24 year olds). Older age groups were more likely overall to have ever had a private pension (81 per cent of 45-54 year olds and 76 per cent of 55-64 year olds had a private pension).

The extent to which people accumulate resources for later life as they grow older varies between men and women, as they tend to take different life courses that are associated with different economic circumstances. Despite this general rule, in particular situations men and women had a similar likelihood of having resources for retirement. For example, a person working in a managerial or professional occupation with a household income of £44,000 or more a year was almost certain to have a private pension regardless of gender (95 per cent of people in this situation had ever had a private pension).

Links between attitudes and behaviour

In general, variation in attitudes towards pensions and saving for later life are not closely associated with different pension behaviour. Instead, perceptions around wider financial management

and capability and expectations around time and money available to them in retirement are all associated with different levels of private resources for later life.

Exploring this further:

- Those with no resources for later life were more likely to be struggling to keep up with their financial commitments (51 per cent), to have no idea what to do about important financial decisions (41 per cent) and to say they knew little or nothing about financial matters (37 per cent). They were also more likely to say they have no idea what their retirement income might be (84 per cent).
- Those who have ever had a private pension, were more likely to have at least a vague idea of their retirement income (57 per cent); to believe they will have the time when they retire to do things they do not have time for now (38 per cent) and were less likely to say they have low levels of financial knowledge (12 per cent). They were also more likely to be keeping up with their financial commitments (61 per cent) and to have a clear idea about what to do when making important financial decisions (44 per cent).
- Those with some private resources for later life were more likely to say they are the sort of person to put money aside for emergencies (58 per cent compared with 35 per cent of those with no resources).

Drivers and barriers

Despite not being strongly associated with behaviour related to saving for later life there was evidence that some attitudes were changing. In particular there was evidence of growing uncertainty about the balance between living for today and saving for retirement. At the same time, people increasingly recognised the need to take personal responsibility for financial preparations for retirement (60 per cent in 2012; 56 per cent in 2009 and 52 per cent in 2006) while an increasing proportion in 2012 agreed with the statement *'It's not the government's job to advise people on how much to save for retirement'* (49 per cent in 2012; 34 per cent 2009; 35 per cent in 2006).

Women and 18-24 year olds were key groups that were more likely to agree strongly that they avoided thinking about retirement (36 per cent and 39 per cent respectively). Unlike younger people, above average levels of women also said they found pensions complex (71 per cent) and 28 per cent said that dealing with pensions scared them, suggesting different reasons behind their reluctance to plan for later life.

Part 2: Policy

Workplace pension reforms

Automatic enrolment will make a workplace pension scheme available to workers where one is not currently available. The policy is designed to harness the natural tendency towards inertia that people display in pension behaviour, by making people opt-out, rather than opt-in, to a workplace pension.

There was a relatively high degree of support for the policy among those who were eligible (68 per cent agreed it was a good idea) and a high proportion (70 per cent) at least thought they might stay in a scheme once enrolled.

State Pension reforms

State Pension age (SPA) reforms have already begun affecting women so that they are now reaching SPA at a later age than they were in 2009. Changes to men's SPA will start in 2018.

Women, including those within ten years of reaching SPA, were unclear about their own SPA. Six in ten (62 per cent) women expected to reach SPA earlier than they actually will. There was also some confusion evident among men (38 per cent thought they would reach SPA earlier than they actually will) although those within ten years of reaching SPA were much more able to forecast their SPA correctly (74 per cent of men could do this).

Some people thought their SPA was later than it will be. This was more common among men than women (20 per cent of men and 12 per cent of women expect to reach SPA at 70 or 75).

The Government has proposed reforming the State Pension system. The reforms are designed to reduce the complexity of the current system and better support saving for retirement by moving to a single tier State Pension. The 2012 survey will provide a benchmark for monitoring the effect of these reforms.

Redefining retirement

The confusion around SPA was also evident in responses to questions about when people expected to retire. When respondents knew their actual State Pension age (confirmed SPA), they adjusted their expected retirement age. This demonstrated that individuals use the SPA (or their perceptions of SPA) as a reference point for their own expectations of when they will retire.

A third of men in paid work (34 per cent) anticipated retiring before SPA, whereas almost twice as many retired men had in fact retired before their SPA (62 per cent). This may be because those who were working did not anticipate their own ill health stopping them working early. This was the most common reason for early retirement given by those already retired who had done so before SPA (27 per cent gave this as a reason).

One in five (21 per cent) respondents expected to retire after their confirmed SPA and three per cent did not plan to retire. Over half (52 per cent) expected to work after retiring from their main job. Where people did anticipate working after retiring from their main job, the majority (60 per cent) suggested they would completely retire in their 70s. This may be evidence of acceptance, by some at least, that a longer working life in some form is inevitable.

Overall, 54 per cent agreed with the statement ‘*With people living longer, we have to be prepared to pay more taxes in order to have a properly funded State Pension*’ while 49 per cent disagreed with the statement ‘*With people living longer on average, it’s right that people should have to work longer before retiring.*’ There was an increase since 2009 in the percentage saying that when to stop working should mainly depend on the individual (31 per cent 2012; 11 per cent 2009).

Knowledge of pensions

Collectively, self-assessed knowledge of pensions as a whole and State Pension issues had reduced, which may be related to the ongoing and relatively rapid changes in pension policy.

Six in ten (60 per cent) were aware that they could delay taking their State Pension when they reached SPA. One-third (33 per cent) were aware that if they did this they could receive a lump sum payment and that they could get extra State Pension in their regular payments.

One area where knowledge of private pension policy had increased over time among respondents was in relation to a personal pension, both the link between final value and stock market performance (72 per cent in 2012, 73 per cent in 2009 and 61 per cent in 2006 knew this) and the need to use it to buy an annuity (50 per cent in 2012 and 21 per cent in 2009 knew this).

1 Introduction

This report presents the results of a survey commissioned by the Department for Work Pensions (DWP) to investigate attitudes to pensions and private financial preparations for later life. It is the third survey in a series, with previous surveys conducted in 2006 and 2009.

Reflecting the fast pace of change in this policy area, a number of changes were made to the survey, while retaining comparability on key measures.

A total of 1,949 adults in Great Britain (GB) took part in the survey between February and June 2012.

This introduction sets out the overarching issues that drive DWP policy in this area and briefly describes the three key policy areas designed to address these. It then sets out the policy context, including longer-term trends and the short-term policy environment. The research is described briefly and the main changes to the study highlighted.

1.1 Overarching policy driver

DWP aims to encourage people to make private financial preparations and be more self-sufficient in funding later life. The Department's aim is to increase the number of people accumulating resources to support their later life and the amount they accumulate, principally through workplace pension schemes. DWP also aims to encourage longer and more flexible working in later life. The State Pension system is designed as a foundation to support individual saving.

There are three main policy areas: workplace pension reforms; State Pension reforms and redefining retirement. These are discussed in turn in Section 1.1.1.[2]

1.1.1 Key policy areas

Workplace pension reforms

These reforms will increase the number of people saving for later life in a workplace pension scheme. The reforms include new duties on employers to enrol eligible workers into a qualifying pension arrangement automatically, from which an individual would need to opt out actively, and make a minimum contribution. There will be a low-cost pension scheme, NEST, aimed at moderate-to-low earners.

In order that private pensions deliver good outcomes for individuals in later life, other reforms are intended to make it easier for people to make choices about their pension. At the same time reforms are designed to reduce the regulatory burden on providers, making the system less complex, more affordable and sustainable.

State Pension reforms

These reforms contain two strands. The first strand of the reforms is to increase the age at which people first receive a State Pension, initially bringing women's State Pension age (SPA) to be the same as that of men, 65, and then increasing the SPA for both men and women up to the age of 68. Currently, as set out in the Pensions Act 2007, the SPA will be increased to age 68 by 5 April 2046.

[2] More detail of the recent and planned changes in these three policy areas is included in part two of this report.

The second strand is designed to reduce the complexity of the current system by moving to a single tier State Pension. Setting the reformed State Pension above the basic level of the means test will reduce reliance on Pension Credit and provide a firm foundation to support saving. The Government will continue to protect the poorest pensioners.

Redefining retirement

The third area of policy is aimed at redefining retirement. This includes promoting the idea of working longer to fund retirement, and encouraging a gradual transition between work and retirement. It also includes, from 2011, ending the Default Retirement Age (DRA) so employers can no longer set a retirement age or force employees to retire, unless it can be objectively justified.

1.2 Policy context

This section sets out the long-term population trends that provide the context for current policies relating to pensions and working in older age. Following this, it then considers the short-term policy environment that might affect financial preparations for later life.

1.2.1 Long-term population trends

Long-term population trends drive policy because the composition of the population determines the balance between those receiving support in older age and those available to pay for that support through taxes.

Long-term population trends, particularly increasing life expectancy, mean that older people make up a large and growing proportion of the total UK population. The Office for National Statistics (ONS) predicts that life expectancy will continue to increase in the medium term as mortality rates continue to fall (ONS 2012a, 2-5).

Latest predictions suggest that a man aged 65 in 2010 could expect to live for another 21.0 years and a woman for 23.7 more years on average. In 2051, that is predicted to increase to 25.9 and 28.3 years respectively. If the age at which people retire remains unchanged, increasing life expectancy will extend the period an individual spends in retirement. In turn this will increase the amount required to fund later life (ONS 2012a, 2-5).

The old age dependency ratio measures the number of people at or above SPA for every 1,000 working age people who fund the State Pension. The ratio has been increasing longer term. Changes to the SPA will slow down the rate of increase in the next few years. It is predicted to reach 342 in 2051, up from 300 in 2006, which will have implications for funding later life if current practices remain (ONS 2012a, 2-3).

As well as life expectancy, healthy life expectancy and life expectancy free from limiting long-standing illness are also important considerations for policy as they affect older people's likelihood of participating in the labour market either directly, due to ill health, or indirectly, due to informal caring responsibilities.

1.2.2 Short-term policy environment

The pension reforms White Paper of 2006 highlighted the benefits of economic stability to pensions and pensioners. It identified that previous economic downturns reduced the ability of some individuals to save for later life. Economic instability was also said to reduce confidence in longer-term financial planning (DWP 2006, 3).

The current economic downturn has included two periods of recession in 2008/09 and the second starting in the final quarter of 2011 and continuing at the time of writing. Different groups of people may have been affected to a different extent by the economic downturn.

The 2008/09 recession increased male unemployment to a greater extent than female unemployment, although more recently female unemployment has increased further. Employment rates of 18-24 year olds of both genders have fallen since the recession.

During the 2008/09 recession the labour market in Wales and the West Midlands were most affected across a range of indicators (ONS 2009, 5). More recently unemployment specifically may have increased in the north of England in 2011 to a greater extent than in the south (IPPR 2012).

The current economic downturn has lasted longer than the previous longest running downturns of the last century (1930-34 and 1979-83).[3] There are high levels of unease among some households about their income and job security. Even some of those not experiencing changes to their economic circumstances have reported finding it harder to meet their household budget than it was a year ago.[4]

The combined psychological effects of a protracted period of economic slowdown may affect people's attitudes towards a range of financial issues including, importantly for this survey, private financial preparations for later life.

1.3 The research

The 2012 Attitudes to pensions survey is the third in a series of cross-sectional studies for DWP. The first two surveys were completed in 2006 and 2009 (Clery *et al.* 2006; Clery *et al.* 2009).

The objectives of the research were to:

- provide a robust and detailed picture of knowledge and attitudes to pensions and saving for later life among a representative sample of the GB population;
- explore expectations for retirement and aspirations for later life;
- explore and gain insight into how attitudes and beliefs affect actual and intended behaviour relating to pensions and saving for retirement;
- examine, where relevant, how attitudes change over time;
- provide data to benchmark and inform key pension initiatives/reforms.

The survey was conducted among a representative sample of 1,949 adults living in private households in GB aged 18 and over. A clustered probability sample design was used. Addresses were randomly selected from the postcode address file (PAF) and individuals randomly selected to take part from among all adult household members. A response rate of 51 per cent was achieved.

Face-to-face interviews were carried out in-home using Computer Assisted Personal Interviewing (CAPI) by experienced interviewers. Interviewing was carried out over 15 weeks between late February and early June 2012.

[3] http://www.thisismoney.co.uk/money/news/article-1616085/Economy-watch-How-long-Britains-recession-last.html

[4] TNS BMRB 2012; http://www.tns-bmrb.co.uk/expertise/social-political-attitudes/public-opinion-monitor

A series of three workshops were held with DWP to review and develop the questionnaire and to develop this report to ensure the research met policy needs. A comprehensive behaviour change model was used as a framework to ensure all aspects of beliefs and behaviour were covered and cognitive testing was used to develop new attitude statements. Established questions were incorporated from other surveys to cover areas of interest to policy and communications teams. Statistical analysis was conducted on demographic, geographic and attitudinal variables to identify those that were most closely associated with behaviour.

Full details of the method used for the survey are provided in Appendix A and of the statistical analysis in Appendix B.

1.3.1 Changes to the survey

The 2012 Attitudes to pensions survey is the third in a series. The sample definition and questionnaire are two key areas of change in 2012.

Sample definition

For the 2012 survey, the upper age limit for participation in the survey of 69, in place in the two previous surveys, was removed so that anyone aged 18 or over was eligible to take part. This reflected the need to research issues around policies aimed at redefining retirement, encouraging more flexible working and extending working life.

The 2012 survey provides a benchmark against which changes in this area can be monitored. The sample of retired people will, for the first time, reflect the retired population as a whole to contrast actual behaviour and experience with intended behaviour and expectations.

As a result of the age change, time series analysis presented in this report is based on a sub-sample of 18-69 year olds to enable comparison with previous surveys.

The questionnaire

Elements of the questionnaire have been retained and will be used to identify how things are changing over time. These include a range of questions monitoring the extent of knowledge of workplace and State pensions, attitudes towards these and to redefining retirement.

However, there have been a large number of changes in the policy context and in actual policies since the first survey in 2006 and the second survey in 2009. Economic circumstances since 2008 may also have affected attitudes. The survey also changed substantially to reflect this.

In the questionnaire, the focus on attitudes, particularly reflecting automatic responses was strengthened. This involved more exploration of how rules of thumb, social norms and unconscious biases link to behaviour. To accommodate this, some of the detailed questions relating to pensions, savings and investments held by respondents were removed. The changes reflect the desire of DWP to focus in this survey on understanding how attitudes relate to actual behaviour.

1.4 The report

Keeping in mind the overarching policy drivers, the rest of the report is organised in two distinct parts.

Part one focuses on the private financial preparations for later life made by individuals and part two on individuals’ attitudes, perceptions and expectations relating to three key policy areas: workplace pension reforms, State Pension reforms and redefining retirement. Knowledge of pensions and aspects of the state and private pension systems of particular interest to policy are also covered.

1.4.1 Part one: financial preparations for later life

Chapter 2: Identifying and predicting behaviour

Chapter 2 sets the scene by establishing existing behaviours, specifically the proportions of people who have and who do not have resources available for later life.

It then moves on to establish what it is about people's own situations that are linked to particular pension behaviours, identifying those which are key predictors of that behaviour.

Finally, Chapter 2 examines two particular aspects of the external context in which people are living that might influence the resources they accumulate for later life, including the region in which they live and the current economic climate.

Chapter 3: Exploring links between attitudes and behaviour

Chapter 3 examines attitudes, perceptions and expectations, by identifying those that are key predictors of behaviour, both of having a private pension and of having no resources for later life.

Chapter 4: Drivers and barriers

Chapter 4 draws on behaviour change theory and behavioural economics using a comprehensive behaviour change framework to explore the rules of thumb, social norms and biases linked to people's pension behaviour and the attitudes people have to the physical pensions environment.

1.4.2 Part two: policy focus

Chapter 5: Workplace pension reforms

This policy paper provides the results of questions that relate to workplace pension reforms, focusing specifically on awareness of and opinions about automatic enrolment among eligible respondents.

Chapter 6: State Pension reforms

State Pension reforms are explored in this policy paper, including the age at which the State Pension is currently paid and focusing on knowledge of the age at which an individual can expect their State Pension to be paid in the future. Benchmark questions for single tier reforms are also reported.

Chapter 7: Redefining retirement

This policy paper examines issues of interest to redefining retirement. It starts by examining views on extending working life. It then explores expectations around gradual retirement before moving on briefly to highlight knowledge and practices surrounding the DRA.

Chapter 8: Knowledge of pensions

In this paper, self-reported knowledge of pensions is examined along with objectively assessed knowledge of particular aspects of the state and private pension systems that are of interest to policy.

Part 1: Financial preparations for later life

2 Identifying and predicting behaviour

Summary

- Almost a quarter (23 per cent) of employees said their employer did not offer a workplace pension, a significantly higher percentage than in previous years.
- Two-thirds of employees were eligible to join a scheme and half (49 per cent) had done so. Nearly one in five (18 per cent) employees were eligible to join a workplace pension scheme, but had not.
- Almost three-quarters (73 per cent) of workers who were eligible had taken up membership in 2012, a similar result to that seen in previous years.
- Six in ten respondents, (59 per cent) had ever had a private pension of any sort and most of these had other resources for later life as well (49 per cent of all respondents). More than two in ten (22 per cent) had other resources only.
- One in five, (19 per cent) had no pension or other resources for later life.
- Overall, women (23 per cent) were more likely than men (15 per cent) to have no financial resources for later life. Conversely, men (65 per cent) were more likely than women (54 per cent) to have ever had a private pension.
- Further analysis showed men and women under 44 had a similar likelihood of having no resources for later life and a similar likelihood of having ever had a private pension at each age group. The differences between men and women were in the 45 and over age groups and were associated with different economic circumstances.
- For women, living in public sector rented accommodation (48 per cent), having no educational qualifications (42 per cent) or living in private rented accommodation (36 per cent) increased their likelihood of having no resources for later life.
- For men, being aged 45-69 (88 per cent), retired (81 per cent), having a first degree or above (80 per cent) or living in owner occupied accommodation (80 per cent) increased their likelihood of having ever had a private pension.

Key insights

A reducing majority of employees have employers who offer a workplace pension scheme. The percentage of those eligible who do join a scheme has not changed over time. In total, between four and five in ten employees either has no workplace pension scheme available (where a scheme is not offered or they are ineligible) or is eligible but chose not to join an available scheme.

Having some form of private resource for later life is relatively widespread and the majority have had a private pension at some point. At the same time, one in five has no private resources of any kind for later life. Automatic enrolment is designed to address the lack of workplace pension saving among those for whom saving into a private pension is at least a possibility.

Different combinations of age, gender and economic circumstance are associated with different levels of resource for later life. At younger ages, men and women have a relatively high and similar likelihood of having no private resources for later life. As individuals grow older, they are increasingly likely overall to have ever had a private pension.

The extent to which this happens varies between men and women, with women less likely to have resources for later life. This is because men and women, especially those who are older, have tended to take different life courses that are associated with different economic circumstance. In specific situations men and women have a similar likelihood of having resources for later life. For example, a person working in a managerial or professional occupation with a household income of £44,000 or more a year is almost certain to have ever had a private pension regardless of gender.

2.1 Introduction

The majority of those saving into a private pension will do so through a workplace pension scheme (ONS, 2011a; 7-4). Exploring the extent to which people were able to save into a workplace pension scheme provides a context for their behaviour towards making private financial preparations for later life and a useful benchmark for future surveys. Automatic enrolment, which begins roll-out in autumn 2012, is designed to increase the number of people saving into a workplace pension scheme.[5]

A workplace pension is not the only way of saving into a private pension, which, in turn, is not the only way of accumulating resources for later life. In the context of this survey the primary behaviour of interest is accumulating private resources for later life, in particular through private pensions of any kind. The split between pensions and other resources available for later life provides a useful indicator of the certainty of resource accumulation.

This chapter examines access to and uptake of workplace pensions. It then moves on to establish people's actual behaviour – namely the extent to which people accumulate private pensions and other resources for later life – so demonstrating the extent to which behaviour needs to be changed.

Subsequent sections in the chapter investigate the differences in personal characteristics and context that are associated with having no resources for later life and having ever had a private pension. Effects on attitudes related to current economic conditions are also explored.

5 The analysis presented in Chapter 2 provides a picture of availability before automatic enrolment is introduced. Chapter 5 provides more information about eligible respondent's attitudes towards automatic enrolment.

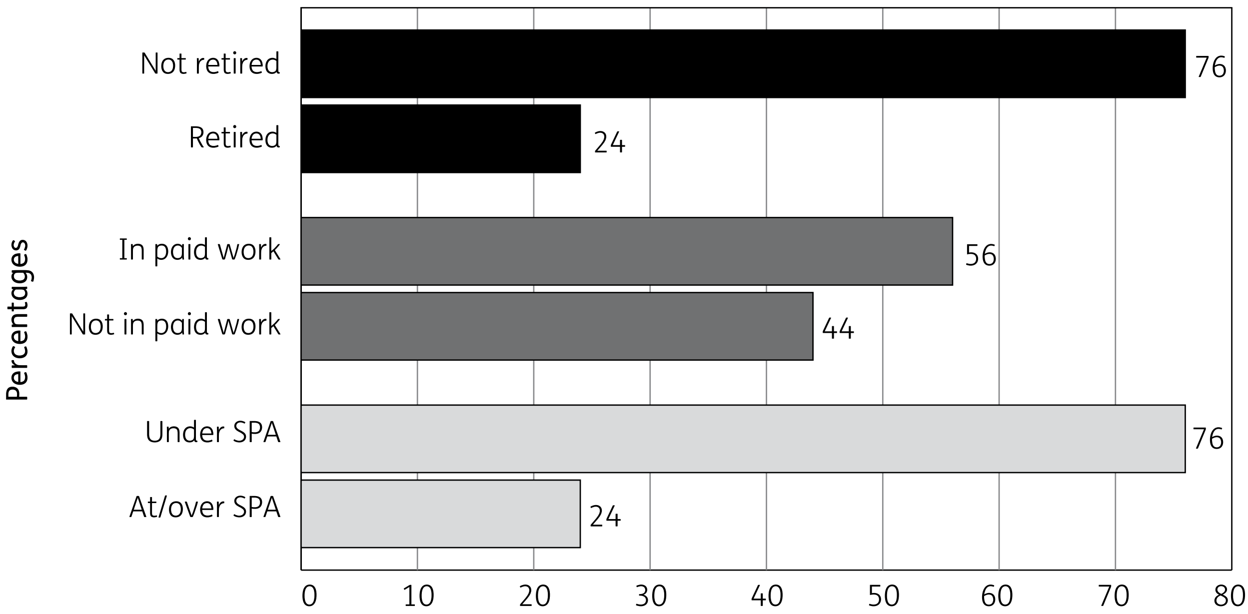
2.2 Access to financial resources for later life

2.2.1 Sample profile: paid work and retirement

A representative sample of adults across Great Britain (GB) aged 18 and over was interviewed for this survey. Figure 2.1 shows respondents broken down by the key categories used in the report.[6]

Overall, a quarter (24 per cent) of the sample was retired and three-quarters (76 per cent) were not retired. The same percentages were under State Pension age (SPA) (76 per cent) and at or above SPA (24 per cent). More than half (56 per cent) were in paid work and under half (44 per cent) were not in paid work.

Figure 2.1 Sample breakdown



Base: All respondents (n=1,949).

There was some overlap between the categories. Three per cent of those classified as not retired were above SPA while ten per cent of those who were retired were below SPA. Three per cent of those who said they were retired from their main job were in paid work.

Under three-quarters (73 per cent) of those not retired were in paid work.[7] In total more than nine in ten (94 per cent) of those who were not retired were in paid work or had worked previously and so had the resources and opportunity, theoretically at least, to save into some form of private pension at some point in their lives.

Six per cent had never been in paid work. Those who had never worked may have other resources, including those of a partner, and some personal pensions are available to those not in work. As a

6 The glossary provides full definitions of all of the different categories shown in Figure 2.1.

7 This includes ALL paid work, including those who did not give 'paid employment' as their main economic status, but who had done paid work in the last seven days. In particular, it contains a small number of retired people undertaking paid work.

result not all of this group were necessarily without the potential for having some financial means for later life.

2.2.2 Access to workplace pension schemes

Next, for those in paid work, current levels of access to workplace pension schemes is examined.[8]

The Department for Work and Pensions (DWP) has previously highlighted the continuing long-run trend of reducing availability of workplace pension schemes that first started in the 1970's (DWP 2006; 10). As Figure 2.2 shows, almost a quarter (23 per cent) said their employer did not offer a workplace pension, a significantly higher percentage than in previous years.

Almost three in ten (27 per cent) employees were either not eligible for their employer's workplace pension, or no such scheme existed (see Figure 2.2). This is a key group who are likely to be affected by the introduction of automatic enrolment.

Although the percentage where employers did not offer a workplace scheme has increased over time, differences in the percentage eligible have to some extent offset that increase, which means there has been little change over time in the proportion that could actually join a workplace pension scheme.

Figure 2.2 Lack of availability of workplace pension scheme: by year

Base: All Base: All current employees aged 18–69: 2012 (n=809); 2009 (n=883); 2006 (n=1,091)(n=1, 949).

2.2.3 Uptake of workplace and private pensions

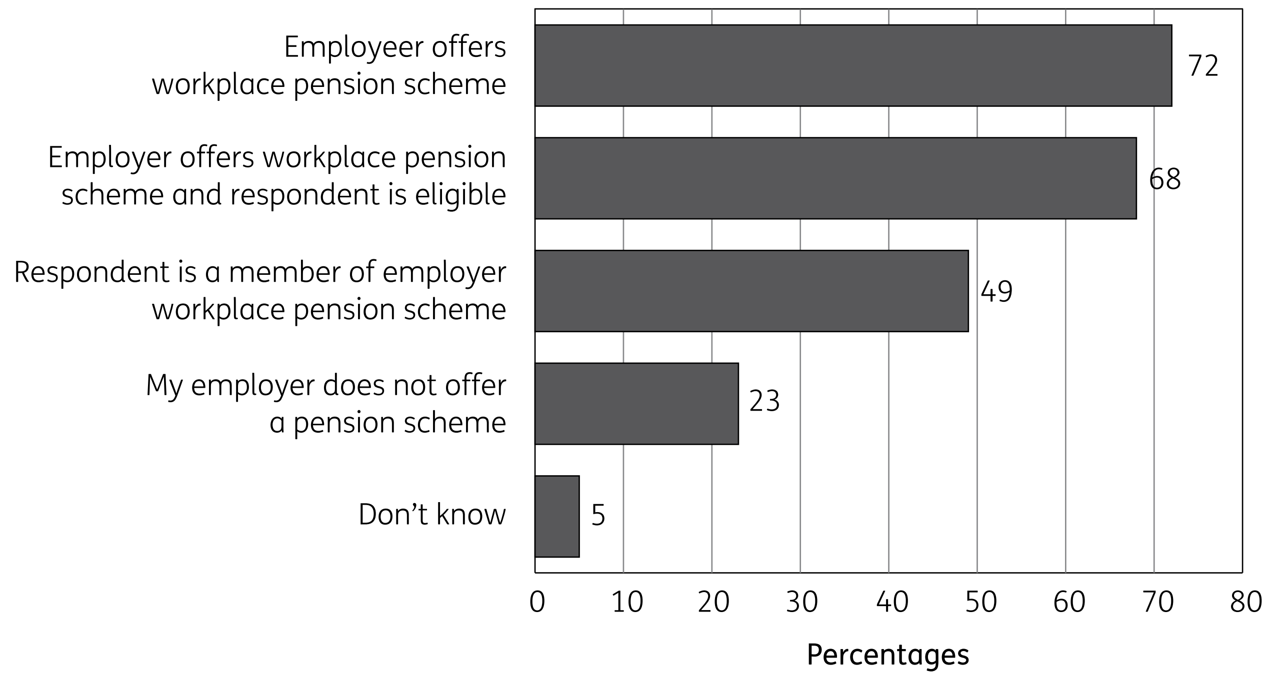
In this section the uptake of workplace pensions and of private pensions as a whole is examined in more detail.

8 At this stage the analysis does not include employer contributions to personal pension schemes – see Section 2.3.3.

The majority (72 per cent) of employees had an employer who offered workplace pension schemes. About two-thirds (68 per cent) were eligible to join and half (49 per cent) of employees were a member of a workplace pension scheme. This means 18 per cent of employees were not members of a workplace pension scheme although they were eligible. If they meet the eligibility criteria, this group will be automatically enrolled into a workplace pension scheme in the future unless they actively choose to opt out.

Figure 2.3 shows the overall breakdown of availability, eligibility and uptake.

Figure 2.3 Availability, eligibility and uptake of workplace pension schemes



Base: All current employees (n=826).

Figure 2.2 showed an increase in the percentage of employees whose employer did not offer a workplace pension scheme. This meant that the proportion of employers offering workplace schemes had reduced from just under eight in ten to just over seven in ten (Figure 2.4).

The percentage of employees who were a member of a workplace pension scheme has also fallen slightly compared with previous years (Figure 2.4). This decrease appears to be consistent with trends seen in official sources such as the Occupational Pensions Schemes Survey and the Annual Survey of Hours and Earnings (ONS 2011a; 7-3; 7-5).

Figure 2.4 Whether employer offers workplace pension scheme: by year

Base: All current employees aged 18-69: 2012 (n=809); 2009 (n=883); 2006 (n=1,091).

Further analysis showed that there had been no change over time in the percentage of those eligible to take up a scheme that did so. Of those who were eligible for a workplace pension in 2012, 73 per cent had taken up membership, a similar result to that seen in 2009 (74 per cent) and 2006 (73 per cent).

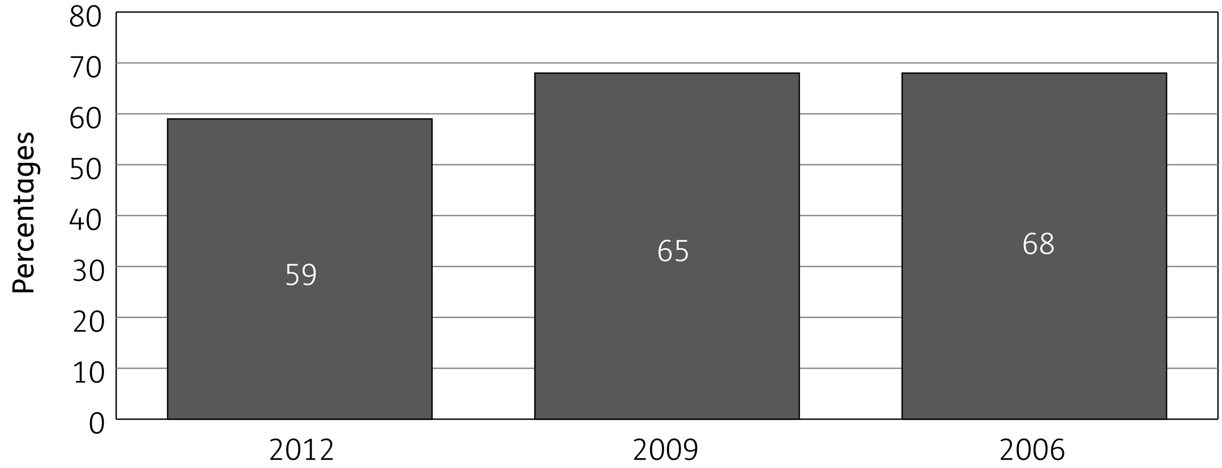
Up to this point employer contributions to personal pensions have not been included in the analysis. The 49 per cent of employees who were a member of a workplace pension scheme increased to 51 per cent when personal pensions to which the employer contributes were included.

Almost one in five (18 per cent) of all respondents currently held personal pensions that did not attract employer contributions.

To complete the picture, all those who were not retired were asked about past pensions. A little more than a third of those not retired (36 per cent) had pensions, workplace or personal, which no longer received contributions.

Combining current and past private pensions of any type, in total six in ten (59 per cent) of those who were not retired had ever had any type of private pension in place for their later life. Figure 2.5 shows this has declined since 2009. There was no significant difference in the percentages that had ever had a private pension between 2006 and 2009. As highlighted previously, this most likely reflected a decline in the proportion of employers offering workplace pension schemes.

Figure 2.5 Whether have ever had a private pension: by year[9]



Base: All respondents aged 18–69: 2012 (n=1,559); 2009 (n=1,654); 2006 (n=1,950).

2.2.4 Financial resources available for later life

The previous sections have focused on the different types of pensions people have. In this section, the other resources people have available for later life are examined alongside pensions to establish a broad measure of behaviour, specifically measuring private financial resources available for later life.[10]

Respondents were classified according to whether they had one or more private pension, other resources, either of these things, or neither. Private pensions included workplace and personal pensions, whether or not they were current.

Figure 2.5 showed that six in ten (59 per cent) respondents had some sort of private pension. As Figure 2.6 shows, this includes five in ten (49 per cent) who had both some sort of private pension and access to other resources that might be used to finance later life. It also includes one in ten (ten per cent) who had one or more private pensions, but no other financial resources specifically for retirement.

More than two in ten (22 per cent) had access to other resources only, but no private pension while the remaining two in ten (19 per cent) did not have any financial resources that might support them in later life.

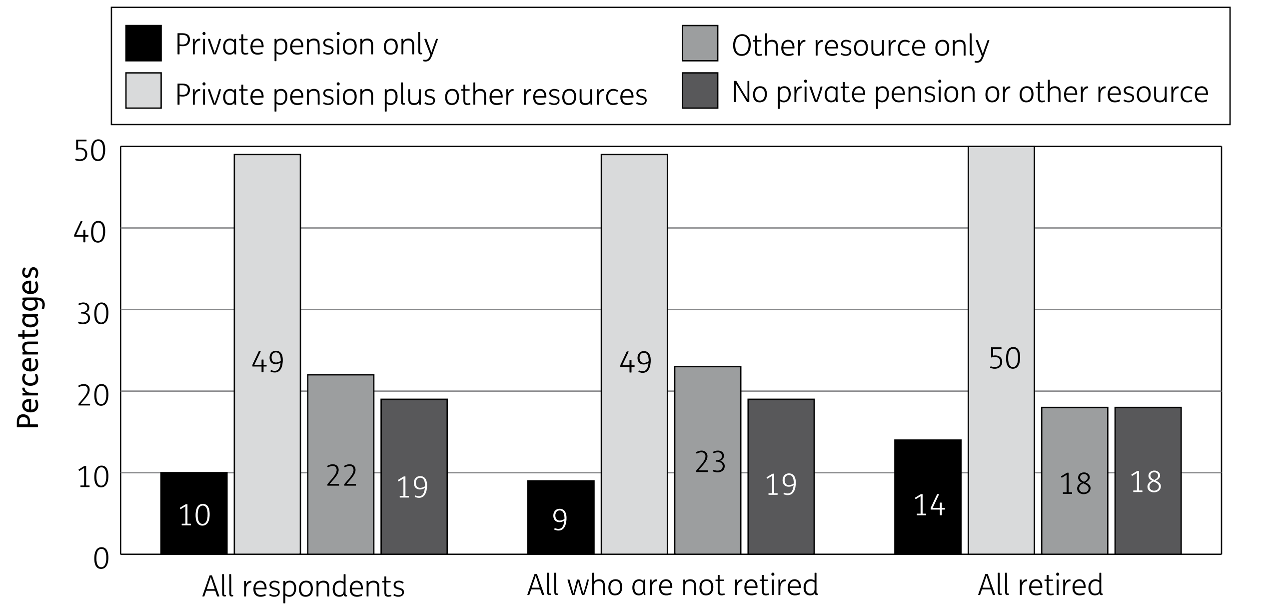
As can be seen in Figure 2.6, the pattern of responses was similar among those retired and those not retired.

9 The 2006 data are not directly comparable, as respondents in that year were not asked separately about employer contributions to personal pensions. However, in both 2009 and 2012 the effect of including these cases was negligible (e.g. in 2012 this increased the overall percentage of 'pensions attracting employer contributions' by two per cent). This suggests the 2006 figure shown may underestimate the percentage having a personal pension to which their employer contributed marginally.

10 Other resources' covers Individual Savings Accounts (ISAs) and other types of savings and investments respondents said were specifically for retirement. It also includes those who owned property which they would consider selling and downsizing, or releasing money from.

As would be expected based on their life stage, retired respondents were more likely to have a private pension only (14 per cent compared with nine per cent) and less likely to have other resources only and no private pension (28 per cent compared with 23 per cent) than were those who were not retired. They were as likely as those not retired to say they had no private pension or other resources.

Figure 2.6 Summary of resources for later life

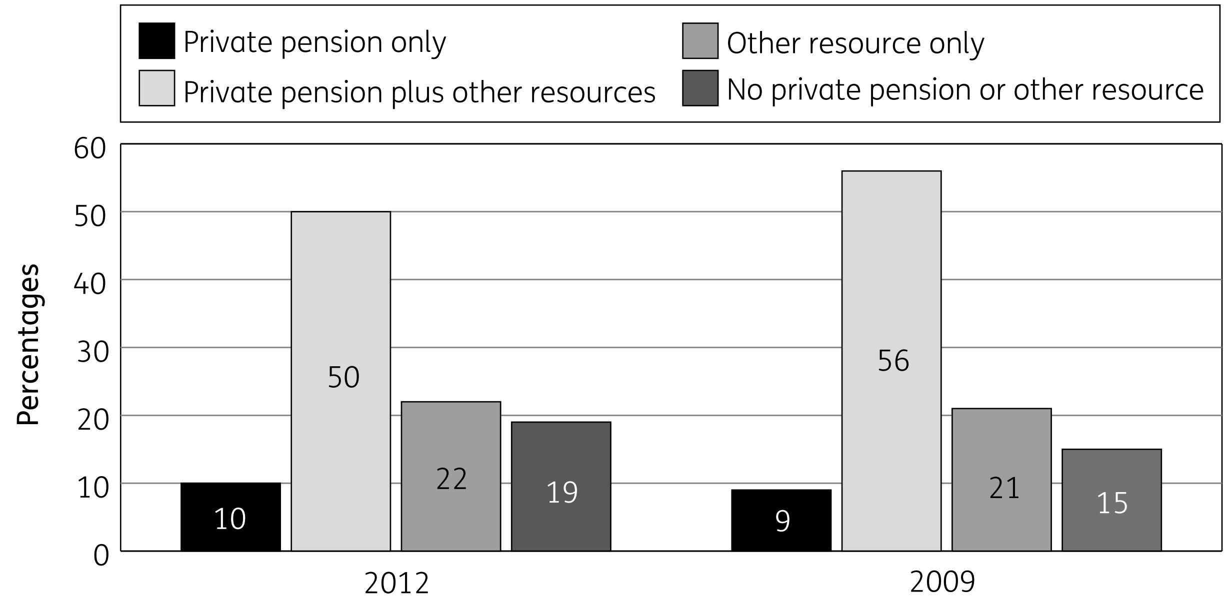


Base: All respondents (n=1,949), not retired (n=1,329), retired (n=615).

Figure 2.7 shows the same summary groups for those aged 18-69 to enable comparison with the 2009 data.[11] A broadly similar pattern was seen, although there was a decrease from 2009 in the percentage with both private pensions and other resources in place (50 per cent 2012; 56 per cent 2009), and an increase in the percentage having no financial resources of any kind for later life (19 per cent 2012; 15 per cent 2009).

11 Differences in the questionnaire mean that results from 2006 cannot be compared directly.

Figure 2.7 Summary of resources for later life: by year



Base: All respondents aged 18–69: 2012 (n=1,559); 2009 (n=1,654).

2.3 Characteristics and situations associated with behaviour

This section explores people's characteristics and situations that were most associated with two related indicators of financial resources for later life, based on the behaviour established in Section 2.2.4:

- having no private financial resources for funding later life compared with having some means (pension, other resources or both);
- having a private pension (ever) compared with not having a private pension.

Statistical analysis was used to identify and quantify the relative importance of key characteristics significantly associated with the behaviours (Appendix B). These characteristics are used throughout the rest of the report when considering attitudes, perceptions expectations and specific policy initiatives.

Understanding which demographic and geographical characteristics are most closely associated with the behaviour DWP aims to influence is important to focus policy and communications. The models and results are summarised in the following sections.

2.3.1 Identifying significant associations

The first stage of the analysis was to identify which demographic and geographic variables were most associated with having ever had a private pension or not and, separately, having no private means of funding later life or having some means. This first stage used a statistical technique known as Chi-squared automatic interaction detection (CHAID). The analysis identified nine variables for inclusion in stage two.[12]

12 Further detail is provided in Appendix C of the CHAID analysis, the variables included in the analysis and the nine variables identified for inclusion in stage two.

The second stage was to develop logistic regression models using the nine variables to identify, for each one, whether the association was unlikely to be due to chance in the survey.

Two models were developed, one designed to identify significant associations with having no financial resources for later life compared with having some resources and the second of having a private pension (ever) compared with having no private pension.[13]

Interactions between characteristics were also examined. The interaction would determine, for example, whether a difference between men and women is similar regardless of their age group.

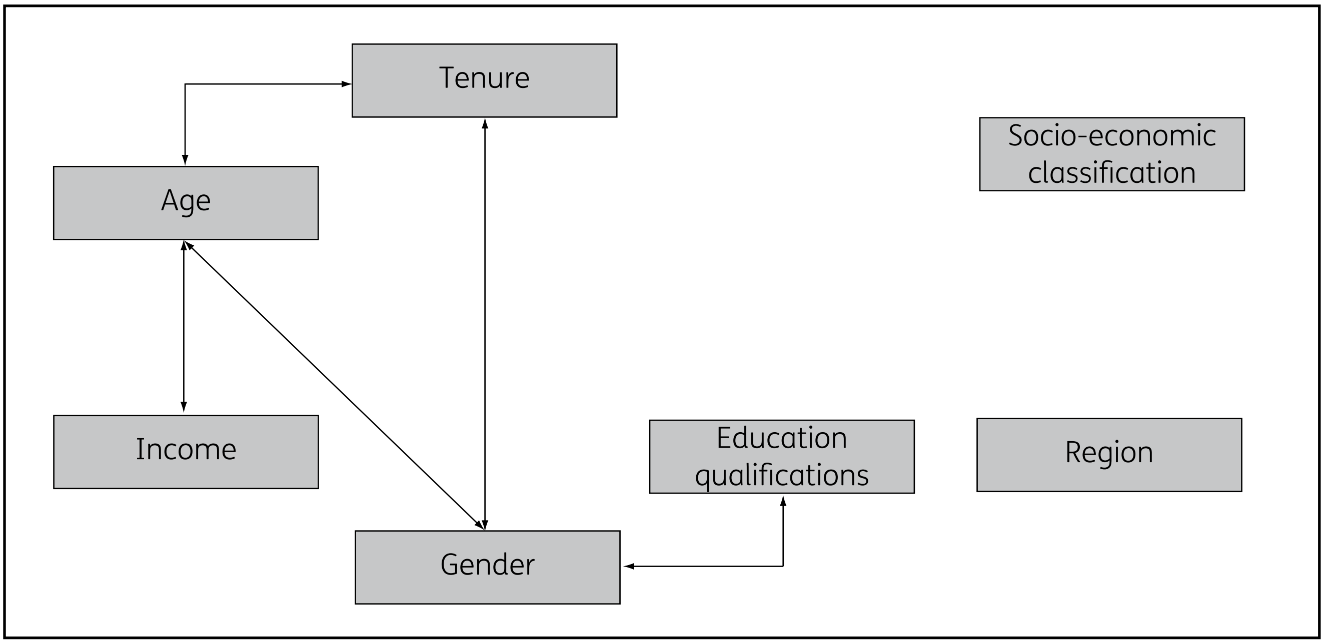
2.3.2 Characteristics associated with having no financial resources for later life

Figure 2.8 shows the seven characteristics most associated with having no financial resources for later life:

- age;
- gender;
- tenure (owner occupier, privately rented private, public rented);
- household income;
- educational qualifications;
- socio-economic classification (managerial and professional; intermediate; routine and manual);
- region.

The arrows indicate significant interactions between different characteristics.

Figure 2.8 Characteristics associated with having no financial resources for later life and interactions



[13] It is important to note that the results of this analysis do not suggest that characteristics cause people to have no resources or to have a private pension (or vice versa), but rather it quantifies the relative importance of individual characteristics associated with the behaviours.

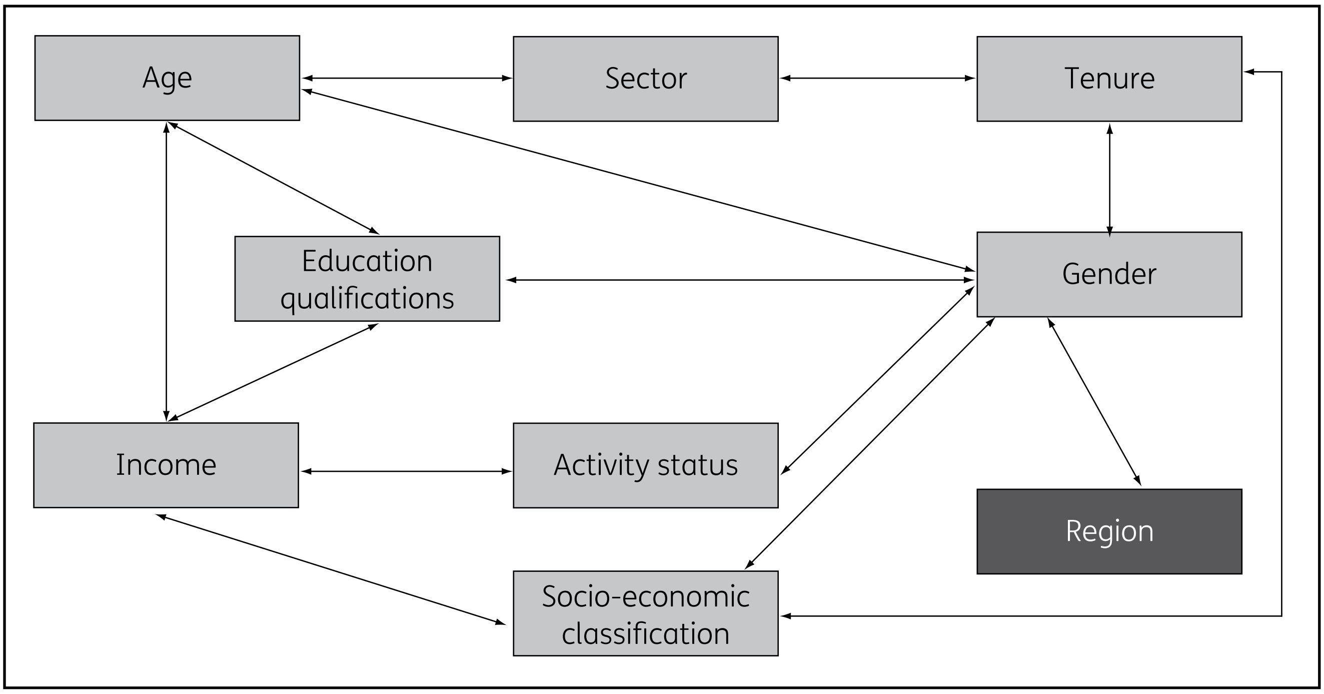
The results demonstrate the importance of age, gender and various economic circumstances in understanding who has no resources for later life.[14] Region was also a significant characteristic (Section 2.4.1).

2.3.3 Characteristics associated with having a private pension (ever)

Figure 2.9 shows the eight characteristics associated with having ever had a private pension:

- age;
- gender;
- tenure (owner occupier, privately rented private, public rented);
- economic activity (economically active, inactive or in education);
- household income;
- educational qualifications;
- socio-economic classification (managerial and professional; intermediate; routine and manual);
- employment sector (public or private).

Figure 2.9 Characteristics associated with having a private pension (ever) and interactions



Once again the results demonstrate the importance of age, gender and economic circumstance, this time in understanding who has ever had a private pension.[15] Region was not significant in its own right, but there was significant variation by gender within region (Section 2.4.2).

[14] The following variables are included in the collective term 'economic circumstance': tenure, income, education qualifications and socio-economic classification.

[15] The following variables are included in the collective term 'economic circumstance': tenure, income, education qualifications socio-economic classification, activity status and sector.

Further details of the statistical analysis and results are provided in Appendix B.

Sections 2.3.4-2.3.7 examines these characteristics and their relationship to behaviour in more detail. Region is considered separately in Section 2.4.

2.3.4 Age and gender

Figures 2.10 and 2.11 show the percentages of those having no private pension or other private resources for later life and of those who had ever had a private pension by age and gender respectively. To complete the picture, the proportion having other private resources for later life only but no private pension is also included.

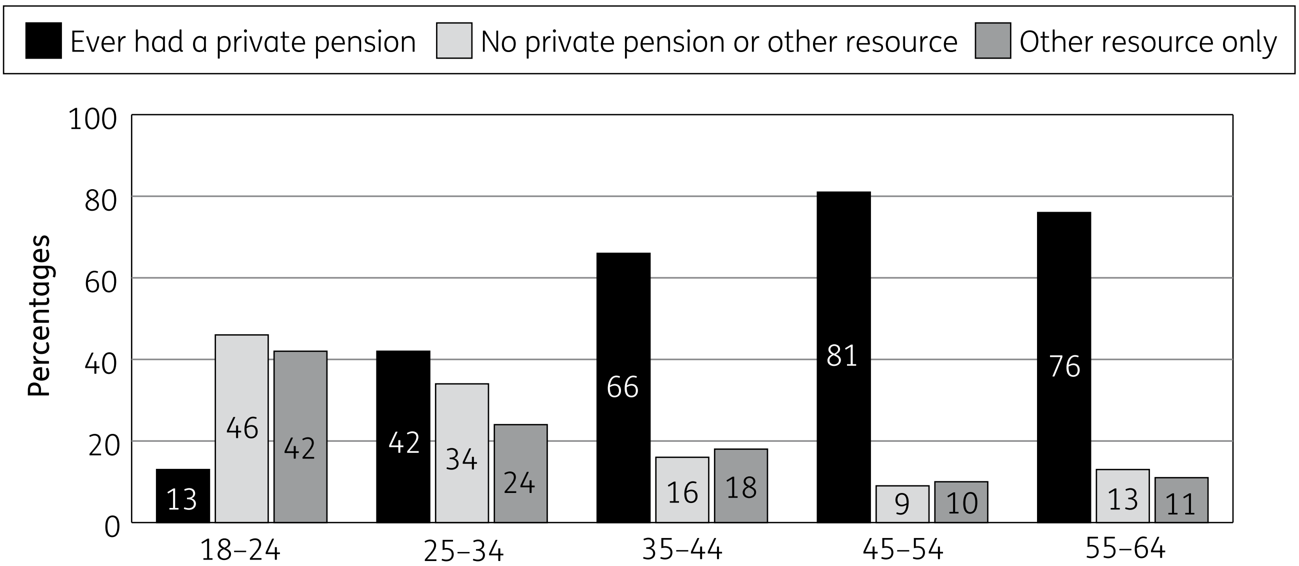
Age was associated both with having no resources for later life and having ever had a private pension.

As would be expected, the two in ten (19 per cent) respondents without any form of private financial resources for later life tended to be concentrated in the younger age groups. Over four in ten (42 per cent) of respondents aged 18-24 did not have any form of financial resource for later life, falling to a quarter (24 per cent) of those aged 25-34, and to under two in ten (18 per cent) for those aged 35-44 (Figure 2.10).

Of those aged 45-69, one in ten did not have any form of financial resource for later life. Though a relatively small group, clearly this is of concern since retirement is much closer for these age groups.

The percentage having ever had a private pension increased with age, peaking at 45-54 year olds where eight in ten (81 per cent) had a private pension (ever). Around one in eight (13 per cent) of 18-24 year olds had ever had a private pension.

