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The drivers of saving behaviour for retirement among the self-employed

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Krishna Dabhi, Yasmin White, Jayesh Shah, Stephen Finlay and Sarah Tipping

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Glossary

Term	*Definition*
Inertia	Distraction from long-term financial planning by one or more of the following: • Day-to-day inertia (focussing on immediate needs and issues) • Material inertia (restriction by perceived low levels of disposable income or time) • Emotional inertia (facing a sense of fear or intimidation)[1]
Irregular income	Cash flow from self-employment which is not broadly consistent from week to week or month to month (as reported by respondents)
ISA	An individual savings account is a scheme allowing individuals to hold cash, shares, or unit trusts free of tax on dividends, interest, and capital gains
Non-Savers	Not currently contributing (also referred to as 'saving' in the report) into a workplace or private pension. Includes individuals who were previously contributing in this way but have stopped doing so, those who are not saving for retirement, and those who have other savings products (such as savings account or ISAs).
Private pension	A plan where individuals contribute from their earnings during their working life, which then pays out after retirement. It is used in the report to differentiate from a State Pension and a Workplace Pension
Savers	Currently contributing to a private pension or a current or previous workplace pension
Self-employed individual	Individuals in Self-Assessment who had submitted either the full or short form Self-Employment (Sole Trader) or Self Employment (Partnership) schedules for the tax year ending in April 2016, and those who had submitted a short return with trade turnover greater than zero
State pension	A regular payment from the Government that most people can claim when they reach State pension age, based on National Insurance Contributions[2]
TDF	Theoretical Domains Framework[3] for understanding behaviour
Workplace pension	Pension schemes that are set up by employers to provide their employees with retirement benefits. There are different types of workplace pensions

[1] These factors were defined by the Department for Work and Pensions. See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/193442/rrep805.pdf

[2] See https://www.gov.uk/state-pension for more details

[3] An integrative theoretical framework that can be used to assess behavioural problems and inform intervention design. The TDF domains explain barriers and drivers of behaviour in any particular situation. See: https://implementationscience.biomedcentral.com/articles/10.1186/1748-5908-7-37

Executive Summary

The number of people in self-employment has grown significantly over the past decade. There are now over 4.8 million self-employed people in Britain, who account for around 15 percent of the UK workforce.

This mixed-methods study (commissioned by HM Revenue and Customs and conducted by Ipsos MORI) explored the long-term saving behaviours of the self-employed population, as defined for this research's purposes[4]. It involved a quantitative survey, which generated findings that were statistically representative of the self-employed population, as well as a qualitative stage, which provided context to the survey data and explored a wide range of views, rather than aiming to be representative. The research was informed by a behavioural framework, which provided a structure for exploring the extent to which a range of behavioural drivers and barriers influenced saving for retirement. In order to be effective, behavioural approaches require clear specification of the target behaviour(s). For the purposes of this research, the target behaviour was: saving into a private or workplace pension.

The study found that the self-employed population is diverse, both demographically and in terms of the work they undertake, which encompasses skilled trade occupations (such as electricians, drivers and roofers) and, increasingly, individuals in higher skilled or professional roles (such as architects and accountants). Around one in five (18%) respondents are employed as well as being self-employed. The population also includes a proportion who earn at least some of their income from the gig economy (14%).

Self-employed people remain chronic under-savers in terms of formal retirement products, with only 32 percent currently saving into a private or workplace pension, and over half (54%) saying they have not set aside any money for retirement in the last 12 months.[5]

Segmentation of the survey population identified five distinct groups. Participants within each of the groups had similar saving behaviours and faced similar barriers to saving for retirement. Key demographics and barriers for each segment are summarised below (in order of increasing likelihood to save for retirement):

- **Younger and unprepared** (18% of the sample; 10% saving into a pension) – this group contained the youngest and lowest qualified individuals (for example a third were aged 25 to 34). Only ten percent of this group were currently saving into a private or workplace pension, making them the least likely group overall to be saving for retirement. They faced significant challenges with low incomes and irregular cash flows,

[4] The population was defined as individuals in Self-Assessment who had submitted either the full or short form Self-Employment (Sole Trader) or Self Employment (Partnership) schedules for the tax year ending in April 2016, and those who had submitted a short return with trade turnover greater than zero. The population was further refined to only include individuals with a total pre-tax income in the last year of under £150,000 and those aged between 18-69, and to exclude those without a date of birth in the sample. More details are provided in Appendix A. All findings refer to this definition of the population, unless otherwise specified.

[5] The findings may differ from some other published studies, such as the Family Resource Survey (FRS) which reported 16 percent were saving for retirement, and Wealth and Assets Survey (WAS) which reported 25 percent were saving for retirement. This is due to differences in the survey population, methodology, the question wording and when the research was conducted. For example, the FRS self-employed sample is based on self-reported occupational status from a random survey of the general population, and the fieldwork was conducted in 2015. However, these findings reflected patterns observed in similar government research from BEIS, which found that 30 percent of participants reported saving into a pension while being self-employed: Understanding self-employment, Department for Business, Innovation and Skills (2016), available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/500305/understanding-self-employment.pdf

meaning that saving often felt unaffordable or hard to do. Given their age, retirement lacked immediate relevance, and so this group were unlikely to have sought information about pensions and had limited understanding of them.

- **Irregular earners** (26% of the sample; 12% saving into a pension) – this group had low incomes and cash flow problems, which was a barrier to their saving. They prioritised making ends meet and short-term financial planning for unexpected bills and periods of low income, over long-term retirement planning. Given this, saving for retirement felt unachievable. They were keen to save for the future; however, pensions lacked appeal to them, as they seem concerned with funds being locked away and not easily accessible in emergencies (or without heavy tax penalties).

- **Younger and capable** (19% of the sample; 23% saving into a pension) – this group also contained young individuals (24% were aged 25-34); however, in contrast to the Younger and unprepared group, they had more regular cash flows and higher incomes, which meant saving was more affordable for them. Given their age, retirement lacked immediate relevance, and so this group was also unlikely to have sought information about pensions and had limited understanding of them. On the other hand, they felt confident in their financial capabilities and often preferred to save money in other ways, such as in ISAs.

- **Property endorsers** (15% of the sample; 56% saving into a pension) – this group contained older individuals with higher incomes and qualification levels (for example, a third were aged 55-64). They felt confident in their knowledge of pensions and ability to save for retirement. However, they were more likely to invest their money in property, than save into a pension (though many were doing both). This was an active decision, based on a certain distrust in pensions and their belief that property offered better rewards (such as fund growth) compared to pensions. Unlike previous groups, Property endorsers spread their savings across multiple products (100% had more than one saving product).

- **Pension endorsers** (22% of the sample; 68% saving into a pension) - this group contained older and highly qualified individuals, similarly to Property endorsers, who also had higher and regular incomes. They were most likely to be saving into a private or workplace pension (68%), and were also highly likely to save their money in multiple ways (93% had more than one saving product). These individuals were confident in their ability to save and saw the benefits of saving into a pension (for example, tax relief and the ability to lock away savings).

Across the five segments, there were clear differences in terms of the propensity to save for retirement and save money generally, as well as of savings products currently being held - with a much greater proportion of the endorser groups saving into pensions, compared to the other groups. However overall, property was seen as the best way to save for retirement by the larger subset of respondents (37%), primarily because it was perceived to offer the best returns (50% of participants thought so), and to be the lowest risk option (18%); pensions were seen as the best way to save for retirement by 22% of respondents. The qualitative research - with a sub-set of participants who were asked for top-of-mind views on features of an ideal pension product – identified several features that were important to participants including: flexibility to withdraw in emergencies; security that money would not be lost; and the potential for good returns on their savings.

1. Introduction

This report presents findings from a programme of mixed-methods research with self-employed individuals, undertaken on behalf of HM Revenue and Customs. This research was commissioned to explore the factors influencing self-employed individuals' behaviours in the context of saving money for retirement.

Context

In recent years, the Government has introduced various reforms to help people plan and save for retirement. This includes the launch of the new State pension, pension freedoms and automatic enrolment into workplace pensions for employees. Over 9 million employees have been enrolled into a workplace pension since 2012[6]. However, the Family Resources Survey shows that while participation in any kind of pension scheme has risen among employees, it has fallen since 2012 for self-employed individuals[7].

The ONS Labour Force Survey shows that the number of people in self-employment has grown significantly over the past decade. In the third quarter of 2017, there were 4.8 million self-employed people in Britain; an increase from 3.8 million individuals in 2008, and accounting for around 15 percent of the UK workforce[8].

The self-employed population is diverse, both demographically and in terms of the work they undertake, which encompasses skilled trade occupations and, increasingly individuals in higher skilled or professional roles[9], as well as the parts of the gig economy[10]. This study will contribute towards mapping a relatively heterogeneous population, and aims to support future discussions around how to increase the level of retirement saving among this group.

About the research

Ipsos MORI was commissioned to undertake mixed-methods research to understand how self-employed individuals currently approach their retirement saving, the barriers to saving, and the features of saving products that are likely to appeal to them. Specifically, the principal aims of the research were to:

- Provide evidence on long-term saving behaviours within the self-employed population, and what the barriers to saving are;

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[6] The Pensions Regulator Compliance Report 2018, available at:
http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-declaration-of-compliance-monthly-report.pdf

[7] Findings covered in Figure 2.6 of the DWP Automatic Enrolment Review 2017, available at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/668657/automatic-enrolment-review-2017-analytical-report.pdf
The data is based on modelled analysis derived from the Family Resources Survey, UK, 2006/07 to 2015/16, available at:
https://www.gov.uk/government/statistics/family-resources-survey-financial-year-201516

[8] ONS Labour Force Survey statistics for December 2017, available at:
https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/december2017

[9] Self-Employment Review, An Independent Report (Julie Deane OBE, 2016)

[10] For the purposes of this research, gig economy was defined as: a way of finding work in the form of short term jobs, where customers often request work via an online tool, like a website or mobile phone app. This means that some self-employed people may use these websites and apps to find customers and carry out work at short notice.

- Develop a segmentation that would allow HMRC to better understand what drives saving behaviours in each segment; *and*

- Identify the types of features of pensions products that are likely to appeal to individuals.

The focus of the research was on customers aged between 18-69 and who had a total pre-tax income in the last year of under £150,000. The research programme comprised four distinct strands:

- An initial **evidence review** that gathered, scoped and consulted 22 sources of literature and unpublished datasets to provide an insight into research that had been previously conducted around: the self-employment population in the UK, individuals' savings behaviours, sources of advice, and what the most common barriers and enablers to saving for retirement were. The evidence gathered from this stage was used to scope which domains (i.e. behavioural drivers) within the Theoretical Domains Framework[11] (TDF) were most relevant to the target behaviour: saving into a private or workplace pension. The TDF is a comprehensive behavioural framework that provided a structure for exploring the extent to which a range of behavioural drivers and barriers influenced saving for retirement, and that was used to structure further strands of this study (e.g. questionnaire design).

- A **telephone survey** using a questionnaire informed by the TDF was conducted with 921 self-employed individuals to obtain a representative view of current practices around saving for retirement, demographics, and understanding of pensions products. Participants were randomly selected from HMRC administrative data with findings weighted to ensure they were representative of the views of the self-employed population. The adjusted response rate was 27%.

- Following the survey, **segmentation analysis,** using a Latent Class Analysis technique, was conducted drawing on attitudinal, behavioural and demographic data. This identified five groups of customers, where participants within each group behaved in similar ways, or held similar views and characteristics.

- Follow-up qualitative **depth interviews** with 28 individuals who agreed to be re-contacted from the telephone survey, and covered each of the customer segments identified. The interviews provided greater depth of insight into behaviours around saving for retirement, the barriers to saving more and possible levers to encourage more saving.

The research fieldwork took place between the end of August and November 2017. Further details can be found in Appendix A.

Interpreting the findings in this report

The purpose of the quantitative survey was to generate findings which were statistically representative of the self-employed population surveyed for this research. The self-employed population was defined as individuals in Self-Assessment who had submitted either the full or short form Self-Employment (Sole Trader) or Self Employment (Partnership) schedules for the tax year ending in April 2016, and those who had submitted a short return with trade turnover greater than zero. Further, only individuals with a total pre-tax income in the last year of under

[11] https://implementationscience.biomedcentral.com/articles/10.1186/1748-5908-7-37.

£150,000 and those aged between 18 and 69 were included in the research population[12]. The way the population of reference is defined might affect findings, and therefore findings presented in this report need to be related to the above definition of the self-employed population. This means that some findings may differ from sources that used different definitions of the self-employed population, such as the Family Resource Survey (FRS) and Wealth and Assets Survey (WAS) (for example, if based on self-reported occupational status from a random survey of the general population). Some comparisons with other published surveys have been presented throughout the report to help contextualise findings from this research. The survey data has been weighted (see Appendix A). Only statistically significant findings from the survey have been reported[13].

The qualitative interviews helped to provide context to the survey data, by adding depth and insight. Interviews were conducted to obtain a spread of views from different types of self-employed people, with participants re-called from the quantitative survey; table B1 in Appendix B shows how participants in the qualitative phase fall across different segments. Quotations from the qualitative research have been included to provide rich, detailed accounts, as given by participants. Qualitative research is based on non-probability samples, and so its samples are not representative of the overall population. Therefore, the qualitative findings cannot be generalised to the full self-employed population. A distinction has been made in the report to clarify where findings were generated by the quantitative or by the qualitative research.

For the purposes of this research, 'savers' are defined as those currently contributing (also referred to as 'saving' in the report) into a private pension or a current or previous workplace pension, and 'non-savers' include those who were previously contributing in this way but have stopped doing so, those who are not saving for retirement, and those who have other savings products (such as savings account or ISAs). The survey did not capture whether or not any money being saved into these other products (such as savings accounts) was being put aside specifically for retirement.

The survey captured participants' main activity of self-employment. For the purposes of this research, business sectors were grouped in order to provide sample sizes large enough to be analysed. These groupings are outlined in table 1.1.

Table 1.1: Sector outline

Original SIC groups	Base	Group name
Agriculture, Forestry and Fishing	64	Manual services
Manufacturing Construction Mining and Quarrying Utilities, Waste Management and Remediation Activities	151	Production services
Wholesale and Retail Trade Repair of Motor Vehicles and Motorcycles Transportation and Storage	81	Trade and transportation services

[12] The population was further refined to exclude those without a date of birth in the sample. More details are provided in Appendix A. All findings refer to this definition of the population, unless otherwise specified.
[13] At the 95% confidence interval

Accommodation and Food Service Activities Education Human health and social work	163	Hospitality, health and education
ICT Finance Real estate Professional and administrative activities	149	Technical and professional services
Arts and entertainment	125	Arts and entertainment
Other service activities Other	186	Other

2. Understanding the self-employed population

This chapter explores the main demographics and characteristics of the self-employed individuals surveyed. It provides evidence of the diversity of the population, by presenting findings around demographics, reasons for choosing to enter self-employment, business activity, and how these factors influenced income and individuals' approaches regarding saving for retirement.

Demographics

The self-employed population surveyed in this research were predominantly White, male and middle-aged, although there was substantive variation beyond this larger group of the self-employed.

Almost two-thirds (62%) were men. This closely aligns with research based on data from the 2012-2014 ONS Wealth and Assets survey, where 67 percent of self-employed are reported to be male.[14] However according to the Department for Business, Innovation and Skills, it is evident that the number of women in the self-employed population has been growing (from 27% in 2008 to 35% in 2015)[15].

Most of the survey population was aged 35 or above, but there was a significant spread of ages, with nearly one-fifth of the survey population under 35, as shown in Figure 2.1 below. Research by Julie Deane found that nearly 43 percent of the self-employed were over the age of 50, with only 11 percent aged under 30. This was in contrast to the employed population, where both groups equated to around 25 percent each[16]. This research found that those under 35 were also more likely than average[17] to have been self-employed for less than five years (62% compared to 27% on average). Similarly, the 2013 ONS Labour Force survey found that those aged under 35 were more likely to have become self-employed in the last three months (5% compared to 2% on average)[18].

[14] Findings from the Wave 4 Wealth and Assets Survey are covered in this 2017 Pensions Policy Institute paper, *Policies for increasing long-term saving of the self-employed*: http://www.pensionspolicyinstitute.org.uk/publications/reports/policies-for-increasing-long-term-saving-of-the-self-employed.

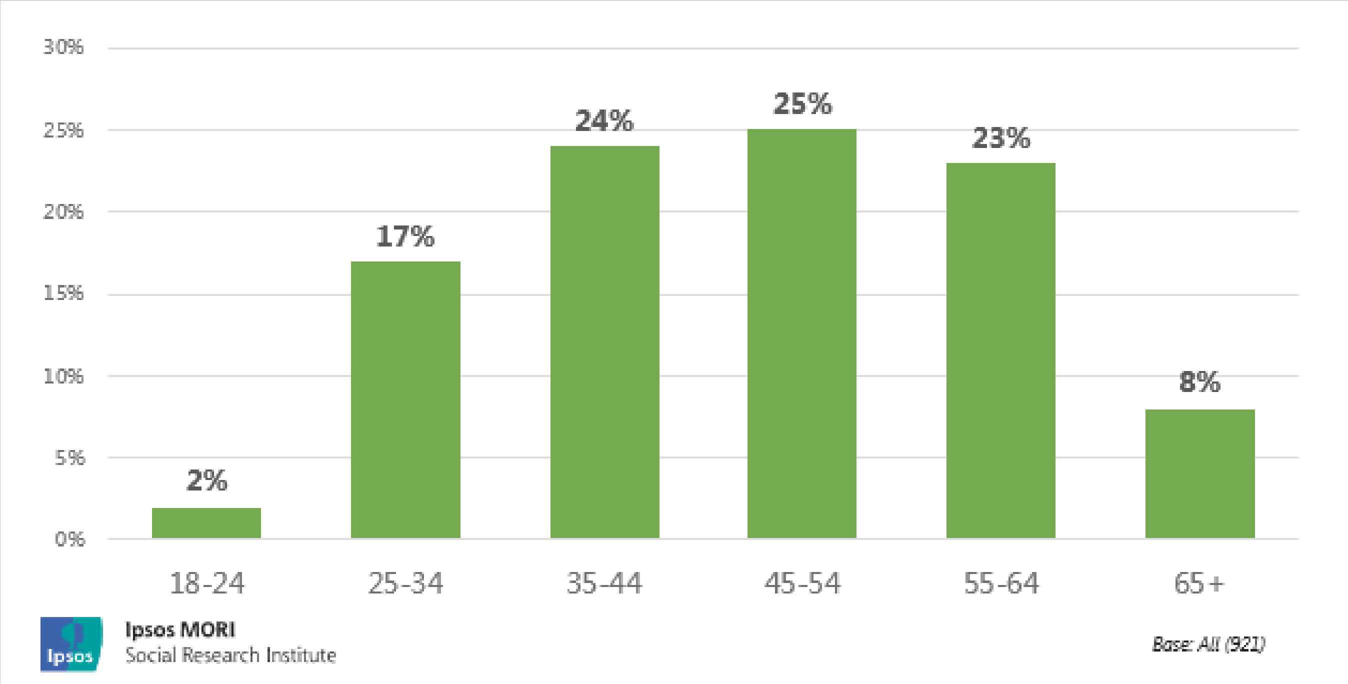
[15] Findings from Understanding self-employment - BIS Enterprise Analysis research report. ONS (2016).

[16] Self-Employment Review, An Independent Report (Julie Deane OBE, 2016)

[17] Throughout this report, "average" refers to the mean finding at the overall level, i.e. the mean response given by all those who completed the survey and were asked that particular question.

[18] BIS analysis of non-seasonally adjusted ONS Labour Force Survey, average Q1 2013 to Q4 2013

Figure 2.1: Please could you tell me your age? (B7)

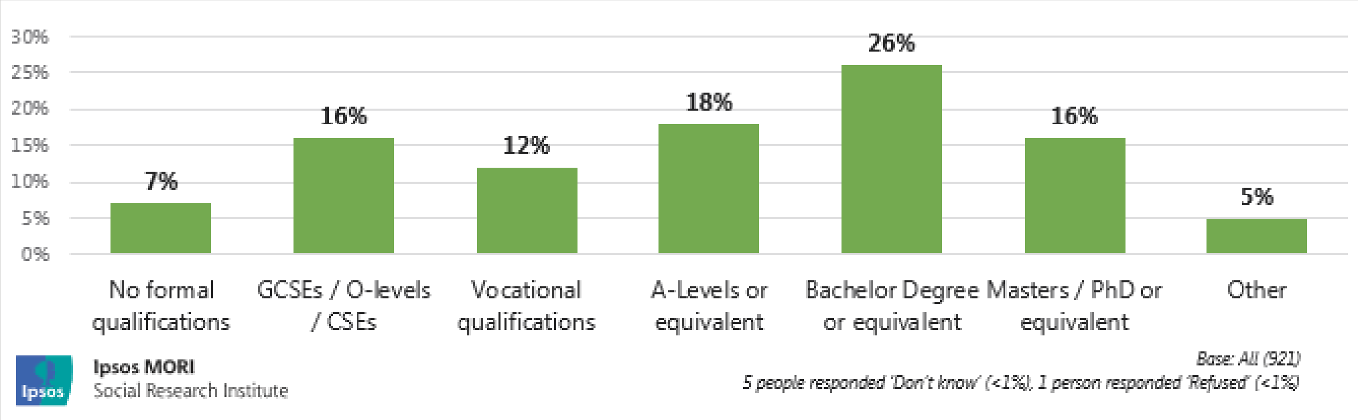


A high proportion of the surveyed population was White (93%), while four percent were Asian or Asian British, and one percent each were Black or Black British, or mixed ethnicity. This is not to say that ethnicity is not an important factor within the self-employed population – a Royal London policy paper previously indicated that the self-employed population may be more ethnically diverse than the employee population with, for example, 24 percent of Pakistani individuals choosing to be self-employed (versus 15% working for an employer). However, given the limited sample of ethnic minority individuals in this survey, there were no conclusive differences that could be drawn out by ethnicity, in terms of attitudes and action taken around retirement saving.

One in four (26%) of the survey population reported having a bachelor's degree or equivalent. Of this group, most (24%) fell into the hospitality, health and education sector, whereas those with no formal qualifications were more likely (30%) to be part of the production services sector. The remaining participants varied in terms of the extent of their educational qualifications. Those aged 18-34 were more likely to have A-level qualifications or equivalent (28% compared to 18% on average) (see Appendix A for a further break down of education levels). The Labour Force Survey illustrated that the rise in the self-employed was being led by those who had a degree, increasing from 19.3% in 2001 to 32.6% in 2016[19]. Figure 2.2 below illustrates the variation in qualification levels for the self-employed.

[19] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2018-02-07

Figure 2.2: Which of the following, if any, is the highest educational or professional qualification you have obtained? (G3)



Reasons for becoming self-employed

Figure 2.3 below shows that for over six in ten (63%), the decision to enter self-employment could be characterised as a personal choice, within their control. This groups together all those giving one of the (unprompted) reasons coloured in green[20].

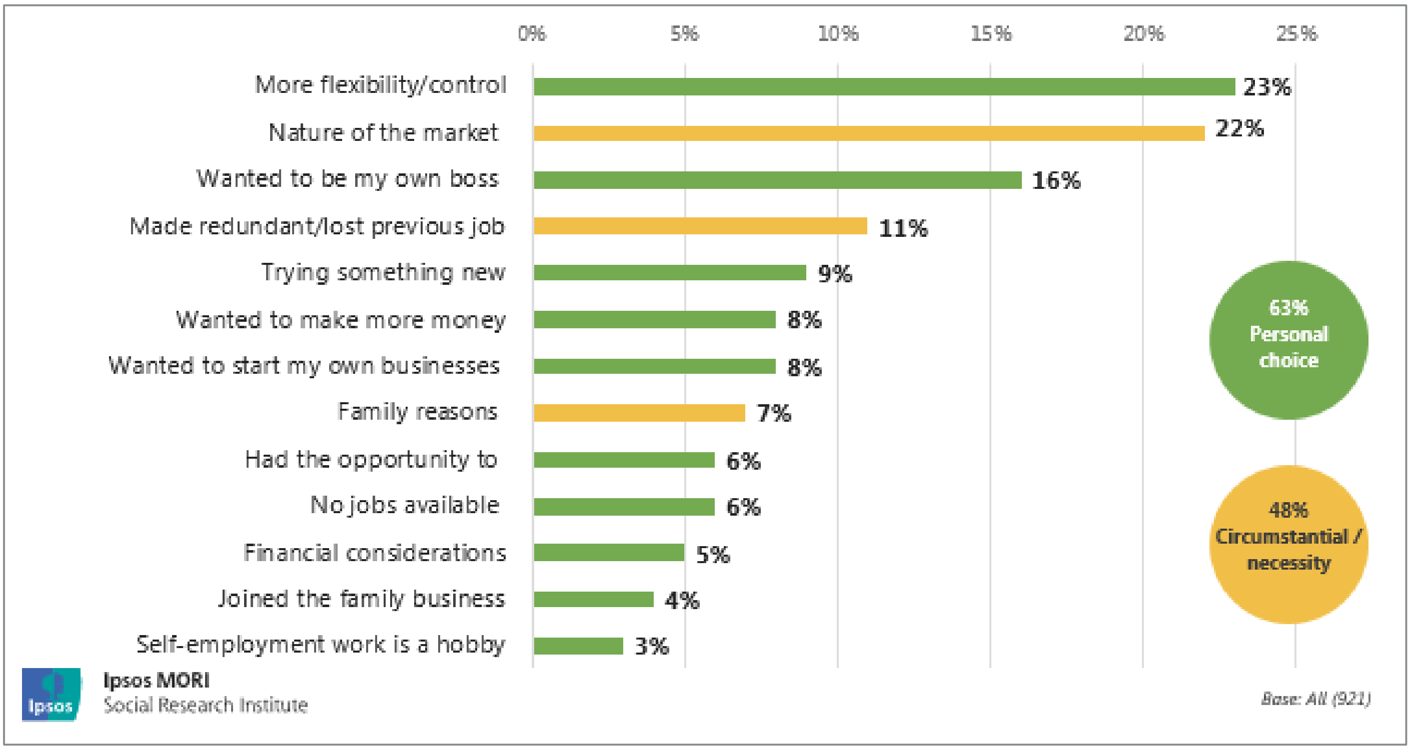
The reasons more related to circumstance or necessity – where it might be said that the move to self-employment was not solely down to the individuals' preferences – are shown in yellow. Those who claimed that one of these was the main reason for becoming self-employed made up 48 percent of the surveyed population. Those who said that they became self-employed because of circumstantial reasons were more likely to be part of the arts and entertainment sector (16%), in comparison to those who said that they became self-employed due to personal reasons (11%). Individuals aged 18-34 were more likely to become self-employed due to the nature of the market i.e. the type of occupation they had/sector they were in (32% compared to 22% on average).

Amongst the personal reasons listed, more flexibility and wanting to be their own boss were the most frequently mentioned. The most common circumstantial motivators included the general nature of the market and being made redundant. Similarly to this, the Labour Force Survey illustrated that in 2015 the majority of full-time self-employed people were self-employed due to positive/neutral reasons rather than negative ones. This was across all age groups[21].

[20] Note that individuals were able to give multiple responses to this question, hence findings don't sum up to 100%.

[21] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2001to2015#trends-in-part-time-self-employment

Figure 2.3: What were your main reasons for becoming self-employed?[22] (C5)



More than one in ten (14%) stated that they received some or more of their self-employment income from the gig economy[23]. This group might also be considered one of the newer, emerging subgroups within the self-employed population; DWP's 2017 Automatic Enrolment Review explores this emerging group of gig workers and how their employment status may affect their access to pensions[24]. Those in the gig economy were more likely to say they became self-employed to 'try something new' (14%, compared to 8% of those who were not part of the gig economy); or because they saw a demand in the market (5%, compared to 1%). Those aged 25-34 were more likely to receive gig economy income, compared to the average (23% vs. 14% respectively).

Self-employment and employment activity

Three sectors – the construction sector (15%), arts and entertainment (13%), and other service activities (encompassing repair, hairdressing, funeral or washing services) (13%) – made up the largest portion of the self-employed people surveyed. The figure below illustrates this, but equally suggests that the survey population covered a diverse range of employment sectors. The survey data reflected trends seen in the ONS Labour market statistics[25], which included the employee population. Those who received an income from the gig economy were more likely to be found in the transportation and storage sector (9% compared to 4% on average).

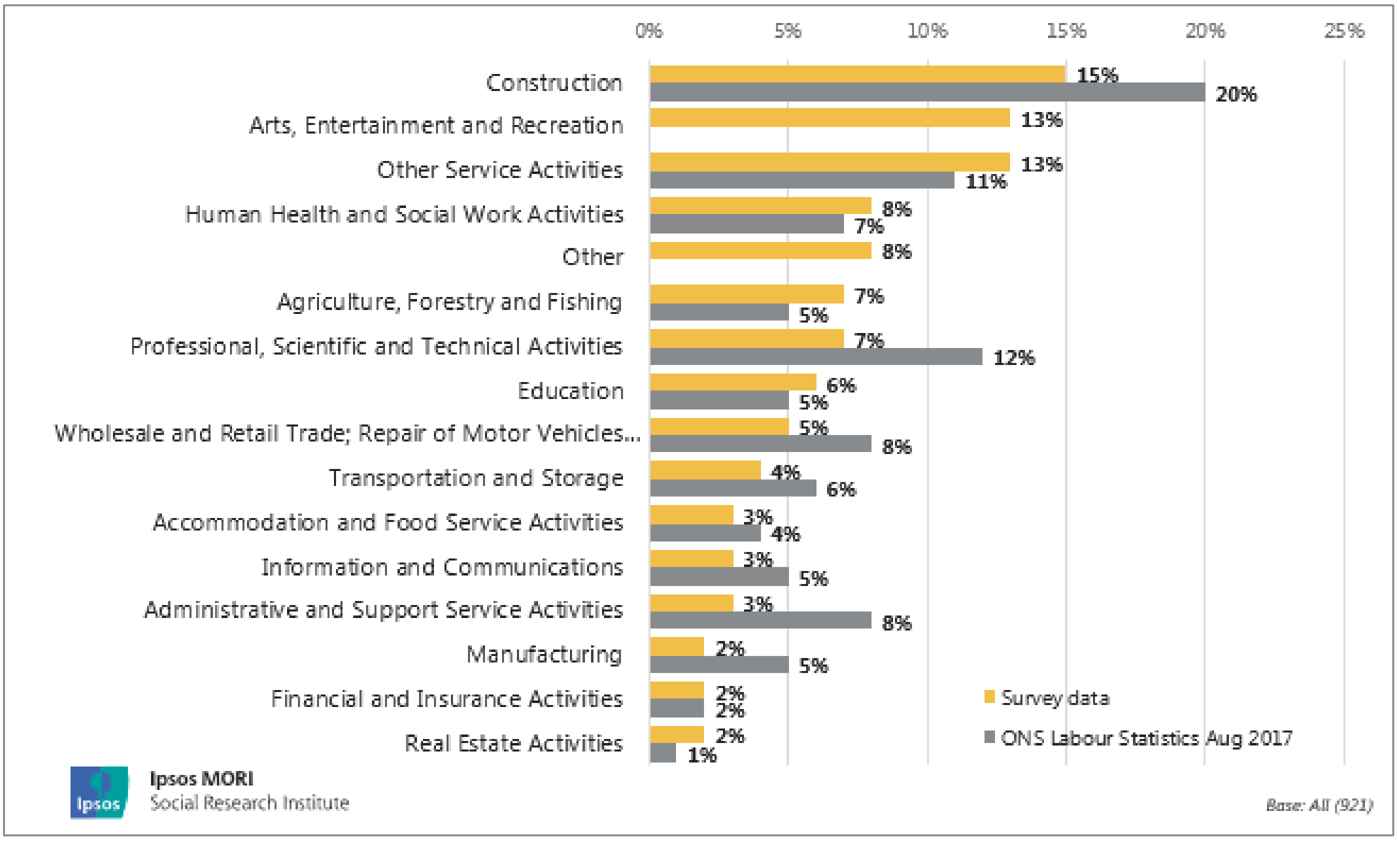
[22] All responses under 3% are excluded from this chart, see the survey questionnaire in Appendix C for the full list of codes. Participants could select multiple responses for this question.

