

To save or not to save: workers' pensions and provision for retirement



A Labour Research Department report
for Age Concern England

January 2005

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Published by Age Concern Reports

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Foreword

The UK is currently under-saving for retirement. About 13 million people are putting away too little for the future and face poverty or disappointment when they leave the workplace. After decades of progress, we now face the prospect as a nation of future pensioners being worse off, in relative terms, than today's. A step change is needed in future saving patterns – equivalent to 4% of GDP – if future pensioners are to enjoy the same income, relative to earnings, as today's new retirees.

If we are to increase the amount we save towards our retirement income, it will have to come from up to three sources: from government, in state pensions and benefits; from our employers, in occupational pensions; and from any savings we ourselves make as individuals.

According to current plans, we will not be able to rely on the state to make up the gap. State spending on pensions is projected to decline, per head of pensioner population, over the next 50 years remaining at a low 5.5% of GDP. Indeed, the government expressed its intention that the individual would be responsible for shouldering a greater proportion of responsibility for his or her retirement savings.

Can employers make up the difference? It would be a tall order. In the past, occupational pensions were one of the great success stories of our pension system, helping many pensioners build a retirement income greater than that enjoyed by their parents. But the success stalled long ago. In the last 20 years, the growth in the number of working people covered by occupational pensions actually went into reverse, falling from 66% in 1983 to 54% in 2000.

To what extent can this trend be reversed? Can employers be encouraged, or compelled, into better provision of pensions for their employees? And if so, who would stand to benefit?

This is the second of two studies conducted by the Labour Research Department for Age Concern. The first, *Who is Under-saving for Retirement*, identified those working people, and their families, who were least likely to get a good occupational pension. They included part-timers, and the self-employed, people working in manufacturing, hotels and catering, wholesale and retail sectors as well as those employed in small and medium-sized enterprises (where most of us work). Their report tracked the systematic disadvantage experienced by women and pinpointed how some black and minority ethnic groups get the worst deal of all.

In this new study, original research explores the experience of those people who do not have an occupational pension. It identifies why people do not join a pension scheme and what might encourage them to change their minds. And it gets to the heart of the question of whether people are saving too little because they are not planning ahead, or because they cannot afford to do more.

Age Concern is grateful for the co-operation and encouragement we have received from trade unions in undertaking this new research. We share the objective of building a new pension settlement which tackles poverty but also gives ordinary working people a fair opportunity to build an adequate retirement income.

Neil Churchill
Age Concern

Introduction

There is a wealth of evidence about the pensions 'gap' facing working people in the UK, and the shortcomings of the second-tier occupational and private pensions system, as a supplement to the state pension. The Age Concern report *Who is 'under-saving' for retirement* published earlier this year looked at a wide range of existing data on these issues.

That earlier report indicated that there are 'gaps' not only in pension scheme availability but also in workers' willingness or ability to save through a second-tier pension. This is a serious problem for the government, which looks to work-based and personal pensions to supplement the "foundation" provided by the state system and sees the workplace as an effective place for people to save.

A government technical paper published alongside the 2002 pensions Green Paper pointed out that only about 72% of all employees who are eligible to join a pension scheme provided by their employer do so. Research indicating some of the possible reasons for this, together with data on income and pension under-provision, was also reviewed in *Who is 'under-saving' for retirement*.

The debate over what needs to be done has moved up a gear with the publication of the Pension Commission's initial findings on 12 October. But decisions about the appropriate response needed from the Government, employers and individuals have yet to be taken.

The aim of this new report from Age Concern is to take a further look at what provision for retirement is being made for and by workers through occupational pension, personal pension and non-pension savings. It sets out the findings of a survey of just over 750 trade union members, carried out in late August and early September for Age Concern by the Labour Research Department (LRD), with the assistance of four national trade unions.

The survey serves as a timely reminder that many workers are concerned about their retirement prospects but in many cases sceptical about the pensions industry. Some choose to save for retirement through building society accounts, ISAs and property, rather than trust their future simply to pension providers. Others give a variety of reasons for not joining a scheme, even when there is one available.

Problems with company pension funds, high profile scandals like the near-collapse of Equitable Life, and employers' retreat from final salary schemes, have clearly shaken the confidence of some workers. And those outside the occupational pensions framework – either because they have not been offered a pension, have opted not to take one up, or are effectively excluded through self-employment, temporary work, low income or pension scheme rules – feel especially insecure.

The findings suggest that that government and employers have a lot to do to restore confidence and build up the second-pension system. Many workers remain to be convinced that the existing patchwork of private and occupational pension schemes 'measure up'. Others still have to be convinced that they need to save for retirement at all.

The survey

The main aim of the survey was to find out more about the 'under-pensioned', working people without a good occupational pension. There is plenty of evidence about the extent of the problem, but less on the reasons why some don't join an occupational pension even when they could. The survey also sought information about personal pensions and other savings arrangements, which will be particularly important to workers without a good occupational pension (including self-employed and freelance workers).

A union-based survey

A postal questionnaire survey aimed at union members was distributed in August 2004. These workers may well have access to an occupational pension, and may therefore be less likely to be 'under-pensioned'. Nevertheless, a survey of this kind had the potential to include individuals who have 'chosen' not to join a scheme, as well as those who have simply not been offered one by an employer.

Unions were asked to help with the survey by distributing questionnaires to sections of their membership, including where possible those least likely to be covered by a good occupational pension scheme. This proved to be a challenging objective, but four unions offered to assist, distributing questionnaires in late August and early September:

- The T&G general union circulated the questionnaire electronically and copies were also posted to T&G branches and workplace representatives by LRD.
- Shop workers' union USDAW circulated 1,000 questionnaires to a cross-section of women under 40 working at two retail organisations whose final salary schemes have been closed to new members (stakeholder schemes exist for new employees).
- Broadcasting union BECTU distributed around 1,200 questionnaires to a sample of theatre workers and freelance members.
- Civil service union PCS circulated a small number of questionnaires to members unlikely to be in one of the civil service pension schemes.

Breakdown of responses

The results of the survey are given in this report. In most cases, the actual number of responses is given as well as the percentage figure. In order to explore the circumstances of non-members, among a larger body of pension scheme members, it has been necessary to focus in some cases on small groups of respondents where percentage figures alone could be misleading.

Some 756 responses were collected in all. The survey group cannot be seen as a random sample either of union members or workers in general. Many who may have received a questionnaire chose not to take part. But the respondents do include a mix of members who have joined, or have not joined occupational and private pension schemes. The survey therefore provides an opportunity to contrast joiners and non-joiners, and to find out more about them.

Work

Among the 756 responses, 708 (94%) said they were “working”. These respondents were invited to answer questions about their pension arrangements.

Among the remaining 48 responses, 29 (4%) said they were “not working” and 14 (2%) said they were retired. These individuals were not asked about their pensions, but did complete other questions about their non-pension savings and ‘confidence’.

Some 702 respondents went on to indicate whether they work full-time or part-time. Some 562 or 80% of those responding were full-time while 140 or 20% were part-time. A few more were classified as full-time or part-time on the basis of the amount of paid work (hours) normally done in a week. Three quarters (75%) of part-timers were women (25% men). Seven out of ten full-timers (69%) were men (30% women).

Employment status

A total of 712 described their ‘position’. Of these, 510 (72% of those responding) said they were permanent, and a few more were classified as permanent on the basis of their job and length of service.

Some 45 (6%) were either casual, agency, fixed-term or in some other way temporary, and 157 (22%) were freelance. One of the unions assisting with the survey (broadcasting and entertainment union BECTU) distributed questionnaires to some of its freelance members, so a response from this section of the workforce had been anticipated.

Finally, 706 described themselves as either “employed” (539, 76%) or self-employed (167, 24%). A few more were classified as employed on the basis of their job and the fact that they had not identified themselves as self-employed.

Almost all the freelancers and half of the temporary workers described themselves as self-employed. The division among the temporary workers between employees and self-employed or freelance workers made it difficult to draw firm conclusions about temporary workers in the survey.