Figure 2.10 Resources for later life: by age

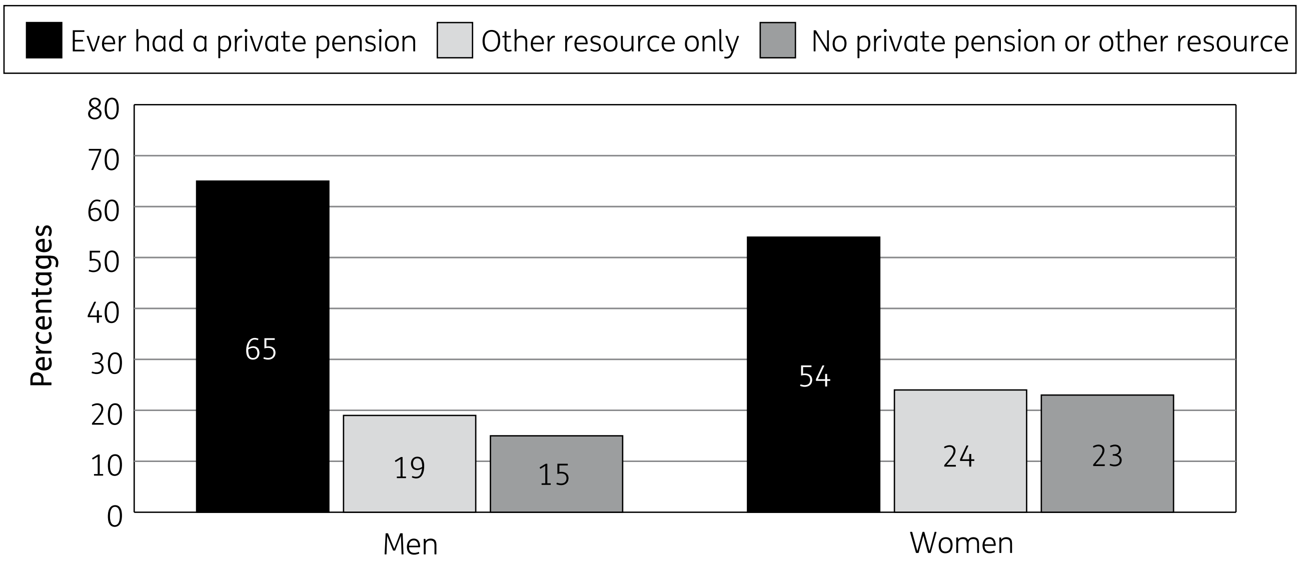


Base: All respondents by age: 18–24 (n=144); 25–34 (n=281); 35–44 (n=330); 45–54 (n=302); 55–64 (n=338).

Gender was also significantly associated with both behaviours. Women were more likely than men to have no financial resources for later life. Almost a quarter (23 per cent) of women had no resources compared with 15 per cent of men (Figure 2.11).

In contrast, men were more likely than women to have ever had a private pension. Around two-thirds of men (65 per cent) had ever had a private pension compared with just over half of women (54 per cent).

Figure 2.11 Resources for later life: by gender



Base: All respondents by gender: men (n=845); women (n=1,104).

For both behaviours, there was a significant interaction between age and gender.

Further examination showed it was the older age groups where men and women's behaviour varied. The percentage of men aged 45 or older having no resources for later life was lower in each age group compared with women of the same age and the percentage having a private pension was higher.

For those under 44, no significant difference in behaviour was detected by gender for either behaviour. Younger men and women at each age group had a similar likelihood of having no resources for later life and a similar likelihood of having ever had a private pension.

2.3.5 Household income

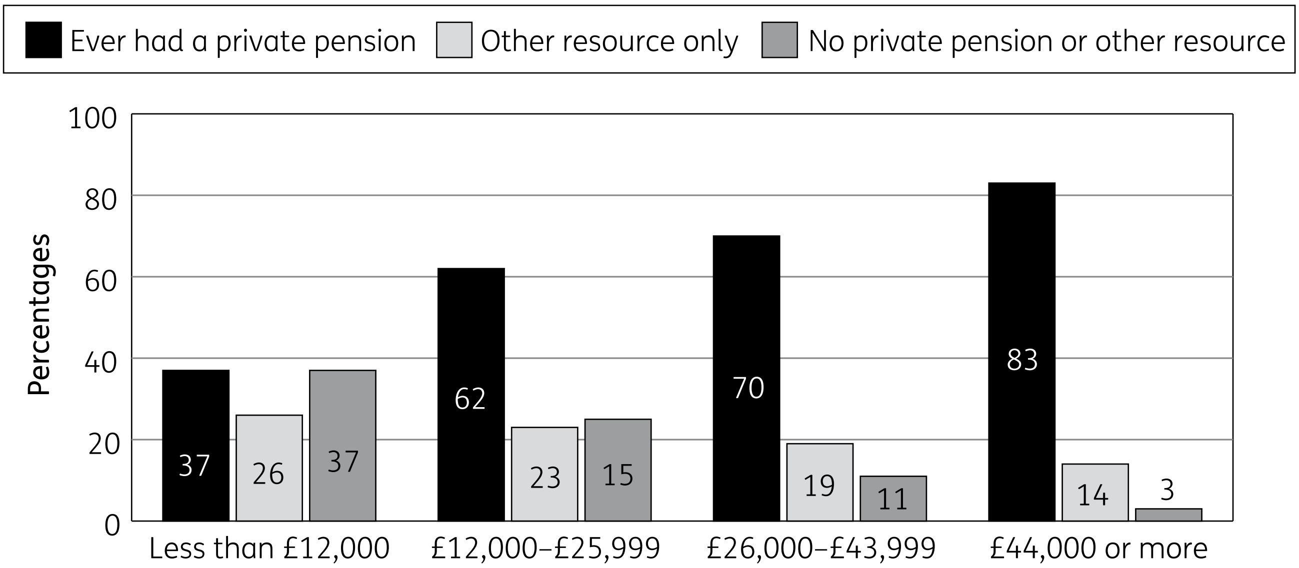
Household income was also associated with behaviour related to financial preparations for later life. Figure 2.12 shows the variation in resources for later life by household income including having no resources, having ever had a private pension and, for completeness, having other resources only and no private pension.

As Figure 2.12 shows, the percentage having no resources for later life decreased as household income increased and the percentage having a private pension increased with household income.

Respondents with lower household incomes were the most likely to have no financial resources for later life. Almost four in ten (37 per cent) with a household income under £12,000 had no resources compared with one in ten (nine per cent) in households with an income of £12,000 or more (three per cent £44,000 or more).

Those with lower incomes were also the least likely to have ever had a private pension. Almost four in ten (37 per cent) with a household income of less than £12,000 had ever had a private pension compared with over eight in ten (83 per cent) in households with income of £44,000 or more.

Figure 2.12 Resources for later life: by income



Base: All respondents by income: < £12k (n=362); £12k-<£26k (n=403); £26k-<£44k (n=299); £44k+ (n=338).

2.3.6 Other characteristics

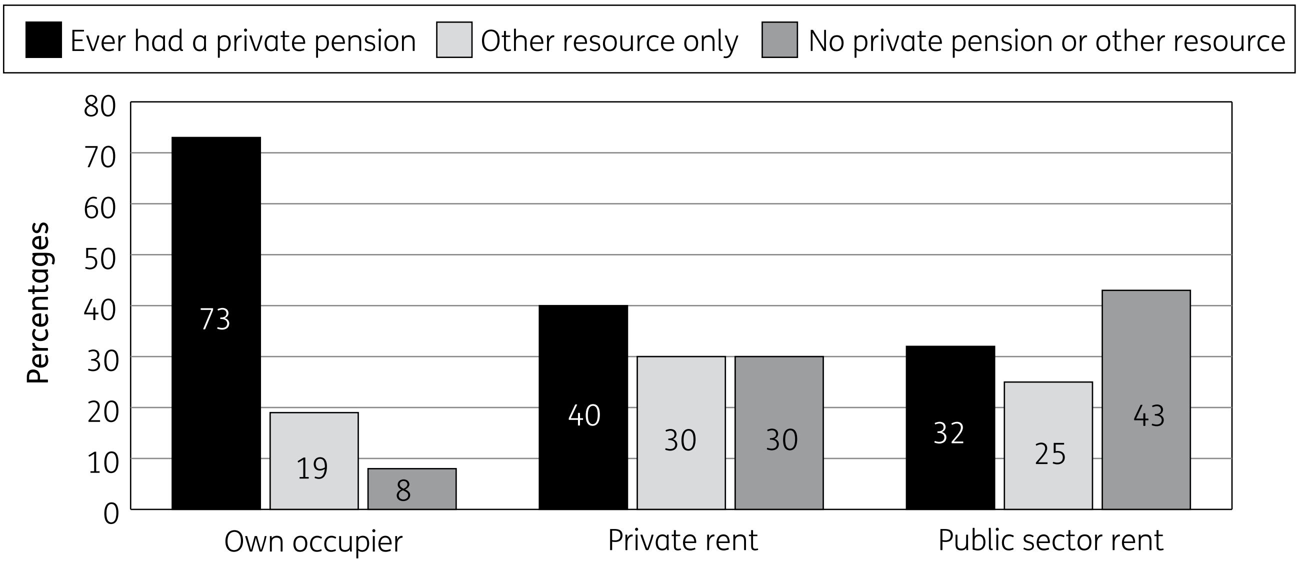
Various other characteristics related to economic circumstance were also shown to be associated with one or both of having no resources for later life and having ever had a private pension. These are discussed in turn.

Tenure, which as well as describing accommodation also provides some indication of deprivation and life stage, was strongly associated with both behaviours.[16] Public and private sector renters were more likely to have no financial resources for later life compared with owner occupiers (43 per cent and 30 per cent compared with eight per cent respectively).

Over seven in ten (73 per cent) living in owner occupied accommodation had a private pension (ever) compared with four in ten (40 per cent) of those in private rented accommodation and three in ten (32 per cent) living in public sector rented accommodation.

16 In both models, the statistical level of confidence for tenure was 99 per cent (i.e. in statistical terms the result was virtually certain).

Figure 2.13 Resources for later life: by tenure

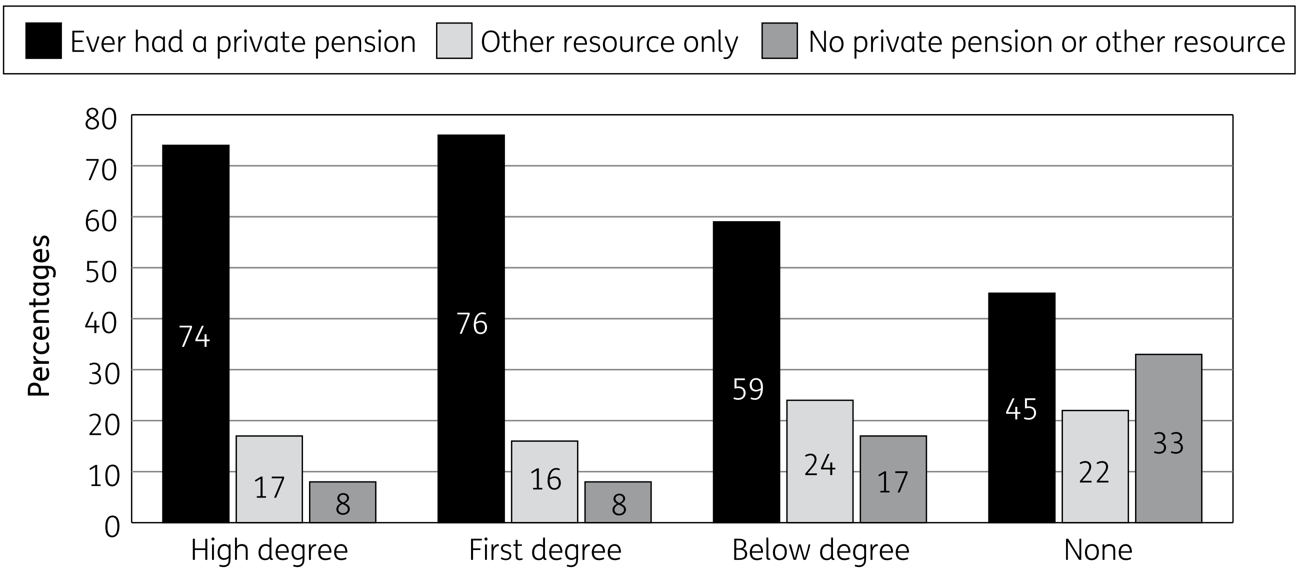


Base: All respondents by tenure: owner occupier (n=1,209); private rent (n=301); public sector rent (n=391).

Respondents without educational qualifications were more likely to have no resources for later life compared with those whose highest qualification was below degree level (33 per cent and 17 per cent respectively). Both of these groups were more likely to have no resources for later life compared with respondents who had at least a first degree (eight per cent).

The opposite was also true. Those having at least a first degree were more likely to have ever had a private pension (75 per cent) than were those with a qualification below degree level (59 per cent) and both groups were more likely to have a private pension than those with no educational qualification (45 per cent).

Figure 2.14 Resources for later life: by educational qualification

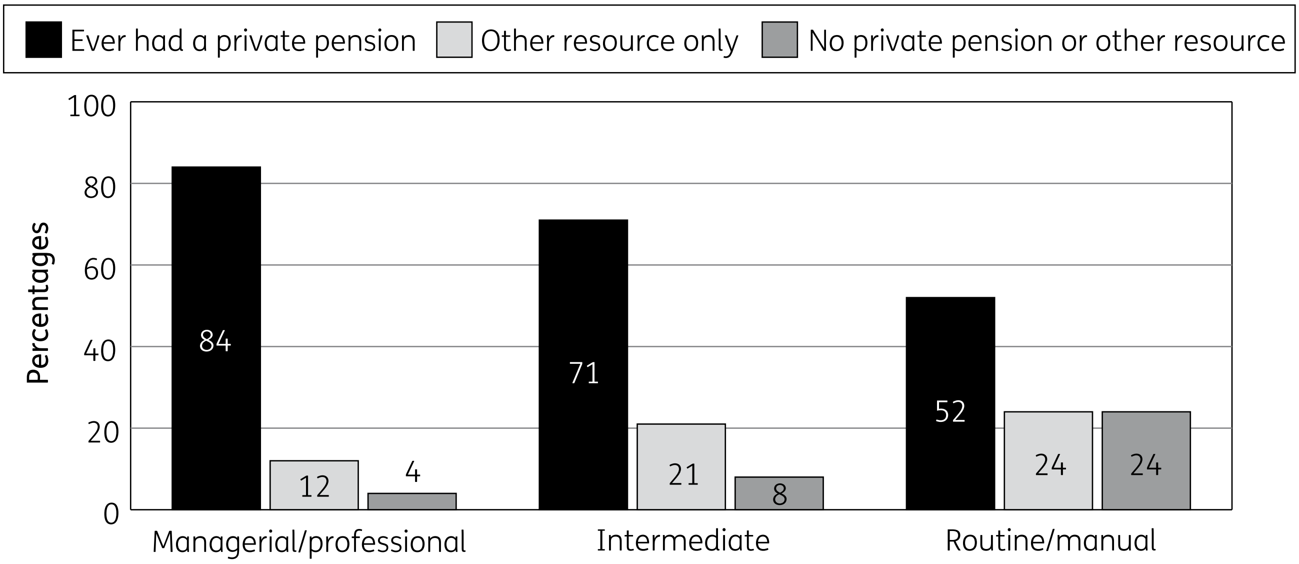


Base: All respondents by educational qualification: higher degree (n=177); first degree (n=256); below degree (n=974); none (n=475).

Socio-economic classification, the first of three variables related to work, was also associated with both behaviours. Over eight in ten (84 per cent) of managerial and professional occupations had ever had a private pension compared with 71 per cent of those in intermediate occupations and 52 per cent of those in routine or manual occupations.

Being in a routine or manual occupation compared with these other groups was also associated with whether people had no financial resources for later life, independently of any other characteristics. A quarter (24 per cent) of those in routine or manual occupations had no resources compared with eight per cent of those in intermediate or professional occupations.

Figure 2.15 Resources for later life: by socio-economic classification



Base: All respondents by socio-economic classification: managerial/professional (n=532); intermediate (n=353); routine/manual (n=600).

Respondents who were economically active were more likely than those who were inactive to have ever had a private pension. Almost seven in ten (67 per cent) of economically active respondents had a private pension compared with four in ten (39 per cent) of those economically inactive.

Whether respondents worked in the public sector was the third work related variable that was associated with having ever had a private pension or not. More than eight in ten (85 per cent) public sector workers had a private pension, compared with 64 per cent of private sector workers.

2.3.7 Situations that increase the likelihood of specific pension behaviour

This section examines interactions between the characteristics described previously. It identifies the relative importance of some specific situations, or combinations of characteristics, that had above average likelihood of, first, having no private resources for later life and second, having ever had a private pension.[17]

Table 2.1 shows the top six situations where respondents were significantly more likely than average to have no resources for later life. The highest likelihood of all groups examined was for women

[17] Specific situations examined were combinations of the characteristics described in previous sections, with combinations determined by the significant interactions identified in the statistical analysis as shown in Figure 2.8 and Figure 2.9.

living in public sector rented accommodation (48 per cent had no private resources for later life compared with 19 per cent of all respondents).

The table demonstrates that living in privately rented or public sector rented accommodation and having no educational qualifications were all associated with above average likelihood of having no resources, especially for women.

The likelihood of having no resources for later life of all 18-24 year olds and all working in routine and manual occupations, discussed previously, are also shown to set these other situations in context.

Table 2.1 Situations with above average likelihood of having no resources for later life

Situation	%
Women living in public sector rented accommodation	48
Women with no educational qualifications	42
All 18-24 year olds	42
Women living in private rented accommodation	36
Men in public sector rented accommodation	36
All in routine and manual occupations	24
All respondents	**19**

Table 2.2 shows situations where respondents were significantly more likely than average to have ever had a private pension.[18] The table identifies the situations where at least seven in ten had ever had a private pension compared with the average of six in ten (59 per cent) for respondents as a whole.

The highest likelihood of all groups examined of having ever had a private pension was for those working in managerial and professional occupations with a household income of £44,000 or more. In these circumstances virtually all (95 per cent) had ever had a private pension. This was followed by anyone living in owner occupied accommodation in managerial and professional occupations (91 per cent).

The table demonstrates the importance of economic circumstance, including socio-economic classification and living in owner occupied accommodation, both associated with a higher than average likelihood of having ever had a private pension.

Men were more likely than average to have had a private pension (ever) if they were retired, had a first degree or above, were living in owner occupied accommodation or aged 45 or over.

For women, key situations associated with an above average likelihood of having ever had a private pension included being aged 45-54 or having a first degree or above.

18 In this model, not all interactions between characteristics could be examined or detected within the available sample. This included, age and income, educational qualification and sector; income (<12k; £44k+) and socio-economic classification, educational group and activity status; tenure and sector.

Table 2.2 Situations with above average likelihood of ever having had a private pension

Situation	%
Managerial and professional occupations with household income of £44,000 or more	95
Managerial and professional occupations living in owner occupied accommodation	91
Men aged 45-69	88
Men who are retired	81
Men with a first degree or above	85
Men living in owner occupied accommodation	80
Men aged 70 or older	79
Retired people with previous household income of £12,000 to less than £44,000	77
Managerial and professional/intermediate occupations with household income of £12,000 to less than £44,000	76
Intermediate occupations living in owner occupied accommodation	75
Women aged 45-54	73
Managerial and professional occupations with household income of less than £44,000	73
Women with a first degree or above	70
All respondents	**59**

2.4 Contextual Influences – region

Regions in England and the devolved administrations of Scotland and Wales differ in their economic and physical characteristics, their population profiles, and, arguably, in aspects of their culture. DWP was interested to understand whether these combined differences were associated with a difference in behaviour (making financial preparations for later life) and this is explored in this section.

First the differences in having no or some private financial resources for later life by region within England and by Scotland and Wales are explored.[19] The section then moves on to examine the significant interaction detected between region and gender associated with having ever or never had a private pension.

2.4.1 Region: associations with having no financial resources for later life

Region was significantly associated with having no resources for later life. Figure 2.16 shows the percentage of individuals who had no private pension or other resources for later life by region.

A difference was apparent between Scotland, Wales and the north of England compared with the rest of England. A third (34 per cent) of respondents living in Scotland had no private pension or other financial resources for later life, significantly higher than all other areas except the North West (27 per cent) and North East of England (26 per cent) and Wales (26 per cent).

The one region in the north of England that had a significantly lower percentage of residents having no financial resources for later life than Scotland was Yorkshire and Humberside (17 per cent compared with 34 per cent respectively). This difference was associated mainly with a higher percentage in Yorkshire and Humberside having a house they were willing to downsize or release money from to fund later life (43 per cent compared with 29 per cent in Scotland). It was

19 Region was included in the statistical analysis described in Section 2.4.

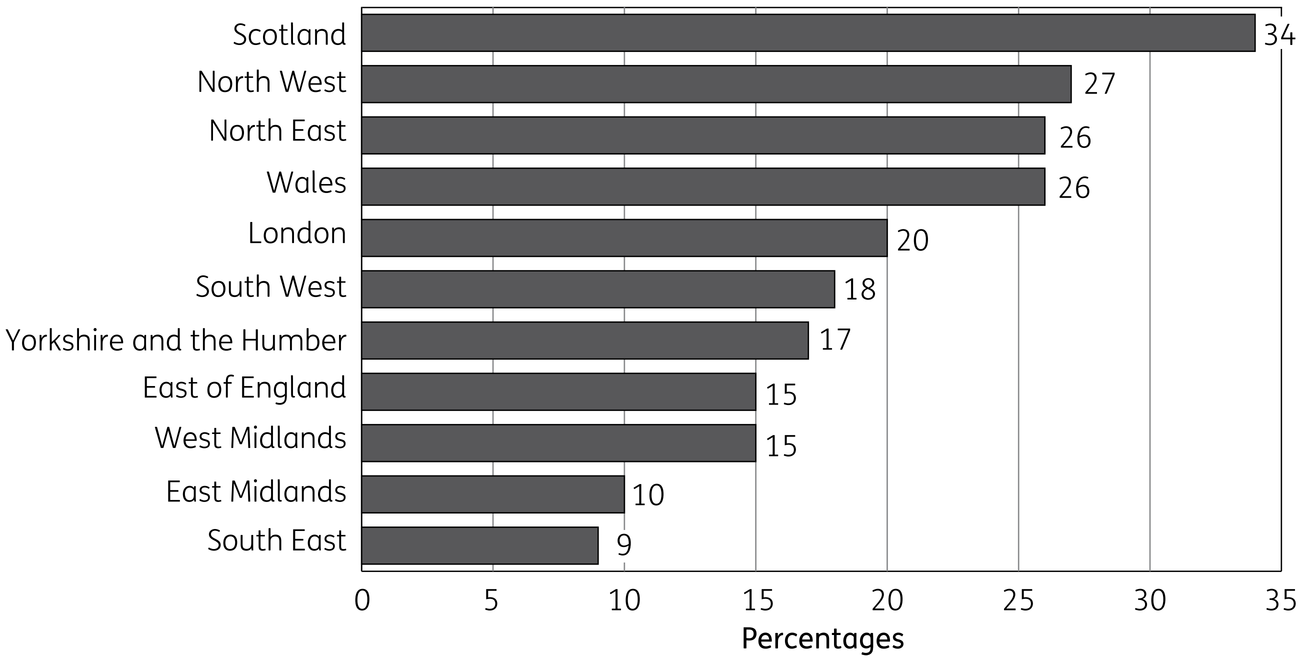
also associated with a higher percentage saying they had savings or investments specifically for retirement (63 per cent compared with 43 per cent in Scotland).

The lowest percentages of those with no resources for later life were in the South East of England (nine per cent) and the East Midlands (ten per cent).

A significantly higher percentage of residents in London (20 per cent) compared with those living in the South East had no financial resources for later life. This was particularly associated with a lower percentage in London having ever had a private pension (54 per cent compared with 68 per cent in the South East). It was also associated with a lower percentage having a house they were willing to downsize or release money from (26 per cent compared with 46 per cent in the South East).

Also a significantly higher percentage of residents in the South West of England (18 per cent) compared with those living in the South East (nine per cent) had no financial resources for later life. In this case, it was associated with a significantly lower percentage in the South West having any savings and investments specifically for retirement (57 per cent compared with 70 per cent in the South East).

Figure 2.16 Lack of financial resources for later life: by region



Base: All respondents by GOR: Scotland (n=184); North West (n=231); North East (n=92); Wales (n=109); London (n=204); South West (n=182); Yorkshire and the Humber(n=163); East of England (n=201); West Midlands (n=189); East Midlands (n=135); South East (n=259).

The regional pattern described in Figure 2.16 in relation to having no private pension or other resources for later life was mirrored in attitudes to risk-taking with money.

Respondents in Scotland (15 per cent), Wales (12 per cent), the North West (20 per cent) and North East of England (13 per cent) were less likely to say they were willing to take calculated risks with money as long as there was potential for a good return than those in other regions (where an average of 27 per cent agreed). Respondents in Scotland (60 per cent), Wales (57 per cent) and the

North East (60 per cent) were also more likely than those in the South East (41 per cent) and West Midlands (40 per cent) to say they were not really willing to take risks with money.

Further analysis or research would be required to explore this relationship in more detail.

2.4.2 Region: interaction with gender – having ever had a private pension

Based on the statistical model, region was not significantly associated with having ever had a private pension (Section 2.3.3). Region did interact significantly with gender, which itself was significantly associated with having a private pension or not.

Section 2.3.4 identified that men were more likely to have ever had a private pension than women in GB as a whole. Further investigation of the differences by men and women between regions suggests three groups.[20]

The first includes London which appears different from all other regions as a higher percentage of women in London than men had ever had a private pension. In London, 60 per cent of those who had ever had a private pension were women and 40 per cent were men. In comparison, in GB as a whole 46 per cent who had ever had a private pension were women and 54 per cent were men.

The second group, all including former areas of heavy industry, comprises the North East of England, the West Midlands and Yorkshire and Humberside. In all of these areas a higher percentage of those who had ever had a private pension were men than women confirming the overall trend across GB.

In all of the other regions, including Scotland, the South East, East, South West and North West of England and the East Midlands, the percentages of men and women who have ever had a private pension appeared more similar.

2.5 Current economic climate

Since the last Attitudes to pensions survey in 2009, the economic downturn has continued in the UK, with the second of two official recessions starting in the final quarter of 2011 and continuing at the time of writing.

Based on the time taken to return to pre-downturn levels of this economic downturn may have been more prolonged than previous ones in the last century.[21] Previous downturns have had an effect on some people's ability or propensity to save for later life and reduced individuals' confidence in longer-term financial planning (DWP 2006, 3).

Effects on behaviour might happen because a person is no longer employed at all or in a job not providing the same income level; unable to enter the labour market for the first time; or through changes in a particular industry or to individual businesses. Alternatively, economic uncertainty may reduce economic confidence and make individuals less inclined to save privately for later life.

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20 The available sample within region for those having ever had a private pension limits the conclusions that can be drawn from this analysis. Larger regional sample sizes might provide more certainty around these results and to enable additional differences to be identified, in particular in some of the regions where percentages of men and women appeared more similar.

21 http://www.thisismoney.co.uk/money/news/article-1616085/Economy-watch-How-long-Britains-recession-last.html

Regardless of impact on behaviour, pessimism about the economic situation may affect attitudes, especially on topics related to economic circumstance, so it is useful to know how people regard the current economic situation in the context of other longer and shorter-term aspects of their life.

When asked how optimistic or pessimistic they were about various aspects of their life, respondents were far more pessimistic about the current economic situation than any other individual element of their life.

Almost half (48 per cent) were pessimistic about the economic situation, while no more than one in seven (15 per cent) were pessimistic about any of the other aspects of their life, including short and long-term health and financial situations and their retirement.

Several questions in the 2012 survey explored how the economic situation was affecting people's spending habits, their attitude to retirement saving and the size of their pension pot. It should be noted that the questions explored respondents' perceptions of the impact of the economic situation rather than the actual impacts in terms of measured or observed behaviour.

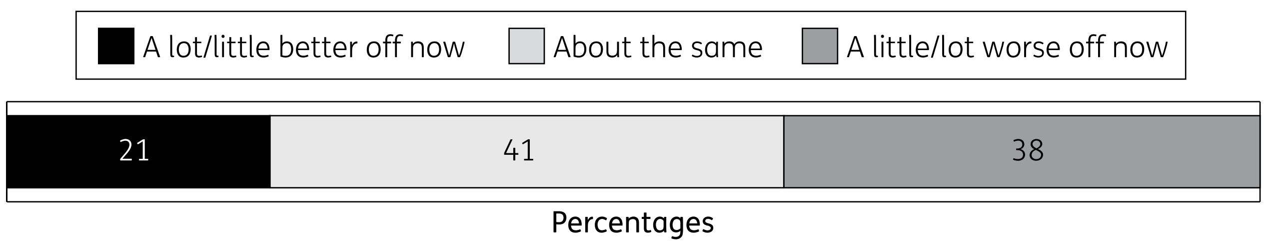
The results from these questions, included for the first time in 2012, are explored in this section. Monitoring responses over time will provide evidence of how answers change in relation to changing economic circumstance.

2.5.1 Financial situation compared to 12 months ago

Respondents were asked two questions about their financial situation. In the first, new for 2012, they were asked how much better or worse off they felt financially compared with 12 months ago (Figure 2.17). Where people did feel worse off than they did the previous year, it might be due to a real change in circumstances (or at least not maintaining the same financial position relative to costs) due to the economic downturn.

Compared to 12 months before interview, almost two in five respondents (38 per cent) felt that they were worse off, including 13 per cent of respondents who said they were a lot worse off. A slightly higher percentage felt that they were in the same situation (41 per cent). One in five (21 per cent) said that they were better off than 12 months ago.

Figure 2.17 Perceptions of financial comfort compared to 12 months ago



Base: All respondents (n=1,949).

Financial comfort varied by age, with younger respondents aged 18-34 more likely to feel financially better off than 12 months ago compared with those aged 35 or over (35 per cent and 15 per cent respectively). It should be noted that this question is about **perceptions** of financial comfort rather than actual finances, and results can be contrasted with data from the Office for National Statistics (ONS) which show that employment rates have fallen for younger respondents (18-24) since the first recession in the economic downturn in 2008/09 (ONS, 2012c, 4-7).

Geographically, respondents in the East, North East and South West of England were more likely to feel that their situation had worsened in the last 12 months (45 per cent, 49 per cent and 47 per cent respectively) compared with those in the East Midlands, London and Yorkshire and Humberside (28 per cent, 32 per cent and 30 per cent respectively). Data from ONS suggested that the recession of 2008/09 negatively impacted Wales and the West Midlands (ONS, 2009) compared with other regions. Again there was no correlation between the two, although clearly there is a time lag between the ONS report and the survey and the recent recession may have differentially affected different regions.

There were no significant differences between regions in terms of those feeling financially better off.

Respondents were also asked how they were managing financially at the time of interview. This was identified as being significantly associated with having ever had a private pension and of having no resources for later life and is discussed in more detail in Chapter 3. Here the correlation between how people were feeling financially how they were managing financially is explored.

Further examination shows that it is the 13 per cent of respondents who said they were a lot worse off who were struggling the most financially. Over one in six (15 per cent) of this group said they had fallen behind with at least some of their bills and credit commitments and 59 per cent said they were keeping up with financial commitments with a struggle, at least part of the time (compared with five per cent and 39 per cent for respondents as a whole). Despite this, more than eight in ten (83 per cent) of those who said they were a lot worse off said they were keeping up with bills and other commitments, compared with around nine in ten (92 per cent) of respondents as a whole.

This analysis demonstrates that the current economic circumstances may have affected those who feel worse off compared with 12 months ago, though for most of them it does not appear to have affected their ability to keep up with bills and credit commitments, even if this is with some degree of struggle.

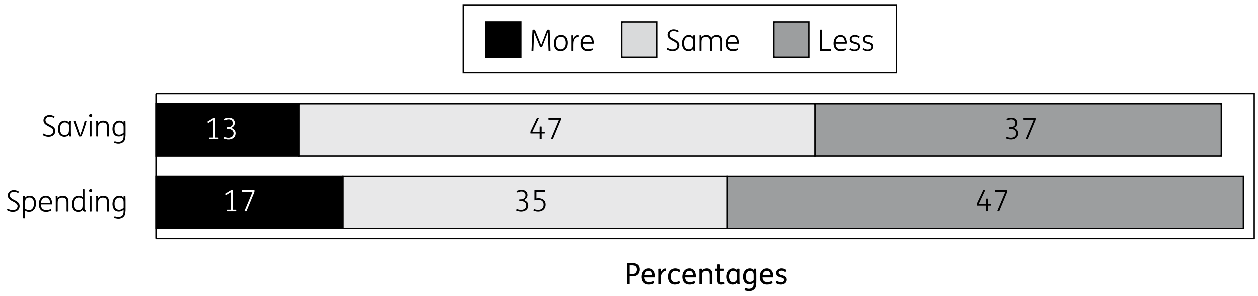
2.5.2 Impact of the economic situation on spending and saving habits

The current economic situation also had a reported impact on respondents' spending habits and savings habits (Figure 2.18). Almost half of all respondents (47 per cent) said they had been spending less as a result.

This was most clearly seen in the age group between 25 and 64 who were more likely to say they were spending less (54 per cent) than were young people aged 18 to 24 and those aged over 65 years (26 per cent and 36 per cent respectively). Those aged 18-24 and over 65 years were more likely than other age groups to say that there has been no impact on their spending (49 per cent and 46 per cent respectively compared with 29 per cent of 25 to 64 year olds).

The economic situation appeared to have reduced saving habits among those not yet retired to a lesser extent than spending habits. Almost four in ten (37 per cent) felt they were now saving less due to the current economic situation. Around three in twenty (13 per cent) said they were saving more as a result of the economic downturn, a similar percentage to those saying they were spending more (17 per cent).

Figure 2.18 Impact of economic situation on personal spending and saving habits



Base: All respondents (n=1,949).

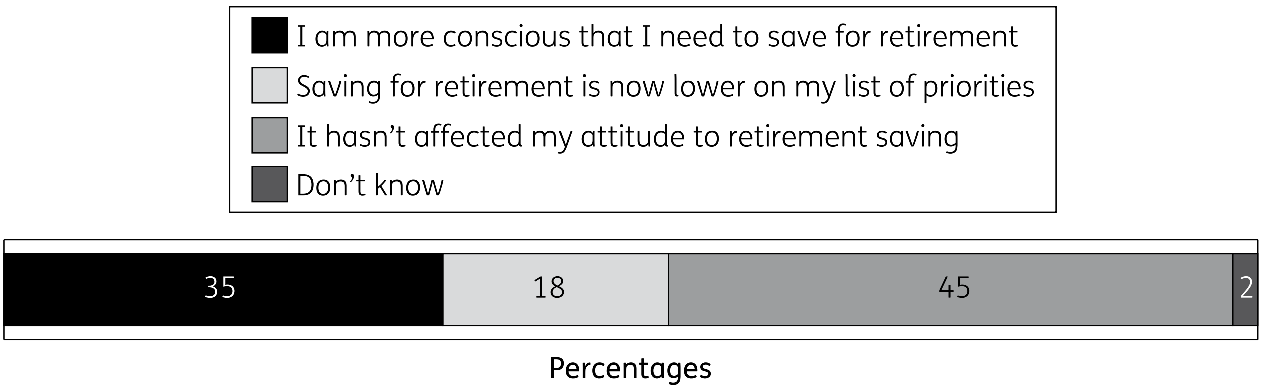
2.5.3 Impact of the economic situation on attitudes to retirement saving

The impact of the current economic situation on attitudes to saving for retirement was also explored with those respondents who were not yet retired (Figure 2.19). The majority of these respondents (45 per cent) felt that their attitude to saving for retirement had not changed as a result of the economic situation.

Over a third of respondents who were not retired (35 per cent) felt that they were more conscious of the need to save for retirement due to the economic situation. Further examination showed that those aged 18-24 were the least likely to say they were more conscious of their need to save for retirement (21 per cent). This group were least likely of all ages to have ever had a private pension and so may not have yet engaged in the process of making financial preparations for later life.

Almost one in five (18 per cent) saw saving for retirement as lower on their list of priorities as a result of the economic situation. Those aged between 25 and 54 years were more likely to be in this latter group than those approaching retirement aged between 55 and 64, likely reflecting the fact that as retirement approaches, saving for later life is likely to become more pressing for some, regardless of the short-term economic situation.

Figure 2.19 Impact of economic situation on attitude towards retirement saving



Base: All respondents who are not yet retired (n=1,329).

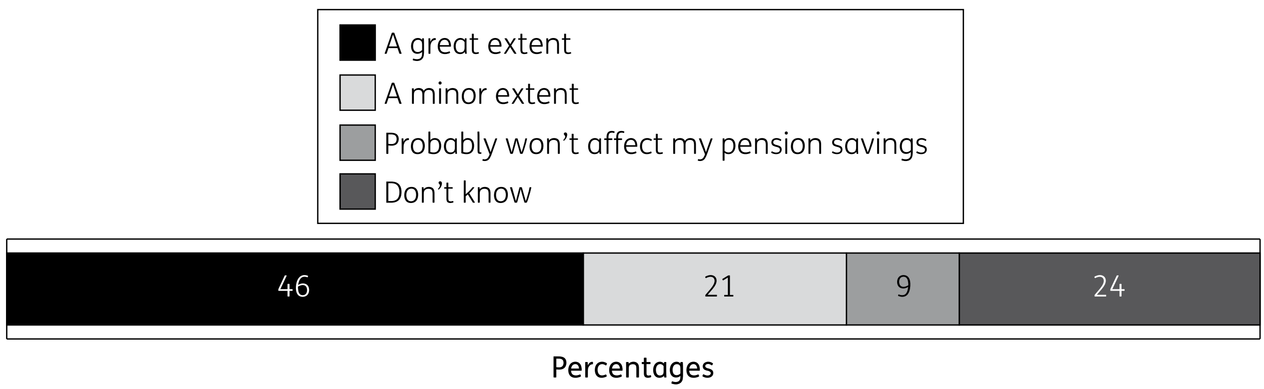
2.5.4 Economic situation – effect on pension pot

Those respondents who had a private pension and were not yet retired were asked to what extent, if at all, they thought the current economic situation would affect the size of their pension pot at retirement.

As Figure 2.20 shows, two-thirds (66 per cent) believed that the size of their pot would be affected, with the majority of these respondents believing that this would be to a great rather than minor extent (46 per cent and 21 per cent respectively). A greater percentage of those closer to retirement expected a larger effect than did younger respondents.

One in ten (nine per cent) believed that the size of their pension pot would not be affected, while a quarter (24 per cent) did not know whether it would be affected or not, either because they did not check or retirement was too far away or for some other reason.

Figure 2.20 Impact of economic situation on size of pension pot



Base: All who have a pension who are not yet retired (n=826).

3 Exploring links between attitudes and behaviour

Summary

- Aspects of wider financial management and knowledge, together with particular retirement expectations were associated with having no resources for later life compared with some resources and with having a private pension or not.[22]
- Respondents with no resources for later life were more likely to be struggling financially (51 per cent) and were more likely to say they could not afford to put money aside for retirement (85 per cent). Despite this, many of this group did not think they were putting away as much as they could for their retirement (56 per cent).
- In contrast, respondents with a private pension felt that they were keeping up with their financial commitments without difficulty (61 per cent) and were less likely to agree that they could not afford to put money away for retirement (36 per cent).
- Those with no resources for later life were more likely to say they had no idea what their income would be in retirement (84 per cent). In comparison, 41 per cent of those with a private pension had no idea of what their retirement income would be.

Key insights

In general, variation in attitudes towards pensions and saving for later life are not closely associated with different pension behaviours. Two key exceptions, agreement that: *'I can't afford to put money away for retirement at the moment'* and disagreement that: *'I am putting away as much as I can for retirement'* are both associated with having no resources for later life. Taken together these appear to be contradictory. Behavioural science suggests that people give automatic rather than rational responses when dealing with subjects such as pensions that are complex, uncertain and have low engagement. Further research would be required to understand this contradiction.

Instead, perceptions around wider financial management and capability and expectations around time and money available in retirement are all associated with different levels of private resources for later life.

Those with no resources are more likely to be struggling to keep up with their financial commitments, to have no idea what to do about important financial decisions and to say they know little or nothing about financial matters. Along with those who have never had a private pension, they are also more likely to say they have no idea what their retirement income might be.

22 These included: whether put money aside for emergencies; whether managing financially; overall knowledge of financial matters; views on making financial decisions; knowledge of income in retirement; perceptions of having more time in retirement than now.

Key insights – continued

Those who have ever had a private pension, are more likely to say they have higher levels of financial knowledge; to have at least a vague idea of their retirement income and believe they will have the time when they retire to do things they do not have time for now. Those with some resources for later life are more likely to say they are the sort of person to put money aside for emergencies.

Both of these groups, those who have ever had a private pension and who have some resources for later life, are more likely to be keeping up with their financial commitments and to have a clear idea about what to do when making important financial decisions.

3.1 Introduction

A particular objective of the survey was to explore and gain insight into how attitudes and beliefs affect actual and intended behaviour in respect of pensions and saving for later life.

There may also be wider perceptions and expectations that are associated with differences in behaviour. For example, previous research has discussed confidence in financial ability as an important dimension (Clery, E. *et al.* 2009, 27). More broadly, attitudes towards saving and having greater financial understanding have also been suggested as being important.

This chapter examines attitudes, perceptions and expectations and identifies the extent to which they are associated with having no resources for later life or having some resources and, separately, having ever had a private pension or not.

3.2 Identifying significant associations with behaviour

Analysis similar to that undertaken using demographic and geographic characteristics was carried out. This was designed to identify which, if any, attitudes, perceptions and expectations were most associated with two related indicators of financial resources for later life:

- having no private financial resources for funding later life compared with having some private means (private pension, other resources or both);
- having a private pension compared with not having a private pension.

The process that was used to identify the attitudes and perceptions that are predictors of behaviour was largely the same as that used to identify demographic and geographic characteristics (described in Section 2.3). An initial long list of all variables covering attitudes, perceptions and expectations was drawn up.[23] This produced a list of 134 variables to include in the initial analysis, which in turn identified 16 variables for inclusion in the second stage (Appendix B).

The second stage, as before, was to develop logistic regression models using the 16 variables to identify for each one, whether the association was unlikely to be due to chance in the survey. Two models were developed, one to identify significant predictors of having no financial resources

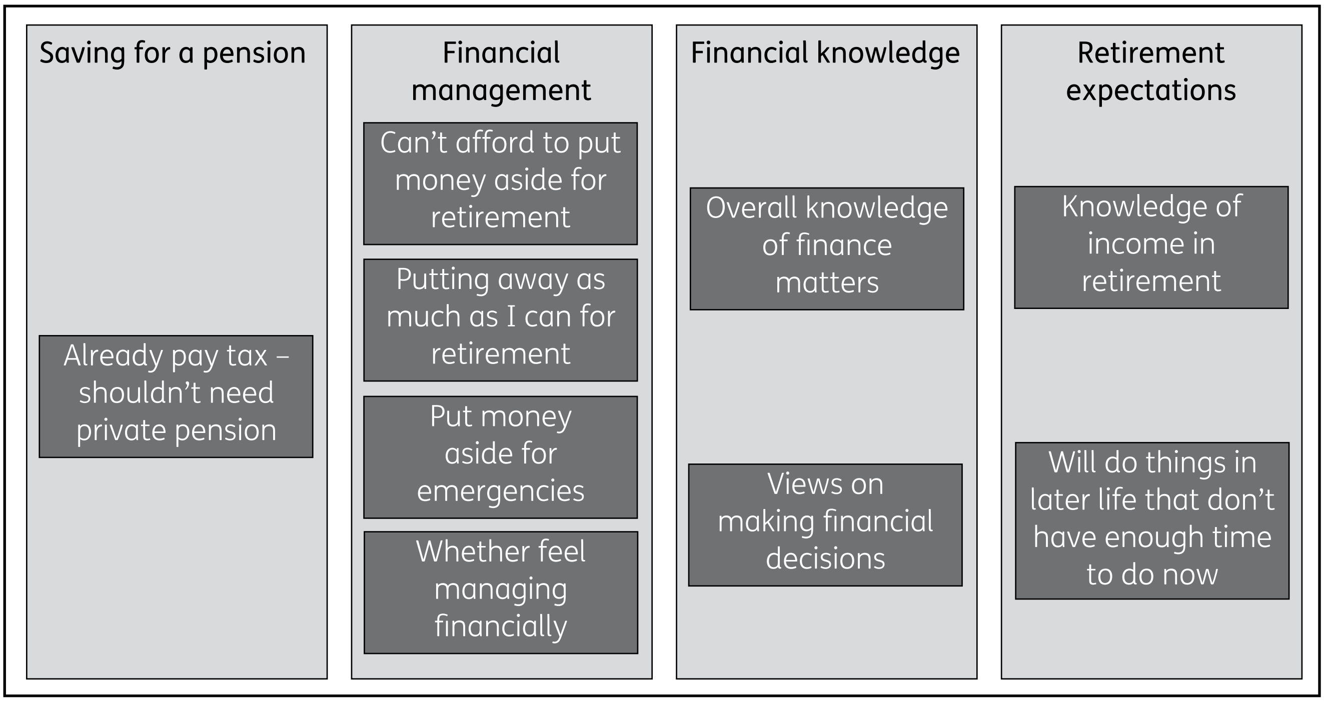
[23] Further detail is provided in appendix B of the initial, CHAID analysis and the second stage, logistic regression analysis, including a list of variables included at each stage. Variables that were only asked of a minority of the sample were excluded from this analysis.

for later life compared with having some resources and the second of having a private pension compared with having no private pension.[24]

3.3 Attitudes, perceptions and expectations associated with having no financial resources for later life

Figure 3.1 shows the attitudes, perceptions and expectations associated with having no financial resources for later life. Nine had significant associations, covering aspects of wider financial management and capability as well as retirement expectations and attitudes towards saving for a private pension.

Figure 3.1 Attitudes, perceptions and expectations that predict having no financial resources for later life



The rest of this section looks at these attitudes, perceptions and expectations in more detail and examines the differences in the views held by those with no private resources for later life, as compared with those who have some resources (a private pension or other resources or both).

3.3.1 Saving for a private pension

Those who had no resources for later life were more likely to believe that, as they already pay tax and National Insurance contributions to help fund their State Pension they should not have to make their own private provision.[25] Almost six in ten (57 per cent) agreed and 21 per cent disagreed. The reverse was true for those with resources (27 per cent agreed and 54 per cent disagreed).

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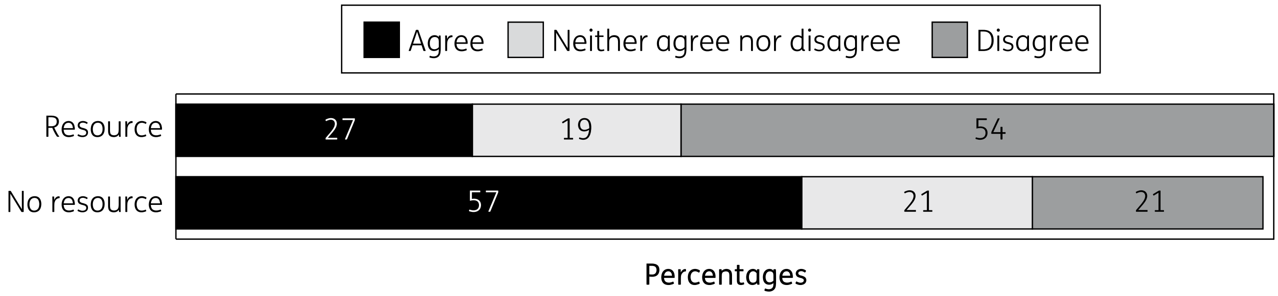
24 It is important to note that the results of this analysis do not suggest that the attitudes and perceptions cause people to have no resources or to have a private pension (or vice versa), but rather it quantifies the relative importance of individual attitudes or perceptions associated with the behaviours.

25 This statement is considered further in Section 4.6.1.

This is shown in Figure 3.2.

Figure 3.2 Agreement that as already pay contributions to help fund State Pension, shouldn't have to make own private provision: by resources for later life[26]



Base: All respondents in paid employment: with resources for later life (n=854); no resources for later life (n=79).

3.3.2 Financial management

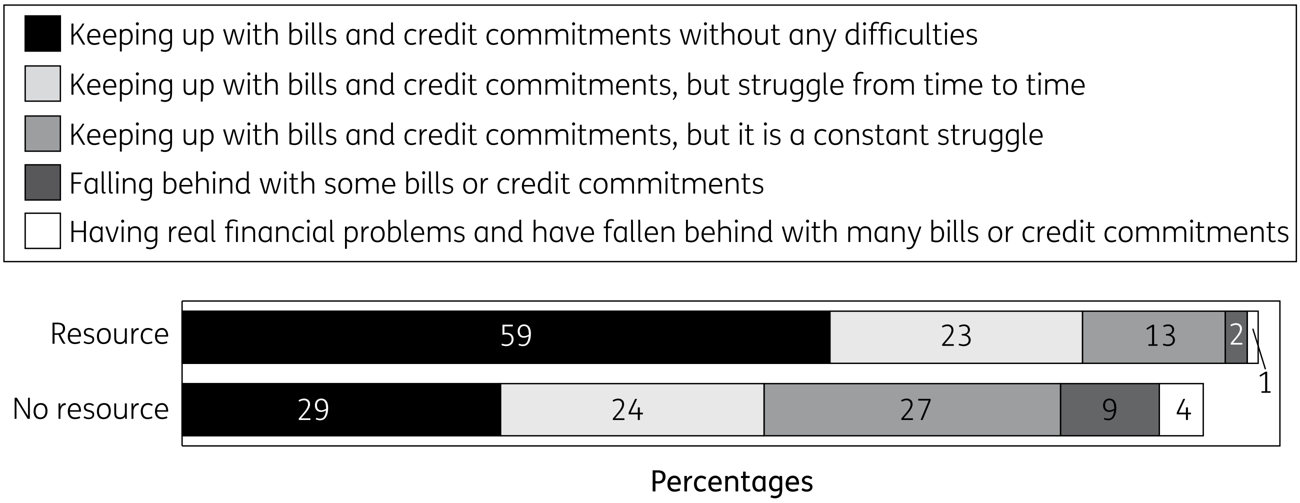
Those who had no resources for later life were more likely to be struggling to keep up with their financial commitments. Three in ten (29 per cent) of those with no resources for later life said they were keeping up with their bills and credit commitments without any difficulty. In contrast, six in ten of those with resources for later life (59 per cent) said this. This is shown in Figure 3.3.

Half (51 per cent) of those with no resources were struggling at least a little, including 27 per cent with no resources who said that it was a constant struggle. Nine per cent said that they were falling behind with some of their bills or credit commitments while four per cent were having real financial problems.

Of those with resources, more than a third (36 per cent) were struggling at least a little, including 13 per cent thought it was a constant struggle. Two per cent said they were falling behind with some bills and one per cent was having real financial problems.

26 Note the small base size of those in paid employment with no resources for retirement (n=79).

Figure 3.3 How managing financially at present: by resources for later life



Base: All respondents: with resources for later life (n=1,596); no resources for later life (n=353).

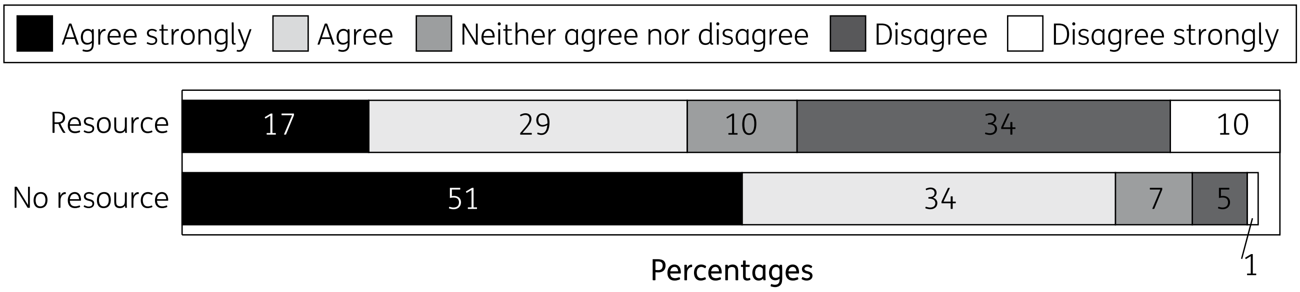
Turning to saving, more respondents identified themselves as being the sort of person who makes sure they have money put aside for emergencies than did not, regardless of having resources or not.[27] Around a third (35 per cent) of those with no resources for later life felt that they were the sort of person that makes sure they have money aside for emergencies, compared with 58 per cent of those with resources for later life.

