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Who Saves for Retirement?

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About this report

This document contains a report of research carried out by the Institute for Social and Economic Research (ISER) on behalf of the Strategic Society Centre.

The original research design was by James Lloyd of the Strategic Society Centre. This research design was then developed and implemented by Mark Bryan, Birgitta Rabe and Mark Taylor of the Institute for Social and Economic Research.

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Executive Summary

Using data from the Wealth and Assets Survey from 2006-8, this research:

- Investigates the prevalence of participation in pension saving among employees in Great Britain, (the research does not consider amounts contributed);
- Describes the individual, household and other characteristics associated with participation in saving;
- Explores several hypotheses about the drivers of pension saving using multivariate models of pension eligibility and take-up.

The key findings of the research are as follows:

- Most pension saving among employees is done through occupational schemes rather than personal pensions. About half of employees save into an occupational pension, while just over 7% save to a personal pension.
- Patterns of occupational pension saving are largely driven by differences in eligibility. Pension eligibility averages around 60% of employees but differs widely across industries and workplaces. Only about 40% of employees are covered in the retail sector (employing nearly a fifth of employees) and in small workplaces (which employ a third of employees), compared to 80-90% in public administration and education (employing a fifth of employees) and large workplaces (nearly a fifth of employees).
- Among eligible employees, the offer of employer contributions is a key factor in raising take-up (about 90% of eligible employees are offered employer contributions).
- Eligibility for a workplace pension also has an impact on participation in personal pensions. Employees are about 11 percentage points less likely to save to a personal pension if they are eligible for a workplace pension.
- Within employment, there are few gender differences in pension participation
- Part-time workers have less access to occupational pensions but this is explained by the types of jobs they do rather than hours status itself. Eligible part-timers are equally likely to take up occupational pensions, though slightly less likely to save to personal pensions.
- Employees with student loans are about 5 percentage points less likely to take up an occupational pension than those without a student loan (student loans have no effect on personal pension saving).

- Outright home owners are more likely than mortgage holders or tenants to save to a pension, in particular a personal pension (by 4 percentage points). Among mortgage holders, those with low housing equity and mortgage arrears are less likely to take up occupational pensions. High income and savings favour participation in both types of pension.
- Within couples, partners tend to make similar pension decisions or belong to similar type of pensions, so a non-saving partner may not be able to rely on their spouse's pension.
- Significant proportions of employees expecting their main income to be from other sources than private pensions, especially the state pension. This may indicate diversification in retirement planning or low expectations of private pensions.
- Financial attitudes and pensions knowledge can explain some pensions saving decisions, but as for other personal and household factors, they are less important than eligibility and employers contributions.

1. Introduction

The UK's pension policy framework is built around voluntary private pension saving, on top of a universal state pension. The voluntary savings pillar involves significant financial incentives to save: there is tax relief on contributions from income, as well as on capital gains in defined contribution plans.

However, despite the emphasis on incentives, there has long been a concern that people fail to save enough for their retirement. The Pensions Commission, appointed in 2002 and led by Lord Turner, charted the decline of private pension provision and warned that unless reforms were made, many people would face inadequate pensions in retirement (Pensions Commission 2004, 2005). Following the Pension Commission's recommendations, the Pensions Act 2008 introduced a set of reforms that seek to address the problem of pension under-saving. The core tenets of these reforms are:

- A duty on employers (with some exceptions) to offer a good quality workplace pension scheme, with employer contributions;
- A duty on employers to automatically enrol employees into workplace pension schemes in order to overcome behavioural barriers to pension saving;
- The introduction of the National Employment Savings Trust (NEST) to provide a workplace pension scheme among employers not currently making provision, particularly targeted at low to moderate income employees.

Taking account of these reforms, the current UK pensions policy framework is therefore built around three core 'hypotheses' as to the factors - and policy interventions - that facilitate pension saving:

- Access to pension saving in the workplace;
- Financial incentives in the form of tax-relief and employer contributions;
- A choice framework that overcomes behavioural barriers to pension saving.

However, even while pension policy prioritises these three factors as key to pension saving, there is limited evidence regarding whether these reforms to pension policy will be effective in raising rates of pension saving. Indeed, it may turn out that incentives, universal access to a decent workplace pension and an improved choice framework prove to be necessary - but not *sufficient* - conditions to raising rates of pension saving, and the overall impact of these far-reaching reforms will be limited.

In this context, some commentators continue to argue that other factors are likely to be key to determining rates of pension saving – such as financial engagement and housing costs - and these factors, some of which are already a focus of public policy, should also be evaluated for their effect on pension saving (Altmann 2011, Conservative Party 2009). As such, the precise drivers of participation in pension saving are a highly contested field of debate within pension policy.

Using newly available data from the Wealth and Assets Survey (WAS) on the financial position of households and individuals in Great Britain, this research provides evidence about the multiple individual and household characteristics associated with participation in pension saving. Although previous qualitative and quantitative research have been undertaken elsewhere using multiple separate data sources, frequently using data from the USA (Gough and Niza 2011), the analysis presented here exploits the detailed WAS questionnaire so as to uniquely be able to present evidence on the prevalence of pension saving from a single, high-quality data source.

The research first documents how participation in pension saving differs across gender, household structure and a range of demographic characteristics such as age, education and ethnicity.

We then examine the possible influence on participation in pension saving of a range of factors including levels of liquid savings, debt commitments, financial attitudes, housing tenure, job characteristics, the availability of employer pension contributions and availability of other potential sources of retirement income. Because WAS interviews all adults in each household where possible, we are also able to explore interactions between spouses' pension saving decisions.

The plan of the report is as follows. In the next section, we outline the objectives of the research and suggest hypotheses about the key determinants of pension saving.

Section 3 presents the WAS data and describes the key variables used. In Section 4 we document the prevalence and types of pension saving among employees, analysing men and women separately. We distinguish between occupational and personal pensions, and where appropriate also look at the availability (as distinct from take-up) of occupational pensions.

In Sections 5–7, we move on to a more detailed examination of how selected factors, based on the working hypotheses about pensions behaviour, are related to participation in saving for retirement. We look at within-household interactions, the impact of job characteristics, other financial commitments, and financial attitudes and engagement. The focus of these sections is on simple bivariate relationships (i.e. without controls for other possible confounding variables) because many factors of interest are themselves the result of financial choices. To tease out the multiple causal relationships between these factors would require complex behavioural models that are beyond the scope of this project.

However, in Section 8 we do present the results from some multivariate models to explain (i) eligibility for a workplace pension, (ii) participation in occupational pension saving and (iii) participation in personal pension saving, as a function of a selected set of factors than that can be assumed 'exogenous' (or independent) determinants of the pension saving decision. WAS provides a comprehensive and rich source of data, allowing us to control for potentially confounding or mediating differences between people which might explain some of the differences in pension saving. The results from our statistical models therefore more accurately reflect the impacts of various characteristics on the propensity to save for retirement.

2. Research objectives

The purpose of this research is to:

- Investigate the prevalence of pension saving in Britain,
- Describe the individual, household and other characteristics associated with participation in saving;
- Explore several hypotheses about the drivers of pension saving.

This research complements previous studies into the determinants of pension saving by using the very rich data of WAS to present a detailed and up-to-date picture of those who save for their retirement. We also contribute to the evidence base for policy making by moving beyond the usual focus on the financial incentives of the pension system, to consider a set of broader factors that potentially influence retirement saving.

Ultimately, by comparing the strength of correlation between participation in pension saving and multiple individual-level and other factors, the research provides detailed evidence for policymakers to develop, prioritise and target policy interventions to boost rates of pension saving.