A handful of freelancers described themselves as employed, and some answered questions about pension schemes run by the company/organisation they work for but only one was a member of the employer’s pension scheme. For the purposes of a broad analysis, these individuals have been counted alongside other freelance and self-employed workers in this report.

Taking all this into account, 750 respondents were classified as either full-time permanent employees, part-time permanent employees, temporary employees, self-employed or freelance workers, and those either not working or retired. These distinctions were felt to be important in terms of likely pension provision and have been used throughout the report to analyse pension scheme membership, savings arrangements and other responses.

Employment status as defined in the report

Permanent full-time employees	413	55%	
Permanent part-time employees	100	13%	
Temporary employees	24	3%	(Total ‘employees’ 537)
Self-employed & freelancers	177	23%	
Not working/retired respondents	36	5%	

Gender

The majority of respondents, 60%, were male while 39% were female

Age

The overall median age among working respondents was 43 years, with 42% under 40 and 58% aged 40 or more. The median age among men in the survey was 48 while the median among women was 33, so responses that differ according to age may reflect gender differences (and vice versa). By status, median ages were:

Permanent full-time employees	46 years
Permanent part-time employees	31 years
Temporary employees	37 years
Self-employed & freelancers	46 years

Weekly pay

Median weekly pay (where this could be calculated) was £346. The female median was lower, at £234, compared with £385 for men, but the higher proportion of female part-time workers in the survey would have some effect on this. Under-40s had median weekly earnings of £282, compared with £385 aged 40 or over. The overall figures break down as follows:

Under £200	17%
£200.01 - £300	21%
£300.01 - £400	24%
£400.01 - £500	14%
£500.01 - £700	8%
Over £700	16%

Length of time with current employer

Some 7.5% of respondents (57) had less than one year’s service. Some 54% of these respondents were women. The median length of service among those with more than one year’s service was 9 years, 6 years for women and 13 years for men.

Job

Skilled/technical workers (including many in the broadcasting and entertainment sector) were the largest occupational group, followed by drivers/operatives and sales workers (on the basis of 584 responses).

Manager/professional	13%
Administrative, clerical and secretarial	9%
Skilled/technical	33%
Sales	15%
Driver/operative	22%
Other (labouring, cleaning, security, catering)	8%

Sector

Transport, manufacturing and retail/wholesale were the main individual sectors but the survey had a large group (27%) of respondents in the film and television industries. The following figures are based on 704 responses.

Film	11%
TV	16%
Catering, security, cleaning, theatre	7%
Retail/wholesale	18%
Manufacturing (including agriculture, power, construction, defence)	20%
Transport	21%
Public services (including voluntary sector)	6%

Acknowledgement

The Labour Research Department would like to thank all the unions that helped us with the survey and those individual union members who completed and returned our questionnaires.

Summary

1. The survey was carried out in August and September with the assistance of four trade unions (T&G, USDAW, BECTU and PCS) who circulated questionnaires within their membership. The results are based on an analysis of just over 750 responses. While the bulk of respondents were employees, the survey included a contingent of self-employed and freelance workers from the broadcasting and entertainment sector.

Occupational pensions

2. The great majority of employees in the survey were able to join an available pension scheme run by the company or organisation they work for. Some, particularly temporary and part-time employees, didn't know if there was a pension scheme in the workplace, begging the question: are employers doing enough to promote their schemes?
3. An environment of uncertainty could be undermining confidence in second-tier pension arrangements. Over a third of employees reported changes, ranging from the closure of final salary schemes to new members, a switch to defined contribution schemes, and lower rates of pension accrual. Contribution increases, reported by 9% of employees, suggest that some employers may be taking steps to maintain their pension scheme – but at a cost.
4. Some occupational pension scheme rules and practices seem to be designed to keep potential members out – like the employee who reported a delayed entry of three years to join one employer's scheme.
5. Most employees said that their employers were making pension contributions, but they may not be doing enough to publicise this: temporary and part-time employees were much less likely to know about employer contributions than full-timers.
6. Only a minority of employees in the survey were sure that their employer-run pension scheme would deliver a pension linked to earnings. Many employees, particularly the part-timers, simply didn't know the answer to this question. Concern about the future was more widespread where pensions are not linked to earnings.
7. Within the survey 17% of permanent full-time employees and 36% of permanent part-time employees were not members of an occupational pension scheme, either because one was apparently not on offer or – more commonly – because they had not joined.
8. The main reasons for employees not joining an occupational pension were to do with the way employers operate their schemes, and with affordability: 30% of non-members hadn't joined when they first started and hadn't been asked again, while 29% said they couldn't afford contributions at the moment.

9. Almost one in four non-members didn't think pension schemes were secure or would provide a good pension. Membership of a private pension scheme, and a lack of employer contributions were also given as reasons for not joining an occupational scheme.
10. More information, higher pay and company contributions/bigger contributions were the three changes most likely to persuade non-members to join an occupational pension scheme, the survey found.

Personal pensions

11. Just over half the self-employed workers and up to one in five of the employees in the survey had a personal pension that they have "arranged for themselves". That leaves four out of five employees and 43% of self-employed in the survey without cover of this kind.
12. A third of workers with personal pensions, including two thirds of employees with personal pensions, say their employers make a financial contribution but these figures may reflect a blurring of the distinction between occupational and personal pensions.
13. Employees who might have joined an occupational scheme but hadn't were a little more likely to have a personal pension but those whose employer didn't offer an occupational pension seemed less likely to have taken out a personal one.
14. Nearly half the employees in the survey said they didn't have a personal pension because they were in a scheme run by the employer/organisation they work for. Apart from that, employees were most likely to indicate affordability (19%) and 'other financial priorities' as the main reasons for not taking one out.
15. One in five self-employed/freelance workers gave the perceived lack of security in personal pensions as their main reason for not having one. But for these workers too this was closely followed affordability (18%) and 'other financial priorities' (14%).
16. Around 15% of self-employed and 6% to 8% of employees felt they wouldn't get a good pension out of a personal pension scheme, or that it wasn't the best way to save for retirement. What might be called 'apathy' ("I didn't get around to it") was also a factor (14% of self-employed/freelance and 11% of employees).
17. Higher income/pay was the main change that would persuade the greatest number of self-employed and employed workers to take out a personal pension. This was followed by 'better benefits' and more information.

Stakeholder pensions

18. One in four employees and 15% of self-employed/freelance workers had not heard of stakeholder pensions.
19. Some 24% of employees in the survey said their company/organisation provides a stakeholder scheme and just over half of these say the employer contributes to it.

20. Some 9% of employees and 12% of freelancers were members of a stakeholder scheme. These are higher levels of membership than we would expect to find in the workforce as a whole but this was expected as some of the questionnaires were distributed to groups of workers known to have access to a stakeholder scheme (as distinct from a traditional occupational pension).
21. Stakeholder members were, if anything, slightly less confident about having a reasonable income in retirement than other respondents.

'Any' pension provision

22. While some employees with no occupational pension have their own personal pension scheme, many do not – leaving them reliant solely on the state pension and whatever non-pension savings they may have. Altogether 23% of employee respondents had neither an occupational nor a personal pension while 43% of self-employed and freelance workers in the survey had no personal pension.
23. Among employees, men are more likely to have occupational pension provision while women rely more on personal pensions or are more likely to have no non-state second-tier pension. Among self-employed/freelance workers without a personal pension, the proportion of women is higher than it is among those with a personal pension.

Other savings for retirement

24. Around a third of respondents said they were saving for retirement in some other way (apart from pensions) but six out of ten were not. Those saving included 31% of employees - but only 12% of permanent part-time employees – and 45% of self-employed/freelance workers.
25. For those that are saving, ISAs, bank and building society accounts and property were the main savings 'vehicles' for retirement.
26. Among employees, those with an occupational pension were more likely to be also saving for retirement in some other way (35%) than those who were not members (23%) of a scheme, and those whose employer does not run one (24%).
27. Around one in five employees and self-employed/freelance workers in the survey appeared to have neither occupational nor private pension membership, nor any other savings for retirement.