A quarter of those with no resources (26 per cent) felt that they were definitely not that sort of person, compared with ten per cent of those with resources for later life.

Focusing more particularly on later life, respondents with no resources were more likely to say that they could not afford to save for later life. As shown in Figure 3.4, the majority (85 per cent) agreed that they could not afford to put money aside for retirement at the moment, with half saying they strongly agreed (51 per cent) with this statement. Six per cent disagreed. Attitudes of respondents with resources for retirement were more evenly split, although still almost half agreed they could not afford this (46 per cent agreed and 44 per cent disagreed).

[27] Respondents were asked to rate themselves between one and ten, where one means they were not at all that sort of person and ten means they were definitely that sort of person. Scores eight to ten equated to those who identified themselves as that sort of a person and scores one to three equated to those who identified themselves as not at all that sort of person.

Figure 3.4 Agreement that can't afford to put money aside for retirement at the moment: by resources for later life



Base: All respondents who are not retired: with resources for later life (n=1,089); no resources for later life (n=240).

While respondents with no resources for later life might not have felt they could afford to save for retirement, they did perhaps recognise that they should be saving for a private pension.[28] Eight per cent agreed strongly that *'I am putting away as much as I can for my retirement'*, while more than half (56 per cent) of this group disagreed strongly.

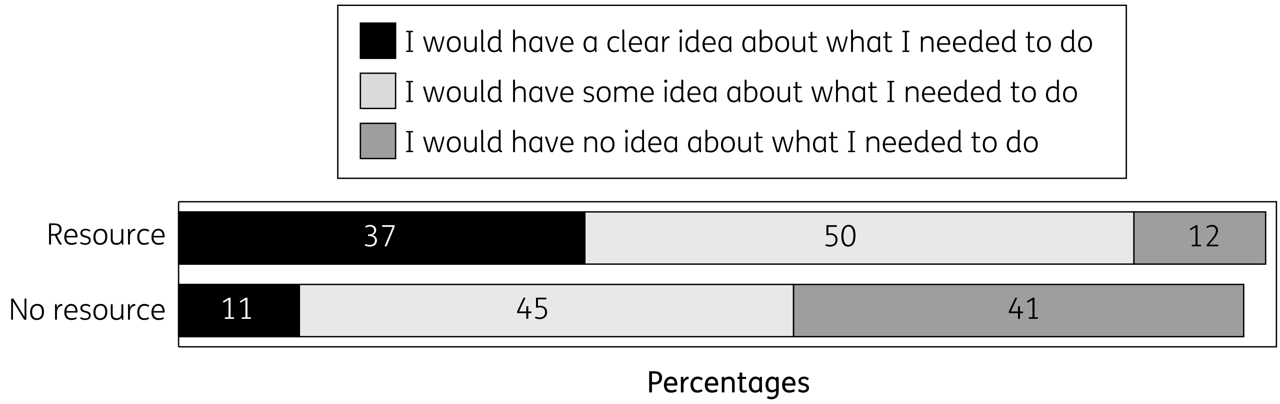
Among those with resources, there was less difference between the proportions strongly agreeing and those strongly disagreeing. A quarter (26 per cent) of this group expressed the strongest agreement that they were putting away as much as they could for retirement and a third (33 per cent) the strongest disagreement. This suggests there may be scope for some of those with at least some resources to increase the amount they save for later life.

3.3.3 Financial capability

As highlighted in Figure 3.5, respondents with no resources for later life were also more likely to be uncertain in their financial capability. Four in ten (41 per cent) said that they had no idea what to do when making important financial decisions such as taking out a mortgage, loan or pension (compared with 12 per cent of those with resources for later life). One in ten (11 per cent) felt that they had a clear idea of what to do when making important financial decisions. This increased to 37 per cent among those with resources for later life. A similar percentage of those with no resources for later life felt they had some idea (50 per cent of those with resources, compared with 45 per cent of those without).

28 Respondents were asked to give a score between one and ten to show how much they agreed with the statement, where ten meant they strongly agree and one they strongly disagree. Scores eight to ten equated to those agreeing more strongly and scores one to three equated to those disagreeing more strongly.

Figure 3.5 How feel about making important financial decisions such as taking out a mortgage, loan or pension: by resources for later life



Base: All respondents: with resources for later life (n=1,596); no resources for later life (n=353).

When asked to rate their overall knowledge of financial matters out of ten,[29] 37 per cent of those with no resources rated their knowledge as three or lower (suggesting they knew little or nothing), compared with 16 per cent of those with resources. At the same time eight per cent of those with no resources for later life were confident in their overall knowledge and gave a score of eight or more, compared with 19 per cent for those with resources for later life.

3.3.4 Retirement expectations

Respondents with no resources for later life were less likely to have set expectations for retirement. Not only were this group less likely to feel that they will do all the things in retirement that they do not have enough time to do now than those with resources (seven per cent compared with 33 per cent), they were also more likely to say that they had no idea what their income would be when they retired (84 per cent compared with 51 per cent of those with resources).

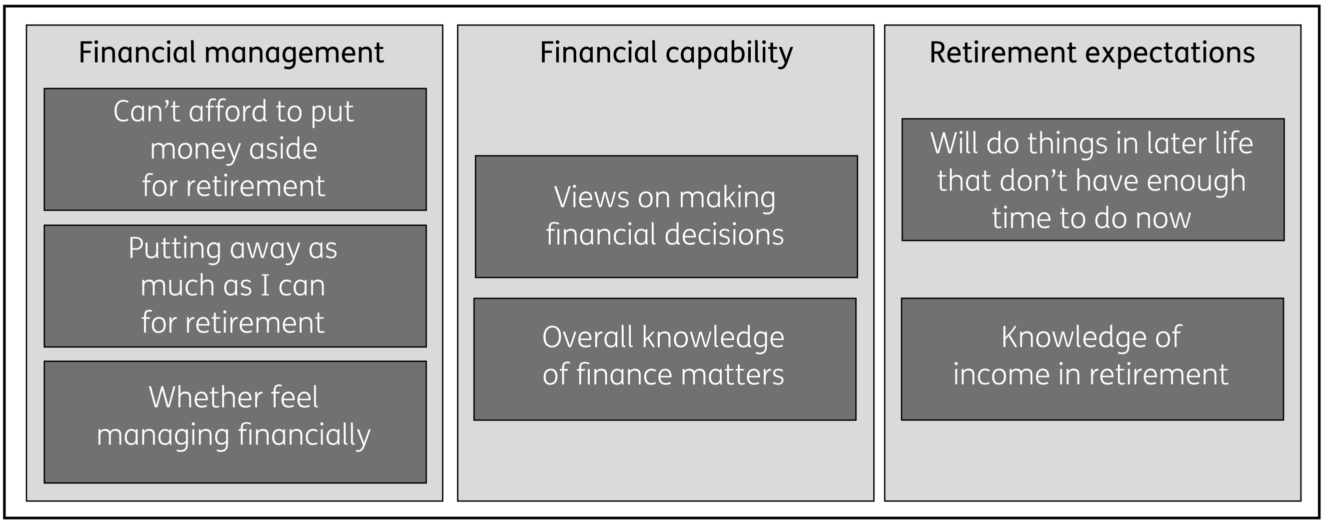
Those with resources did not necessarily say they had a good idea about their income in retirement. One in ten (nine per cent) said this compared with one per cent of those with no resources. The remainder said they had a reasonable idea (19 per cent with resources compared with four per cent) or a vague idea (19 per cent with resources compared with three per cent).

3.4 Perceptions and expectations associated with having a private pension

Figure 3.6 shows the attitudes, perceptions and expectations associated with having ever had a private pension. Seven had significant association with having no financial resources, covering aspects of wider financial management and capability as well as retirement expectations.

[29] Where one means that they know nothing at all, and ten means that they know a lot about financial matters.

Figure 3.6 Perceptions and expectations associated with having ever had a private pension



This rest of this section looks at these perceptions and expectations in more detail and examines the differences in the views held by those who have ever had a private pension compared with those who have never had a private pension.

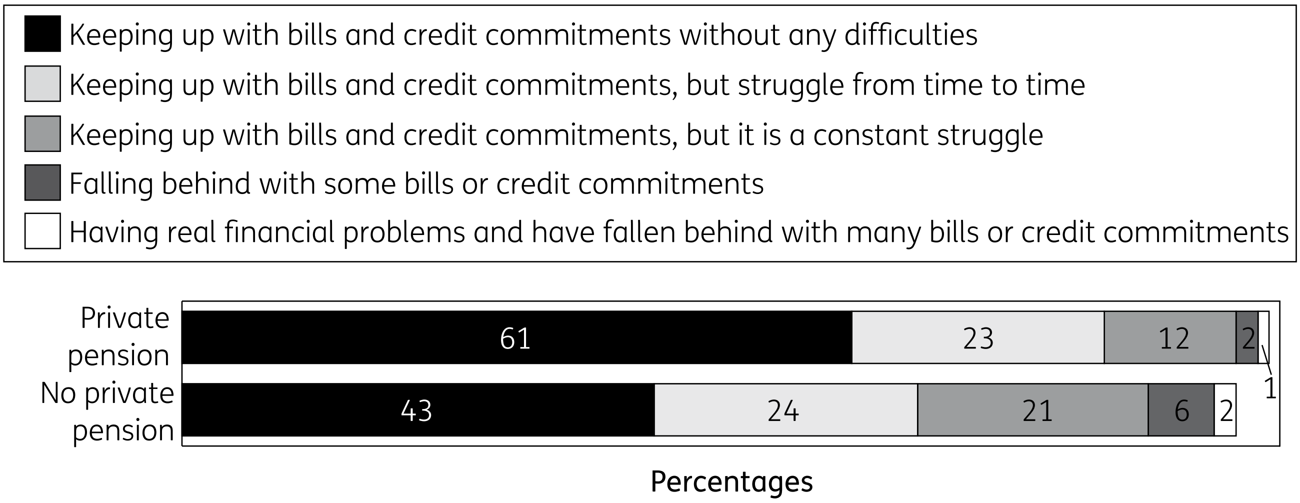
3.4.1 Financial management

Those who have ever had a pension displayed stronger financial management, particularly in relation to saving for later life, and were more likely to say they were keeping up with their financial commitments.

When asked how they were managing financially, 61 per cent of those who had ever had a private pension said that they were keeping up with their bills and credit commitments, compared with 43 per cent of those who have never had a private pension (Figure 3.7).

More than one in ten (12 per cent) of those who had ever had a private pension felt that it was a constant struggle to keep up with these commitments and two per cent said they were falling behind with some bills. Among those who had never had a private pension, this increased to 21 per cent and six per cent respectively.

Figure 3.7 How managing financially at present: by private pension



Base: All respondents: who have ever had a private pension (n=1,213); never had a private pension (n=736).

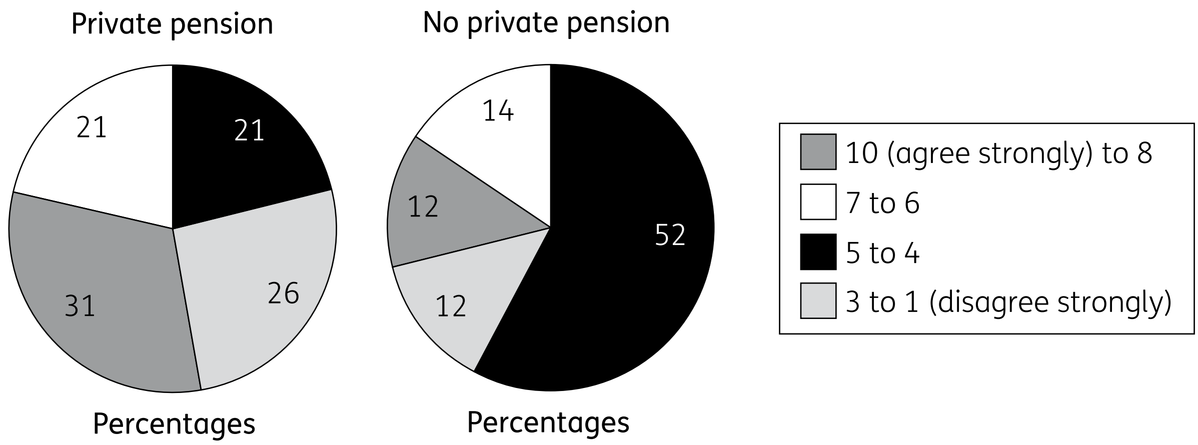
Those who had ever had a private pension were more likely to say that they could afford to save for retirement at the moment. More than half disagreed (56 per cent) that: *'I can't afford to put money aside for retirement at the moment'* and over a third agreed (36 per cent). In contrast, ten per cent of respondents who had never had a private pension disagreed that they could not afford to save for retirement at the moment and 78 per cent agreed.

Opinion was broadly split among those who had ever had a private pension that: *'I am putting away as much as I can for my retirement'*.[30] This can be seen in Figure 3.8. When asked to rate how much they agreed with this statement, 31 per cent agreed strongly and 26 per disagreed strongly.

By comparison those who had never had a private pension were more likely to disagree strongly (52 per cent more strongly disagreed, 12 per cent more strongly agreed). This is possibly unexpected as those without a private pension tend to have fewer resources.

[30] Respondents were asked to give a score between one and ten to show how much they agreed with the statement, where ten meant they strongly agree and one they strongly disagree. Scores eight to ten are shown for those agreeing more strongly and scores one to three for those disagreeing more strongly.

Figure 3.8 Agreement that: I am putting away as much as can for retirement: by private pension



Base: All respondents who are not retired: who have ever had a private pension (n=816); never had a private pension (n=513).

3.4.2 Financial capability

Those who had ever had a private pension also had more confidence in their financial capability than those with no private pension. More than four in ten (44 per cent) believed that they had a clear idea about what to do when '*making important financial decisions such as taking out a mortgage, loan or pension*' while fewer than one in ten (eight per cent) said they had no idea.

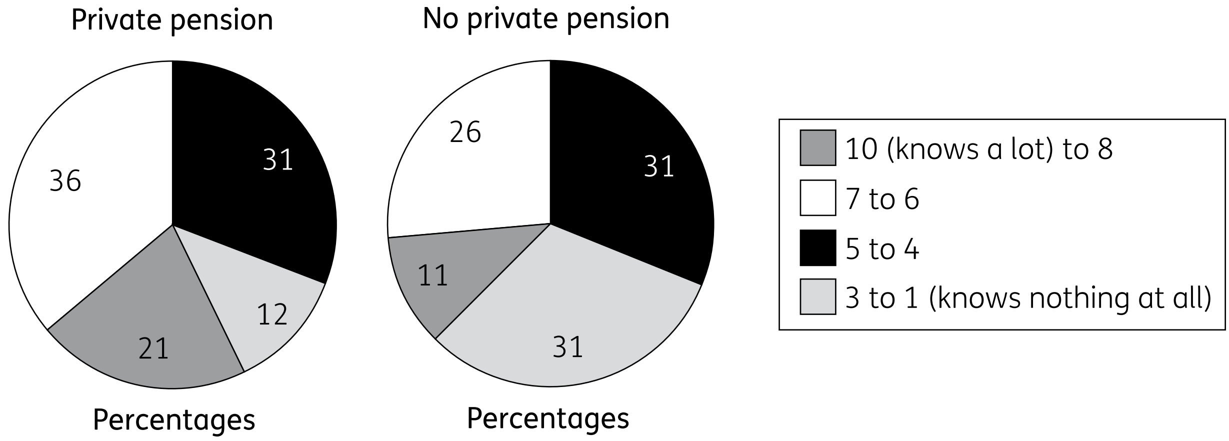
For comparison, 16 per cent of those who had never had a private pension felt they had a clear idea and a third (33 per cent) felt that they had no idea what to do when making important financial decisions such as taking out a mortgage, loan or pension.

In addition, those who had ever had a private pension also scored themselves highest on their knowledge of financial matters. When asked what score they would give themselves out of ten for their overall knowledge of financial matters,[31] 57 per cent gave a score of six or more (suggesting higher levels of knowledge) compared with 37 per cent who had never had a private pension.

As shown in Figure 3.9, more than one in ten of those with a private pension (12 per cent) scored their knowledge as three or lower (suggesting they knew little or nothing) compared with three in ten (31 per cent) of those without.

31 Where one means that they know nothing at all, and ten means that they know a lot about financial matters.

Figure 3.9 Overall financial knowledge score: by private pension



Base: All respondents: who have ever had a private pension (n=1,213); never had a private pension (n=736).

3.4.3 Retirement expectations

Two variables related to retirement expectations were significantly associated with having a private pension.

When thinking about retirement, those who had ever had a private pension were more likely to think that they will have more time in later life to do the things they do not have time to do now. Thirty eight per cent thought that the statement: '*I will do all the things I don't have enough time to do now like hobbies or seeing friends*' would apply to them, compared with 14 per cent of those who had never had a private pension.

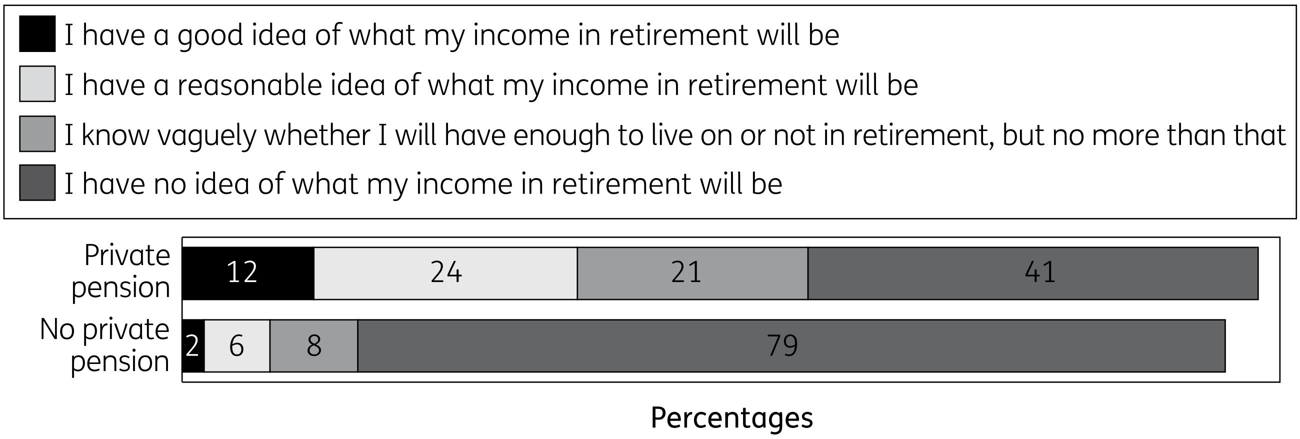
Kotecha *et al.* (2010) found that few people were confident about making predictions of their income in retirement. To some extent this was confirmed in this research, more so for those who had never had a private pension.[32]

Those who had ever had a private pension were less likely to say they had no idea of their income in retirement. This can be seen in Figure 3.10. Four in ten said they had no idea what their income would be in retirement, compared with eight in ten of those who had never had a private pension (41 per cent and 79 per cent respectively).

In addition, those who had ever had a private pension were more likely to say that they had at least a vague idea of their income in retirement. More than half (57 per cent) said they had a vague, reasonable or good idea of their income in retirement, compared with 16 per cent of those who had never had a private pension.

32 In the sample as a whole, a majority (57 per cent) had no idea about retirement income.

Figure 3.10 Knowledge of income in retirement: by private pension



Base: All respondents who are not retired: who have ever had a private pension (n=816); never had a private pension (n=513).

Focusing on those who had ever had a private pension, for this group there was a strong link between saying the statement: *'I will do all the things I don't have enough time to do now like hobbies or seeing friends'* applied to them and knowledge of income in retirement.

Seven in ten (70 per cent) of this group who envisaged having more time also said they had a vague, reasonable or good idea of their income in retirement, compared to 57 per cent of all of those who had ever had a private pension. Three in ten, (29 per cent) of this group who envisaged more time said they had no idea of their income in retirement compared to four in ten (41 per cent) of all of those who had ever had a private pension.

Among those who had never had a private pension there was little interaction between the two statements, which meant that there was no real difference in knowledge of their income in retirement regardless of whether they felt having more time in retirement to do things they could not do now applied to them or not.

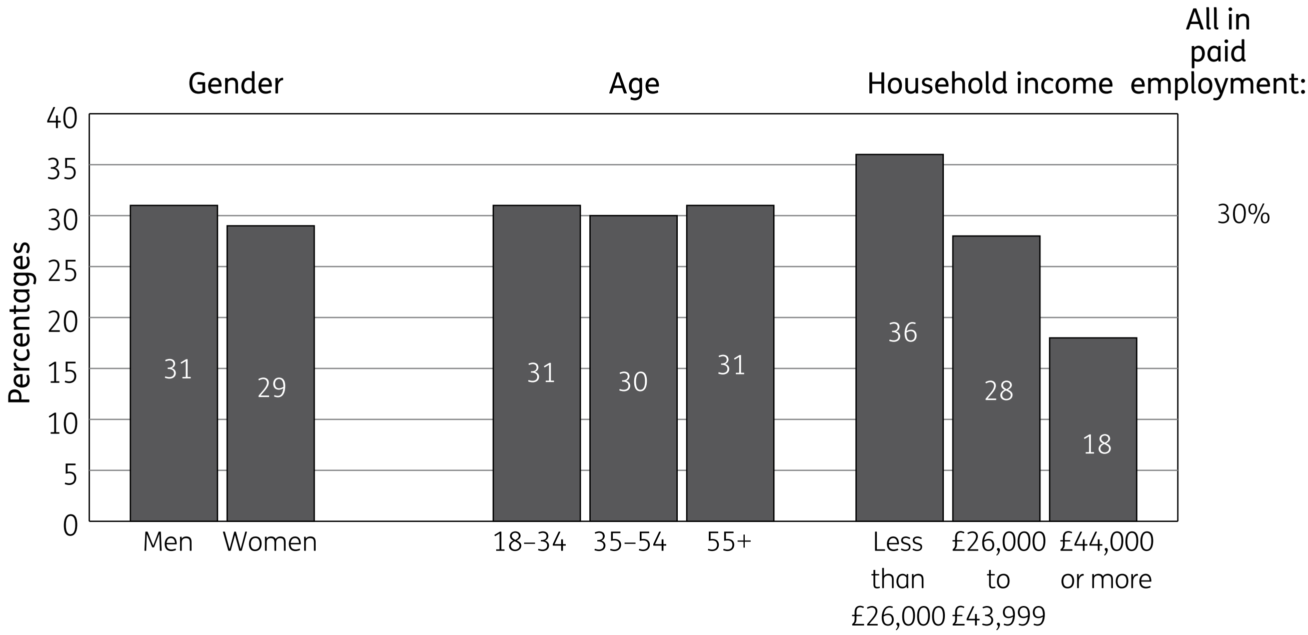
3.5 Linking demographic and attitudinal predictors

The personal characteristics associated with various pension behaviours were established in Chapter 2 and this chapter has considered the wider financial attitudes, perceptions and expectations associated with those same pension behaviours. It might be expected that perceptions associated, for example, with having no private pension would be more likely to be held by those groups with characteristics also associated with this behaviour. This section briefly examines whether these expectations hold true. For example, are younger respondents, who were most likely of all age groups to have no private pension, more likely also to exhibit the attitudes and perceptions associated with having no private pension.

On the whole, the response patterns were consistent with expectations. However, there were some notable exceptions, principally related to gender and these are discussed in turn.

Previously, it was demonstrated that younger respondents and women were less likely to have resources for later life (Section 2.3.4). Given that those with no resources were more likely to agree that: *'I already pay my tax and National Insurance contributions to help fund my State Pension – I shouldn't have to make my own private pension provision too'*, it might be expected that there would be a difference in their answers according to age and gender. In reality there was no difference between men and women, or by age, in the proportions agreeing with this statement and this was indeed the case, as Figure 3.11 shows. There was variation in economic circumstances, for example those with a household income under £26,000 were more likely to agree than were those in higher income households.

Figure 3.11 Agreement that as already pay contributions to help fund state pensions shouldn't have to make own private provision: by age, gender and income



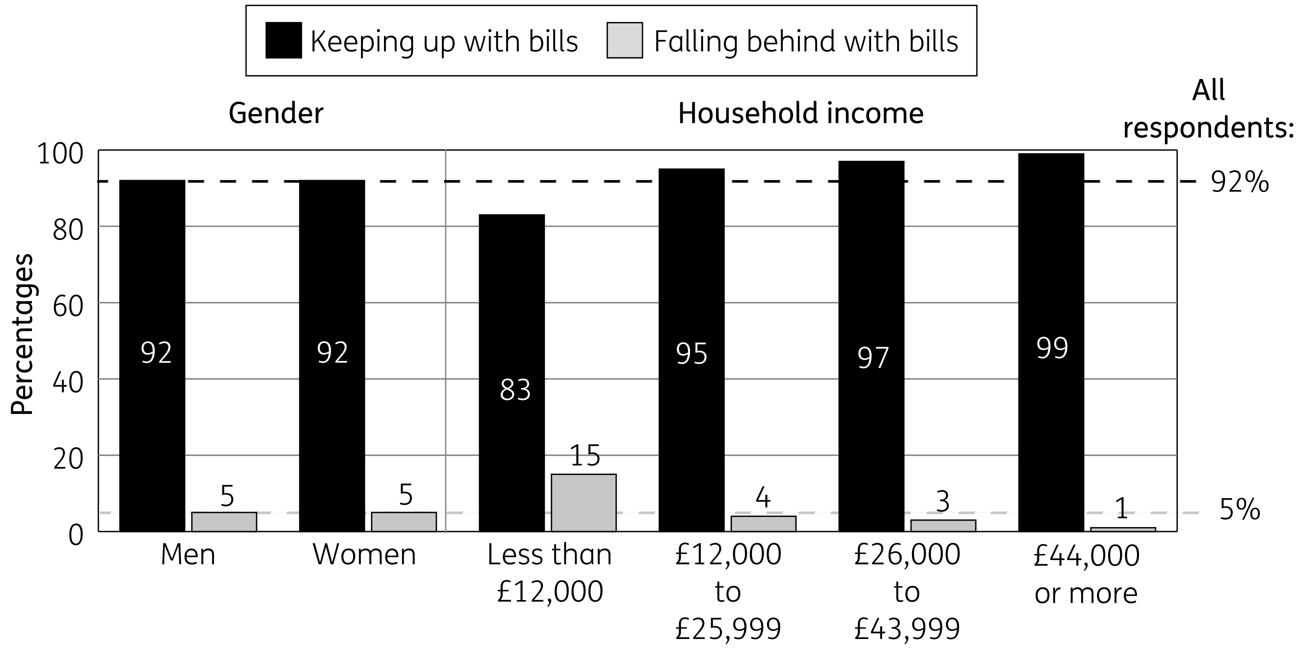
Base: All respondents in paid employment (n=933); men (n=462); women (n=471); 18–34 year olds (n=250); 35–54 year olds (n=472); 55 years or older (n=211); household income less than £26K (n=253), household income £26K–£43,999 (n=213); household income £44K or more (n=277).

Those with no resources for later life were less likely to say that they were the sort of person who '*makes sure they have money put aside for emergencies*' than those with resources. Nonetheless, despite women being less likely to have resources for later life, men and women were equally likely to say they were this sort of person (55 per cent of women and 52 per cent of men).[33] This did vary by household income, where 44 per cent of those earning less than £12,000 compared with 60 per cent of those earning £44,000 or more said they were this sort of person.

Feeling like they were keeping up with bills and credit commitments was associated with having a private pension and, similarly, feeling like it was a struggle to keep up was associated with having no resources for later life. Despite this, as Figure 3.12 shows, there was no difference between the way that men and women thought they were managing financially these days. There was variation between the ways those with a household income of less than £12,000 were managing financially in particular compared with those earning at least £26,000.

[33] Respondents were asked to give a score between one and ten according to whether they scored themselves as that sort of person or not, where ten meant they definitely were that sort of person and one they definitely were not. In the text, those reported as saying they were that sort of person gave a score of 8-10.

Figure 3.12 How managing financially at present: by gender and income

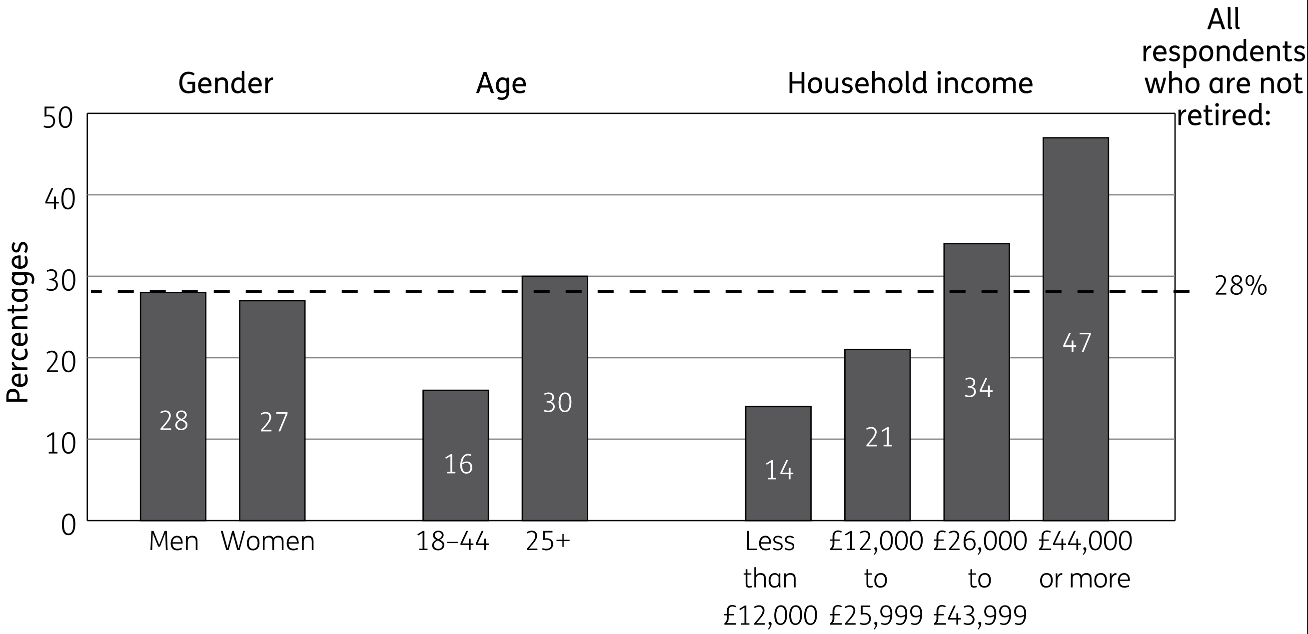


Base: All respondents (n=1,949); men (n=845); women (n=1,104); household income less than £12K (n=362), household income £12K-£25,999 (n=403); household income £26K–£43,999 (n=299); household income £44K or more (n=338).

Finally, those who have ever had a private pension were more likely to say that in later life they will do all the things they do not have time to do at the moment, while those who had no resources for later life were less likely to say this. Men and women were equally likely to relate to this statement despite men being more likely to have ever had a private pension and women being more likely to have never had one.

While respondents aged 18-24 were less likely to say this applied to them, there were no differences in the way that those aged 25 or older answered. The main variation was between respondents who had different household incomes.

Figure 3.13 Agreement that in later life I will do all the things don't have time to do now



Base: All respondents who are not retired (n=1,329); men (n=602); women (n=727); 18–24 year olds (n=144); 25 years and older (n=1,185); household income less than £12K (n=209), household income £12K–£25,999 (n=259); household income £26K-£43,999 (n=244); household income £44K or more (n=306).

4 Drivers and barriers

Summary

- In previous years, over four in ten respondents aged 18-69 disagreed they would rather have a good standard of living now than save for retirement (41 per cent 2009; 43 per cent 2006). In 2012, this reduced to 32 per cent accompanied by an increase in the percentage giving a neutral answer (33 per cent 2012; 28 per cent 2009; 28 per cent 2006).
- A majority, increasing over time, said that the individual, rather than the government, has the main responsibility for ensuring they have sufficient income in retirement (60 per cent 2012; 56 per cent 2009; 52 per cent 2006).
- Half of 18-69 year olds (49 per cent) agreed that *'it's not the government's job to advise how much to save'*, a relatively large change from previous surveys where the majority disagreed with this (39 per cent 2012; 53 per cent 2009; 53 per cent 2006).
- Reflecting the complex pension environment, the feeling was stronger for women than men (71 per cent compared with 56 per cent respectively) that 'sometimes pensions seem so complicated that I cannot really understand the best thing to do'.
- A higher percentage of women than men expressed the strongest agreement that dealing with pensions scares them (28 per cent and 13 per cent respectively).
- Women were more likely than men to express stronger agreement that they avoid thinking about retirement (36 per cent and 25 per cent respectively).
- Younger respondents aged 18-24 were more likely to express stronger agreement that they 'try to avoid thinking about retirement' than those aged 25 or older (39 per cent 18-24 year olds; 32 per cent 25-44; 26 per cent 45-64).

Key insights

Despite not being strongly associated with pension behaviour, there was evidence that some attitudes were changing. In particular there was evidence that people were less sure about the balance they should strike between living for today and saving for retirement. At the same time, people increasingly recognised the need to take personal responsibility for financial preparations for retirement though, again increasingly, people felt the government should not tell them how much they should save.

Women and 18-24 year olds are key groups that are more likely to say they avoid thinking about retirement. Unlike younger people, women also say they find pensions complex and, for a few, that dealing with pensions scares them, suggesting different reasons behind their reluctance to plan for later life.

4.1 Introduction

Understanding how attitudes arise and how they change is important to policy development and communications. Attitudes around pensions have appeared contradictory, which makes it more difficult to identify if and how they link to behaviour.

Department for Work and Pensions (DWP) policies are designed to change people's behaviour in accumulating resources for later life. It has been suggested, using theories based on rational or planned behaviour change, that changing behaviour first required a change in attitude. More recently, developments in behavioural economics suggest using policy instruments that tap into unconscious behaviour to achieve policy outcomes. Notably automatic enrolment to a workplace pension scheme draws on the theory that people are likely to stay in the scheme once enrolled due to an innate inertia.

Drawing on behaviour change theory and behavioural economics, this chapter considers some of the instinctive moral judgements, rules of thumb, social norms and biases that guide many people's behaviour towards pensions. It considers how widespread attitudes are, how they are changing and looks for evidence of them being disrupted. It also examines self-reported reasons for starting saving and for not saving into a private pension.

4.2 Behaviour change theory and behavioural economics

The traditional economic theory of saving, lifetime income smoothing theory, suggests people act rationally and save at times of increasing income and wealth in order to provide for themselves in times of declining income and wealth, such as retirement (Hardcastle, R. 2012, 1).

Behavioural science suggests that people cannot plan over their lifetime, so instead display biases and use judgements based on rules of thumb or social and cultural norms. This makes it harder for people to take action if the established social norms and the rules of thumb they would normally rely on are disrupted, as may be the case during this period of rapid policy change.

Evidence suggests that people act first using their automatic or unconscious system, sometimes referred to as fast thinking, and form their opinions in light of their actions. This means they use their reflective or rational system, also referred to as slow thinking, to post-rationalise their actions rather than using evidence-based reasoning in advance. This often leads to apparent inconsistencies in aggregate responses reported in attitude surveys. However it is important to say that for individuals the responses are usually internally consistent and logical, even if post-rationalised.

This is particularly the case when issues are complex, there is uncertainty around outcomes or people have low involvement, all of which arguably is the case with pensions and retirement planning. Uncertainty appears to be a major influence. There are a large number of unknown factors that are difficult for the individual to control, all of which may impact on their ability to contribute or save in a private pension leading up to retirement. These include issues related to life course and health and circumstances in the wider environment at the time of retirement. Recent policy changes have the potential to increase uncertainty further.

TNS has worked with academics to clarify the latest thinking in behaviour change theory and behavioural economics, synthesising the plethora of models into one simpler model (Appendix C). This was used as a framework to inform the types of measures used in the research.

4.3 Self-reported reasons for saving/not saving for later life

Self-reported (prompted) reasons for starting saving into a private pension and reasons why those without a private pension have not saved in this way highlight some of the issues previously discussed. Figure 4.1 shows the main reasons given for saving into a pension and Figure 4.2 the main reasons for not saving into a pension.

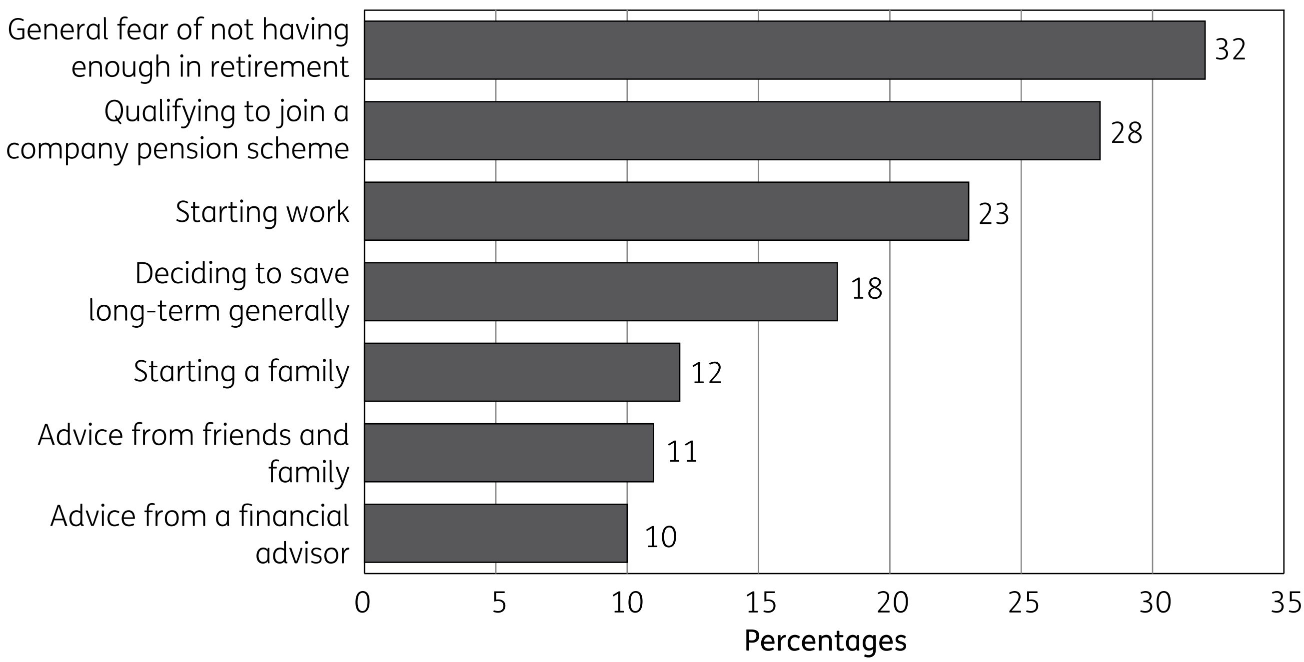
As shown in Figure 4.1, the most common self-reported reason for starting to save into a private pension was because of a general fear of not having enough in retirement (32 per cent). A decision to save long-term generally was also a motivator (18 per cent) as was advice from a financial adviser (ten per cent).

Chapter 2 highlighted the importance of having the opportunity to save into a private pension. This was reflected in another of the main reasons given for starting to save into a private pension: qualifying to join a workplace pension scheme (28 per cent).

Life course is a combination of age, gender and economic circumstances, all of which are important predictors of having a private pension and no resources for later life (Section 2.3). Life course events covered two key reasons individuals reported for starting to save for a private pension including starting work (23 per cent) and starting a family (12 per cent).

Reflecting behavioural influences, specifically social norms that might develop through talking about pensions, advice from friends and family was provided as a key reason for starting saving for a pension (11 per cent).

Figure 4.1 Reasons why started/would start to save into a pension



Base: All respondents (n=1,949).

The influence of economic circumstances, discussed in Section 2.3, was seen in the reasons for never having a pension. These included:

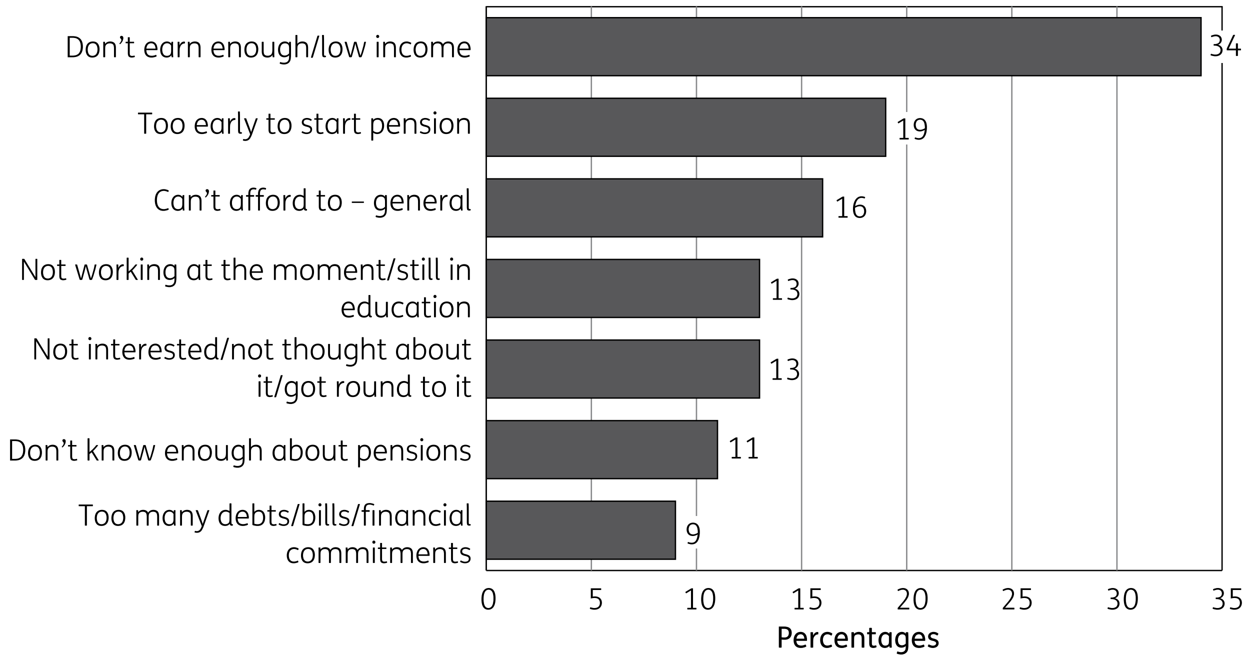
- don't earn enough/low income (34 per cent);
- can't afford to (16 per cent);
- too many debts/bills/financial commitments (nine per cent).

Opportunity was reflected in a key reason given for not having a private pension: not in work at the moment/still in education (13 per cent).

Life course, identified as important in predicting access to financial resources for later life in Section 2.3 also provided one reason reported for never having a private pension, that it was too early to start a pension (19 per cent).

Another reason reflected the behavioural influence discussed later in this section of inertia, which was possibly being displayed by the 14 per cent of those who had never had a private pension who said they were not interested/not thought about it/not got around to it.

Figure 4.2 Reasons for not having a private pension



Base: All who do not have a private pension (n=736).

4.4 The role of heuristics and rules of thumb

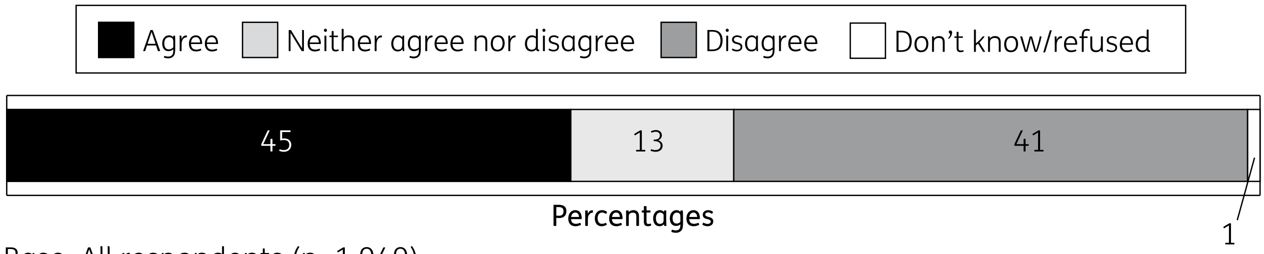
Behavioural science recognises that people use heuristics, or mental short cuts and biases, to help them make behavioural choices. Within the questionnaire a number of common types of heuristics were explored that people may use when thinking about pensions.

4.4.1 Anchoring

In general, people find it easier to judge issues that are far away or uncertain by referencing something that is familiar. When judging retirement income, people may use a rule of thumb based on their current income or wealth and not on what their future needs might be. Reflecting this, do people automatically expect as good a standard of living when retired when they anchor this to their income?

To test this respondents were asked how much they agreed or disagreed with the statement: '*People cannot expect the same standard of living when they retire as they had when they were working*'. Opinion was divided on this as 45 per cent agreed and 41 per cent disagreed.

Figure 4.3 Agreement that people cannot expect the same standard of living when they retire as they had when they were working



Base: All respondents (n=1,949).

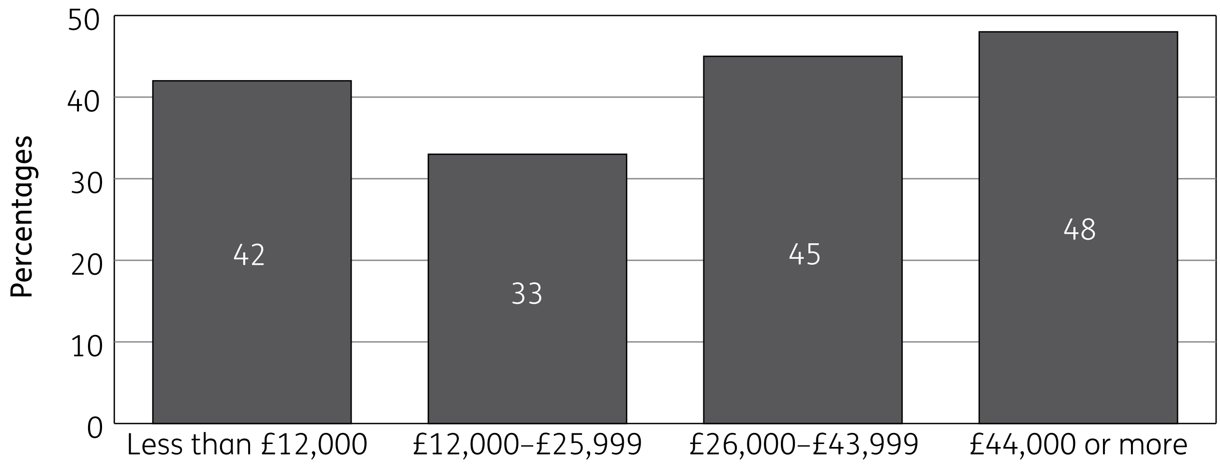
Those closest to retirement, aged 55-64, and who might also be closer to having some idea about what their retirement income might be,[34] agreed people cannot expect to have the same standard of living in retirement as they had when they were working. Just over half (52 per cent) of those aged 55-64 agreed compared with 41 per cent of respondents aged 18-54. This suggests that as retirement moves closer and uncertainty is reduced people may lower their expectations, perhaps adopting a more realistic assessment of what their standard of living will be like in retirement.

There was no real difference in disagreement at most household income levels (Figure 4.4). The exception was those with a household income between £12,000 and less than £26,000 where a third (33 per cent) disagreed with the view that people cannot expect the same standard of living in retirement compared with 42 per cent of those with the lowest household income (less than £12,000).

This finding may reflect the State Pension people would receive annually, which currently is below £12,000, meaning people in the lowest income bracket would see less change to their income after retirement. Those with a household income between £12,000 and under £26,000 may have the most difficulty in building private financial resources for later life due to lack of opportunity or competing financial demands.

[34] In a separate question we asked people if they knew how much income they will have for retirement. As might be expected knowledge increased with age, which tends to corroborate this.

Figure 4.4 Disagreement that people cannot expect the same standard of living when they retire as they had when they were working: by income



Base: All respondents by income: < £12k (n=362); £12k–<£26k (n=403); £26k–<£44k (n=299); £44k+ (n=338).

4.4.2 Inertia

One of the most powerful heuristics is that of habit or inertia – i.e. the tendency for people to simply do what they have always done, without giving it a lot of conscious thought. Not surprisingly, inertia is also one of the key barriers associated with saving privately for later life, where some people know they should save for retirement, but tend not to do anything about it or find reasons for not doing it.

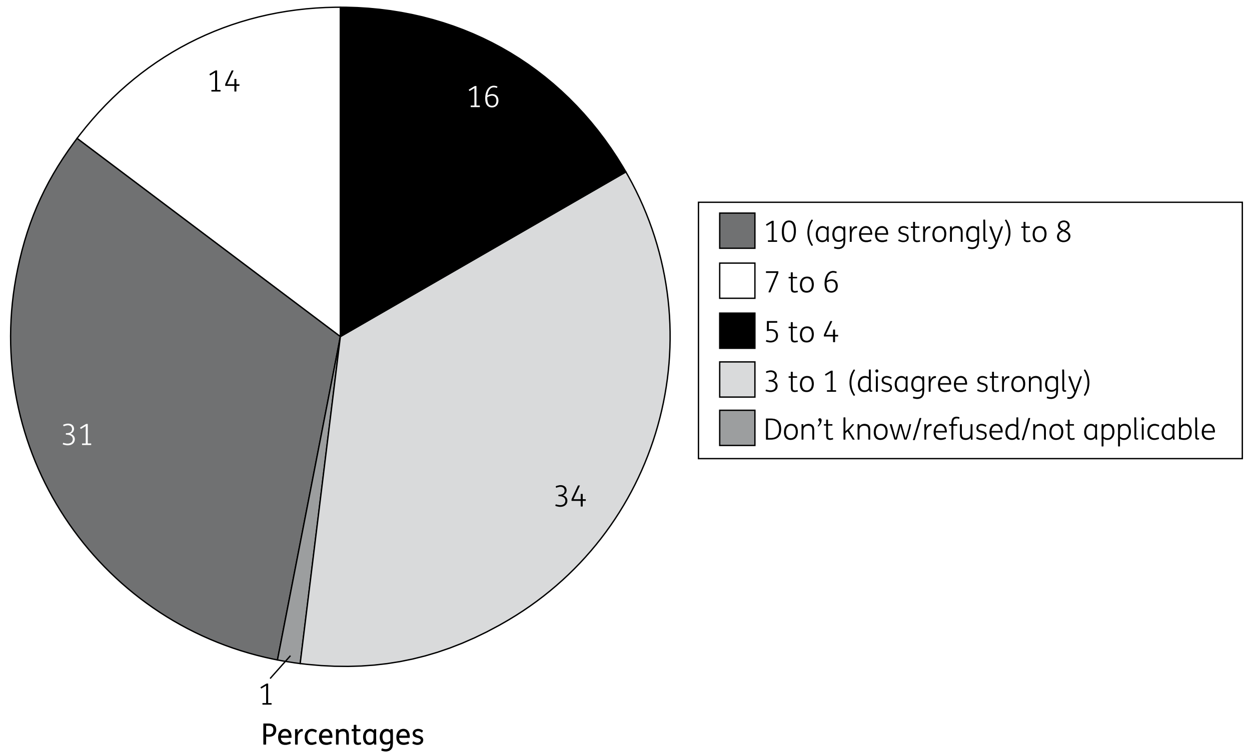
In order to investigate the extent of the natural bias people have towards inertia associated with saving for later life respondents were asked to what extent they felt they should have started saving sooner for retirement (Figure 4.5). Opinion was divided with around a third each expressing the strongest agreement and the strongest disagreement (31 per cent agreed more strongly; 34 per cent disagreed more strongly).