Mapping the prevalence of pension saving in Britain

The UK pension system currently consists of a flat-rate Basic State Pension, an earnings-related State Second Pension, and various types of occupational and personal pensions. Participation in the two state pensions is compulsory, although it is possible to ‘contract out’ of the Second State Pension, in which case contributions are effectively diverted into personal or occupational schemes.¹ By contrast with the two state pensions, participation in occupational and personal schemes is voluntary. This project focuses on this voluntary component of the system.

There are various types of both occupational and personal pensions: occupational pensions may be defined-benefit or defined-contribution, although the long-term trend is toward defined-contribution schemes. Personal pensions may come in generic form, or as low-cost stakeholder pensions, self-invested personal pensions, or employer-specific group personal pensions. Notwithstanding the wide variety of pension types, the key distinction that we make in this research is between occupational and personal pensions. This distinction reflects the different decision processes leading to participation. An occupational pension must first be offered by an employer and then taken up (voluntarily) by an employee, while participation in a personal pension (excluding group personal pensions) is the decision of the employee alone. It is important to note that employees can save into both an

¹ Contracting out into defined-contribution schemes is due to end in 2012. At this time, the State Second Pension will also become flat rate rather than earnings related.

occupational pension and a separate personal pension, so the classification of pension participation used here distinguishes between:

- Employees with no pension;
- Those with a personal pension only;
- Those with an occupational pension only; and,
- Those with both types of pension.

The first objective of the research is to document the prevalence of pension saving among employees in Britain.

Section 4 describes pension participation according to our classification. Here and throughout the analysis we make a distinction between male and female employees because previous research (for example, Bardasi and Jenkins 2010) has highlighted that women tend to receive less private pension income than men. This gender gap in pension income may arise if women are less likely to save to a pension than men, but also if women contribute less because they work part-time and in lower paid jobs. Given that we focus on pension participation rather than amounts saved, we only consider part of the gender gap (the first component). Thus we investigate whether there are gender inequalities in pension take-up or participation, which might contribute to subsequent differences in pension income. In Section 5 we move on to show how participation in pension saving varies according to a set of demographic characteristics such as age, family structure, education and ethnicity. Most of these characteristics are beyond the direct reach of pensions policy, but this section provides important background information for the rest of the analysis and may identify groups with particularly low participation that policy makers may want to target.

Describing the factors associated with pension saving

The second objective of the research is to explore in more depth a set of factors which may affect pension saving and are either amenable to influence by pensions policy, or may need to be taken into account when designing policy. These factors include:

- Household-level decisions, in particular housing commitments and interactions between spouses' pension decisions;
- Financial commitments, expectations and behaviour, including liquid savings and expected sources of income in retirement;
- Financial attitudes and knowledge, including attitudes to saving for the future, risk preferences and knowledge of pensions;
- Job characteristics, including industry, establishment size, whether the job is full-time or part-time, and whether employers offer contributions to occupational pensions.

Exploring the factors that influence eligibility and participation in pension saving

The final objective of the research is to estimate the impact of some key determinants of pension saving, while controlling for other potentially mediating or confounding factors. We estimate three models:

- Eligibility for an occupational pension, focusing on the effects of industrial sector, and individual and job characteristics.
- Take-up of an occupational pension, focusing on the impact of employer contributions to the scheme, employees' financial position and commitments, and financial attitudes.
- Participation in a personal pension, focusing on the impact of personal and job characteristics, including financial position and attitudes.

Crucially, the multivariate analysis enables comparison of the strength of association between multiple different factors and these types of pension saving behaviour. This segment of analysis makes particular use of the exceptionally rich data available in WAS, and would not have been possible with previously available data from other household surveys.

3. Data and sample

We use data from the new Wealth and Assets Survey (WAS), a longitudinal survey launched in 2006 to address gaps in knowledge about the asset position and savings of households in Great Britain. Only the first wave, collected between July 2006 and June 2008, is currently available but it already provides a detailed snapshot (from before the 2008 recession) of the distribution of assets, debts and savings among British households, together with details of retirement saving and other financial planning.

WAS interviewed approximately 55,000 individuals in 32,000 private households, attempting interviews with all adults aged 16+ in each household (excluding those aged 16-18 in full-time education). The survey oversampled wealthier households (because of the skewed nature of the wealth distribution) and we weight all of our descriptive estimates to account for the survey design and for non-response.

The survey consisted of two questionnaires: (i) a household questionnaire answered by the household reference person (HRP), usually the head of household or the spouse, which collected details of household structure and demographics, as well as household-level finances like mortgage arrangements; and (ii) an individual questionnaire answered by each adult, which collected economic and employment information, and details of individual financial position and behaviour.

The pensions module in WAS covers pension scheme membership, current pension saving, employer contributions and scheme value, with separate questions for each type of scheme and with information collected for up to three pensions held by each respondent. The module begins by asking about current occupational pensions (whether employers offer them, employee eligibility and details of membership) before asking about any additional pensions held (including personal pensions). A series of questions then collects further details about all the pensions reported, including pension type (employer, group personal, private personal; defined benefit, defined contribution) and contributions.

Our key outcomes of interest are whether or not employees are currently saving into (i) occupational pensions (defined-benefit and defined-contribution schemes combined), (ii) personal pensions or (iii) both types.² For occupational pensions, we

² Figures reported by DWP (2011) based on the Family Resource Survey (FRS) indicate that about a third of employer-sponsored pensions are group personal (or stakeholder) pensions (GPP). The pensions questions in WAS are structured such that respondents are first asked about occupational pensions, and only then asked about any other types of pension they may have, including GPPs. Only 0.2% of the sample of employees in WAS reports saving into a GPP. Since the proportion of occupational pensions in WAS (50%) is reasonably close to the proportion of employer-sponsored pensions (occupational and GPP combined) in FRS (46%), it appears that almost all GPP savers in WAS report their pensions as occupational pensions. We exclude the small, potentially non-random, group of 0.2% reporting GPPs, since their unobserved characteristics are likely to differ systematically from the main group.

also consider whether a respondent's employer offers a pension scheme, whether the respondent is eligible for membership and whether they have joined. Given that our focus is on the factors associated with current pension saving, we do not consider deferred pensions (although we document the gap between possession of personal pensions and active saving in Section 4).

WAS also includes questions about subjective attitudes to financial matters, including perceptions of debt burden, attitudes to spending rather than saving, and attitudes to financial risk and deferred consumption. We excluded some questions from the analysis (such as levels of financial engagement and receipt of financial advice) because they were only asked to half of the sample, which would have led to insufficient observations in our estimated models.

Although WAS is designed to focus on wealth rather than income, it includes a basic set of questions to measure household income. ONS has noted that these questions did not allow accurate estimates of total income, partly because self-employed and employee incomes were not collected on the same basis, but mainly because the data on benefit income were of poor quality (ONS 2009, Appendix D). For this reason we do not attempt to use household income in the analysis. As we focus only on employees, a more relevant income measure to the pension saving decision might in any case be earnings. We therefore use a measure of earnings derived from the questions about employee income.³ Our final sample for the analysis consists of 25,995 employees aged 16-65 years.

³ Earnings and savings are reported in 2006-8 prices.

4. Types and prevalence of pension saving

Research question

- What is the prevalence of different kinds of pension saving across the working population?