[23]. 'Gig economy' is the name used to describe a way of finding short term work, where customers can request work via an online tool, for example an app; Uber and Deliveroo are all examples of gig economy work.

[24] Automatic Enrolment Review: Maintaining the Momentum, 2017, Department for Work and Pensions

[25]https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/august2017#workforce-jobs-first-published-on-14-june-2017

Figure 2.4: What is/was the main activity of your self-employment (B5B)[26][27]



The majority of participants (68%) had previously been in employment but were now exclusively self-employed, whilst 18 percent said they were currently employed as well as being self-employed. The remaining participants were divided between those who were either retired or semi-retired from self-employment (7%) and those who had never worked for an employer before (6%). According to the Automatic Enrolment Review 2017, 88 percent of people who had had at least one year being self-employed, also had at least one year where employment was their main activity. In addition, 47 percent of the self-employed had more than half of their working years with employment as their main activity[28].

Evidence from the qualitative interviews highlighted two main reasons for being both employed and self-employed. The primary reason was because it helped them to feel financially secure; the additional income allowed them to make ends meet, giving them peace of mind.

> ***"I thought I'd do supply teaching and then take this cleaning job so that it tides me over in the summer."***
> *Younger and unprepared[29]*

[26] Data shown for the ONS Labour Statistics data, accessed August 2017. The data is not directly comparable due to differences in the sampling and methodological approaches.

[27] 'Refused' is not included in this list as the response was under 1%

[28] Automatic Enrolment Review: Maintaining the Momentum, 2017, Department for Work and Pensions

[29] Please see chapter 4 for a definition of these groupings

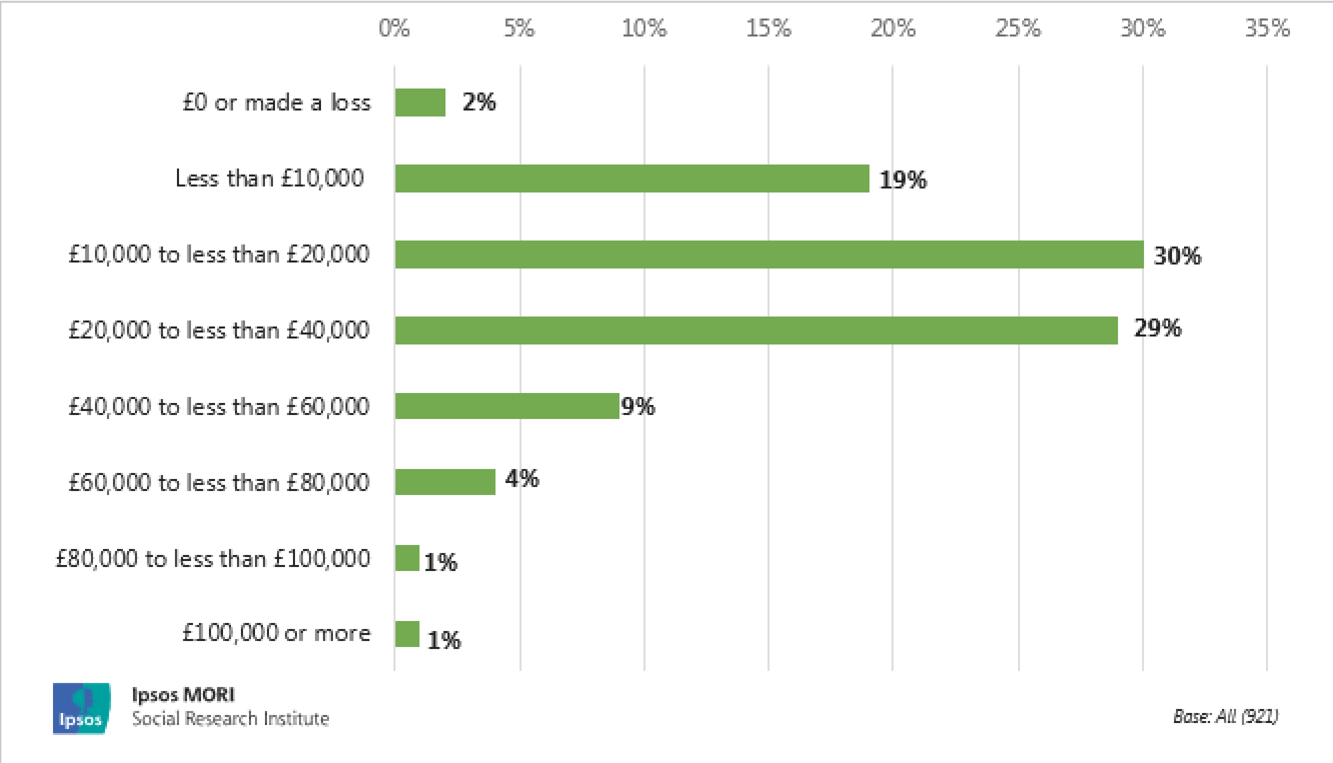
Another reason given for taking on or maintaining working for an employer in addition to their self-employment work was because they needed a more guaranteed source of income to assist with transitional arrangements, as they sought to become solely reliant on self-employed income.

> ***"The business was not making enough money at the start, so I stayed in my job [with an employer]."***
> *Younger and capable*

Financial situations, priorities, and money management

The median gross annual income of the self-employed was £25,662 – this encompassed income from self-employment as well as from any other sources, such as work for an employer, benefits and investments. This figure was higher than that reported by the Family Resources Survey; which reported that the median income for the self-employed (2013/2014) is £10,800[30]; this is likely to be due to differences in the population surveyed, as explained at Chapter 1. Figure 2.5 below illustrates the distribution of income amongst the self-employed, and highlights some marked variability in income levels across the survey population. A sizable proportion – nearly one in five (19%) – were on relatively low incomes of below £10,000, while one in six had stated gross incomes of £40,000 or more. This ties in with findings discussed in later chapters about the perceived unaffordability of retirement saving, which was a bigger issue for those on lower incomes.

Figure 2.5: Approximately what was your total personal income in your last accounting year? (C6/C7)[31]

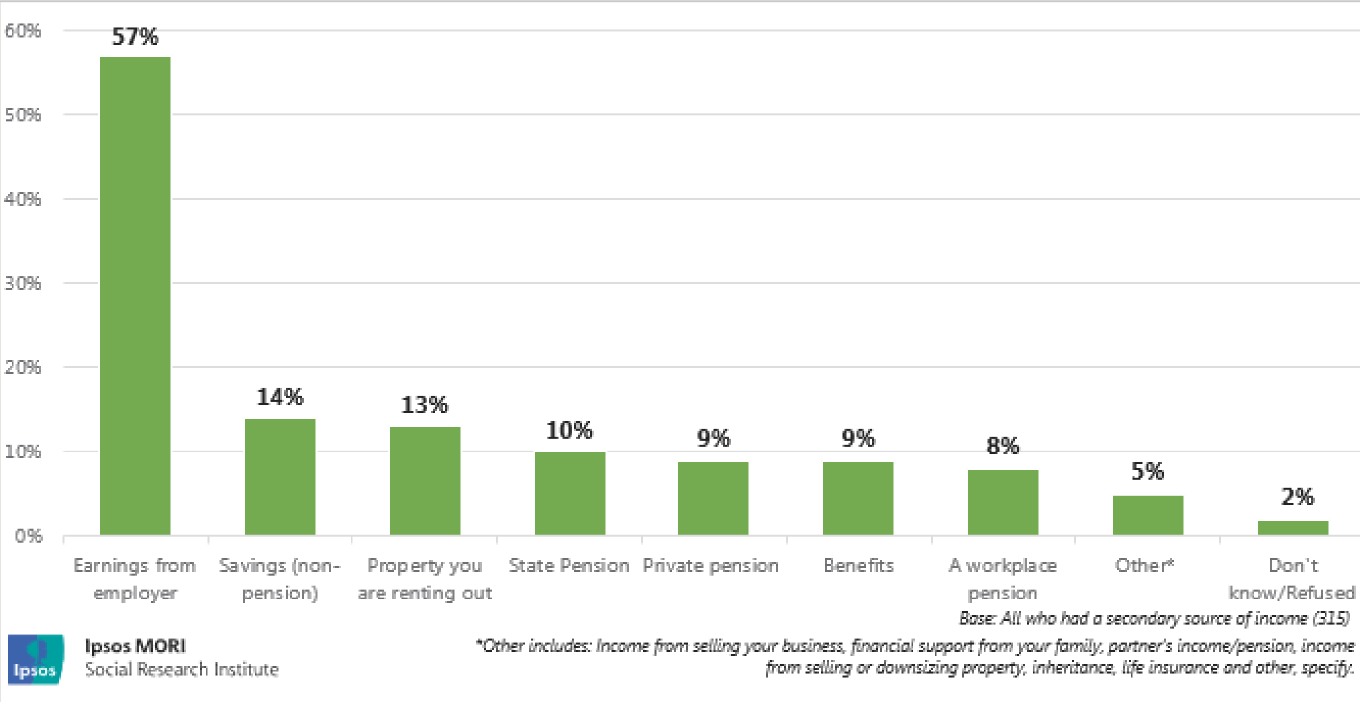


30 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/500317/self-employed-income.pdf

31 Don't know (2%), Refused (2%)

Three-fifths (62%) reported that all their income was from self-employment work, while another third (33%) had other income streams (the remaining 5% were included in 'don't know'). Findings from the Family and Resources Survey (2016) indicated that 84 percent of women who were self-employed full-time and 90 percent of men who were self-employed full-time received all their income from self-employment[32]. In this research, of the third who had other income streams, over half (57%) reported that this came from their employment, 14 percent had savings, 13 percent were earning through renting property, and a further ten percent, aged over State pension age[33], were receiving an income through their State pension.

Figure 2.6: Which other income sources did you have in your last full financial year? (C9) [34]



The high proportion of the self-employed participants on lower incomes provided context for their financial priorities. When asked about their current financial priorities, the vast majority (82%) said that paying bills and making ends meet was one of their priorities. This response was more likely to be given by those who earned under £10,000 (89% in comparison to 64% of those who earned between £40,000 and £60,000). In this research, three in five (62%) reported that a priority would be to invest in their business[35]. Half (51%) said that they would prioritise saving for retirement (or more generally), and those who had more consistent cash flow were more likely to say this (56%), as were those earning between £40,000 and £60,000 (60%) and those whose self-employed business included employees (61%).

The survey found that financial management in terms of saving was particularly difficult for many self-employed people. For 37 percent of the survey participants, their income was reported as being 'irregular' and a further 28 percent described their income as being seasonal. The qualitative research mirrored this, and found that both

[32] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2018-02-07

[33] The self-employed sample which was used included those over the age of 63

[34] Not all responses are listed as they were below 1%, see the survey questionnaire in Appendix C for the full list of codes. Participants were able to select multiple responses for this question.

[35] People could give multiple answers at this question.

seasonality and delayed client payments were common problems for participants. This situation strengthened their financial capability levels, necessitating closer inspection of any income and out-goings to ensure that when finances were stretched, they had the ability to manage. The qualitative work also suggested, however, that variability in income had a more negative impact for those on lower incomes in terms of their ability to save.

Findings from the qualitative interviews on how self-employed individuals managed their money and savings broadly fell into three groups, consisting of those who conducted:

- **little to no financial management:** they tended to be on lower incomes, had one bank account for personal and business finances, and felt they were doing what they could to make ends meet.
- **middle-level financial management:** this group also typically had one bank account for personal and business finances, and their savings approach was to see what was left over each month, once fixed payments had come out. The remaining money was typically kept in their account to be used for upcoming months, put back into the business, or invested into a financial product.
- **high-level financial management:** they often had multiple accounts, which helped them to keep an eye on their spending and maximised their ability to save. Their personal and business finances were separate and these participants used spreadsheets, statements and accounting software to a greater degree.

> ***"I have reminders in my calendar which tell me when my money is due so that I can transfer some over into my other account."***
> *Irregular earner*

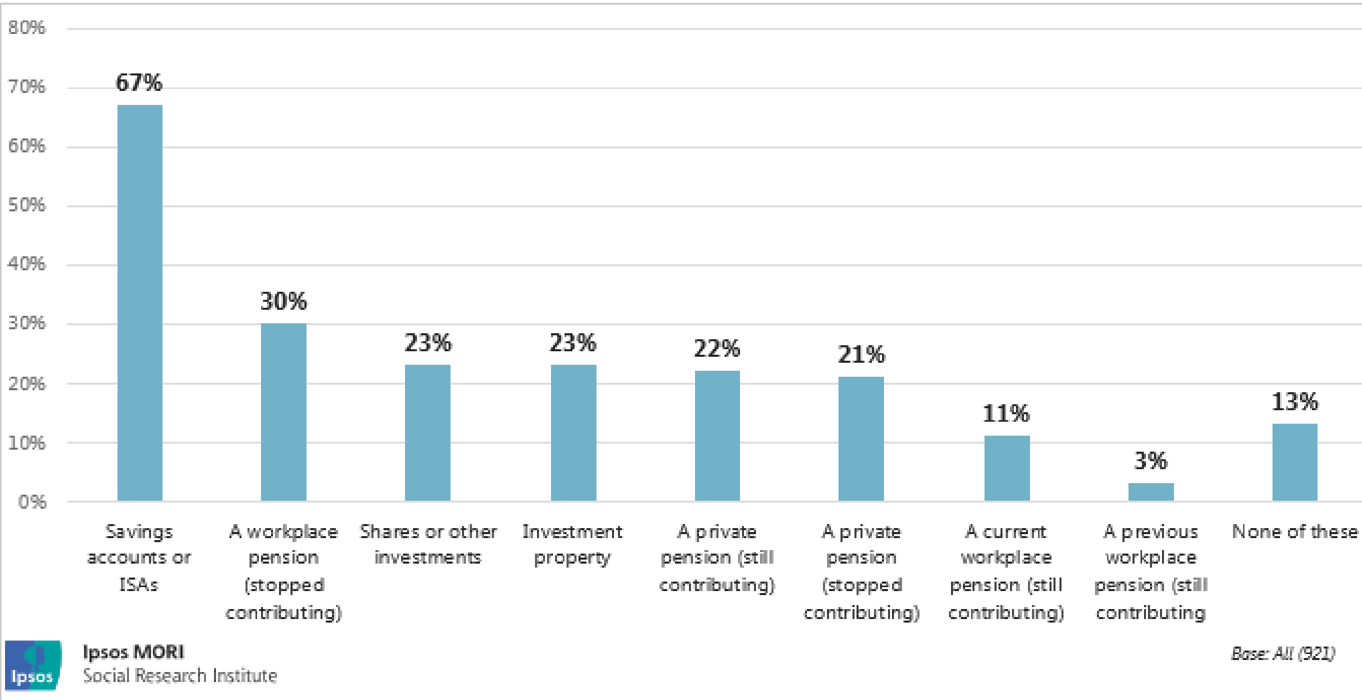
3. Behaviours around saving for retirement

This chapter explores how self-employed people were saving their money (both in general terms, and also specifically for retirement and later life). It presents findings around how they chose to save their money, and how much they were currently saving.

Current saving (for retirement and in general)

Broadly, the survey population had access to savings products of some type, with only 13 percent not having any of the savings products shown in Figure 3.1 below. Savings accounts and ISAs were the most common products. Those aged 65 and over, and those earning between £40,000 and £60,000 were more likely to have a savings account or ISA (81% and 75%, respectively, compared to 67% on average). Those who earned between £40,000 and £60,000 were also more likely to invest in property (31% compared to 23% on average)[36].

Figure 3.1: Do you currently have any of the following? (D2)



The qualitative interviews explored why savings accounts and ISAs were a desirable method of saving for retirement. There were three predominant reasons for this; being able to **access the money** in the account at any time, the **low risk** associated with a savings account and ISA and the **flexibility** that a savings account and ISA allowed in terms of how much money individuals could put into it each month.

[36] Note that individuals could give multiple responses to this question. Don't know is excluded from this list as it falls below 1%.

> ***"The problem I have with pensions is that they're not accessible in an emergency"***
> *Younger and unprepared*

> ***"In a savings account... I can access the money straightaway if I need it... If the business is not making money, then I can use it... Also for emergencies like dentist or if my car breaks down"***
> *Younger and capable*

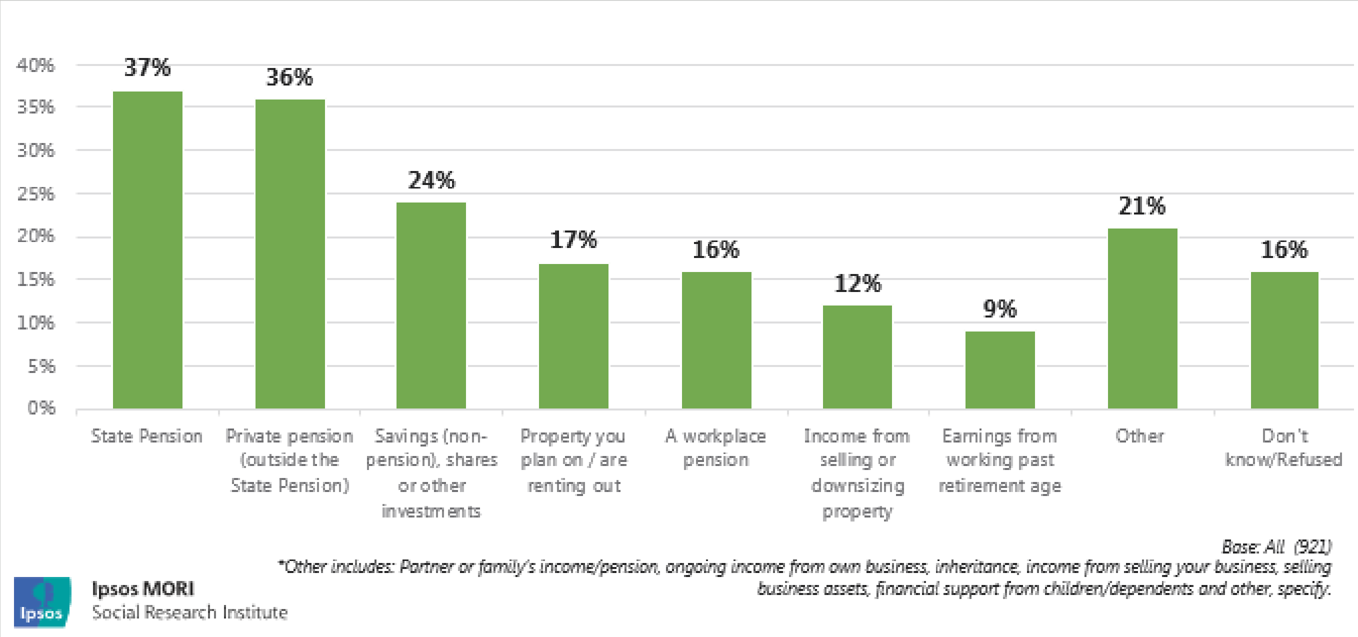
Of the overall survey population, 32 percent were contributing to a pension at the point of the interview (i.e. either into a current / previous workplace pension or a private pension). Please note that as respondents could give multiple responses, this data point will not be a sum of the data in the table. Amongst this group, over two-thirds (69%) were saving into a private pension[37], making this the most common form of pension saving for this population. Within the qualitative research, participants who had a preference for private pensions thought the main benefits were: good control, an ability to understand both how much was going into their pension, and what they can expect to gain in retirement.

> ***"I suppose it is transparency... I can manage the investment risk at my annual review with my financial advisor."***
> *Pension endorsers*

Despite savings accounts or ISAs being the most common vehicle for saving (67%), over a third (37%) expected to rely on their State pension when they retired, a further 36 percent expected to rely on their private pension, while a quarter intended to use non-pension savings (24%). A full illustration of these responses is shown in Figure 3.2.

[37] Within this 32%, 69% were saving into a private pension, 34% were saving into a current workplace pension and 11% were saving into a previous workplace pension.

Figure 3.2: Which income sources, if any, do you expect to use when you retire? (D4)[38]

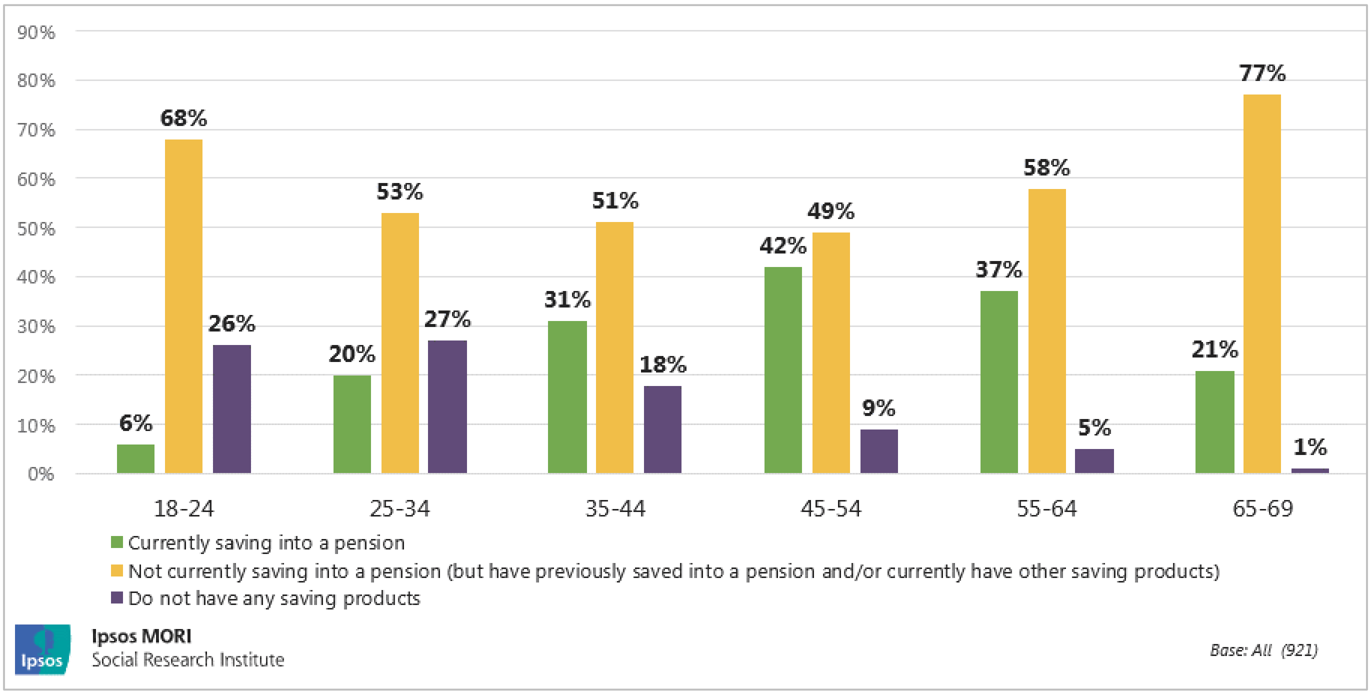


Differences by demographics

Figure 3.3 breaks down these finding by age, in terms of who was saving into a pension at the time of the interview, who previously saved into a pension but had stopped doing so and/or was saving using other means, and who did not have any of the methods mentioned. Those aged 18-24 were the least likely to be saving into a pension (6% compared to the average 32%).

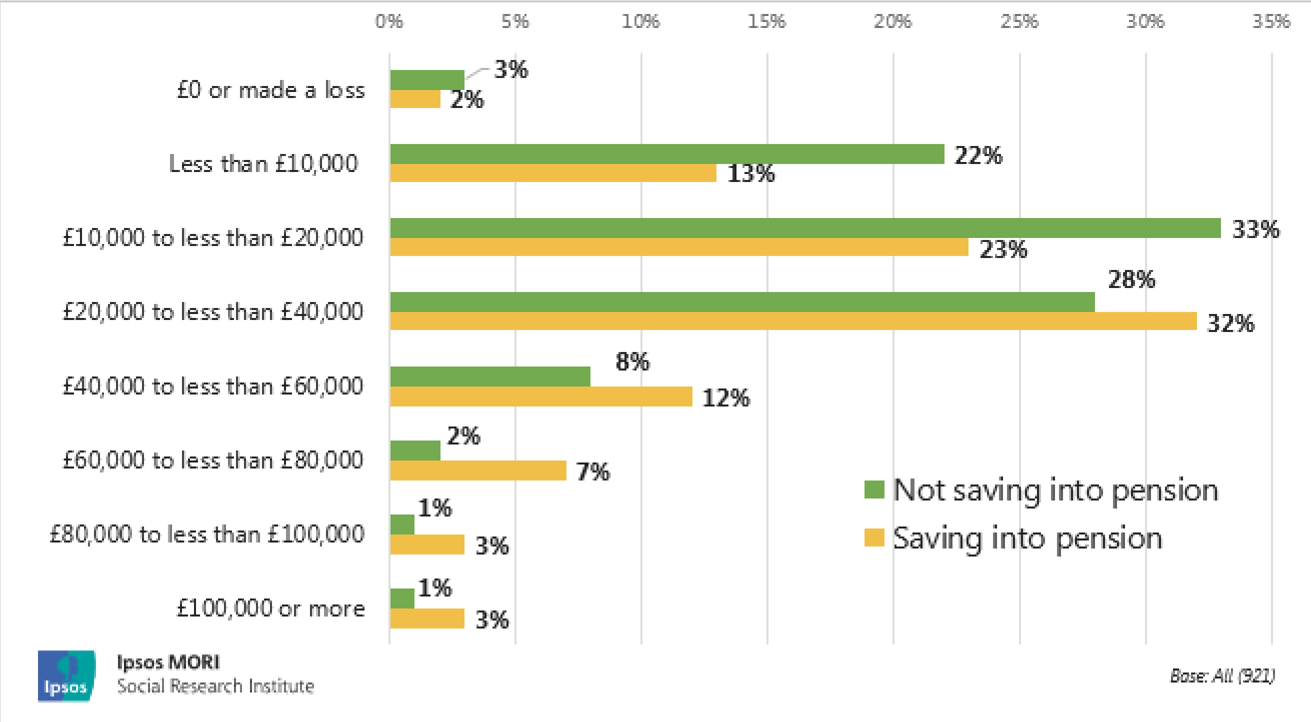
[38] People could give multiple answers at this question. Responses below 9% are not listed, please see the survey questionnaire in Appendix C for the full list of codes.

Figure 3.3: Do you currently have any of the following? (D2) (means of saving by age)



Saving into a pension was higher among women (35%) than men (30%). As expected, those with higher incomes were more likely to be contributing to a pension at the point of the interview, as demonstrated by Figure 3.4.

Figure 3.4: Approximately what was your total personal income in your last accounting year? (C6/C7)

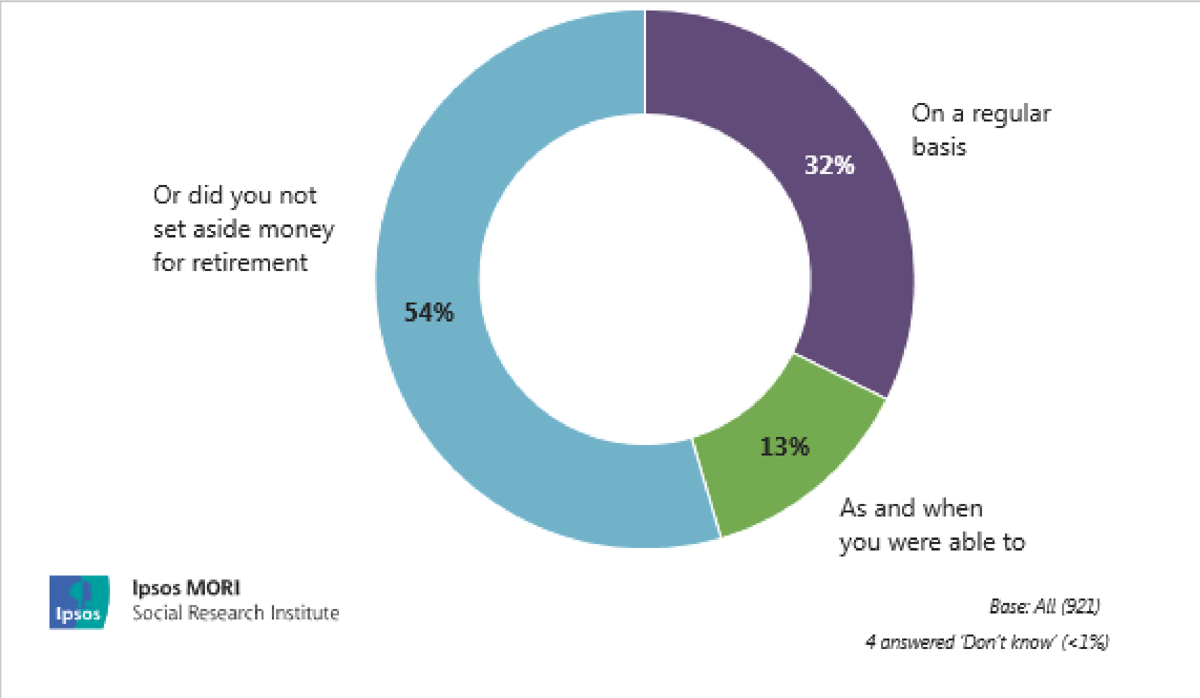


Those saving into a pension were also more likely to have been self-employed for over twenty years (31% compared to 25% on average). Those employed in addition to being self-employed were more likely to be saving into a pension (39% compared to 18% on average). The differences between these groups can help identifying who amongst the self-employed population needs focus when it comes to encouraging saving for retirement.