Attitudes to retirement

28. Those individuals who chose to take part in the survey might be expected to be concerned about their pension arrangements. Some 38% of all respondents said they were concerned about having a reasonable income in retirement and 15% were very concerned. A substantial minority, however, reported feeling confident about the future.

29. Self-employed/freelance workers were more likely to be concerned (50% concerned, 16% very concerned) than employees (33% concerned, 14% very concerned). The fact that employees were more likely to have a second pension (counting both occupational and personal pension schemes) may have something to do with this.
30. An overall majority of those without either an occupational pension or a personal pension were concerned about their income in retirement (56% of these employees, 65% of these self-employed/freelance workers), but minorities in both categories were not.
31. Concern over income in retirement was not restricted to those without second-pension arrangements, however. Even among employees with both an occupational and a personal pension, a large minority (43%) were either concerned or very concerned.
32. Those who expressed concern about having a reasonable income in retirement, whatever their pension arrangements, were less likely to have other forms of saving.
33. Respondents without any pension or savings provision were more likely to be female, younger, in many cases part-time, with lower weekly pay and shorter service. They were, typically, in retail/wholesale although the group included a number in skilled/technical jobs (which would include some freelance workers in the broadcasting and entertainment sector). The more confident among these were younger, more likely to be part-time and on slightly lower wages (median) although these results are not conclusive.
34. Respondents with some form of provision for retirement were more likely to be male, older, full-time, with higher weekly pay and longer service. They were more likely to be in transport or manufacturing, in driver/operative and skilled jobs. The less confident among these were older, with slightly longer service and slightly higher pay.
35. The main divide, in these figures, is between those with some provision for retirement and those without. What separates the confident from the concerned is less clear – further, qualitative research would be needed to shed more light on this issue

Occupational pensions

As *Who is 'under-saving' for retirement* pointed out, the debate about private pension saving focuses mainly on occupational pension provision, although personal pensions for employees and the self-employed are also part of the equation.

The survey began by seeking information about pensions run by the companies and organisations that people work for. Self-employed respondents were asked to skip this part of the questionnaire. The analysis of occupational pensions was therefore restricted to those classified as employees, 537 respondents in all.

Is there a pension at work?

The great majority of employees in the survey were able to join an available pension scheme run by the company or organisation they work for although some – particularly temporary and permanent part-time employees – didn't know if there was a scheme.

Overall, nearly 82% of employee respondents who answered this question (434) said that the company or organisation they work for had a pension scheme that “all staff groups” can join.

Existing evidence (*Who is 'under-saving' for retirement*) suggests that, apart from the smallest employers, most provide some sort of occupational pension. The General Household Survey 2002 showed that 80% of employers in the 25-99 employee band have a scheme, rising to over 90% where there are 100 employees or more. It also showed that 78% of female full-time employees, 73% of male full-timers, 58% of female part-timers and 49% male part-timers say their current employer has a pension scheme.

Our survey results follow a similar pattern in that part-time employees were less likely to confirm the availability of a scheme. However, the great majority of permanent full-time employees (350, 86%) and permanent part-timers (78, 79%) reported the availability of an occupational pension scheme. The methods used in the survey, which was targeted at trade union members, probably account for the higher proportion reporting the availability of a pension scheme.

Nevertheless, nearly one in five employees in the survey gave some evidence of non-provision. Some 8% (44) said there was a scheme or schemes that only “some staff groups” can join, while 4% (20) said there was “no pension scheme”. A further 6% (32) said they didn't know. Three out of ten temporary employees and one in ten permanent part-time employees “didn't know” if their employer ran a pension scheme. This may either be the result of an ‘information gap’ or actual unavailability of a pension scheme.

Occupational pension changes

An environment of uncertainty and change may be contributing to a lack of confidence in second-tier pension arrangements. The effects of a retreat from final salary schemes and their replacement with defined contribution schemes (including stakeholder schemes) can be seen in the survey.

Among employees in the survey 176 said there had been “recent changes” in pension provision at their company/organisation. That amounts to 36% of those answering the question, and a third of all employees in the survey. This was a simple yes/no question, and reflects any kind of change respondents were aware of.

The level of change may actually be higher than this. While more than two thirds of part-time permanent employees and temporary employees answering this question didn't know if there had been changes or not, 43% of full-time permanent employees said there had.

Respondents reporting a recent change in company/organisation pension provision

	Yes (%)	No (%)	Don't know (%)
Permanent full-time employees	43	31	26
Permanent part-time employees	10	22	68
Temporary employees	12	19	69

Who is 'under-saving' for retirement noted evidence of a shift towards defined contribution schemes, with one in four private sector final salary schemes closed to new members. Evidence from the National Association of Pension Funds (NAPF) cited in that report also pointed to changes in pension provision, ranging from less favourable early retirement terms and lower accrual rates, to raised employer and employee contributions.

These trends are echoed in comments made by respondents to this survey. The main reported changes were the closure of final salary schemes or changes in benefits for new members. This development was flagged up by 8% of employees. It was followed by moves from defined contribution to defined benefit or stakeholder schemes (4% of employees). On the other hand, 9% of employees reported increased contributions, suggesting that their pension schemes may be secure – but at a cost.

Most frequently reported changes in occupational pension provision	% of employees
Increased contributions	9
Scheme closed to/new members or changed benefits for new starters	8
Move from defined benefit to defined contribution or to stakeholder scheme	4

Changes arising from a transfer to a new employer, or administrative/management changes, higher pensionable ages, lower rates of pension accrual, changes in the rules of entry (making it harder to join) and opting back into SERPS were also mentioned. Examples of some of the comments are given below:

New starters: “did not allow new employees to join final salary scheme, only stakeholder”; “closed the scheme to new employees 2003”; “all new starters in stakeholder type, old type is local government scheme”; “stopped final salary scheme, introduced money purchase scheme”; “removal of DB scheme, now DC scheme”.

Contributions: “increased contribution from 1% - 2%”, “the company puts more money in and we have had three choices, if we want to contribute more or leave”; “employer & employees' contributions increased from 5% to 7%”; “contributing increased by 2.2% (half from employers and half employees)”; “an old scheme was replaced by a new one with higher contributions”; “had to contribute more to avoid pension shortfall”; “increase company contributions to 3%”; “employee contribution raised to 7% of salary to maintain 60th accrual rate”; “Increased my payment by 2%”; “change to 1/80 from 1/60 unless you pay extra 2%”; “reduction of company contribution”; “much higher % of wages, nearly double”.

Accrual rates: “change from ‘55ths’ to ‘60ths’ for pension and only 20% for deferred pensions”; “reduction in 50th to 60th, increased contributions”.

Scheme rules: “delayed entry, now 3 years”; “waiting period introduced before new staff allowed to join”; “I applied but personnel forgot to send it in – you only get one choice to join, so I missed out”; “I couldn't afford payments, only have one chance to join”.

Company contributions to occupational pensions

Employers may not be doing enough to publicise the contribution they make to employees' pensions, for whatever reason. Temporary and part-time employees were much less likely to know about employer contributions than full-time employees.

Some 78% of employees (389, 72% in the survey) responding to a question about employer contributions said that the company/organisation did make a financial contribution to the scheme. However, 18% didn't know while 4% said the company did not make a contribution.

Breaking these figures down, 85% of permanent full-time employees and 56% of permanent part-time employees said their company/organisation made a financial contribution to the pension scheme or schemes.

Very few employees (around 3%) in our survey said specifically that there was no employer contribution to a pension scheme. But 12% of permanent full-time employees and 40% of permanent part-time employees didn't know. Only one temporary employee in the survey was able to give a positive 'yes' to this question.

Existing evidence (*Who is 'under-saving' for retirement*) suggests that nearly half of all full-time employees and nearly four out of ten part-timers are in salary-related schemes (New Earnings Survey data). It also shows that employers are likely to make a higher contribution to schemes of that kind (National Association of Pension Funds data).

The survey did not ask about the value of employer contributions. *Who is 'under-saving' for retirement* noted, however, that with the switch from defined benefit to defined contribution schemes, the value of employer contributions is likely to fall.