Those with the highest household income, £44,000 or more, were more likely to express the strongest disagreement that they should have started saving earlier (48 per cent compared with 30 per cent of those with a household income of less than £44,000). This could possibly be because they have the potential to make up any shortfall arising from not starting saving for later life early enough or because they already have adequate savings, although this cannot be verified from the survey findings.

The youngest, 18-24 years old, are much less likely to agree more strongly than those over 25 that they should have started saving earlier (13 per cent and 34 per cent respectively). This age group are the least likely to have a private pension so this result might be symptomatic of a lack of engagement in pension issues, though arguably a number in this age group will have had little or no opportunity to establish pension saving previously.

Automatic enrolment is being introduced to overcome people's savings inertia so rather than taking action to save, an employee has to take action not to save for a pension. Encouragingly for this policy, those eligible for automatic enrolment were more likely to agree strongly that they should have started saving sooner for retirement than those who were not eligible (37 per cent compared with 29 per cent respectively).

Figure 4.5 Agreement that I should have started saving sooner for retirement



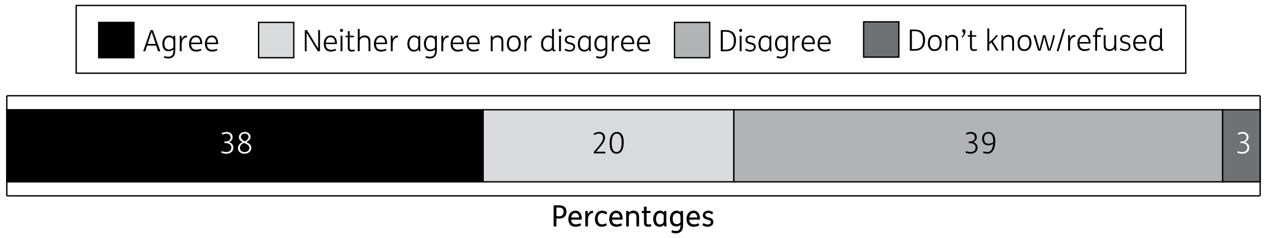
Base: All respondents who are not retired (n=1,329).

4.4.3 Availability

People often display bias according to the availability or ease with which they can imagine the possibility or consequences of something happening.

In the case of the continuation of State Pension, opinion was split on whether there will be a State Pension or not when individuals retire (Figure 4.6).

Figure 4.6 Agreement that there probably won't be a State Pension by the time I retire



Base: All respondents who are not retired (n=1,329).

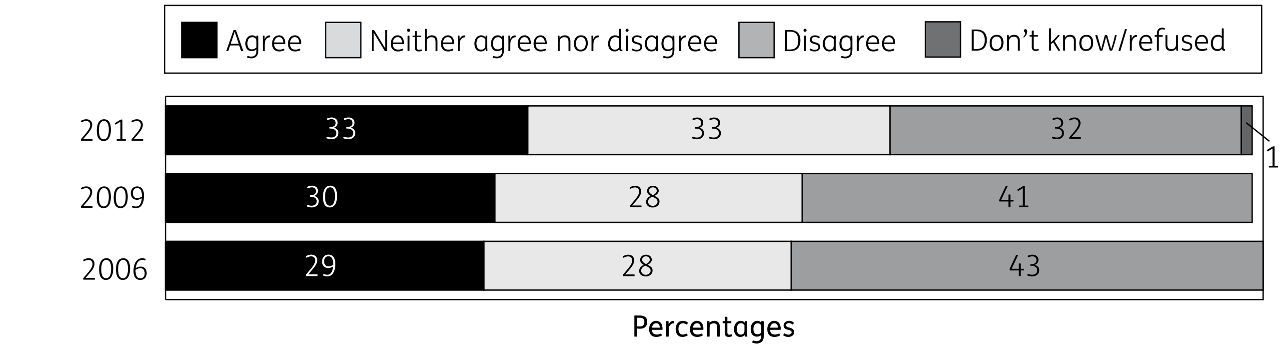
The shorter time period for those nearing State Pension age (SPA) might be expected to give them more confidence in the State Pension continuing and, corroborating this, 55-64 year olds were more likely to disagree with the statement than any other age group (78 per cent disagreed).

4.4.4 Loss aversion

Another natural bias people have is a tendency to be loss averse – they feel a current loss more keenly than a longer-term reward. Through observations of people's behaviour it has been suggested people display what has been described as a lack of self-control with people taking a short-term view of planning for later life and over-consuming in the short-term (Hardcastle, R. 2012, 7).

Despite this, in 2006 and 2009 the largest proportion said they disagreed that they preferred a good standard of living today over saving for retirement (Figure 4.7). In 2012, fewer respondents disagreed, though this did not lead to an equivalent increase in agreement. Instead, a higher percentage gave a neutral answer (33 per cent 2012; 28 per cent 2009; 28 per cent 2006). This may reflect an increase in uncertainty around the preferred course of action.

Figure 4.7 Agreement that if I had to choose, I would rather have a good standard of living today, than save for retirement: by year



Base: All respondents who are not retired and aged 18–69: 2012 (n=1,311); 2009 (n=1,422) 2006 (n=1,613).

4.5 The morality of pension provision

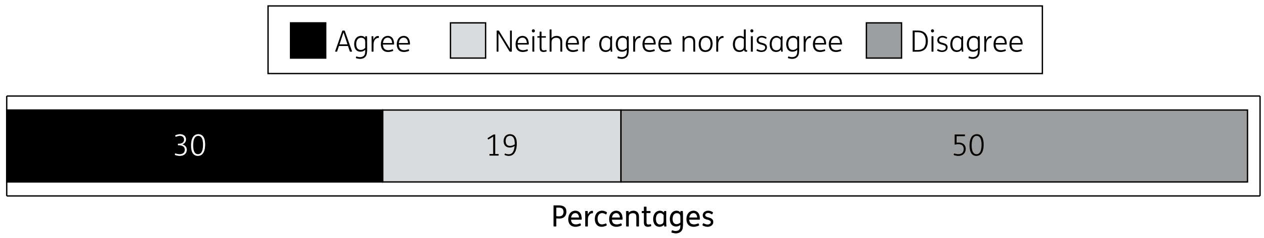
The survey covered a number of moral issues associated with pension provision. These reflect beliefs, rules of thumb and instinctive judgements underlying behaviour rather than reasoned moral judgements.

4.5.1 Support for making private pension provision.

In Section 3.3, the statement: *'I already pay my tax and National Insurance contributions to help fund my State Pension – I shouldn't have to make my own private provision too'*, was identified as a significant predictor of having no resources for later life. Specifically, there was higher agreement among those with no resources.

Overall, the majority disagreed, implying they recognised the need to pay taxes and National Insurance as well as making their own private pension provision (Figure 4.8).

Figure 4.8 Agreement that I already pay my tax and National Insurance contributions to help fund my State Pension – I shouldn't have to make my own private provision too



Base: All in paid work (n=933).

There were some clear differences by household income. Households with an income of £44,000 or more were more likely to support making their own private pension provision than those with a household income of less than £26,000 (67 per cent and 43 per cent respectively).

Those working in the private sector were more likely to agree they should not have to make their own pension provision than those in the public sector (32 per cent and 22 per cent respectively).

4.5.2 Agreement with the need to pay more in taxes to help fund State Pension

As people live longer the cost of the State Pension increases. A possible way of funding this is through an increase in taxes. More than half (54 per cent) agreed that the public need to pay more in taxes to have a properly funded State Pension, due to people living longer.

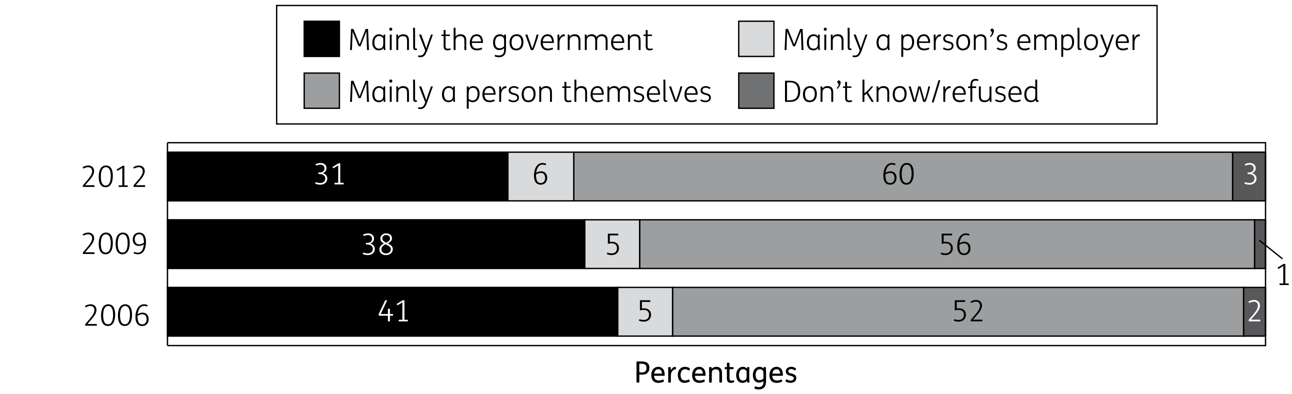
Agreement was higher among those with a household income of £44,000 or more compared with those with a household income of less than £26,000 (68 per cent and 52 per cent respectively). Support was also higher among public sector workers, with 64 per cent being in agreement compared with 55 per cent of private sector workers.

Perhaps not surprisingly, individuals over 44, particularly those aged 65 or over, were more likely to be in agreement. Around half (48 per cent) of respondents aged 18-44 were in agreement compared with 58 per cent of respondents aged 45-64 and 64 per cent of respondents aged 65 or over.

4.5.3 Individual and government's role

DWP seeks to encourage people to take more responsibility for their own economic circumstances in later life. Findings from the survey demonstrate an increasing majority over time saying responsibility was mainly theirs, as opposed to the government or a person's employer, for ensuring sufficient retirement income. At the same time there was a corresponding decrease in those viewing this as mainly the government's responsibility (Figure 4.9).

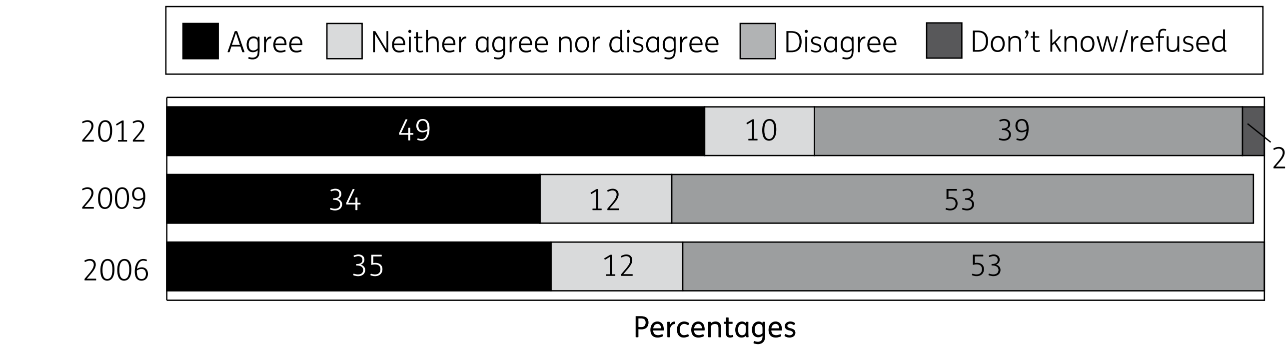
Figure 4.9 Who is mainly responsible for ensuring sufficient retirement income: by year



Base: All respondents who are aged 18–69: 2012 (n=1,559); 2009 (n=1,654) 2006 (n=1,950).

Since 2009 there has also been a relatively large shift in opinion, with the highest percentage (49 per cent) in 2012 agreeing with the statement that *'it is not the government's job to advise how much to save'*. Previously in 2006 and 2009 the majority disagreed. This may be linked to changes in policy, especially to SPA.[35]

Figure 4.10 Agreement that it is not the government's job to advise how much to save: by year



Base: All respondents who are aged 18–69: 2012 (n=1,559); 2009 (n=1,654) 2006 (n=1,950).

4.6 Social and cultural norms

People follow the behaviour of friend, relatives or other peers, using social norms automatically to follow a course of action especially when conditions of complexity, uncertainty and low involvement apply.

As described earlier in this section, encouragement from friends or family was given as a reason for starting to save for retirement by one in ten (11 per cent), possibly demonstrating the benefits of discussing pensions on behaviour.

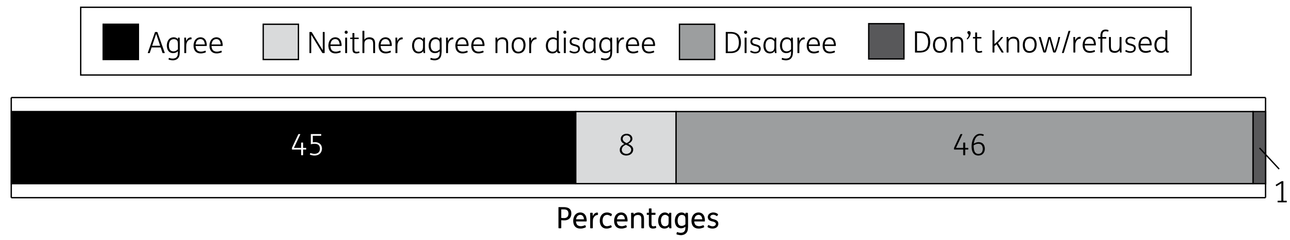
[35] Part 2, Chapter 6, demonstrates that State Pension age is a powerful social norm and highlights the increasing uncertainty created by changes to this.

Social norms may be established through knowledge of what other people do or have done in the past. If people do not hear others talking about pensions and retirement saving, this may make them less likely to starting saving into a pension or affect the amount saved.

4.6.1 Talking about pensions

Respondents were asked to agree or disagree that: I rarely if ever hear anyone talking about pensions. Around half (45 per cent) agreed they rarely, if ever, heard people talking about pensions.

Figure 4.11 Agreement that I rarely, if ever, hear anyone talking about pensions



Base: All respondents who are not retired (n=1,329).

Rarely, if ever, hearing anyone talk about pensions was particularly the case for younger respondents who were less likely to have a private pension and more likely to have no resources for later life than older age groups. More than half, 53 per cent, of 18-34 year olds agreed with this statement compared with 40 per cent of those aged 35 or over.

4.7 Physical environment

Behavioural economics emphasises the importance of the physical environment. Where the physical environment is complex, people use rules of thumb in decision-making to reduce that complexity. The questionnaire explored issues around the physical environment of pensions systems.

4.7.1 Complex pensions environment

Reflecting the complex pensions environment, the majority (63 per cent) of respondents felt that '*sometimes pensions seem so complicated that I cannot really understand the best thing to do*'.

Figure 4.12 Agreement that sometimes pensions seem so complicated that I cannot really understand the best thing to do

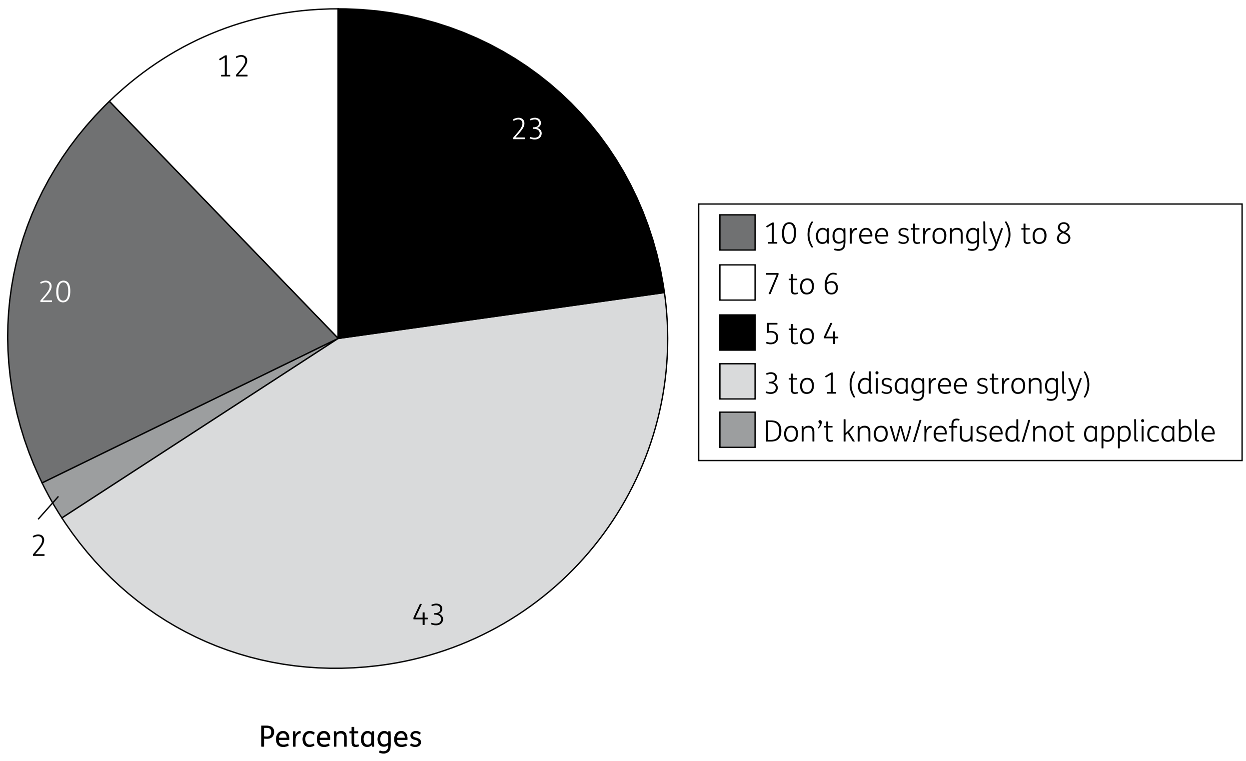
Base: All respondents who are not retired (n=1,329).

This feeling was stronger for women than men (71 per cent compared with 56 per cent respectively). Disagreement was higher among those with the highest household income (31 per cent £44,000 or more; 16 per cent less than £44,000), though still more than half (55 per cent) of those with household incomes over £44,000 agreed pensions were complicated.

4.7.2 Does dealing with pensions scare people?

Although respondents found pensions complicated, they did not necessarily agree that dealing with pensions scares them. In fact, the majority disagreed with over two in five (43 per cent) expressing the strongest disagreement with this statement compared with one in five (20 per cent) the strongest agreement.[36]

Figure 4.13 Agreement that dealing with pensions scares me



Base: All respondents who are not retired (n=1,329).

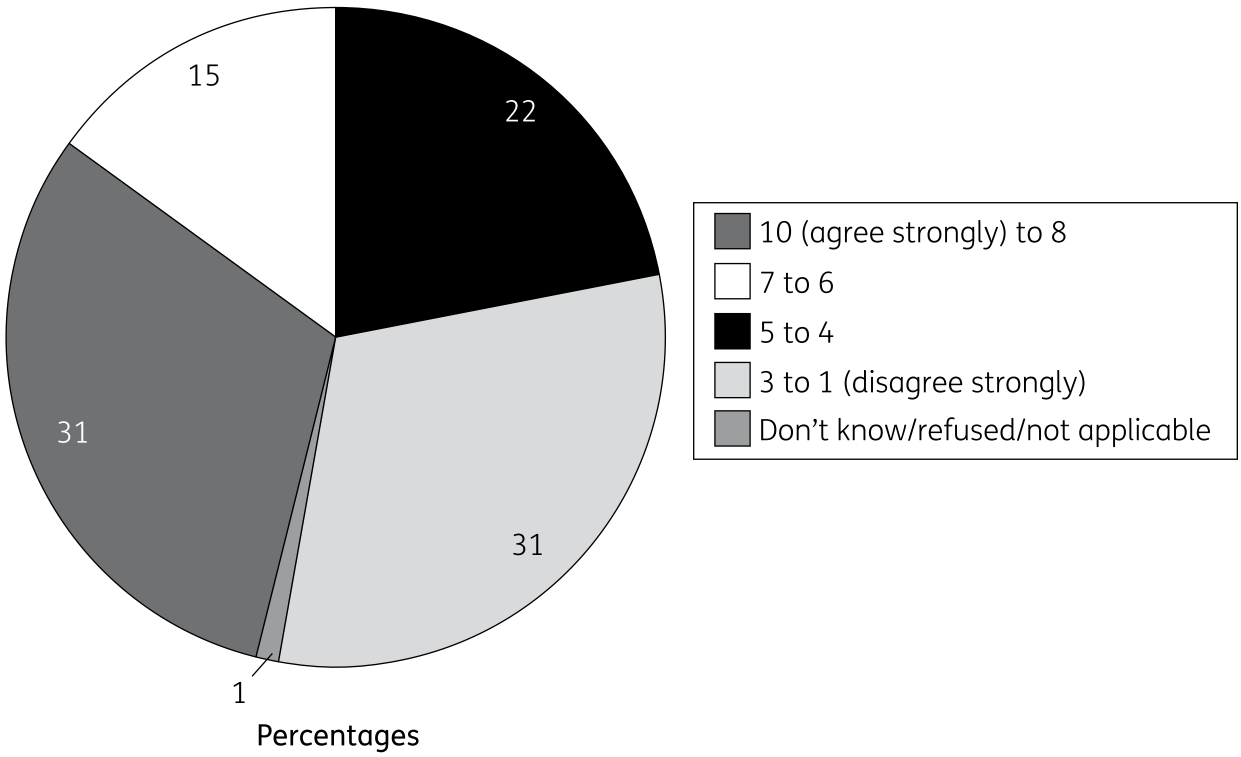
The strongest agreement that dealing with pensions scares them was higher among women (28 per cent) and those who were economically inactive (27 per cent).

4.7.3 Avoiding thinking about retirement

If people on the whole find pensions complicated, does this make them avoid planning for later life? Respondents were also asked the extent to which they agreed or disagreed that they *'try to avoid thinking about retirement'*. Opinion was divided, with 31 per cent having the strongest agreement with this statement.

36 Respondents were asked to give a score between one and ten to show how much they agreed with the statement, where ten meant they strongly agree and one they strongly disagree. Scores 8-10 are shown for those agreeing more strongly and scores 1-3 for those disagreeing more strongly.

Figure 4.14 Agreement that I try to avoid thinking about retirement



Base: All respondents who are not retired (n=1,329).

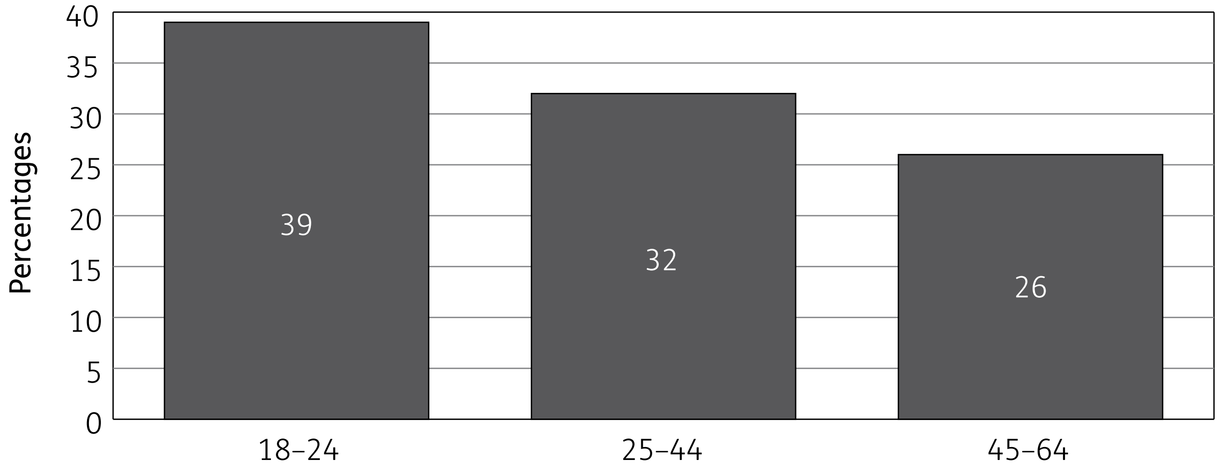
Both women and younger respondents were identified in Section 2.3.4 as being among two key groups less likely to have a pension and both also expressed stronger agreement that they avoid thinking about retirement.

Women were more likely than men to express stronger agreement that they avoid thinking about retirement (36 per cent compared with 25 per cent), as well as agreeing more often that pensions are complex and dealing with pensions scares them.

Younger respondents aged 18-24 were also more likely to express stronger agreement (39 per cent) that they try and avoid thinking about retirement than those aged 25 or older (Figure 4.15).

Unlike women, young people did not agree more often that pensions are complex or that dealing with pensions scares them. This suggests that the reasons young people avoid thinking about pensions are different from those of women.

Figure 4.15 Agreement that I try to avoid thinking about retirement: by age



Base: All respondents who are not retired by age group: 18–24 (n=144); 25-44 (n=608); 45–64 (n=531).

Part 2: Policy papers

5 Policy paper: workplace pension reforms

Summary

- A simplified definition of eligibility identified 20 per cent of respondents as eligible for automatic enrolment.
- The profile of those eligible indicated those aged 22-34 (41 per cent) and those with a household income of £12,000 to below £26,000 (29 per cent) were over-represented in the group eligible for automatic enrolment.
- Those who have never had a private pension (42 per cent) were also over-represented, though at the same time, the majority of those eligible had ever had a private pension (58 per cent).
- At the time of the survey in spring 2012, over six in ten (64 per cent) of those eligible had not heard of automatic enrolment, while one in ten (nine per cent) said they knew a great deal or a fair amount about it.
- 68 per cent agreed, from the description provided, that it was a good idea.
- Seven in ten (70 per cent) eligible respondents thought they would definitely or probably stay in a pension scheme once enrolled, 15 per cent said they would definitely or probably opt out of the scheme, and 14 per cent said it would depend.

Key insights

Automatic enrolment will make a workplace pension scheme available to employees where one is not currently available.

Groups that are less likely to have ever had a private pension for later life such as younger people and those on lower incomes (though above the earnings threshold) are likely to be over-represented in those eligible to be automatically enrolled, though others who have ever had a private pension will also be included. As well as, potentially, more people starting to save, this suggests that the policy will also lead to some people saving more for later life.

Automatic enrolment is designed to harness the natural tendency towards inertia that people display in pension behaviour, by making people opt out, rather than opt in to a workplace pension. Although, as expected, few people were aware of automatic enrolment at the time of interview, there was a relatively high degree of support for the policy among those who were eligible and, importantly, a high proportion thought at least that they probably would stay in a scheme once enrolled. Evidence from Chapter 2 that there was a high level of take-up of workplace pension schemes that was unchanged over time, adds some credence to this finding.

5.1 Introduction

The Pensions Act 2008 introduced measures aimed at encouraging greater private pension saving. The aim of these reforms was to overcome the decision-making inertia characterising many individuals' attitudes towards pension saving and to make it easier for individuals to save for later life.

Drawing on behavioural economics, the workplace pension reforms were designed so that workers who do not wish to save into a pension will have to make an active decision not to.

The reforms consist of four key elements:

- Employers will be required to automatically enrol their eligible workers into a qualifying workplace pension. Individuals can then choose to opt out if they wish.
- Minimum contributions of eight per cent on a band of earnings, of which at least three per cent must come from the employer. This will be supplemented by the jobholder's own contribution and one per cent in tax relief.
- A compliance regime to ensure employers meet their obligations.
- A low-cost pension scheme (NEST) open to all employers that wish to use it. The scheme is intended to provide a suitable savings vehicle for those moderate-to-low earners to whom the existing private pension industry does not offer a suitable product.

The workplace pension reforms will be implemented in stages from October 2012 according to the size of business, starting with the largest firms first. Under the current timetable, all existing firms will have enrolled their staff by April 2017, followed by all new employers by February 2018.

The level of pension contributions will be phased in over time to help employers and individuals adjust, although employers can choose to move straight away to the total of four per cent from the worker and three per cent from the employer. Full contributions will have to be paid from 1 October 2018.

Individuals eligible for automatic enrolment are those aged 22 or over earning above the earnings trigger, set at £8,105 for tax year (2012/13), who are not currently saving into a qualifying pension scheme and are under State Pension age (SPA).

Based on Department for Work and Pensions (DWP) modelling, an estimated 11 million individuals are eligible for automatic enrolment, less than 0.5 million of whom are currently saving into a non-qualifying scheme.[37]

This policy paper explores individuals' attitudes and projected reactions to the Workplace Pension Reforms, specifically to automatic enrolment of eligible individuals to a qualifying workplace pension scheme.

5.2 Eligibility for the workplace pension reforms

Survey respondents were defined as eligible for automatic enrolment if they met the following criteria:

- aged between 22 and SPA;
- not currently a member of a workplace pension scheme (excluding those where the employer only contributes to a personal pension);[38]
- in employment and earning over £7,500.[39]

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37 DWP Impact Assessment, the Employer Duties regulations. http://www.dwp.uk/docs/wpr-rev-implementation-ia-final.pdf

38 This is a slightly simplified definition of eligibility for the reforms, given that we have excluded respondents who are currently saving in a workplace pension scheme that does not meet the qualifying criteria under the reforms.

39 The survey was conducted prior to the publication of the Government's response to the consultation on revised proposals for the automatic enrolment earnings trigger and the qualifying earnings band (£8,105 for the 2012/13 tax year).

Based on the definition of eligibility used in the survey, 20 per cent of all respondents were identified as meeting the eligibility requirements for the workplace pension reforms. Although the eligibility criteria have been simplified, this identifies a group that broadly approximates to those who will be eligible to be enrolled into a qualifying scheme.

Of those eligible, one in four (39 per cent) said that their employer does not currently offer a pension scheme for any employees.

It is useful to explore the characteristics of those who meet the simplified eligibility requirements as used in the survey. To give an indication of the groups that may be disproportionately affected by automatic enrolment, a profile of those eligible is provided in Figure 5.1, with the profile of all those in paid work used as a comparison.

Though not disproportionate relative to those in paid work, a higher percentage of men (61 per cent) than women (39 per cent) were eligible, which is in line with DWP expectations (Johnson, P. *et al.* 2012, 11). This can in part be attributed to the following reasons:

- Women not currently retired were more likely to be economically inactive than men (76 per cent of those who were economically inactive were women compared with 24 per cent who were men).
- Women meeting the first two eligibility requirements (age and pension criteria) were more likely to earn below the income threshold (24 per cent of women compared with six per cent of men).

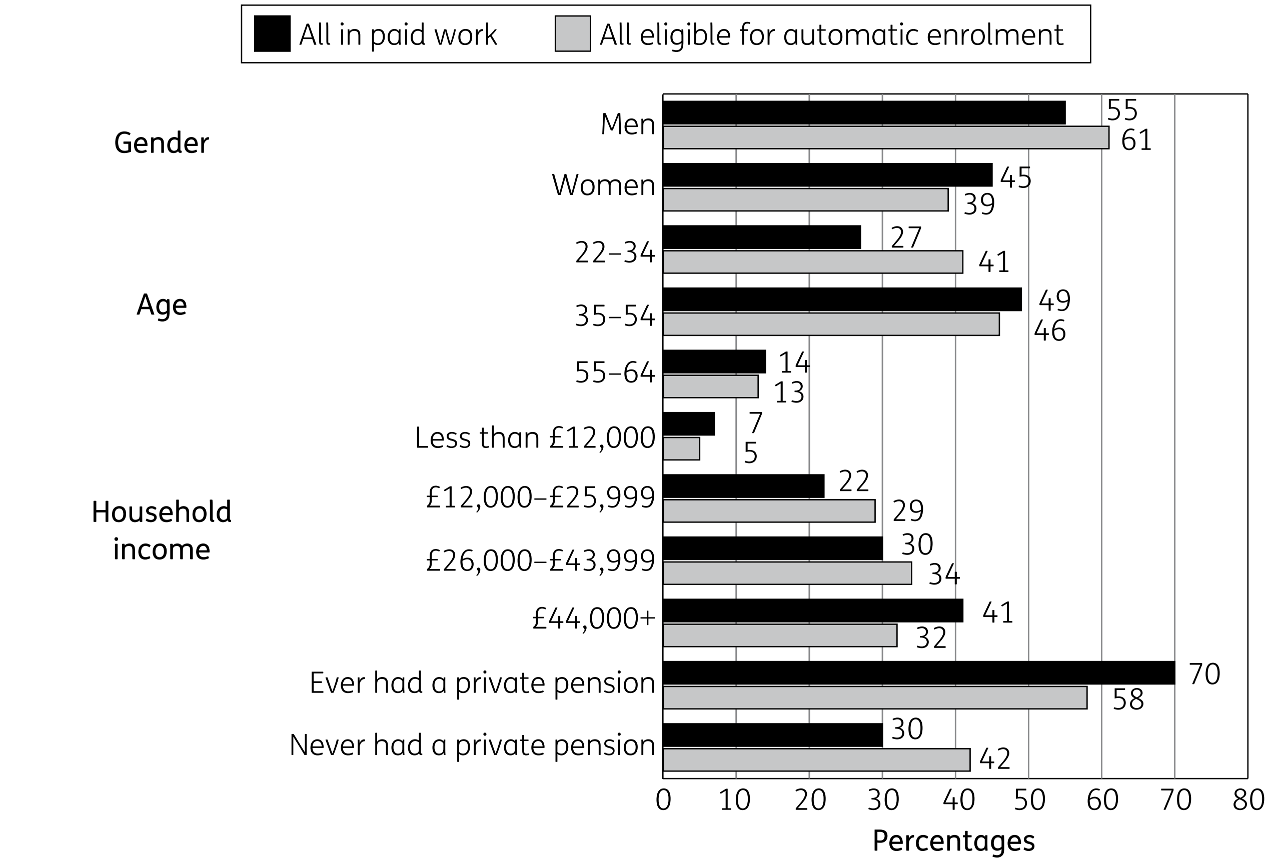
Younger people were more prevalent among eligible respondents using the simplified definition. Of those who were eligible, four in ten (41 per cent) were 22-34 year olds, compared with 27 per cent of those who were in paid work being that age.

Automatic enrolment is designed to target moderate-to-low earners. Based on the survey definition, a significantly greater percentage of those eligible for automatic enrolment had a household income of £12,000 to below £26,000 (29 per cent) than the percentage in paid work having that income (22 per cent) (see Figure 5.1).

Existing DWP analysis suggests that 15 per cent of those earning over £33,000 would be eligible for automatic enrolment (Johnson, P. *et al.* 2012, 26). In this research a third (32 per cent) of those eligible had household income of £44,000 or more. This difference should be borne in mind when considering the results presented in this chapter.

Finally to set this in context, 70 per cent of those in paid work had ever had a private pension compared with 58 per cent of those eligible. Three in ten (30 per cent) in paid work had never had a private pension compared with 42 per cent of those eligible.

Figure 5.1 Profile of those eligible for automatic enrolment compared with all in paid work



Base: All in paid work (n=979) all eligible for automatic enrolment (n=339).

Using this comparison and bearing in mind the potential over-estimation of the proportion of eligible higher income earners, the results suggests that automatic enrolment will affect those who have never had a private pension to a greater extent than those who have had a private pension (ever), although this latter group would still be the majority of those who were automatically enrolled.

5.3 Automatic enrolment

Respondents meeting the predefined eligibility requirement were read a short description before being asked about awareness and attitudes towards the workplace pension reforms:

> *'The Government is introducing a programme of reforms to encourage and enable people to save more. Starting in 2012, all eligible workers who aren't in a pension scheme will be automatically enrolled into a workplace pension. This means that money will be automatically deducted from their wage and paid into a pension unless they chose to opt out. If they don't take any action and chose to remain in the pension, it is likely that they will have to pay at least £4 of every £100 they earn into it, and their employer and the Government will pay another £4 between them.'*

It is important to note that this description of automatic enrolment was simplified for the purposes of the survey.

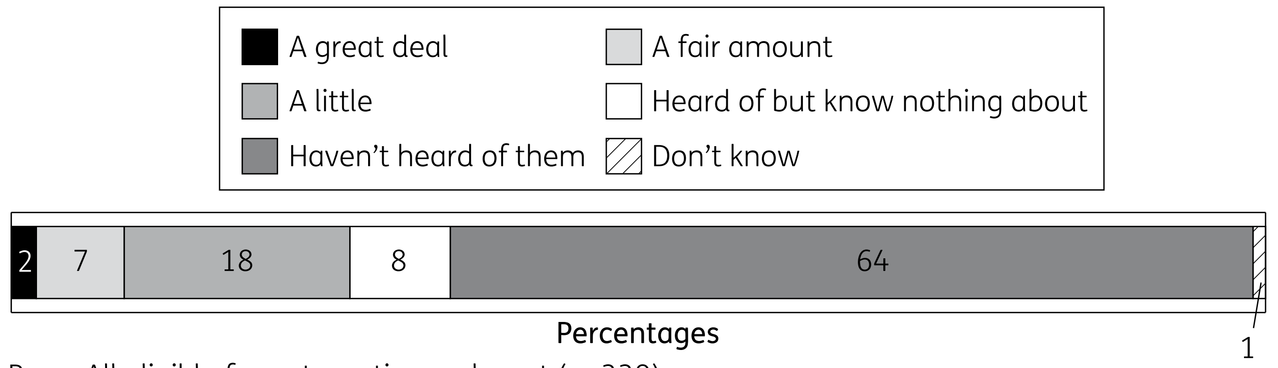
5.3.1 Awareness of the reforms

Those identified as eligible were asked about their awareness of automatic enrolment prior to the survey. They were asked firstly how much they knew about this, and secondly, if aware, they were asked where they had seen or heard about it (Figure 5.2).

The majority of respondents in the target group (64 per cent) said that they had not heard of the reforms. This may not be surprising as automatic enrolment will be several years away for some individuals, given the staged implementation.

One in ten (nine per cent) of those defined as eligible said that they knew a great deal or a fair amount about automatic enrolment.

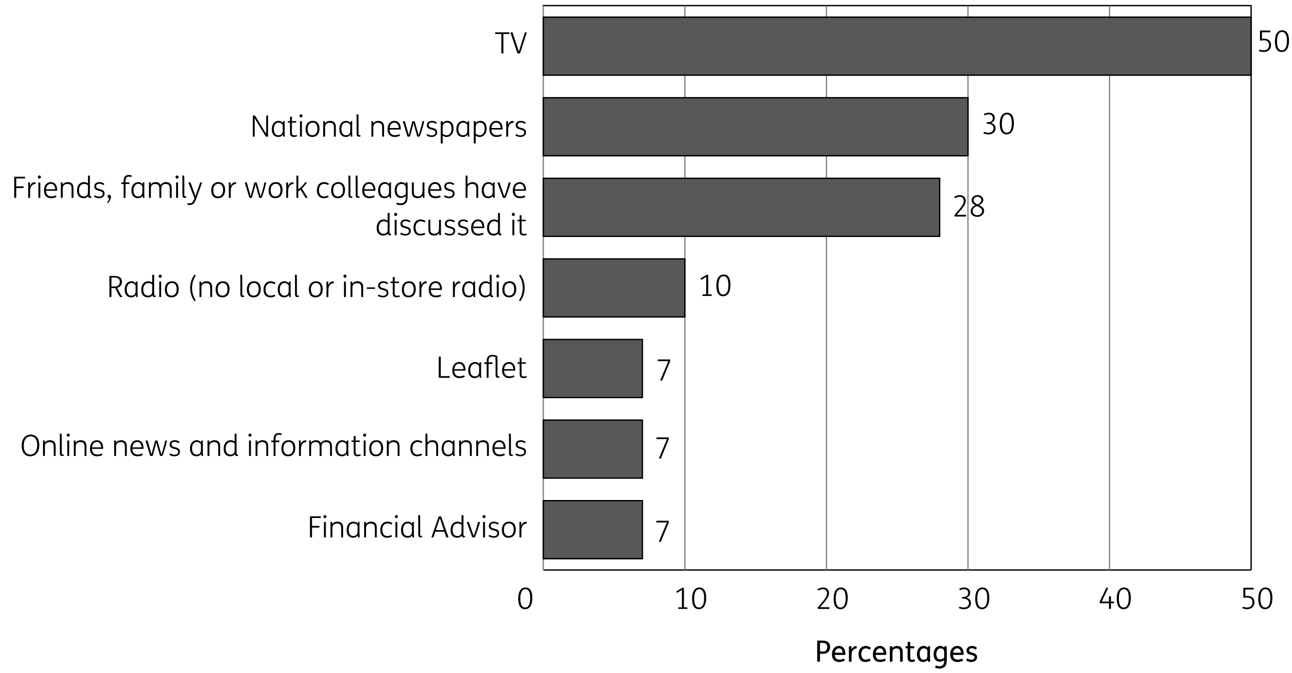
Figure 5.2 Awareness of automatic enrolment



Base: All eligible for automatic enrolment (n=339).

Of those who had at least heard of the reforms (35 per cent) the most common sources of information about the reforms were: television (50 per cent), national newspapers (30 per cent) or family, friends or work colleagues (28 per cent).

Figure 5.3 Where heard about automatic enrolment[40]



Base: All who have heard of workplace reforms (n=117).

A media campaign for saving in a pension, which included automatic enrolment, was carried out immediately before and during the survey interviewing period. The main burst of activity was between 16 January and 30 March 2012 involving national press, radio and outdoors, and continued with digital media (social media and mobile) and digital search until October 2012.

Although based on a small number of respondents, the results may indicate some awareness generated by the campaign. It is important to note that question did not focus specifically on the campaign and instead asked about awareness of automatic enrolment more broadly. Although the media campaign did not include television, it has been observed previously in evaluations of other campaigns that people can attribute awareness in this way regardless of media used.

5.3.2 Views on automatic enrolment

Overall, the idea of automatic enrolment was well received among those identified as eligible; around two-thirds (68 per cent) agreed that it is a good idea, including a third (32 per cent) agreeing strongly.

Automatic enrolment for eligible workers was viewed more favourably among those who have ever had a private pension compared with those who have never had one (78 per cent and 54 per cent respectively).

Following on from this, respondents were asked whether they felt they would be likely to stay in or opt out of a workplace pension scheme should they be automatically enrolled tomorrow. On the whole the response was positive with seven in ten (70 per cent) saying that they were very or fairly likely to stay in the scheme. Unsurprisingly, those who agreed that automatic enrolment was a good idea were more likely to say they would stay in the scheme.

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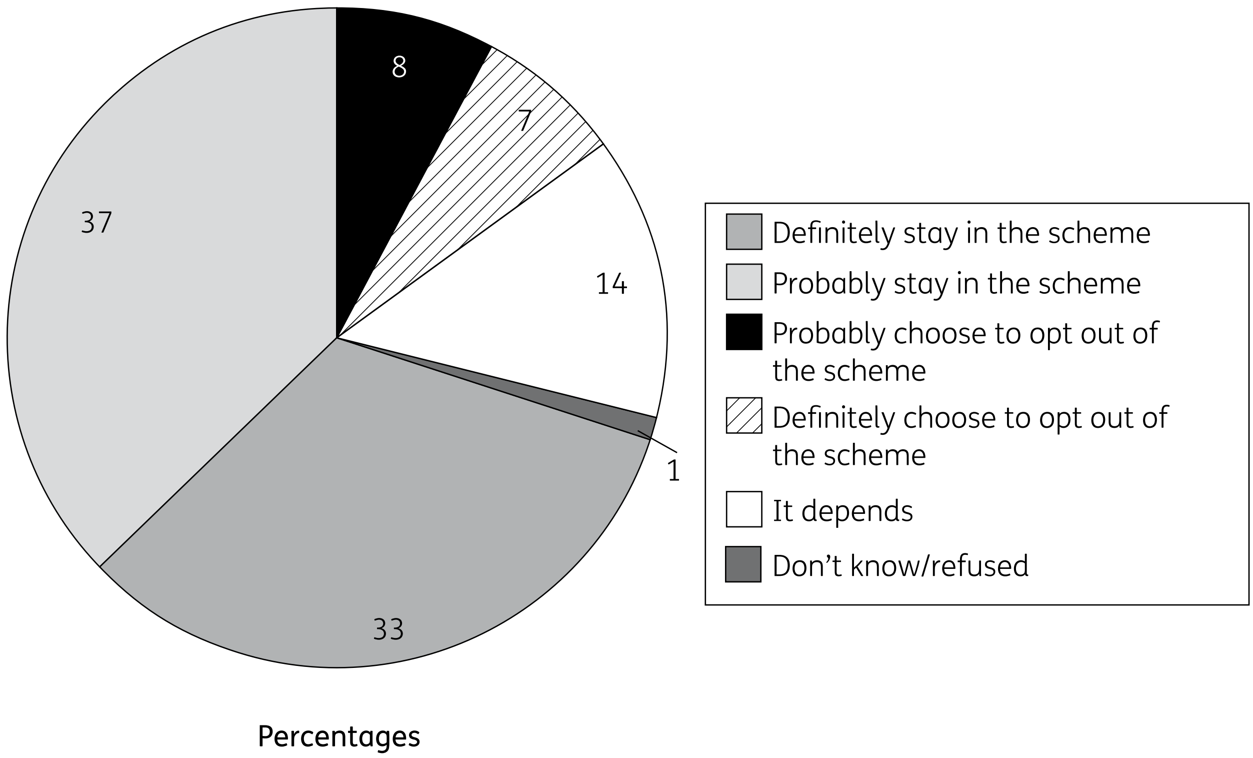
40 Note the small base size for this question (n=117).

For those who were less receptive, 15 per cent of eligible respondents said they definitely or probably would opt out of the scheme, and 14 per cent said it would depend.

Figure 5.4 Likelihood of staying in or opting out of scheme



Base: All eligible for automatic enrolment (n=339).

The number of respondents stating that they would opt out of the scheme was too small to carry out any robust analysis, however, when asked why they would opt out, answers given included:[41]

> *'I have other spending priorities.' (21)*
>
> *'I don't trust pensions.' (8)*
>
> *'I'm too young to worry about it.' (6)*
>
> *'Worried about the investment returns.' (4)*
>
> *'I don't feel I know enough about qualifying workplace pensions at this stage.' (6)*
>
> *'I have a personal pension.' (6)*

In addition, 14 per cent of respondents were unsure whether they would stay in or opt out. Again, the numbers who were unsure at this stage were too small to carry out any robust analysis on their reasons but responses included:

> *'I would need more information as I'm not quite sure what it would mean in practice.' (29)*
>
> *'I would need to decide if I could afford it.' (18)*

[41] The actual number of respondents giving each answer is shown in brackets.

'It would depend whether my employer offers pensions.' (9)[42]

'It would depend whether I thought my employer might cut my salary/cut my pay rise.' (5)

To help identify why there may be some resistance to saving into a pension it is useful to explore why some respondents in the target group are not currently making any pension provision.

As shown in Table 5.1, the most common answers given by those defined as eligible for automatic enrolment focused around four key areas:

Table 5.1 Most common self-reported reasons for not making pension provision

	Self-reported reasons	%
Availability:	My employer doesn't currently offer a pension scheme	16
Economic circumstance:	Don't earn enough	28
	Can't afford it generally	22
	Too many debts/financial concerns	17
Life course:	Too early to start a pension	19
Interest/inertia:	Don't know enough about pensions	17
	Not interested/not thought about it/got around to it	15

Base: All eligible for automatic enrolment not having a private pension (n=129).

Among those defined as eligible for automatic enrolment, it was felt that having a higher income (52 per cent), getting older (30 per cent), having more information (25 per cent) and reduced debt/financial commitments (17 per cent) would all help encourage private pension savings.

42 Although introduction is staged, all employers will all have to offer a workplace pension scheme by 2018. Since the majority of those defined as eligible were either unaware of automatic enrolment or had heard of it but knew nothing about it, it is unsurprising some were uncertain about this.

6 Policy paper: State Pension reforms

Summary

- Over six in ten (62 per cent) women believed they would reach State Pension age (SPA) sooner than they will in reality compared with 38 per cent of men.
- In contrast, a third of men (33 per cent) believed they would reach SPA later than in reality compared with 21 per cent of women.
- One in five (20 per cent) men believed that they would not be entitled to SPA until they reach 70 or 75 (compared with 12 per cent of women).
- One in ten (11 per cent) women and one in four (25 per cent) men who had not yet reached SPA were able to forecast their own SPA correctly.
- Almost three-quarters (74 per cent) of men and a quarter (26 per cent) of women approaching their SPA within ten years correctly forecast their SPA.
- A little over a third of 18-69 year olds (37 per cent) said they had little or no knowledge of State Pension issues. The percentage saying they had at least a basic knowledge of State Pension issues declined from 2009 (33 per cent in 2009; 26 per cent in 2012).
- A large majority (82 per cent) continues to support the government topping up the incomes of low-income pensioners.

Key insights

SPA reforms have already begun affecting women, so that they are now reaching SPA at a later age than they were in 2009, and will begin affecting men from the year 2018. The effect of these reforms can be seen in the survey results, where considerable confusion was detected, especially among women.

Women, including those within ten years of reaching SPA, are unclear about their own SPA, no doubt because of the changes to this policy that were already underway at the time of interview. More often than not women expect to reach SPA earlier than they actually will. There is still some confusion evident among men, although those within ten years of reaching SPA were much more able to forecast their SPA correctly. This is most likely a function of the later introduction of changes to men's SPA and of fewer changes being introduced.

There was evidence that some men in particular, though this was not just confined to men, were starting to anticipate a later SPA than current policy suggested.

Self-assessed knowledge of State pension issues has reduced since 2009, probably due to SPA changes.

The 2012 survey serves as a benchmark to monitor whether single tier reforms are perceived to reduce the complexity of the state pension system as intended.

6.1 Introduction

There are two main strands to current state pension reforms. The first is to increase the age at which people can receive a State Pension. The second is to reduce the complexity of the current system and better support saving for retirement by moving to a single tier State Pension.

6.1.1 Background: recent State Pension reforms

To ensure that more people qualified for a full basic State Pension (BSP), the Pensions Act 2007 reduced the number of qualifying years for a full BSP. From April 2010, people reaching SPA have only needed 30 qualifying years, reduced from a previous total of 39 for women and 44 for men. Qualifying years are based on National Insurance contributions (NICs) or credits (for example for those in receipt of certain benefits or those caring for others).

Between the early 1980s and 2011/12, BSP was increased annually in line with inflation (Retail Price Index). However, over this period the earnings of working people tended to increase faster than inflation, which meant that pensioners' BSP income declined relative to that of working age people. To halt this decline, the Pensions Act 2007 reintroduced the link between BSP and earnings growth, to be implemented between 2012 and 2015. From April 2011, protection of BSP income has been strengthened by a triple guarantee which means that it will be up-rated each year by the highest of earnings, inflation and 2.5 per cent.

6.1.2 State Pension age

The Pension Act 1995 made the first step towards equalisation of SPA between women and men by raising the women's SPA from 60 to 65, to be phased in gradually between 2010 and 2020, with full equalisation by 2020. The Pensions Act 2007 then raised the SPA further for both women and men to age 68, to be raised incrementally between 2024 and 2046.

Given further upwards revisions of average life expectancy projections, the Pensions Bill of 2011 enacted to accelerate these changes such that women's SPA will rise to 65 by November 2018, and SPA for men and women will rise to 66 by October 2020.

The Green Paper 'A State Pension for the 21st Century' published on 4 April 2011 set out options for a more automatic mechanism for future changes to the State Pension age. The Chancellor confirmed in the 2012 Budget that further changes to State Pension age will take account of increases in life expectancy.