Key findings

- 45% of employees save into a pension, of which 87% save only into an occupational pension, 10% save only into a personal pension and 4% save into both types of pension.
- Rates of saving into an occupational pension are higher among employees who do not save into a personal pension and vice versa. Our evidence suggests that, to some extent, employees use personal and occupational pension schemes as substitutes.
- Rates of occupational pension saving is very similar among men and women – just over 50% of each save into an occupational pension. However men are more likely than women to save into a personal pension (10% compared with 6% respectively).

Background

Voluntary pension saving can take the form of two core types: occupational (workplace) pension saving and personal pension saving. Occupational pension schemes may see employers encouraging their employees to contribute to a workplace pension, and will often feature ‘employer contributions’ to an employee’s pension. In contrast, participation in personal pensions is likely to reflect more of an individual’s decision, gives individuals more choice and control over their pension, but does not benefit from employer contributions.

Findings

We first examine the prevalence of saving into a pension, either through a personal pension scheme or an occupational pension scheme. As noted our focus, both here and throughout this report, is on employees – that is individuals aged 16–65 who are in paid employment (we exclude the self-employed from our analyses).

Table 1 indicates that almost 45% of employees in the WAS data were not saving into either a personal pension or an occupational pension. It is important to note that although these people were not contributing to a pension, they may have been saving into other types of savings accounts or financial product, which they may nevertheless have earmarked as a source of income in retirement, and they may also have deferred pensions.

The most common form of pension saving was through an occupational pension scheme, into which 48% of employees were saving (corresponding to 87% of all pension savers). About 5% of employees were saving into a personal pension (10% of all pension savers). A small proportion of employees were saving into both forms of pensions (2.1%, or about 4% of all pension savers). From this we can conclude that about 55% of working age employees saves into a pension, and one half saves into an occupational pension. A minority save for retirement through a personal pension.

Table 1: Prevalence of retirement saving by pension type

Retirement saving activity	% of employees	As % of pension savers
Not saving into pension	44.6	
Saves into personal pension only	5.3	9.6
Saves into occupational pension only	48.0	86.6
Saves into both types of pension	2.1	3.8
Total	100.0	100.0

Notes: WAS 2006–08. Employees aged 16-65.

In Table 2 we focus on the relationships between saving into different types of pensions. This presents some insight into the extent to which employees without an occupational pension save for retirement through a personal pension instead, or whether employees with an occupational pension also save for retirement through a personal pension.

Table 2 shows that about 4% of employees saving into an occupational pension were also saving into a personal pension, while 11% of those not saving into an occupational pension were saving into a personal pension. Therefore those not saving into an occupational pension were two to three times more likely to be saving into a personal pension than those saving into an occupational pension.

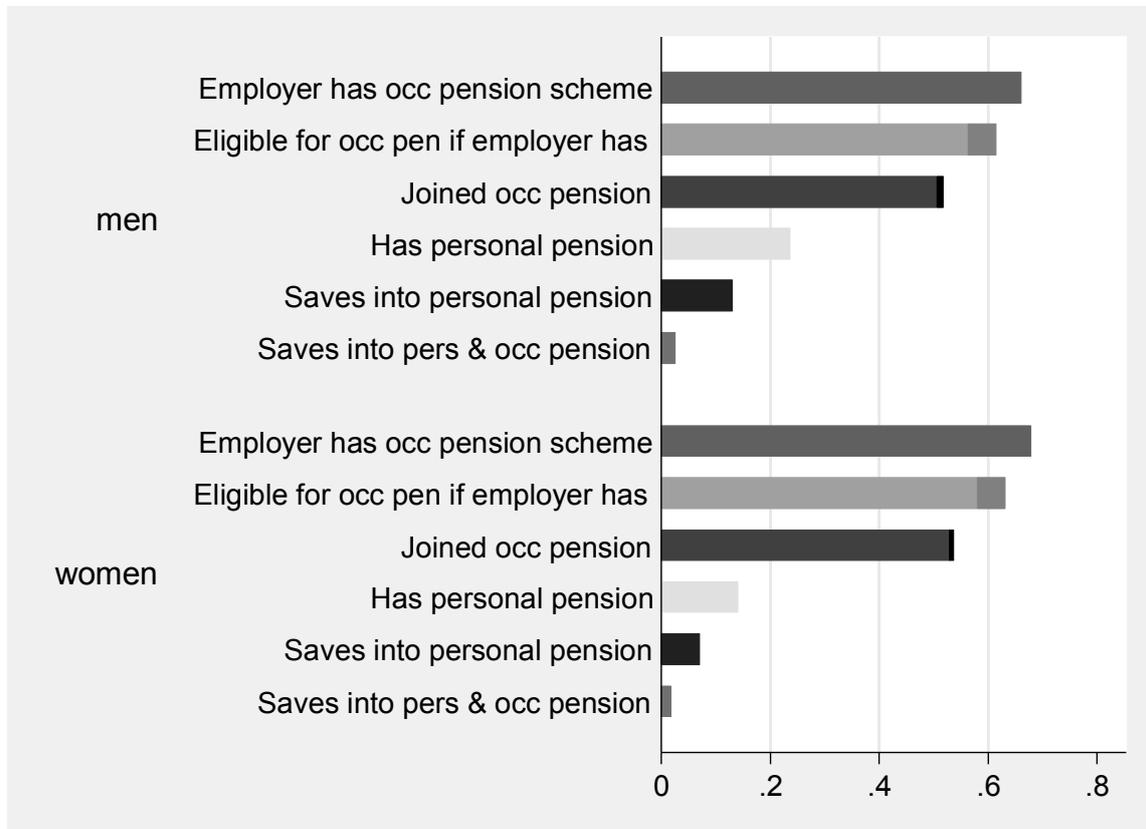
About 28% of employees saving into a personal pension also saved into an occupational pension, compared with 52% of those not saving into a personal pension. Therefore employees without a personal pension were almost twice more likely to save into an occupational pension than those with a personal pension. Hence our evidence suggests that, to some extent, employees use personal and occupational pension schemes as substitutes.

Table 2: Pension saving by pension type

Saves into occupational pension	Saves into personal pension		Total
	Yes	No	
Yes	4.2 <i>[28.3]</i>	95.8 <i>[51.9]</i>	<i>[50.1]</i>
No	10.7 <i>[71.7]</i>	89.3 <i>[48.1]</i>	<i>[49.9]</i>
Total	7.4	92.6	100.0

Notes: WAS 2006–08. Employees aged 16-65. Row percentages [column percentages in italics].

Figure 1: Detailed pension saving by pension type



Notes: WAS 2006–08. Employees aged 16-65. The darker segments of the eligible and joined occupational pension bars denote pensions without employer contributions (the remainder include employer contributions).

We next investigate pension saving in more detail, by breaking down pension saving by pension type and by gender. This is illustrated in Figure 1, which reveals a number of important patterns.

Firstly, and perhaps most strikingly, there was little difference in the pension saving behaviour among men and women employees – the patterns are almost identical, particularly in terms of occupational pensions. Previous studies have documented gender differences in the accumulation of pension savings (Ginn and Arber 1996,

Bardasi and Jenkins 2010), and concluded that while differing lifetime work profiles (and family history) explained much of the difference, there remained gaps in pension income even among men and women with comparable lifetime experiences. Bardasi and Jenkins (2010) found that most of the gender gap in whether or not older people received private pension income was explained by other factors than differing lifetime experiences; these potentially included differential access (or take-up) of pensions, even in similar types of employment. Our results imply much greater levels of gender equality within jobs, possibly because our data cover more recent cohorts (all of Bardasi and Jenkins' sample were born before 1934, while all of our WAS sample were born after 1941).