While most employees taking part in our survey reported the availability of a pension scheme to which the employer contributes, some did not. They form part of the 'un-pensioned' minority of employees – some with a personal pension scheme or other savings to fall back on, some without (see below).

A pension linked to earnings?

Only a minority of employees in the survey said their pension scheme would deliver a pension linked to earnings. Many employees, particularly the part-timers, simply didn't know the answer to this question. Where pensions are not linked to earnings, concern about the future was more widespread.

Among employees taking part in the survey, only a minority (211) said pension scheme members would receive a pension linked to their earnings. This figure represents just 43% of employees, 55% of members of occupational schemes. A further 18% of employees and

occupational pension scheme members said “some will, some won’t”, a response consistent with the closure of final salary schemes to new members.

Nearly three out of ten employees (29%) didn’t know the answer to this question, including 18% of occupational pension scheme members, suggesting yet more uncertainty on this key point. One in ten employees and scheme members alike (9%) said “no”, members of the pension scheme or schemes would not receive a pension linked to their earnings when they were at work. These workers were more likely to be concerned about having a reasonable income in retirement (see below).

A break-down of these figures revealed a sharp difference between full-time and part-time permanent employees with only 22% of part-timers indicating that all pension scheme members would get a pension linked to earnings. Among full-timers this figure was 50%.

The difference, however, lay in the fact that most part-timers (nearly two-thirds, 62%) simply didn’t know whether pensions would be linked to earnings. This was borne out by the fact that none of them said no-one would get a pension linked to earnings, while 16% said ‘some will, some won’t’. Temporary employees were also very uncertain about this.

These figures are not dissimilar from those reported in *Who is ‘under-saving’ for retirement* as far as full-timers are concerned, but indicate a lower level of awareness about earnings-related pension provision among part-timers. It may be significant that the figures on salary-related provision cited in that earlier report come from information provided by employers, rather than the employees themselves (New Earnings Survey).

Later in the report we look at employee confidence about having a reasonable income in retirement. However, it is worth saying here that employees who said the employers’ pension would not be linked to earnings were more likely to be concerned about their retirement (61%) than those who said.

Occupational pension scheme membership

Within the survey, 17% of permanent full-time employees and 36% of permanent part-time employees were not members of an occupational pension scheme, either because one was apparently not on offer or – more commonly – because they had not joined.

The availability of an occupational pension, whether linked to earnings or not, is only one factor in the ‘under-pensioned’ phenomenon. A key objective of the survey was to identify individuals for whom an occupational scheme of some kind was available, but who had – for whatever reason – not joined.

Focusing still on occupational pensions, the survey found that nearly three quarters of employees in the survey (73%) were members and pay contributions to the company/organisation’s pension scheme. Almost one in four (24%) were not members.

Proportion of employees who are members of the company/organisation’s pension scheme	%
Member and pays contributions to the scheme	73
Member but doesn’t pay any contributions	2
Not a member	24
Don’t know	2

Other research, cited in *Who is ‘under-saving’ for retirement* suggests that the proportion of employees without an occupational scheme varies around the 35% to 45% range for full-time employees, and half or more for part-time employees.

Non-membership levels in our survey are lower than this, perhaps because it is a survey of trade union members. However, the proportion of employees in membership was lower among permanent part-time employees, and all but non-existent among the small number of temporary employees in the survey. But, in contrast with the uncertainty reflected in answers to some of the other questions, part-time employees were as certain about the facts as full-timers: fewer said they were members because more said they were not.

Allowing for some non-responses, the membership figures were:

Member 75% of permanent full-time employees, 55% of permanent part-timers
Non-member 17% of permanent full-time employees, 36% of permanent part-timers

Although most employee respondents to the survey were pension scheme members, the results do allow comparisons to be made between members and non-members. Taking account of the different ways in which individuals completed the questionnaire, three separate employee groups were identified: those who were not aware of there being an occupational pension (the ‘no scheme’ employees) who made up 9% of employees; those who worked in a company/organisation with some sort of occupational scheme but who appeared not to be members (22% of employees); and those who said they were members (68%).

Employee occupational pension membership	Number	%
No occupational pension scheme or unaware of one	50	9
Company/organisation has occupational scheme but not a member	119	22
Member of a company/organisation pension scheme	364	68

Reasons for not joining an occupational pension scheme

The way employers operate their pension schemes, affordability, security, and doubts about the prospect of getting a good pension were all put forward as reasons for not joining an occupational scheme.

Our previous report, *Who is 'under-saving' for retirement* (pages 29-33) explored factors that might be involved in non-take up or non-membership of employers' pension schemes. Restrictive scheme rules and employer practices, affordability and ability to contribute, and individual circumstances all seemed to play a role.

For the current survey, a range of fifteen possible reasons were put forward (see below). Employees who were not members of a company/organisation pension scheme were invited to give a multiple response if they wanted, by ticking 'all the answers that apply to you'. They also had the chance to give a different reason if they wanted. These questions were answered mainly by employees in the 'non-member' group (as intended) but also by a handful of other respondents.

The top two reasons for not joining, given by three out of ten of the 'non-member' employees, were to do with the way employers operate their pensions, and with affordability. Women were much more likely to give these responses than men.

In top position, 30% of the non-member group said they didn't join when they first started and hadn't been asked again. Some employers operate on the principle that if employees don't join at a particular point in their career with the company or organisation, they have 'missed their chance'. Whether deliberate or unintended, this practice is clearly a barrier to some employees joining an occupational pension scheme.

At a similar level, 29% of the non-member group said they weren't members because they "couldn't afford the contributions at the moment". In addition, one in five non-member employees said they had 'other financial priorities', making this the sixth most common reason for not joining an occupational scheme.

Doubts about some of the pensions on offer were reflected in the third and fourth most common reasons given by pension scheme non-members. Just under a quarter said they didn't think pension schemes are very secure, and that they "didn't think they'd get a very good pension out of it". Similar numbers of men and women gave these responses.

Portability has always been an issue and one in five non-member employees gave mobility as their reason for not joining, saying 'I don't expect to be working here for long'. This was the fifth most common explanation.

Apathy is often blamed for non-membership and 18% of non-members admitted that they 'just didn't get round to it' but this was certainly not the most common reason given for not joining an occupational pension scheme. Some 11% of non-members said they 'hadn't thought much about retirement'.

Reasons for not being a member of the company/organisation's pension scheme

Number of responses	All responses	All employees	Non-members	No-scheme employees
I didn't join when I first started and I haven't been asked again	44 female 31 male 13	42	36 (30%)	4 (8%)
I couldn't afford the contributions at the moment	41 female 30 male 11	40	34 (29%)	6 (12%)
I don't think pension schemes are secure	37 female 16 male 21	33	28 (24%)	5 (10%)
I didn't think I would get a very good pension out of it	35 female 18 male 16	33	27 (23%)	6 (12%)
I don't expect to be working here for long	33 female 14 male 19	29	25 (21%)	4 (8%)
I have other financial priorities	31 female 19 male 12	27	24 (20%)	3 (6%)
I just didn't get around to it	30 female 19 male 11	28	22 (18%)	6 (12%)
I already have my own private pension scheme	20 female 11 male 9	17	14 (12%)	2 (4%)
The company/organisation isn't contributing anything/enough	19 female 11 male 8	17	14 (12%)	2 (4%)
I don't think it's the best way to save for retirement	19 female 10 male 9	17	15 (13%)	2 (4%)
I haven't thought much about retirement	8 female 9 male 9	17	13 (11%)	4 (8%)
It might stop me claiming other state benefits	12 female 4 male 8	11	11 (9%)	-
I am not eligible because of my length of service	10 female 6 male 4	8	7 (6%)	-
I am already covered by another employer's pension scheme	4 male 4	3	3 (2%)	-
I am not eligible because of my age	3 female 1 male 2	2	2 (2%)	-

One in eight said they already had their own private pension, giving this as a reason for not joining the company/organisation's pension scheme. One in four of the non-member employee group had a personal pension, compared with one in five members of occupational pension schemes, which seems to bear this out.