6.1.3 The single tier State Pension

Currently, the State Pension is made up of two main elements: the flat-rate basic State Pension (BSP), worth £107.45 a week, and the partly flat-rate, partly earnings related State Second Pension (S2P), which replaced SERPS in 2002. There is also Pension Credit, a means tested benefit which has two elements; the Guarantee Credit is a top-up intended to ensure a minimum level of income of £142.70 a week in retirement, and the Savings Credit provides an extra 'reward' to people who have saved small amounts for retirement.

The Chancellor announced during the March 2012 Budget that a single tier State Pension would be introduced for future pensioners.

Currently the level of a person's savings, as well as their income, is used to calculate their entitlement to Pension Credit. The single tier pension will be flat-rate and set above the basic level of means tested support (as provided now by the Guarantee Credit), significantly simplifying the system and clarifying the incentive to save. People of working age will have a clearer idea of what level of State Pension can be expected, making it easier to plan further savings on top of this.

However, where an individual has made contributions which under the current system could lead to a State Pension above the full level of single tier (currently estimated at around £140), these contributions, and this higher level of entitlement will be recognised, and would lead to a State Pension above £140 under the single tier pension.

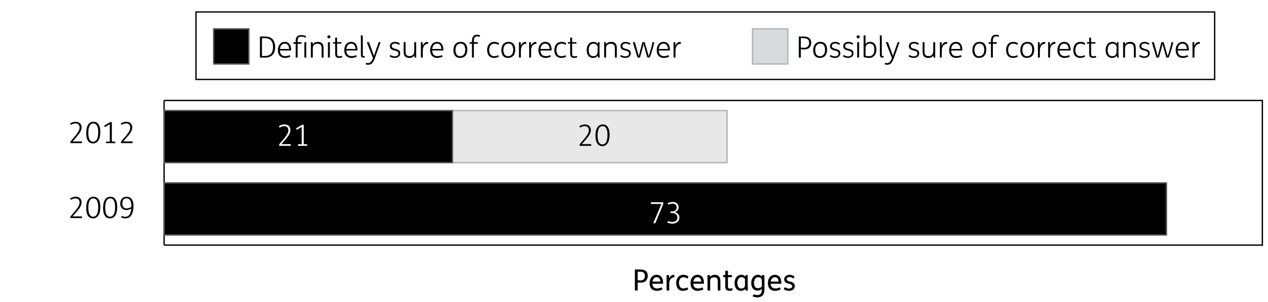
6.2 Knowledge of current State Pension age

This paper first considers knowledge of the current SPA. It was important to investigate individuals' knowledge of the age at which they personally can expect to receive their State Pension. This is covered in Section 6.3. Section 6.4 then provides this same analysis more specifically for those within ten years of reaching SPA (a core target group for Department for Work and Pensions (DWP) communications). Analysis of individuals' perceptions of their life expectancy and how this has changed over time is also included in Section 6.5. Knowledge of general SPA policy was measured by means of a direct knowledge question, which was also asked in 2009. Firstly, women were asked whether they believed it was true or false that **Today, women can receive the State Pension at 60**. In 2009, before the increases in SPA began to take effect, the correct answer was true. By 2012, the correct answer had become false, as the SPA began to increase from 2010. At the time of fieldwork, the earliest a woman could receive the State Pension was age 61.

Figure 6.1 shows women's knowledge of today's SPA both compared with 2009 and broken down by age. In 2009, 73 per cent of women correctly knew that State Pension entitlement was reached at 60. By 2012, after SPA increases had started to take effect, knowledge was much lower.

Over one in five (21 per cent) of women were definite that women could no longer receive the State Pension at 60, while 41 per cent were at least possibly sure of this. This decrease in correct answers will reflect the changes which had begun to take effect in the previous two years, and it is not surprising that there was more confusion on this issue in 2012 compared with 2009.

Figure 6.1 Knowledge of correct answer among women to true/false question: Today, women can receive the State Pension at 60: by year[43]



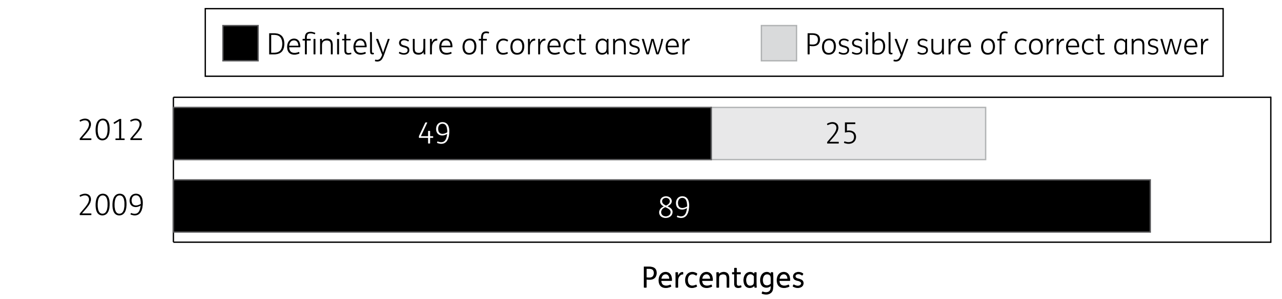
Base: All women aged 18–69: 2012 (n=876); 2009 (n=895).

Figure 6.2 examines the picture for men, showing their knowledge of today's SPA both compared with 2009 and broken down by age. Among men, while there was no change in pension policy current at the time of interview between the survey years, the level of correct answers also fell, although the change was less than for women. A combined percentage of 74 per cent in 2012 answered the question correctly compared with 89 per cent in 2009.

[43] In 2009, only aggregated data for definitely/probably were available; however, the question was asked in the same way in both survey years.

This decrease is likely to reflect the position that, although SPA has not changed for men, there is still a general awareness that changes are happening in pension policy.

Figure 6.2 Knowledge of correct answer among men to true/false question: Today, men can receive the State Pension at 65: by year[44]



Base: All men aged 18–69: 2012 (n=683); 2009 (n=759).

6.3 Anticipated and actual SPA for all below SPA

Arguably, knowledge of the current SPA is not relevant for most people, unless approaching that age. As a result it was also important to investigate individuals' knowledge of the age at which they personally can expect to receive their State Pension.

Given the survey fieldwork period in 2012, the men in the sample would be expected to be eligible for State Pension at between 65 (for the oldest respondents) and 68 (for the youngest – those born in 1978 onwards – aged 18-34). Correspondingly, women in the sample would reach SPA at between 61 (for the oldest respondents) and 68, the same age as men (for the youngest respondents).

As can be seen in Figure 6.3, there was a clear disparity between when men and women thought that they would reach SPA, and when they will actually reach SPA according to the timetable current at the time of the research (Appendix D).

The majority (60 per cent) of women thought they would reach SPA before age 66, but in reality a small percentage will actually do so. Correspondingly, although 95 per cent of women will actually reach SPA at ages 66-68, one in five (19 per cent) thought this would be the case.

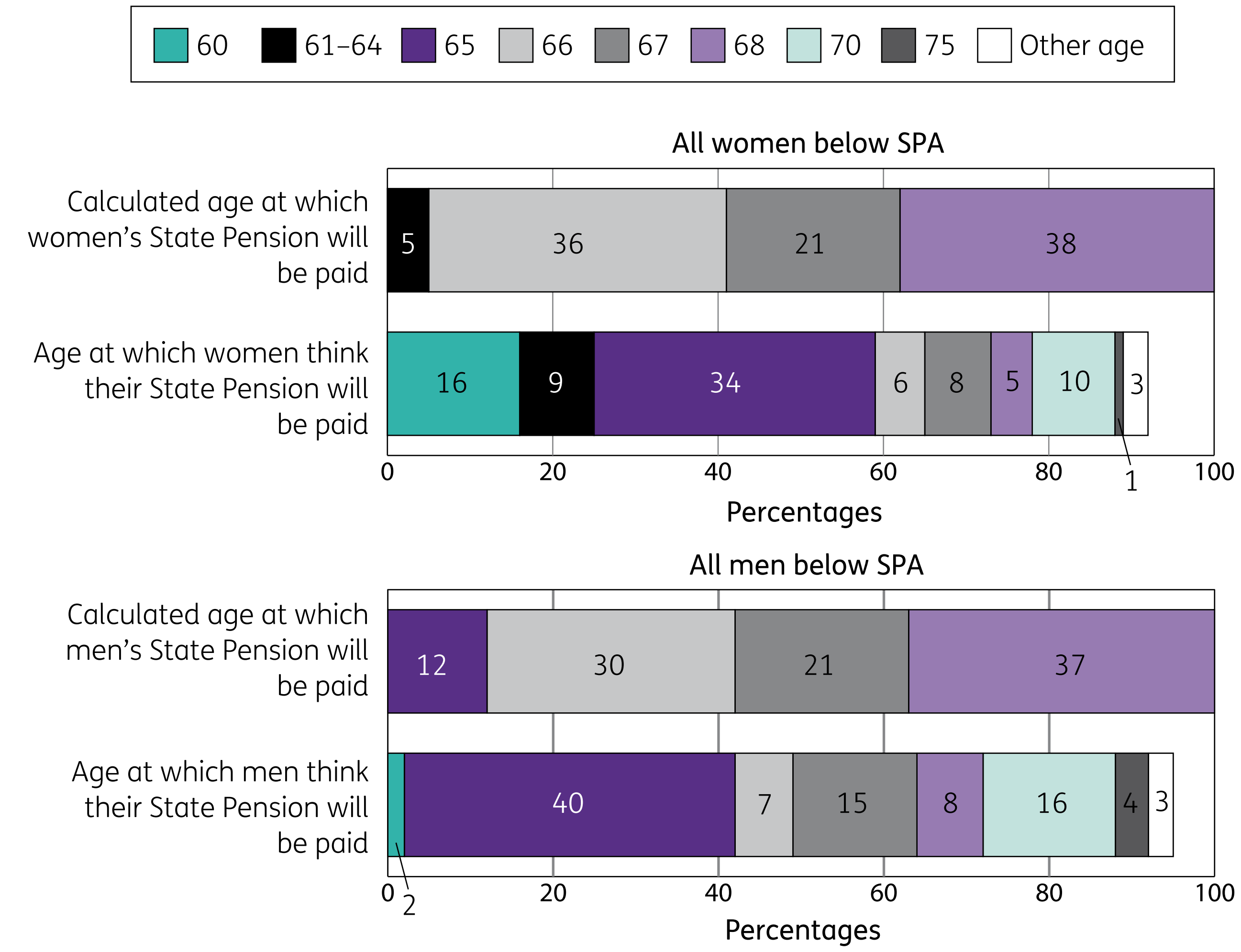
There was a clear over-optimism evident, with women tending to expect to reach SPA sooner than they will in reality. This may have consequences for women's planning and readiness for retirement. Having said this, it is worth noting that over one in ten women (12 per cent) believed that they will reach SPA at 70 or 75, above the current SPA threshold.

Among men, there was also a degree of confusion, although the difference between forecast and reality was not as marked as it was among women. Although the majority (88 per cent) of men will not reach SPA until between 66 and 68, three in ten (30 per cent) thought this to be the case.

Once again, men were tending to be optimistic in their forecasts with over four in ten (43 per cent) thinking that they would reach SPA at 65 or earlier compared with 12 per cent actually reaching SPA at 65. At the other end of the scale, men were more pessimistic than women with two in ten (20 per cent) believing that SPA would not be reached until the age of 70 or 75.

44 In 2009, only aggregated data for definitely/probably were available; however, the question was asked in the same way in both survey years.

Figure 6.3 Age at which women and men below SPA think their State Pension will be paid compared with actual distribution of ages



Base: All below SPA: women (n=715); men (n=604).

This analysis is very useful in highlighting the broad direction of the mismatch between forecast and reality for men and women. To investigate this further, Figure 6.4 shows the percentage who correctly anticipated SPA, the percentage who believed they would be entitled to SPA earlier than in reality and the percentage who believed this to be later than in reality for women as a whole and broken down by groups reaching SPA at different ages.[45]

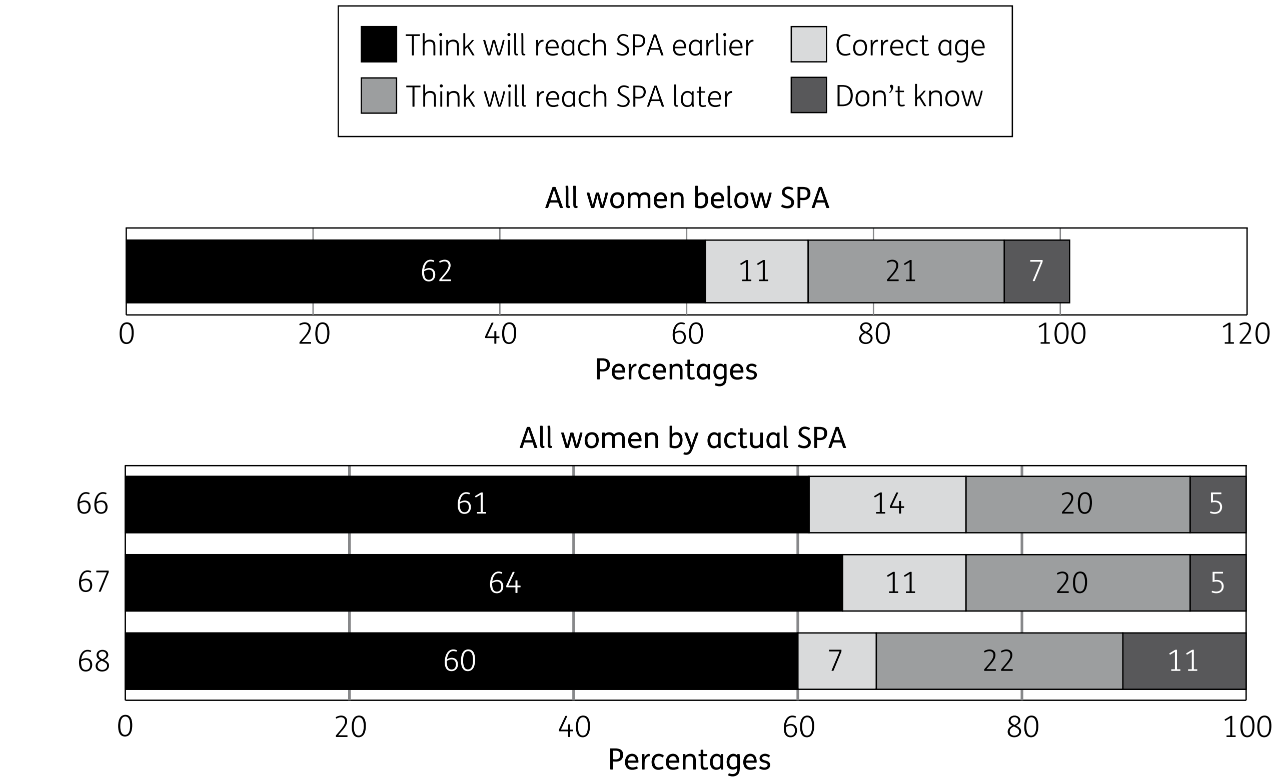
Focusing first on women, it can be seen that among women overall, one in ten (11 per cent) correctly identified their SPA. For the remainder, forecasts were skewed towards those who were overly optimistic in terms of the age at which they thought they would be eligible. Over six in ten (62 per cent) women who had not yet reached SPA believed that they would receive their State Pension before their real age entitlement, while two in ten (21 per cent) believed that they would receive this after their real age entitlement.

Percentages of over- and under-estimates of SPA were similar for those reaching SPA at 66, 67 or 68. Compared with those reaching SPA at 66 a lower percentage of those reaching SPA at 68 correctly

45 It is not possible to show the results for women who will reach SPA between the ages of 61 and 64 due to the small number interviewed in this group (n = 39).

predicted this (14 per cent and seven per cent respectively) and a higher percentage did not know when they would reach SPA (11 per cent compared with five per cent reaching SPA at 68).

Figure 6.4 Age at which women believe they will receive the State Pension: by actual age at which State Pension will be paid[46]



Base: All women: below SPA (n=715); SPA to be paid at age 66 (n=271); SPA to be paid at age 67 (n=171); SPA to be paid at age 68 (n=234).

Compared with women, forecasts of SPA were more accurate among men. A quarter (25 per cent) of all men below SPA correctly anticipated SPA, more than twice the equivalent percentage of women (11 per cent). In addition, the direction of inaccurate forecasts was more balanced for men, with similar percentages thinking they would reach SPA later (33 per cent) and earlier (38 per cent) than actual SPA.

Men who were due to reach SPA at 65 (those aged at least 57) were much clearer about their entitlement than men reaching SPA at ages 66-68. Almost nine in ten (87 per cent) correctly identified their SPA as 65. This high level of awareness is likely to be related to the fact that these men will not have been affected by any pension reforms.

As men's age decreased to those age groups where the more recent pension reforms start to take effect, awareness of SPA also decreased. Between 13 per cent and 26 per cent of those due to reach entitlement at ages 66-68 correctly forecasted SPA. Unlike women, the percentages of men reaching SPA between 66 and 68 and thinking they would reach entitlement both before and after actual SPA were broadly similar.

46 Those reaching SPA are not shown separately in Figure 6.4 due to the small number of women interviewed in this group (n=39).

Figure 6.5 Age at which MEN believe they will receive the State Pension: by actual age at which State Pension will be paid[47]

Base: All men: below SPA (n=606); SPA to be paid at age 65 (n=95); SPA to be paid at age 66 (n=197); SPA to be paid at age 67 (n=124); SPA to be paid at age 68 (n=190).

6.4 Anticipated and actual SPA for those within ten years of SPA

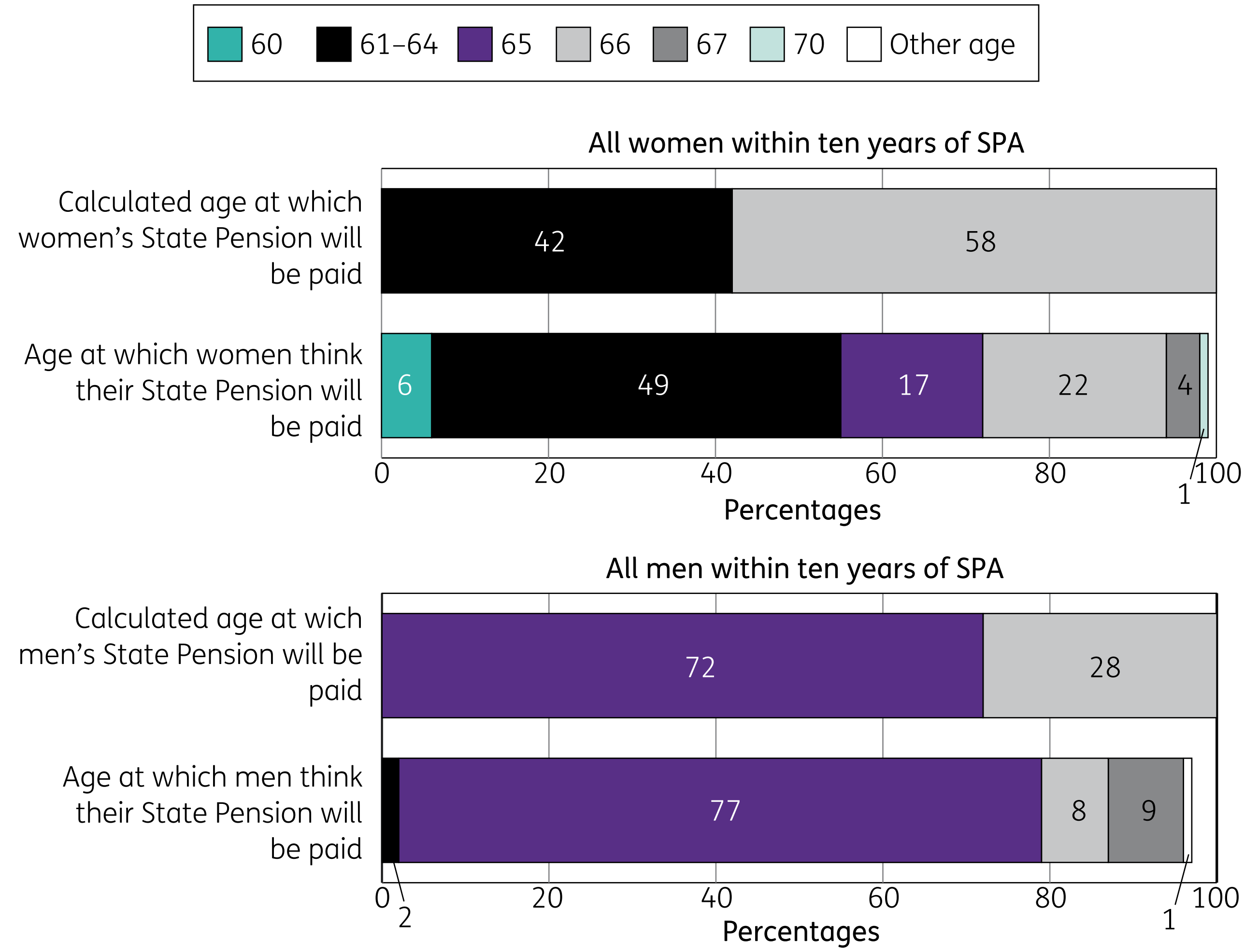
There is an interest in exploring more specifically the accuracy of forecasting for those who are due to reach their SPA within the next ten years as this age cohort, for whom planning and preparation is most urgent, is a key target group for DWP campaigns.

Figure 6.6 displays the difference between actual and forecasted SPA specifically for this age cohort. When this is compared with Figure 6.3 it is clear that men and women reaching SPA in the next ten years were much better prepared in terms of forecasting their SPA than men and women in general.

For both genders, the distributions of actual and anticipated ages were very similar. There were some small differences between the two distributions. Women in this age cohort were less likely to accurately predict an SPA of 66 (22 per cent compared with the calculated percentage based on real SPA of 58 per cent), while one in ten men (nine per cent) believed they would reach SPA at age 67, whereas in fact the age threshold for men in this age cohort is 66. While both women and men in this age cohort were broadly aware of when State Pension entitlement will be reached, there were still some inaccuracies, and men were if anything slightly pessimistic in their forecasts.

47 Note small base size for men whose SPA will be paid at age 65 (n=95).

Figure 6.6 Age at which women and men within ten years of spa think their State Pension will be paid compared with actual distribution of ages

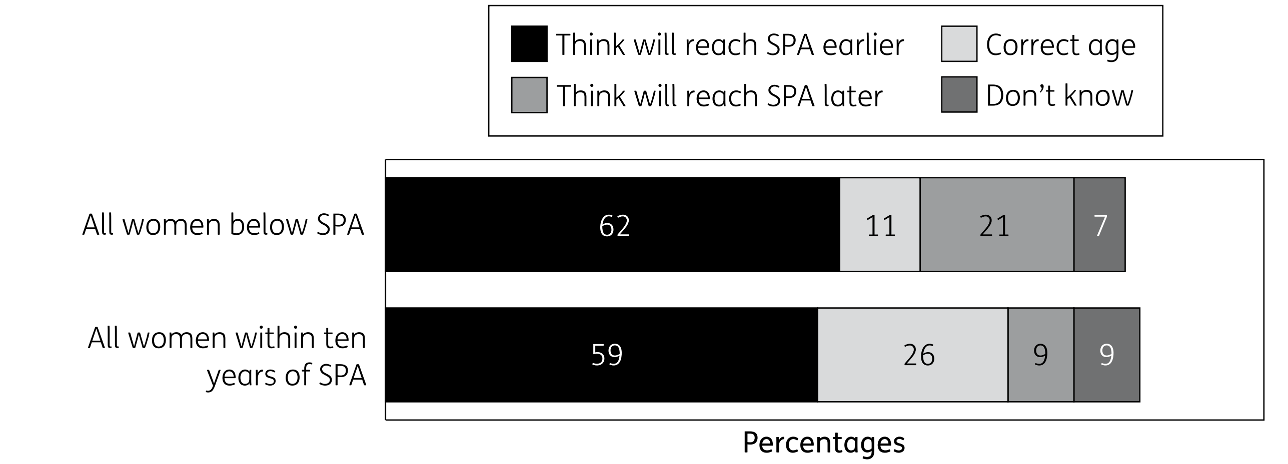


Base: Those within ten years of SPA: all women (n=108); all men (n=129).

To judge further the degree of accuracy of forecasts, the extent to which men and women within ten years of SPA were accurately able to forecast their SPA was examined.

Figure 6.7 shows that, for women in this age cohort, a quarter (26 per cent) could correctly identify their SPA. This was more than twice as high as the equivalent percentage among all women below SPA (11 per cent). Where women within ten years of SPA did mis-forecast they were equally likely to think they will reach their SPA earlier as were all women (59 per cent and 62 per cent respectively).

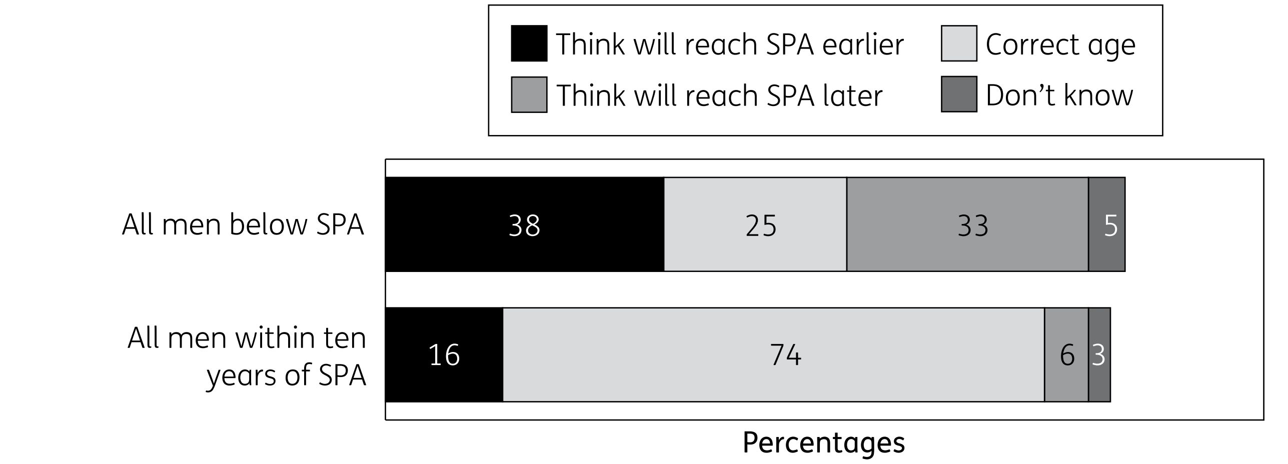
Figure 6.7 Age at which women believe they will receive the State Pension by actual age at which State Pension will be paid



Base: All women: below SPA (n=715); within ten years of SPA (n=106).

For men, three-quarters (74 per cent) of those within ten years of SPA provided a correct forecast, considerably higher than the equivalent one-quarter (25 per cent) of all men.

Figure 6.8 Age at which men believe they will receive State Pension by actual age at which State Pension will be paid[48]



Base: All men: below SPA (n=606); within ten years of SPA (n=129).

6.5 Perceptions of life expectancy

Average life expectancy is increasing over time for both men and women. Life expectancy at 65 has increased by over 40 per cent for men and by over 30 per cent for women in the last 25 years.

48 Note small base sizes for both women (n=108) and men (n=129).

In 1981 an average man aged 65 could expect to live to the age of 79, in 2010 he could expect to live to 86. A woman aged 65 in 1981 could expect to live to 83, increasing to 89 for a 65 year old woman in 2010 (ONS 2012a 2-5).[49]

DWP were interested to identify whether perceptions of how long individuals might live had changed over time. If detected this might indicate an awareness that life expectancy was increasing.

In the survey, on average men aged 18-69 perceived their own life expectancy to be 81.7 and women aged 18-69 perceived it to be 83.3. For both men and women perceptions of how long they might live increased between 2009 and 2012 by 2.6 years on average for men and 2.4 years for women. Increases in perceived life expectancy occurred among all age groups.

Figure 6.9 Average expected length of life: by gender and year

Base: All respondents aged 18–69: 2012 men (n=683)); 2009 men (n=759); 2006 men (n=880) 2012 women (n=876); 2009 women (n=895); 2006 women (n=1,070).

The ONS projections highlighted are age specific averages and the survey provides the average for men and women across ages between 18 and 69. The ONS estimates are based on 65 year olds, who are at the older end of that range and life expectancies for people below that age are projected to be longer. Comparing the survey and ONS estimates, this might suggest that respondents underestimated their life expectancy.

More detailed examination of the data showed that there was little difference by age in perceived average life expectancy. There was also a strong tendency, first reported in the 2006 survey (Clery *et al.* 2006, 23) for answers to be clustered around multiples of five (75, 80, 85, etc) with the most commonly given answer of 80. Taken together this suggests that, while they may have some awareness that life expectancy in general is increasing, most individuals have no more than a vague impression of their own life expectancy.

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49 These figures are based on cohort life expectancy, which ONS considers to be a more appropriate measure of how long a person of a given age would be expected to live. It is calculated using age-specific mortality rates, which allow for known or projected changes in mortality in later years. It produces higher estimates than period life expectancy, the other method that can be used. (ONS 2012a, 2.2; ONS 2012b, 3-3)

6.6 Monitoring effects of single tier reforms

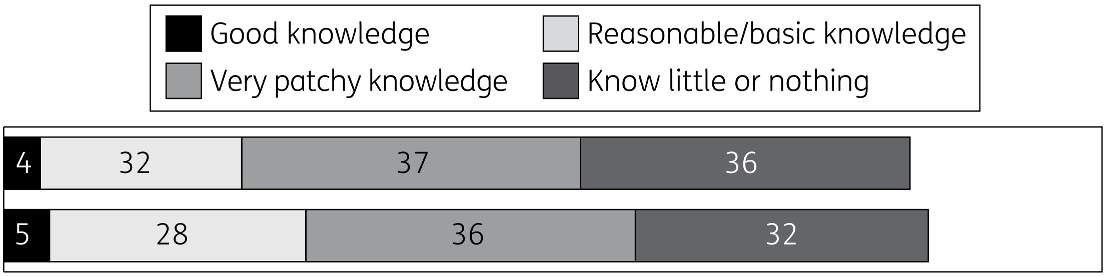
A key principle of single tier reforms is to reduce the complexity of the current state pension system by moving towards a single tier State Pension. The 2012 survey serves as a benchmark to monitor whether single tier reforms are perceived to reduce the complexity of the State Pension system as intended.

6.6.1 Self-assessed knowledge of the State Pension issues

Single tier reforms are intended to provide more clarity around the State Pension system. Figure 6.10 shows the level of knowledge respondents felt they had of State Pension issues in general, providing results from 2009 for comparison.[50]

In 2012, self-assessed knowledge of State Pension issues remained relatively low among 18-69 year olds, with a quarter (26 per cent) saying they had at least a basic knowledge, and over a third (36 per cent) saying they knew little or nothing. Levels of at least a basic knowledge have declined slightly (from 33 per cent in 2009).

Figure 6.10 Self-assessed knowledge of State Pension issues: by year



Percentages

Base: All respondents aged 18–69: 2012 (n= 1,559); 2009 (n= 1,654).

There were some clear differences on this self-assessed knowledge measure by age and gender as shown in Figure 6.11.

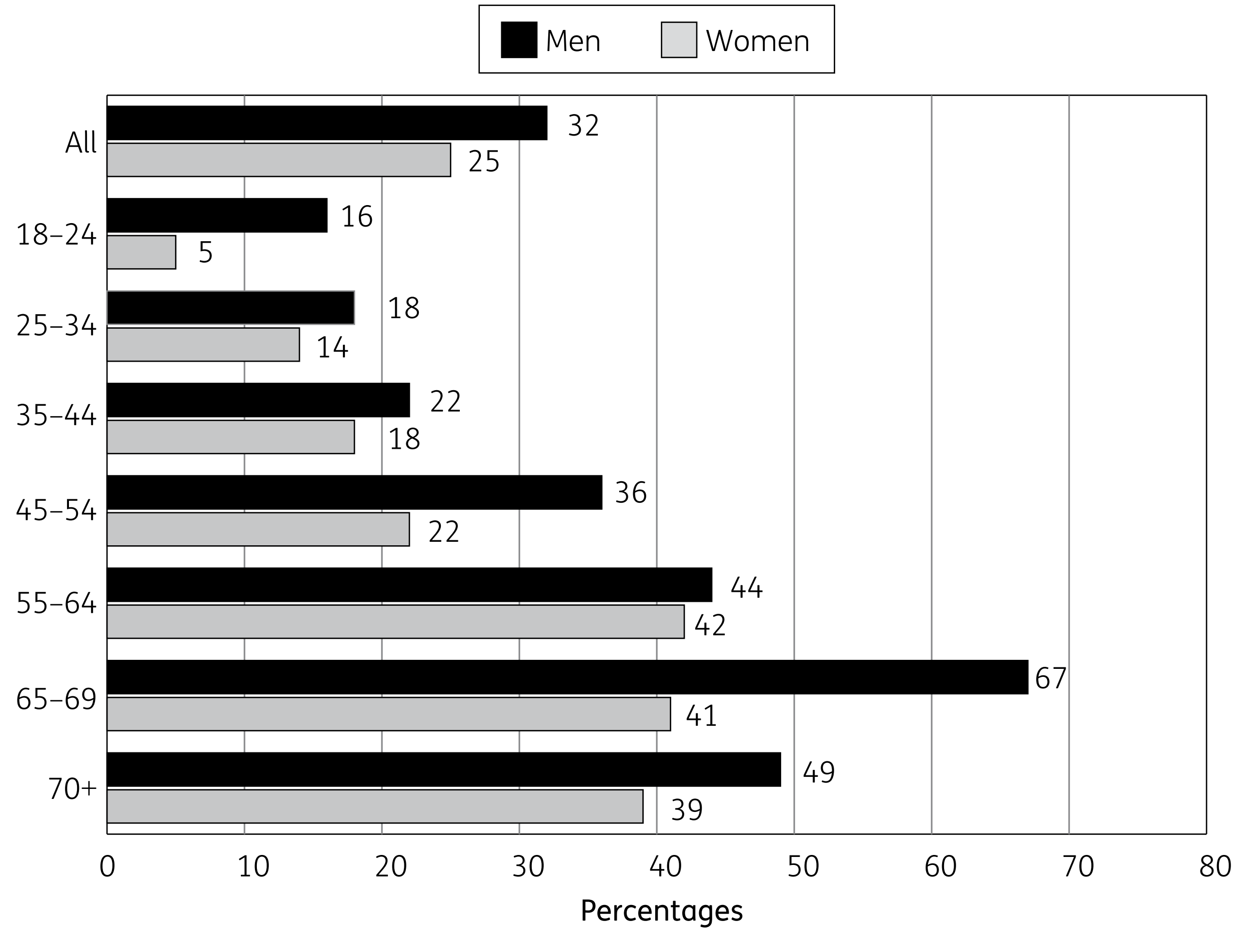
Comparing men and women, a third (32 per cent) of men believed they had at least a reasonable knowledge of State Pension issues compared with a quarter (25 per cent) of women, and this disparity was reflected across nearly all age groups. The gender difference was most evident among those aged 65-69, where men had considerably greater confidence in their State Pension knowledge than women (67 per cent compared with 41 per cent).

Among men, self-assessed knowledge increased by age, from 16 per cent of 18-24 year olds believing they had at least a reasonable knowledge of State Pension issues to reach a peak of 67 per cent among those aged 65-69, the age group at which men will have recently become eligible for State Pension. Knowledge then reduced among those aged 70 or over.

The pattern among women was similar, although the increase in knowledge by age was less dramatic, peaking at 42 per cent of those aged 55-64 believing they had at least a reasonable knowledge of State Pension issues. This peak coincided with the age group at which women will either be close to, or recently in receipt of, their State Pension. Beyond this age group, self-assessed knowledge levels for women remain stable.

50 This question was not included in 2006.

Figure 6.11 Proportions saying they have a good or reasonable knowledge of State Pension issues: by gender and age[51]



Base: All respondents: men (n=845); 18–24 (n=78); 25-34 (n=112); 35–44 (n=134); 45–54 (n=139); 55–64 (n=144); 65–69 (n=76); 70+ (n=162); women (n=1104): 18–24 (n=66); 25–34 (n=169); 35–44 (n=196); 45–54 (n=163); 55–64 (n=194); 65–69 (n=88); 70+ (n=228).

The difference in self-assessed knowledge reflects differences in specific knowledge of the SPA between men and women identified previously (see Section 6.4). It seems likely that lower levels of women saying they had a good or reasonable knowledge was a reflection of the more complex nature of SPA changes affecting women, and the more recent/imminent nature of this particular pension reform.

Changes to women's SPA began affecting those reaching SPA in 2010, while there will be no changes to men's SPA until 2018. In addition, for men, the reforms have been simpler, the principal change being a rise in the SPA from 65 to 68 in stages. For women on the other hand, the SPA has been equalised to age 65, and then increased beyond this to 68 over two separate Parliamentary Bills (1995 and 2007).

51 Note, the small base size of men aged 18-24 (n=78); men aged 65-69 (n=76); women aged 18-24 (n=66).

6.6.2 Perceptions of a complex pensions environment

Single tier reforms are designed to reduce the complexity of the State Pension system. As reported in Section 4.8.1, the majority (63 per cent) agreed that: '*sometimes pensions seem so complicated that I cannot really understand the best thing to do*'. Women were more likely to agree than men (71 per cent and 56 per cent respectively). Those with household incomes of £44,000 or over were more likely to disagree (31 per cent disagree compared with 16 per cent less than £44,000); although more than half of the highest income group agreed pensions were complicated (55 per cent).

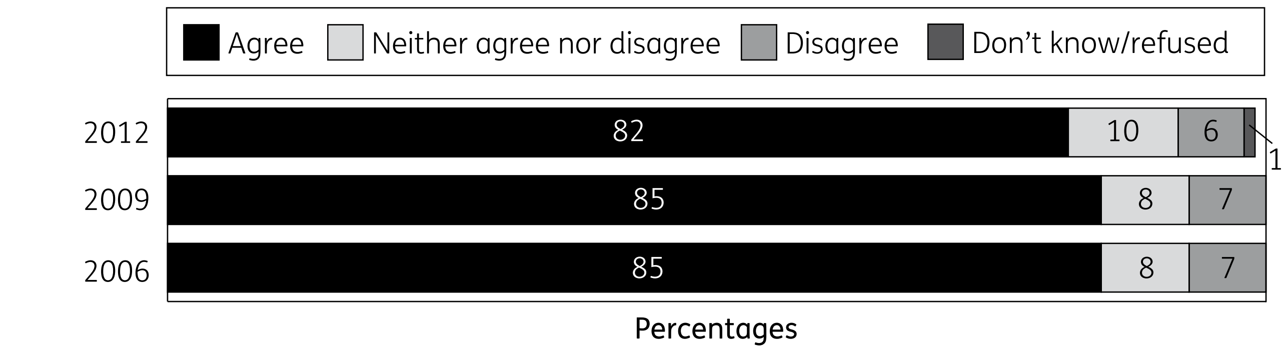
Although this statement encompasses both state and private pension systems, monitoring change over time might provide some indication of whether single tier reforms have contributed to changing perceptions of a complex pensions environment.

6.6.3 Topping up the incomes of low-income pensioners

Two statements were designed to benchmark people's views on topping-up incomes of low-income pensioners.

A large majority (82 per cent) continues to support the government topping up the incomes of low-income pensioners to make sure they have a reasonable standard of living and this has not changed over time (Figure 6.12).

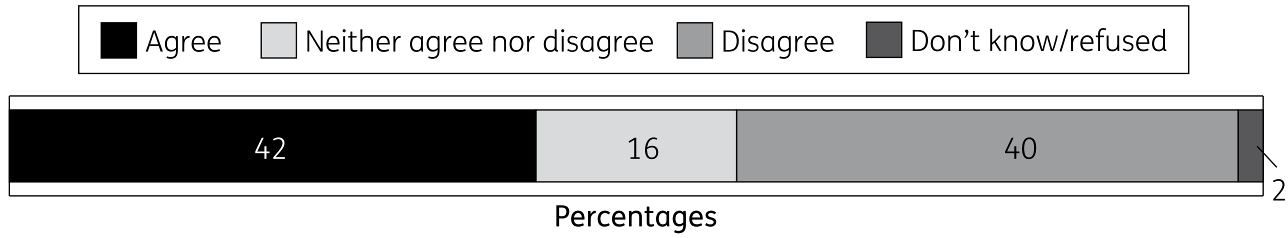
Figure 6.12 Agreement that the government should top up the incomes of low-income pensioners, to make sure they have a reasonable standard of living: by year



Base: All respondents who are aged 18–69: 2012 (n=1,559); 2009 (n=1,654) 2006 (n=1,950).

While respondents did largely support topping up the incomes of low-income pensioners, opinion was divided on whether doing this discourages saving for retirement (Figure 6.13). Forty-two per cent agreed that income top-up discourages saving for retirement.

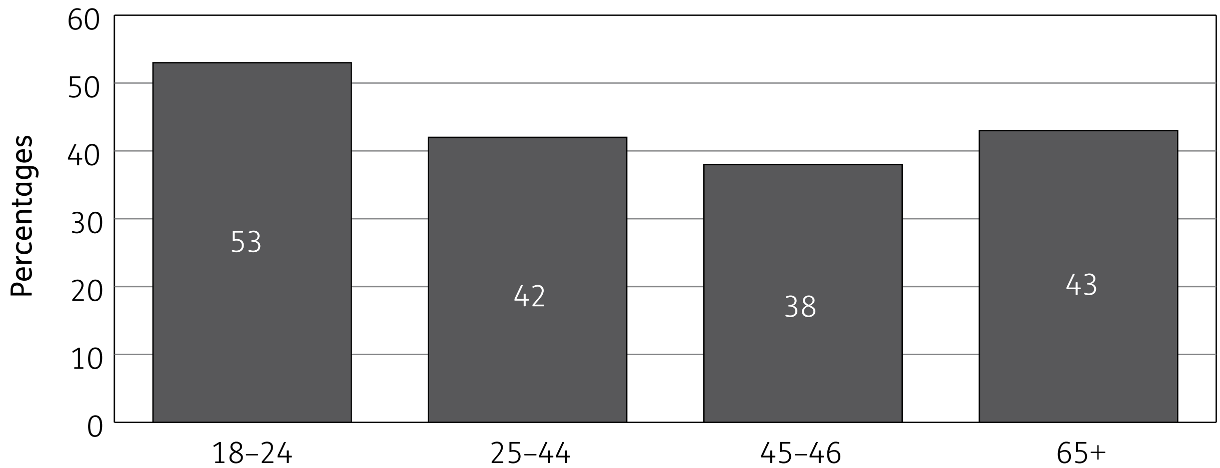
Figure 6.13 Agreement that income top-up discourages saving for retirement



Base: All respondents (n=1,949).

There were some differences in agreement by age and income. Younger respondents aged 18-24 were more likely to be in agreement (53 per cent) compared with those aged 25 or over (41 per cent) (Figure 6.14).

Figure 6.14 Agreement that income top-up discourages saving for retirement: by age



Base: All respondents by age group: 18–24 (n=144); 25–44 (n=611); 45–64 (n=640); 65+ (n=554).

Possibly unsurprisingly those with a household income of less than £12,000, who were most likely to have no resources for later life, were less likely to agree with the statement (35 per cent) than other income groups.

6.6.4 Monitoring knowledge of State Pension issues

The survey also measured knowledge of the State Pension system objectively, through a true/false knowledge quiz. One question assessed knowledge of the S2P, which was relatively low. A third, (32 per cent) correctly answered that the statement: *'as well as the basic State Pension, for some people the Government provides a second state pension related to their previous earnings'* was true.

A second question explored knowledge of Pension Credit, specifically whether it was only available to those with no savings. Once again a minority (forty per cent) could answer this correctly that the statement was false.

Chapter 8 provides more details of the knowledge questions relating to State Pension issues.

7 Policy paper: redefining retirement

Summary

- Half (49 per cent) of respondents disagreed that longer life expectancy meant a longer working life. This contrasts with 54 per cent agreeing that longer life expectancy meant being prepared to pay more in tax.
- Since 2009 there has been a large increase in the percentage giving the answer: *'it depends on the individual'* when asked what they think the most important factor should be in determining when a person stops working (31 per cent in 2012 compared with 11 per cent in 2009).
- Confirming an individuals' actual State Pension age (SPA) leads people to revise their estimates of when they expect to retire. Three in ten (29 per cent) expected to retire at their actual SPA once their own SPA was confirmed compared with one in ten (11 per cent) before it was confirmed.
- Half (50 per cent) expected to retire before their actual SPA, reducing to over a third (36 per cent) once SPA was confirmed.
- A third of men in paid work (34 per cent) anticipated retiring before SPA, whereas almost twice as many retired men had in fact retired before their SPA (62 per cent).
- A quarter (24 per cent) of those anticipating retiring after SPA said this was because they could not afford to stop earning.
- Around half (52 per cent) of those aged 18-69 who expected to retire at some point, anticipated undertaking further paid work subsequently, lower than the level of six in ten seen in previous years (63 per cent 2009; 60 per cent 2006).

Key insights

The confusion around SPA discussed in Chapter 6 was again evident as people adjusted their expected retirement age once they knew their actual SPA. This demonstrated the strong anchoring effect of SPA on expectations of retirement age.

Men tended to under-estimate retiring earlier than their confirmed SPA in comparison to the reality experienced by those who had already retired. This may have been because they did not anticipate their own ill health stopping them working early. Ill health was the most common reason given by those already retired who had done so before SPA.

Some of those who expected to retire after their confirmed SPA were anticipating the age when people retired would increase in the future. If people anticipate working longer before retirement, this may be one reason why they are less inclined to undertake further paid work after they retire and a decline in those saying they would do this was evident. Where people did anticipate working after retirement, the majority suggested they would completely retire in their 70s. This may be further evidence of acceptance, by some at least, that longer working in some form is inevitable.

Overall, based on immediate reactions, people appeared to be more in favour of paying tax in preference to working longer as a response to people living longer. There is also a growing sense that when a person stops working should depend on the individual and less support for it being determined by age.

7.1 Introduction

While the increase in life expectancy and average age of the UK population has been well documented, SPA *'has not kept pace with increases in life expectancy since 1926. If it had, it would now need to be at least 75'* (DWP, 2010, 11).

With SPA now starting to increase, attitudes towards retirement cannot help but change. On the one hand, there will inevitably be some feeling that having to wait longer for one's own State Pension is unfair, with *'the normative influence of SPA at (formerly) 60/65 years...likely to continue to operate as a robust cultural benchmark for the foreseeable future'* (Weyman *et al.* 2012, 35).

On the other hand, with quality of life in later years increasing, there is potential for extending working life to be seen as a positive option, both for the individual (socially as well as financially) and for the economy, with predictions that retirement *'will become a more fluid concept and business will create flexible jobs to take advantage of this new pool of labour'* (Marshall, 2011, 31). One thing is clear: the concept and understanding of retirement is changing.

This policy paper looks at attitudes towards extending working life, both as a general concept and in terms of expectations of retirement age.[52] It examines openness to paid work beyond traditional retirement from main employment, including issues of transitional working for those approaching SPA.

The paper also includes a short section on issues surrounding Default Retirement Age (DRA). Although this has now been removed unless it can be objectively justified, awareness of this fact is not

52 Awareness of respondents' own SPA is discussed in Chapter 6 and this chapter does not examine this further. In almost all cases, where SPA is relevant, respondents have been informed of their SPA before the questions reported here were asked.

universal, and of course many of those now in retirement have historically experienced DRA, allowing us to estimate the proportion that might have remained in paid employment given this choice.

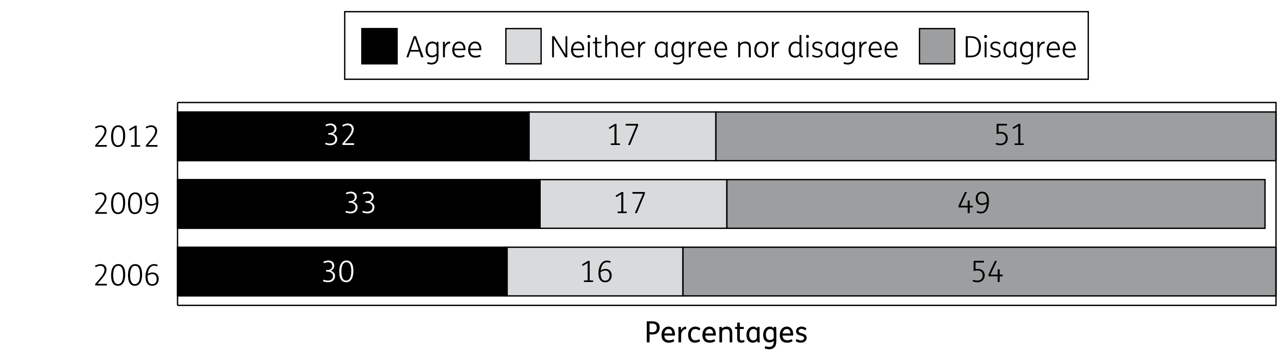
7.2 Attitudes towards extending working life

Attitudes towards two issues related to people living longer were explored in the survey. The first, discussed in part one (see Section 4.5.2) identified that a majority (54 per cent) agreed that: '*with people living longer, we have to be prepared to pay more in taxes in order to have a properly funded State Pension*'.

The second attitude statement explored the idea of working longer, asking people to agree or disagree with the statement: '*with people now living longer on average, it's right that people should have to work longer before retiring*'. In this case the largest percentage (49 per cent) disagreed.

Comparing results for those aged 18-69, as Figure 7.1 shows, the overall percentage disagreeing that people should have to work longer has shown no real change since 2006, being around half of respondents in each year. In fact, opinion appears to have strengthened against this since 2009, with the percentage who strongly disagreed it is right that people should have to work longer almost doubling in that period (from seven per cent to 13 per cent).

Figure 7.1 Agreement that with people now living longer on average, it's right that people should have to work longer before retirement: by year[53]



Base: All respondents who are aged 18–69: 2012 (n=1,559); 2009 (n=1,654); 2006 (n=1,950).

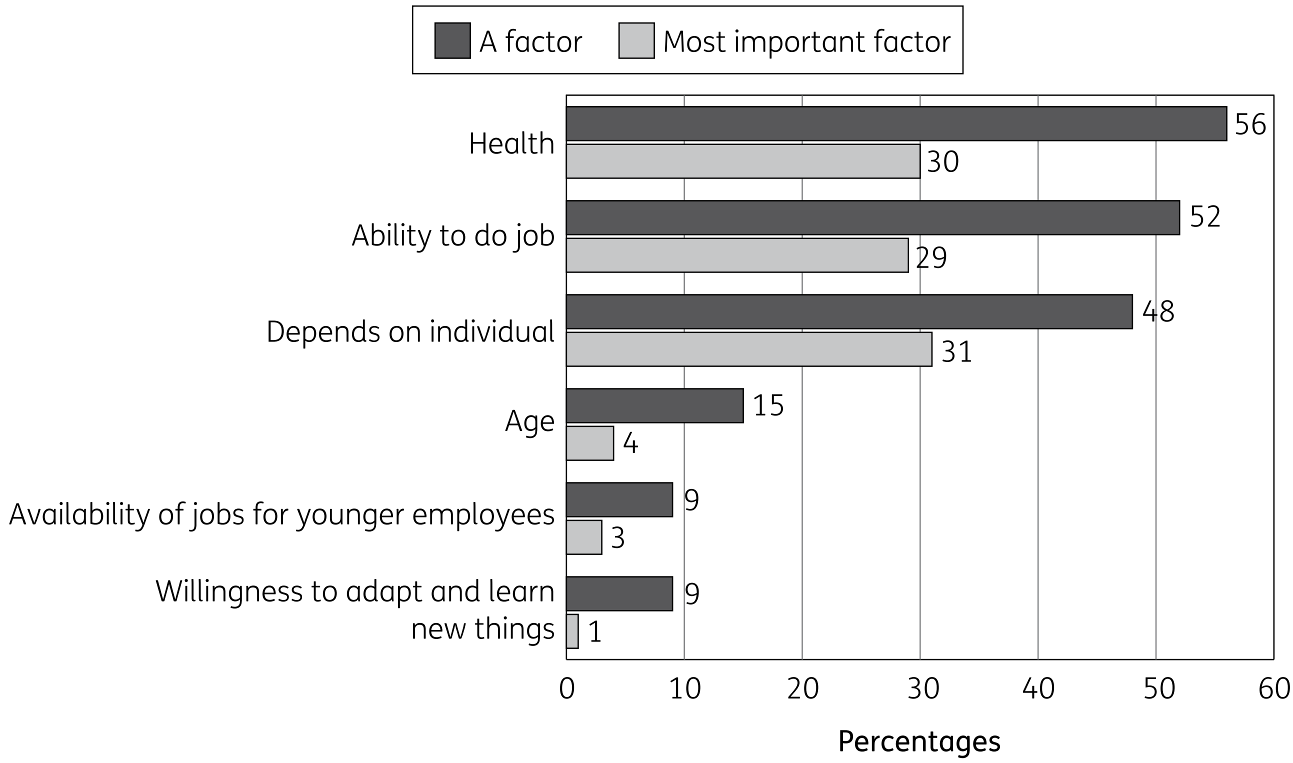
Men were slightly more likely than women to agree (35 per cent of men aged 18-69 compared with 29 per cent of women in this age group). It is possible that the greater increase in SPA for women under the recent reforms has led to lower support among women for a longer working life.