Gaps in future pension income between men and women are therefore likely to have more to do with differences in working hours (and the prevalence of part-time work among women), differences in their (hourly) earnings and differences in the employment rate, rather than in the propensity to participate in occupational pension saving. Part-time employees are likely to build up smaller pension pots than full-time employees because of their lower earnings. We return to possible changes in pension participation by cohort in Section 5 when we look at the age profile in pension coverage.

Secondly, Figure 1 shows that about two thirds of employees worked for employers who offered an occupational pension, and most employees working for employers with occupational pension schemes were eligible to participate. Consequently more than 60% of employees were eligible to join an occupational pension scheme. As also shown in Table 1 above, we find that about one half of employees were saving into an occupational pension. This indicates that about five out of six employees (about 80-85%) eligible to join an occupational pension scheme were members. The darker segments of the two bars denoting those eligible for and joining occupational pensions show the proportions for whom employers did not offer to share contributions. The fact that this segment is much smaller (for both men and women) in the joined bar than the eligible bar suggests that the absence of employer contributions deters people from joining occupational schemes. We investigate this more formally in the multivariate analysis in Section 8.

In terms of personal pension saving, Figure 1 indicates larger differences between men and women. In particular, about 25% of working age men and 12% of working age women in paid employment had a personal pension. However, not all of those with a personal pension were saving into it – about 14% of men and 6% of women were saving into their personal pension. Hence almost one half of employees with personal pensions were not saving into them, and men were twice more likely than women to have both and to be saving into a personal pension. As noted, our focus in this research is only on people who are actively saving. A very small proportion of men and women in paid employment were saving into both a personal and an occupational pension scheme.

Having illustrated the prevalence of saving into different types of pension for men and women, the next Section investigates how saving for retirement relates to a range of individual and household characteristics.

5. The characteristics of pension savers

Research question:

- How does participation in pension saving vary by individual and household characteristics?

Key messages:

- Men and women aged 45-54 are most likely to save into an occupational pension, 60% do so compared with fewer than 20% of 16-24 year olds. Between 10%-15% of men and women aged 45-56/64 save into a personal pension.
- Pension savers are on average older than non-pension savers, in couples, of white ethnicity, highly educated with relatively high incomes, home-owners and have more assets than non-savers. In contrast, those not saving into a pension tend to be younger, single, more likely to be of non-white ethnic origin, have no qualifications, low incomes and be social or private tenants.
- Women saving to a pension (especially a personal pension) have fewer children than those not saving. There is little relationship between having children and pension saving for men.

Background

Among the population of people saving into a pension - whether an occupational or personal pension – there will inevitably be differences in characteristics. With its large sample of 25,995 employees, and the rich, comprehensive data it includes, WAS provides an excellent opportunity to map and describe the pension-saving population, to help policymakers understand who saves for retirement.

Findings

Having described the prevalence of different forms of saving for retirement among working age employees in the previous section, we now examine the characteristics of individuals who save into different types of pensions, and the characteristics of the households in which they live. This enables an initial review of the extent to which pension saving is associated with individual or household-level characteristics, which may or may not fall within the scope of policy ‘levers’ available to pension policymakers.

The characteristics of men participating in pension saving

We now summarise the characteristics of pension savers separately by gender and initially focus on men, in Table 3.

- *Age:* the table shows that men in paid employment who save into a pension were on average older than those not saving into a pension. The average age of men saving into a personal pension was 45, compared with 42 among men

saving into an occupational pension. Those saving into both types of pension were the oldest on average, at 46 years of age. These compare to an average age of 36 among those not saving into a pension at all. This is consistent with younger people being less risk averse and discounting the future more than older people. Such differences may reflect different priorities or constraints at different points in the life-cycle; however they may comprise a ‘cohort effect’ – with younger cohorts placing less importance on saving for retirement than older cohorts. We are unable to distinguish between age and cohort effects with these data.

- *Partnership status*: a larger proportion of men in couples than single men were saving into a pension – 63% of men in couples were saving into a pension compared with 40% of single men. Over one half of men in couples (53%) save into an occupational pension compared to one in three single men. Men in couples were also more likely to be saving into a personal pension (7% compared with 5%).

Table 3: Characteristics by pension coverage: employed men

	No pension	Personal pension only	Occupational pension only	Occup. and personal pension	All
<i>Demographics</i>					
Age (mean, years)	36.1	45.0	42.4	45.8	39.9
Couple (%)	36.7	7.6	52.9	2.8	100.0
Single (%)	60.0	5.1	33.2	1.7	100.0
Children < 18 in household (number)	0.71	0.73	0.77	0.75	0.74
White ethnicity (%)	41.8	7.4	48.2	2.7	100.0
Non-white ethnicity (%)	61.8	1.9	35.4	0.8	100.0
<i>Education</i>					
Degree (%)	29.2	5.0	62.7	3.2	100.0
Other qualification (%)	47.7	7.6	42.3	2.4	100.0
No qualification (%)	60.6	7.3	30.8	1.3	100.0
Gross ann earnings (mean, £)	22,303	31,726	35,492	41,611	29,611
<i>Assets and Savings</i>					
Home owner outright (%)	41.9	9.0	45.4	3.7	100.0
Home owner mortgage (%)	34.9	7.9	54.6	2.7	100.0
Social rental (%)	69.9	2.9	26.7	0.5	100.0
Private rental (%)	66.2	2.1	30.5	1.2	100.0
Second property (%)	30.6	11.7	53.1	4.6	100.0
Liquid savings (mean, £)	5,159	11,421	11,633	15,043	8,868
Total	42.2	7.7	47.4	2.7	100.0
Sample size	5,237	949	5,878	335	12,399

Notes: employees aged 16-65. Liquid savings include savings accounts, ISAs, National Savings products, PEPs.

- *Ethnicity*: men of non-white ethnic origin were less likely to be saving into a pension than white men – and less likely to be saving into any type of pension.⁴ 62% of men of non-white ethnicity were not saving into a pension compared with 42% of white men.
- *Children*: men saving into pensions tended to have slightly more children than non-savers but the gap is small (about 0.75 compared to 0.71 children on average).
- *Education*: A clear relationship emerges between education level and saving for retirement among employed men of working age. About 70% of men educated to degree level were saving into a pension, and 63% were saving into an occupational pension. This reflects the fact that more highly educated men are more likely to have the financial resources available to allow them to save regularly into a pension and they are also more likely to be in occupations that offer a pension scheme. In contrast, 40% of men with no qualifications were saving into a pension, and 31% were saving into an occupational pension. Less educated men are likely to have lower incomes and be less likely to work in jobs offering occupational pension schemes. However the less qualified were more likely to be saving into a personal pension (7.3% of men with no qualifications were doing so, compared with 5% of those with a degree). This may indicate that less qualified men choose to save in personal pensions because they have less access to occupational pensions.
- *Earnings*: A strong association between pension saving and an individual's earnings emerges. Men saving into both occupational and personal pensions had the highest average annual earnings, exceeding £40,000 per annum. This compares to average annual earnings of £35,000 among men saving into an occupational pension only, £32,000 among men saving into a personal pension only, and £22,000 among men not saving into either pension scheme. This suggests that income plays a key role in the decision to save for retirement, although it may also reflect the different age profiles of the various groups.

The final part of the table summarises assets and savings by type of retirement saving. This suggests that wealth and assets are also key drivers of retirement saving.