One in eight also said that the company/organisation isn't contributing anything/enough, making this the joint eighth most common reason for not joining the scheme.

One in ten gave concerns about state benefits as their reason, saying pension scheme membership 'might stop me claiming other state benefits'. Realistic or not, this reflects a concern held by some about their likely circumstances in retirement and what might be their most important sources of income.

Ineligibility to join the employer's scheme because of age or length of service is clearly an issue but perhaps not as much of a barrier as other aspects of the employers' practice. Finally only one or two respondents gave membership of another employer's scheme as the reason for not joining.

A range of other reasons for not joining were given by respondents themselves. These dealt with eligibility, not being given a chance to join, age/being close to retirement, and other issues:

Eligibility: "shop floor hourly paid not able to join"; "not eligible due to casual status"; "work is short-term contract with a variety of employers so normally not eligible"; "started a private pension because I wasn't allowed to join the main company pension"; "after the day I joined it was never mentioned again"; "never been asked to join"; "you can only join once"; "wanted to join but missed out".

Confidence in occupational pensions: "the financial reward for pensions is a joke"; "poor performance".

Age/service: "did not expect to be with the company as long as I have"; "four years until retirement".

Information: "I have not enough knowledge about pension".

Income/money: "poor wages and expensive place to live"

What would make them join an occupational pension?

More information, higher pay and company contributions/bigger contributions were the three changes most likely to persuade non-members to join an occupational pension scheme, the survey found.

The questionnaire asked employees what would be the "main change" that would make them join the employer's pension scheme. Six choices were offered and in this case respondents were asked to choose just one.

Main changes that would encourage employees to join their occupational scheme

	All responses	All employees	Non-member employees	No-scheme employees
More information about the scheme	37 female 25 male 12	34	26 (21%)	5 (10%)
Higher pay	25 female 18 male 7	23	18 (15%)	5 (10%)
Contribution/bigger contribution by the company/organisation	24 female 14 male 9	22	15 (13%)	6 (12%)
Better pension benefits	16 female 7 male 8	14	13 (11%)	-
Change in the rules, allowing me to join	15 female 9 male 6	12	11 (9%)	-
Change in my personal circumstances	14 female 8 male 6	11	11 (9%)	-

More information about the scheme emerged as the most commonly chosen change, reported by 21% of scheme non-members. It was particularly popular with permanent part-time employees and women.

Higher pay was the second most common choice, identified by 15% of non-members, while 13% wanted bigger (or any) employer pension contributions. Women were again more likely than men to give these two responses. Some respondents wanted company contributions and a change in the rules/better pension benefits.

Around one in ten non-members wanted better pension benefits, a change in rules allowing them to join or felt a change in their personal circumstances would help. Some employees in the 'no-pension' group also ticked the higher pay and company contributions choices

Once again, the questionnaire offered respondents a chance to indicate other changes that would make them join the employer's pension scheme. Responses included further references to age ("only six years off retirement"), to the chance to join ("would be nice to be asked again") and an apparent lack of enthusiasm for occupational pensions ("I would rather get a pension not related to my job"). One was "working to change career" and would think about joining a scheme then.

Other comments were:

Confidence: "binding legislation assurances"; "better funds performance"

Eligibility: "being allowed to join"

Work: "full-time employment"; "continuity of information from production to production" (from a BECTU member)

Money/income: "affordable contribution like £15 to £20 per month"

Personal and stakeholder pensions

The questionnaire sought information about personal pension arrangements from both employed and self-employed/freelance workers. Some employers' schemes are 'personal pensions' (e.g. group personal pensions) and with the advent of stakeholder pensions the distinction between occupational and personal pensions is even more blurred. Those who are not working or retired were asked to skip this section of the questionnaire. The following analysis is therefore based on 714 responses.

Personal pensions

Just over half of the self-employed/freelance workers in the survey and one in five employees had a personal pension.

Evidence cited in Who is 'under-saving' for retirement (2002 General Household Survey) showed that 19% of male full-timers, 12% of female full-timers and 9% of female part-timers have personal pensions. Self-employed workers are considerably less likely than full-time employees to have any kind of pension scheme. The Family Resources Survey 2002-3 showed that 53% of self-employed men of working age and 67% of self-employed women of working age had no pension scheme.

In our survey the questionnaire asked respondents if they had "a personal pension (i.e. one you have arranged for yourself)". The question was framed in an effort to make a distinction between occupational group personal and stakeholder schemes, and other personal pensions.

In total, 211 respondents said that they had a personal pension including 56% of self-employed and freelance workers, 37% of temporary employees - but on a very small sample - and 20% of full-time permanent employees, with the lowest percentage (14%) among permanent part-time employees. Taking the employee group as a whole, 107 had a personal pension (20%). That leaves four out of five employees along with 43% of self-employed in the survey without cover of this kind.

Personal pension scheme members	Number	%
full-time permanent employees	84	20
part-time permanent employees	14	14
temporary employees	9	37
self-employed and freelance workers	100	56

Employer contributions to personal pensions

A third of workers with personal pensions, including two thirds of employees with personal pensions, say their employers make a financial contribution. These figures may reflect a blurring of the distinction between occupational and personal pensions.

It is known that in some cases employers contribute to individuals' personal pensions (*Who is 'under-saving' for retirement?*). Employers are also likely to contribute to group personal pensions and to employment-based stakeholder schemes, although the survey sought to treat employer-run arrangements as occupational rather than personal pensions.

Some 70 respondents, 9% of the total but 33% of those with personal pensions, said that the company/organisation they work for makes a financial contribution to their personal pension. This group was made up primarily of employees rather than self-employed or freelance workers, including 55 full-time permanent employees, 11 part-time permanent employees and only three self-employed workers.

On the basis of these figures, 13% of full-time permanent employees in the survey, 65% of those with a personal pension, indicated that their employer makes a financial contribution to it. Some of these responses may refer to what is – in effect – an occupational scheme run by the employer (such as a group personal or stakeholder scheme). If that is so, then the proportion of employees with both an occupational and a personal pension may be over-stated in these results.

Why no personal pension?

Workers covered by an occupational pension scheme may not want a personal pension too, but affordability, 'other financial priorities' and security were also factors in non-membership.

Around 80% of employees and 44% of self-employed and freelance workers do not have a personal pension. The questionnaire asked why not, giving 10 possible reasons. Respondents were encouraged to choose "all the answers that apply to you" and had the chance to add their own reason.

	All responses	All 'employees'	Self-employed/ freelance
I am already in a scheme run by the company/organisation I work for	253 female 79 male 172	250 (47%)	2 (1%)
I couldn't afford the contributions at the moment	137 female 75 male 62	102 (19%)	32 (18%)
I have other financial priorities	107 female 55 male 52	80 (15%)	25 (14%)
I don't think pension schemes are secure	88 female 33 male 53	52 (10%)	35 (20%)

I just haven't got round to setting one up	83 female 48 male 35	58 (11%)	24 (14%)
I didn't think I would get a very good pension out of it	72 female 34 male 38	43 (8%)	27 (15%)
I don't think it's the best way to save for retirement	61 female 27 male 32	34 (6%)	26 (15%)
I haven't thought much about retirement	52 female 26 male 26	36 (7%)	16 (9%)
I am already covered by a former employer's pension	36 female 14 male 22	26 (5%)	7 (4%)
It might stop me claiming other state benefits	27 female 9 male 18	25 (5%)	2 (1%)

The pattern of responses given by employees differed from those given by self-employed in one obvious respect: Nearly half the employees in the survey said they didn't have a personal pension because they were already in a scheme run by the company/organisation they work for. Men were more than twice as likely to say this as women.

Affordability is the second main reason given by employees for not having a personal pension (19%) followed by 'other financial priorities' (15%). There were similar levels of response from men and women on these points.

By contrast, one in five self-employed/freelance workers gave the perceived lack of security in personal pensions as their reason for not having one (20%). This was closely followed by affordability (18%) while 14% apparently other financial priorities.