Saving for retirement in the previous 12 months

As shown in Figure 3.5, over half (54%) reported that they had not set aside any money for retirement in the 12 months prior to the interview.

Figure 3.5: In the last 12 months, how regularly, if at all, did you set aside money for retirement?



Those with consistent cash flows were more likely to have saved for retirement on a regular basis (38% compared to 32% overall). The qualitative work showed that the impact of cash flow consistency was also applicable to savings in general, i.e. not specifically for retirement. In the survey, those on higher incomes were more likely to be saving regularly; 47 percent of those with an income of between £40,000 and £60,000 reported saving on a regular basis. Conversely, those who had an income of less than £10,000 were more likely to not have set money aside for retirement (69% compared to 54%). The same applied to those aged 18-34 (73%).

Of the roughly two-fifths who set aside money on a regular basis or as-and-when they were able to, a quarter (25%) set aside less than £1,000 in this time, and two in five (40%) set aside between £1,000-£5,000, suggesting that the amounts saved tended to be relatively low across the saving population as a whole. Of those who set aside money regularly, 81 percent had a savings account or ISA.

Three in four (75%) of the survey population said they did not have a target in mind in terms of how much income they would want to have when they retired. Just 15 percent of the survey population had a broad target in mind and eight percent had a specific target in mind. Despite this, over half (54%) claimed that they had either thought about how they would get by during retirement either a great deal or a fair amount. Those who were contributing into a pension at the time of the interview (either private or a current/ previous workplace pension) were more likely (20%) to have a broad target in mind compared to the average (15%).

4. Segmentation of the population

Approach

Segments are groups of individuals who tend to have a shared set of characteristics, attitudes and behaviours. Using a Latent Class clustering technique, analysis of the survey data identified five distinct segments within the self-employed population, based on how they answered key survey questions (please see Appendix A for further information). The analysis incorporated differences between the groups based on:

- Demographics;
- Attitudes towards saving for retirement; *and*
- Current behaviours and practices in relation to saving for retirement.

The five groups that emerged were:

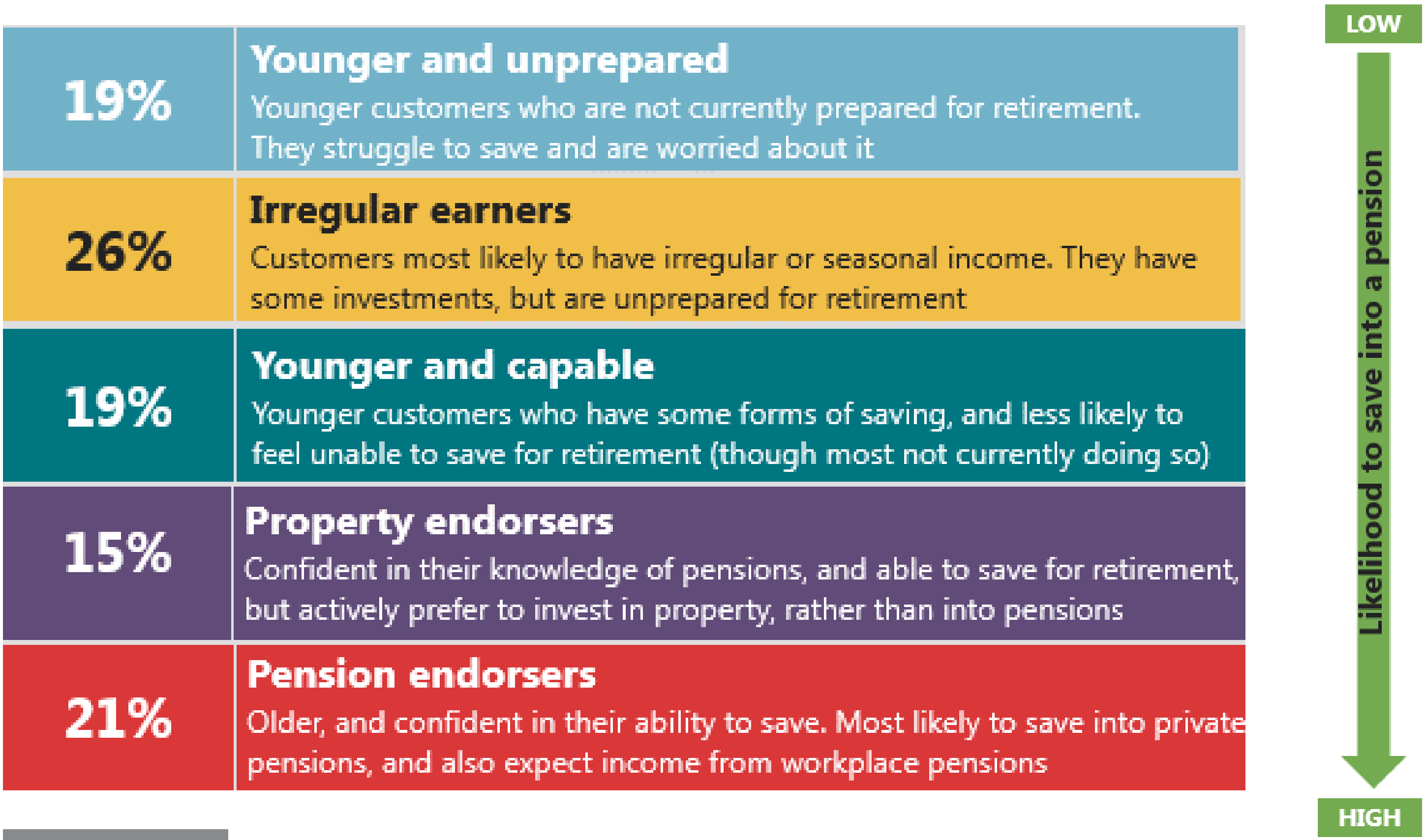
Segment	**Proportion of the self-employed survey population**
Younger and unprepared	19%
Irregular earners	26%
Younger and capable	19%
Property endorsers	15%
Pension endorsers	21%

Having defined each segment, further analysis was conducted to distinguish their socio-demographic characteristics. The qualitative research was also used to further understand each segment in greater depth – who they were, and their defining attitudes and their motivations (additional information on the qualitative methodology can be found in Appendix B). This chapter summaries key differences in the demographic and behavioural profiles of each of these segments.

It is important to note that these segments are relatively simple archetypes of individuals that are likely to be found within the wider self-employed population[39]. No individual will perfectly match one of these segments, but they will tend to be more like one of the segments than others. In this way, it is worth remembering that, for example, not all the Younger and unprepared, or Younger and capable, will be aged under 35. Similarly, not all of those in the Pension endorsers segment currently save into a private or workplace pension (as discussed later in the segment descriptions).

[39] The segments that have been created are of a size that allows for optimum analysis. If they were a larger number of segments, participants within each segment would be more alike to each other, however, each segment would include too few cases to profile from (i.e. very small base sizes).

Customer groups



Demographics

The survey data identified key differences in the demographic profile of the segments, which are described below. A further detailed breakdown of this, illustrated using charts can be found in Appendix A.

Younger and unprepared

This group contained a high proportion of younger individuals; over a third (37%) were aged 18-34. They were characterised by lower levels of income (28% earned less than £10,000, compared to 19% on average). This group had the greatest gender disparity (69% men compared to 31% women, compared to the average of 62% men and 38% women). This group was also characterised by the highest proportion of participants from an Asian / Asian British ethnic background (9% compared to 4% overall). The highest portion of this group (26%) fell into production services sectors. This group were more likely than the average to have never worked for an employer before (11% compared to 6% on average).

Irregular earners

Irregular earners made up the largest proportion, with around a quarter (26%) of the survey population belonging to this group. Similar to the Younger and unprepared group, the Irregular earners had low incomes, and were more likely than the overall survey population to have an annual income of £10,000 or less (27%, compared to 19% overall). The highest portion of this group (20%) fell into the arts and entertainment sector.

Younger and capable

This group contained a high proportion of younger individuals (28% of this group were 18-34), who were concentrated in the production services sector (21%). Younger and capable individuals were financially stable. Their most defining features were that they were the most likely group overall to say their cash flow was consistent (100%) and to be buying their home on a mortgage (55%). This group was the most likely to have worked for an employer and now be exclusively self-employed (84%).

Property endorsers

In contrast to the previous segments, Property endorsers were older and earning higher incomes. The Property endorser segment was more likely to be made up of those over the age of 55 (45% were over 55, compared to 31% on average across the whole survey population). This group were more likely to be earning over £60,000 (13%, compared to the average, 7%),

Property endorsers were more likely to be working in the hospitality, health and education sector (27% compared to 17% overall) or technical and professional services (23% compared to 16% overall) and were also less likely than others to be working in the gig economy (8% compared to 14% overall). Just over half of them (52%) owned their home outright.

Pension endorsers

More than one in five (22%) of the survey population belonged to this group, making it the second largest. Over half of Pension endorsers (54%) were over the age of 55 and they were more likely than average to have been self-employed for more than 20 years (34% compared to 25%). This group was more likely than average to be self-employed as well as work for an employer (31% vs. 18% on average).

In terms of the income profile, this group were more likely to be earning over £60,000 (13%, compared to the average, 7%), and were concentrated in technical and professional services (23% compared to 16% overall). This group were also more likely to have high levels of education: 27 percent had a master's degree or PhD compared to the average (16%). Six in ten (58%) owned their home outright.

Saving behaviours

The five segments had extensive variation in both their demographics and saving behaviours. This section of the report explores in more detail how each of the segments differed, acting as a direct comparison to one another.

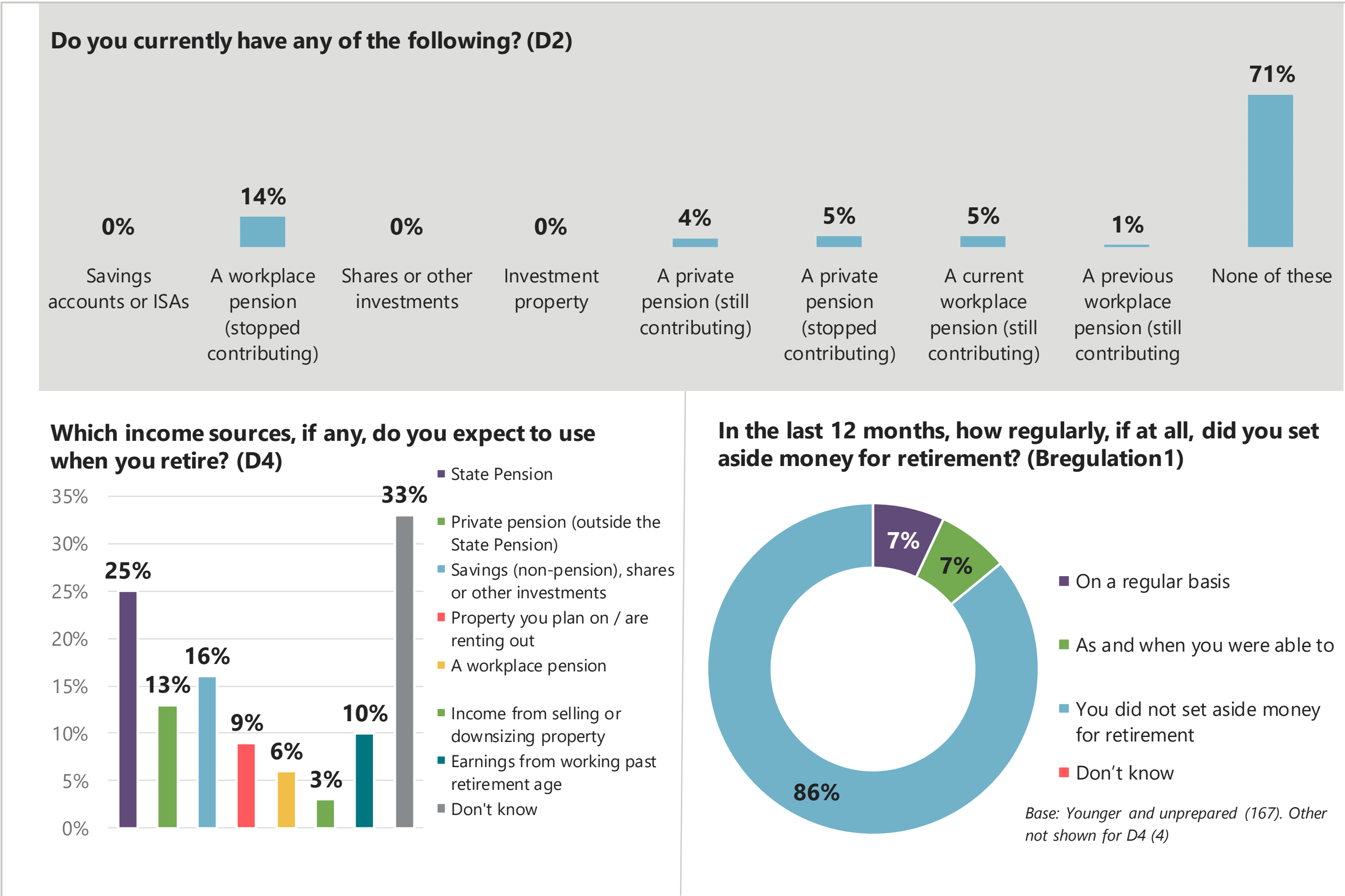
Younger and unprepared

This group was least likely overall to be saving for retirement. Only ten percent mentioned they were currently saving into a workplace or private pension, and the majority (71%) did not have any saving products, including saving accounts or an ISA. Out of this group, none had two or more types of savings products, and 29 percent of this group used one method.

Nearly nine in ten (86% compared to 54% overall) stated they had not saved any money for retirement in the past 12 months. Simultaneously, they were the most likely group overall (33%) to say they did not know which income sources they expected to use in retirement.

This group were most likely to say that their cash flow is irregular (57%). The Younger and unprepared segment were more likely than average to disagree that they would have enough money to live comfortably on when they retired (59% compared to 46% on average), and were less likely to claim they knew what the best way to save was (38% compared to 53% on average).

Figure 4.1: Younger and unprepared saving behaviours[40]



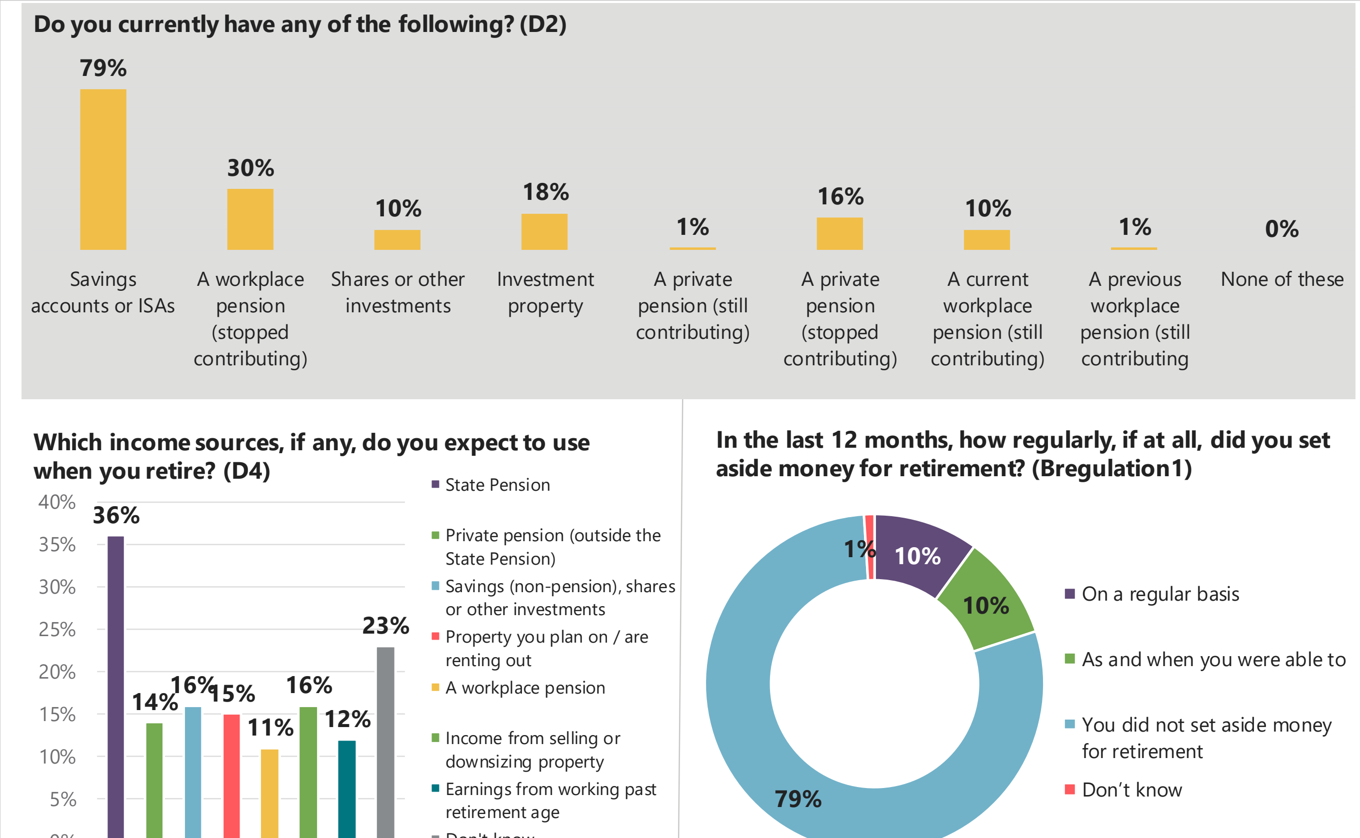
Irregular earners

This group was the second least likely overall to be saving into a pension; only 12 percent were currently saving into a private or workplace pension. They were the most likely group overall (79% compared to 67% overall) to have a saving account or ISA. Over half (54%) had multiple savings products.

Unlike the Younger and unprepared group, Irregular earners were saving their money in other ways (not specifically for retirement). The majority (79%) had not specifically saved any money for retirement in the past 12 months. Only ten percent said that they had saved for retirement on a regular basis. Over a third of this segment (37%) expected to rely on the State pension in retirement, in line with the overall average (37%).

[40] Please note that for question D4 on Figures 4.1 to 4.5 only the top eight responses are shown. Please see the survey questionnaire in Appendix C for the full list of codes. In addition, please note that D4 and D2 are multi-code questions.

Figure 4.2: Irregular earners saving behaviours



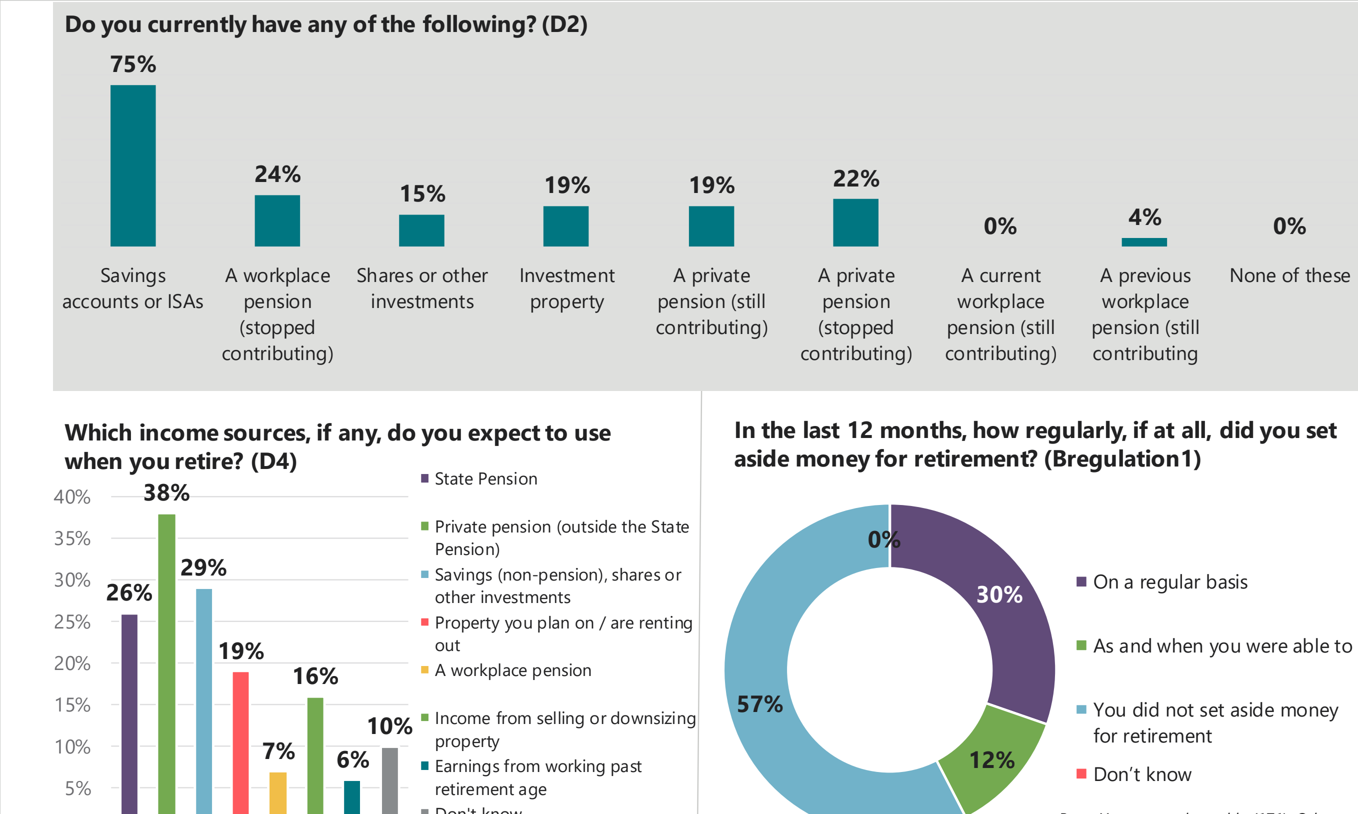
Base: Irregular earners (238). Other not shown for D4 (2)

Younger and capable

Individuals in this segment were twice as likely as Irregular earners to currently be saving into a workplace or private pension (22%). A similar proportion to Irregular earners (75%) had savings accounts or ISAs, however they were more likely to be contributing into a private pension (19%). Over half (57%) had multiple savings products. In contrast to both of the previous segments, Younger and capable individuals were more likely to be regular savers; three in ten (30%) had saved for retirement on a regular basis in the 12 months prior to the interview.

A higher proportion (38%) than previous segments expected to use private pension savings as a source of retirement income; however, they were also likely to supplement this with their more general savings (29%). This group were most likely to say that their cash flow was consistent (100%).

Figure 4.3: Younger and capable saving behaviours



Base: Younger and capable (171). Other not shown for D4 (3)

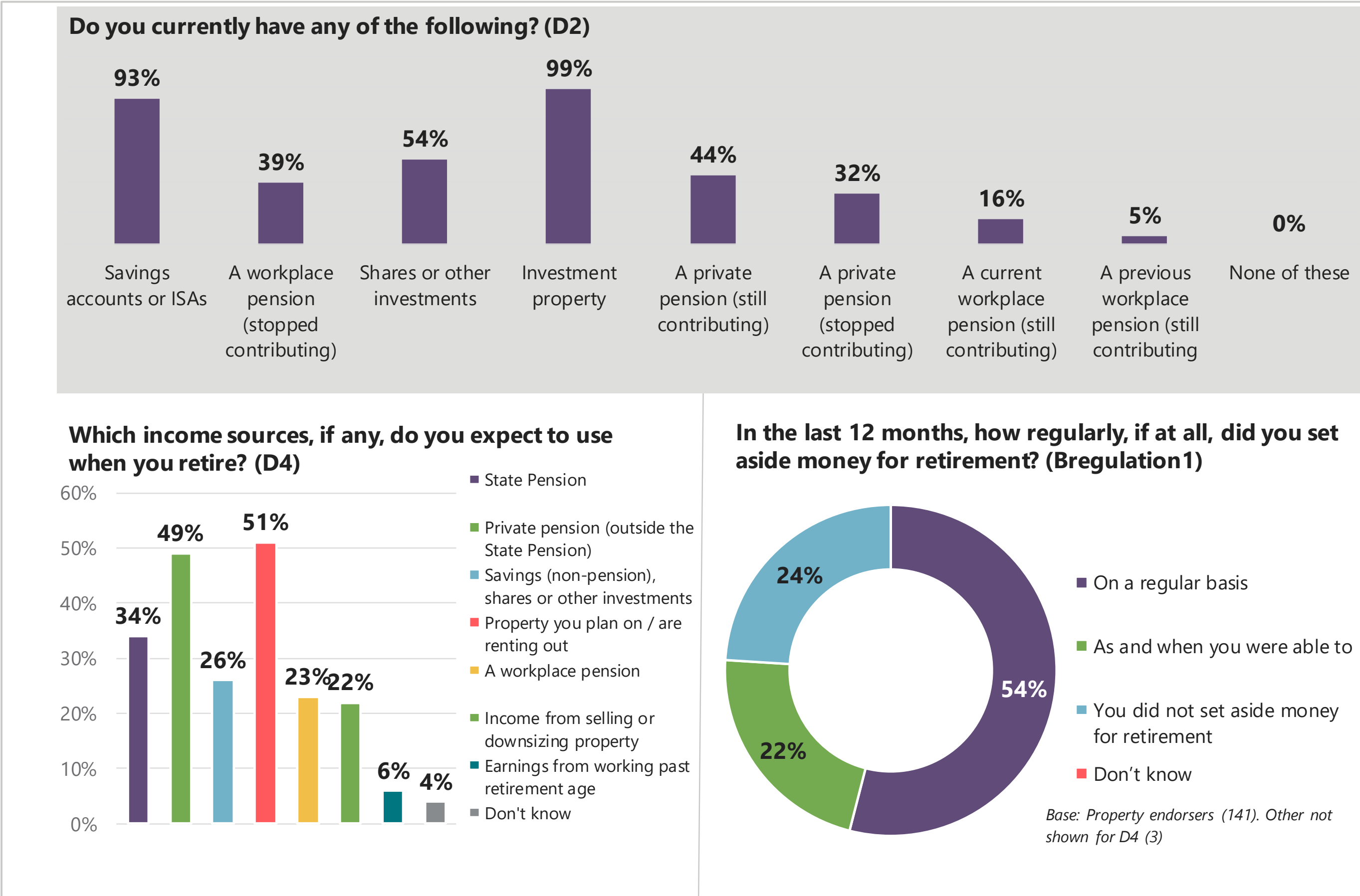
Property endorsers

Property endorsers were the second most likely overall to be saving into a workplace or private pension at the time of the interview (56%). They were more likely to have savings accounts or ISAs (93% compared to 67% overall), but also shares (54% compared to 23% overall) and to invest in property (99% compared to 23% overall). Reflecting their greater affluence compared to previous segments, Property endorsers tended to spread their savings across multiple channels (100% had more than one savings product). They were also among the most likely to own their home outright (52%, compared to 31% overall).

Property endorsers (54%) were the second most likely segment to have set aside money for retirement on a regular basis in the 12 months prior to the interview.

Significant proportions of this group expected to be able to rely on income from private pensions (49%) or State pension (34%) in retirement. However, this segment was more likely than others to expect a retirement income from property they intended to rent out later on (51%). This group were also more likely than average to agree that they would have enough money to comfortably live on when they retire (65% vs. 42% on average).

Figure 4.4: Property endorsers saving behaviours

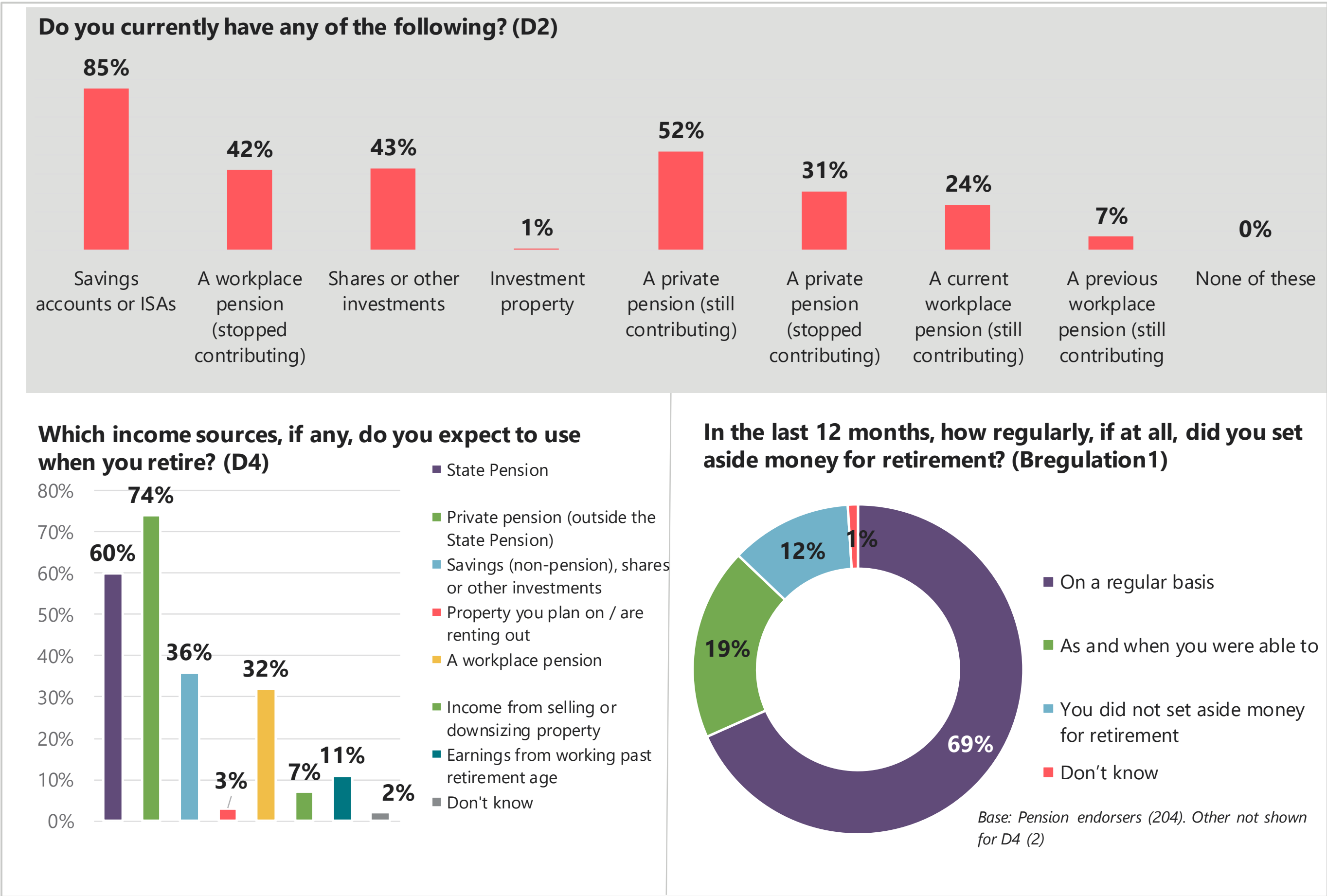


Pension endorsers

This group was most likely overall to be saving into a workplace or private pension (68%). Pension endorsers were likely to have shares (43%), as well as private pensions which they were contributing towards (52% compared to 22% overall) and workplace pensions that they are contributing towards (24% compared to 11% overall). Despite this group being most likely to save into some form of pension (68%), nearly a third (32%) were not currently saving into a pension at the point of the interview. Broadly speaking this group was likely to have more than one type of savings product (93%). As with property endorsers, this group has a widespread range of savings products.