- *Home ownership*: almost 55% of employed men with a mortgage were saving into an occupational pension while only one third of this group did not save into a pension at all. In contrast, 70% of social tenants and 66% of private tenants were not saving into a pension, fewer than 3% of tenants were saving into a personal pension, and less than one in three saved into an occupational pension. It therefore appears that there is a strong relationship between tenure and saving into a pension, and this is consistent with the hypothesis that people may prioritise home-ownership over pension saving, although there are other potentially confounding factors such as age (for instance

⁴ Small sample sizes among ethnic minority groups prevents us from doing any more detailed analysis.

outright owners tend to be older). We return the relationship between property ownership and pension saving in the multivariate analysis of Section 8.

- *Second-home ownership:* The relationship between wealth and pension saving is highlighted by the fact that 70% of second home-owners were saving into a pension and were more likely than average to save into both personal (12% do compared with an average of 8%) and occupational pensions (53% do compared with an average of 47%).
- *Liquid savings:* those saving for retirement on average have more liquid savings than those who do not. For example, those saving into both an occupational and personal pension scheme on average had £15,000 of liquid savings compared with about £11,000 among those saving into either an occupational or a personal pension, and £5,000 among those who were not saving into either. This suggests that participation in pension saving is associated with holding liquid savings, and is consistent with the idea that some level of liquid savings may be considered a pre-requisite for pension saving by individuals.

Thus among working age men in paid employment, pension savers are on average older than non-pension savers, in couples, of white ethnicity, highly educated with relatively high incomes, home-owners and have more assets than non-savers. In contrast, those men not saving into a pension tend to be younger, single, more likely to be of non-white ethnic origin, have no qualifications, low incomes and be social or private tenants.

The characteristics of women participating in pension saving

Table 4 summarises the characteristics of employed women of working age saving into the various pension types. These are generally consistent with the patterns identified among men.

- *Age:* as with men, we find a relationship between pension saving and age for women – the average age of those not saving in a pension was 38, compared with 42 among women saving into an occupational pension, 43 among women saving into a personal pension, and 46 among women saving into both types of pension. This could reflect either a genuine age effect, or a cohort effect. We look in more in subsequent sections at the age profile in pension saving, comparing men and women.
- *Partnership status:* employed women in couples were 13 percentage points more likely to be saving into an occupational pension than single women (53% compared with 40%), and were also more likely to be saving into a personal pension or both types of pension. In contrast 56% of employed single women were not saving into a pension.
- *Ethnicity:* about 55% of non-white women were not saving into a pension, compared to 44% of white women, so as for men there is evidence that those from ethnic minority groups were less likely to be saving for retirement. This difference emerges among all pension types.
- *Children:* in contrast to men, for women there is a strong relationship between saving into a pension and the number of children in the household. Women

not saving into a pension had more children than those with a personal pension (0.8 compared to 0.6 on average), though this gap is much reduced for women with occupational pensions. Having children is likely to be associated with working part-time and earning less, both of which may reduce pension participation. We investigate both these factors in detail in the next two sections.

Table 4: Characteristics by pension coverage: employed women

	No pension	Personal pension only	Occupational pension only	Occup. and personal pension	All
<i>Demographics</i>					
Age (mean, years)	37.8	43.4	41.7	46.4	40.1
Couple (%)	40.7	4.1	53.3	1.9	100.0
Single (%)	56.1	2.9	39.8	1.2	100.0
Children < 18 in household (number)	0.81	0.59	0.75	0.61	0.77
White ethnicity (%)	44.4	3.8	50.0	1.8	100.0
Non-white ethnicity (%)	54.9	2.9	41.3	0.9	100.0
<i>Education</i>					
Degree (%)	26.9	3.2	67.5	2.4	100.0
Other qualification (%)	50.4	4.1	44.0	1.6	100.0
No qualification (%)	65.8	3.0	30.7	0.6	100.0
Gross ann earnings (mean,£)	13,093	19,611	22,781	26,011	18,331
<i>Assets and Savings</i>					
Home owner outright (%)	42.3	5.6	48.9	3.2	100.0
Home owner mortgage (%)	37.2	3.9	57.2	1.7	100.0
Social rental (%)	71.4	0.8	27.5	0.3	100.0
Private rental (%)	66.9	2.5	29.9	0.7	100.0
Second property (%)	34.8	6.4	56.1	2.7	100.0
Liquid savings (mean, £)	5,621	15,976	10,057	22,499	8,478
Total	44.6	4.1	49.5	1.8	100.0
Sample size	5,651	520	6,275	231	12,677

Notes: employees aged 16-65. Liquid savings include savings accounts, ISAs, National Savings products, PEPs.

- *Education:* the education gradient found for men also emerges strongly among women, with the most highly qualified employees being most likely to be saving into a pension. Three quarters of female employees with a degree were saving into a pension (two thirds into an occupational pension), compared with only one third of those with no qualifications. This is likely to reflect the relationship between education and occupation, with the more

highly educated more likely to be in occupations and jobs that provide a pension scheme. Little relationship emerges between education and saving into a personal pension only – 3.2% of employed women with a degree did so compared with 4% of those with other qualifications and 3% of those with no qualifications.

- *Earnings*: women saving into a pension had higher earnings than those not saving into a pension. Those saving into both an occupational and a personal pension had the highest average earnings at £26,000 per annum, compared with £23,000 for those saving into an occupational pension only and less than £20,000 for those saving into a personal pension only. Employed women who were not saving into a pension had an average annual income of £13,000. This relatively low income among employed women not saving into a pension suggests that many in this group are in part-time employment – an issue we investigate later in the report.

As with men, a clear positive association between saving for retirement and assets and wealth emerges for employed women.

- *Home-ownership*: home-owners are more likely to be saving into a pension than tenants – 58% of those who own their home outright and 63% of those with a mortgage were saving into a pension, compared with 29% of social tenants and 33% of private tenants. These differences emerge for each pension type, and are again consistent with the hypothesis that people may prioritise home ownership over retirement saving.
- *Second-home ownership*: women with a second property were more likely than those with no second property to be saving into a pension, while pension savers had more liquid savings than non-pension savers (especially those saving into a personal pension). 65% of those with a second property save into a pension, 56% into an occupational pension and 6% into a personal pension. Given that property ownership is measured at the level of the household, the similarity of these patterns between men and women suggests that partners within couples may adopt similar pension savings behaviour. We explore this in detail in below.
- *Liquid savings*: the average amount of liquid savings among those saving into both occupational and personal pensions is £22,500, compared with £16,000 among those saving into a personal pension only, £10,000 among those saving into an occupational pension only, and less than £6,000 among those not saving into a pension. Comparing these savings with men suggests that – interestingly - a larger amount of liquid savings is needed for women to save into a personal pension than men (£16,000 for women compared with £11,000 among men). We examine the relationships between liquid and pension savings in more depth below.

Therefore the general pattern among working age women in employment is very similar to that for men: pension savers are on average older than non-pension savers, in couples, of white ethnicity, highly educated with relatively high incomes, home-owners and have more assets than non-savers. In contrast, those not saving into a pension tend to be younger, single, more likely to be of non-white ethnic origin, have no qualifications, low incomes and be social or private tenants.