Some 15% of self-employed/freelance workers were sceptical about personal pensions, saying they wouldn't get a very good pension out of it and that it isn't the best way to save for retirement. Employee response levels on these two answers were lower at 8% and 6% respectively.

What might be called 'apathy' ('haven't got round to setting one up') counted for 14% of self-employed/freelance responses and 11% of employees.

Finally, three options came at the bottom of the table with under 10% of respondents in either category: not having thought much about retirement, being already covered by a former employer's scheme, or concerns about state benefits.

Around 30 respondents took the opportunity to give their own reason for not having a personal pension. A wide range of different reasons were given:

Reliance on state pension: “I pay NI, why should I pay twice?”

Income/money: “low wages, can’t afford to save for a pension”; “spend my money raising children at the moment”.

Company pension: “I had one and transferred to the company scheme”; “I have got two other frozen pensions”; “personal one cancelled and paid into the company”

Confidence/trust: “I did start one but stopped after the collapse of Equitable Life”; “don’t trust pension companies of the government”; “lost £40k in Equitable Life”; “Allied Dunbar cancelled my pension after contributing for 18 years”; “have been advised not to over-contribute to pension schemes”.

Covered by spouse’s pension: “partner has one, includes me”

Alternative investments: “shares; investments in property”; “trying to get a mortgage instead”; “would be better off buying a house or flat”.

Retirement plans: “don’t see any reason to retire as pension would not allow me to keep same standard”; “can’t think about the future”.

Information: “no-one explained to me about pension scheme”; “don’t know anything about work pension”; “haven’t enquired yet about pension schemes”.

Age: “too young”

What would make them join a personal pension?

Higher pay, better benefits, more information and a change in personal circumstances were the main changes respondents thought would persuade them to start a personal pension.

As with occupational pensions, the questionnaire offered respondents the chance to say what main change would make them get a personal pension. Four choices were offered and respondents were asked to choose just one. They were also given the chance to give their own reason. The results are given in the table below, which includes employees with and without an occupational pension. Responses from men and women were fairly balanced on this question, with women slightly more likely to want more information.

	All responses	All ‘employees’	Self-employed/freelance
Higher income/pay	142 female 61 male 80	115 (21%)	25 (14%)
Better benefits from personal pensions	102 female 38 male 63	86 (16%)	13 (7%)
Change in my personal circumstances	71 female 34 male 36	61 (11%)	8 (5%)
More information about personal pensions	69 female 38 male 31	52 (10%)	17 (10%)

Higher income/pay was given most frequently as the main change that would persuade people to take out a personal pension, this was true for employees (21%) and self-employed/freelance workers (14%).

Next to that, employees were more likely to identify better benefits from personal pensions (16%) while self-employed/freelance went for more information about personal pensions (10%). However, 10% of employees also went for that choice and – by a similar margin – a change in their personal circumstances (11%).

Just 7% of self-employed/freelance opted for ‘better benefits for personal pensions’ while 5% referred to a change in their personal circumstances.

Some 40 respondents mentioned other changes that might make them get a personal pension, raising several of the issues covered in earlier comments.

Age: “too old to start one (60 this year)”; “only 3 years to retirement”

Confidence: “stability in the market”; “to know what the returns would be from each payment made”; “better security from pension misuse by companies”; “confidence in the financial security of pension schemes”; “assurance that they won’t end up worthless”; “underwriting by the government – I had a scheme with Equitable Life, now look at it”; “having more confidence in the financial institutions of this country”; “if I believed they were a sound investment”; “better more guaranteed pension – I would prefer to add to my state pension”; “more personal control over fund – don’t trust pension companies to handle money competently”.

Income/money: “cheaper mortgage/house prices lower”; “owning my property instead of renting it”; “assurance that the scheme won’t go before I retire”; “affordable contributions”.

Retirement: “the ability to choose when I retire”.

Company pension: (would get one if) “company pension scheme closed”, “you cannot have one if you already have one with the company”; “closure of company final salary scheme”; “company should pay into scheme for freelancers”.

Simplicity: “less red tape, clearer and simpler rules”; “couldn’t understand pensions”.

Information: “more information on self-employed pension options”

Stakeholder pensions

Around two thirds of workers in the survey had heard of stakeholder pensions, but few were actually members. Government efforts to promote the scheme seem to have met with limited success but take-up may be higher where workers don’t have access to ‘traditional’ occupational pensions.

Stakeholder pensions are private, money-purchase pensions with low costs which meet certain standards set by the government. The regulatory framework for this type of pension was established in 2001 but take-up has been limited. *Who is ‘under-saving for retirement’* reported that the level of stakeholder membership among employees could be as low as 3% although 22% say their employer offers one and 61% had heard of the scheme.

Most of the respondents to our survey had heard of stakeholder pensions although 25% of employees and 15% of self-employed/freelance workers had not. With ‘don’t knows’ and non-responses, these figures rise to 33% of employees and 19% of self-employed/freelancers.

These figures point to a higher level of awareness about the stakeholder scheme than is generally the case. This was only to be expected, as some of the groups to whom the questionnaire was distributed are known to have access to employer-run stakeholder schemes. That included shop workers in retail organisations whose final salary schemes have been closed to new members (stakeholder schemes exist for new employees) and workers in broadcasting and entertainment who can join a union-sponsored stakeholder scheme. Even so, publicity for the stakeholder scheme had clearly not reached everybody in the survey.

Access to an employer-run stakeholder scheme

In the case of employees, 24% said that their company/organisation provides a stakeholder scheme, including a majority of respondents who are not themselves members. A similar proportion (27%) said their employer did not provide a stakeholder pension while just under half didn’t know or didn’t respond.

Most self-employed/freelance workers indicated that an employer-run stakeholder scheme was not available to them. Only 1% of said they worked for a company/organisation that provides a stakeholder scheme and nearly three quarters said that they didn’t. Only a minority said they didn’t know or didn’t respond.

Finally, 13% of employees – having said that their company/organisation provides a stakeholder scheme – went on to say that the employer does make a financial contribution to it. That means that a majority of 55% of employees whose employer provides a stakeholder scheme also say the employer makes a contribution. By contrast, not a single self-employed or freelance worker in the survey said that the company/organisation they work for makes a financial contribution to a stakeholder scheme.

	All responses		All ‘employees’		Self-employed/ freelance	
Have you heard of stakeholder pensions?	Yes	511, 68%	Yes	359, 67%	Yes	144, 81%
	No	162, 21%	No	133, 25%	No	26, 15%
	Don’t know	28, 4%	Don’t know	26, 5%	Don’t know	2, 1%
	No response	55, 7%	No response	19, 4%	No response	5, 3%
Are you a member of a stakeholder pension?	Yes	73, 10%	Yes	50, 9%	Yes	22, 12%
	No	548, 72%	No	400, 74%	No	139, 79%
	Don’t know	37, 5%	Don’t know	35, 7%	Don’t know	2, 1%
	No response	98, 13%	No response	52, 10%	No response	14, 8%
Do you work for a company/org that provides a stakeholder pension scheme?	Yes	133, 18%	Yes	130, 24%	Yes	2, 1%
	No	284, 38%	No	147, 27%	No	130, 73%
	Don’t know	233, 31%	Don’t know	205, 38%	Don’t know	25, 14%
	No response	106, 14%	No response	55, 10%	No response	20, 11%
Does the company/org make a contribution to its stakeholder scheme?	Yes	73, 10%	Yes	72, 13%	Yes	-
	No	75, 10%	No	48, 9%	No	26, 15%
	Don’t know	177, 23%	Don’t know	159, 30%	Don’t know	17, 10%
	No response	325, 43%	No response	279, 52%	No response	134, 76%

Stakeholder membership

While most workers had heard of stakeholder pensions, only 9% of employees and 12% of self-employees/freelancers were actually members. This is a higher level of membership than among the working population as a whole but, for the reasons already given, this was expected.

Over half of those who said they were members of a stakeholder pension were employee-members of an occupational pension. In many of these cases it is likely that the stakeholder pension was their occupational pension. This group included 25% of stakeholder members who had both an occupational and personal pension, and 37% with an occupational pension but no personal pension.