Pension endorsers (69%) were more likely than average (32%) to have set aside money for retirement on a regular basis in the 12 months prior to the interview. Reflecting this, most expected to receive a retirement income from a private pension (74%) or the State pension (60%). This group were also more likely than average to agree that they would have enough money to comfortably live on when they retire (57% vs. 42% on average).

Figure 4.5: Pension endorsers saving behaviours



5. Barriers to saving for retirement

This chapter explores the barriers to saving for retirement based on the behavioural domains identified using the Theoretical Domains Framework (TDF). The TDF is a comprehensive behavioural framework that was used to structure strands of this study (e.g. questionnaire design) to identify the range of barriers to saving. The survey questionnaire included a series of attitudinal questions for each relevant domain, which measured self-reported views and attitudes. The questions were informed by the evidence scoping stage, which identified specific influencers of saving for retirement. For example, the most relevant emotional barriers to saving were identified as: stress, worry, and anxiety.

In interpreting the findings, the authors considered the extent to which the behavioural questions were correlated with saving behaviour. For example, where there was a steep, linear pattern in agree/disagree rates between different segments (from the least likely to save, to the most likely), this implied the attitude strongly correlated with saving for retirement. At the analysis stage, the data from all questions relevant to a domain were considered holistically, to gauge the extent to which each domain was an influencer (driver or barrier) of saving for retirement. Details on the questions included for each domain can be found in Appendix A.

This chapter draws on evidence from both the quantitative and qualitative interviews to consider the extent to which each of these domains was a barrier to saving for retirement, highlighting similarities and differences by customer segment. It is important to recognise that analysing domains in this way is an effective way of assessing the strength or weakness of each discriminating factor, although it does not indicate the direction of causality between attitudes and savings behaviour (though inferences can be made). The domains included as most relevant to this research are set out below, and are considered in the following sections.

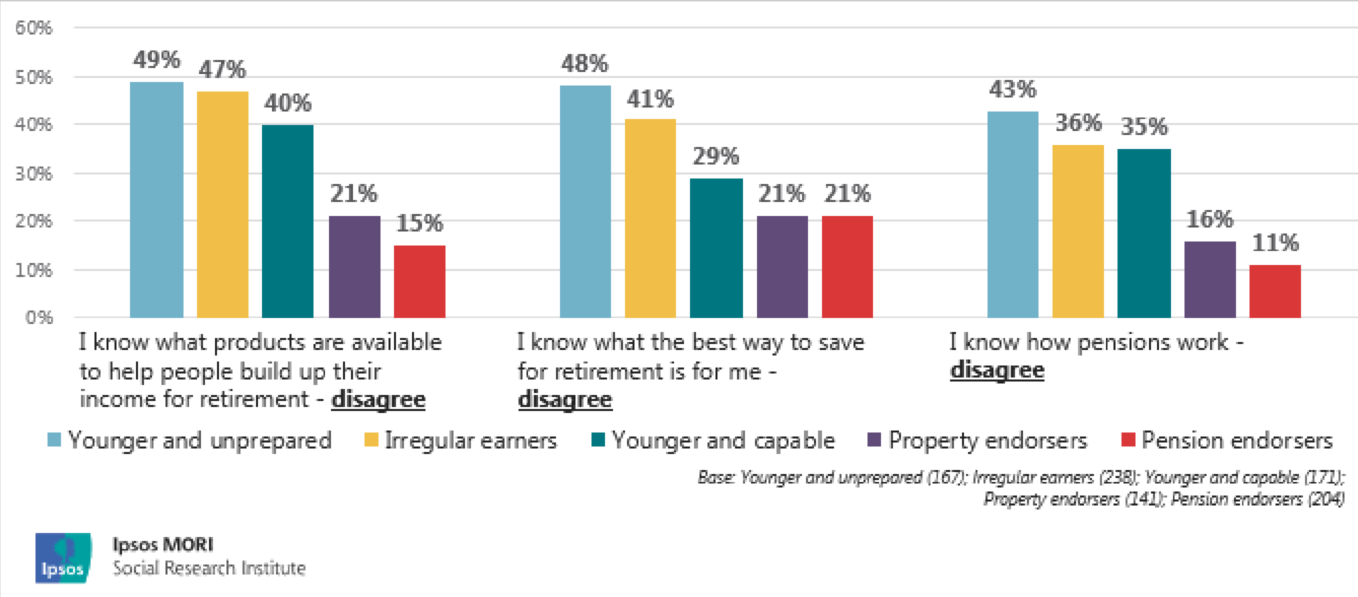
	Definition
Subjective knowledge	A perceived awareness of the existence of something
Social influences and professional role	Those interpersonal processes that can cause individuals to change their thoughts, feelings or behaviours A coherent set of behaviours and displayed personal qualities of an individual in a social or work setting
Environmental context and resources (or material and day-to-day inertia[41])	Any circumstance of a person's situation or environment that discourages or encourages the development of skills and abilities, independence, social competence, and adaptive behaviour
Beliefs about capabilities	Acceptance of the truth, reality or validity about an ability, talent or facility that a person can put to constructive use
Beliefs about consequences	Acceptance of the truth, reality or validity about outcomes of a behaviour in a given situation
Emotion (or external inertia[41])	A complex reaction pattern, involving experiential, behavioural and physiological elements, by which the individual attempts to deal with a personally significant matter or event

[41] As defined in the Household financial decision making research report by DWP: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/193442/rrep805.pdf

Subjective knowledge

There were evident differences in perceived knowledge of pensions across the self-employed segments. While stated knowledge *of how pensions worked* was generally high across all segments (64%), it was highest among the pension saver groups (81% of Pension endorsers agreed with the statement "I know how pensions work"). Non-pension saver groups (typically participants who fell into the Younger and unprepared and Irregular earners groups) also believed they were less knowledgeable on the types of products available to build up retirement income compared to the pension savers (both endorser groups) who felt they knew more.

Figure 5.1: To what extent do you disagree with the following statements (SKNOWLEDGE/E4):



Perceived knowledge of pensions is likely to be related to experience of pensions, something borne out by the qualitative interviews. Those who had experience of saving into a pension, and those who worked in the financial industry felt reasonably knowledgeable about them. Their main points of confusion about pensions were more specific, for example relating to the suitability of increasing voluntary contributions, where the money was being invested, or where to go to get an annuity. These participants were also more likely to have sought or received information about pensions in the past.

Non-pension savers on the other hand tended to lack in-depth understanding of pensions. Some lacked a broader understanding of how pensions worked and what the benefits of saving in this way might be. It was typical for these participants to also lack an interest in pension saving, or believe that saving for retirement was not currently relevant to them, but rather something they might consider in the future.

> ***"I don't think I'm very knowledgeable really. I haven't looked into them in any great depth yet because there's always something else that needs doing first."***
> *Younger & unprepared*

More specific points of confusion among non-pension saver groups related to how pensions were invested, the terminology used, how a pension could be set-up, key rules and tax implications, and how much a pension would be worth in the future.

Participants in the qualitative interviews also had mixed understanding of the tax benefits of saving into a pension. Generally, those who were currently or had previously saved into workplace or private pensions knew the most, and understood that it would be more tax efficient to save into a pension than to save in other ways. At the same time, both savers and non-savers believed that there might also be disadvantages to saving into a pension, for example that savings would not be protected or guaranteed, or the perception that savings could not be passed onto children in the same way that property could. This was generally based on their experience of pensions, or from information provided by an employer or financial advisor.

> ***"My understanding [of the tax implications of saving into a pension] is that I can earn a certain amount of interest without it being taxed on my savings."***
> *Pension endorser*

However, it was more common for participants (and non-savers and younger age groups in particular) to lack awareness of the benefits of saving into a pension.

> ***"I am not aware of the tax benefits. I have heard others complaining about being taxed on their pensions, which does not seem fair."***
> *Younger and capable*

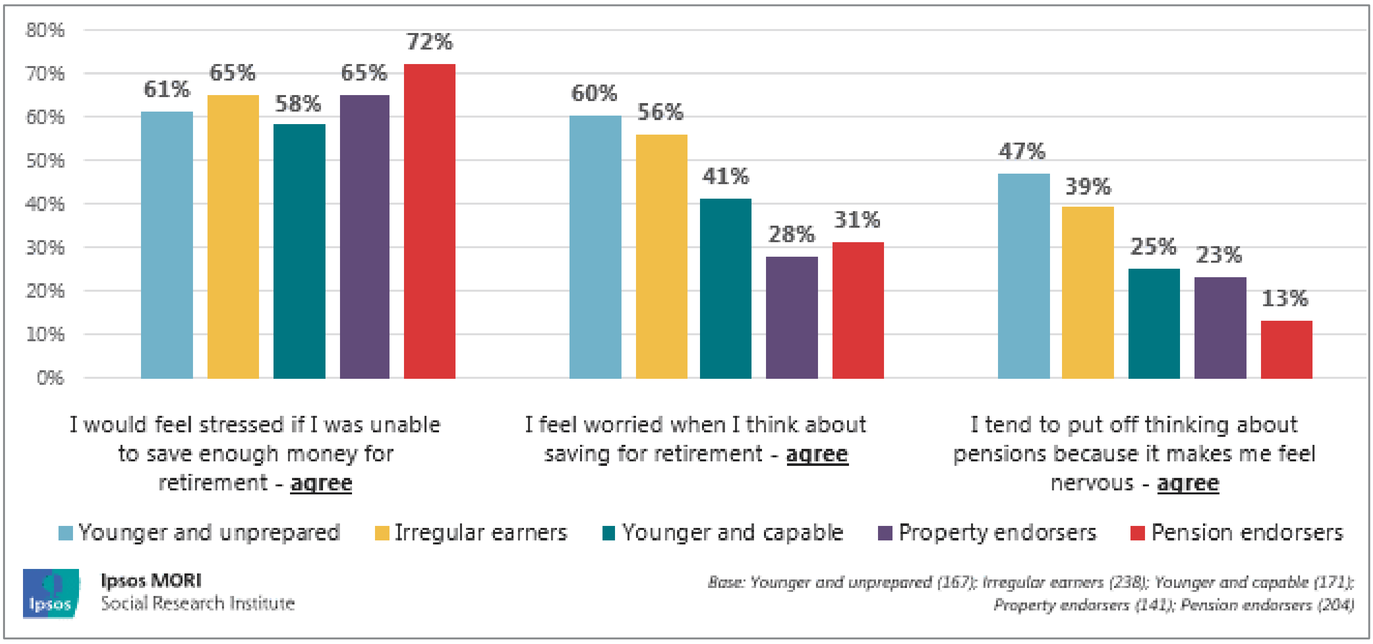
While it should be recognised that actual experience of pensions is likely to influence perceived understanding, a lack of knowledge about pension products available and the most appropriate (and tax efficient) to use appear to represent barriers among non-pension savers. This may further reinforce their tendency to keep away from pensions if they are felt to be difficult to understand, or lacking the appeal of clear tax or financial advantages.

Emotional barriers to saving and inertia

Stress

Stress in relation to lack of savings for retirement was uniformly high across all self-employed segments. Only a quarter (25%) disagreed with the statement: "*I would feel stressed if I was unable to save enough money for retirement*" and the majority of all segments agreed with it. However, being stressed about saving for retirement, or lacking stressful feelings were not correlated with likelihood to save for retirement (i.e. stress was neither a barrier nor a driver).

Figure 5.2: To what extent do you agree or disagree with the following statements (E4/E5):



Worry

Non-savers were more likely to worry about saving for retirement than savers, which reflected their financial circumstances and views on the affordability of saving. The Younger and unprepared and Irregular earners groups were more likely to feel worried when thinking about saving for retirement than pension saver groups. Younger participants, those with lower incomes and those with a single income source were all more likely than the overall population to feel worried. Worry about saving for retirement was also linked to perceptions of affordability. Over three in five (62%) of those who felt saving for retirement was not affordable agreed they felt worried, compared to less than a quarter (22%) of those who felt it was affordable.

Avoidance

Though habits were not in scope of this study, previous research[42] by the DWP identified a tendency for people to know they should save for retirement, but not do anything about it (i.e. inertia). This study explored the extent to which negative emotions and feelings put self-employed people off thinking about pensions.

A majority of self-employed people did not put off thinking about pensions because it made them feel nervous. Three in five (60%) disagreed with the statement: "*I tend to put off thinking about pensions because it makes me feel nervous*", while half as many (30%) agreed. However, non-pension saver groups, including Younger and unprepared and Irregular earners, were more prone to this avoidance (47% and 39% agreeing respectively) than the endorser groups.

Evidence from the qualitative interviews suggested that such emotions were particularly linked to age, with the youngest participants often mentioning putting off thinking about pensions. In part, this was driven by concerns and anxieties about their future, but also a sense that the 'here and now' was more important, with pensions

[42] Attitudes to Pensions: The 2012 survey (DWP, 2012), which can be accessed at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/193372/rrep813.pdf

something they could think about later on in life. These participants valued having money to spend now, rather than saving it into a pension. For some of these participants too, their future financial situation felt more out of their hands.

> ***"I don't really think about [saving for retirement] much...I am only 27 and I will cross that bridge when I get to it."***
> *Younger and capable*

> ***"I try not to even think about it as I will get very anxious...the now, the present is more important."***
> *Younger and unprepared*

On the other hand, some older participants believed that it was too late for them to start saving for retirement. This also lead to inertia to start saving for retirement, in the belief that there would be no benefit of doing so. This was often met with regret at not having started saving earlier on in life.

> ***"I do believe in pensions, but it's a lot of money to add on at my age. I should have done it at a young age."***
> *Pension endorser*

> ***"I am concerned, but it is what it is now. So there's not much I can do about it...I cannot make a noticeable difference by saving now."***
> *Younger and unprepared*

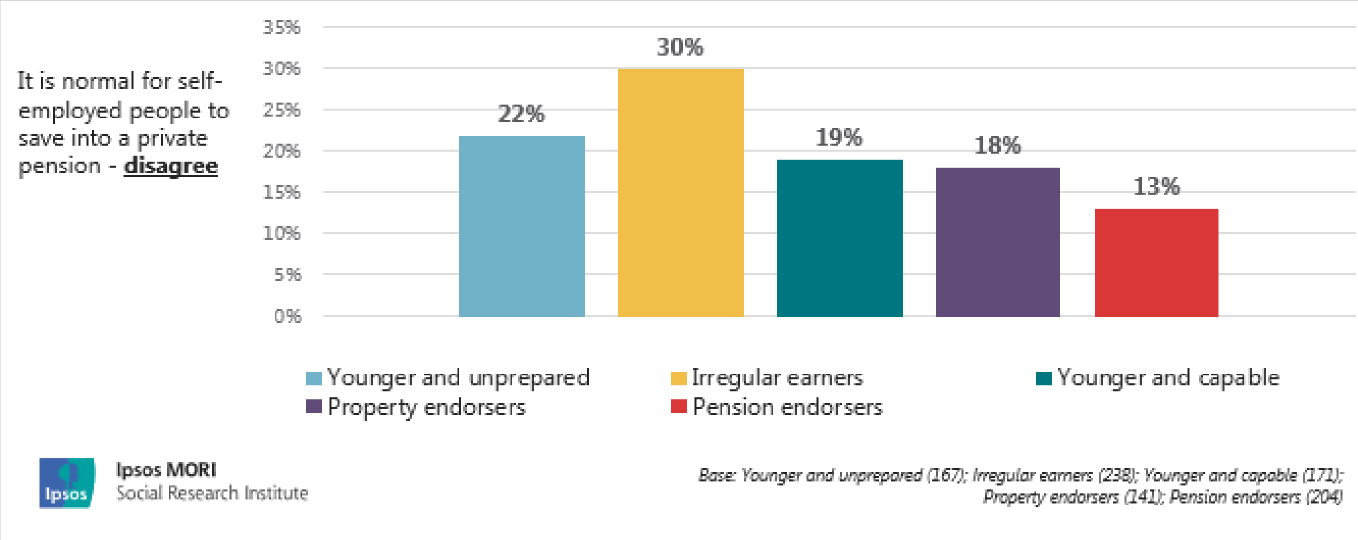
Such emotional and avoidance barriers appear especially important for younger self-employed. The potential for younger self-employed people to tune out of the topic because they don't want to hear about things that make them worry or nervous needs to be considered when developing strategies or communication to encourage greater saving for retirement.

Social influencers and norms

Saving for retirement norms

Saving for retirement was perceived to be a fairly normal thing for self-employed people to do. Over half (54%) surveyed agreed with the statement "*It is normal for self-employed people to save into a private pension*" while 21 percent disagreed. Endorser groups were more likely to perceive saving into a pension as a normal thing to be doing while non-pension savers, and especially the Irregular earner group, were less likely to believe this. Those with seasonal income, a key characteristic of the Irregular earner group, were less likely to perceive saving into a private pension as a normal thing to do.

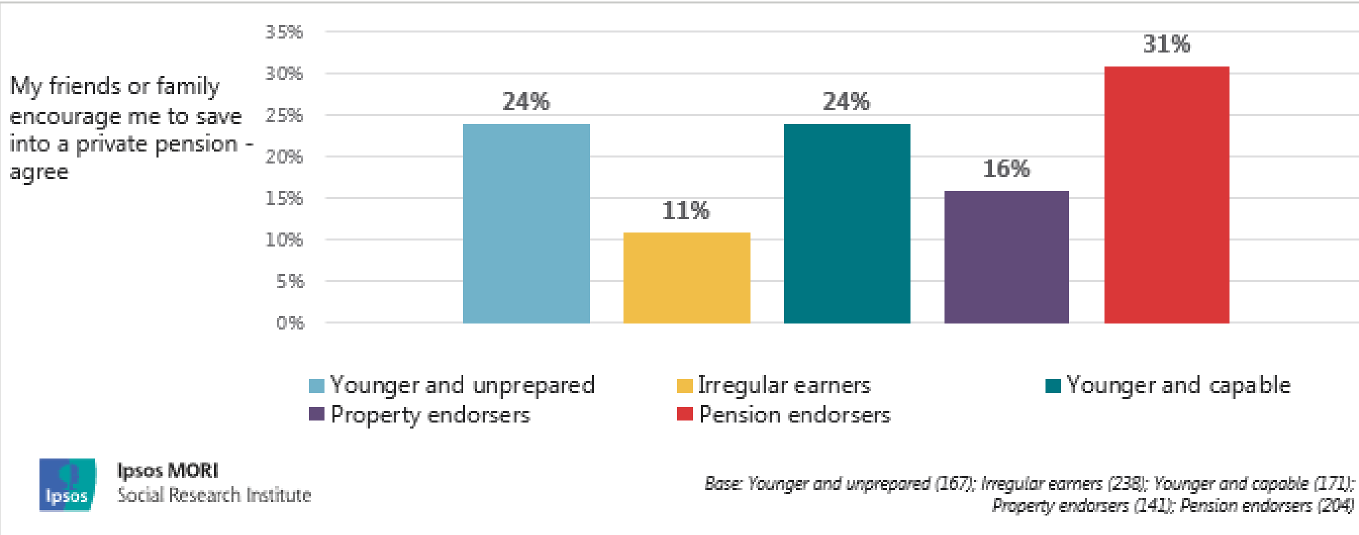
Figure 5.3: To what extent do you disagree with the following statement (E4):



Peer effects

Around one in five (21%) participants agreed with the statement: "*My friends or family encourage me to save into a private pension*" while 67 percent disagreed. However, Pension endorsers were most likely to say their peers encouraged them to save into a pension (31%) suggesting some, if limited, effect on retirement savings motivations. Although not negligible, the influence of peers appears less strong than other factors, both in terms of overall proportion of respondents who saw this as influencing their behaviours, and in terms of its capacity to discriminate between segments.

Figure 5.4: To what extent do you agree with the following statement (E4):



Although these survey results suggested that social influencers played a limited role at best in motivating self-employed people to save for retirement, further evidence from the qualitative interviews suggested that social influences could have both positive and negative effects on their motivations. In particular, peers and especially friends and family, were seen as a trusted source of advice on financial matters in general and pensions specifically.

For those with an intent to set up saving for retirement, advice from family and friends was often mentioned as a strong influence on their decisions.

Nevertheless, the qualitative interviews also highlighted the negative role that social influences could have. Negative stories from family and friends played up the supposed risks of pensions, and was mentioned by some as discouraging them from saving for retirement.

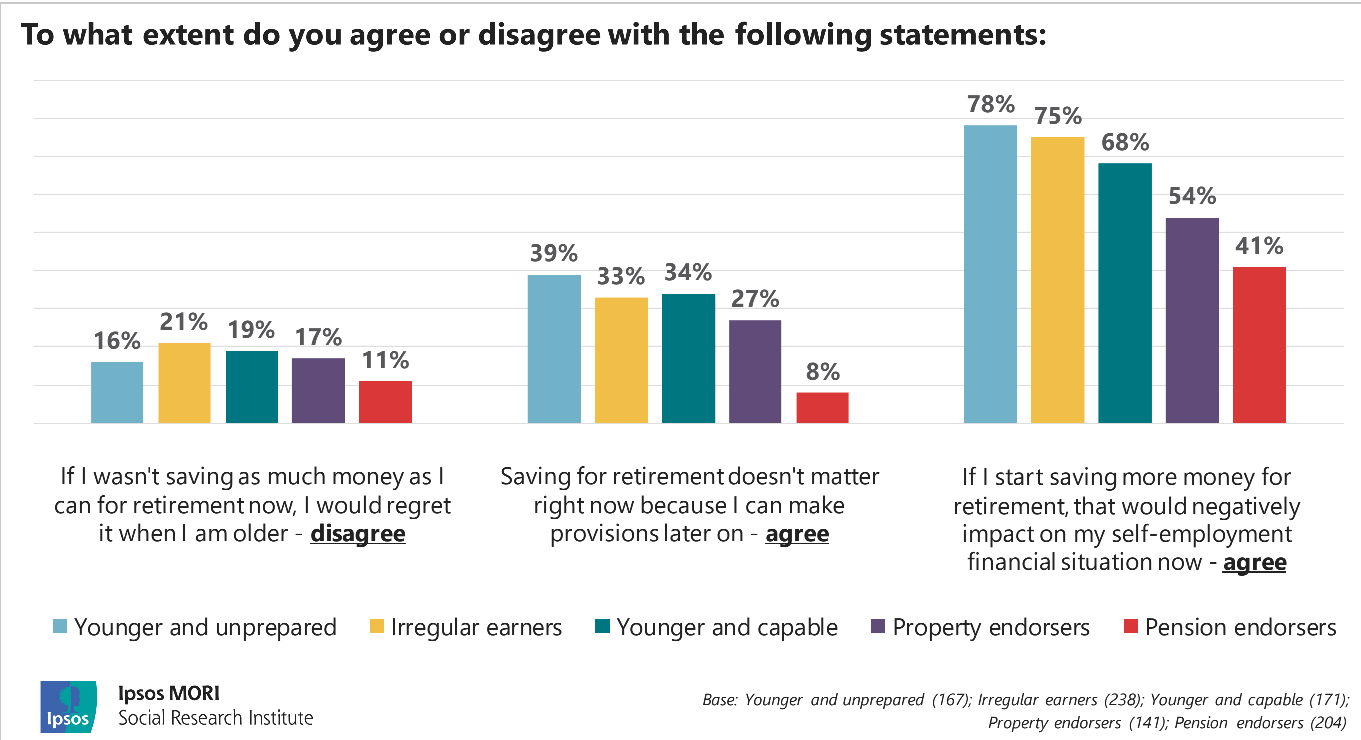
> ***"A lot of my family died before retirement age…my dad at 58, and my uncle at 57…What's the point into stuffing money on a pension?"***
> *Younger and capable*

The analysis suggests that social influencers are a less common behavioural influence, but where they are, they can be a powerful one.

Beliefs about consequences

This domain considers perceptions of the possible consequences of saving (or not saving) for retirement on participants' current or future situation.

Figure 5.5: To what extent do you agree or disagree with the following statements (E5):



Regret

Saving for retirement was important to self-employed people. Nearly three-quarters (72%) agreed with the statement "*If I wasn't saving as much money as I can for retirement now, I would regret it when I am older*"; while 17 percent disagreed. There were few differences across the self-employed segments, although Irregular earners were most likely to disagree that they would regret not saving enough for retirement (21%). Generally, regret in later life was lower among non-pension saver groups, as well as those who believed that investing in their own business was the best way for them to save (25%).

In the qualitative interviews, a similar pattern was observed in terms of saving into a pension. Participants who were currently saving into a pension and who felt they could afford to save up for retirement, had the most optimistic outlook for the future. If they were unable to save enough money into a pension, they believed that they would have alternative sources of income to support them in retirement (which reflected confidence in their general financial situation). This included income from partners' pensions, income from selling or renting out property that they owned, downsizing their property, or inheritance from parents. They expected that not saving enough into a pension would only have a small impact on their lifestyle, such as not being able to go on holiday.

> ***"We will have the necessities for food and stuff, but not the Route 66 holiday and the 3 months away."***
> *Pension endorser*

Those who thought that saving was unaffordable were more pessimistic. They knew that they could rely on a State pension income to some extent, however this was thought to be insufficient to cover the costs of everyday living. The impact of not saving enough money for this group included having to work later into life, relying on their family or partners, and struggling to pay for food and bills. The perceived consequences of not saving enough money for retirement were more extreme for a small proportion of the participants, and included homelessness and implications for their stress and mental health.

> ***"I run the risk of not having enough money then."***
> *Younger and unprepared*

> ***"I would be worried, because it's not as easy as the £100 a week [from a State pension]. It's all the bills that come with it…if I was in rented accommodation I would really be concerned on how I can survive because of day-to-day living. Obviously there's the food bills and heating bills and everything else. Is £100 pounds a week enough?"***
> *Younger and capable*

Ability to make provisions later on

A majority of self-employed individuals believed that saving for retirement was not something they could put off until later. Over three in five (62%) disagreed with the statement *"Saving for retirement doesn't matter right now because I can make provisions later on"*.

A significant minority (28%) did, however, feel this was something they could put off until later, a view that was particularly prevalent among younger (under 35) individuals (41%) and those who believed that investing in their own business was the best way to save for retirement (44%) – both of which were disproportionately represented within the non-pension saver groups.

Perceptions of the ability to make provisions later on were not strongly influenced by perceptions of affordability. Both those who felt saving for retirement was affordable and not affordable disagreed with the statement, rather than agreed. However, the extent of this did vary; those who felt that saving was affordable were more likely to disagree (78%) than those who felt saving was not affordable (51%).

These results suggest that for certain segments of the self-employed population the choice of whether or not to save for retirement is influenced by the trade-off between current and future prosperity prospects, an issue considered further in the section below.

Impact of saving on their current financial situation

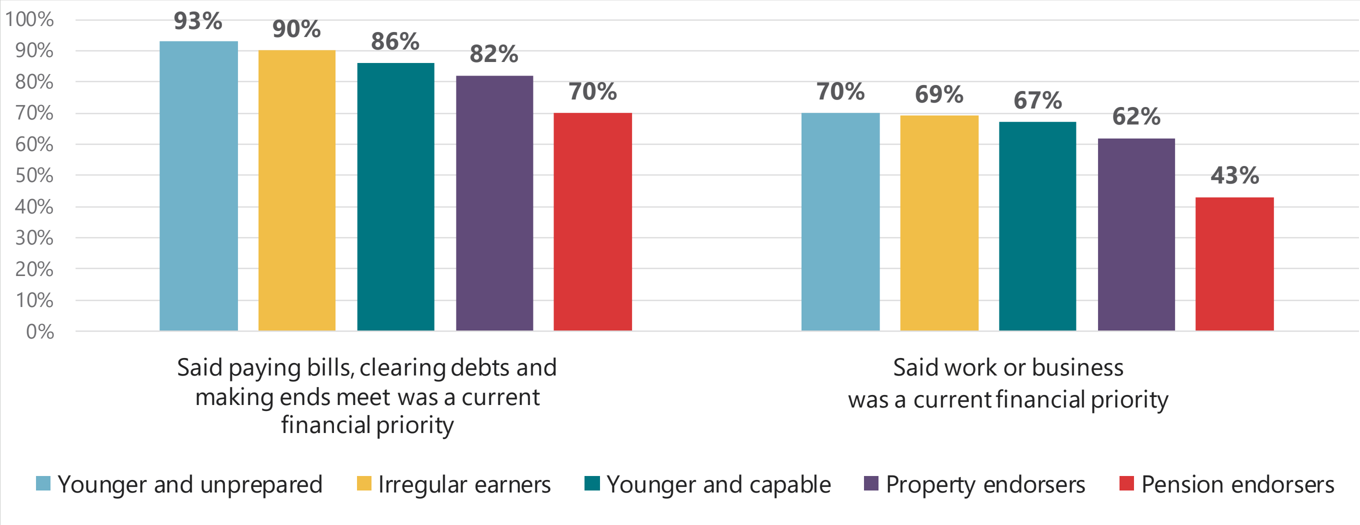
The majority of self-employed people said they were worried that saving more money for retirement would have repercussions for their current financial situation. Nearly two-thirds (64%) agreed with the statement *"If I start saving more money for retirement, that would negatively impact on my self-employment financial situation now*", while a quarter (24%) disagreed.