However, while people may not agree with the necessity of a longer working life in general, they were unlikely to consider age an important factor in when a specific person should stop working. When asked which of a list of factors should determine when a person stops working, and which one of those was the most important factor, respondents were over three times as likely to mention health and ability to carry out the job than age per se (Figure 7.2).

Health, ability to do the job, and individual choice respectively were selected as factors which should determine when a person retires by around half of respondents, while around three in ten respondents selected each of these as the most important factor. In comparison, 15 per cent thought that age should be a factor and four per cent said age should be the most important factor.

53 Base restricted to those aged 18-69 to allow direct comparison with previous years.

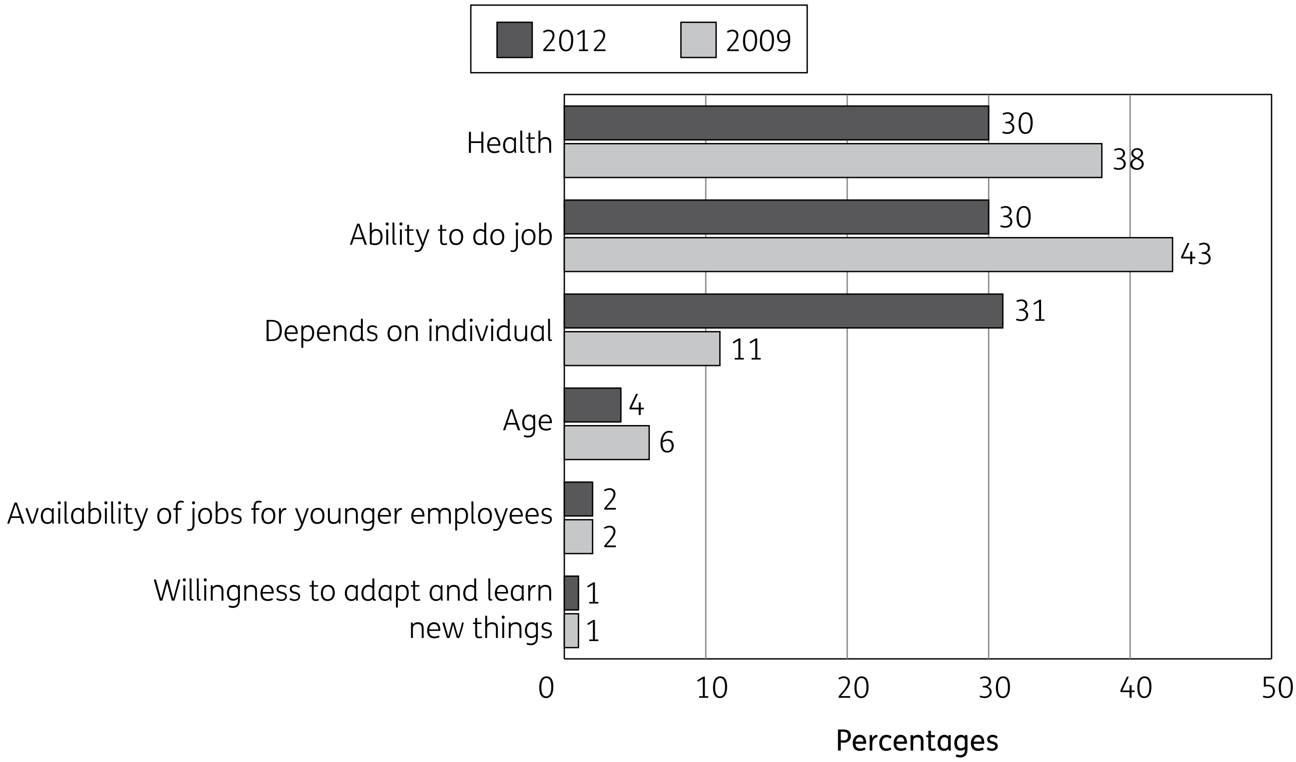
Figure 7.2 Factors that should determine when a person stops working



Base: All respondents (n=1,949).

The percentages saying health or ability to do the job was the most important factor had both decreased since 2009, while the percentage saying it depends on the individual increased almost threefold in 2012.

Figure 7.3 Most important factors in when a person stops working: by year

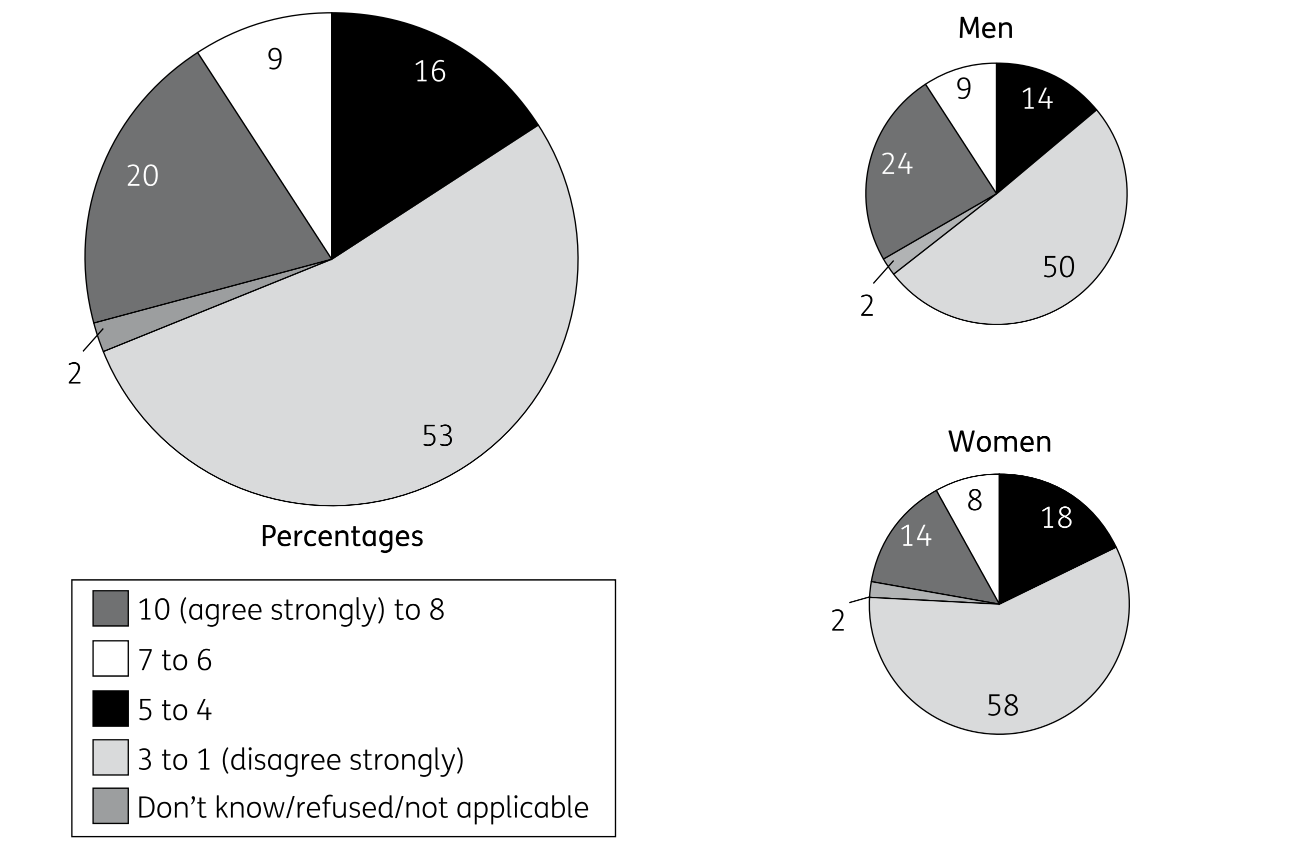


Base: All respondents who are aged 18–69: 2012 (n=1,559); 2009 (n=1,654).

Reinforcing this view that age was not an important factor in when a person should retire, the majority of respondents who were not retired and not economically inactive disagreed with the statement: *'If I have to work beyond State Pension age I will think I have failed'*, with just over half (53 per cent) having the strongest disagreement with this statement (Figure 7.4). Although the majority of both men and women expressed the strongest disagreement with this statement, men were more likely than women to say they would agree they had failed if they had to work beyond SPA, with a quarter (24 per cent) expressing the strongest agreement, compared with 14 per cent of women.[54]

[54] Respondents were asked to give a score between one and ten to show how much they agreed with the statement, where ten meant they strongly agree and one they strongly disagree. Scores eight to ten are shown for those having the strongest agreement and scores one to three for those having the strongest disagreement.

Figure 7.4 Agreement that if I have to work beyond State Pension age I will think I have failed: by all respondents, men and women

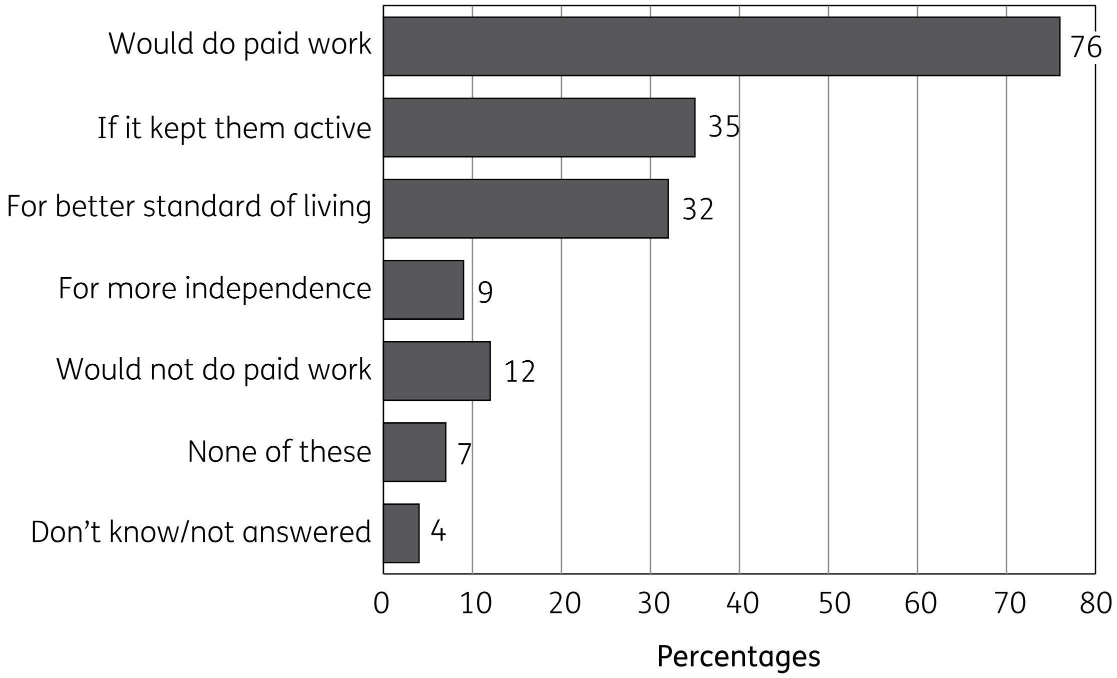


Base: All respondents who are not retired except those not working due to long-term health issues/looking after home and family: all (n=1,059): men (n=523), women (n=532).

Respondents under SPA who were not yet retired, excluding those who were economically inactive, were asked whether they would do paid work after SPA if it kept them active (physically or mentally), gave them a better standard of living, or gave them more independence.[55] In total, as shown in Figure 7.5, three-quarters (76 per cent) of this group said they would do paid work beyond SPA for at least one of those reasons. Respondents were much more likely to say they would work beyond SPA to keep active or for a better standard of living (a third in each case) rather than for greater independence (nine per cent). Just over one in ten (12 per cent) definitely ruled out doing paid work after SPA.

55 Note that respondents could only choose a single answer at this question, so the specific reason chosen is merely the most likely reason of the three for working after SPA and does not necessarily include everyone for whom this would be a consideration.

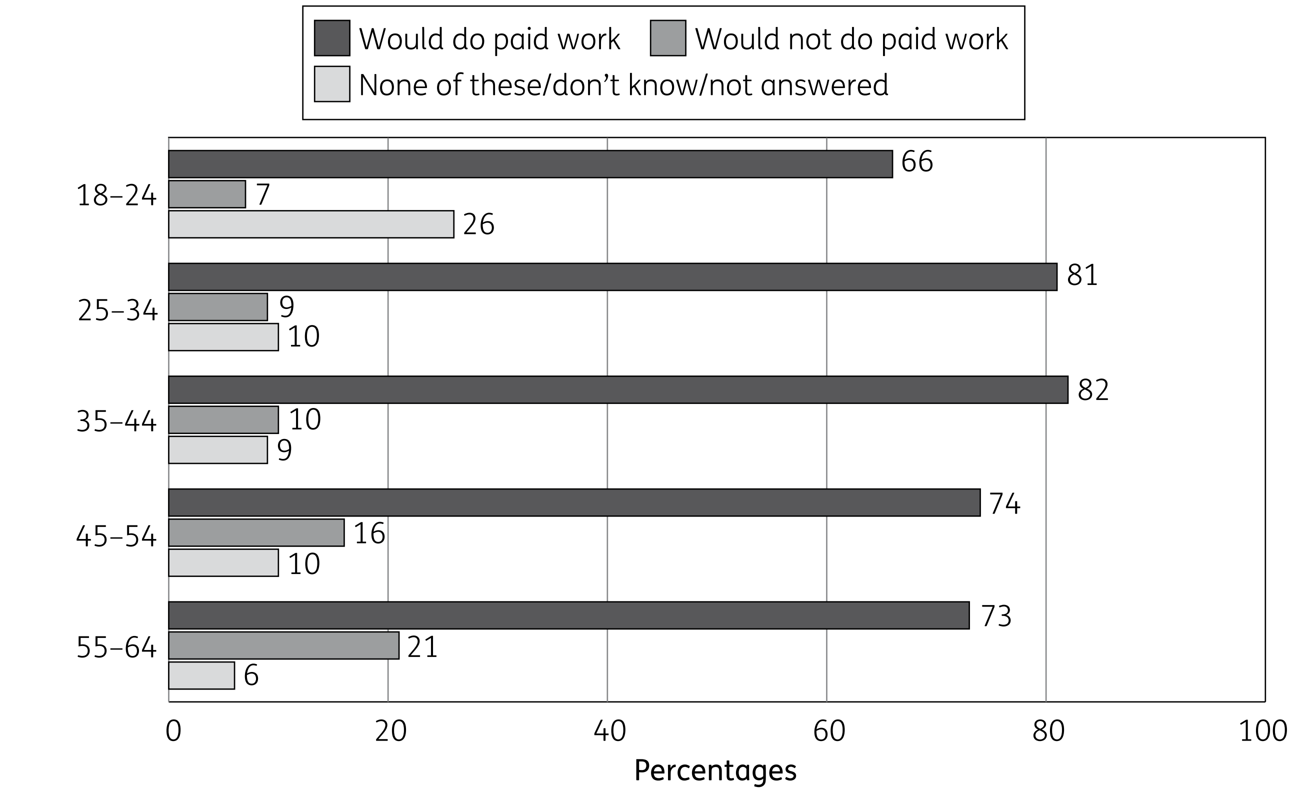
Figure 7.5 Attitude to working after SPA



Base: All respondents who are aged less than 60/65 who are not retired and are not unable to work due to ill health (n=1,170).

Proximity had an effect on answers, with those closest to SPA more likely to say they would not do paid work beyond this age (21 per cent compared with 12 per cent of all ages) (Figure 7.6). Also of note is the much higher percentage of the youngest age group who felt unable to answer this question (26 per cent). Across all age groups the large majority (two-thirds or more) said they would do paid work beyond SPA for one of the options presented.

Figure 7.6 Attitude to working after SPA: by age



Base: All respondents who are aged less than 60/65 who are not retired and are not unable to work due to ill health: 18–24 years (n=144); 25–34 years (n=277); 35–44 years (n=311); 45–54 years (n=266); 55–64 years (n=176).

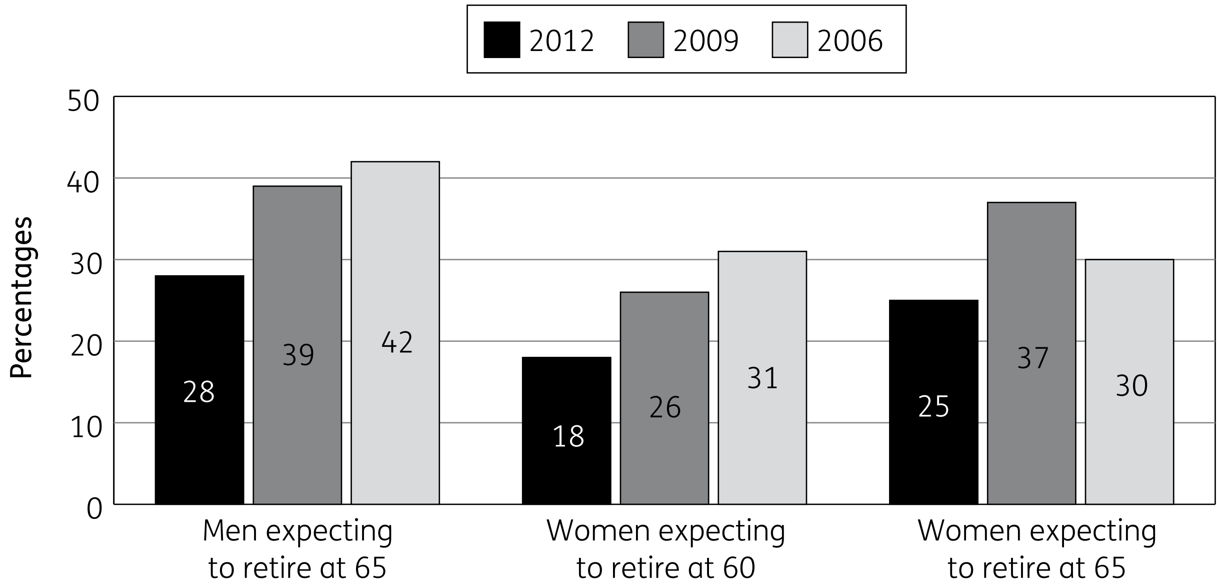
7.2.1 Expectations and experience of retiring before, after or at SPA

The increase in upper age limit for the 2012 survey (see Section 1.3.1) provided an opportunity to look at respondents who were currently in their working lives and those who considered themselves retired. In this section the expectations of retirement age among the former group are compared with the actual experiences of the latter.

Those in paid work or waiting to take up paid work were asked the numerical age at which they expected to retire. At this stage, respondents had not been told their actual SPA.[56] The longstanding SPAs of 65 for men and 60 (and the more recently established SPA of 65) for women still clearly held resonance for respondents, with more respondents choosing these ages than any specific other ages (around a quarter of both working men and women anticipated retiring at 65, and almost one in five working women at 60). However, this was less the case than in previous years, as Figure 7.7 shows.

56 Actual SPA was calculated using date of birth and the published list of State Pension ages published by Department for Work and Pensions (DWP) that was current at the time of the research and is replicated in Appendix D.

Figure 7.7 Percentages anticipating retirement at traditional retirement ages: by year



Base: All respondents aged 18–69 in paid work or waiting take up paid work: women 2012 (n=487); men 2012 (n=475); women 2009 (n=497); men 2009 (n=484); women 2006 (n=606); men 2006 (n=593).

At this point in the 2012 survey, respondents were told their calculated SPA and given the opportunity to revise their answers.[57] This had a significant effect on the results, demonstrating the anchoring role of the SPA in retirement decisions and suggesting the longstanding SPAs have been a powerful social norm.

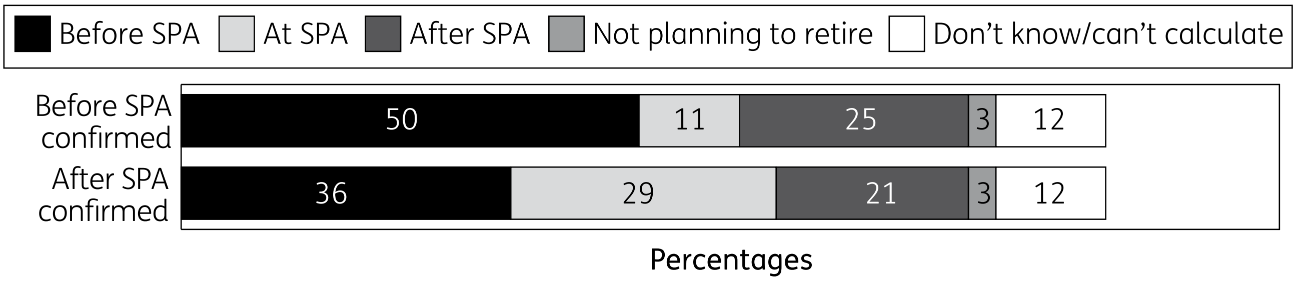
The difference in anticipated retirement age before and after knowledge of SPA is shown in Figure 7.8. Without prompting, one in ten (11 per cent) gave their actual SPA as their expected retirement age, this increased to three in ten (29 per cent) once prompted. The majority of the change was accounted for by workers who had at first given an age below their actual SPA, revising this upwards to SPA, most probably reflecting incomplete awareness of the ongoing increases in SPA.[58]

Around two-thirds (65 per cent) of workers anticipated retiring either at or before their confirmed SPA, with over one in five anticipating staying in their main job beyond SPA (23 per cent, including three per cent who said they would never retire).

57 In a handful of cases, SPA could not be calculated (e.g. where date of birth was refused); these respondents were included in the *'Don't know/can't calculate'* response category.

58 The confusion in SPA was discussed in more detail in Chapter 6.

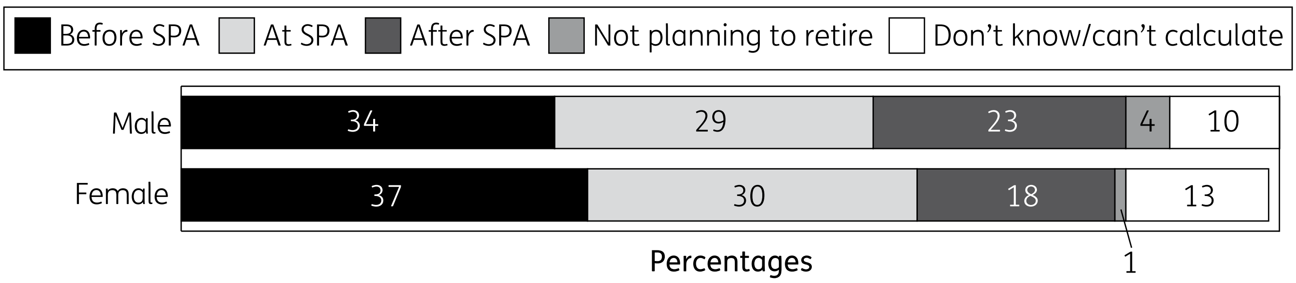
Figure 7.8 When anticipate retiring, relative to SPA – before and after SPA confirmed



Base: All respondents in paid work or waiting take up paid work (n=962).

Figure 7.9 shows how this varies between women and men. Men in paid work were more likely than women to anticipate staying in their main jobs beyond SPA, (23 per cent compared with 18 per cent), and four per cent said they were not planning to retire (compared with one per cent of women in paid work).

Figure 7.9 When anticipate retiring, relative to SPA: by gender



Base: All respondents in paid work or waiting take up paid work: men (n=475); women (n=487).

Expecting to work beyond SPA was also more common among those in lower-income households (31 per cent of workers with household income below £26,000, compared with 19 per cent of those from higher income households).

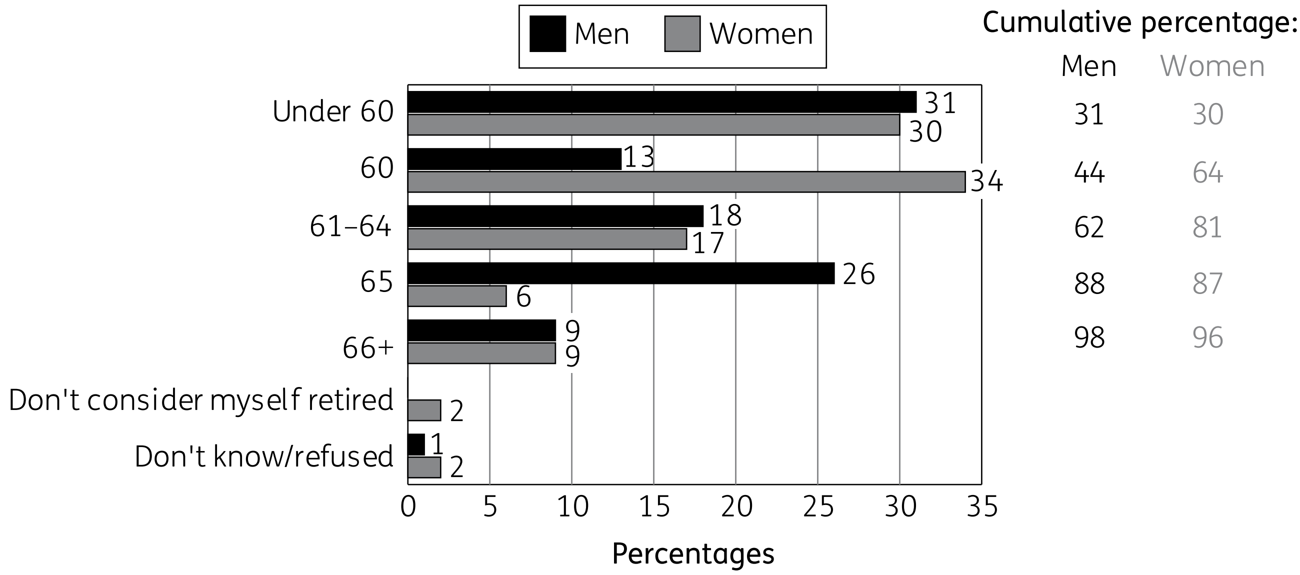
So far the expectations of those who were in paid work or waiting to take up paid work have been examined. Next, the experiences of those who defined themselves as retired are explored.

With the longstanding SPAs set at 65 for men and 60 for women, it is understandable that the ages retired respondents considered themselves to have fully retired at were strongly correlated to their gender. For this reason, Figure 7.10 gives the results separately for men and women, including the cumulative count of all retiring at or before each given age range.

As would be expected, the traditional SPAs provided the clearest peaks. A third of women retired at age 60 and a quarter of men at age 65.[59] Looking at the cumulative percentages, three in ten of both women and men considered themselves retired before the age of 60, and almost nine out of ten of both women and men had retired at or before the age of 65. Between those two measures women and men differed. Just over six in ten retired women had done so by their SPA, but a similar proportion of retired men did so before their SPA, with around two in ten doing so between the ages of 60 and 64.

[59] For 98 per cent of retired women who retired at age 60, this was their SPA (for the remaining two per cent it was 61); for all retired men, 65 was their SPA.

Figure 7.10 Age considered self fully retired: by gender



Base: All respondents who have retired: men (n=243); women (n=372).

Earlier retirement was more prevalent among retired people who lived in owner occupied accommodation at the time of interview (33 per cent of this group had retired before the age of 60, compared with 25 per cent of retired people who lived in rented accommodation).

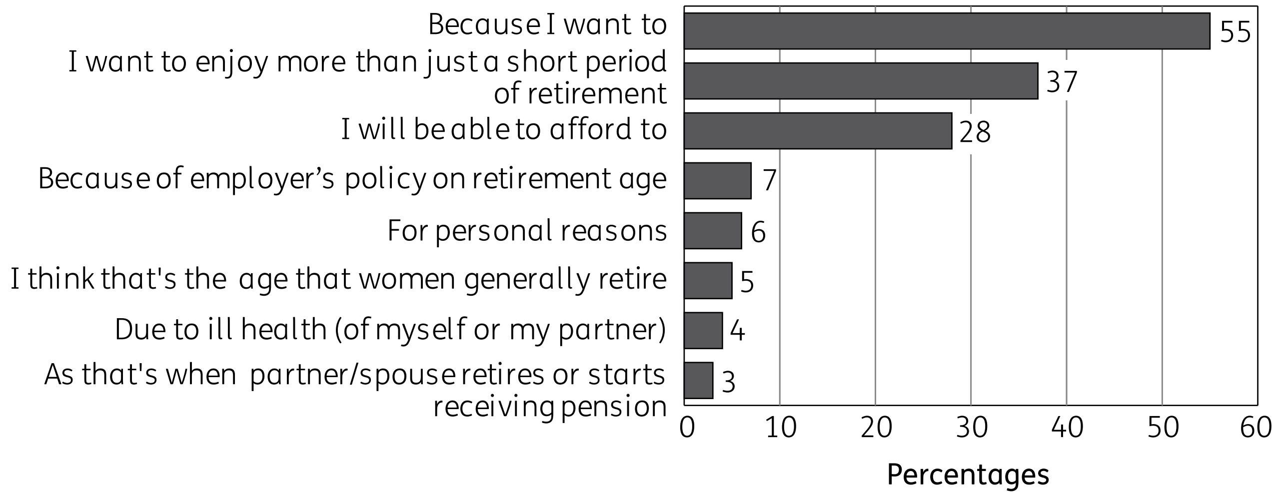
7.2.2 Reasons for retiring before, after or at SPA

In this section, the reasons respondents gave for retiring before, after or at SPA or (where relevant) their employer's fixed retirement age are examined. As in the previous section, the expectations of the economically active anticipating each of these options are compared with the experiences of retired workers who did so at each stage.

Figures 7.11 and 7.12 show the main reasons those who were economically active gave for anticipating retirement before SPA, and retired workers gave for retiring before their SPA or an employer's fixed retirement age where appropriate.[60] The most common reasons for anticipating early retirement were positive ones, with more than half saying it would be because they want to (55 per cent), under four in ten (37 per cent) saying they wanted more than a short retirement, and just under three in ten saying they would be able to afford it (28 per cent).

60 Note that although it is illegal to have to retire at a particular age because of an employer's policy per se, current workers were offered this as a possible reason to determine whether this was still perceived to be the case. For retired workers, it was of course historically possible for them to have encountered fixed retirement ages.

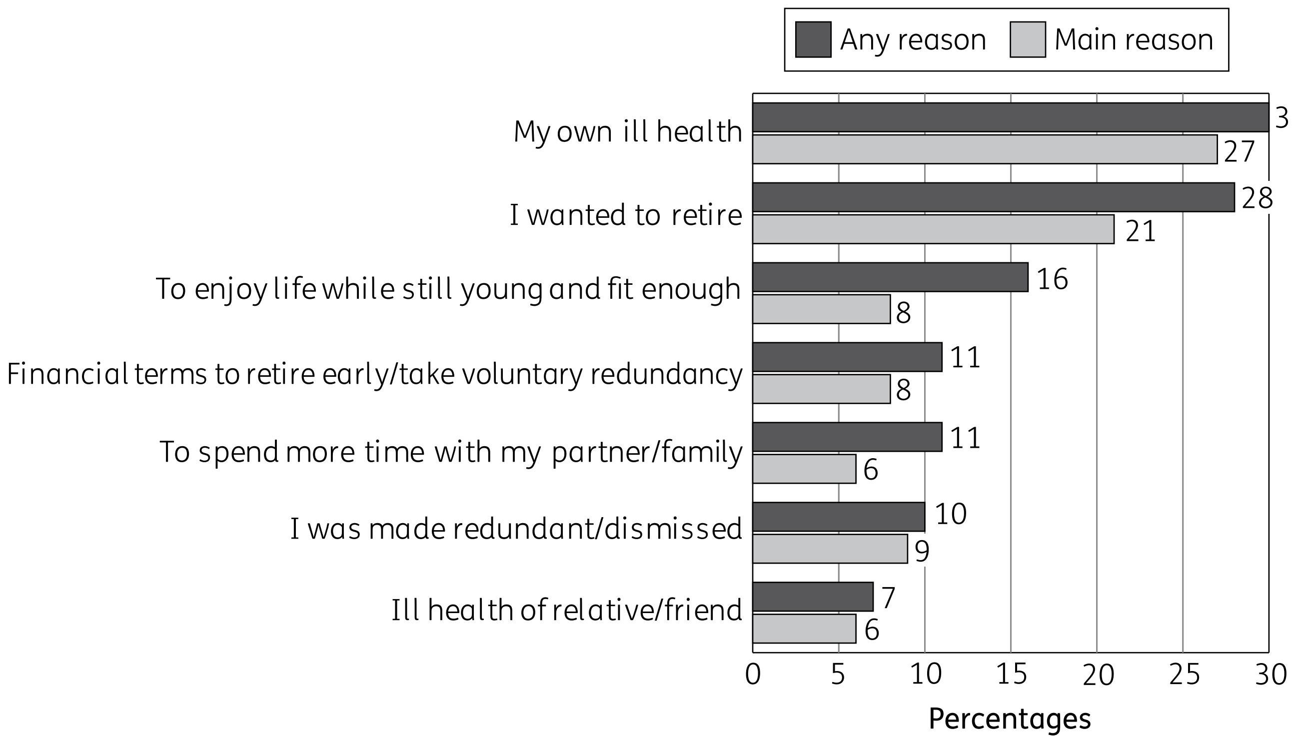
Figure 7.11 Why anticipate retiring before SPA



Base: All respondents who said they will retire before SPA (n=339).

While almost three in ten (28 per cent) of those in retirement who retired early said they did so because they wanted to, they were as likely to say it had been caused by their own ill health (30 per cent), and this was most common main reason (Figure 7.12). While it is understandable that people would not necessarily plan on unexpected ill health, it is notable that four per cent of the economically active anticipating early retirement considered this as a possible factor (and this also includes the ill health of a partner).

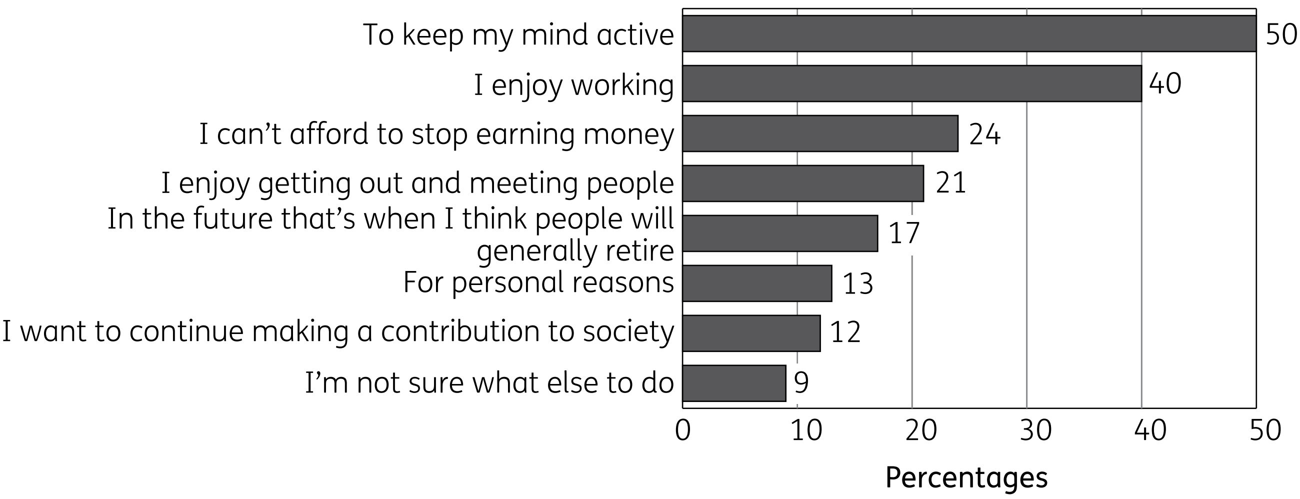
Figure 7.12 Reasons for early retirement



Base: All respondents who retired before SPA/employer's fixed retirement age (n=265).

Among the economically active, the reasons for anticipating retiring after SPA again tended to be mostly positive (Figure 7.13), with five in ten (50 per cent) saying it would keep their mind active, and four in ten (40 per cent) saying they enjoyed working. A quarter (24 per cent) of those anticipating retiring after SPA said this was because they could not afford to stop earning and 17 per cent said that is when they thought people will generally retire in the future.[61]

Figure 7.13 Why anticipate retiring after SPA

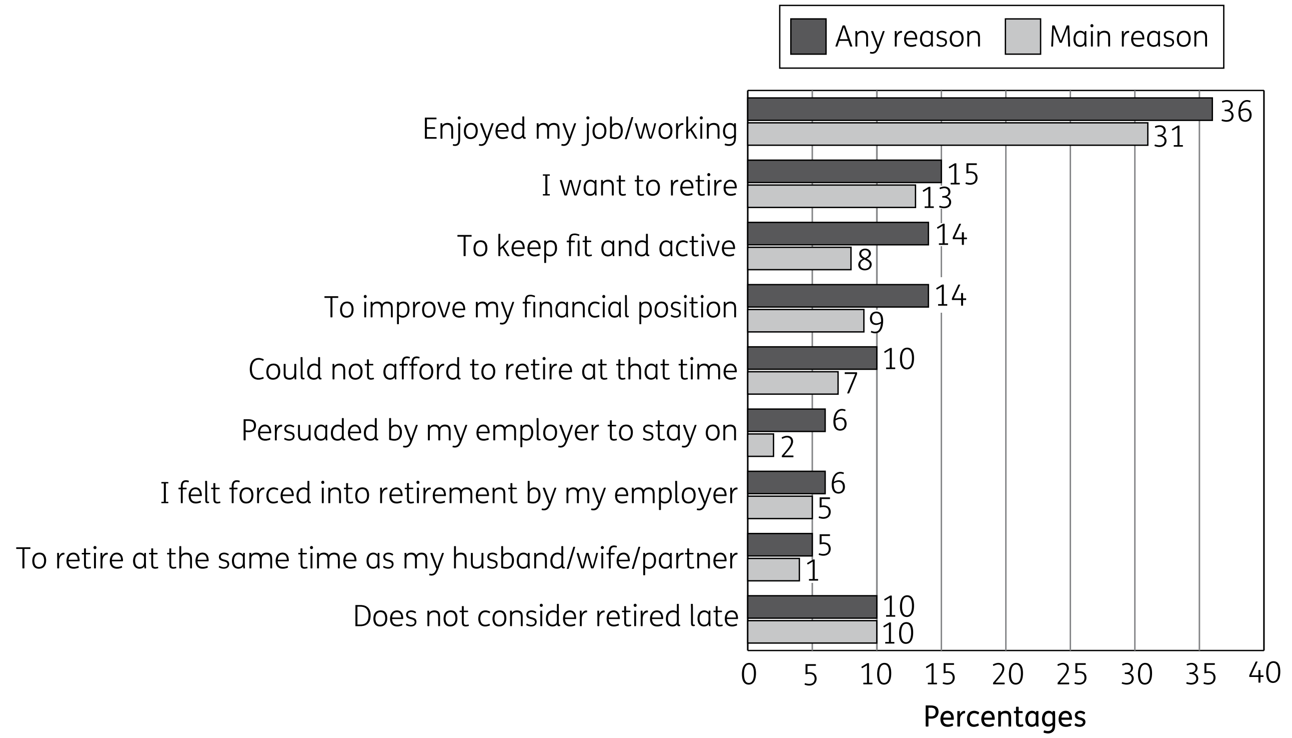


Base: All respondents who said they will retire after SPA (n=172).

Comparing these to the experiences of those retired who had done so after SPA/employer's fixed retirement age (Figure 7.14), a similar percentage said it was because they enjoyed working (36 per cent), with this being by far the most commonly given reason. Keeping active was much less commonly cited as a reason among this group, with over one in ten doing so (14 per cent), similar to the percentages saying they wanted to retire (but could not) (15 per cent) or needed to improve their financial position (14 per cent).

61 These were broadly in line with the current experiences of respondents who were past their SPA but still in employment, who were most likely to say this was because they enjoyed working (32 respondents), wished to stay active in body (20 respondents) or in mind (18 respondents) or enjoyed getting out and meeting people (17 respondents). Eleven respondents said they couldn't afford to stop working. Absolute numbers are quoted here as these results are based on 72 respondents.

Figure 7.14 Reasons for late retirement



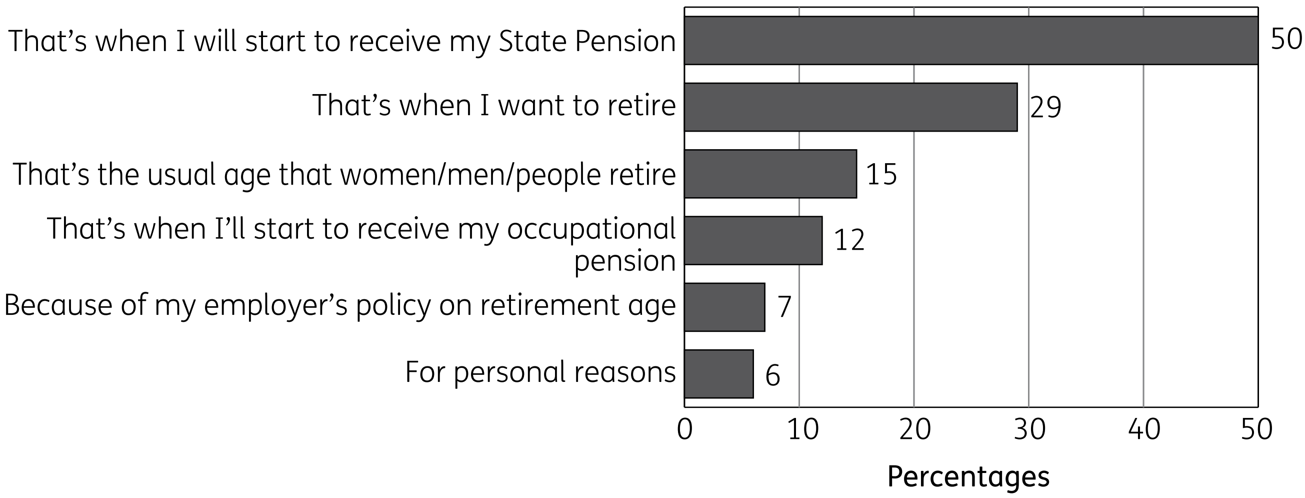
Base: All respondents who have retired after SPA/employers fixed retirement age (n=122).

Those who were economically active anticipating retiring at SPA and those in retirement who retired at SPA or their employer's fixed retirement age both tended to have very straightforward reasons for doing so (Figures 7.15 and 7.16).

Half (50 per cent) of those who were economically active and intending to retire at SPA said it was because that was when they would start receiving State Pension (or a work pension in 12 per cent of cases). By comparison among those who did retire at SPA/a fixed retirement age 14 per cent said this was a factor, and seven per cent said it was their main reason for retiring at this age.

Looking at other reasons, three in ten (29 per cent) of the economically active anticipating retiring at SPA simply said they wanted to, and 15 per cent said it was '*the usual age*'. While unsurprising, this may suggest a need to make sure that those targeting SPA as their retirement age have not devolved responsibility for ensuring their ongoing financial security. Seven per cent anticipated retiring at SPA '*because of their employer's policy*' – possibly unaware that the ability to set a DRA no longer exist unless it can be objectively justified.

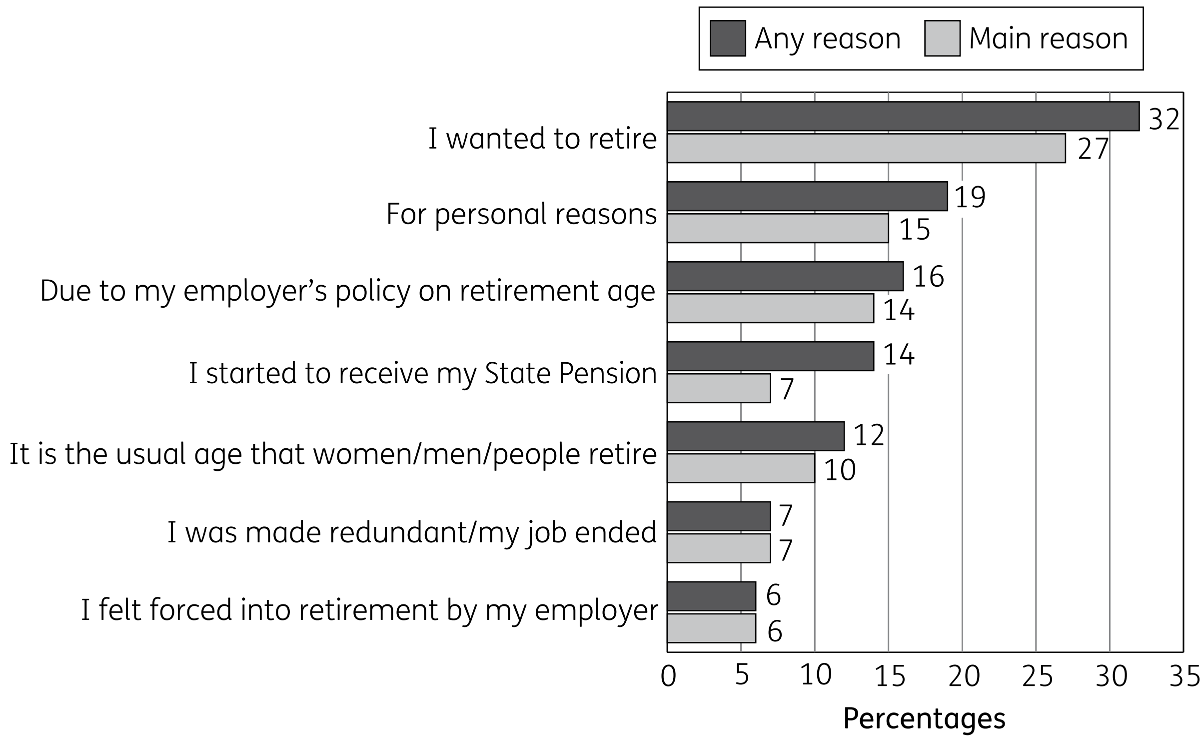
Figure 7.15 Why anticipate retiring at SPA



Base: All respondents who said they will retire at SPA (n=277).

Among those who had retired at SPA or an employer's fixed retirement age, over three in ten (32 per cent) said they simply wanted to retire, and two in ten (19 per cent) cited unspecified personal reasons. However, the next most commonly given answer was because of an employer's retirement policy (16 per cent).

Figure 7.16 Reasons for retiring at SPA/fixed retirement age



Base: All respondents who have retired at SPA/employers fixed retirement age (n=169).

Looking at all the results in this section, in general current workers' reasons for anticipating retiring either before or after SPA tended to be positive ones, often reflecting personal choice. However, the most likely reason cited by those who retired before SPA/employer's fixed retirement age was personal ill health, with just over a quarter (27 per cent) saying this was the most important reason. Although people who are not yet retired may be aware of this possibility, it is likely they base their intuitive expectations on the best-case scenario.

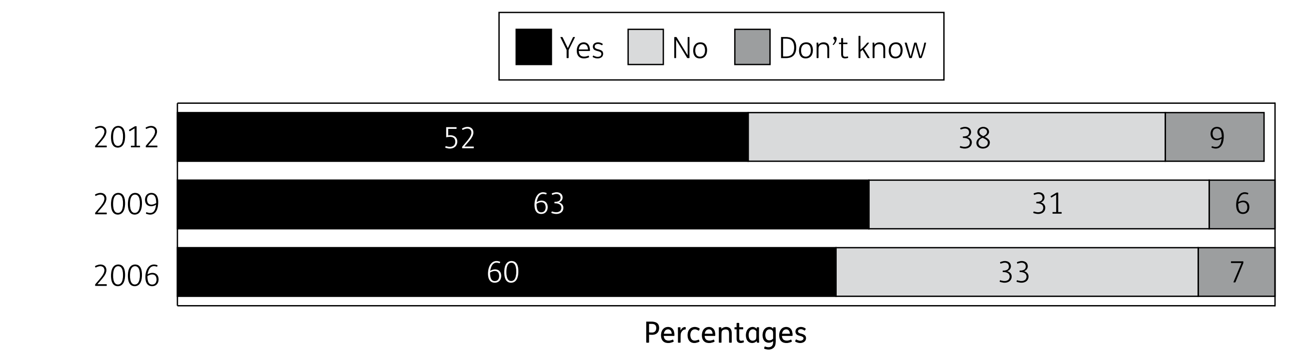
A quarter (24 per cent) of those who were economically active anticipated working beyond SPA because they would not be able to afford to stop working.

7.3 Gradual retirement

One of the principal aims in redefining retirement is that retiring from one's main employment should be seen as a different thing to the end of paid employment altogether. This section looks at the expectations of those currently in work towards working beyond retirement.

Just over five in ten (52 per cent) in paid work aged 18-69 who expected to retire at some point, anticipated undertaking further paid work subsequently. However, this had fallen significantly from the level of around six in ten or more seen in previous years (Figure 7.17).

Figure 7.17 Whether likely to do further paid work after retiring from main employment: by year

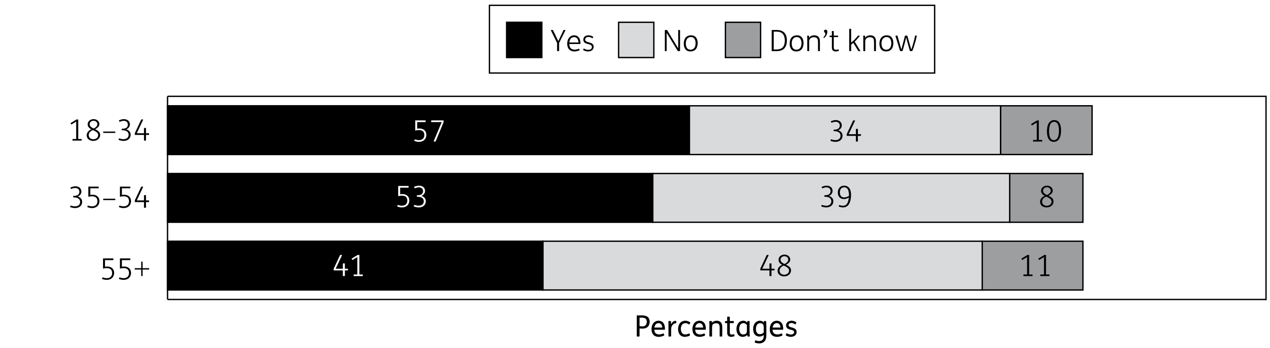


Base: All respondents aged 18–69 who expect to retire: 2012 (n=815); 2009 (n=981); 2006 (n=1,119).

Men were much more likely than women to expect to do further paid work (57 per cent and 47 per cent respectively), as were those in rented accommodation (61 per cent) compared with those in owner occupied housing (49 per cent).