Stakeholder membership was not confined to employees. Around a quarter (28%) of stakeholder members were freelance or self-employed workers who had a personal pension. It is possible, or even likely, that for some of these respondents the stakeholder scheme was their personal pension, but we cannot tell from the questionnaire responses. Broadcasting union BECTU, which helped distribute the questionnaire, sponsors a stakeholder scheme specifically designed for individuals in the entertainment industry.

Stakeholder membership was more widespread among the retail and broadcasting/entertainment union members taking part in the survey than among general union members. It was hoped that these two sectors would produce responses from stakeholder pension members and the 73 cases included in the survey represent a higher proportion than would have been found among the workforce as a whole.

In broadcasting and entertainment, self-employed/freelance union members were as likely to have a stakeholder pension as employees (around one in ten). A majority of the stakeholder members said they didn't have a personal pension ("one you have arranged for yourself") except in the in the broadcasting/entertainment sector where almost all stakeholder members said they did.

Stakeholder members were, if anything, slightly less confident about having a reasonable income in retirement than other respondents.

Overall pension provision

Employees may have a combination of occupational and personal pensions that can contribute to their income in retirement. Self-employed workers, by contrast, must rely in most cases on personal pension arrangements.

Occupational and personal pension 'overlap'

Nearly two thirds of the employees with personal pensions also appeared to have an occupational pension. But while some employees have only their own personal pension, many have neither, leaving them reliant solely on the state pension and whatever non-pension savings they may have.

There is clearly a gap in provision that neither occupational nor personal pensions cover, although employees without private provision will generally be building up state second pension in addition to their basic pension. For some, this may be a better alternative to a private scheme particularly for those with low incomes who do not have access to an employer contribution. A technical paper that accompanied the December 2002 pensions green paper suggested that, at any one time, about 25% of employees with access to an employer's pension scheme do not join, and of those only 15% are contributing to a personal pension (*Who is 'under-saving' for retirement?*).

A survey by the Amicus trade union published earlier this year found that 40% of all working age respondents had neither a private nor an occupational pension scheme. The proportion of employees in the 2002 General Household Survey without any non-state pension including a personal pension stood at 34% of male full-timers, 34% of female full-timers and 61% of female part-timers.

Turning to the employee group in our survey, personal pension membership was highest among employees who worked for companies and organisations that run a pension scheme but who were not themselves members – perhaps not surprising. Some 30 of this 'non-member' employee group had a personal pension (25%). This means that 75% (89) seem to be dependant on just the state pension even though there is an occupational scheme in their workplace.

On the other hand, personal pension membership was lowest among employees who worked for companies and organisations that have no pension scheme (or were unaware of one). This is more surprising as these workers are clearly in need of more pension cover. Just 7 of the 'no-pension' occupational pension group had a personal pension (14%). The great majority (43, 86%) had no apparent pension provision other than the state pension.

Finally, 68 respondents who were members of their employers' occupational pension scheme also appeared to have a personal pension (19%). These employees seem to have 'overlapping' non-state second-tier pension provision.

Any pension

Taking both occupational and personal pensions into account, men in the survey were more likely to have better occupational pension provision, while women relied more on personal pensions, or had no non-state second-tier pension. Among the self-employed/freelance workers, those without a personal pension included a higher proportion of women than those with one.

Taking occupational and personal pension figures, together with data on self-employed/freelance workers, we identified six separate groups in the survey. The first four categories in the table (see table) represent employees while the fifth and sixth represent self-employed and freelance workers. The results are broken down by gender, full-time/part-time status and age band.

The table shows that men make up two thirds (66%) of employees with an occupational pension and a personal pension, and almost two thirds (64%) of employees with an occupational pension but no personal pension. They made up three quarters (76%) of self-employed/freelance workers with a personal pension, but also two thirds (66%) of the 'pension-less' self-employed/freelance group.

Women, on the other hand, made up the majority (57%) among employees with no occupational pension but with a personal pension, and the majority (60%) of employees with neither an occupational pension nor a personal pension.

Altogether the table identifies nearly 200 employed and self-employed workers, in a survey of around 750, who have neither an occupational nor a personal pension. Some of these workers will at least have some other form of savings to tide them over in retirement (in addition to their state pension). The issue of savings is dealt with in the next section of the report.

Occupational and personal pension provision

	Employees		Of these:					
	Number	% (1)	Female %	Male %	Full-time %	Part-time %	Under age 40 %	Age 40+ %
Employees with an occupational pension and a personal pension	68	13	34	66	87	13	36	64
Employees with an occupational pension but no personal pension	284	53	36	64	85	15	35	65
Employees with no occupational pension but with a personal pension	37	7	57	43	81	19	57	43
Employees with neither an occupational pension nor a personal pension	124	23	60	39	64	36	71	29
	Self-employed & freelance		Of these:					
	Number	% (1)	Female %	Male %	Full-time %	Part-time %	Under age 40 %	Age 40+ %
Self-employed/freelance with a personal pension	100	56	24	76	83	17	22	77
Self-employed/freelance, no personal pension	76	43	34	66	78	22	47	53

Note: (1) In these statistics, percentages refer to employees and self-employed respectively, and include 24 employees not classified (4%).

Other savings for retirement

The survey looked beyond pensions to ask what other savings vehicles trade union members are using to finance their retirement.

Other savings

A third of respondents to the survey (255 out of 714, 34%) said that, apart from pensions, they were saving for retirement in some other way. The majority (457, 60%) gave a “no” to this question, with only a handful not knowing or not answering.

Among employees the number saving in “any other way” was 166 (31%). This breaks down into 146 full-time permanent employees (35%), 12 permanent part-time employees (12%) and 8 temporary employees (33%). It leaves 47% of permanent full-time employees and 83% of part-time permanent employees (and 62% of temporary employees, on a very small sample) not saving for retirement in any other way apart from pensions.

Among self-employed/freelance workers, 80 were saving in some other way, 45% of all respondents in this group. This much higher level of non-pension saving goes hand in hand with a lower level of overall pension provision than is found among employees (if occupational and personal pension cover is taken into account).

Types of saving

Cash, tax-efficient savings schemes, and property are the main non-pension savings vehicles being used.

Out of the 255 saving in some other way, 214 respondents gave details of how they are saving for retirement, apart from through a pension.

The most common arrangements were ISA and similar tax-free savings like TESSAs (51, 20% out of 255), other cash savings in banks and building societies (48, 19%) and investments in property (44, 17%).

Some 15 (6%) were relying on shares and 20 (8%) on other ‘investments’ while 12 (5%) mentioned endowments and 19 (7%) referred to expected income from the sale of their own homes. Among the other diverse savings vehicles mentioned by individual respondents were ‘insurance’, unit trusts, PEPs, premium bonds and investing in their own business.

Savings and occupational pensions

Most employees who weren’t in an occupational pension scheme weren’t saving for retirement in some other way either. Those with an occupational pension were also more likely to be saving in some non-pension way.

Among employees in the survey, 12 out of 50 (24%) in the ‘no-scheme’ occupational pension group did have non-pension savings, but 34 did not (including 3 who didn’t know). In the ‘non-member’ group, 27 out of 119 employees (23%) were saving in some other non-pension way, leaving 88 not saving.

Among occupational pension scheme members, 127 out of 364 were saving in some other way (35%). So those with occupational pensions were also more likely to be saving in some other way than those employees without.

Altogether, including ‘don’t knows’, 122 employees in the survey have neither an occupational pension nor other non-pension savings, 23% of employees in all. Some of these, however, have personal pensions (see below).

Any pension or savings

Around one in five employees and self-employed/freelance workers appear to have neither occupational nor private pension membership, nor any other savings for retirement.

A comparison of pension coverage and savings among the 537 employees in the survey and the 177 self-employed/freelance workers reveals that around a fifth of each group seem to be relying entirely on their state pension to live on in retirement.

Altogether, there are 94 employees with neither an occupational pension nor a personal pension who have no other savings for retirement. This represents 17% of all the employees in the survey. There were also 38 self-employed/freelance workers in the survey who had neither a second-tier pension nor other savings for retirement. This represents 21% of self-employed and freelance workers.