Perceived impact was strongly related to perceptions of affordability. Individuals who felt that saving for retirement was unaffordable to do were twice as likely as others to agree with the statement (80% compared to 44%).

Non-pension saver groups (i.e. not including both endorser groups) were much more likely to believe there would be negative impacts on their current financial situation if they saved more money for retirement. Three-quarters (74%) of non-saver groups said it would negatively impact on their current situation, compared to 47 per cent of the endorser groups. Those more likely to prioritise their current situation over future prospects included younger individuals aged between 25 and 34 (75%), those on lower incomes (74% agreed) and those who only had income from self-employment (68%) – all traits common to the non-saver groups.

This was reflected in differences in the wider financial priorities seen across the self-employed segments with the Pension endorser group much less likely than the non-pension savers groups to say that paying bills and clearing debts, and investing in their work or business was a financial priority at the moment (67% and 43% respectively).

Figure 5.6: Which of the following things, if any, would you say are financial priorities for you at the moment? (C11)[43]



Base: Younger and unprepared (167); Irregular earners (238); Younger and capable (171); Property endorsers (141); Pension endorsers (204)

Evidence from the qualitative interviews supported this, with participants linking the impact of saving more money for retirement to their current financial situation, in terms of being able to pay bills (including tax bills), paying the mortgage, and having short-terms savings for emergencies such as car breakdown.

> ***"I would run the risk of not having money in my current account, which I rely on for bills and emergencies, like car breakdown."***
> *Younger and unprepared*

In contrast, those saving for retirement had a more positive outlook and believed that they would be in a better financial situation later on in life. These participants felt that saving was more affordable, although some did express reluctance to save any more than they were currently doing, mentioning paying the mortgage, spending more on home renovations, and buying their own property as current priorities.

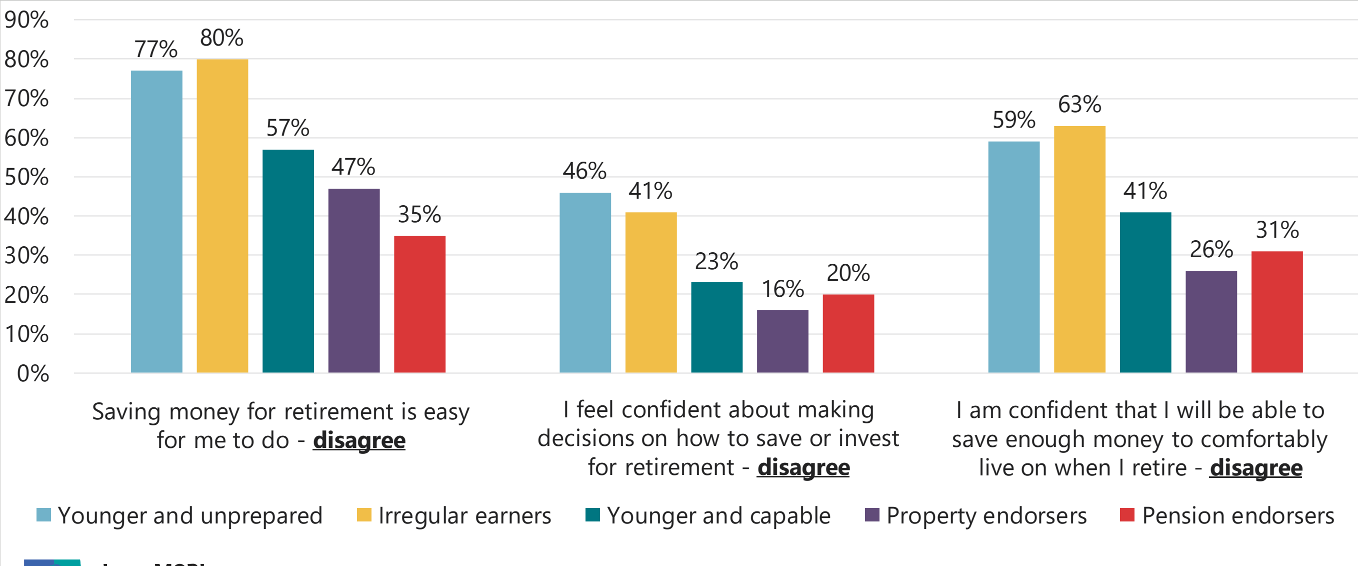
Perceptions of consequences appear to have a strong influence on motivations to save for retirement, particularly among the younger self-employed who had a greater tendency to prioritise current financial commitments over future ones.

Beliefs about capabilities

Perceptions of capabilities to save for retirement differed markedly across non-pension and pension saver groups, suggesting an important role in motivating savings behaviours. While confidence about making decisions on how to save for retirement was generally strong across the population (58% agreed), differences were more pronounced on the ease of saving for retirement and confidence in saving enough.

[43] Participants were able to select multiple responses for this question

Figure 5.7: To what extent do you agree or disagree with the following statements:



Base: Younger and unprepared (167); Irregular earners (238); Younger and capable (171); Property endorsers (141); Pension endorsers (204)

Ease of saving

Saving for retirement was perceived to be difficult for self-employed people to do. Just over a quarter (27%) agreed that "*Saving money for retirement is easy for me to do*", while three in five (61%) disagreed.

It was the Irregular earners (10%) and Younger and unprepared (11%) groups in particular who were the least likely to find saving for retirement easy to do. Key traits associated with these two groups were strongly linked to perceptions about the difficulty of saving for retirement. Younger age groups (under 35), those on the lowest incomes, those with variable cash flow, and those with a single source of income, were more likely to perceive saving for retirement to be difficult. These were all factors linked to their perceptions of affordability.

Confidence in decision-making and ability to save enough money

Confidence in making decisions about saving for retirement was strongest among the endorser groups, but even among the lower propensity saver groups, more than one in five said they felt confident in their ability to save enough money (25% of the Younger and unprepared segment, and 22% of the Irregular earners). However, confidence that they will be able to save enough to live comfortably in retirement varied markedly by segment.

Characteristic traits of the Younger and unprepared and Irregular earners groups were closely linked to weaker confidence. Confidence was more likely to be weaker among younger age groups, those on the lowest incomes, those with variable incomes and those with fewer income sources. Consequently, confidence was also strongly linked to perceptions of affordability with those who felt that saving for retirement was not affordable, least likely to feel confident in their ability to save enough money. There were differences by gender too, with women (36%) significantly less likely than men (45%) to feel confident in their ability to save enough money for their retirement. This reflected income differences by gender, as women were more likely than men to be earning lower incomes (27% of women earned less than £10,000 compared to 15% of men).

Among the endorser groups, confidence was stronger among the Property endorser group (65%) than the Pension endorser group (57%) which, as explored later in this report, may in part reflect both perceptions of higher rewards from property investment and a lack of transparency on the likely size of any pension pot from private and workplace pension products.

Evidence from the qualitative interviews also highlighted other important factors that were influencing perceptions of confidence. Participants who had been saving for extended periods of time, or who were able to save regularly or through multiple channels felt more confident that they would be able to live comfortably in retirement. This attitude was more common if participants expected to have further income support from their partner’s pension or savings, from property or from receiving an inheritance, although they also acknowledged that their situation could change at any time.

> ***“I felt confident that when I was at retirement age I would have enough. I'm one of those super planned people that actually was planning my retirement in my early 20's."***
> *Pension endorser*

> ***“Because I am mortgage free, when we move we will be getting a house around half the price of current property."***
> *Younger and capable*

On the other hand, non-savers (irrespective of segment) or those who had been saving for a relatively shorter length of time lacked confidence in their ability to save enough money for retirement. This was often paired with an expectation of having to work later in life, or relying on a State pension.

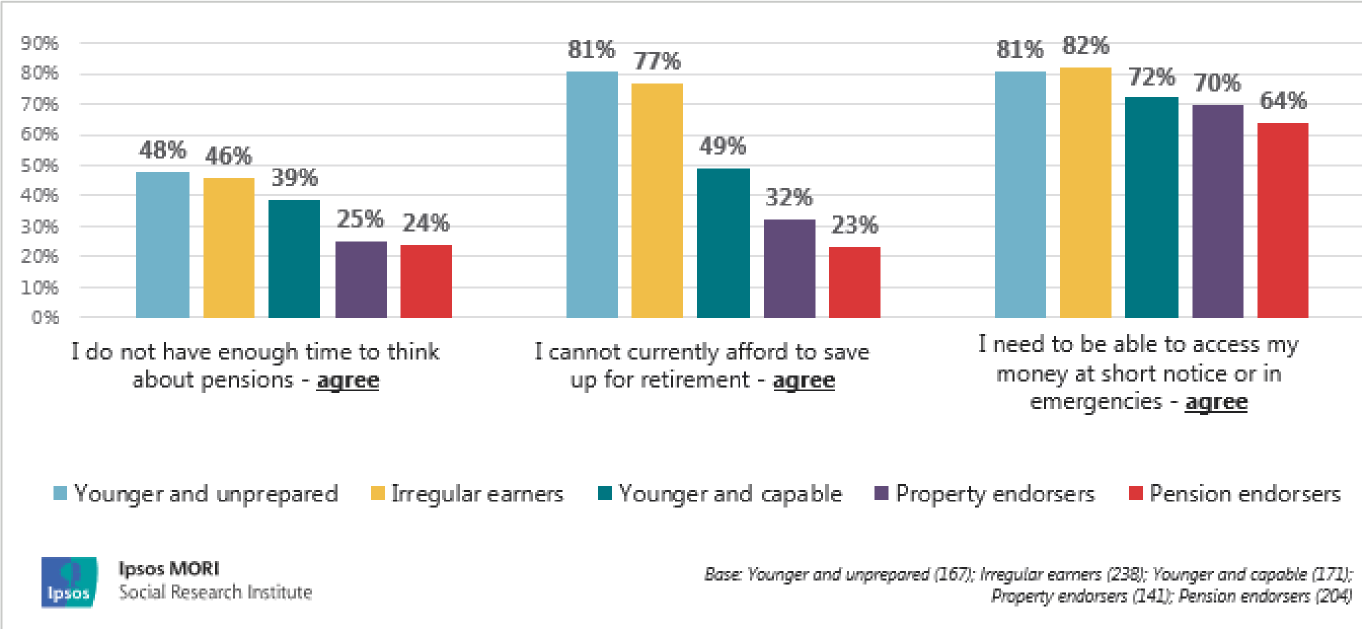
> ***“I’m not at all confident. I am going to keep working in some form…but this is not uncommon, I feel the majority of people will have to."***
> *Younger and unprepared*

> ***“I will be largely depending on the State pension."***
> *Younger and unprepared*

Environmental context and resources

Day-to-day barriers (such as not having enough time to think about pensions) appeared to be a discriminating factor across the segments, but it was not a strong barrier to saving. On the other hand, being able to access money at short notice didn’t discriminate strongly across segments, but was something that the large majority of respondents agreed upon, and as such could represent a barrier to saving for retirement across the entire population. The ability to afford was a much stronger discriminating factor between segments, suggesting it could have a strong and direct influence on saving behaviours.

Figure 5.8: To what extent do you agree with the following statements (E4/E5):



Time

In comparison to other elements in this domain, having enough time to think about pensions was less of a barrier to saving for retirement. Just over a third of participants (37%) agreed with the statement "*I do not have enough time to think about pensions*" while 51 percent disagreed. Participants who were most likely to agree included younger age groups (for example 48% of 35 to 44 year olds), individuals who worked in the gig economy (44%) those on incomes of less than £10,000 (43%), those whose self-employment work made up all of their income (41%) and non-savers (40%).

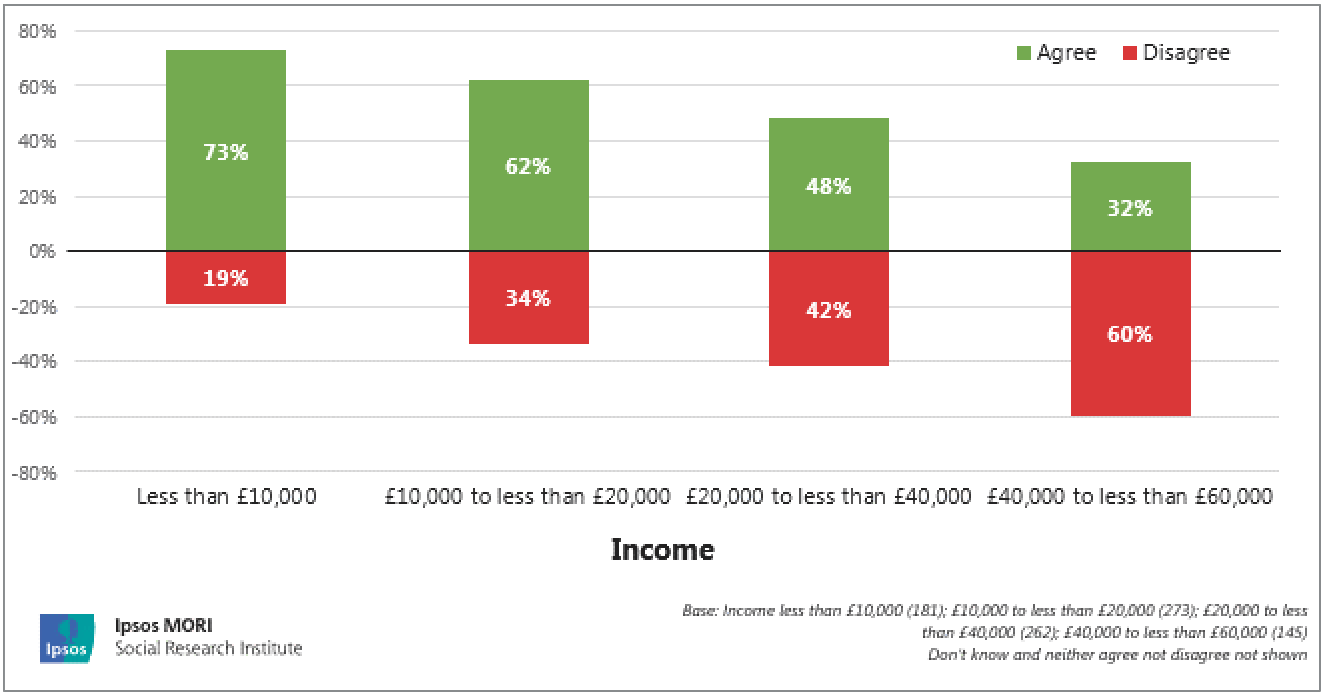
Affordability

Affordability was a more significant barrier to saving for retirement. Over half (54%) of participants agreed with the statement: "*I cannot currently afford to save up for retirement*" while 38 percent disagreed. The ability to afford to save for retirement was a particularly strong discriminator, with lower propensity saver groups more than three times as likely as the Pension endorser group to agree they cannot currently afford to save up for retirement. The groups that were most likely to agree with this statement included those with seasonal (58%) or irregular (61%) cash flows, those on lower incomes of less than £10,000 (73%)[44], and those whose self-employment work made up all of their income (59%).

While there are subjective differences in the way affordability is perceived, also depending on how finances are managed and expenditures prioritised by different individuals, the survey found that perceptions of affordability were directly linked to income levels - with those on lower incomes significantly more likely to feel they were unable to afford to save for retirement.

[44] Note, these individuals would not be saving under automatic enrolment

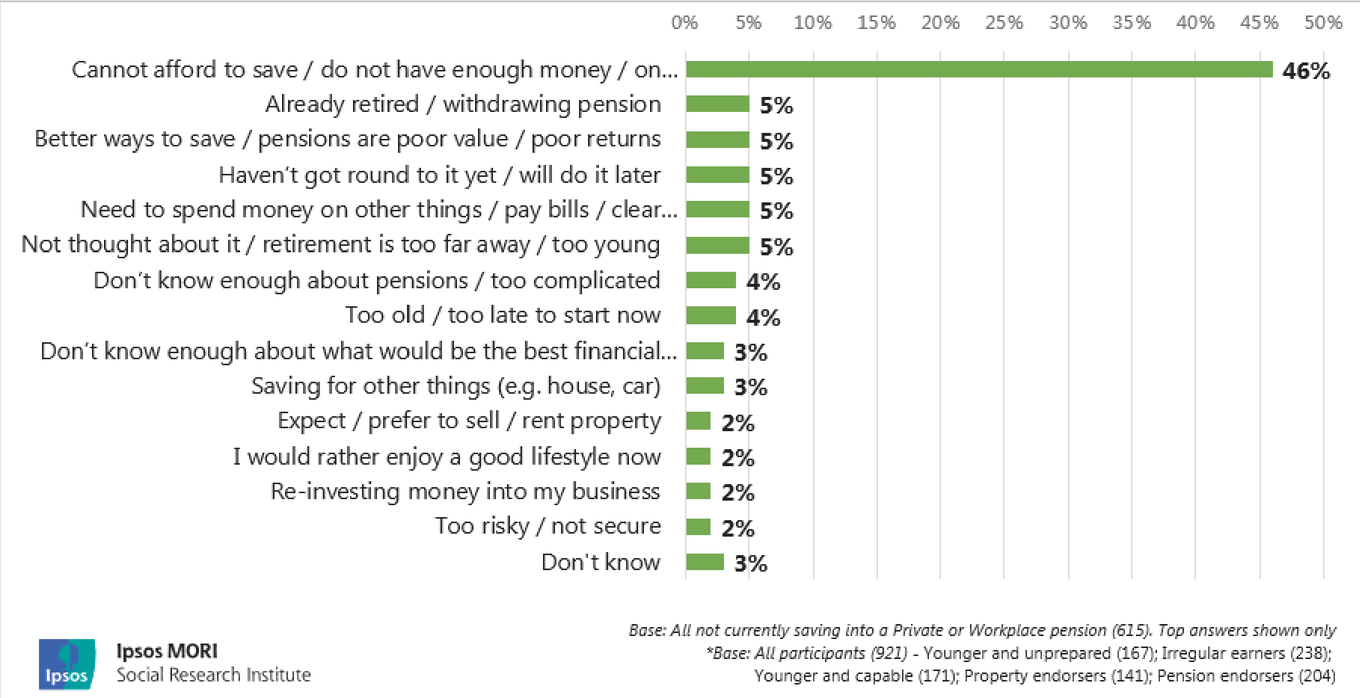
Figure 5.9: To what extent do you agree or disagree with the following statement (C6/7E5): "I cannot currently afford to save up for retirement"



As income was generally linked to age, younger participants were more likely to say they could not afford to save for retirement (for example 65% of those aged 18 to 34), compared to older participants (for example 30% of those aged 65 or above). Affordability was also linked to tenure (which is also linked to income, particularly for young people); 69 percent of those who were renting their home said they could not afford to save, compared to 38 percent who owned their home outright. These were all traits common to Irregular earners (77% agreed with the statement) and Younger and unprepared (81%) groups.

Other survey data reinforced affordability as the biggest barrier to saving, by a large margin – as shown in Figure 5.10. When asked the reasons why they were not currently saving into a pension, nearly half (46%) of non-savers said they could not afford to save or did not have enough money to be able to save. This was particularly true for Younger and unprepared and Irregular earner participants. It is worth noting that perceptions of affordability may differ across the self-employed population, but in this research, it was commonly linked to income and cash flow, as commented above. Other reasons for not saving were only chosen by five percent or less of all respondents who were not saving for retirement, and included: already retired or drawing a pension (5%), a sense that there were better ways to save, that pensions offered poor value (5%) or not having got around to it yet (5%). Only a very small minority (4%) said they did not know enough about pensions or found them to be too complicated.

Figure 5.10: What would you say are the reasons you are not currently saving into a workplace or private pension (D3)?[45][46]



Cash flow

Affordability was a particular problem for those who had irregular incomes in this sample. Over two in five (42%) of those with irregular cash flow *strongly* agreed with the statement "*I cannot currently afford to save up for retirement*" compared to 31 percent of those with more consistent cash flow. This was also true for those working in the gig economy; almost half (47%) of gig economy workers strongly agreed with the statement, compared to 35 percent of others.

In the qualitative interviews, lower propensity saver groups talked about affordability in terms of their low incomes, and the ability to make ends meet, rather than in terms of their spending. Their focus tended to be on planning and saving for things they needed now, rather than saving for the long-term.

> ***"The cost of life is too much; I cannot afford it."***
> *Younger and unprepared*

> ***"My earnings are just too low to save anything...I am not earning £35,000 a year; I am on minimum wages - it's £15,000 a year."***
> *Younger and capable*

[45] Responses under 2% are not listed on this chart, please see the survey questionnaire in Appendix C for the full list of codes.

[46] Respondents were able to give multiple responses to this question

Access to short-term savings

Related to irregular cash flow, having quick access to money in emergencies was a particular concern for self-employed people. The survey found that three-quarters (74%) of the surveyed participants agreed with the statement "*I need to be able to access my money at short notice or in emergencies*", while 17 percent disagreed. Characteristics of those who agreed with the statement reflected the characteristics of those who had cash flow problems or felt that saving for retirement was unaffordable (especially Irregular earners (82%) and Younger and unprepared (81%) segments).

Participants in the qualitative interviews often mentioned the importance of ensuring any savings for the future could also be accessed for short-term emergencies. This view was shared by participants from across different segments. Self-employed participants said that they needed to be able to have enough money to pay bills and unexpected costs, particularly during periods when work was slow and income declined.

> ***"I have a separate savings account that I put money into...the amounts do vary on what is going on that month. I try and save £300 a month for the future...but it's also there for the short-term emergencies like if I need a new washing machine."***
> *Younger and capable*

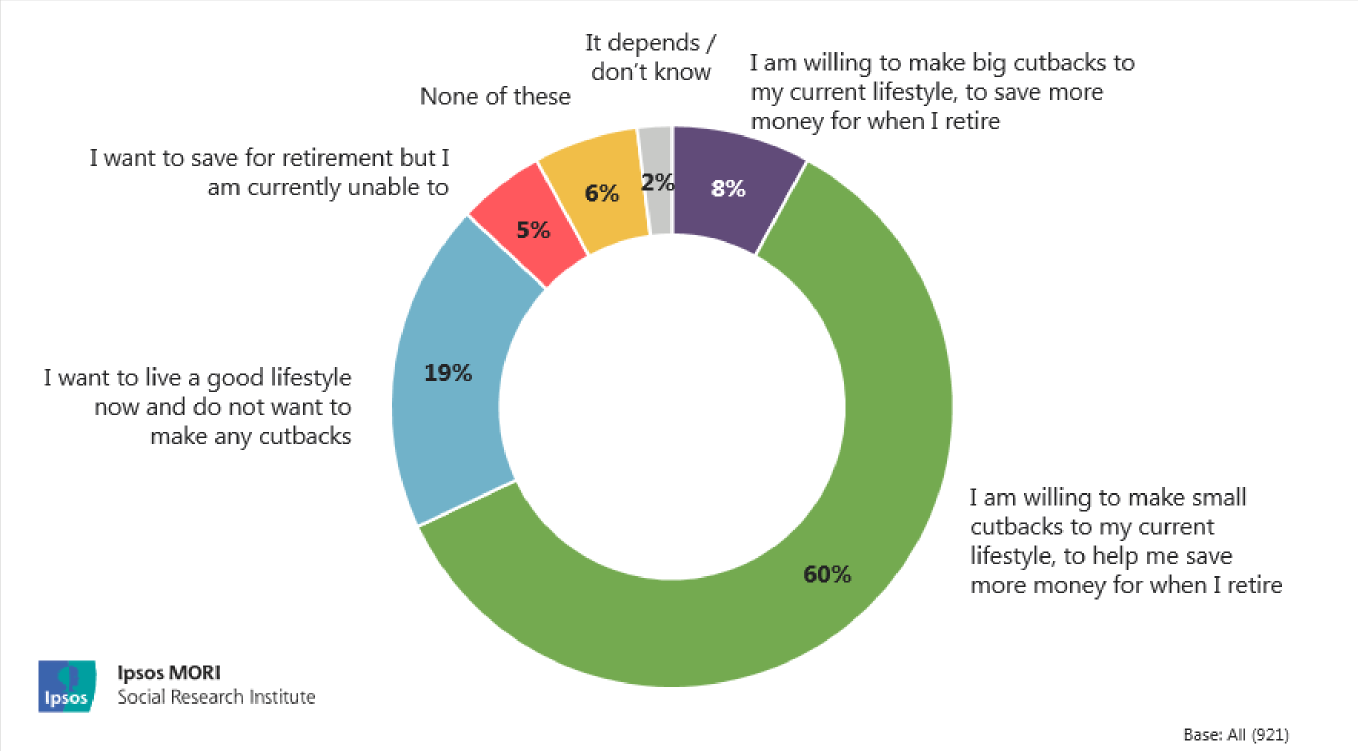
This meant that they preferred to save in products which allowed quick access, such as in ISAs or bank accounts.

> ***"In a savings account...I can access the money straightaway if I need it. If the business is not making money, then I can use it. It is also for emergencies like the dentist or if my car breaks down."***
> *Younger and capable*

Willingness to save more

For some, making saving for retirement more affordable could involve making cutbacks to their current lifestyle. Three in five (60%) participants said they were willing to make small cutbacks to their current lifestyle, to help them save for retirement while a small minority (8%) were willing to make big cutbacks. One in five (19%) were unwilling to do so; they wanted to maintain a good lifestyle now and not make any cutbacks. There were few differences between groups, however men were more likely than women to say they were unwilling to make cutbacks (21% compared to 16% of women). Willingness was also linked to income; those on the lowest incomes were unwilling or unable to make cutbacks (for example, 27% of those whose income was less than £10,000).

Figure 5.11: Which of the following statements, if any, would you say best describes how you feel about saving for retirement (GOALS3)?



Participants who said that saving for retirement was unaffordable for them to do were willing to make small cutbacks to their current lifestyle to help them save more money. Nearly three in five (57%) of those who said saving was unaffordable were willing to make small cutbacks, and eight percent were willing to make *big* cutbacks. However, a significant proportion (9%) said they wanted to save for retirement but were currently unable to.

There were few differences by segment here. The Pension endorsers were the most likely segment to be willing to make small (66%) or big (12%) cutbacks, while the Younger and capable segment were equally willing to make small cutbacks (66%). Individuals in the Younger and unprepared segment were most likely than others to say they wanted to save but were unable to (10%).

Other individual barriers

The qualitative interviews found evidence that saving for retirement was perceived to be harder for individuals with children.

First, a number of self-employed women interviewed reported that, as they received no income during their maternity leave, they needed to save additional money to fund this period of their lives. It also meant that women felt that were losing out on being able to make National Insurance contributions over extended periods of time, meaning they would not be eligible for higher State pension incomes later in life.

> ***"You have maybe 1 to 4 years where you don't have an income of your own, and you are reliant on a partner. Certainly, for the State pension you've lost 4 years off your possible contribution."***
> *Younger and unprepared (female)*

Secondly, some women in the qualitative interviews mentioned that once their child was born, they needed flexibility to raise and look after them. This sometimes meant turning down work in order to be able to spend time with their children (which reduced their income), or spending more money on childcare costs so that the children were looked after while the mother worked. This meant that saving additional money for retirement became unaffordable. This was also perceived to be a particular problem for single mothers who might not have financial support from a partner.

> ***"There is no way that you can save up…with no support. It's really tough."***
> *Younger and unprepared (female)*

Thirdly, there was evidence that parents' spending priorities changed with age, particularly as children grew older. After having children, parents prioritised building up savings for their children, in order to provide financial support for children going to university, starting their own business, buying a house, or passing on an inheritance. These changes in saving priorities meant that there would be less money available to spend on saving for retirement.

> ***"I've got two young children. I want to be able to support them if they want to go into further education…My attitude to mortgage overpayments and saving arrangements will be all about my children in further education."***
> *Pension endorser (male)*

Summary of barriers to saving

Below we summarise the main barriers to saving between different segments presented in chapter 4. The findings are based on participants' responses to a series of attitudinal questions around each behavioural domain. The behavioural analysis considered both the extent to which attitudes correlated with likelihood of saving into a pension, and the extent to which a domain was a barrier to saving for retirement

- **Younger and unprepared** (18% of the population; 10% saving into a pension) – this group faced significant challenges to saving for retirement, with low incomes and irregular cash flows, meaning that saving often felt unaffordable or hard to do. They were likely to feel uninformed about how to save for retirement and were least sure about how pensions work. They tended to put off thinking about pensions to avoid stress, as it would make them worry, and assumed it was hard to do. There was a strong sense that saving for retirement was a trade-off against day-to-day living, and they were most likely to consider it unaffordable.

- **Irregular earners** (26% of the population; 12% saving into a pension) – this group had low incomes and cash flow problems, which were barriers to saving. Similarly to what was described for Young and unprepared above, they had limited information on how to save for retirement, and prioritised making ends meet and short-term financial planning for unexpected bills and periods of low income, over long-term retirement planning. Given this, saving for retirement felt difficult to do. However, they were keen to save for the future, although pensions lacked appeal to them, as funds would be locked away and could not be accessed in emergencies.

- **Younger and capable** (19% of the population; 23% saving into a pension) – this group had more regular cash flows and higher incomes than the Younger and unprepared group, which meant saving was considered to be affordable for them. Given their age, retirement lacked immediate relevance, and so this group were also unlikely to have sought information about pensions and had limited understanding of them. On the other hand, they felt confident in their financial capabilities, and often chose to save money in other ways, such as in ISAs.

- **Property endorsers** (15% of the population; 56% saving into a pension) – this group felt confident in their knowledge of pensions and ability to save for retirement. However, they were more likely to invest their money in property, than save into a pension. This was an active decision, based on their distrust of pensions and their belief that property offered better rewards (such as fund growth) compared to pensions. Unlike previous groups, Property endorsers contained a significant proportion of individuals who spread their savings across multiple channels.

- **Pension endorsers** (22% of the population; 68% saving into a pension) - this group were most likely to be saving into a private or workplace pension. These individuals were confident in their ability to save and saw the benefits of saving into a pension (for example, tax implications). The non-savers in this group were older and already drawing on their pension savings.