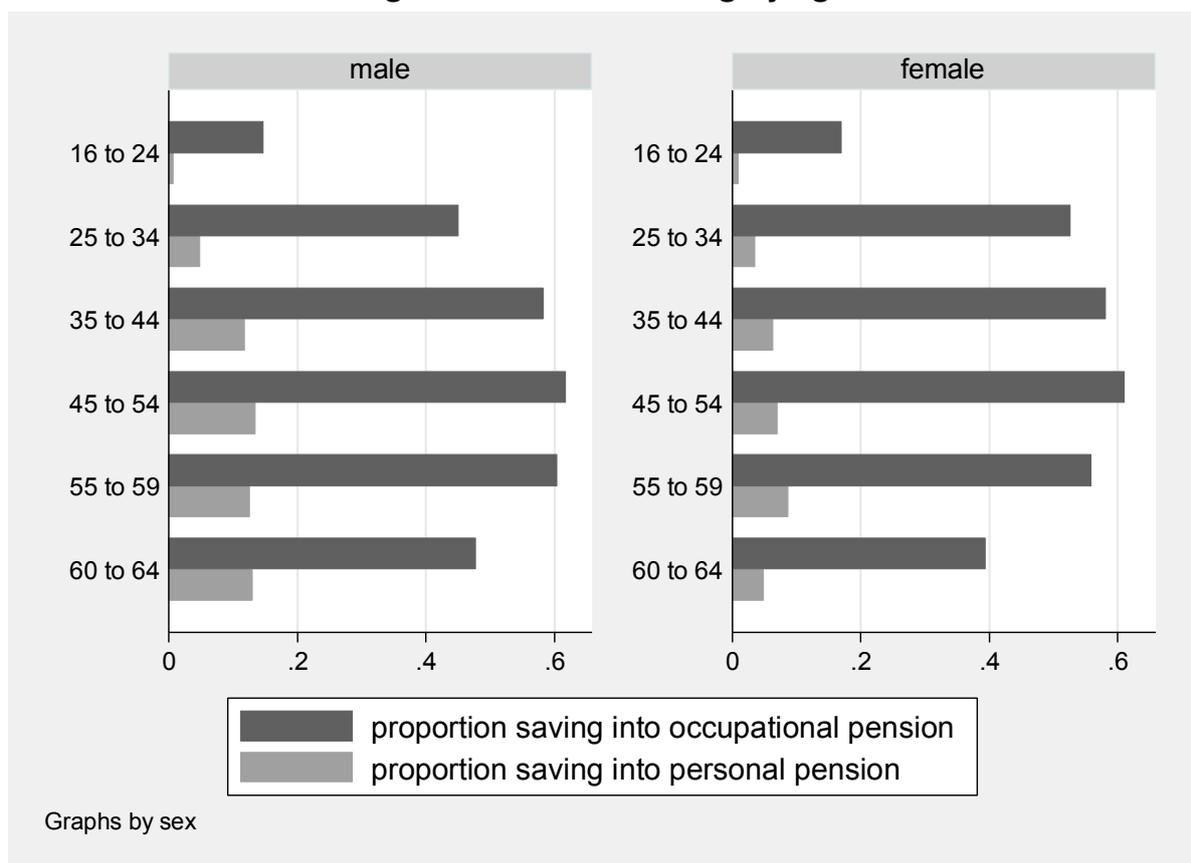
In the remainder of this section we look in more detail at the age profile of pension participation, before considering pension saving within the context of the household.

Retirement saving by age

Figure 2 summarises the relationship between saving into personal and occupational pensions and age separately for male and female employees. Three key patterns emerge.

The first is that young people participate less in pension saving than prime-age employees. For example 15% of employed men and 17% of employed women under the age of 25 were saving into an occupational pension, compared with more than 60% of 45-54 year olds. Very few young employees were saving into a personal pension, compared with 10-15% of those aged 45 or above. This may be because younger workers are more risk averse and heavily discount the future relative to older workers, or it may be a cohort effect with younger cohorts being less inclined to participate in pension saving than older cohorts. We are unable to separate these effects.

Figure 2: Pension saving by age



The second finding is that a higher proportion of women aged under 35 participated in occupational pension saving than men of the same age. Well over 50% of female employees saved into an occupational pension compared to about 45% of male employees (although this is less evident for saving into a personal pension). Occupational pension coverage is much more equal between the sexes in the 35-54 age group. The gender gap at younger ages may be because women recognise that

their future labour market careers may be interrupted through child-care activities, and so begin to save for retirement at an earlier age than men. Alternatively women may enter jobs and occupations that offer pension schemes at an earlier age than men. A final possibility is that the gender gap may reflect secular changes in the labour market that are increasing women's pension participation relative to men (for example an expansion of public sector jobs in recent years) – this would be consistent with the suggestion in Section 4 that there is more gender equality in pension participation now than for previous cohorts. It should be underlined, however, that we cannot disentangle lifecycle- and cohort-based explanations using cross-sectional data.

The third pattern emerging across age is a fall in the proportion of people saving into occupational pensions among 55–64 year old men, and especially women, in employment. This may reflect the approaching State Pension Age (SPA), which was 65 for men and 60 for women at the time of the survey, and indicate that some individuals withdraw from their career occupations (and the associated pension schemes) as they approach retirement and instead enter alternative employment. (Fully retired individuals are excluded from the sample.) Further investigation of the data (statistics not reported) finds some truth in this suggestion. Focussing on employees aged 60-64, we find that about a third of them were already drawing a pension. This group was less likely to be contributing to another pension (only 36% saved to an occupational pension, while 7% saved to a personal pension) and over half of them were in part-time work only. The remaining two thirds were not drawing a pension; they have much higher pension participation (49% saved to an occupational pension and 11% to a personal pension), and less than a third were part-time. But even among this group occupational pension participation was nearly 10 percentage points lower than among 55-59 year olds. A possible explanation for this remaining gap is that those employees with the best pensions tend to take early retirement, leaving a pool of workers with lower pension coverage who continue working (partly because they cannot afford to retire yet).

6. Pension saving, household context and financial position

Research question:

- Do spouses coordinate their pension participation and how does participation vary with earnings and levels of liquid saving?

Key messages:

- Partners within couples tend to adopt similar pension saving behaviour. In 75% of couples where the head of household was not saving into pension, the partner was also not saving into a pension. When the household head was saving into a pension, the partner was more likely to be saving into the same pension type.
- Female employees are more likely than male employees to save into an occupational pension at all income levels, and especially at lower incomes. Pension saving increases with income, although this relationship weakens at higher income levels.
- About one third of employees with no liquid savings were saving into an occupational pension compared with 60% or more of those employees possessing liquid savings that exceed £2,500. Rather than compensating for low levels of liquid savings, saving for retirement becomes more prevalent at higher levels of saving.

Background

Partners within couples typically share their income, but it is not known whether they coordinate their pension saving decisions to ensure sufficient retirement income to the household as a whole. For example, if one partner lacks a pension does the other partner save to a pension to compensate? Pension saving will also depend on available financial resources and participation in alternative forms of saving. Individuals may prioritise achieving some level of liquid saving as a 'buffer' against unforeseen events, before they consider pension saving.