Those closer to SPA were less likely to anticipate doing further paid work after retirement. Four in ten (41 per cent) of those aged 55 or over (including a small number already working beyond SPA) said this (Figure 7.18).

Figure 7.18 Whether likely to do further paid work after retiring from main employment: by age

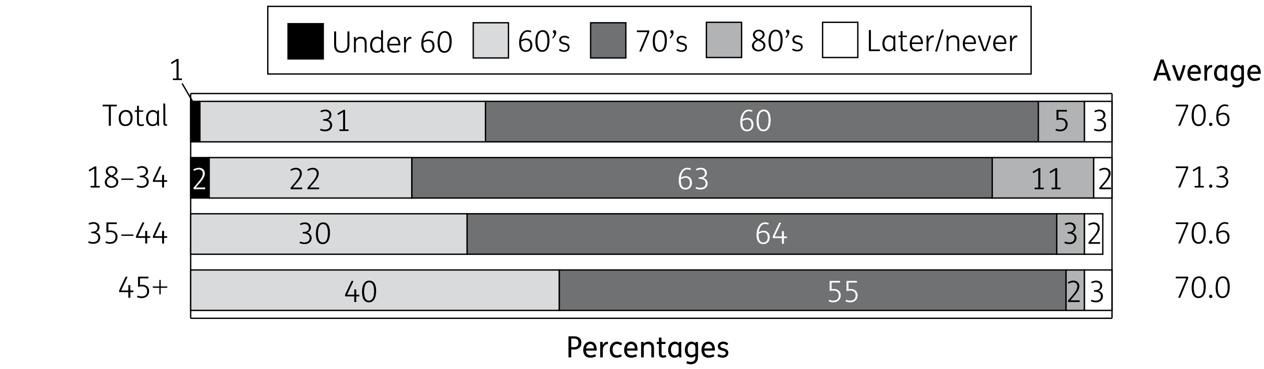


Base: All respondents who expect to retire: 18–34 years (n=232); 35–54 years (n=415); 55+ years (n=168).

Those who anticipated doing further paid work were asked what age they expected to fully retire from all paid work and this is shown in Figure 7.19.

Three in ten (31 per cent) said this would be some time in their 60's, and six in ten (60 per cent) their 70's, with an average (among those giving a numerical answer) of 70.6. Results varied slightly with age (Figure 7.19), with just over two in ten (22 per cent) of 18-34 year olds (who anticipated paid work after retirement) anticipating complete retirement in their 60's, and one in ten (11 per cent) not expecting this before the age of 80.

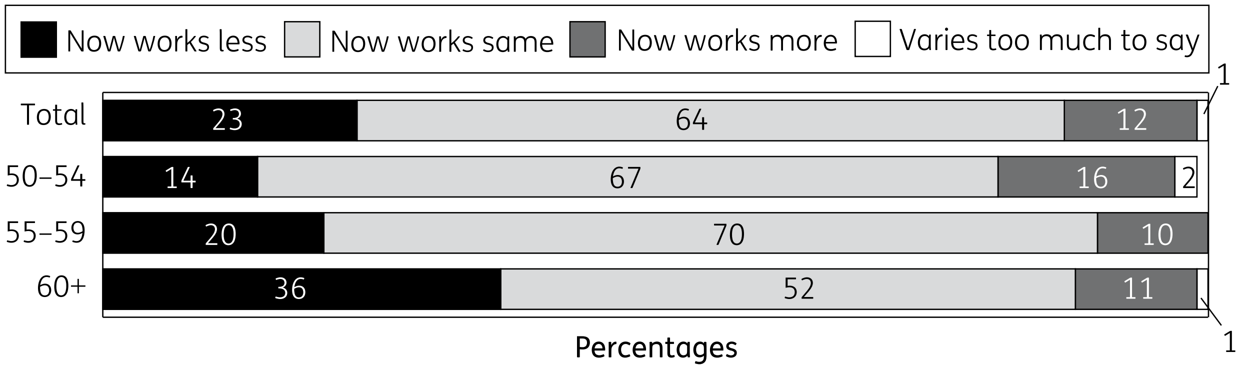
Figure 7.19 Age expect to fully retire from paid work: by age



Base: All respondents who expect to work after retirement (n=424): 18–34 years (n=134); 35–44 years (n=111); 45+ years (n=179).

On the issue of transitional working, those in paid work aged 50 plus were asked if they were changing the number of hours they worked as they approached SPA (Figure 7.20). While almost two-thirds (64 per cent) said their hours had not changed, just under a quarter (23 per cent) were now working fewer hours than previously, whereas just over one in ten (12 per cent) were now working more. As SPA neared, the tendency to reduce hours was more noticeable, with over a third (36 per cent) of those still working beyond the age of 60 saying they worked fewer hours than previously.

Figure 7.20 Whether changing hours as approach SPA: by age



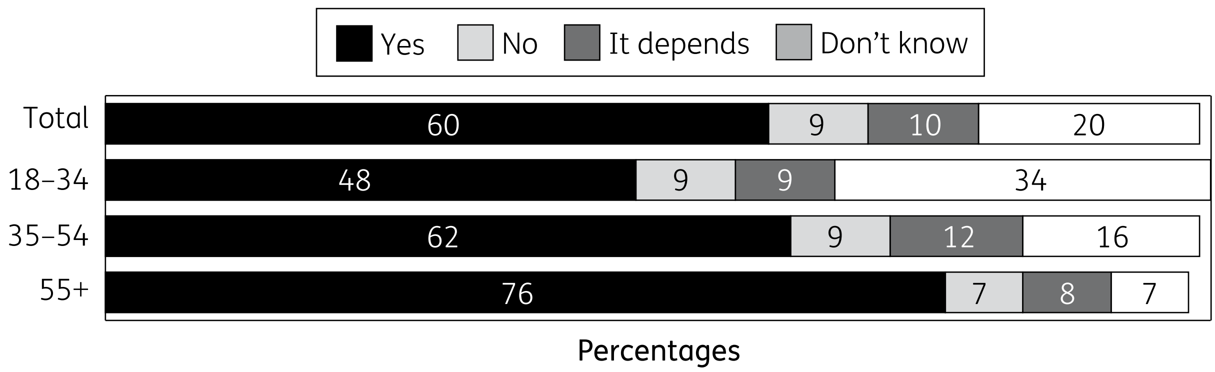
Base: All respondents in paid employment and aged 50 or over (n=314): 50–54 years (n=103); 55–59 years (n=104); 60+ years (n=106).

7.4 Default Retirement Age

The removal of the DRA means employers are no longer allowed to require an employee to retire at a fixed age unless it can be objectively justified. However, many of those now in retirement – and indeed many in the current workforce – may have encountered fixed retirement ages. This section briefly summarises respondents' awareness and experience in this area.

As Figure 7.21 shows, three in five (60 per cent) current employees felt able to say definitely that their employer would allow them to work past 65 if they wanted to. The other notable result is that one in five (20 per cent) said they did not know the answer to the question and this decreased with age. While a third (34 per cent) of 18-34 year olds did not know whether their employer allowed continued working past 65, this shrank to seven per cent of those aged 55 or over, and three-quarters (76 per cent) of this group said their employer would allow them to do so.

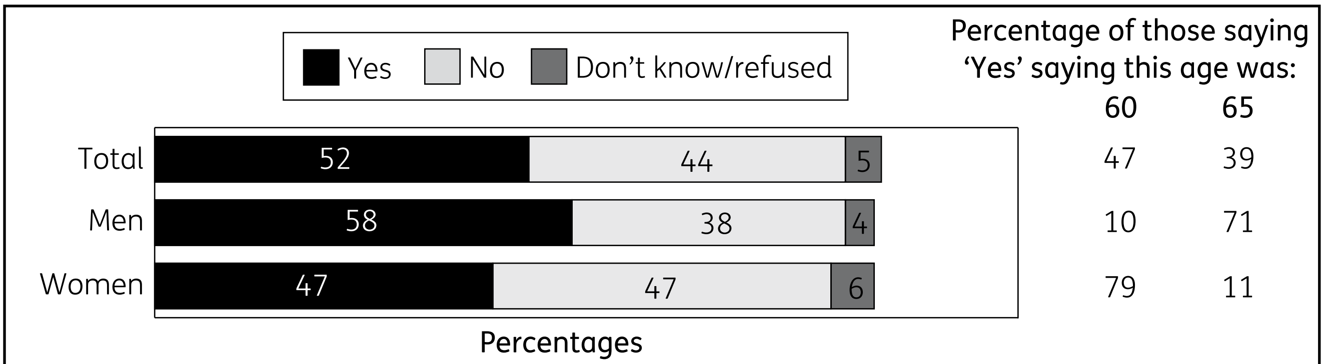
Figure 7.21 Whether employer allows you to work past 65 if you want to: by age



Base: All current employees (n=826): 18–34 years (n=234); 35–44 years (n=414); 45+ years (n=178).

Looking at the experiences of retired respondents, just over five in ten (52 per cent) of those who were retired and not currently working, but had worked in the past, said their former employer had an age that people were expected to retire at. This was more frequently the case for men, with almost six in ten (58 per cent) saying this was the case compared with fewer than five in ten (47 per cent) women. In the large majority of such cases these were the traditional SPAs, with seven out of ten men and eight out of ten women who said there was an expected retirement age saying this was the gender-specific SPA (Figure 7.22).

Figure 7.22 Whether last employer had an age that people were expected to retire: by gender

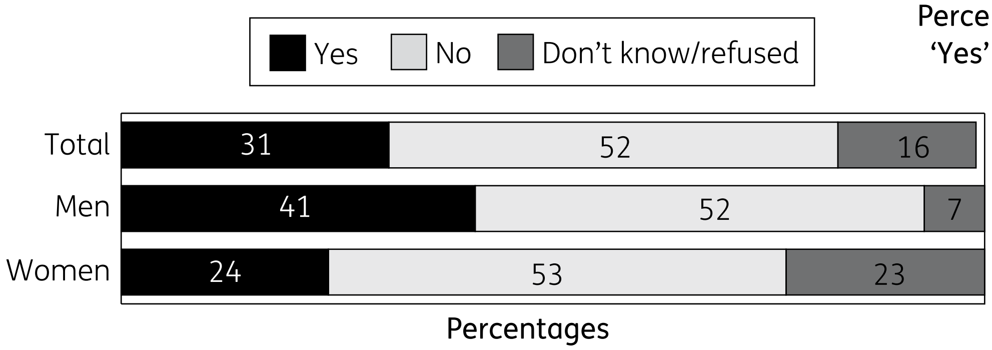


Base: All respondents who have retired and are not currently working, but have worked in the past (n=572): men (n=226); women (n=346).

The same group were also asked if their previous employer had an age that one had to formally request to work beyond. This was less common than an expected retirement age, with three in ten (31 per cent) saying this was the case (Figure 7.23). Again, these tended to be the traditional ages of 60 and 65, which between them accounted for over eight in ten such ages, with a further one in ten saying they did not know what the relevant age was.

Men were almost twice as likely as women to have encountered a need to request to stay (41 per cent compared with 24 per cent respectively). While seven in ten (71 per cent) of men encountering such a barrier said that this was at age 65, women's experiences were slightly more divided, with just over half saying this was at age 60, and three in ten at age 65.

Figure 7.23 Whether last employer had an age that had to request working beyond: by gender



Percentage of those saying 'Yes' saying this age was:

	60	65
Total	30	52
Men	10	71
Women	54	29

Base: All respondents who have retired and are not currently working, but have worked in the past (n=572): men (n=226); women (n=346).

Seventeen per cent of those retired from paid work said they had to retire because of their employer's policy on retirement age.[62] Where respondents did have to retire because of policy they were equally split between those saying they would have liked to continue working in the same position (46 per cent) and those who would not (54 per cent).[63]

62 Those who had already given this as a reason for retiring at SPA/fixed retirement age were coded as 'yes', those who had retired at an age beyond their employer's normal retirement age were coded 'no'; everyone else was asked directly.

63 Note, the small base size for those who did have to retire because of policy (n=77).

8 Knowledge of pensions

Summary

- The majority of those aged 18-69 said they knew more than a little about pension issues (67 per cent), though very few respondents said that they had a good knowledge of pension issues (six per cent).
- More than a third of 18-69 year olds (37 per cent) said they had little or no knowledge of State Pension issues. The percentage saying they had at least a basic knowledge of State Pension issues declined from 2009 (33 per cent in 2009; 26 per cent in 2012).
- Those who had little or no knowledge of state pension policy were most likely to under-estimate their State Pension age (SPA) (56 per cent compared with 43 per cent of those with a reasonable or good knowledge).
- In contrast to self-perceptions of knowledge of SPA which has reduced over time, objectively demonstrated knowledge of specific aspects of State Pension policy has remained relatively stable.
- This was also the case for knowledge of private pension issues with one exception. There was an increase in awareness that the final value of personal or stakeholder pensions depends on the performance of the stock market since 2006 (61 per cent 2006; 73 per cent 2009; 72 per cent 2012).
- Awareness of the need to use a personal pension to buy an annuity to provide an income until death had also increased since 2009 (21 per cent 2009; 50 per cent 2012).

Key insights

Collectively, self-assessed, knowledge of pensions as a whole and of the State pension has reduced, which may be related to the ongoing and relatively rapid changes in pension policy.

Despite this and setting aside the confusion around State Pension age discussed in Chapter 6, objectively measured knowledge about other specific aspects of state and private pension policy was unchanged.

One area where knowledge of private pension policy has increased was in relation to a personal pension, both the link between final value and stock market performance and the need to use it to buy an annuity. This may be due, at least in part, to publicity around these during the current economic downturn.

8.1 Introduction

The 2009 Attitudes to pensions survey highlighted that those with greater knowledge of pensions are generally better prepared for retirement though it was not possible to say definitively from the survey results whether knowledge drives financial preparations for later life or if indeed knowledge is accumulated through the life course as experience increases. Having reviewed a range of evidence, Weyman *et al.* suggested that most individuals do not engage with pension issues in a systematic or rational way by first seeking out information to use in decision-making (Weyman, A. *et al.* 2012, 55, 58). This implies that knowledge is likely to follow experience.

Recognising that knowledge can be measured in a variety of ways, this section firstly explores self-assessed knowledge of pension issues as a whole and, recaps the self-assessed knowledge of State Pension issues first discussed in Chapter 6. It also includes a true/false knowledge test of specific aspects of the state and private pensions systems, of particular interest to policy to provide a more objectively measured indication of knowledge.

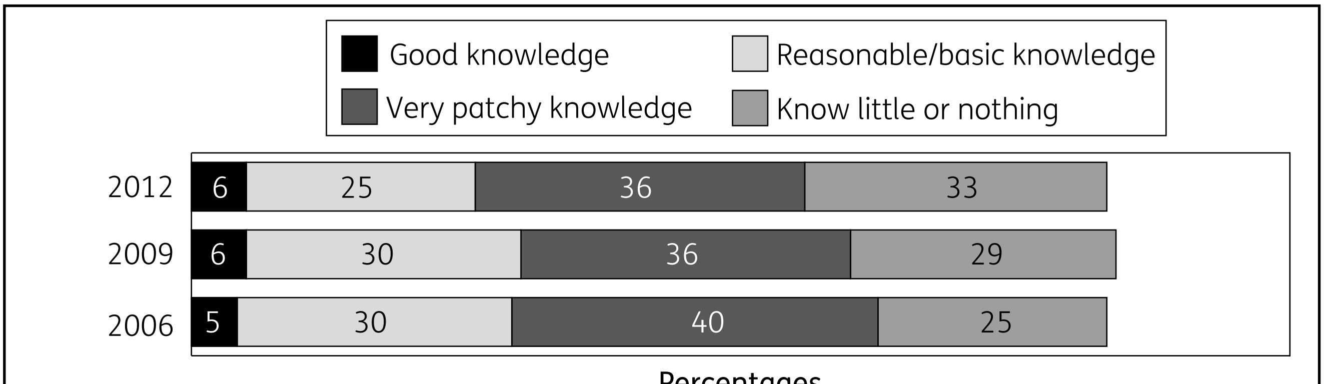
8.2 Self-assessed knowledge of pension issues

Figure 8.1 shows the level of knowledge respondents felt they have around pension issues in general, providing this over time. It shows that levels of self-assessed knowledge of pension issues remains similar to those observed in 2006 and 2009 among 18-69 year olds. The majority of respondents in 2012 said that they knew more than a little about pension issues (67 per cent). Very few said that they had a good knowledge of pension issues (six per cent).

Self-reported '*good knowledge*' was low. Previous research has highlighted that people do not seek out information to improve knowledge though this may be because of too much information and too many variables to manipulate results in cognitive overload. Instead people seek clarity, simplicity and certainty (Wicks *et al.* 2009; Hedges *et al.* 2009).

Since 2006, there was an increase in the percentage saying they know little or nothing about pension issues (25 per cent in 2006 rising to 33 per cent in 2012).

Figure 8.1 Self-assessed knowledge of pension issues: by year



Base: All respondents aged 18–69: 2012 (n= 1,559); 2009 (n= 1,654); 2006 (n= 1,950).

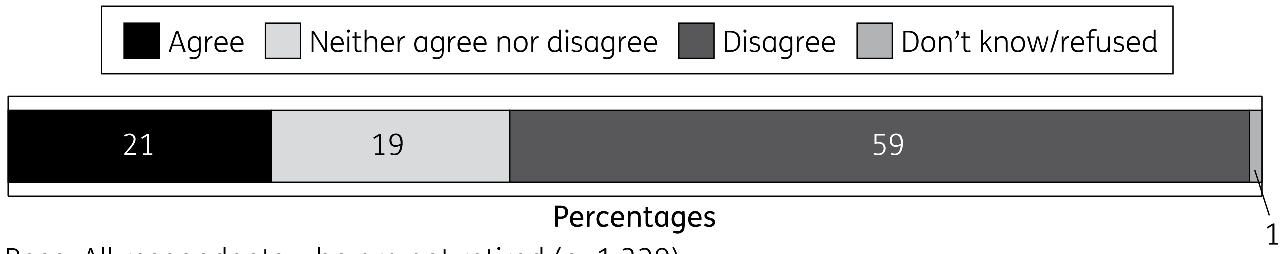
The most notable difference in knowledge was between those who have ever had a private pension and those who have never had one. Just over half (52 per cent) of those who have never had a private pension said that they knew little or nothing about pensions, while 18 per cent of those who had ever had a private pension gave this response.

As having ever had a private pension increased with age, it is unsurprising that pension knowledge also increased with age up until retirement. Younger people aged 18-24 were the age group most likely to say that they knew little or nothing at all, perhaps indicative of a broad lack of engagement with pensions and later life planning.

8.2.1 Pensions knowledge – effect on decision-making

Those who were not retired were asked how much they agreed or disagreed that: '*I know enough about pensions to decide with confidence about how to save for my retirement*'. As Figure 8.2 shows, one in five, (21 per cent) agreed they did know enough about pensions to decide with confidence about saving for retirement, while 59 per cent disagreed.

Figure 8.2 Agreement that I know enough abut pensions to decide with confidence about how to save for retirement



Base: All respondents who are not retired (n=1,329).

8.3 Self-assessed knowledge of State Pension issues

Respondents were also asked the level of knowledge they felt they had on State Pension issues. The results were discussed more fully in Section 6.6.1.

In brief, self-assessed knowledge of State Pension issues remained relatively low among 18-69 year olds in 2012, with a quarter (26 per cent) saying they had at least a basic knowledge, and over a third (36 per cent) saying they knew little or nothing. Levels of at least a basic knowledge have declined slightly (from 33 per cent in 2009).

Comparing men and women, a third (32 per cent) of men believed they had at least a reasonable knowledge of State Pension issues compared with a quarter (25 per cent) of women, and this disparity was reflected across nearly all age groups.

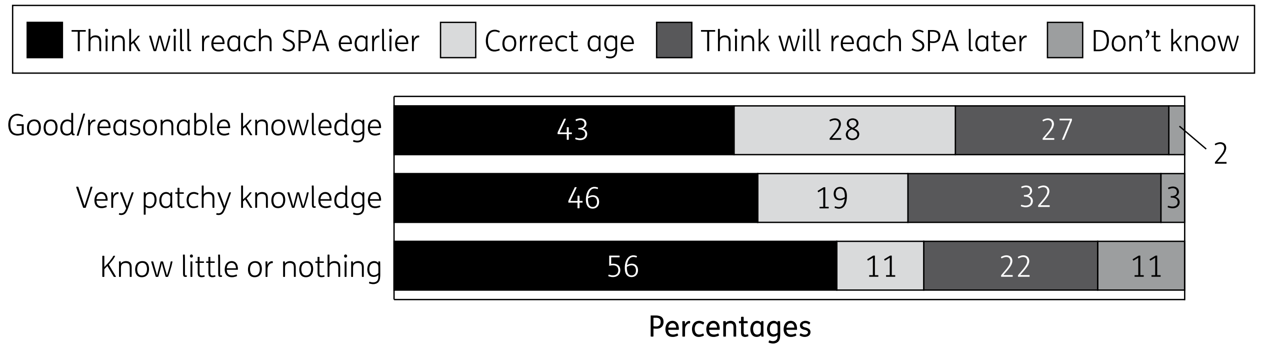
8.3.1 Subjective and objective knowledge about State Pension issues

A comparison of objective knowledge about SPA and subjective knowledge of State Pension issues gives an indication of the extent to which respondents' self-assessment was accurate. The extent to which respondents could forecast their SPA accurately was previously assessed (Chapter 6). In this section, these results are analysed by self-assessed knowledge to look for relationships between the two.

Looking at Figure 8.3, it is clear that there was some correlation between subjective and objective assessment of knowledge, with 28 per cent of those declaring at least reasonable knowledge correctly identifying their SPA, reducing to 11 per cent of those who said they knew little or nothing about state pensions. This leaves over seven in ten respondents who consider they had a reasonable or good knowledge of State Pension issues unable to forecast their SPA correctly.

In addition, those who say they have little or no knowledge of state pension policy were most likely to under-estimate their SPA (56 per cent compared with 43 per cent of those with a reasonable or good knowledge). Not only did this group of respondents say they knew less about pension policy in general, they were also more likely to think they will receive their State Pension sooner.

Figure 8.3 Accuracy of SPA forecast: by self-assessed knowledge of State Pension issues



Base: All respondents below SPA: reasonable/good knowledge (n=317); very patchy knowledge (n=500); know little nothing (n=503).

8.4 Objectively assessed knowledge of the State Pension system

Respondents were asked a set of questions relating to various aspects of the State Pension system in the form of a true/false knowledge test. The questions were also asked in 2009, and most in 2006, though with some wording changes to a number of statements.[64] As well as identifying levels of knowledge, respondents' degree of certainty was measured through definitely/probably options.[65]

In this section, when comparing results between 2009 and 2012, data have been re-based on adults aged 18-69.

People are entitled to receive the basic State Pension (BSP) on reaching SPA, but also have the option to defer receipt in return for higher weekly payments when they do decide to draw their pension. Figure 8.4 displays the extent to which people were aware that they had the option to defer receipt of the State Pension in return for higher weekly payments or an additional lump sum.

The knowledge questions assessed were:

'When you reach State Pension age, you can choose to delay receiving your State Pension.'

(Correct answer = True)

'If you delay receiving your State Pension you can get an additional lump sum when you do start to take it.'

(Correct answer = True)

'If you delay receiving your State Pension, you can get extra State Pension in your regular payments when you do start to take it.'

(Correct answer = True)

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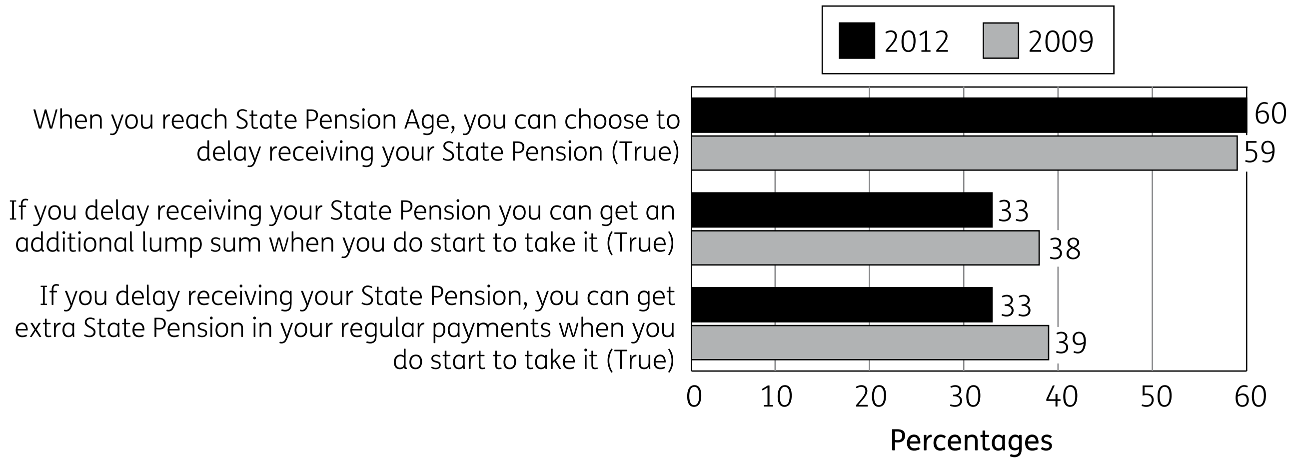
64 Data for 2006 have not been shown due to a number of question wording changes on these measures implemented in 2009 which affects comparability with earlier years.

65 In 2009, only aggregated data for definitely/probably were available; however, the question was asked in the same way in both survey years. As this and the next section focuses on time series results, this has not been explored. It is available in the SPSS data file that is available through the data archive http://www.data-archive.ac.uk/

The percentage of respondents who knew that it was possible to delay receipt of the State Pension remained unchanged since 2009 (60 per cent compared with 59 per cent in 2009). Lower percentages of respondents (33 per cent) were aware of the implications of deferral in terms of the amount of State Pension received and there was relatively little change since 2009.

Figure 8.4 Knowledge of State Pension deferral: percentage correct by year

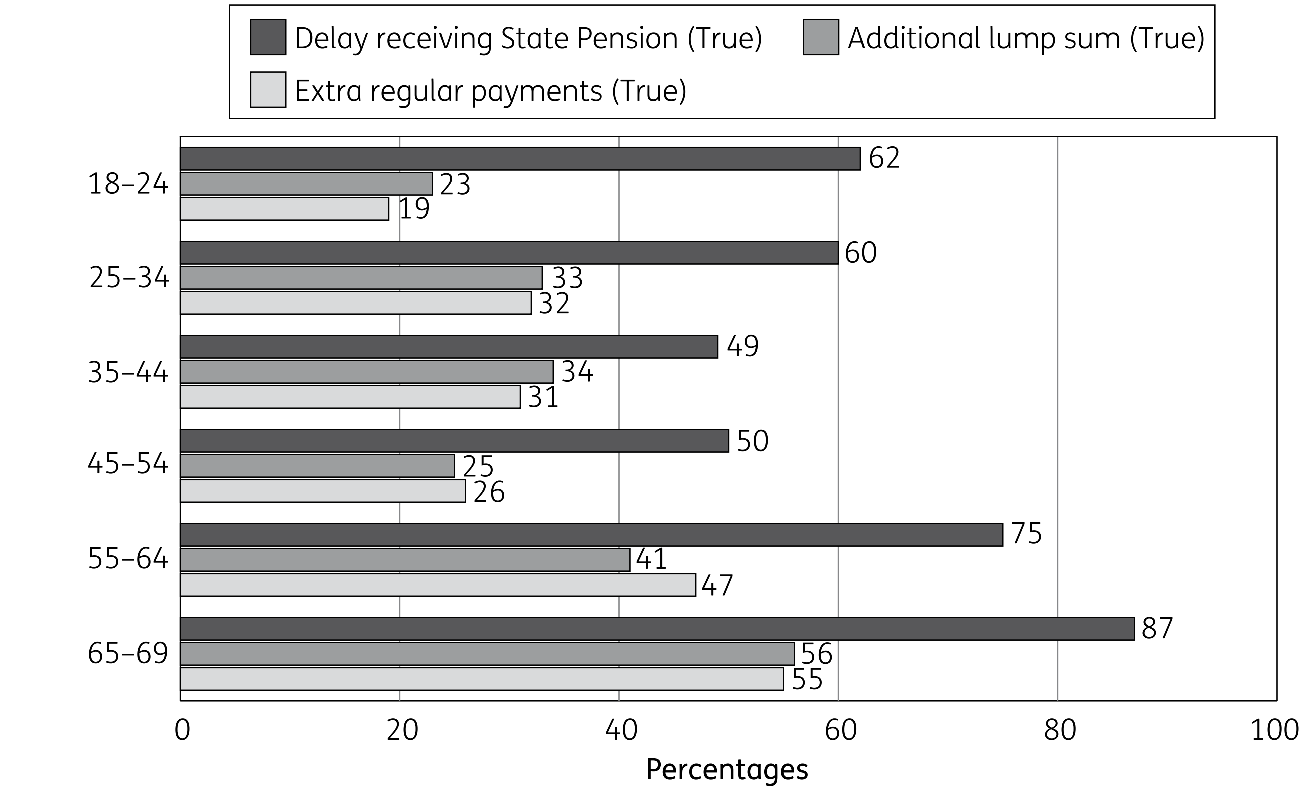


Base: All respondents aged 18–69: 2012 (n=1,559); 2009 (n=1,654).

In 2012, knowledge about the possibility of delaying the State Pension was highest among those either close to, or beyond, SPA (Figure 8.5). Three-quarters (75 per cent) of those aged 55-64 and 87 per cent of those aged 65-69 provided the correct answer to this statement. Knowledge was also higher among these age groups that deferral would lead to a lump sum and to extra regular payments.

Those aged 18-34 were more aware of the possibility of delaying State Pension than those aged 35-54. Taking the answers to all three statements together, 45-54 year olds were in general the least knowledgeable of all the age groups about deferral.

Figure 8.5 Knowledge of State Pension deferral: percentage correct by age



Base: All respondent aged 18–69; 18–24 (n=144); 25–34 (n=281); 35–44 (n=330); 45–54 (n=302); 55–64 (n=338); 65–69 (n=164).

Respondents were also asked some questions to test their knowledge of the relationship between retirement and State Pension entitlement, as well as their knowledge of the different elements that contributed to State Pension system.

The elements of State Pension will change in the future, with a single tier pension being introduced. At the time of the interview, no actual changes had been introduced and so correct answers to the statements were unchanged from 2009.

The knowledge questions assessed were:

'You must stop working to claim your State Pension, even if you are over State Pension age.'

(Correct answer = False)

'Pension credit, a benefit for older people, is only available to those with no savings.'

(Correct answer = False)

'As well as the basic State Pension, for some people the Government provides a second state pension related to their previous earnings.'

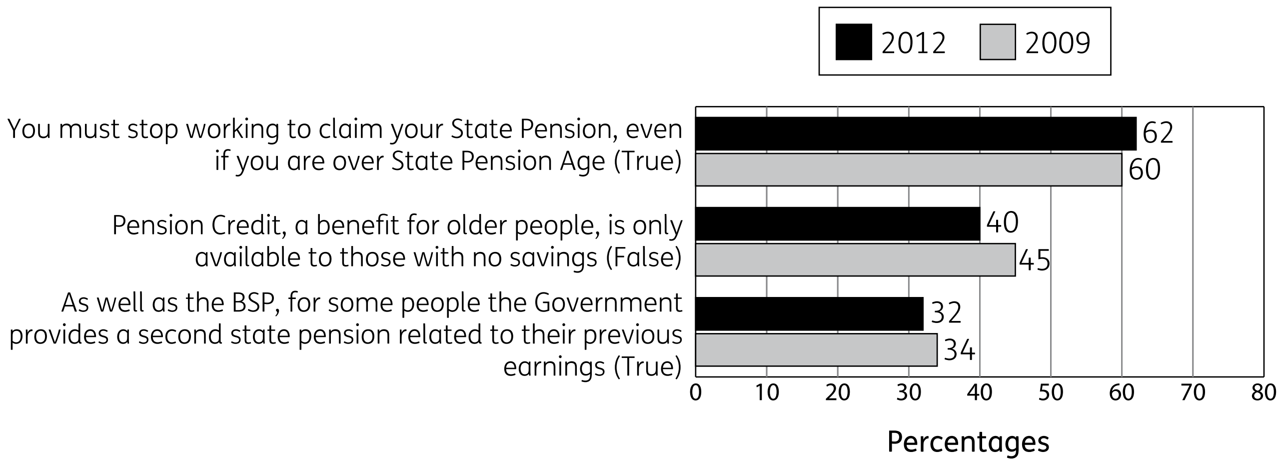
(Correct answer = True)

The percentage of correct answers for each question is shown in Figure 8.6.

Around six in ten (62 per cent) correctly identified that there is no obligation to stop working in order to claim State Pension, unchanged on 2009 levels.

Knowledge of the different elements of the State Pension system was less prevalent. In 2012, 40 per cent correctly identified pension credit is not only available for those with no savings compared with 45 per cent in 2009. There was no change in the percentages correctly identifying the provision to some people of a second state pension related to previous earnings (32 per cent in 2012 and 34 per cent in 2009).

Figure 8.6 Knowledge of State pension, Pension Credit and State Second Pension: percentage correct by year

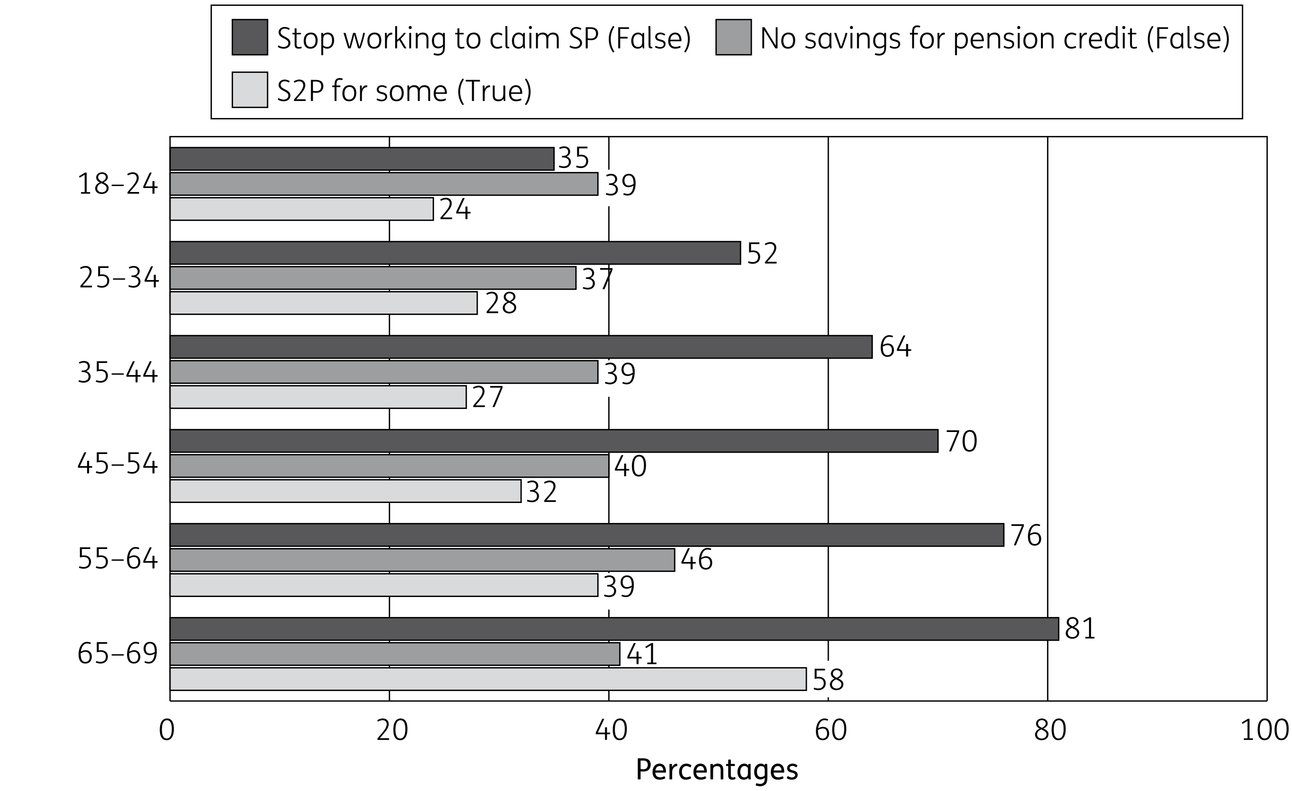


Base: All respondents aged 18–69: 2012 (n=1,559); 2009 (n=1,654).

For all three statements, knowledge generally increased with age, with knowledge about stopping work reaching high levels of at least seven in ten among those aged 45 or older (Figure 8.7). In contrast, knowledge about pension credit remained fairly level across the age groups. For knowledge about the second state pension the oldest age group, where everyone had reached SPA, were more likely to answer correctly than any other age group (58 per cent of 65-69 year olds).

These findings demonstrate a lack of knowledge around the means-tested pension credit provision regardless of age and, for those who had not yet reached SPA, the earnings–related element of the State Pension.

Figure 8.7 Knowledge of State pension, Pension Credit and State Second Pension: percentage correct by age



Base: All respondents aged: 18–24 (n=144); 25–34 (n=281); 35–44 (n=330); 45–54 (n=302); 55–64 (n=338); 65–69 (n=164).

Finally, some true/false statements regarding the status of State Pensions in relation to tax were presented to respondents.

One statement concerned the amount of BSP a person receives. From April 2010, the number of qualifying years for BSP, based on National Insurance contributions (NICs) or credits, was reduced. This policy change did not affect the correct answer to the statement.

The knowledge questions assessed were:

'The basic State Pension you get depends on how many years of National Insurance contributions or credits you have built up.'

(Correct answer = True)

'The income a person receives from the State Pension is taken into account when working out whether they have to pay income tax.'

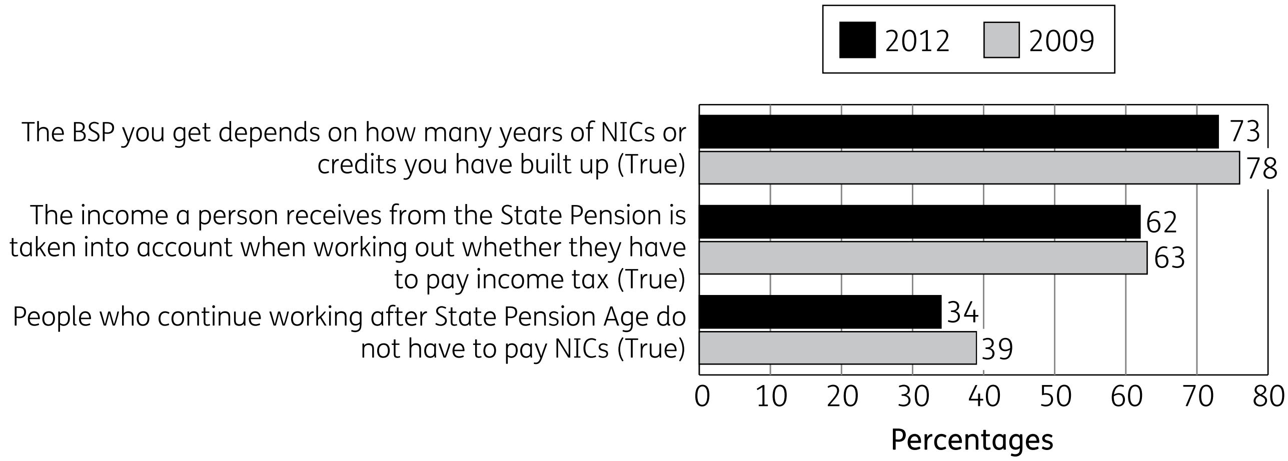
(Correct answer = True)

'People who continue working after State Pension age do not have to pay National Insurance contributions.'

(Correct answer = True)

In general, most respondents (73 per cent) were aware that BSP entitlement was related to qualifying years of NICs or credits, while almost two-thirds (62 per cent) were aware that the State Pension counts as taxable income. Fewer, (34 per cent) knew that if they continued working beyond SPA, they no longer had to pay NICs. All of these remained unchanged since 2009.

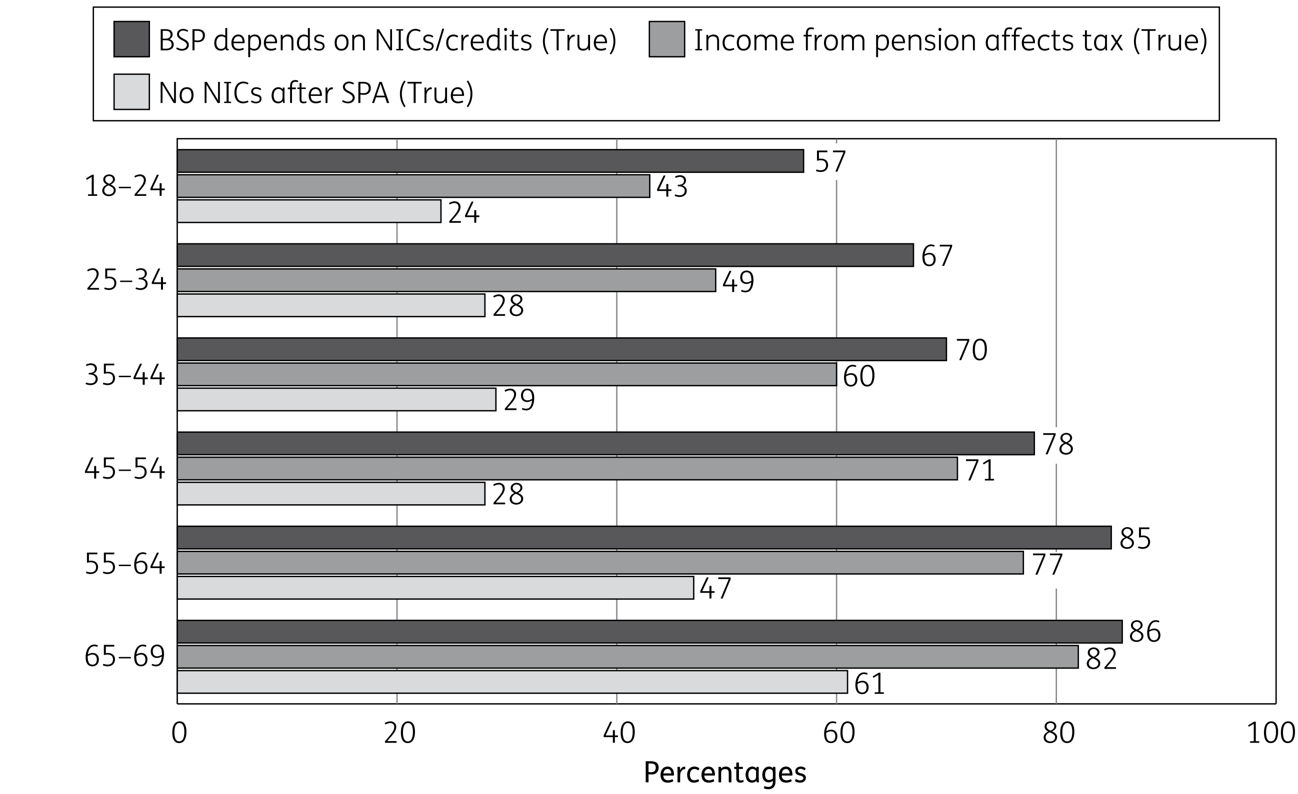
Figure 8.8 Knowledge of State Pension and tax/NICs: percentage correct by year



Base: All respondents aged 18–69: 2012 (n=1,559); 2009 (n=1,654).

As Figure 8.9 shows, awareness on all three of these measures rose with age, knowledge unsurprisingly peaking at ages 65-69 among the age group that has all reached SPA.

Figure 8.9 Knowledge of State Pension and tax/NICs: percentage correct by age



Base: All respondent aged: 18–24 (n=144); 25–34 (n=281); 35–44 (n=330); 45–54 (n=302); 55–64 (n=338); 65–69 (n=164).

8.5 Objectively assessed knowledge of private pension system

In this section, results from the series of true/false knowledge questions on particular aspects of the private pension system are presented, once again using a base of adults aged 18-69 to allow trend comparisons with the 2009 survey. Answers to two specific questions of interest to policy on knowledge and preferences around annuities complete this section.

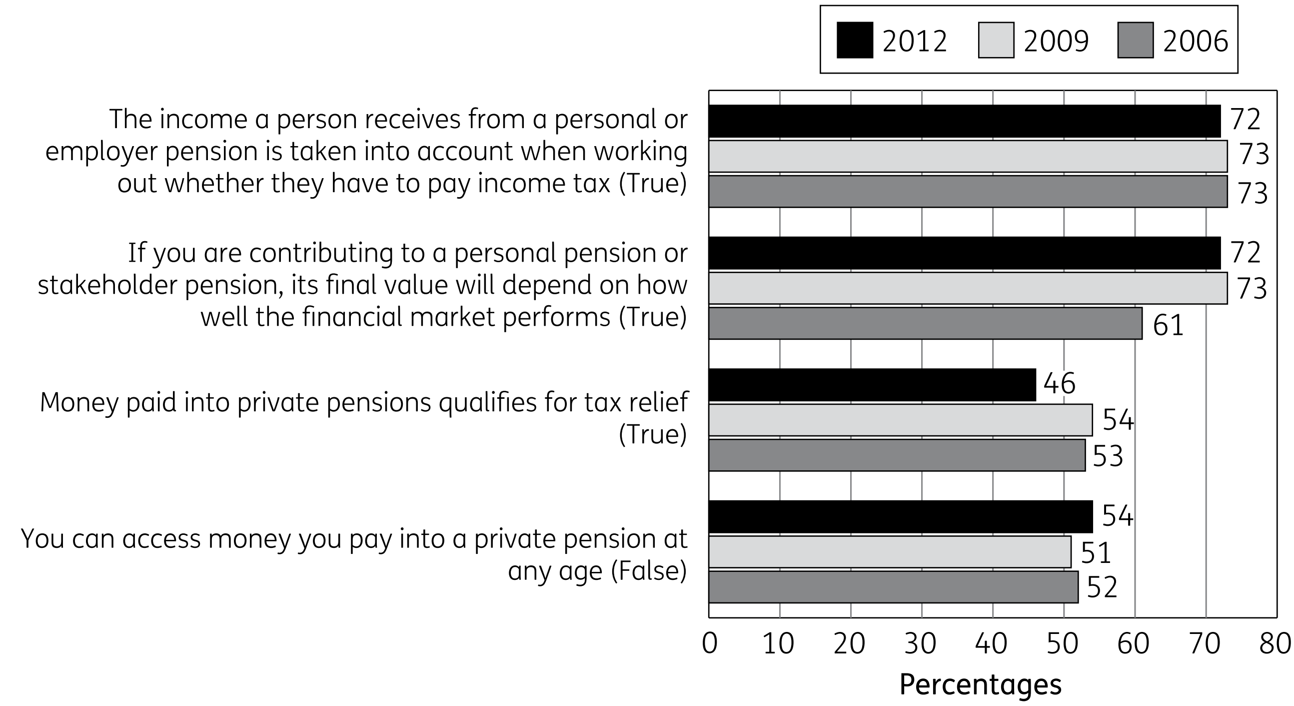
Respondents were asked to identify whether each of the following statements were true or false:

> *'The income a person receives from a personal or employer pension is taken into account when working out whether they have to pay income tax.'*
>
> (Correct answer = True)
>
> *'If you are contributing to a personal pension or stakeholder pension then its final value will depend on how well the stock market performs.'*
>
> (Correct Answer = True)
>
> *'Money paid into a private pension qualifies for tax relief.'*
>
> (Correct Answer = True)
>
> *'You can access the money you put into a pension at any age.'*
>
> (Correct Answer = False)

The responses provided seem to indicate a good level of understanding in relation to aspects of private pensions, especially across the first two statements (Figure 8.10).

Notably there was an increase in awareness that the final value of personal or stakeholder pensions depends on the performance of the stock market after 2006 since the current economic downturn, which might be linked to greater publicity of pension incomes being reduced for older people during this period (61 per cent 2006; 73 per cent 2009; 72 per cent 2012).

Figure 8.10 Knowledge of private pension issues: percentage correct by year



Base: All respondents aged 18–69: 2012 (n=1,559); 2009 (n=1,654); 2006 (n=1,950).

Possibly unsurprisingly given the specific nature of the knowledge being tested for all statements, respondents were more likely to say that they did not know whether the statement was true or false rather than to answer incorrectly. The exception was for the statement, you can access the money you put into a pension at any age, where the percentages of incorrect answers (26 per cent) and of '*don't know*' answers (23 per cent) were more similar.

8.5.1 Specific knowledge of annuities

Knowledge of annuities and views on the best ways to use a personal pension are of particular policy interest. Although annuities are not applicable to all forms of private pension, the questions were asked of everyone, recognising they may have had such a pension previously or have one in the future.

Firstly, respondents were asked the following question to gauge their awareness of annuities:

> *'One feature of a personal pension is that you have to use most of the money you have saved in the pension to buy an annuity, meaning that you get a regular income until you die. Were you aware of this before now?'*

Half (50 per cent) said they were aware of the need to annuitise a personal pension, which shows an increase from 2009 where a two in ten (21 per cent) were aware. Publicity surrounding this area of pensions is likely to have at least contributed towards this increase.

As in previous years, knowledge of annuities was found to be closely linked to gender and age. This appears to be based on requirement as individuals reaching retirement age and those with a stakeholder or group personal pension were most knowledgeable. At the same time, levels of awareness of the need to annuities a personal pension had increased for both men and women and across all ages. For example 27 per cent of 18-24 year olds were aware of the need to annuitise a personal pension in 2012 compared with nine per cent in 2009, confirming the view that publicity round this area may have led to the increase in awareness.

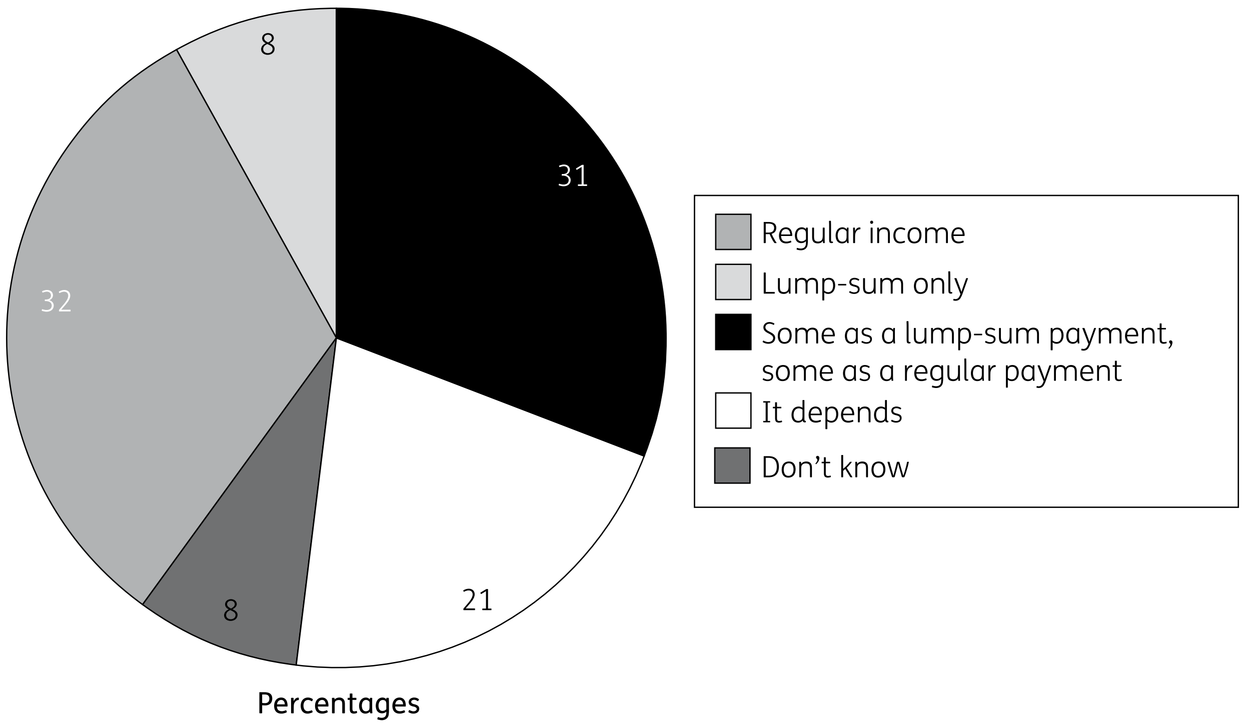
Respondents were also asked which of the following ways they thought would be the best way to use a pension (Figure 8.11):

> *'Receiving all the money as a regular income throughout your retirement, as you can rely on this money regardless of how long you live.'*
>
> *'Receiving a lump-sum payment only, as this gives choice over how and when to use the money.'*
>
> *'Receiving some of the money as a tax-free lump-sum payment but having a lower regular income throughout retirement.'*
>
> *'It depends on the terms offered.'*

Once again, although this choice will only be made by those with a pension where they are required to buy an annuity, the question was asked of everyone, recognising that individuals may have such a pension at some point in their life. It is worth bearing in mind though, that half of respondents (49 per cent) had no prior knowledge of annuities when answering this question.