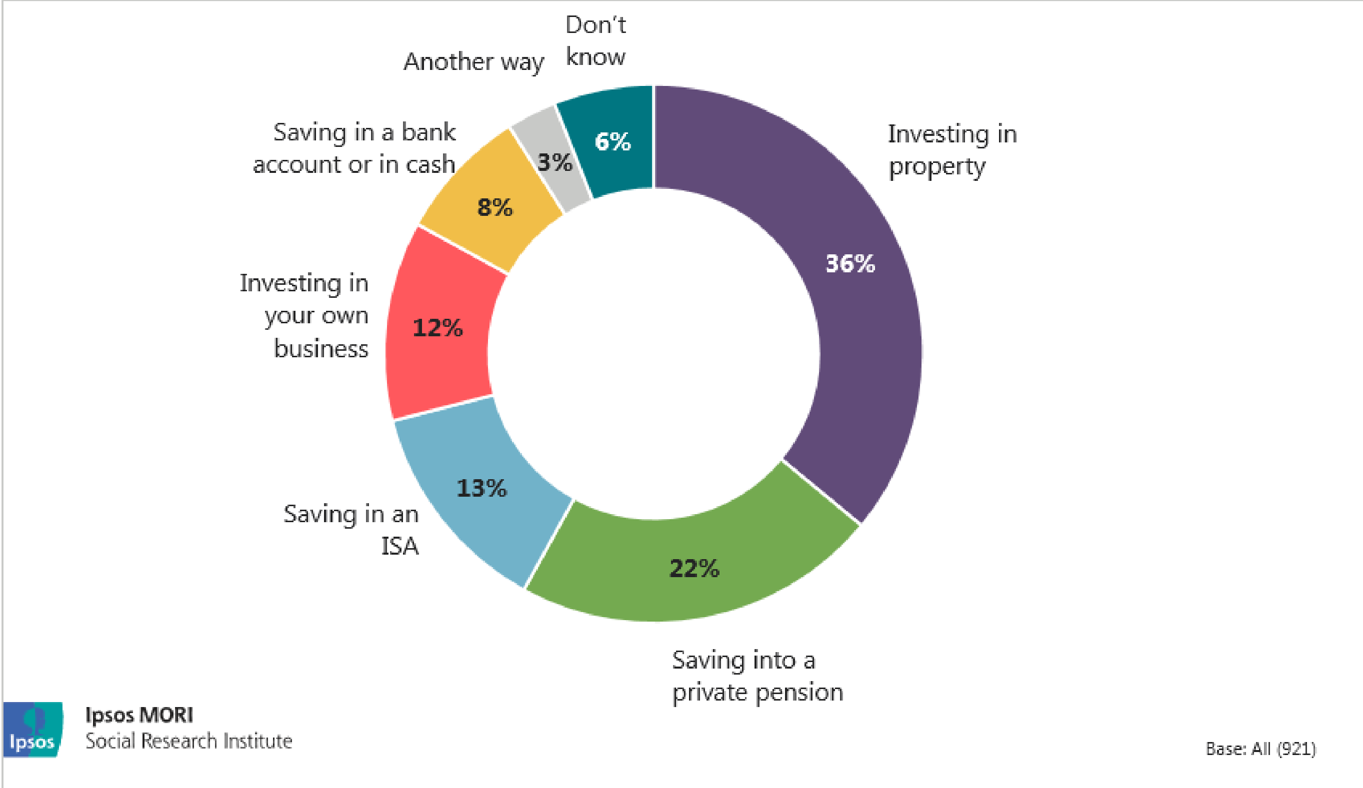
6. Preferred ways to save for retirement

This chapter explores how self-employed people might prefer to save for retirement and what features could make saving products more appealing for them. Findings presented in this chapter are based both on the quantitative stage of the research and on qualitative interviews. While quantitative findings show how different products differ in terms of their appeal to respondents, and how their features affect preferences, qualitative findings add some insight on why respondents have certain preferences.

The best way to save for retirement

Self-employed people involved in the survey considered investing in property to be the best way to save for retirement. Over a third (36%) selected this as the best way to save, followed by saving into a private pension (22%) and saving into an ISA (13%). Investing in property was particularly preferable for Property endorsers (60%) and Irregular earners (41%). Among those who selected an ISA as the best way to save, there was little nuance between different types of ISA[47].

Figure 6.1: Overall, which one of the following ways of saving would you say is the best way for you to save for retirement (E4B)?[48]



When asked to rank different methods of saving in terms of their security and potential rewards, investing in property stood out. Over half (56%) felt that investing in property would give better rewards for their money, while 36 percent felt that investing in property would be the most secure way to save. The security of investing in

[47] Three in ten (28%) felt that a cash ISA would be best, though a quarter (23%) felt any type of ISA would be a good option, and an equal proportion did not know which type of ISA would be best.

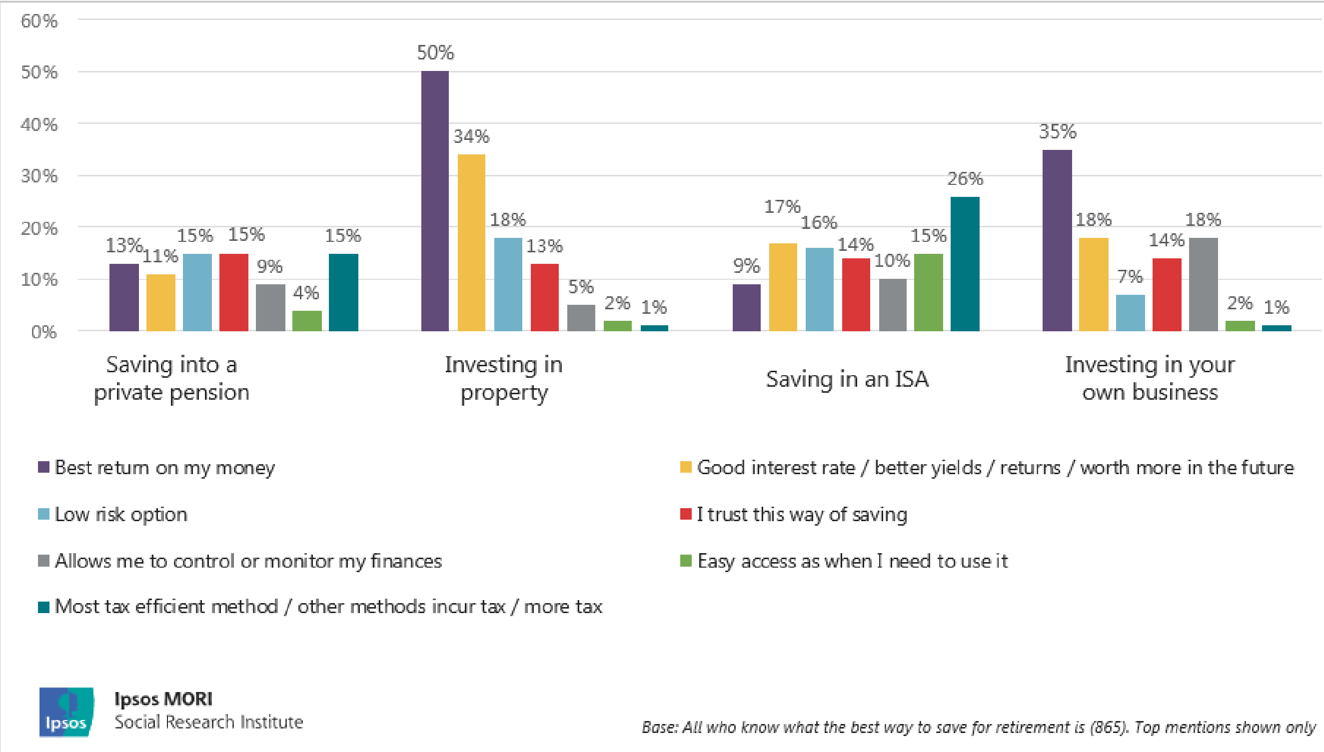
[48] 'Another way' includes 'Another way', 'Workplace pension', 'Stocks/shares/stock market', 'A broad mix/ variety of savings/investments'

property was more appealing to Property endorsers and Irregular earners (41% each), while rewards were most attractive to Property endorsers (73%), Irregular earners and Younger and capable groups (57% each). Comparatively, saving into private pensions did not stand out as better in any specific way in response to this question.

Figure 6.2 below shows the reasons given for perceiving a particular product to be the *best* way to save for retirement. As before, investing in property stood out as being perceived as the most rewarding way to save and most secure way to save. In this figure the most popular saving option for each 'Reason why you think' category has been coloured in green, with the next most popular saving options coloured in amber, and unpopular saving options coloured in white.

What are the reasons for why you think … is the best way to save for retirement? (E3)[49]

	Allows me to control or monitor my finances	Best return on my money	Good interest rate / better yields / return	I trust this way of saving	Low risk option
Saving in a bank account or in cash	17%	Under 1%	5%	11%	9%
Saving in an ISA	14%	4%	10%	14%	14%
Investing in property	17%	**67%**	**59%**	**37%**	**45%**
Saving into a private pension	21%	10%	11%	24%	23%
Investing in your own business	21%	15%	10%	12%	5%



Participants in the qualitative interviews cited a number of reasons for why they thought these options were the best way to save for retirement:

- **Investing in property**: was perceived to be a low risk option, and participants believed it was very unlikely that the value of the property would go down over time. It was also expected to provide good rates of return, with the value of the property growing significantly over time. Investing in property was also

[49] Participants were able to give multiple responses to this question

preferred as a flexible saving route (because it provided renting or selling options) and it was seen as a tangible asset to pass on to children.

- **Savings in an account or in cash**: provided easy access in emergencies, which was reported as essential by the self-employed people surveyed.
- **Savings in a pension**: enabled people to lock away their savings, which ensured that money would be available in retirement. Employer contributions in workplace pensions also meant that individuals were getting good value for their money.
- **Investing in stocks and shares**: offered individuals control and flexibility in moving money around, which was beneficial if their growth was seen to be underperforming.

Qualitative interviews also highlighted a number of factors driving negative perceptions of pensions. In contrast to property that felt more stable and transparent in value, pensions were perceived to be relatively inflexible, inaccessible and riskier.

> ***"We don't see the price of that property going down, it has increased around 8% in the last 10 years...We don't see the risk of decreasing prices [in property] and we see it as a more secure investment than any pension on the market."***
> *Young and capable*

The lack of transparency over the value of the pension pot together with fears of the risk of a low value pot at retirement were frequently mentioned as drivers of negative perceptions.

Features of an ideal pension product

Participants in the qualitative interviews were asked for top-of-mind views about the most important features a pension product needs to have. No account was taken as to whether the features would be practical to implement, or whether they might already exist in some pension products. The findings set out considerations given by these participants – and offer insights into their priorities and current levels of understanding - but do not provide evidence of which of these features are more important to self-employed people.

- **Low risk**: participants wanted to feel reassured that they would not be able to lose the money paid in (for example if they provider company went bust). This was especially important for participants who knew of relatives or friends who had died young, meaning they had lost out on benefiting from their savings.
- **Flexible:** participants wanted to have a say in how much or how often they were required to pay in – and the ability to be able to withdraw savings in an emergency. Flexibility would offer them peace of mind in months where there were unexpected bills or no work.
- **Rewarding**: it was important that the savings pot was able to grow over time. Those who were more financially savvy also wanted clarity on the value of their pot, and how much income it would provide in retirement, to help them decide how much to contribute each month.

- **Automatic set-up**: participants saw this as one of the key strengths of workplace pensions – as it would reduce the burden on, often time-pressured, self-employed people.
- **Voluntary**: participants thought that participation should be voluntary not compulsory, especially those who did not see pensions as a good way to save (although the opposite was not mentioned by those who were in favour of saving into pensions).
- **Information**: those who were more financially savvy and had savings plans and goals wanted clarity on how much their pot was worth, and how much income it would provide in retirement. This information would enable them to make better saving decisions, for example on whether or not to contribute larger sums of money each month.

7. Conclusions

Characterising the self-employed population

- The self-employed population, as defined in this research, is diverse, showing marked variations by age, income levels, cash flow and qualifications. They work in jobs that are concentrated in a number of key sectors (predominantly construction, arts and entertainment).
- While for the majority (62%) of self-employed people, income is generated solely from self-employment, nearly one in five also have income from employment (18%) and 14 per cent reported that at least some of their income was from the gig economy,
- Low incomes and cash flow challenges often influence the financial circumstances of the self-employed and how they save their money. Most prioritise making ends meet, paying bills and investing in their business rather than saving for retirement (or more generally). More than half (54%) say that they have not set money aside for retirement in the last year.
- The majority of self-employed people (87%) have access to savings products, such as savings accounts, ISAs, or workplace pensions
- Around a third (32%) of self-employed people surveyed are currently saving into a workplace or private pension and a similar proportion expect to rely on private pensions when they retire; 68 percent are not currently saving into a pension.
- In particular, younger self-employed people (aged under 35) and those with lower incomes are less likely than the self-employed population overall to be contributing into a pension.

Barriers to saving

The research highlights a range of barriers to saving for retirement based on the behavioural domains identified using the Theoretical Domains Framework[50]. The main barriers are summarised below, recognising that in practice the interaction of a combination of these barriers will likely best explain individual savings behaviours. They include:

- **Financial circumstances**: many self-employed people have low incomes and cash flow problems, which discourage them from saving even small amounts of money. Affordability is the most significant barrier cited in relation to saving for retirement – over half (54%) of self-employed people say they cannot not currently afford to save for retirement. This barrier is linked to **perceptions of the consequences** of saving for retirement. Many lack motivation to save into a pension, because they feel that funds contributed in this way would be locked away and not accessible in emergencies. They also feel that saving more money for retirement could negatively impact their financial situation now. However, 60 percent say they would be willing to make small cutbacks in their lifestyle in order to save more for retirement. Both the quantitative and qualitative findings suggest that affordability is strongly related to irregularity of cash flow (for example, 61 percent of those with irregular cash flow say they cannot currently afford to save for retirement, compared to 44 percent of those with consistent cash flows).

[50] An integrative theoretical framework that can be used to assess behavioural problems and inform intervention design. The TDF domains explain barriers and drivers of behaviour in any particular situation. See: https://implementationscience.biomedcentral.com/articles/10.1186/1748-5908-7-37

- **Lacking knowledge and not feeling informed**: participants who lack awareness on the types of savings products that are available to help them save for retirement, lack understanding of the best way to save money, and lack understanding of how pensions work (including tax benefits), are the least likely to be saving into a workplace or private pension. This barrier is linked to age and exposure to pensions and so participants who do not consider saving for retirement to be relevant, are likely to be facing this barrier, as well as lack in interest in this topic.

- **Not feeling capable of saving:** almost two thirds (61%) of respondents believe that saving for retirement is not easy to do. They perceive setting up and managing pensions to be hard work, and this is linked to **emotional** barriers such as worry, nervousness and inertia (i.e. putting off thinking about pensions). The potential for younger self-employed people to tune out of the topic because they don't want to hear about things that make them worry or nervous is an important consideration for strategies to encourage greater saving for retirement.

- **Social norms and peer effects:** appear to be less strong behavioural influences, but a lack of positive social norms, especially among Irregular earners, could still be important; the qualitative evidence, showed that individuals who have heard stories of family and friends missing out on their savings because of premature death may lack trust in pensions as a good way to save money.

Segmentation

- Segmentation of the survey data has identified five distinct groups, each including individuals that, for the most part, hold similar attitudes and characteristics, and behave in similar ways. The analysis has identified some key barriers to saving for retirement that are specific to each of the segments:
    - **Younger and unprepared** (18% of the sample; 10% saving into a pension) – this group contains the youngest and lowest qualified individuals (for example a third are aged 25 to 34). Only ten percent of this group are currently saving into a private or workplace pension, making them the least likely group overall to be saving for retirement. They face significant challenges with low incomes and irregular cash flows, meaning that saving often feels unaffordable or hard to do. Given their age, retirement lacks immediate relevance, and so this group are unlikely to have sought information about pensions and feel that they have limited understanding of them.

    - **Irregular earners** (26% of the sample; 12% saving into a pension) – this group have low incomes and cash flow problems, which is a barrier to their saving. They prioritise making ends meet and short-term financial planning for unexpected bills and periods of low income, over long-term retirement planning. Given this, saving for retirement feels unachievable. They are keen to save for the future; however, pensions lack appeal to them, as they seem concerned with funds being locked away and not easily accessible in emergencies (or without heavy surcharges).

    - **Younger and capable** (19% of the sample; 23% saving into a pension) – this group also contains young individuals (24% were aged 25-34). However, in contrast to the Younger and unprepared group, they have more regular cash flows and higher incomes, which means saving is more affordable for them. Given their age, retirement lacks immediate relevance, and so this group is unlikely to have sought information about pensions and may also feel they have a limited understanding of them. On the other hand, they feel confident in their financial capabilities and often prefer to save money in other ways, such as in ISAs.

- **Property endorsers** (15% of the sample; 56% saving into a pension) – this group contains older individuals with higher incomes and qualification levels (for example, a third are aged 55-64). They feel confident in their knowledge of pensions and ability to save for retirement. However, they are more likely to invest their money in property, than save into a pension (though many were doing both). This was felt to be an active decision, linked to some distrust in pensions and their belief that property offers better rewards (such as fund growth) compared to pensions. Unlike previous groups, Property endorsers spread their savings across multiple products (100% had more than one saving product).

- **Pension endorsers** (22% of the sample; 68% saving into a pension) - this group contains older and highly qualified individuals, similarly to Property endorsers, who also have higher and regular incomes. They were most likely to be saving into a private or workplace pension (68%), and were also highly likely to save their money in multiple ways (93% had more than one saving product). These individuals are confident in their ability to save and see the benefits of saving into a pension (for example, tax relief and the ability to lock away savings).

Preferences for an ideal pension product

- Across all the segments, property is currently seen as the best way to save for retirement (37%), primarily because it is perceived to offer the best returns (50% of respondents think so), and to be the lowest risk option (18%). For people who refer to investing in their own business as the best way to save for retirement, 35 percent of them think that this would offer the best return on their money.

- The next most popular product referred to is: 'saving into a private pension' (22%), followed by 'saving into an ISA' (13%). However, when looking at the segments, there are clear differences in terms of savings products being used – with a much greater proportion of the endorser groups saving into pensions, compared to the other groups.

- A number of common themes around an ideal pension product have emerged from further discussions in the in-depth interviews. To varying degrees, these include: a pension product that protects and guarantees contributions, offers flexibility over contributions and access if needed, is clear about the size of the pot and income generated, and one that takes the burden out of setting it up are all mentioned as desirable features.

Ipsos MORI
Social Research Institute

June 2018

The drivers of saving behaviour for retirement among the self-employed

APPENDIX

Krishna Dabhi, Yasmin White, Jayesh Shah, Stephen Finlay and Sarah Tipping

HM Revenue & Customs

Appendix A: Quantitative study

Ipsos MORI undertook a telephone survey of 921 self-employed individuals. The target population was individuals with a total pre-tax income in the last year of under £150,000 and those aged between 18-69. The population also included individuals who had recently retired from self-employment, i.e. within the last 12 months priors to the interview. The same age and income limits applied to this group.

The sample was drawn from HMRC administrative records. The population was defined as individuals in Self-Assessment who had submitted either the full or short form Self-Employment (Sole Trader) or Self Employment (Partnership) schedules for the tax year ending in April 2016, and those who had submitted a short return with trade turnover greater than zero in the same year[51]. The population was further refined to exclude additional rate taxpayers (1.37% of the total population), or cases without a date of birth in the sample (10.95% of the population). This reduced the size of the population from 4.8 million to 4.2 million. All samples were drawn using random probability methods.

Prior to fieldwork, sampled individuals were sent an advance letter, which provided information about the survey and gave them an opportunity to opt-out from taking part in the research. Telephone matching was also undertaken for leads without a valid telephone number.

This study was informed by and drew on the Theoretical Domains Framework (TDF)[52] as a means to both identify and understand behavioural influences, as well as to support intervention development. The TDF domains – which may be thought of as behavioural influences - relevant to saving for retirement are presented in the figure below:

	Definition	Attitudinal questions included in the survey
Knowledge	An awareness of the existence of something	• I know what products are available to help people build up their income for retirement. • I know what the best way to save for retirement is for me. • I know how pensions work.
Social influences	Those interpersonal processes that can cause individuals to change their thoughts, feelings or behaviours	• It is normal for self-employed people to save into a private pension. • My friends or family encourage me to save into a private pension.
Social / professional role and identity	A coherent set of behaviours and displayed personal qualities of an individual in a social or work setting	
Beliefs about capabilities	Acceptance of the truth, reality or validity about an ability, talent or facility that a person can put to constructive use	• Saving money for retirement is easy for me to do. • I feel confident about making decisions on how to save or invest for retirement. • I am confident that I will be able to save enough money to comfortably live on when I retire.
Beliefs about consequences	Acceptance of the truth, reality or validity about outcomes of a behaviour in a given situation	• If I wasn't saving as much money as I can for retirement now, I would regret it when I am older.

[51] Duplicate records, records for the individual indicated as deceased, indicated as open enforcement cases, or who were residents of Grenfell Tower, were excluded

[52] http://www.implementationscience.com/content/7/1/37

		• Saving for retirement doesn't matter right now because I can make provisions later on. • If I start saving more money for retirement, that would negatively impact on my self-employment financial situation now.
Emotion	A complex reaction pattern, involving experiential, behavioural and physiological elements, by which the individual attempts to deal with a personally significant matter or event	• I would feel stressed if I was unable to save enough money for retirement. • I feel worried when I think about saving for retirement. • I tend to put off thinking about pensions because it makes me feel nervous.

Additional domains, including goals and behavioural regulation, were considered, however they were not included in the behavioural analysis owing to time restrictions for the telephone survey.

The questionnaire was cognitively tested with 5 participants in early August 2017. A live pilot was conducted in late August 2017 with 15 participants, whose responses were included in the final findings. The mainstage survey was conducted between the end of August and September 2017, and interviews averaged 19.5 minutes on average. The eligibility was 63%. Table A1 below shows the sample outcomes and response rates:

Table A1: Sample outcomes and response rates

	(N)	(%)
Sample size	**9,319**	-
Reserve sample (not used)	1,345	-
Invalid sample		
Ineligible (screened out)	536	-
Removed (e.g. duplicates, do not contact, non-UK address or no contact information)	921	
Bad numbers	1,577	-
Sample available for fieldwork	**4,940**	-
Completed interviews	921	-
Refusals	956	-
Max tries reached	692	
Live sample	1,819	-
Opted out	552	-
Eligibility (complete / (complete + ineligible)	**-**	**63%**
Valid sample (fieldwork sample x eligibility)	**3,452**	**-**
Unadjusted response rate (complete / sample)	-	**13%**
Co-operation rate (complete / complete + refusal)	-	**49%**
Adjusted response rate (complete / valid sample)	-	**27%**

The response rate for the survey was relatively low (27%), owing to the quality of numbers in the sample and short fieldwork period. However, the profile of participants was very similar to the overall survey population, which meant it was unlikely that those who participated held markedly different views to those who refused to take part. Additionally, the survey data was weighted to take non-response bias into account.

Weighting

The responding sample was weighted to make the profile of the sample matched that for the population of the self-employed, using the profile shown in table A2 below:

Table A2: Weighing

	Population distribution	Sample distribution (n=921)	
		Unweighted	Weighted
Has employment income			
Self-employed only	72%	70%	72%
Self-employed and Employed	28%	30%	28%
Tax Band			
Income below Basic Rate threshold	41%	42%	41%
Basic Rate	51%	50%	51%
Higher Rate	8%	8%	8%
Employees			
Employers	11%	13%	11%
Non employers	89%	87%	89%
Agents			
With agent	67%	62%	67%
Without agent	33%	38%	33%
Age of taxpayer <u>at time of sampling</u>			
18-24	5%	5%	5%
25-34	20%	17%	20%
35-44	23%	24%	23%
45-54	26%	28%	26%
55-64	19%	20%	19%
65-70	7%	6%	7%
Main income source			
Employment is main income (whole population)	15%	18%	15%
Self-employment is main income (whole population)/Equal income from both employment and self-employment	85%	82%	85%

Customer Segmentation

The questionnaire contained a range of variables that captured the attitudes, behaviours, and demographics of the self-employed. These variables were used to group individuals into segments that reflect their saving behaviour.

Initially, factor analysis was carried out on the attitudinal and behavioural variables. This approach ensured that multiple variables which captured similar underlying factors (for example, confidence and knowledge about saving for retirement) were reduced to single factors. In total, seven factors were identified and used for the cluster analysis.

The clustering was carried out using a Latent Class Analysis (LCA) approach, which incorporated the seven factors as well as a number of additional behavioural (highlighted in bold) and demographic variables:

- *C2/C3 – How many years the individual has spent self-employed
- *C4 – employment history
- *B7 – age grouped into five groups: 18-34, 35-44, 45-54, 55-64, 65-69
- *C6/C7 – total personal income
- *C8 – proportion of income from self-employment
- *G3 – education
- *TENURE
- *G4C – number of dependent children
- GIGECON – small % of participants have gig economy activities (<15%)
- Whether or not the respondent was the main earner
- **E4b – best ways of saving** (binary variables)
- **C11 – financial priorities** (binary variables).

The segmentation was carried out in two stages. Initially, the model was based on the factors marked with an asterisk above. Further refinement of the model also took into account additional demographic factors (i.e. the full list above). The findings presented in this report are entirely based on the final version of the segmentation.

A number of results were run but the 5-cluster result contained segments that were most distinct and useful. A smaller number of clusters resulted in segments that were too heterogeneous and not distinct enough. A larger number of clusters resulted in segments that were more homogeneous but smaller (few then 100 cases). Such segments contained too few cases to usefully profile, as the estimates from them were less stable and contained more variance (as with all estimates based on small samples sizes).

The final analysis identified five independent sub-groups, each containing individuals with a distinct set of attitudes and behaviours relevant to long-term saving:

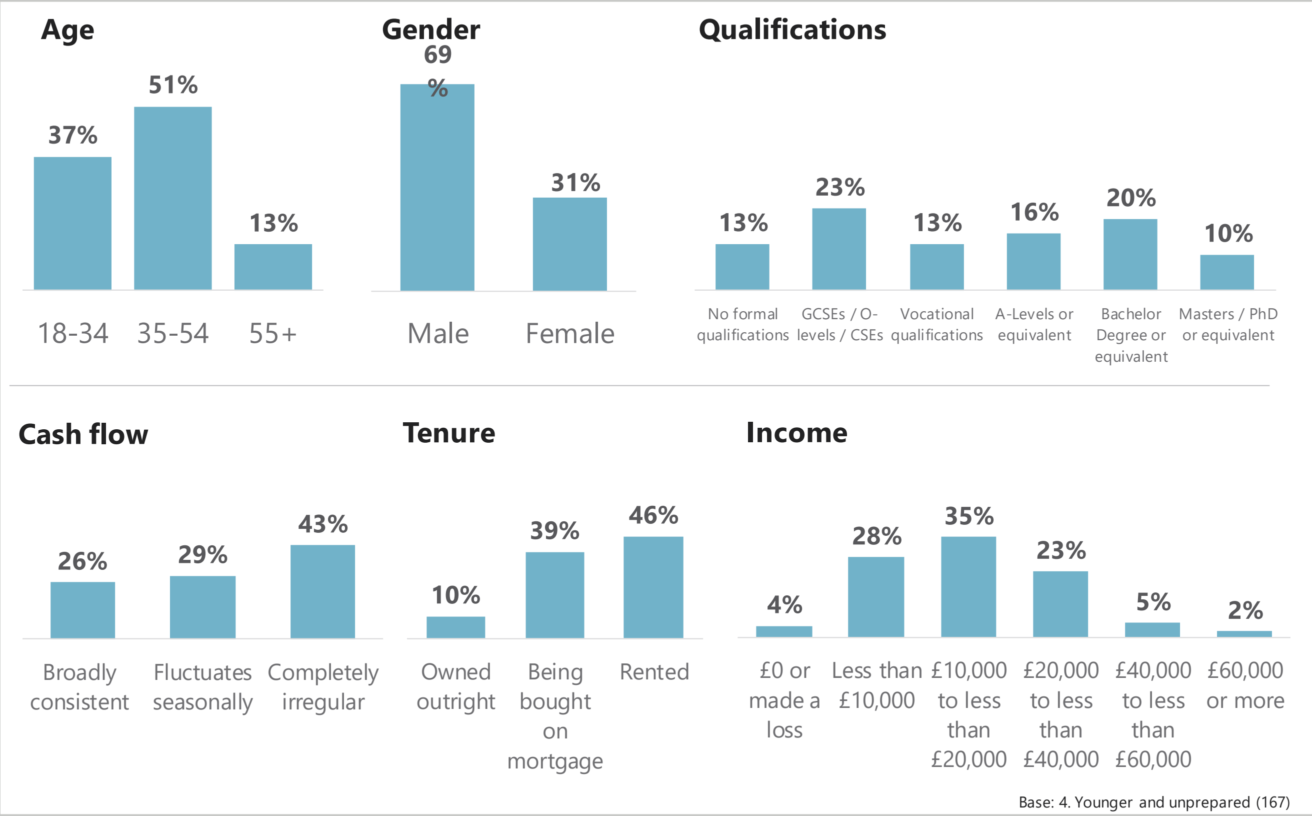
Table A3: Customer Segmentation

	Sample size	Proportion of surveyed population
1. Irregular Earners	238	26%
2. Pension Endorsers	204	21%

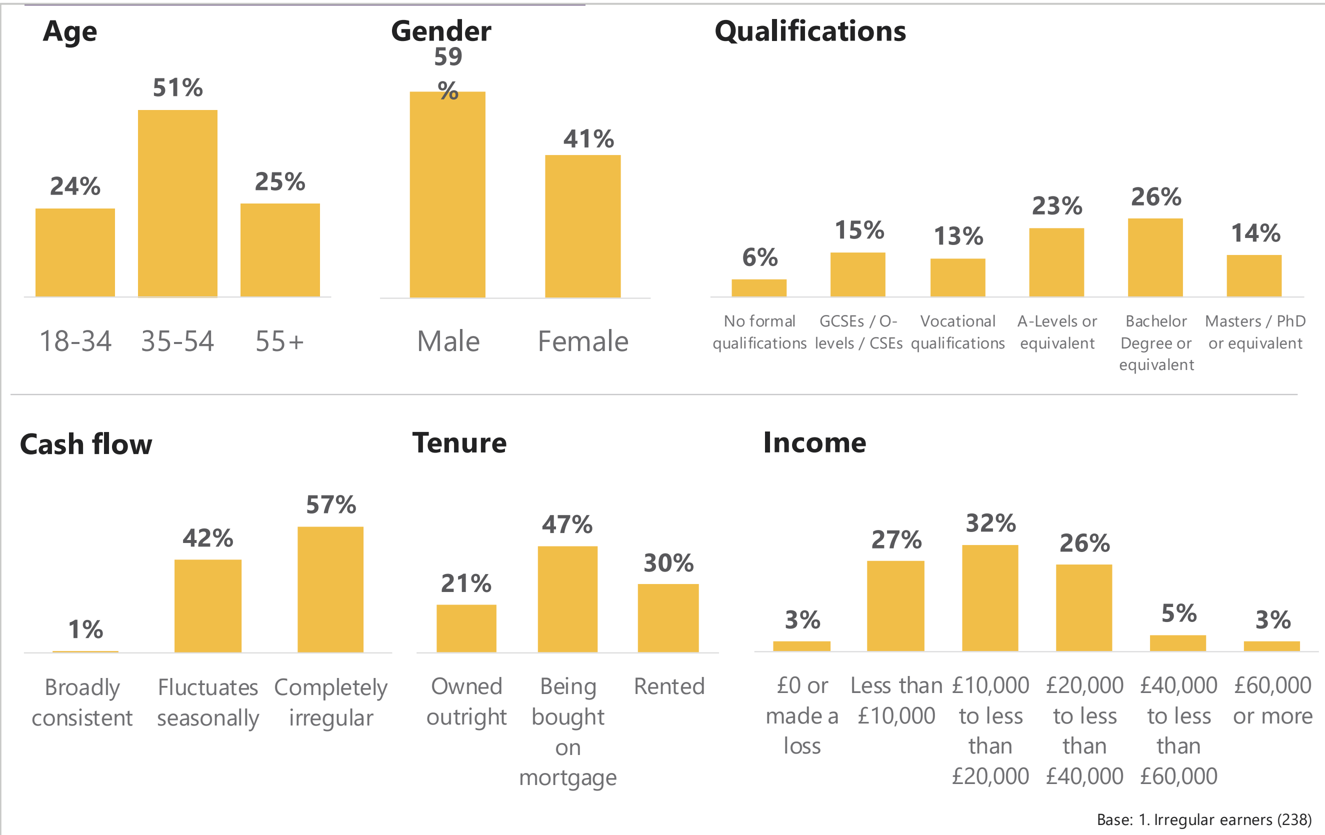
3. Younger and Capable	171	19%
4. Younger and Unprepared	167	19%
5. Property Endorsers	141	15%

Summary charts for each of the segments are included overleaf.