Findings

Retirement saving in the household context

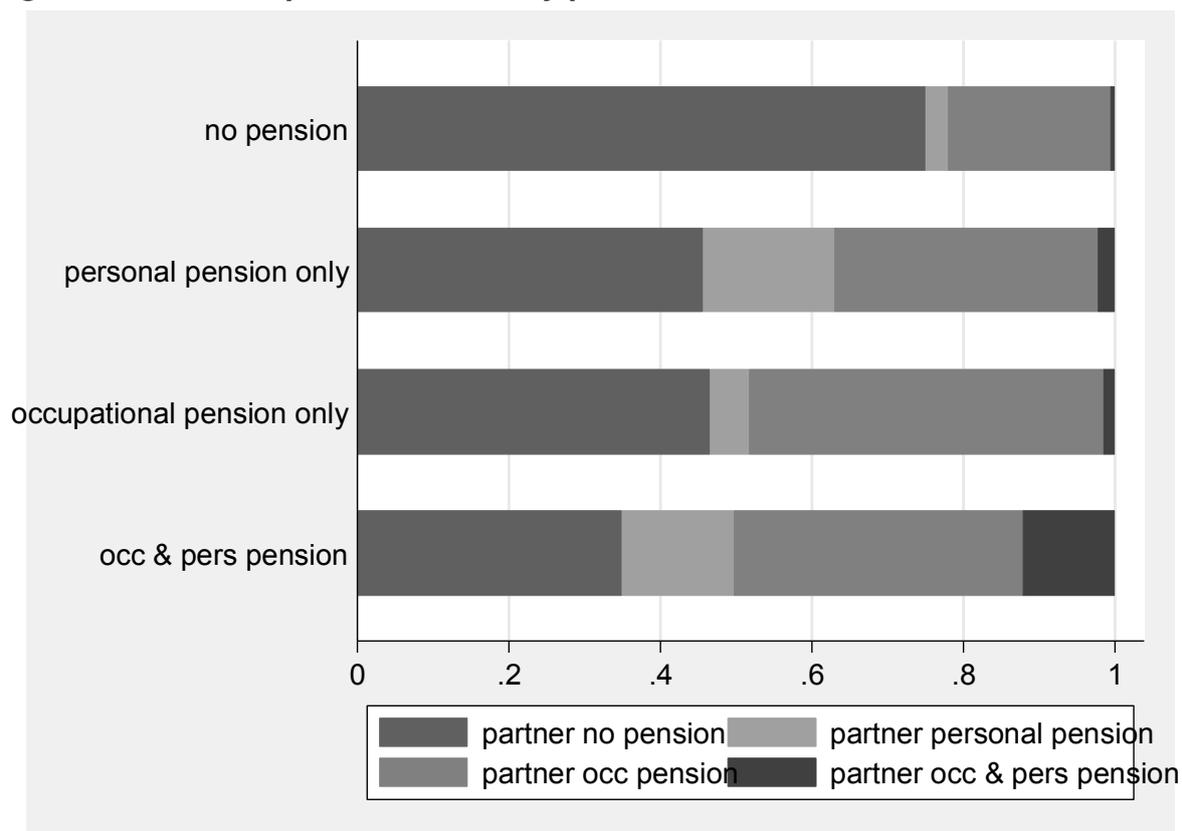
We next examine saving for retirement within the context of the household. In particular we exploit the fact that the WAS data contain information on both heads of households and their spouse to identify the extent to which the spouse compensates the household head's lack of pension saving and vice versa. It is possible that families adopt a household-level pension strategy, where one partner saves

relatively large proportions of their income into a pension while the other does not save into a pension at all.

Figure 3 plots the pension status of the partner by the household head's pension status (the WAS household reference person). This indicates that, in the case when the employed head of household is not saving into a pension, their partner is unlikely to compensate by saving into a pension themselves. In 75% of couples where the household head was not saving into a pension, the partner was also not saving into a pension, in 20% the partner was saving into an occupational pension, and in the remaining couples the partner was saving into a personal pension. The remaining bars of the chart indicate that partners tend to save into similar pension products. For example, in 20% of couples where the employed head of household was saving into a personal pension, the partner was also saving into a personal pension, 30% were saving into an occupational pension while almost 50% were not saving into a pension at all. In 45% of couples where the employed head was saving into an occupational pension the partner was also saving into an occupational pension and a similar proportion were not saving into a pension at all. Finally, in more than 10% of couples where the head of household was saving into both personal and occupational pensions the partner was doing likewise (compared with in less than 3% of other couple households), while 40% were saving into an occupational pension only, 15% into a personal pension and 35% were not saving into either type of pension.

This within household pattern of pension saving behaviour may be caused by the fact that people with similar preferences and attitudes are more likely to partner, or that they tend to be in occupations or jobs with similar access to pensions, or that the attitudes towards saving for retirement of one partner dominate the household strategy. Ultimately, the clear implication is that many people without pensions will not be able to rely on their partner's pension in retirement.

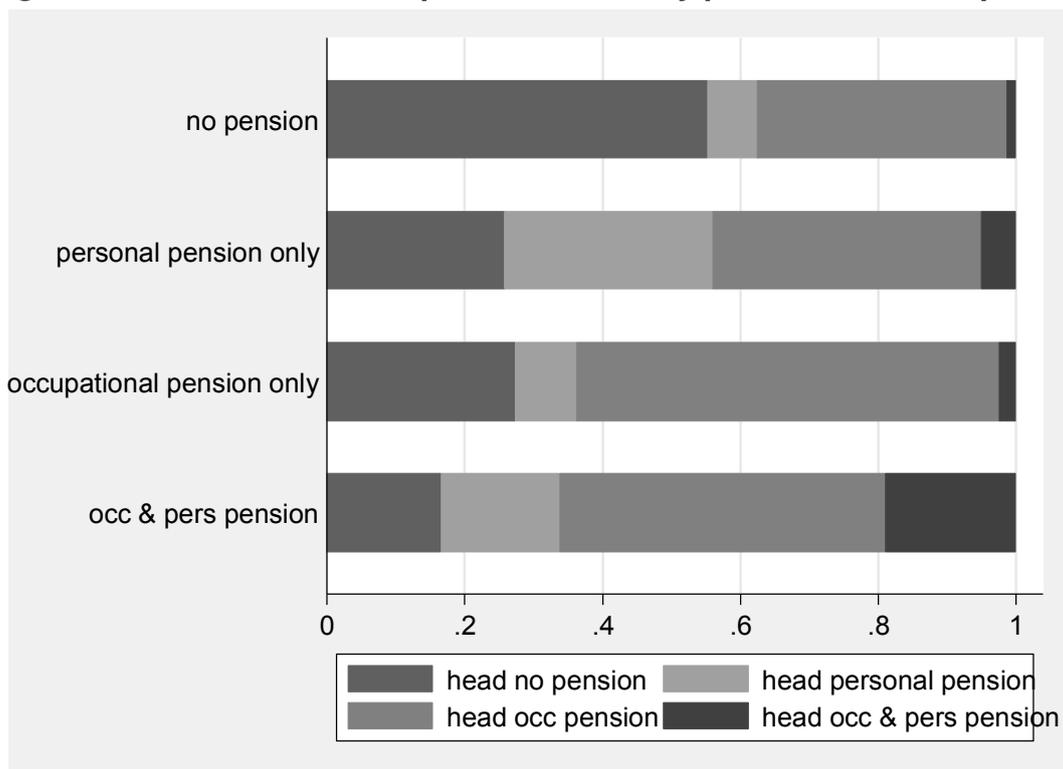
Figure 3: Partner’s pension status by pension status of household head



Notes: Couples with employed household heads (aged 16-65). Sample includes non-employed partners. Vertical labels denote pension status of household head. 76% of household heads in partnerships are males.

Figure 4 reverses this analysis and examines the head of household’s pension saving by the partner’s status. This reveals a similar pattern, in that partners in a couple adopt similar pension saving strategies, although there is more evidence of heads of households compensating for a spouse’s lack of pension. In more than 50% of couples where the partner was not saving into either type of pension the head of household was also not saving into a pension. In almost 40% the head of household was saving into an occupational pension and in 10% the head was saving into a personal pension.

Figure 4: Household head's pension status by pension status of partner



Notes: Couples with employed partners of heads (aged 16-65). Sample includes non-employed household heads. Vertical labels denote pension status of partner. 76% of household heads in partnerships are males.