Pensions and savings

	Total	Other saving	No other saving*
Employees with an occupational pension and a personal pension	68	33, 49%	35, 51%
Employees with an occupational pension but no personal pension	280	89, 32%	191, 68%
Employees with no occupational pension but with a personal pension	36	11, 31%	25, 69%
Employees with neither an occupational pension nor a personal pension	118	24, 20%	94, 80%
Self-employed/freelance with a personal pension	95	47, 49%	48, 51%
Self-employed/freelance, no personal pension	71	33, 46%	38, 54%

Based on 668 responses. * including some ‘don’t knows’

Attitudes to retirement

The questionnaire asked how confident respondents were about having a reasonable income in their retirement. Most were concerned, although some less so than others.

Confident or concerned?

A majority of those taking part in the survey (55% of those responding) were either concerned or very concerned about having a reasonable income in retirement. A large minority (45%) were confident or at least un-concerned on this score.

The self-selecting composition of the sample means we cannot draw overall conclusions about the workforce as a whole from these figures, but they do allow us to compare the outlook between different groups.

	All responses	All 'employees'	Self-employed/freelance
Very confident	15, 2%	11, 2%	2, 1%
Confident	151, 20%	119, 22%	27, 15%
Neither confident nor concerned	163, 22%	130, 24%	27, 15%
Concerned	285, 38%	179, 33%	89, 50%
Very concerned	113, 15%	74, 14%	29, 16%
No response	29, 4%	24, 4%	3, 2%

The table suggests strongly that self-employed and freelance workers are generally more concerned about their future in retirement than employees, although the proportions that are "very concerned" are about equal (14% of employees, 16% self-employed/freelance).

Concern and pension provision

Workers (employees and the self-employed) without a pension, or only a personal pension, tended to be more concerned about retiring than those with an occupational pension. The figures are set out in the following table.

	Employees, occupational and personal pension	Employees, occupational pension only	Employees, personal pension only	Pension-less employees	Self-employed, personal pension	Self-employed, no pension
Very confident/confident	18, 27%	83, 30%	7, 19%	15, 13%	16, 16%	13, 17%
Neither confident nor concerned	20, 30%	64, 23%	10, 28%	35, 31%	14, 14%	13, 17%
Concerned/very concerned	29, 43%	127, 46%	19, 53%	64, 56%	68, 69%	49, 65%
Base: 491 employees, 173 self-employed 67	274	36	114	98	75	

Further analysis shows that the majority of employees (54%) with an occupational pension were un-concerned whereas most of those who have no pension (57% of non-members, 52% in workplaces not known to have a pension scheme) were concerned.

A majority of respondents (55%) who are saving for retirement in some other way, apart from pensions, were confident or unconcerned. By contrast, most who are not saving like this were concerned or very concerned (60%).

The majority of workers (57%) whose employer provides a pension linked to earnings were not concerned about having a reasonable income in retirement, but where pensions are not linked to earnings the majority (59%) were concerned or very concerned (see below).

The majority in pay bands earning £500 a week or less were concerned about the future, although at 53% to 56% in these groups there was little to choose between those earning £200, £300, £400 or £500. Those earning up to £700 a week were more likely to be un-concerned about their retirement.

While some of these factors – like having a pension linked to earnings - seem to help improve confidence, the differences between those with and without these attributes are not as sharp as might have been expected.

There is concern across the spectrum – even among workers with pensions and savings. Equally, there is confidence even among workers who appear to be relying exclusively on the state pension system to support them in retirement.

Profiling the 'un-provided for'

The survey provides direct evidence on peoples' reasons for not joining an occupational pension or starting their own personal pension (see above). Affordability, lack of confidence, restrictive occupational pension scheme rules, and the need for more contributions from employers emerged as some of the main factors in the minds of non-members.

The survey also tells us that some workers have non-pension savings for retirement but often these are the same individuals who have an occupational or personal pension.

Overall, we have noted that around one in five employees and self-employed/freelance workers appeared to have neither occupational nor private pension membership, nor any other savings for retirement. And we know that while some of these individuals are concerned about their future in retirement, others appear not to be.

Other research cited in *Who is 'under-saving' for retirement* confirms that while attitudes to retirement vary, from 'live for today' to a preference for saving, this doesn't necessarily explain patterns of membership or non-membership of a pension scheme (*Pensions 2002: Public attitudes to pensions and saving for retirement*).

Those who seemed to be most inclined towards saving for retirement did not all have a private pension and a "sizeable minority" of those not predisposed to saving had a retirement pension. *Pensions 2002: Public attitudes to pensions and saving for retirement* noted: "Whilst attitudes may be one motivating factor behind the decision to take out private pension provision, they are certainly not the only one".

Age and income do seem to be important factors in the equation and our survey confirms this. Those without pensions or savings were typically younger with lower weekly incomes than those with either a second-tier pension or some other savings for retirement. Part-time working was another outstanding attribute, as was female gender. Those with either pensions or savings were older, had higher earnings and were more likely to be male.

There were some differences in profile within these two groups, associated with their confidence or concern about having a reasonable income in retirement. But these were minor, compared with the differences between the un-provided for and other working respondents.

The following figures illustrate these points. They take employees and freelance/self-employed workers together and therefore differences between these two groups identified in the survey need to be kept in mind. In particular, self employed/freelance workers were more likely to be concerned about their retirement, less likely to have a second-tier pension and more likely to have some other form of savings.

Un-provided for

- 6% of working respondents were confident about having a reasonable income in retirement – or at least unconcerned, despite having no pension or other savings for retirement: Confident but un-provided for.
- 11% had no pension or saving and were concerned about it: Concerned and un-provided for.

Other workers

- 40% of the other working respondents had either a pension or some other savings and were confident or unconcerned about retirement: Confident with a pension or savings.
- 43% were concerned despite having an occupational or personal pension or some other savings for retirement: Concerned but provided for.

We have to be cautious about these results, with only 43 'confident but un-provided for' respondents and 76 'concerned and un-provided for' the numbers are too small for firm conclusions to be drawn. But, with this reservation, differences between these and other respondents are set out in the following table.

Respondents without any pension or savings provision were more likely to be female, younger, in many cases part-time. Their service was shorter and their weekly pay was lower: part-time hours would tend to reduce earnings but, as *'Who is 'under-saving' for retirement'* pointed out, better-paid part-time workers may work shorter hours "but still have the higher pension coverage associated with higher earnings levels.

This group were most likely to be employed in retail/wholesale although there were a number in skilled/technical work (including workers in the broadcasting and entertainment sector). The more confident among this group seemed to be younger, even more likely to be part-time and on slightly lower wages (median) although these results are not conclusive.

Respondents with some form of provision for retirement were more likely to be male, older, full-time, with higher weekly pay and longer service. They were more likely to be in transport or manufacturing, in driver/operative and skilled jobs. The less confident among this group were a little older, with slightly longer service and slightly higher pay.

	Pro-portion in survey	Gender	Age (median)	Part-time work	Self-employed/freelance	Weekly pay (median)	Under 1 year service	Service if 1 year or more (median)	Main industry	Main job
Confident but un-provided for	6%	56% female 44% male	32	42%	26%	£260	5%	4 years	retail/wholesale 44% (survey 19%)	sales 40% (survey 16%)
Confident and un-provided for	11%	53% female 47% male	35	34%	33%	£270	14%	4 years	retail/wholesale 25% (survey 19%)	skilled/technical* 37% (survey 32%)
Confident with a pension or savings	40%	33% female 66% male	44	15%	16%	£353	5%	10 years	transport 28% (survey 22%)	driver/operative* (survey 22%)
Concerned but provided for	43%	40% female 60% male	46	17%	30%	£363	9%	11 years	manu-facuring 20% (survey 20%)	skilled/technical 35% (survey 32%)

* Skilled/technical includes workers in broadcasting and entertainment



www.ageconcern.org.uk

Published by Age Concern Reports, January 2005

Price £10 ISBN 1-903629-36-5

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