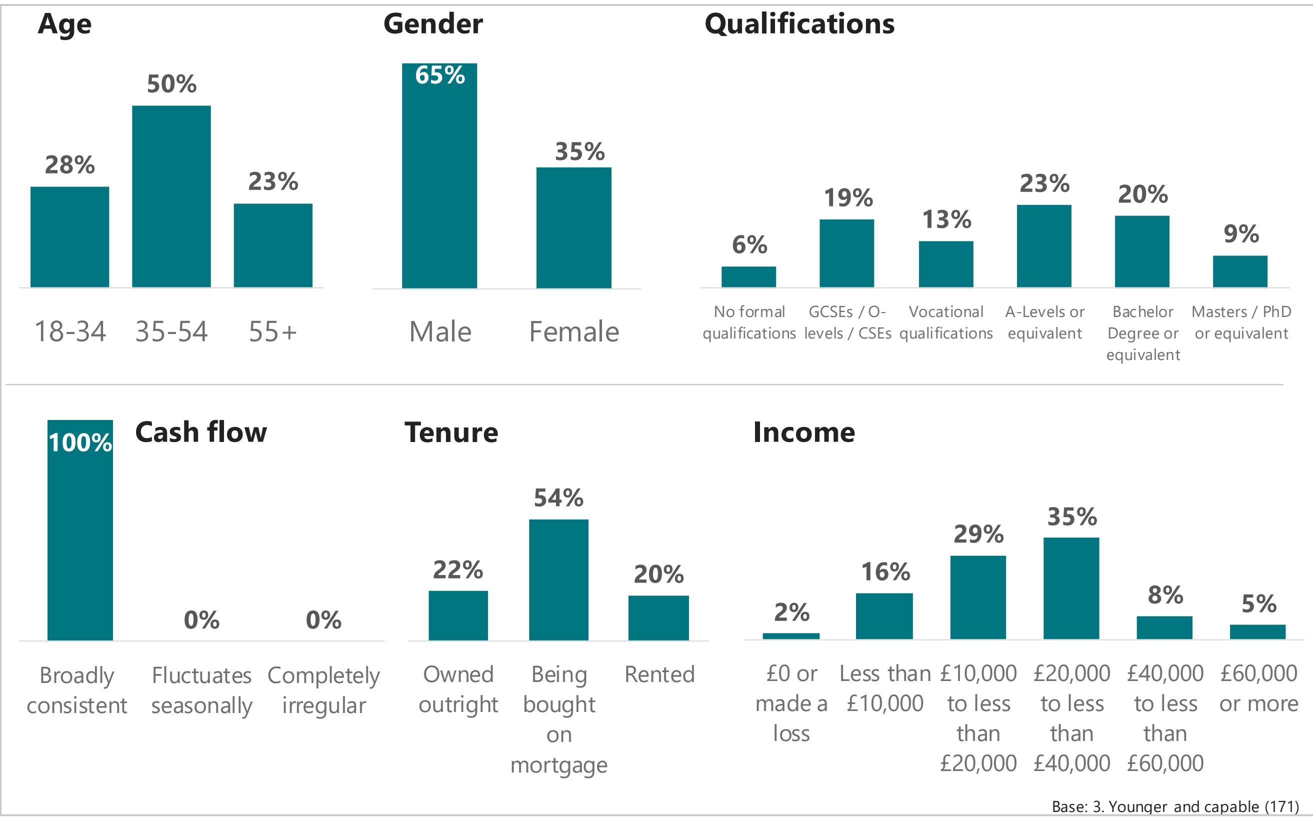
Younger and unprepared



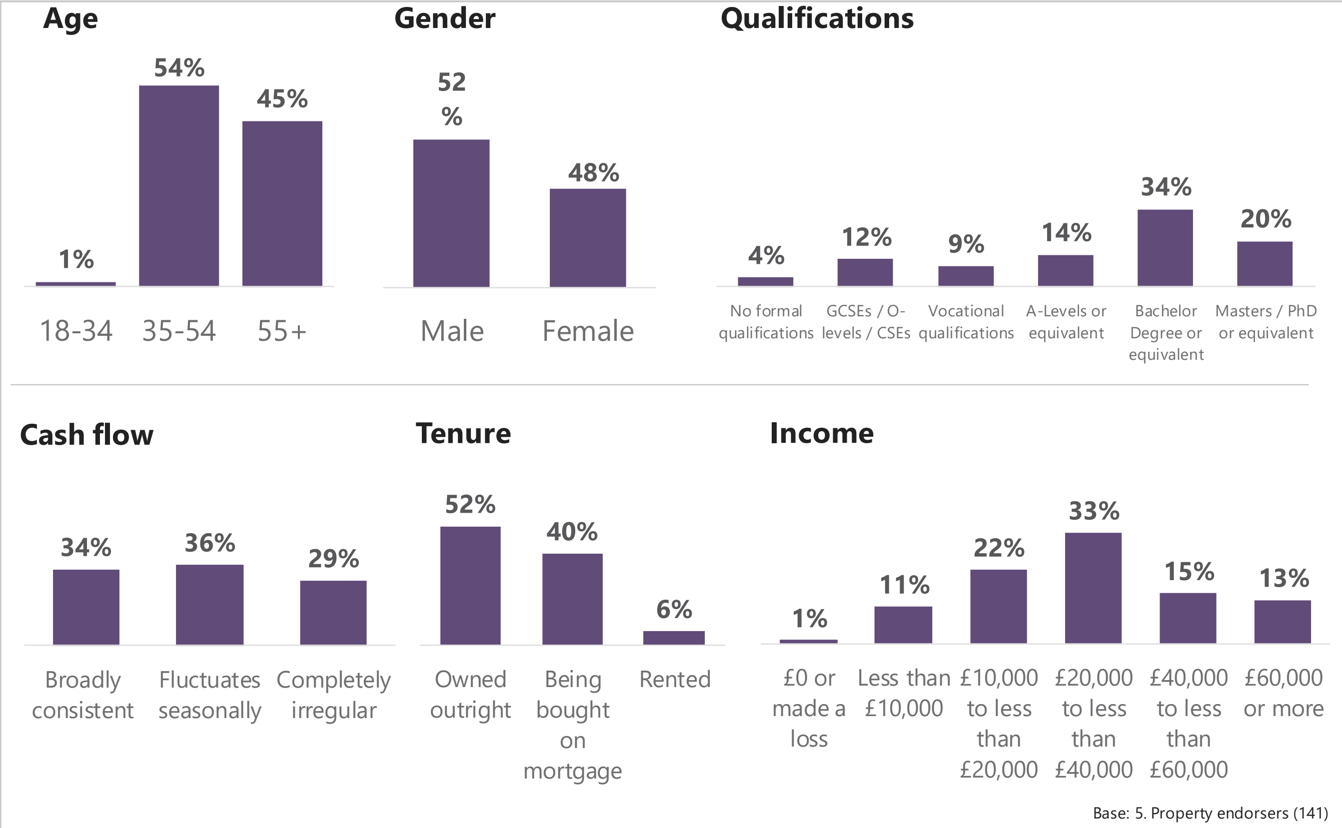
Irregular earners



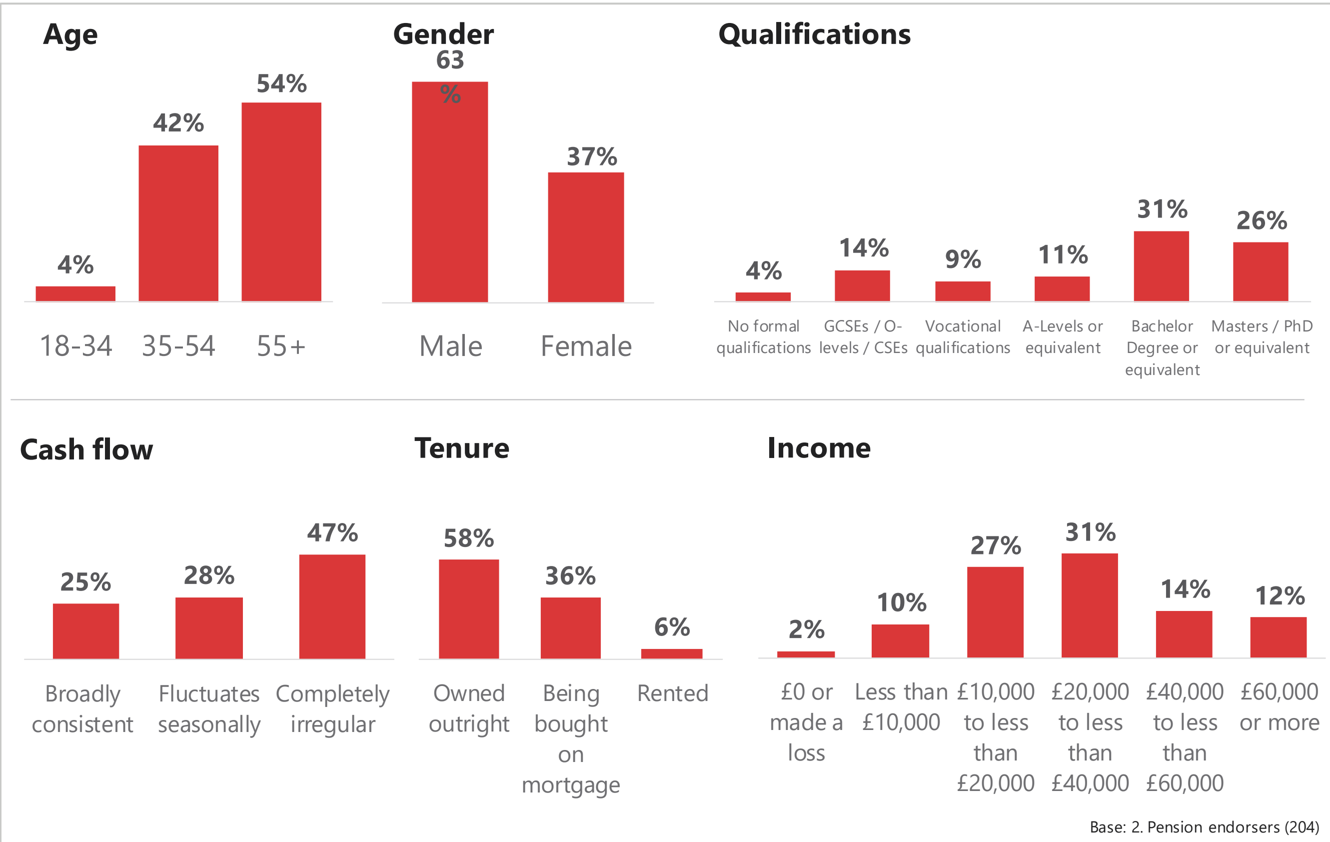
Younger and capable



Property endorsers



Pension endorsers



Appendix B: Qualitative study

Follow-up depth interviews were conducted with 28 survey participants. Quotas were set to ensure a mix of different types of participants, and individuals who had retired or who had a total income of less than £10,000 were not included.

The interviews took place in November 2017. The sample was drawn from survey participants who had agreed to be re-contacted for further research.

The qualitative interviews were conducted in two stages. Initial interviews were conducted with participants based on the draft segmentation model, and further interviews were conducted with participants based on the final model. This had no influence on the analysis as:

- Topic guides and questions were not tailored to specific segments, but rather on savers/non-savers;
- It was possible at both stages to clearly identify which segment participants belonged to; a good spread was maintained across the new segments;
- All analysis took place after the segmentation was finalised. Therefore, evidence from the qualitative interviews was interpreted based on the new segments.

Interviews were conducted by telephone. A breakdown of the interviews achieved in each segment is shown below:

Table B1: Achieved interviews

	Younger and Unprepared	Irregular Earners	Younger and Capable	Property Endorsers	Pension Endorsers
Number of interviews	5	7	7	4	5

Appendix C: Questionnaire and discussion guide

Section A: Introduction

ASK ALL
A1
May I speak to [INSERT NAME FROM SAMPLE]?

READ OUT TO ALL
A2
Good morning/afternoon, my name is .... and I'm calling from Ipsos MORI, an independent research company. You have been randomly selected to participate in an important study we are conducting on behalf of Her Majesty's Revenue and Customs (HMRC) and HM Treasury, among individuals who submitted a tax return in the tax year ending April 2016, to understand how they save for retirement, and what influences their saving decisions.

The findings from this research will improve the Government's understanding of self-employed individuals' needs in relation to saving for retirement, which will help to support any future policy development in this area. You should have received a letter about this study in August.

The survey will take about 15 minutes. I would like to assure you that everything you say will be treated in the strictest confidence and used for research purposes only. It will not be possible to identify you, your company or your individual responses in the results.

INTERVIEWER ADD IF NECESSARY: EVEN IF YOU HAVE RETIRED IN THE PREVIOUS 12 MONTHS, DO NOT INTEND TO RETIRE IN THE NEAR FUTURE, OR IF YOU DO NOT HAVE ANY FINANCIAL PROVISIONS FOR RETIREMENT, WE ARE STILL INTERESTED IN YOUR VIEWS.

INTERVIEWER ADD IF RESPONDENT DOESN'T CONSIDER THEMSELVES AS SELF-EMPLOYED: WE ARE INTERESTED IN SPEAKING TO PEOPLE WHO HAVE HAD AT LEAST SOME SELF-EMPLOYMENT INCOME OR HAVE SUBMITTED A SELF ASSESSMENT RETURN IN THE LAST TAX YEAR, EVEN IF YOU ARE A LANDLORD OR ALSO RECEIVED AN INCOME FROM OTHER SOURCES, LIKE WORKING FOR AN EMPLOYER.

Would you be able to take part in the survey now, or would you like to arrange a more convenient time for me to call you back?

Can interview now	1 – PROCEED TO INTERVIEW
Call back	2 – ARRANGE APPOINTMENT FOR CALL BACK
Refused	3 - THANK AND CLOSE

Section B: Screening questions

READ OUT TO ALL
B1
Before we begin, I'd like to confirm some details to make sure that the questions are relevant to you.

ASK ALL
B2
Are you currently self-employed? By this I mean receiving a self-employment income.
SINGLE CODE ONLY

Yes	1
No	2

ASK IF CODE 2 AT B2
B5
Roughly how long ago were you last self-employed?
SINGLE CODE ONLY

Less than 12 months ago	1
12 months ago or longer	THANK AND CLOSE

ASK IF CODE 1 AT B5
B3
Are you currently retired?
SINGLE CODE ONLY

Yes	1
No	2

ASK ALL
B6
Can I please check whether your total pre-tax income last year was under £150,000 or not?

DO NOT READ OUT. SINGLE CODE ONLY

Below £150,000	1
£150,000 or more	THANK AND CLOSE
DO NOT READ OUT: Refused	-98

ASK ALL
B7
And please could you tell me your age?
ADD IF NECESSARY: Only the research team will have access to this information and it will be used to help classify your answers.

RECORD EXACT AGE IN YEARS AND SINGLE CODE INTO BANDS BELOW

0-17	THANK AND CLOSE
18-24	1
25-34	2
35-44	3
45-54	4
55-64	5
65-69	6
70+	THANK AND CLOSE
Refused	-98

SCRIPT MERGE SAMPAGE FROM SAMPLE WITH B7 NUMERIC RESPONSE INTO BANDS

ASK ALL
B5B
What is/was the main activity of your self-employment?

PROMPT TO CODES.

(A) Agriculture, Forestry and Fishing	1
(B), (D) and (E) Mining and Quarrying; Utilities, Waste Management and Remediation Activities	2
(C) Manufacturing	3
(F) Construction	4
(G) Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	5
(H) Transportation and Storage	6
(I) Accommodation and Food Service Activities	7
(J) Information and Communications	8

(K) Financial and Insurance Activities (excluding accountancy)	9
(L) Real Estate Activities	10
(M) Professional, Scientific and Technical Activities (including accountancy)	11
(N) Administrative and Support Service Activities	12
(P) Education	13
(Q) Human Health and Social Work Activities	14
(R) Arts, Entertainment and Recreation	15
(S) Other Service Activities	16
Other	17
DO NOT READ OUT: Refused	-98

Section C: Self-employment history and current income

READ OUT TO ALL
C1
These first set of questions are about your self-employment work and life situation.

[IF RETIRED B3 CODE 1: Please think about the point just before you retired when answering these questions.]

INTERVIEWER ADD IF RESPONDENT DOESN'T CONSIDER THEMSELVES AS SELF-EMPLOYED: We are interested in your views if you have had a self-employment income in the last tax year (between April 2016 to March 2017), even if you also received an income from other sources, like working for an employer.

ASK ALL
C2
[IF B3=1 For how many years had you been earning any income from self-employment?]
[ALL OTHERS For how many years have you been earning any income from self-employment?]

SINGLE CODE ONLY. WRITE IN ANSWER IN YEARS AND CODE TO BANDS. ALLOW VALUES 1 TO (LOWEST OF EITHER AGE OR 52) IF DK, PROMPT USING BANDS

WRITE IN NUMBER OF YEARS	1
Don't know	-99
Refused	-98

CODE TO BANDS OR ASK IF -99 OR -98 AT C2
C3
[IF B3=1 Had you been earning any income from self-employment for…?]
[ALL OTHERS Have you been earning any income from self-employment for…?]
SINGLE CODE ONLY. READ OUT

Less than two years	1
Two years to less than five years	2
Five years to less than ten years	3
Ten years to less than twenty years	4
Twenty years or more	5
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK ALL
C5
What were your main reasons for becoming self-employed?
DO NOT READ OUT. PROBE FULLY TO CODES.
MULTICODE OK FOR 1-18

Personal preference	

Career change / trying something new	1
Financial considerations (including tax or financial planning)	2
Had a unique business idea / saw demand / market	3
Had the opportunity to – e.g. resource, partnership	4
Joined the family business	5
Left previous employment on bad terms / wanted to keep working with clients / suppliers	6
More flexibility / control of working hours / around family commitments	7
Self-employment (work) is a hobby	8
Wanted to be my own boss / didn't want to work for someone else / work independently	9
Wanted to make more money / better pay	10
Wanted to start my own businesses / do something myself	11
Wanted to work remotely / from home	12
Circumstantial	
Previous employment contract ended (e.g. ex-armed forces)	13
Nature of the market / occupation / job	14
Made redundant / lost previous job / forced out	15
No jobs available / found it hard to find employment	16
Retired from previous job but still wanted/needed to work	17
Other (write in)	18
Don't know	-99
Refused	-98

ASK ALL

GIGECON

As you may know, the "gig economy" is a name used to describe a way of finding work in the form of short term jobs, where customers often request work via an online tool, like a website or mobile phone app.

This means that some self-employed people may use these websites and apps to find customers and carry out work at short notice.

Which of the following best describes your situation?

INTERVIEWER ADD AS NECESSARY: GIG ECONOMY WORK COULD INCLUDE:

- Providing a taxi service by finding passengers through a website or app such as Uber
- Providing professional or administrative work, such as legal advice through a website or app such as PeoplePerHour
- Providing skilled work or personal services, such as plumbing or cleaning, through a website or app such as TaskRabbit
- Providing delivery through a website or app such as Deliveroo

INTERVIEWER: IF RESPONDENT HAS A COMPANY WEBSITE WHICH THEY USE TO GET WORK, THIS IS NOT GIG ECONOMY WORK. GIG ECONOMY WORK IS TO DO WITH TAKING BOOKINGS FOR FLEXIBLE WORK OR SERVICES.

READ OUT. SINGLE CODE ONLY

None of my self-employment income is/was from the gig economy	1
Some, but not most of my self-employment income is/was from the gig economy	2
Most of my self-employment income is/was from the gig economy	3
All of my self-employment income is/was from the gig economy	4
DO NOT READ OUT: Don't know	-99

ASK IF NOT RETIRED (B3 NOT CODE 1)

C4

Which of the following best describes your <u>current</u> situation?

INTERVIEWER NOTE: CODE 2 SHOULD BE USED IF THE RESPONDENT LEFT EMPLOYMENT TO BECOME SELF EMPLOYED. CODE 4 SHOULD BE USED IF THEY **RETIRED** FROM EMPLOYMENT AND BECAME SELF EMPLOYED

SINGLE CODE ONLY. READ OUT

I have never worked for an employer before and I am in full or part-time self-employment	1
I have worked for an employer before, but am now exclusively self-employed	2
I earn an income from self-employment but also work for an employer	3
I am retired from employment but still earn an income from self-employment	4
I am semi-retired from self-employment	5
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK IF RETIRED (B3 CODE 1)
C4a
Which of the following best describes your situation just before you retired?

SINGLE CODE ONLY. READ OUT

I had never worked for an employer before	1
I had worked for an employer in the past, but was exclusively self-employed just before I retired	2
I earned an income from self-employment but also work for an employer just before I retired	3
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK ALL
C6
Approximately what was your total personal income in your last accounting year? This includes any pre-tax: salary, income from self-employment, benefits and tax credits, income from savings, dividends, and income from renting out a property.

ENTER NUMBER IN £. ALLOW MIN 1 MAX 149,999. ALLOW DK (-99) AND REFUSED (-98). ALLOW SINGLE CODE FOR "MADE A LOSS"
SOFT CHECK IF LESS THAN £10,000 OR MORE THAN £100,000

ADD IF NECESSARY: The accounting year is the most recent year in which your full financial statements were prepared and balanced.

INTERVIEWER NOTE: IF THE RESPONDENT IS RELUCTANT TO DISCLOSE THIS INFORMATION PLEASE REMIND THEM OF THE CONFIDENTIALITY OF THIS RESEARCH
INTERVIEWER: IF THEY GIVE A NEGATIVE VALUE OR SAY £0, OR SAY THEY HAVE MADE A LOSS, CODE AS "MADE A LOSS"

ASK IF -99 OR -98 AT C6
C7
Was it...?

PROBE FULLY (I.E. UNTIL CORRECT RESPONSE REACHED). SINGLE CODE ONLY

Less than £10,000	1
£10,000 to less than £20,000	2
£20,000 to less than £40,000	3
£40,000 to less than £60,000	4
£60,000 to less than £80,000	5

£80,000 to less than £100,000	6
£100,000 or more	7
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98
DO NOT READ OUT: £0 or made a loss	8

ASK ALL EXCEPT C7 CODE 8

C8

Approximately how much of your income in the last accounting year was from self-employment only?
Please include any direct income, or income from shares or dividends from your own business. You can answer in pounds or as a percentage.

ENTER NUMBER IN £ OR % AND CODE TO BANDS.ALLOW £ LESS THAN OR EQUAL TO ANSWER AT C6 OR MAX C7 BAND.
ALLOW % FROM 0 OR UP TO 100. ALLOW DK (-99) AND REFUSED (-98)
INTERVIEWER NOTE: IF THE RESPONDENT IS RELUCTANT TO DISCLOSE THIS INFORMATION PLEASE REMIND THEM OF THE CONFIDENTIALITY OF THIS RESEARCH
INTERVIEWER: IF THEY GIVE A NEGATIVE VALUE, SAY £0, OR 0%, OR SAY THEY HAVE MADE A LOSS, CODE AS "MADE A LOSS"

IF -99 OR -98 PROMPT TO BANDS.

Less than £10,000	1
£10,000 to less than £20,000	2
£20,000 to less than £40,000	3
£40,000 to less than £60,000	4
£60,000 to less than £80,000	5
£80,000 to less than £100,000	6
£100,000 or more	7
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98
DO NOT READ OUT: £0 or made a loss	8

1% to 25%	1
26% to 50%	2
51% to 75%	3
76% to 99%	4
100% - all of it	5
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98
DO NOT READ OUT: 0% or made a loss	6

ASK IF CODES 0-4 AT SEINCOME

C9

You mentioned that not all of your income in your last full financial year was from your self-employment. Which other income sources did you have in your last full financial year?

DO NOT READ OUT. PROBE FULLY TO CODES
MULTICODE OK 1-14.

Other business/employment income	
Earnings from working for an employer	1
Income from selling your business	2
From family/partners	
Financial support from your family	3
Partner's income / pension	4
Property	
Income from selling or downsizing property	5

Property you are renting out	6
Savings and pensions	
Savings (non-pension) or interest on savings, shares or other investments	7
State pension	8
Private pension (outside the State pension)	9
A workplace pension	10
Other	
Benefits	11
Inheritance	12
Life insurance or other insurance	13
Other (write in)	14
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK ALL

C10

Thinking about your self-employment cash flow, which of these statements best describes your situation [IF CODE 1 AT B3 at the point when you were last self-employed]?

READ OUT. SINGLE CODE

My cash flow is/was broadly consistent from week to week/month to month	1
My cash flow fluctuates/fluctuated seasonally (e.g. around holidays)	2
My cash flow is/was completely irregular	3
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK ALL

C11

Which of the following things, if any, would you say are financial priorities for you at the moment?

READ OUT. RANDOMISE 1-6
ALLOW YES, NO OR DK (-99) FOR EACH

Buying or moving house	1
Paying bills, clearing debts or making ends meet	2
Family-related costs (e.g. childcare or school)	3
Your work or business	4
Having more money to spend on hobbies, studying or socialising and enjoying yourself	5
Building up savings for retirement or more generally	6
Something else	9

ASK ALL

C12

Do you currently have a partner or spouse with whom you live?

INTERVIEWER NOTE: INCLUDE HUSBAND, WIFE AND THOSE LIVING TOGETHER BUT WHO AREN'T MARRIED/IN CIVIL PARTNERSHIP

DO NOT READ OUT. SINGLE CODE

Yes	1
No	2

Don't know	-99
Refused	-98

Section D: Thinking ahead to retirement, savings intentions

READ OUT TO ALL
The next set of questions are about your views on retirement, by which I mean the point at which you would stop working.

[IF RETIRED CODE 1 AT B3 OR C4 CODES 4 OR 5: As a reminder, please think about the point just before you retired when answering these questions.]

ASK ALL
D6
[IF B3=1 How much, if at all, would you say you had thought about how you would get by financially in retirement?]
[ALL OTHERS How much, if at all, would you say you have thought about how you will get by financially in retirement?]

READ OUT. SINGLE CODE ONLY. REVERSE CODES

A great deal	1
A fair amount	2
A little bit	3
Not at all	4
DO NOT READ OUT: Don't know	-99

ASK IF AGED 50 OR ABOVE (AGE>49)
INTENTION3
The State Pension age for people working today is between 63 and 68, depending on when they were born.
[IF B3=1 Did you…?]
[ALL OTHERS In thinking about retirement, would you say that you intend to…?]
READ OUT. SINGLE CODE ONLY. REVERSE CODES

Continue working past your State Pension age	1
Work until your State Pension age and then retire	2
Retire before reaching your State Pension age	3
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK ALL
SKNOWLEDGE
I am going to read out a list of statements about saving for retirement. Please could you tell me to what extent you agree or disagree with each?
[IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5, ADD: If you're already retired, I'd like you to think about how you felt at the point just before you retired.]

READ OUT EACH STATEMENT AND SCALE. SINGLE CODE FOR EACH. RANDOMISE A TO F. REVERSE SCALE

I know what products are available to help people build up their income for retirement	A	KNOWLEDGE
I know what the best way to save for retirement is for me [IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: I knew what the best way to save for retirement was for me]	B	KNOWLEDGE
Saving money for retirement is easy for me to do [IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: Saving money for retirement was easy for me to do]	D	BELIEFS ABOUT CAPABILITIES
I feel confident about making decisions on how to save or invest for retirement	E	BELIEFS ABOUT CAPABILITIES

I am confident that I will be able to save enough money to comfortably live on when I retire [IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: I was confident that I would be able to save enough money to comfortably live on in retirement]	F	BELIEFS ABOUT CAPABILITIES

Strongly agree	1
Tend to agree	2
Neither agree or disagree	3
Tend to disagree	4
Strongly disagree	5
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK ALL

E5

Please could you also tell me to what extent you agree or disagree with each of the following statements.
[IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: Again, please think about how you felt at the point just before you retired when answering this question.]