Views were divided when deciding how best to use a pension. The majority said that they wanted a regular income of some sort in retirement. This was either a reduced regular income alongside a lump-sum payment (31 per cent) or entirely as a regular income throughout retirement (32 per cent).

Figure 8.11 Views on the best way to use a pension



Base: All respondents (n=1,949).

Those favouring receiving all of the money as a regular income throughout retirement tended to be younger, have never had a private pension and have a household income of less than £44,000.

Respondents in favour of receiving some of the payment as a lump sum and some as a regular income tended to be older, have multiple sources of income for retirement (including a pension) and had ever had a private pension. This group was also more likely to say they were willing to take calculated risks with money as long as there was the potential for a good return, which was strongly correlated with household income of £44,000 or more.

Appendix A
Technical details of the survey

This appendix summarises key details about the methodology, questionnaire design, sampling and weighting used for the 2012 Attitudes to pensions survey. All fieldwork documents and the interview questionnaire can be found under a separate cover to this report.

Sampling

Sample

The sample for the survey was designed to be representative of the general population of Britain aged 18 years over living in private households. Unlike the 2009 survey, there was no upper age limit for participation.

The sample was drawn from the Postcode Address File (PAF) and consisted of 4,194 addresses, from which 1,949 interviews were obtained with a randomly selected adult aged 18 years or over. Households not containing any individual in this age range were not eligible for the survey.

Drawing the sample

The sample was drawn from the small user PAF (update M11Y11), a list of all addresses (delivery points) in Britain that receive less than 25 items of mail per day.

The sample was drawn in two stages: at the first stage the Primary Sampling Units (PSUs) were selected, at the second stage addresses were selected within the sampled PSUs. Each PSU was defined as a Lower Super Output Area (LSOA).

The sample file was sorted prior to sample selection. The stratifiers used were the 11 Government Office Regions (GORs) and the proportion of the population in owner-occupied households.

The first stratifier was region. The PSUs were first sorted into 11 regions (nine GORs, plus Scotland and Wales). Within GOR the frame was then sorted by owner occupied band. Within each of the 33 bands the PSUs were listed in order of the LSOA code.

The proportion of owner-occupied was divided into three bands based on the whole of Great Britain, with equal population (18+) in each band. This was done by sorting the whole sample frame by percentage of owner-occupied households and taking a cut off at one-third and two-thirds to produce the three bands. The latter stratifier was based on 2001 Census data.

Once the sampling frame had been stratified, 233 PSUs were selected with probability proportional to the numbers of population aged 18 or over. Eighteen addresses were then selected systematically from each sampled PSU, giving a total of 4,194 addresses.

The questionnaire

The questionnaire was administered face-to-face using Computer Assisted Personal Interviewing (CAPI). As one of the key aims of the survey series is to examine continuity and change in attitudes to financial planning for retirement over time, a large number of the questions replicated exactly those asked on the 2006 and 2009 Attitudes to pensions surveys.[66]

66 See UK Data Archive Study Numbers 5,745 and 6,785.

At the same time, changes were made to reflect the wider objectives and the changing policy environment in particular:

- inclusion of more attitudes to reflect automatic aspects of behaviour;
- questions included to reflect changing circumstance/policy interest;
- less emphasis on some details (e.g. provision);
- new section on automatic enrolment.

The average interview length was 46 minutes.

The questionnaire consisted of 14 sections:

Household grid and demographics (Section 1 and 2)

The interview started by asking about household composition, and the demographic details of the respondent, including marital status, work status and accommodation type.

Information (Section 3)

This section collected details of who respondents contacted about information on planning for retirement, who they would contact, and who they would trust the most to provide accurate information.

Knowledge test (Section 4)

This section comprised a true/false quiz on various components of the pension system. It aimed to find out about respondents' knowledge – or lack of knowledge – about pensions. It also asked when respondents through they would receive their State Pension, and how much they would receive. This section was reduced from 2009.

Attitudes to pensions (Section 5)

This section collected respondents' views on many different aspects of the pension system, covering both personal and general attitudes to pensions and including views about the State Pension, safety, return and trust with regard to savings options, reasons for starting a pension, opinions on degrees of knowledge of pension and State Pension issues, confidence in retirement, reasons why people do not save enough for retirement and likelihood of leaving and receiving an inheritance.

Additional attitude statements were added to this section to cover automatic as well as rational aspects of behaviour as categorised in the behaviour web. (see Appendix D).

Attitudes to savings (Section 6)

This section looked at personal and general attitudes to saving, including current life priorities, perceived knowledge of financial matters, confidence in financial decision-making and willingness to take risks with money. Questions related to the current economic situation including optimism with regard to finances, health and the economic situation, and views on the impact of the economic situation on spending and saving were included.

Job details (Section 7)

Various details about respondents' current or recent job were collected, allowing the coding of Standard Occupational Classification (SOC) and Standard Industrial Classification (SIC) at the data processing stage.

Pension provision (Section 8)

This section collected details of any pensions the respondent had. The section was split into nine sub-sections:

- Details of employee and stakeholder pensions.
- Details of personal pensions.
- Details of past pensions.
- Questions for those who had never had a pension, including why they did not have a pension, whether they were likely to take one out in the next five years and in the next year, and what would encourage them to take one out.
- Pension problems.
- Opinions on employers and pensions.
- Attitudes to access to pension before retirement.
- Pensions and the economic situation (new questions).

Questions about the detail of the different types of pensions people had were cut.

Automatic enrolment (Section 9)

A new section for the 2012 survey, this section examined respondents' knowledge of the automatic enrolment pension reforms, including where they obtained this knowledge, agreement with the reforms, likelihood of take-up and reasons why not likely to take up the scheme.

The section was only asked of those eligible for the scheme, using a slightly simplified set of criteria. For the purpose of the survey this was defined as those aged 22 or over, in employment as an employee and earning more than £7,500 and not a member of an existing employer pension scheme or with a personal pension to which an employer contributed.

Simplification (Section 10)

A reduced section for the 2012 survey, this included two questions on awareness of annuities and tax-free lump-sum payments.

Other savings (Section 11)

This section collected details about any savings or investments the respondent had, their value, which savings respondents considered they might use for retirement, reasons for having saved for retirement and future plans for retirement savings. Questions on property ownership and how this might relate to retirement were also included.

Debt (Section 12)

This was a short set of questions about any debt the respondent had, including the value of this debt and the respondent's opinions of their financial status.

Expectations for retirement (Section 13)

The first part of this section asked respondents who were not already retired when they expected to retire. The CAPI script then calculated their SPA and asked them if knowing when they would receive their SPA would affect when they would retire. Respondents were then asked for the reasons why they expected to retire when they had said, in relation to whether they were planned to retire, before, at or after their SPA.

The remainder of this section focused on questions relating to employer policy and retirement, reasons for working past employer and state pension ages, opinions on retirement and issues of finance in retirement.

End demographics (Section 14)

The interview finished by collecting some additional demographic information, including questions on ethnicity, education, health and finance, including income, both individually and for the household. Finally, consent for any future follow-up work was asked.

Questionnaire development

The questionnaire was largely based on the 2009 survey questionnaire. However, in order to ensure that the survey remained up-to-date with the policy agenda in 2012, members of the TNS BMRB project team led and facilitated two workshops at the start of the questionnaire development stage. The first, a questionnaire development workshop was held with policy, communications and analysis teams within the Department for Work and Pensions (DWP). This used a behaviour change framework to review the questionnaire and identify topics and themes for inclusion in 2012.

The workshop highlighted key attitudinal dimensions that were new to the survey for testing using qualitative interviewing. The interviews involved cognitive testing of new attitude statements and questions and hypotheses testing of concepts and ideas emerging from the workshop.

A second workshop, involving a smaller group of DWP researchers and analysts, received feedback from the qualitative interviewing and reviewed the questionnaire content to make sure key information requirements were included.

Methodology

Piloting

The survey was piloted before the commencement of the main fieldwork. The primary aim of the pilot was to test how well the new questions worked and whether respondents had any difficulties in understanding and responding to them. Five interviewers based in different parts of the country worked on the pilot and all of the interviewers attended a telephone briefing before starting work and a telephone debrief at which to feed back to researchers.

Interviewers selected respondents on the basis of age, gender and employment status quotas. Following this exercise, the CAPI questionnaire was finalized before the main stage fieldwork commenced.

Fieldwork

Fieldwork was carried out between 27 February and 4 June 2012. An advance letter explaining the purpose of the survey was sent to all selected addresses, prior to the interviewer calling. Both the TNS BMRB and DWP logos were on the letter in order to encourage response, and the letter provided a TNS BMRB freephone telephone number and an email address for respondents to contact if they wished to opt out, make an appointment for interview or had any questions or concerns about taking part.

The decision was taken not to produce a respondent information leaflet for use on this survey as it was felt that providing respondents with additional background information about pensions and planning for retirement could influence some of the answers they gave during the interview, particularly to questions seeking to measure knowledge of these areas.

Towards the end of fieldwork, a further letter was sent to all addresses where a refusal had been received by the interview to boost response rates. Respondents who had been sent this letter and who completed the interview were given a £10 high street voucher for their participation. 314 of the 1,949 interviews were obtained at this stage of fieldwork (16 per cent).

Response rates

Response rates outcome for the sample in the standard DWP format (Table B.1). The first column of the table calculates a response rate based on the issued sample. The second column presents the response rate for sample which was confirmed as eligible (for example, this excludes non-eligible addresses where there were no adults aged 18 or over). This is known as the adjusted response rate and was 51 per cent.

Table A.1 2012 survey response rates[67]

Category	*N*	Pop. in scope of study (issued sample) (%)	Pop. in scope of fieldwork (%)
Number sampled/in scope of study	*4,194*	100	n/a
Cases not issued to interviewers office opt-outs	*96*	2	n/a
Invalid cases	*252*		
Derelict/empty	*136*	3	n/a
Not found/under construction	*14*	0	n/a
Business/industrial	*39*	1	n/a
Other invalid[1]	*63*	2	n/a
In scope of fieldwork	*3,846*	92	100
Non contact	*230*	5	6
With anyone	*219*	5	6
With selected respondent	*11*	0	0
Refusals	*1,439*	34	37
All information	*553*	13	14
Selected respondent	*649*	15	17
Broken appointment	*66*	2	2
Proxy refusal	*171*	4	4
Other reasons	*228*	5	6
Away during fieldwork	*56*	1	1
Incapable of interview/ill	*73*	2	2
Language problems	*26*	1	1
Terminated	*0*	0	0
Other unproductive	*73*	2	2
Successful interviews	*1,949*	46	51

[1] This code includes institutional addresses, second homes, and inaccessible addresses.

[67] Note: indented rows are a subset of the summary codes in bold.

Weighting

Prior to analysis, the data were weighted to take account of the sample design, the probability of an individual being selected and the differential response and non-response rates. The weighting design retained consistency with the approach used for the 2009 survey (Clery, E, *et al*. 2010, 139).

Selection weights

Sampling weights are required to compensate for variation in individual sampling probabilities. Firstly, there was some minor variation in addresses sampling probabilities due to the fact that the measure of size used to generate the sampling probability for each PSU was the expected population size (adults aged 18+) rather than the number of addresses. Secondly, sampling just one household per address introduced some variation in sampling probability because some addresses contain multiple households while others do not. In Scotland, this was partly counteracted through the use of the Multiple Occupancy Indicator but residual variation remained. Finally, within each household only one individual was selected for interview. Individuals in one person households had a 100 per cent chance of being selected, while each individual in a two person households had a 50 per cent chance of being selected, and so on.

The total sampling probability was computed and the sampling weight is equal to one divided by this number.

The total sampling probability = $eN18+_a/eN18+ * n_a * n_{sa}/N_{sa} * 1/N_{hsa} * 1/N_{ihsa}$

eN18+a = estimated number of adults aged 18+ in PSU a

eN18+ = estimated number of adults aged 18+ in GB

na = number of sampled PSUs

nsa = number of sampled addresses in PSU a

Nsa = number of addresses in PSU a

Nhsa = number of households at address s in PSU a

Nihsa = number of individuals aged 18+ in household h at address s in PSU a

Household non-response

As part of the 2009 survey, the response behaviour of the sample members was modelled using logistic regression and the results used to generate a non-response weight (Clery, E. *et al*. 2010, 140). The 2012 survey weighting approach retained consistency with the 2009 to aid comparability of the data, and so the same area-level variables were used for the non-response weighting:

- GOR.
- Urban/rural indicator.[68]
- The proportion of households renting from the council.
- The proportion of households that are owner-occupied.
- The proportion of households who do not own a car.

68 Urban/rural indexes exist for England and Wales and Scotland consequently the variable included in the model is derived by combining both indexes. Data was sourced for Scotland for 2009/10 and England and Wales for 2005.

Data was sourced from the 2001 Census data.

The probability of a case participating in the survey given their characteristics was calculated based on these characteristics, and the non-response weights are then calculated as the inverse of these probabilities. Hence, respondents who had characteristics associated with being reluctant to take part will have a smaller probability of being a respondent and a larger weight. Only GOR and the proportion of households which were owner occupied were significant in terms of non-response.

The non-response weights were combined with the selection weights to create the final non-response weight.

Calibration weights

The final stage of the weighting was to adjust the final non-response weights so the weighted sample matches the population in terms of age, gender and region.

Only adults aged 18 over were included in the sample, therefore, the data were weighted to the Great Britain population in this age range. The best population figures available were the 2010 mid-year population estimates from Office for National Statistics (ONS)/General Register Office for Scotland (GROS). The data were weighted to the marginal age, gender and GOR distributions using raking-ratio (or rim) weighting.

There was only one level of weighting for the survey (individual level) as only one person was selected per household. The weighted data exactly matches the population in terms of the calibration variables. The weighting variable in the SPSS data file ('weigh') has been scaled to the final responding sample size (1,949). This weight is used in all analysis of the data.

Effective sample size

The effect of the sample design on the precision of survey estimates is indicated by the effective sample size (neff). The effective sample size measures the size of an (unweighted) simple random sample that would provide the same precision as the design that was implemented. If the effective sample size is close to the actual sample size this indicates an efficient design with a good level of precision. The lower the effective sample size, the lower the level of precision. The efficiency of a sample is given by the ratio of the effective sample size to the actual sample size. The effective sample size varies for each statistic because the impact of sample stratification and clustering varies for each statistic. Consequently, the quoted efficiency is usually based only on the impact of the weights that are needed to compensate for variations in sampling or response probability. The efficiency of this survey is 78 per cent, equal to an effective sample size of 1,523.

Appendix B
Statistical methods and terms used in the survey

Some of the chapters in this report include analysis that employs statistical techniques: CHAID analysis and logistic regression analysis. A basic outline of the procedures used and these techniques is presented here.

Analysis stages

A derived variable (FundR2) was constructed from a number of survey questions that provided information on various pensions and other resources people might have for later life. This provided an indication of behaviour, specifically the resources people have for retirement (current private pension only, private pension plus other resources, other resources only, neither private pension nor other resources) that was used as a basis for all subsequent analysis.

The first stage of the analysis was to identify which variables were associated with this. To do this, two sets of variables were included in two separate CHAID analyses:

- Demographic and geographic variables, including all of the demographic and geographic variables in the survey (Table C.1).
- Attitude, perception and expectation variables including all those in the survey except questions that were asked of a small sub-set of the main sample (Table C.2).

The first CHAID analysis identified a reduced set of nine demographic/geographic variables for inclusion in the second stage. They were:

- age;
- gender;
- tenure (owner occupier, privately rented private, public rented);
- economic activity (economically active, inactive or in education);
- household income;
- educational qualifications;
- region;
- socio-economic classification;
- employment sector (public or private).

The second identified 16 attitudinal variables to include in separate logistic regression models.

They were:

- agreement with the statements:
  - *'I can't afford to put money aside for retirement at the moment.'*

  - *'I make sure I have money saved for a rainy day.'*
  - *'I am putting away as much as I can for my retirement.'*
  - *'I already pay my tax and National Insurance contributions to help fund my State Pension – I shouldn't have to make my own private provision too.'*
- knowledge of income in retirement;
- how knowledgeable respondent feels:
  - about pension issues;
  - about State Pension issues;
  - overall about financial matters;
- safest way to save for retirement;
- extent to which they feel they are the sort of person that 'makes sure they have money put aside for emergencies';
- whether they think that in retirement *'I will do all the things I don't have enough time to do now like hobbies or seeing friends'*;
- whether they think they will have enough money to cover basic costs such as housing, heating and food;
- views on making financial decisions such as taking out a mortgage, loan or pension;
- how important it is that an employer contributes to a pension;
- how important is it that an employer provides a pension;
- how they feel they are managing financially at present.

Table C.1 shows the demographic/geographic variables included in the CHAID analysis and indicates which ones were identified as of most relevance and so included in the subsequent logistic regression modelling. Table C.2 provides the same information for the attitudinal variables.

At the second stage, separate analyses were undertaken for two related indicators of financial resources for later life:

- Having no private financial resources for funding later life compared with having some means (pension, other resources or both).[69]
- Having a private pension (ever) compared with not having a private pension.[70]

The second stage was to develop two logistic regression models for each of the two indicators of financial resources for later life, the first including the nine demographic/geographic variables and the second the 16 attitudinal variables. This generated four models in total.[71]

Table C.3 shows the variables input into the four overall models, the variables identified as significant predictors in each model and the associated statistical results.

69 FundR2 = 4 vs. FundR2 = 1 or 2 or 3.

70 FundR2 = 1 or 2 vs. FundR2 = 3 or 4.

71 All analyses were carried out using weighted data.

Separate interaction models were also prepared for each pair of the variables input into the model (for example, age and gender together). In these models the main effects of each of the two input variables were included as well as the interaction between the two. The interaction determines, for example, whether the difference between men and women is similar regardless of their age group.

Table C.4 shows the results of the separate interaction models, the significant interactions identified and the associated statistical results.

Chi-squared automatic interaction detection

Chi-squared Automatic Interaction Detection (CHAID) was used as a preliminary stage to the logistic regression analysis to sift through a large range of possible variables to indicate which ones were related to the behaviour of interest for inclusion in the subsequent analysis.

CHAID is an analysis technique that explores the structure of a set of data to understand which variables or combinations of variables are significant in identifying people who have a high (or low) incidence of a given behaviour (e.g. no resources/some resources for later life). It does this by creating a large number of two way tables where one dimension of the table is the behaviour of interest and the other dimension is a possible explanatory variable. For every table it calculates a statistical test known as a Chi-squared test to determine automatically if it can detect any interaction between the behaviour and the characteristic (i.e. CHAID).

The optimum variable (that accounts for most variation in the behaviour of interest) was selected on the basis of the Chi-squared statistics and how well the data were split by a predictor variable. The split was determined according to where significant differences between groups existed. Categories within the predictor variables were combined together where they behaved in similar ways. The process was repeated for each of the resulting split cells in turn to identify the optimum data split on the behaviour of interest for those cells. This produced a series of nested tables progressively filtered by preceding variables, providing a hierarchy of importance when looking at the resulting variables.

Regression analysis

Multiple regression analysis is useful in determining a best set of characteristics that have the strongest combined relationship with a single variable, called the dependent variable (usually an overall rating).

The objective of the logistic regression analysis is very similar to regression analysis. However, logistic regression is a type of regression that is used when the dependent (outcome) measure is categorical or binary (e.g., preference for one of two alternatives, as is the case in this analysis). Independent variables (drivers) – in this case the various demographic and geographical characteristics of respondents – can be categorical or a combination of categorical and continuous variables.

Logistic regression is a form of regression that calculates the probability of falling into a category as a function of the independent variables. For example:

Probability of having a pension = f (age, gender).

It does this by applying a maximum likelihood estimate after transforming the dependent into the natural log of the odds of the dependent variable occurring or not.

$$\ln\left(\frac{P(pension)}{1-P(pension)}\right)=\alpha+(\beta_1 * gender)+(\beta_2 * agegroup)+(\beta_{12} * gender * agegroup)$$

It should be noted that the analysis does not suggest a causal relationship, but rather it allows us to quantify the relative importance of individual characteristics associated with the dependant variable.

Statistical significance

The output from the logistic regression procedure includes a measure denoted by ‘Pr<ChiSq’. This shows which of the variables included in the analysis is having a significant predictive influence on the dependent variable (i.e. the association is not just due to chance in the survey).

The degree of certainty used is 95 per cent (ProbChiSqr value <0.05) that is to say that only in five cases out of 100 could the association have occurred by chance. Those associations where the degree of certainty is 99 per cent (ProbChiSqr value <0.01) are also shown in Tables C.3 and C.4.

Table B.1 Demographic and Geographic variables in included in the CHAID analysis

Variable	Label	Included in logistic regression modelling
AgeBand	Derived variable: Banded age (derived from Qh6aCONF, QH6b, QH6c and QH6d)	✓
CurrJob	Whether currently in paid work (derived from QD2 and QD3)	
EdQual	Qualifications	✓
Ethnic	Ethnicity	
Health	Whether have any long-standing physical or mental impairment, illness, or disability	
HHIncome	Total income of household from ALL sources BEFORE TAX	✓
Hous12	Which of these best describes the accommodation you are living in at the moment?	✓
Household	Thinking of everyone living in the household, including children and all adults. Including yourself, how many people live here regularly as members of this household? Please include children and anyone under the age of 18.	
IndIncom	Total income of respondent from ALL sources BEFORE TAX	
MarStat	What is your current legal marital status?	
Nactiv	Please tell me which ONE of these best describes your current situation?	✓
RetClass	Derived variable: Retirement Classification (derived from NActiv (QD2), AnyWork (QD3), Sex, AgeX and ExpWork)	
SexAgeG	Gender and age (grouped)	
Sex_1	Respondent’s gender	✓
Tea2	How old were you when you completed your continuous full-time education?	
GOR	Government Office Region	✓
Numad	Number of adults in household	
Child	Presence of children in household	
NumPar	Single parent/2 parents in household	
Sector	Public/private sector split	✓
NS-SEC	Socio-economic classification	✓

Table B.2 Attitudes perceptions, expectations: variables in included in the CHAID analysis

Variable	Label	Included in logistic regression modelling
AffSvRet	I can't afford to put money aside for retirement at the moment	✓
AtFinRsk	Agreement with statements about how much risk you are willing to take with money.	
BetterOff	Do you think this amount of income will leave you better off or worse off than you have been during your working life?	
CompInc	Thinking about your income in retirement how do you expect it to compare with your income before you retire?	
CurrPrio	CurrPrio: Thinking about your current situation, which, if any, of these, would you say are the MOST important to you at this moment in time?	
EcoAttSav	How, if at all, has the current economic situation affected your attitude to retirement savings?	
EcoSave	And what impact, if any, has the current economic situation had on your personal SAVING habits?	
EcoSpend	What impact, if any, has the current economic situation had on your personal SPENDING habits?	
EmpCont	And (how important is it to you personally that an employer) contributes to a pension?	✓
EmpProv	Thinking about the benefits that go with a job how important is it to you personally that an employer provides a pension?	✓
EncSave	When I was growing up I was always encouraged to save money?	
EnouInc	I will definitely have enough income to live comfortably in retirement	
FinMang	Which of the following best describes how <you or you AND your partner/you> are managing financially at present?	✓
FinComf	Do you feel more financially comfortable or less financially comfortable compared with twelve months ago?	
FinDec	Which best describes how you would feel about making financial decisions such as taking out a mortgage, loan or pension?	✓
GoodTod	If I had to choose, I would rather have a good standard of living today, than save for retirement?	
GovJob	Its not the governments job to advise people on how much to save for retirement?	
ImageLL	I'd now like you to think a bit about later life and not being in paid work and what that might be like: I will do all the things I don't have enough time to do now like hobbies or seeing friends	✓
IncKnow	Which of these statements best describes your knowledge of how much your income in retirement will be?	✓

Table B.2 Continued

Variable	Label	Included in logistic regression modelling
Inhert2	How important is it to you to leave property or money as an inheritance at some point in the future?	
KnowFin	What score would you give yourself for your overall knowledge of financial matters	✓
LifeOpt_1	How optimistic: Your short-term financial situation	
LifeOpt_2	How optimistic: Your long-term financial situation	
LifeOpt_3	How optimistic: Your long-term health	
LifeOpt_4	How optimistic: Your short-term health	
LifeOpt_5	How optimistic: Your retirement	
LifeOpt_6	How optimistic: The economic situation	
LiveLong	LiveLong: With people living longer, we have to be prepared to pay more in taxes in order to have a properly funded State Pension?	
LivStd	People cannot expect to have the same standard of living when they retire as they had when they were working	
LstAgPln_new	Until what age do you think people can generally leave planning and providing for their retirement	
NoHowMch	No-one can know how much money they will need to live on when they retire	
NoSafe	There is no safe way of saving for retirement these days	
NoStPen	Agreement with statement: There probably will not be a State Pension by the time I retire	
NotSpend	Which if any of these things would you be most worried about finding the money for in retirement?	
OrgLife_1	To what extent: Likes to feel that they are in control of their life	
OrgLife_2	To what extent: Makes sure they have money put aside for emergencies	✓
OrgLife_3	To what extent: Really enjoys spending money	
OrgLife_4	To what extent: Just takes each day as it comes	
OrgLife_5	To what extent: Focuses on their work and doing well	
OrgLife_6	To what extent: Expects to be much better off in the future	
OrgLife_7	To what extent: Has so much going on at the moment that they cannot really think about the future	
PenBack	I'm not keen on saving in a pension as I don't know how much I'll get back	
PenBore	I find pensions boring	
PenComp	Sometimes pensions seem so complicated that I cannot really understand the best thing to do	
PenConf	I know enough about pensions to decide WITH CONFIDENCE about how to save for my retirement	

Table B.2 Continued

Variable	Label	Included in logistic regression modelling
PenDisc	I rarely, if ever, hear anyone talking about pensions	
PenKnow	Which of these statements best describes how knowledgeable you feel about pension issues?	✓
PenSec	Putting money into a pension is the most secure way of saving for your retirement	
PenWork2	Which of these statements about working after you reach State Pension age apply to you:	
RainDay	I make sure I have money saved for a rainy day?	✓
ReasNoPen	Reasons why might not have money put aside for retirement/ not as much as could do?	
RecInher	How likely do you think it is, that you might RECEIVE property or money as an inheritance at some time in the future?	
RetExpDV	Derived variable: Whether expects to retire from main job before, at, or after State Pension age (SPA)	
RetMon	Thinking about what you will be living on in retirement, including any money from pensions, benefits, savings or investments, and any earnings. Do you think you will have enough money to cover basic costs such as housing, heating and food?	✓
RetResp3	Who do you think should mainly be responsible for ensuring that people have enough money to live on in retirement?	
SavFrRet:	The government should encourage people to provide something for their own retirement instead of relying only on the State Pension?	
SavOther	I prefer to save in some other way than a personal or employer pension for my retirement.	
ShdTop	The Government should top up the incomes of low-income pensioners, to make sure that they have a reasonable standard of living?	
SPConf	On that 1 to 10 scale, how confident do you feel that you can make the right decisions to provide for your retirement?	
SPKnow	Which of these statements best describes how knowledgeable you feel about STATE PENSION issues?	✓
StopWor	What should determine when a person stops working?	
Talk	I would talk to family and friends before making an important financial decision?	
TaxPriv	I already pay my tax and National Insurance contributions to help fund my State Pension – I shouldn't have to make my own private provision too?	✓
TopDis	If the Government tops-up the incomes of low-income pensioners this discourages people from saving for retirement?	

Table B.2 Continued

Variable	Label	Included in logistic regression modelling
TrusInt	And whom would YOU trust the most to: act in your best interests?	
TrusMon	Thinking about any pensions you have or might have in the future. Whom would YOU trust the most to: make the most of your money?	
Vehic	Which one of these options do you think would be the SAFEST way to save for retirement?	✓
Vehic2	And which one do you think would make the most of your money?	
ViewPen_1	I am confident that I will have enough put by to live on in retirement	
ViewPen_10	It is not worth saving for retirement as I might not live that long	
ViewPen_2	If I have to work beyond State Pension age I will think I have failed	
ViewPen_3	Dealing with pensions scares me	
ViewPen_4	I should have started saving sooner for my retirement	
ViewPen_5	Anything I have for my retirement I have sorted out myself	
ViewPen_6	I am putting away as much as I can for my retirement	✓
ViewPen_7	I try to avoid thinking about retirement	
ViewPen_8	Pensions are the best way to save for retirement	
ViewPen_9	It is a good idea to have some savings in a pension so you cannot keep dipping into them	
WhySave2	Why save into a pension FOR THE FIRST TIME?	
WorkLong	Agreement with statement: With people now living longer on average, its right that people should have to work longer before retiring?	
Worryret	Agreement with statement: I worry about how much I will have to live on in retirement	
WorrySit	Thinking about your current situation, would you say that you were worried or confident about the future?	
YrRetEx	Derived variable: Number of years expect to spend in retirement	

Table B.3 Logistic regression models: overall models 1 and 2

Model 1: No resources compared to some resources for later life
Variables: Demographic/geographic

Variable name	ProbChiSq	Significant (95%)	Significant (99%)
hous12_new	<.0001		✓
Sex_1	0.0271	✓	
ageBand	0.0009		✓
nactiv_new	0.2580		
HHincome_new	0.0154	✓	
NSSEC3_RECODE	0.0031	✓	
Sector	0.9318		
GOR	0.0193	✓	
EdQual	0.0122	✓	

Model 2: Private pension compared to no private pension
Variables: Demographic/geographic

Variable name	ProbChiSq	Significant (95%)	Significant (99%)
hous12_new	<.0001		✓
SEX_1	0.0092	✓	
AGEBAND	<.0001		✓
nactiv_new	0.0089	✓	
HHincome_new	0.0028	✓	
NSSEC3_RECODE	0.0290	✓	
SECTOR	0.0024	✓	
GOR	0.1847		
EDQUAL	0.0165	✓	

Values of <0.05 are significant at 95 per cent level and values of <0.01 are significant at 99 per cent level.

Table B.3 Continued

Variable name	ProbChiSq	Significant (95%)	Significant (99%)
Model 3: No resources compared to some resources for later life			
Variables: Attitudes/perceptions/expectations			
Variable name	**ProbChiSq**	**Significant (95%)**	**Significant (99%)**
INCKNOW	0.0002		✓
AFFSVRET	<.0001		✓
FINDEC	0.0155	✓	
PENKNOW	0.1323		
SPKNOW	0.1493		
VIEWPEN_06	<.0001		✓
TAXPRIV	0.3255		
KNOWFIN	0.0161	✓	
RAINDAY	0.5448		
VEHIC	0.0637		
ORGLIFE_02	0.4020		
RETMON	0.2347		
EMPCONT	0.1432		
EMPPROV	0.8932		
FINMANG	0.0381	✓	
IMAGELL_01	0.0041		✓
Model 4: Private pension compared to no private pension			
Variables: Attitudes/perceptions/expectations			
Variable name	**ProbChiSq**	**Significant (95%)**	**Significant (99%)**
INCKNOW	0.0271	✓	
AFFSVRET	0.0026		✓
FINDEC	0.0151	✓	
PENKNOW	0.4668		
SPKNOW	0.2791		
VIEWPEN_06	0.0204	✓	
TAXPRIV	0.0060		✓
KNOWFIN	0.0457	✓	
RAINDAY	0.1744		
VEHIC	0.2544		
ORGLIFE_02	0.0271	✓	
RETMON	0.7852		
EMPCONT	0.1471		
EMPPROV	0.1027		
FINMANG	0.0172	✓	
IMAGELL_01	0.0188	✓	

Table B.4 Logistic regression models: significant interactions in models 1, 2 and 4[72]

Model 1: No resources compared to some resources for later life			
Variables: Demographic/geographic			
Variable name	**ProbChiSq**	**Significant (95%)**	**Significant (99%)**
AGEBAND*HHincome_n	0.0293	✓	
EDQUAL*SEX_1	0.0060		✓
SEX_1*hous12_new	<.0001		✓
AGEBAND*SEX_1	0.0123	✓	
AGEBAND*hous12_new	0.0212	✓	
Model 2: Private pension compared to no private pension			
Variables: Demographic/geographic			
Variable name	**ProbChiSq**	**Significant (95%)**	**Significant (99%)**
nactiv_new*SEX_1	0.0001		✓
HHincome_new*EDQUA	0.0020		✓
AGEBAND*HHincome_n	0.0011		✓
GOR*SEX_1	0.0164	✓	
EDQUAL*SEX_1	0.0004		✓
SEX_1*hous12_new	<.0001		✓
SECTOR*hous12_new	0.0323	✓	
AGEBAND*EDQUAL	0.0438	✓	
AGEBAND*SEX_1	<.0001		✓
AGEBAND*SECTOR	0.0211	✓	
nactiv_ne*HHincome	0.0056		✓
NSSEC3_RE*HHincome_n	0.0050		✓
NSSEC3_RECODE*SEX_1	0.0025		✓
NSSEC3_RE*hous12_new	0.0027		✓
Model 4: Private pension compared to no private pension			
Variables: Attitudes/perceptions/expectations			
Variable name	**ProbChiSq**	**Significant (95%)**	**Significant (99%)**
INCKNOW*IMAGELL_	0.0287	✓	

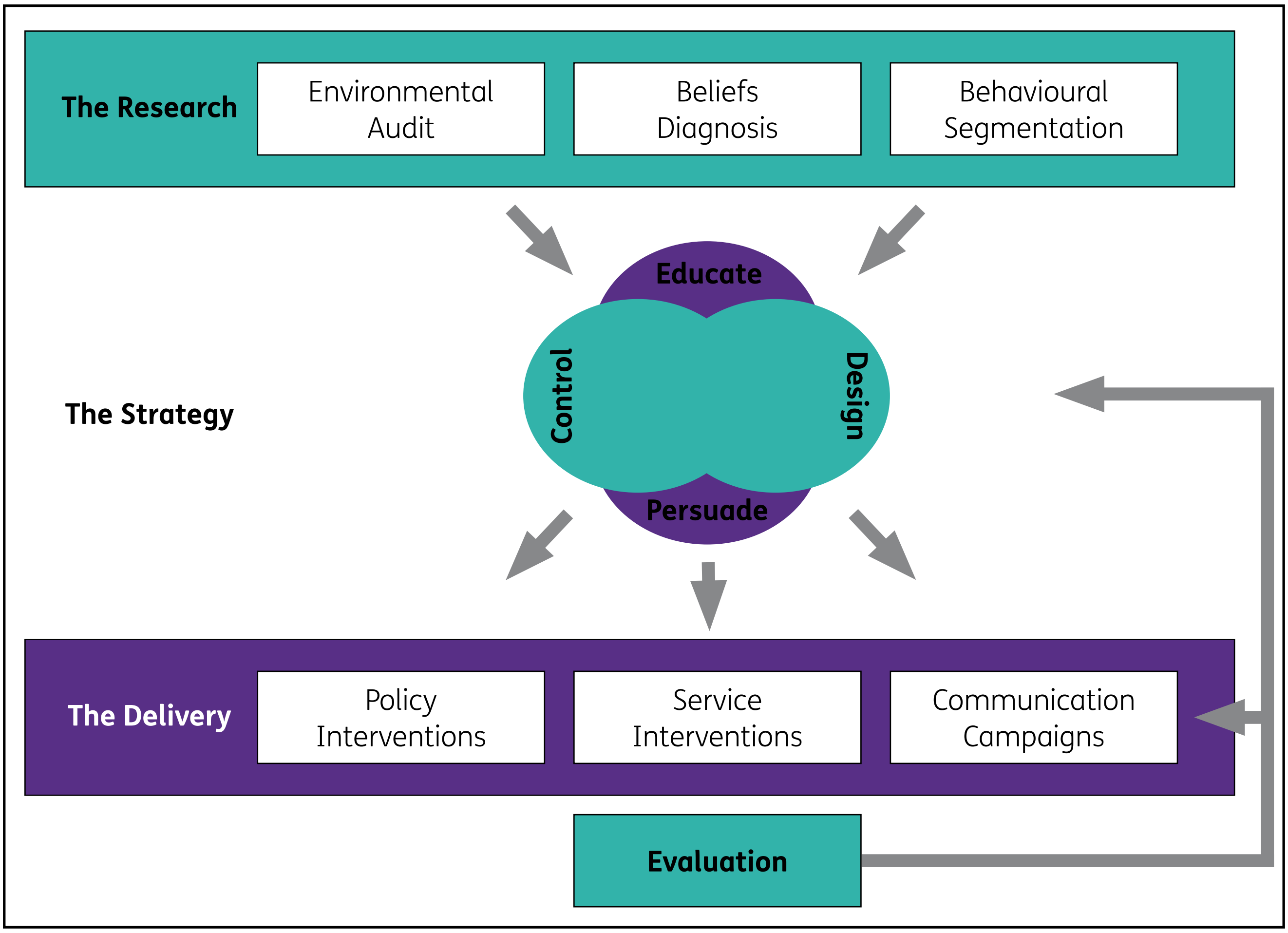
72 Model 3 not included as no significant interactions were detected between pairs of variables included in this model.

Appendix C
Behaviour change – the TNS approach

Introduction

TNS uses the latest thinking in behavioural theory and behavioural economics to underpin a pragmatic, systematic approach to behaviour change research.

The overall process can be represented as follows:



The process begins with **formative research** to inform the development of an **effective strategy** for achieving behaviour change.

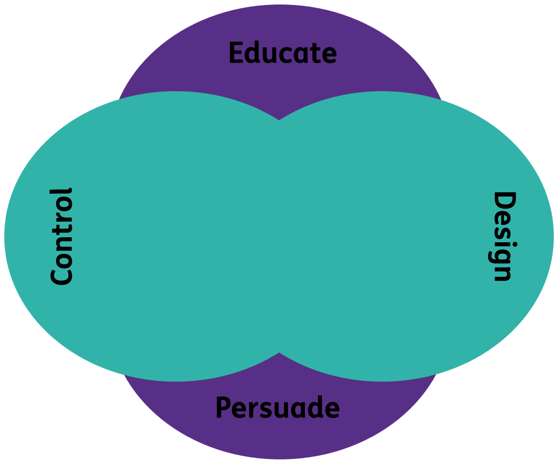
In the case of this project, the formative research consisted of a wide ranging literature review to understand the large amount of existing research in the area of pensions and preparing for later life. It also involved a series of workshops with Department for Work and Pensions (DWP) policy and communications staff to uncover further insights.

The strategy is **delivered** via a combination of policy, service and communications interventions. A rigorous **programme evaluation** process completes the loop.

The above model encapsulates our overall philosophy in terms of this type of work – but our approach to this project was customised to the behaviours related to financial preparations for later life.

The strategy for a behaviour change programme

There are four **primary tools** available to Government and NGOs to change peoples' behaviour:



The Educate and Persuade components together form the **communications interventions.**

The Control and Design components together define the **policy interventions and environmental re-structuring.**

An effective Behaviour Change strategy considers how best to utilise each tool to create the **optimal mix** for the specific behaviour and target audience in question.

Understanding what influences behaviour

Dual process model

The latest thinking in the behavioural sciences supports a **dual process theory** – i.e. human behaviour essentially comprises the interaction between the two systems:

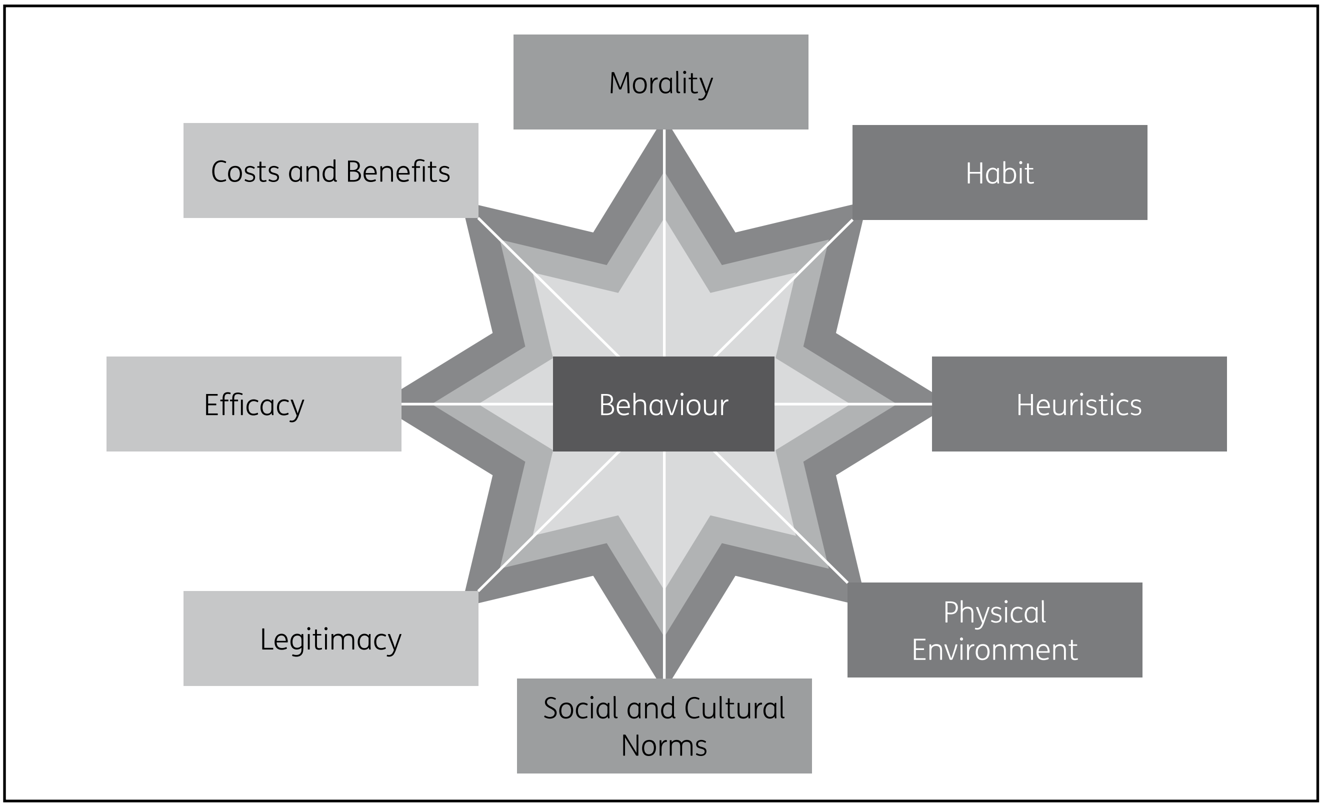
1 **Reflective system:**
   - Conscious behaviour.
   - Rational/planned.
   - Aligned to values and beliefs.

2 **Automatic system:**
   - Pre-conscious behaviour.
   - Non-deliberative.
   - Based on habit/impulse.

The emergence of behavioural economics has highlighted the importance of the automatic system, which was largely neglected in many early behaviour change models. However the growing consensus is that behavioural economics may not have **all** the answers, and that understanding **both systems** is essential to explaining human behaviour.

We agree and TNS takes a **holistic approach** incorporating the latest learning from behavioural economics with the key principles of behavioural theory. This is reflected in our **Behaviour Web**.

The TNS behaviour web



The **left side** of the web summarises the key constructs from behaviour theory – in terms of the Dual Process Model these are primarily the reflective influences on behaviour.

The **right side** of the web (the orange items) represents the automatic influences on behaviour and reflects the main contributions from behavioural economics.

The central two categories inform the reflective system and can be rooted in the automatic system.

The eight categories in the Behaviour web served as a framework for the types of measures to include in the research. These were informed by a series of workshops to develop the questionnaire and reporting. This ensured that the research process was comprehensive.

Analysis showed that the existing questionnaire included attitudes form the reflective system and few from the automatic system. The literature review demonstrated that the automatic system is particularly important when issues are complex, there is uncertainty around outcomes or people have low involvement, all of which apply to pensions and retirement planning. As a result this report focuses on this automatic system.

TNS Behaviour Change Institute

The TNS Behaviour Change Institute is an industry-leading think tank comprising senior TNS researchers and leading international academics.

The institute pursues three main aims:

- **Thought leadership:** To be at the forefront of the latest thinking in behavioural change and behavioural economics. The direct involvement of leading academics in the Institute facilitates this goal.
- **Conceptual frameworks:** To develop and continually improve the frameworks that underpin the behaviour change research we conduct.
- **Policy formulation:** To translate research results into pragmatic policy guidelines and advice to our clients in government and leading NGOs.

Appendix D
State Pension age timetable

The tables in this appendix show the timetable for State Pensions ages applicable at the time of the survey fieldwork, as published on the DWP website.[73]

Table D.1 Women's State Pension age under the Pensions Act 1995

Date of birth	Date State Pension age reached
6 April 1950 to 5 May 1950	6 May 2010
6 May 1950 to 5 June 1950	6 July 2010
6 June 1950 to 5 July 1950	6 September 2010
6 July 1950 to 5 August 1950	6 November 2010
6 August 1950 to 5 September 1950	6 January 2011
6 September 1950 to 5 October 1950	6 March 2011
6 October 1950 to 5 November 1950	6 May 2011
6 November 1950 to 5 December 1950	6 July 2011
6 December 1950 to 5 January 1951	6 September 2011
6 January 1951 to 5 February 1951	6 November 2011
6 February 1951 to 5 March 1951	6 January 2012
6 March 1951 to 5 April 1951	6 March 2012
6 April 1951 to 5 May 1951	6 May 2012
6 May 1951 to 5 June 1951	6 July 2012
6 June 1951 to 5 July 1951	6 September 2012
6 July 1951 to 5 August 1951	6 November 2012
6 August 1951 to 5 September 1951	6 January 2013
6 September 1951 to 5 October 1951	6 March 2013
6 October 1951 to 5 November 1951	6 May 2013
6 November 1951 to 5 December 1951	6 July 2013
6 December 1951 to 5 January 1952	6 September 2013
6 January 1952 to 5 February 1952	6 November 2013
6 February 1952 to 5 March 1952	6 January 2014
6 March 1952 to 5 April 1952	6 March 2014
6 April 1952 to 5 May 1952	6 May 2014
6 May 1952 to 5 June 1952	6 July 2014
6 June 1952 to 5 July 1952	6 September 2014
6 July 1952 to 5 August 1952	6 November 2014
6 August 1952 to 5 September 1952	6 January 2015
6 September 1952 to 5 October 1952	6 March 2015
6 October 1952 to 5 November 1952	6 May 2015
6 November 1952 to 5 December 1952	6 July 2015
6 December 1952 to 5 January 1953	6 September 2015
6 January 1953 to 5 February 1953	6 November 2015
6 February 1953 to 5 March 1953	6 January 2016
6 March 1953 to 5 April 1953	6 March 2016

73 http://www.dwp.gov.uk/docs/spa-timetable.pdf accessed on 23 November 2011.

Changes under the Pensions Act 2011

Women's State Pension age will increase more quickly to 65 between April 2016 and November 2018. From December 2018 the State Pension age for both men and women will start to increase to reach 66 by October 2020.

Women only	
Date of birth	**Date State Pension age reached**
6 April 1953 to 5 May 1953	6 July 2016
6 May 1953 to 5 June 1953	6 November 2016
6 June 1953 to 5 July 1953	6 March 2017
6 July 1953 to 5 August 1953	6 July 2017
6 August 1953 to 5 September 1953	6 November 2017
6 September 1953 to 5 October 1953	6 March 2018
6 October 1953 to 5 November 1953	6 July 2018
6 November 1953 to 5 December 1953	6 November 2018

Men and women	
Date of birth	**Date State Pension age reached**
6 December 1953 to 5 January 1954	6 March 2019
6 January 1954 to 5 February 1954	6 May 2019
6 February 1954 to 5 March 1954	6 July 2019
6 March 1954 to 5 April 1954	6 September 2019
6 April 1954 to 5 May 1954	6 November 2019
6 May 1954 to 5 June 1954	6 January 2020
6 June 1954 to 5 July 1954	6 March 2020
6 July 1954 to 5 August 1954	6 May 2020
6 August 1954 – 5 September 1954	6 July 2020
6 September 1954 – 5 October 1954	6 September 2020
6 October 1954 – 5 April 1968*	66th birthday

* For people born after 5 April 1960 but before 6 April 1968, under the Pensions Act 2007, State Pension age was already 66.

Increase from 66 to 67 and 67 to 68 under the Pensions Act 2007

Increase from 66 to 67

Date of birth	Date State Pension age reached
6 April 1968 to 5 May 1968	6 May 2034
6 May 1968 to 5 June 1968	6 July 2034
6 June 1968 to 5 July 1968	6 September 2034
6 July 1968 to 5 August 1968	6 November 2034
6 August 1968 to 5 September 1968	6 January 2035
6 September 1968 to 5 October 1968	6 March 2035
6 October 1968 to 5 November 1968	6 May 2035
6 November 1968 to 5 December 1968	6 July 2035
6 December 1968 to 5 January 1969	6 September 2035
6 January 1969 to 5 February 1969	6 November 2035
6 February 1969 to 5 March 1969	6 January 2036
6 March 1969 to 5 April 1969	6 March 2036
6 April 1969 to 5 April 1977	67th birthday

Increase from 67 to 68

Date of birth	Date State Pension age reached
6 April 1977 to 5 May 1977	6 May 2044
6 May 1977 to 5 June 1977	6 July 2044
6 June 1977 to 5 July 1977	6 September 2044
6 July 1977 to 5 August 1977	6 November 2044
6 August 1977 to 5 September 1977	6 January 2045
6 September 1977 to 5 October 1977	6 March 2045
6 October 1977 to 5 November 1977	6 May 2045
6 November 1977 to 5 December 1977	6 July 2045
6 December 1977 to 5 January 1978	6 September 2045
6 January 1978 to 5 February 1978	6 November 2045
6 February 1978 to 5 March 1978	6 January 2046
6 March 1978 to 5 April 1978	6 March 2046
6 April 1978 onwards	68th birthday

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This report presents the findings from a survey on people's attitudes to pensions and financial preparations for later life. Nearly 2,000 adults aged 18 and above were interviewed face to face. The interviews took place in spring 2012. The respondents were randomly selected from the GB population. Two previous surveys were carried out in 2006 and 2009 and findings from the 2012 survey are compared with findings from these two surveys.

The findings from the survey cover: people's resources for later life and the characteristics of people who have no resources for later life; membership of workplace pension schemes; people's attitudes towards saving for later life and the relationship between attitudes and behaviour. There are also findings related to the following areas of government policy: people's views on automatic enrolment into workplace pensions; people's knowledge of increases in State Pension age; and attitudes to redefining retirement. Respondents' self-assessed knowledge and actual knowledge of pensions are both described.

If you would like to know more about DWP research, please email:
Socialresearch@dwp.gsi.gov.uk

DWP Department for Work and Pensions

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