READ OUT EACH STATEMENT AND SCALE. SINGLE CODE FOR EACH. RANDOMISE A TO F ONLY (G ALWAYS LAST). REVERSE SCALE

I cannot currently afford to save up for retirement [IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: I couldn't afford to save up for retirement]	A	CONTEXT AND RESOURCES
I need to be able to access my money at short notice or in emergencies [IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: I needed to be able to access my money at short notices or in emergencies]	B	CONTEXT AND RESOURCES
I would feel stressed if I was unable to save enough money for retirement [IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: I would have felt stressed if I was unable to save enough money for retirement]	C	EMOTION
If I wasn't saving as much money as I can for retirement now, I would regret it when I am older [IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: If I hadn't saved as much money as possible by the time of my retirement, I would have regretted it later]	D	BELIEFS ABOUT CONSEQUENCES
Saving for retirement doesn't matter right now because I can make provisions later on [IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: Saving for retirement didn't matter just before I retired, because I could make provisions for it later on]	E	BELIEFS ABOUT CONSEQUENCES
If I start saving more money for retirement, that would negatively impact on my self-employment financial situation now [IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: If I had started saving more money for retirement, that would have negatively impacted on my self-employment financial situation]	F	BELIEFS ABOUT CONSEQUENCES
I feel worried when I think about saving for retirement.	G	EMOTION

Strongly agree	1
Tend to agree	2
Neither agree or disagree	3
Tend to disagree	4
Strongly disagree	5
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK ALL
GOALS3
Which of the following statements, if any, would you say best describes how you feel about saving for retirement?
[IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: Please think about how you felt at the point just before you retired when answering this question.]

READ OUT CODES 1-3. SINGLE CODE ONLY. REVERSE 1-3

I want to live a good lifestyle now and do not want to make any cutbacks	1
I am willing to make small cutbacks to my current lifestyle, to help me save more money for when I retire	2
I am willing to make big cutbacks to my current lifestyle, to save more money for when I retire	3
DO NOT READ OUT: I want to save for retirement but I am currently unable to	4
DO NOT READ OUT: None of the above	5
DO NOT READ OUT: It depends (e.g. on my circumstances or extent of cutbacks)	6
DO NOT READ OUT: Don’t know	-99
DO NOT READ OUT: Refused	-98

ASK ALL
GOALS2
Do you currently have a target amount in mind for how much income you want to have when you retire? IF YES: Is that a specific target or a broad idea?
[IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: Did you have a target amount in mind for how much income you wanted to have when you retired? IF YES: Is that a specific target or a broad idea?]

DO NOT READ OUT. SINGLE CODE ONLY

Yes – specific target in mind	1
Yes – broad target in mind	2
No target	3
DO NOT READ OUT: Don’t know	-99
DO NOT READ OUT: Refused	-98

ASK IF 1-2 AT GOALS2
INTENTION2
And in order to meet that target when you retire, do you think you are currently saving…?
[IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: And in order to meet that target before you retired, do you think you saved …?]

READ OUT. SINGLE CODE ONLY

More money than you will need [IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: More money than you needed]	1
The right amount of money that you will need [IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: The right amount of money that you needed]	2
Less money than you will need [IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: Less money than you needed]	3
DO NOT READ OUT: Don’t know	-99
DO NOT READ OUT: Refused	-98

ASK ALL
E4B
Overall, which one of the following ways of saving would you say is the best way for you to save for retirement?

READ OUT. SINGLE CODE. RANDOMISE

INTERVIEWER: IF RESPONDENT MENTIONS ONE PARTICULAR ISA (E.G. CASH ISA) THEN CODE AS “SAVING IN AN ISA”

Saving in a bank account or in cash	1
Saving in an ISA	2
Investing in property	3
Saving into a private pension	4
Investing in your own business	5
Another way (write in)	6
DO NOT READ OUT: Don’t know	-99

ASK IF CODE 2 AT E4B
E4C
And is there a particular type of ISA that you think is the best way for you to save for retirement?

PROMPT TO CODES. SINGLE CODE ONLY

Yes – cash ISA	1
Yes – stocks and shares ISA	2
Yes – Lifetime ISA (LISA)	3
Yes – innovative finance ISA	4
Yes – another type of ISA	5
No – any type of ISA is best	6
DO NOT READ OUT: Don’t know	-99

ASK IF CODES 1-6 AT E4B
E3
What are the reasons for why you think [INSERT ANSWER AT E4B] is the best way to save for retirement?
DO NOT READ OUT. PROBE FULLY TO CODES. MULTICODE OK 1-15
INTERVIEWER: IF RESPONDENT SAYS “IT’S GOOD IF YOU CAN AFFORD IT”, PROBE WHAT MAKES THIS THE BEST OPTION IF YOU CAN AFFORD IT

Allows me to control or monitor my finances	1
Best return on my money	2
Don’t know much / enough about other options (e.g. pensions)	3
Easy access as when I need to use it	4
Easy to understand	5
Good interest rate / better yields / return	6
I get a top-up from the government	7
I trust this way of saving	8
Low risk option	9
Most affordable / can’t afford other options	10
Most tax efficient method / other methods incur tax / more tax	11
Prefer something physical/tangible	12
Recommended to do this by a financial advisor or bank	13
Recommended to do this by friend or family member	14
Other (write in)	15
Don’t know	-99

ASK ALL
E2

Thinking about the following ways of saving for retirement, which of these, if any, would you say [INSERT STATEMENT FROM LIST]?

a) Is the most secure way to save
b) Gives better rewards for your money

SINGLE CODE FOR EACH. RANDOMISE ORDER OF STATEMENTS AND CODES (BUT CODE 5 STAYS LAST)

Savings in a bank account or in cash	1
Savings in an ISA	2
Investing in property	3
Saving into a private pension	4
Another way	5
DO NOT READ OUT: Don't know	-99

Section E: Saving behaviour and attitudes

READ OUT TO ALL
D0
These next set of questions are about your approach to saving money for retirement.

[IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: As a reminder, please think about the point just before you retired when answering these questions.]

ASK ALL
Bregulation1
In the last 12 months, how regularly, if at all, did you set aside money for retirement? Did you set aside money...?
READ OUT. SINGLE CODE ONLY

On a regular basis, e.g. week-to-week or month-to-month	1
As and when you are able to	2
Or did you not set aside money for retirement	3
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK IF CODES 1-2 AT BREGULATION1
D12
Approximately how much money did you set aside for retirement in the last 12 months?

PROBE FULLY (I.E. UNTIL CORRECT RESPONSE REACHED). SINGLE CODE ONLY

Less than £1,000	1
£,1000 to less than £5,000	2
£5,000 to less than £10,000	3
£10,000 to less than £20,000	4
£20,000 to less than £50,000	5
£50,000 or more	6
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK ALL
D4
Which income sources, if any, do you expect to use when you retire (i.e. actually stop working)?
[IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: Which income sources, if any, do you expect to be using in your retirement?]

INTERVIEWER: IF RESPONDENT SAYS INCOME FROM JOB/SELF-EMPLOYMENT, PROBE WHETHER IN FORM OF SAVINGS OR FROM SELLING BUSINESS (OR BOTH)

DO NOT READ OUT. MULTICODE OK 1-13.

From partners/family	
Financial support from your children or dependents	1
Partner or family's income / pension	2
Income from property	
Property you plan on / are renting out	3
Income from selling or downsizing property	4
Pensions	
State Pension	5
Private pension (outside the State Pension)	6
A workplace pension	7
Other	
Earnings from working past retirement age	8
Income from selling your business	9
Inheritance	10
Life insurance / other insurance	11
Savings (non-pension), shares or other investments	12
Other (write in)	13
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK ALL

D2

Do you currently have any of the following?

READ OUT. MULTICODE OK 1-8

Savings accounts or ISAs	1
Shares or other investments, not including property	2
IF EMPLOYED (3, DK OR REF AT C4b): A workplace pension you are currently contributing towards	3
IF EMPLOYED OR PREVIOUSLY EMPLOYED (2-4, DK OR REF AT C4b): A workplace pension you have stopped contributing towards	4
IF PREVIOUSLY EMPLOYED (2-4, DK OR REF AT C4b): A workplace pension from a previous job that you are still paying into	5
A private pension you set up yourself or through a financial advisor that you are currently contributing towards	6
A private pension you set up yourself or through a financial advisor that you have stopped contributing towards	7
Property you expect to rent out or sell, but not live in	8
DO NOT READ OUT: None of these	9
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK IF NOT CODES 3 OR 5 OR 6 AT D2

D3

What would you say are the reasons you are not currently saving into a workplace or private pension?

DO NOT READ OUT. PROBE FULLY TO CODES. MULTICODE OK 1-26.

Advised not to by financial advisor / accountant	1
Advised not to by friends / family	2
Already retired / drawing pension	3
Better ways to save / pensions are poor value / poor returns	4

Cannot afford to save / do not have enough money / on low income / working part time / not working long hours	5
Expect government to provide for me / can depend on government	6
Expect to sell my business / live on that	7
Don't know enough about pensions / too complicated	8
Don't know enough about what would be the best financial option for me	9
Expect / prefer to sell / rent property	10
Expect to carry on working in later life	11
Haven't got round to it yet / will do it later	12
I would rather enjoy a good lifestyle now	13
Might miss out on means-tested benefits later	14
My partner/family/inheritance will provide for me	15
Need to spend money on other things / pay bills / clear debts	16
Not tax-efficient / tax implications	17
Plan to change work / move jobs	18
Not thought about it / retirement is too far away / too young	19
Re-investing money into my business	20
Still in education	21
Saving for other things (e.g. house, car)	22
Too old / too late to start now	23
Too risky / not secure	24
Will get a State Pension / State Pension will be enough	25
Other (write in)	26
Don't know	-99
Refused	-98

ASK IF CODE 6 AT D3

D11

Are there any particular aspects of pensions that you find complicated?

DO NOT READ OUT. PROBE FULLY. MULTICODE OK FOR 1-16

Don't understand the benefits of pensions	1
Differences between types of pensions / too many types	2
Employer contribution	3
How to calculate or check my pot / amount saved	4
How much I should be saving / contributing	5
How pensions work (in general)	6
How pensions are invested / grow	7
How they are taxed / tax implications / Government contribution	8
Language / jargon around pensions	9
Not financially savvy / knowledgeable	10
Pension statements / understanding statements	11
State Pension / how State Pension works / affects private pensions	12
Too many changes in rules / regulations / pensions freedoms	13
What happens when I change jobs / move between employment/self-employment	14
When I can access / withdraw my pension	15
Other (write in)	16
Do not find them complicated	17
Don't know	-99

Section F: Pensions

READ OUT TO ALL

D0
These next set of questions are about your views on pensions.

[IF RETIRED B3 CODE 1 OR C4 CODES 4 OR 5: As a reminder, please think about the point just before you retired when answering these questions.]

ASK ALL
D9
In the last 12 months, have you received any financial advice or guidance about pensions?
DO NOT READ OUT. SINGLE CODE

Yes	1
No	2
Don't know	-99

ASK IF CODE 1 AT D9
D10
Who or where did you receive financial advice or guidance about pensions from in the last 12 months?
DO NOT READ OUT. PROBE FULLY. MULTICODE OK 1-21
INTERVIEWER: IF "IN POST/LEAFLETS" THEN PROBE WHO THESE WERE FROM

A bank or building society	1
Citizens Advice	2
IF EMPLOYEE OR PREVIOUSLY EMPLOYED (2-4 AT C4): An employer (including HR or finance departments)	3
A financial advisor, tax advisor or accountant	4
Family (e.g. parents, spouses etc)	5
Friends	6
Leaflet / flyer / poster (unknown source)	7
Local authority	8
Money Advice Service (MAS)	9
The Pensions Advisory Service (TPAS)	10
Pension broker	11
Pension provider	12
Pension Wise	13
Personal finance websites (e.g. MoneySavingExpert.com)	14
Newspaper / magazine articles / money sections	15
TV / radio programmes	16
Work colleagues	17
Other consumer advice organisation (e.g. Which?)	18
Other charity (e.g. Age UK)	19
Other Government service / Department	20
Other (write in)	21
Don't know	-99
Refused	-98

ASK IF CODE 1 AT D9
D10B2
To date, have you taken any action based on this advice or guidance, or not?
DO NOT READ OUT. SINGLE CODE ONLY

FOR THOSE WHO ANSWERED D10B, SCRIPTER TO:
- FORWARD-CODE D10B CODES 1-14 INTO D10B2 CODE 1
- FORWARD-CODE D10B CODE 15 INTO D10B2 CODE 2
- FORWARD-CODE D10B CODE -99 INTO D10B2 CODE -99

Yes	1
No	2
Don't know	-99

ASK ALL
E4
I am going to read out a list of statements about pensions. Please could you tell me to what extent you agree or disagree with each?
READ OUT EACH STATEMENT. SINGLE CODE FOR EACH. RANDOMISE A TO D. REVERSE SCALE

I do not have enough time to think about pensions	A	CONTEXT AND RESOURCES
It is normal for self-employed people to save into a private pension	B	SOCIAL INFLUENCES AND IDENTITY
I tend to put off thinking about pensions because it makes me feel nervous	C	EMOTION
My friends or family encourage me to save into a private pension	D	SOCIAL INFLUENCES AND IDENTITY
I know how pensions work	E	SKNOWLEDGE

Strongly agree	1
Tend to agree	2
Neither agree or disagree	3
Tend to disagree	4
Strongly disagree	5
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

Section G: Demographics

ASK ALL
G1
I'd now like to ask you some questions about you to help classify your answers.

ASK ALL
G3
Which of the following, if any, is the highest educational or professional qualification you have obtained?
PROBE FULLY (I.E. UNTIL CORRECT RESPONSE REACHED). SINGLE CODE ONLY

GCSEs / O-levels / CSEs	1
Vocational qualifications (=NVQ1+2)	2
A-Levels or equivalent (=NVQ3)	3
Bachelor Degree or equivalent (=NVQ4-6)	4
Masters / PhD or equivalent (=NVQ7+8)	5
Other	6
Or do you have no formal qualifications?	7
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK ALL
TENURE
Is the property you currently live in...?
PROBE FULLY (I.E. UNTIL CORRECT RESPONSE REACHED). SINGLE CODE ONLY

Owned outright by the household	1

Being bought on mortgage	2
Rented from the council, local authority or a housing association	3
Rented from a private landlord	4
Other (do not write in)	5
DO NOT READ OUT: Don't know	-99
DO NOT READ OUT: Refused	-98

ASK ALL
G4
Are you the main earner in your household?
DO NOT READ OUT. SINGLE CODE ONLY

Yes	1
No	2
Don't know	3

ASK ALL
G4C
And how many dependent children are you a parent or legal guardian of? This includes those under the age of 16, or those aged 16-18 unmarried and in full-time education.

DO NOT READ OUT. SINGLE CODE ONLY

0	0
1	1
2	2
3	3
4	4
5	5
6+	6
Don't know	-99
Refused	-98

ASK ALL
G5C
To which of these ethnic groups do you consider you belong?

READ OUT. STOP READING WHEN GIVEN AN ANSWER. SINGLE CODE ONLY

White – British, Irish or any other White background	1
Mixed – White and Black Caribbean, White and Black African, White and Asian or any other mixed background	2
Asian or Asian British – Indian, Bangladeshi, Pakistani or any other Asian background	3
Black or Black British – Caribbean, African or any other Black background	4
Any other ethnic group	5
DO NOT READ OUT: Don't Know	-99
DO NOT READ OUT: Refused	-98

ASK ALL
G6
INTERVIEWER CODE GENDER

Male	1
Female	2

Section H: Closing Questions

ASK ALL
H1
Thank you very much for your taking part in this survey.

Her Majesty's Revenue and Customs (HMRC) is planning to carry out further research on this topic in the future.

Would you be willing to be contacted by Ipsos MORI in the next few months about participating in a more in-depth interview? This would be a more in-depth discussion with you on similar topics as we have discussed today, and we would reimburse you for your time. You do not have to commit to anything now, just indicate a willingness to be contacted again in the next few weeks.

SINGLE CODE ONLY

Yes	1 – CONFIRM NAME, EMAIL AND TEL NO
No	2

THANK AND CLOSE

Topic guide

Section A) Introduction and warm up (5 minutes)	Notes
• Thank participant for taking part in the study and agreeing to be re-contacted in this phase. • Introduce self, Ipsos MORI. • Role of Ipsos MORI – independent research organisation (i.e. independent of government), gather all opinions: all opinions valid. Remind that there are no right or wrong answers. • Outline research: we are speaking to 28 self-employed people to explore in more detail how they save for retirement, and what influences their saving decisions. • The findings from this research will improve the Government's understanding of self-employed individuals' needs in relation to saving for retirement, which will help to support any future policy development in this area. • **Confidentiality:** reassure that all responses are totally confidential and anonymous and that information that can be linked back to individuals **will not** be passed on to anyone, including HMRC or any other Government Department. • Length: max. 45 minutes. Get permission to digitally record – transcribe for quotes, no detailed attribution.	*Orientates interviewee, prepares them to take part in the interview.* *Outlines the 'rules' of the interview (including those we are required to tell them about under MRS and Data Protection Act guidelines)*
Section B) Context	**5 mins**
To start with, please can you tell me a little about: • Your self-employment business and what you do • How long you have been earning an income from self-employment? [IF ALSO EMPLOYED AT C4]	*Provides contextual background information about the participant and their self-employment work*

When you took part in the survey you mentioned you also work for an employer in addition to being self-employed. What do you do in your employed work? • Full time? Part time? • What were your reasons for working for an employer as well as being self-employed? Were they personal or circumstantial reasons?	
Section C) Current financial situation	**5 mins**
Now we are going to move on and talk a little bit about your current financial situation. *Refer to C8* **When you took part in the survey you mentioned that income from self-employment represents XXX of your total income** • *What other sources do you rely on?* • What impact do you think this has on your lifestyle and how comfortably you live? PROBE: Does additional income help them make ends meet? **And how stable is your income?** What affects this? Are your outgoings always the same or do they ever change? **Can you briefly talk me through how you manage your money?** • Do you think about your self-employment finances and personal finances as separate things? • How does this affect your financial situation / spending priorities / how money is directed? **[ASK SEPARATELY IF THEY DIFFERENTIATE BETWEEN PERSONAL AND BUSINESS]** • Do you manage them in a similar or different way? Why? What is the differences? • Managed weekly? Monthly? Regularly? How do you find this approach? • Do you use a spreadsheet, app, refer to bank statements etc.?	*Outlines their current financial situation and how they manage their money*
Section D) Saving for retirement	**15 mins**
Now we are going to move on and talk about saving. *MAINLY RELEVANT TO GROUP 4, BUT ALSO TO THOSE NOT SAVING IN GROUP 2 and 3* [IF NOT SAVING AT Bregulation1 or D12] **When you took part in the survey you mentioned you are not currently saving for retirement** • What are the key reasons for this e.g. affordability, prefer to invest in business, have other priorities, haven't thought about it etc. • Did you make an active decision not to save? Or has it happened more because of inertia or putting off thinking about it? Do you want to save? • Do you see saving for retirement as a business or a personal expense? • Are you setting aside savings that are not for retirement? How? If so what are they for? Why? How did you decide to save for this rather than retirement? [IF SAVED BEFORE BASED ON D2] • Have you ever saved for retirement before? If so why did you stop? PROBE: affordability, changes of work/business circumstances (e.g. automatic deductions made by previous employer CHECK IF AUTOENROLLED), changes of family circumstances, different priorities etc • How did you used to save? How regularly? How did you decide how much to contribute? What saving product(s) did you use? How did you choose them? • If not, what did you use them for? Why? • Are you planning to go back to saving? When? In what circumstances?	*This section explores current approaches to saving*

IF IT WAS A PENSION/SAVINGS AC/ISA/PROPERTY: • Why/how did you choose to invest your money in this way? Do you review this choice regularly? PROBE: safe, return, ease, advised by someone (who) etc? • Were there any drawbacks? PROBE: flexibility? Investment risk? [REF TO E4B] During the survey you mentioned that XXX is the best way for you to save for retirement IF PENSION/PROPERTY/ISA • Why? What makes a product better than another one for you? PROBE Is it simplicity, trust/safety, financial reward, best return on investments? • How do these traits compare between different products? Are any better? Worse? • How did you come to this conclusion? PROBE Advice from agent/financial expert, reading (e.g. financial magazines, websites etc.), discussed with family or friends/colleagues, word of mouth etc. • Do you see any drawbacks? PROBE: flexibility? Investment risk? IF PROPERTY OR ISA • Do you think investing in this way is better than saving into a pension? Why? IF saved for retirement previously (If relevant) why were you not saving in the way which you think is best for saving for retirement? *MAINLY RELEVANT TO GROUPS 1 AND 2, BUT ALSO TO THOSE SAVING IN GROUP 3* [IF SAVING AT D2] **When you took part in the survey you mentioned you are saving [ADD INFO FROM SURVEY ON PRODUCT(S) USED]** • Why do you choose to save in this way? What are the benefits? Are there any drawbacks? What are you saving up for? PROBE: retirement vs general • Did you decide on your own to save this way, or did you receive advice? If so, whom from? What factors did you consider when deciding? • How long have you been saving for? Have you always done it in the same way? • How have your saving priorities changed over time? PROBE: changes with age or closer to retirement • Do you see saving for retirement as a business or a personal expense? [USING D4] **[During the survey you mentioned that you expect XXX to be your main source of income in retirement]** IF PENSION/PROERTY/ISA • What makes it appeal to you? (IF NOT PENSION: Why do you favour it over a pension?) • Why/how did you choose to invest your money in this way? PROBE to understand the role of inertia i.e. was it an active decision to save this way, or are they just maintaining the status quo • How do these traits compare between different products? Are any better? Worse? • Are there any drawbacks? PROBE: flexibility? Investment risk? • How do you review your choice? PROBE: simplicity, income regularity, accessibility? • If you have extra money left over at the end of the month what would you do with it? ADD IF PROPERTY: • How do you intend to use investment in property for retirement? PROBE: rental income, downsizing, equity release	

What do they do with any income received (i.e., is it for current spending or do they use it to cover the costs of the property/save this? IF USING MULTIPLE METHODS: **Why do you think it's a good idea to save in more than one way?** PROBE: why this combination of methods, tax implications [USING D2] **[APPLY TO PRODUCT(S) THEY'RE SAVING IN] And how do you manage your [saving product XXX], and what influenced you to do it in this way?** • How much do you save each month? Is this regular? If this varies, how? What affects it? How often do you check how much you've saved? Does this help you to see how much income you might have when you retire? PROBE IF PENSION: do you receive a pension statement? How useful do you find it and why? • How do you decide how much to contribute? Do you have a target in mind? If so, how did you set this? What makes it difficult (to set a target)? • Would you want to save more? Do you find it difficult to save the amount you're currently saving? [IF NOT SAVING INTO A PENSION] – **why do you choose not to save into a pension?** What would make a pension more appealing than your way(s) of saving? [REF TO E4B] [IF DIFFERENT FROM HOW THEY'RE CURRENTLY SAVING – During the survey you mentioned that XXX is the best way for you to save for retirement - • why are you currently saving in a different way? PROBE affordability, ease, left things as they were etc. <u>(Environmental Context and resources)</u> **How has being self-employed influenced the way you save for retirement / your decisions about whether or not to save for retirement?** • PROBE: workload / resources / money / cost saving. What would happen if you started saving? PROBE: impact on business / finances / money for other things / daily expenses/ bills etc. • How relevant is saving for retirement for you? Is it too soon to think about it? Would you start thinking about it later? [IF PREVIOUSLY/CURRENTLY EMPLOYED] **What impact has you being/having been employed had on your ability to/approach to saving?** • PROBE: normalcy of saving, financial habits • [If saved previously,] Did you change the way you saved when you became self-employed? How? In general, do you think it is easier to save for retirement as an employed person compared to being self-employed? Why? PROBE: opportunities to save and products • [If they had a workplace pension but then moved to self-employment] Would you like to have continued to pay into this? • Was it auto-enrolled? • Why stopped contributing? • If they have experience of auto-enrolment - How was your experience with auto-enrolment?	
Section E) Beliefs, influences, feelings about pensions	**8 mins**
I'd like to move on now and talk about your views on certain aspects of pensions <u>(BELIEFS ABOUT CAPABILITIES)</u> **How confident do you feel that you will have enough money to comfortably live on when you retire?**	*This section explores existing barriers to saving. Questions in this section draw on the Theoretical Domains Framework (TDF)*

• Why? (BELIEFS ABOUT CONSEQUENCES) **What do you think might happen if you don't save enough money for retirement?** • What would happen in the short term? What would happen in the long term? PROBE: consequences for self-employment work • What might happen if you started saving money for retirement? • Are there any positive consequences? Are there any negative consequences? PROBE: spending habits, financial situation, cash flow • To what extent do you think you could rely on the government to provide for you? PROBE: awareness of state pension and how much it pays • How important is saving into a pension for you? Why? (EMOTION) **How do you feel about saving money for retirement?** • Do you ever feel anxiety, worry, concern or fear when you think about your retirement finance? Why? • [IF PREVIOUSLY SAVED] How did you feel when you were able to set aside money for retirement? How do you feel in comparison now? **How far do your feelings influence the way you think about saving for retirement?** • Do you tend to put off thinking about retirement? PROBE: when does this happen and why? how this inertia makes them feel	
Section F) Knowledge and Sources of advice	**5 mins**
Now I'd like to move on and talk about your knowledge and how you get advice or information about pension (KNOWLEDGE) **How knowledgeable would you say you are about pensions?** • Have you sought out information about pensions? Where from? Why not? • What can you tell me about the State Pension? PROBE: pension age? Amount of income? **Are there any particular aspects of pensions that you find complicated?** • PROBE: point of confusion • [IF EMPLOYED} How clear are you on the differences between how private pensions and workplace pensions work? Which do you find easier to understand? Which do you prefer? • Do you understand how to work out the value of a pension when you'll retire? • What do you understand the tax implications of saving into a pension are? Any tax advantages and which ones? **REFER TO D9/D10 – In the survey you mentioned that you received financial advice or guidance about pensions from XXX** • What information were you given? • What did you do as a result of this? • Why do you go to this source? • Have you ever looked on Gov.uk? Pension Wise? Money Advice Service? What did you think of these? • Are there any other options you feel that you could explore? • [IF AGENT] Does your agent also help you manage your self-employment finances? What do they help you with? **IF Advice but NOT from AGENT/FINANCIAL ADVISOR AT D10** **Have you ever contacted an agent or financial advisor for support with your finances? Or in relation to saving for retirement?]** • How did you get in touch with them?	*This section explores preferred sources for information and advice, as well as how participants might have acted on the advice they might have received*

• Why did you choose to speak to them? Why not? • How helpful was the information they gave you? • What did they help you with? • Was their advice supportive of pensions? Did their advice put you off pensions? • Did you take any actions after receiving their advice? • What are you looking for ideally in support?	
Section G) Exploring new ways of saving for retirement	**10 mins**
Before we finish, I just want to get your thoughts on some possible ways that self-employed people might use to save for retirement, and what you'd see as the best system for you. **What, if anything, would encourage you to save for retirement, apart from having a higher income?** And what would encourage you to save into a pension? **What would you say are the <u>most</u> important features that a pensions product needs to have?** **a)** PROBE: flexibility, ease of access when you need it, return for your money, safety? Simplicity? Trustworthy? **b)** PROBE: getting tax back on all of the money that they put in **[If not already covered]: Have you heard about pensions auto-enrolment?** **[Even if already heard of, interviewer to give brief explanation to ensure everyone refers to the same concept]** "Automatic Enrolment is a policy where employers have to automatically enrol their employees into a pensions scheme and then deduct contributions from their pay cheque. The employees can opt-out should they wish." If something similar was available for self-employed people, how interested would you be in saving in this way? We would now like to see what you'd think about some features of auto-enrolment if it could be set-up for self-employed people. a) How happy would you be to give permission for your personal information to be used to set up a pension for you? Why/why not? Would you have any concerns? If so about what? b) Would there be certain organisations you would trust with your information and to set up a pension for you more than others (e.g., HMRC, bank, financial adviser, representative body, other government body). Why? Auto-enrolment could involve automatically paying a pre-agreed percentage of your earnings to be paid into a pension on a regular basis. What do you think about this? What do you think the impact would be on your business and personal finances? Any other positive aspects or drawbacks? c) (IF HAVE CONCERNS) What would help reducing these concerns? I would like to ask about some potential options for managing automatic pensions contributions? PROBE: 1. HMRC adding an amount onto your tax bill based on a percentage of your earnings, collecting this money along with any tax due, and then paying it directly into a pension? 2. An app (e.g., from your bank, or another financial provider) that automatically saves into your pension a percentage of each invoice you issue, or automatically prompts you to do this	*This section explores what they would want their ideal system to save for retirement to look like.*

3. Accounting software that would automatically include a pension contribution as a business expense in your accounts and would automatically deduct a percentage of revenue on a regular (e.g. monthly) basis to pay into a pension (or would prompt you to pay the amount into a pension)? 4. A company who you do lots of work for, taking a pre-agreed percentage of your invoices and then paying them into a pension for you? Why would you prefer XXX? PROBE: trust handling data, ease of dealing, ability to control/flex contributions, timing of contributions being paid, prompts to save an amount vs automatic deduction What are the advantages or drawbacks of this? What level of control would you like to have on how this is managed, e.g. frequency of payments, amount paid? What information would you like to receive on your pension? E.g. alert every time money is deposited, monthly statements? In what format – email, text message, letter, online account?	
Section G) Closing	**3 mins**
Thinking about everything we have discussed today, what do you think is the main thing the Government could do to help you save more money for retirement? **Is there anything we haven't discussed that you'd like to mention?** Thank respondent for their time. Explain next steps of the research: HMRC will be using the findings of this research to improve the Government's understanding of self-employed individuals' needs in relation to saving for retirement, which will help to support any future policy development in this area. Reassure participant again about confidentiality. Confirm address or charity for incentive (£40)	*Brings the conversation to a close, and allows participant time to mention anything that has not already been covered*

Stephen.Finlay@Ipsos.com
Research Director
Stephen.Finlay@ipsos.com

Krishna Dabhi
Research Manager
Krishna.Dabhi@ipsos.com

For more information

3 Thomas More Square
London
E1W 1YW

t: +44 (0)20 3059 5000

www.ipsos-mori.com
http://twitter.com/IpsosMORI

About Ipsos MORI's Social Research Institute

The Social Research Institute works closely with national governments, local public services and the not-for-profit sector. Its c.200 research staff focus on public service and policy issues. Each has expertise in a particular part of the public sector, ensuring we have a detailed understanding of specific sectors and policy challenges. This, combined with our methods and communications expertise, helps ensure that our research makes a difference for decision makers and communities.