In couples where the partner was saving into a personal pension only, 40% of heads were saving into an occupational pension, 25% were saving into a personal pension, and 25% were not saving into either type of pension. Again, this reveals that the partners of individuals saving into a personal pension are more likely themselves to be saving into a personal pension. In couples where the partner saved into an occupational pension only, 60% of heads of households were also saving into an occupational pension, 10% were saving into a personal pension, and almost 30% were not saving into either type of pension. This analysis of intra-household pension saving indicates that partners within couples tend to adopt similar retirement saving behaviour.

Retirement saving and earnings

Tables 3 and 4 indicated a strong positive relationship between pension saving and individual gross annual earnings. Table 5 shows the distribution of gross annual earnings among male and female employees.

As is well documented, women are much more likely to be in lower paying jobs than men (both because their hourly earnings are lower and because they work fewer hours). Half of women earn less than £15,000 per year compared to only a fifth of men, and only 15% of women earn more than £30,000 per annum compare to 34% of men. Moreover, just over a tenth of women report gross annual earnings of less than £5,000 per year. Unsurprisingly, almost all of these jobs (93%, not reported in table) are part time.

Table 5: Distribution of gross annual earnings, by gender

Gross annual earnings	Male (%)	Female (%)	Total (%)
£1 to <£5k	2.7	10.7	6.6
£5k to <£10k	5.5	19.6	12.3
£10k to <£15k	12.6	20.6	16.5
£15k to <£20k	18.8	17.2	18.0
£20k to <£25k	15.2	10.7	13.0
£25k to <£30k	11.5	7.0	9.3
£30k to <£40k	16.3	8.8	12.7
£40k+	17.4	5.5	11.6
Total	100.0	100.0	100.0

Notes: employees aged 16-65.

Figure 5 plots the proportions of employees within each earnings band that save into an occupational pension and into a personal pension. This reveals a number of important relationships.

Firstly, it is clear that female employees are more likely than male employees to save into an occupational pension at all earnings levels, and especially at lower earnings (although, as noted, few men earn very low incomes). For example about 17% of female employees with earnings of less than £5,000 per annum were saving into an occupational pension compared to less than 10% of male employees, and 40% of female employees with earnings of between £10,000 and £15,000 were saving into an occupational pension compared with 20% of male employees. These differences persist, although narrow, at higher earnings levels. This may reflect higher public sector employment (perhaps in part-time jobs) among women, or the fact that some employed women are secondary earners in a household, and are more able to use their income for retirement saving rather than day-to-day expenditure.⁵

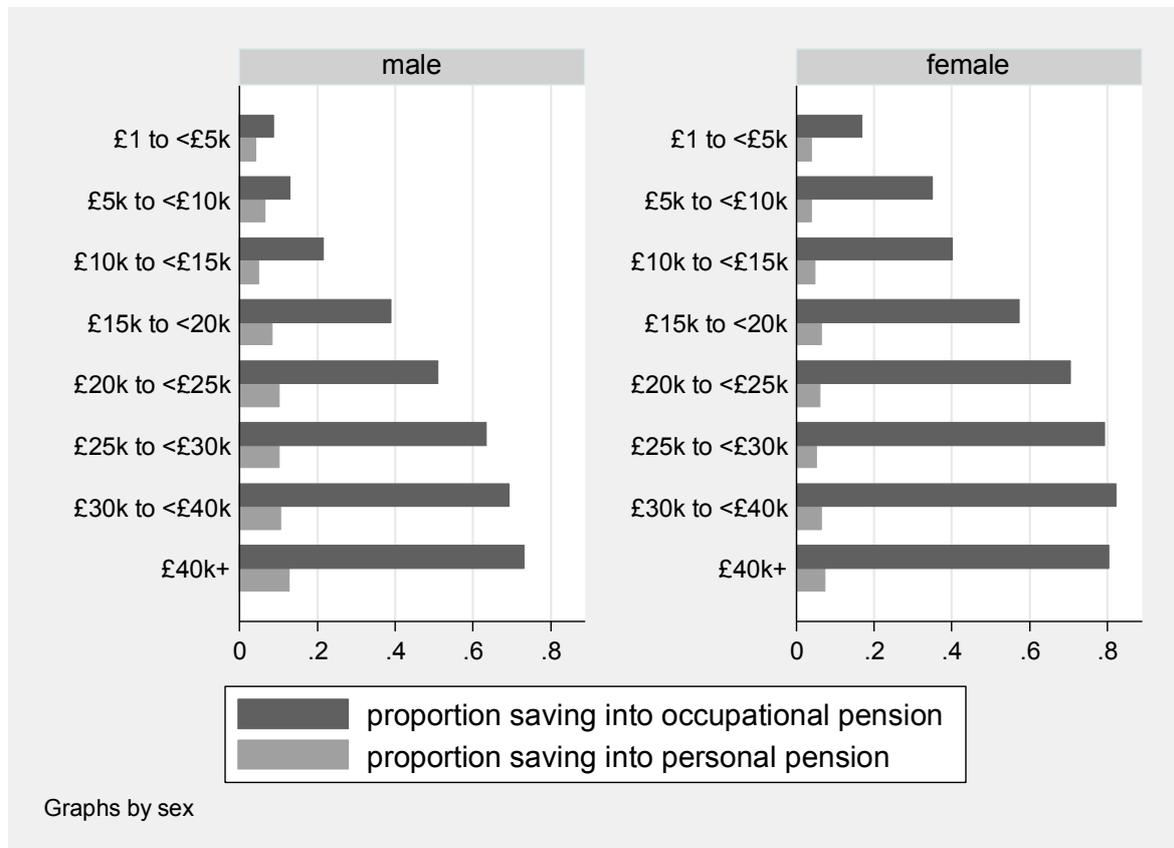
Secondly, the figure illustrates that the proportion of men and women that save into an occupational pension increases with their level of earnings. Among men, for example, 20% of those with earnings of £10,000–£15,000 per annum were saving into an occupational pension, compared with more than 60% of those with earnings exceeding £25,000 per annum. A similar pattern is evident among female employees. This income gradient is also evident among men saving into a personal pension, but less so among women. About 12% of men with earnings exceeding £40,000 per annum were saving into a personal pension compared with fewer than 5% of those with earnings of less than £5,000.

Thirdly, the relationship between pension saving (particularly into occupational pensions) and income weakens at higher income levels, and disappears altogether among women. For example, 80% of women with earnings of between £25,000pa

⁵ The occupational pension participation rate of 17% among women earning less than £5,000 pa may appear surprisingly high. Further investigation (statistics not reported) shows that it is largely driven by a participation rate of 36% among women working in education. The education sector accounts for nearly 18% of these low-paid (almost exclusively part-time) jobs. The single largest sectoral employer (40% of jobs) is retail, accommodation and food, where the occupational pension participation rate is 12%.

and £30,000pa were saving into an occupational pension, which is the same as the proportion of women with earnings exceeding £40,000pa

Figure 5: Pension saving by gross annual earnings



Pension savings and liquid saving

Tables 3 and 4 illustrated that on average pension savers have higher levels of liquid savings than non-pension savers, and this emerged for both men and women in employment. We investigate this relationship further here, but first provide a little more detail about the amounts of liquid savings men and women hold. These are shown in Table 6, and indicate that the majority of employed men and women hold less than £2,500 in liquid savings. 64% of employed men and 63% of employed women held savings of less than £2,500, while a further 17% and 19% held savings of between £2,500 and £10,000 respectively. Therefore in investigating pension saving by the amount of liquid savings, it is important to remember that most people fall into the bottom two categories of savings.

Table 6: Distribution of liquid savings, by gender

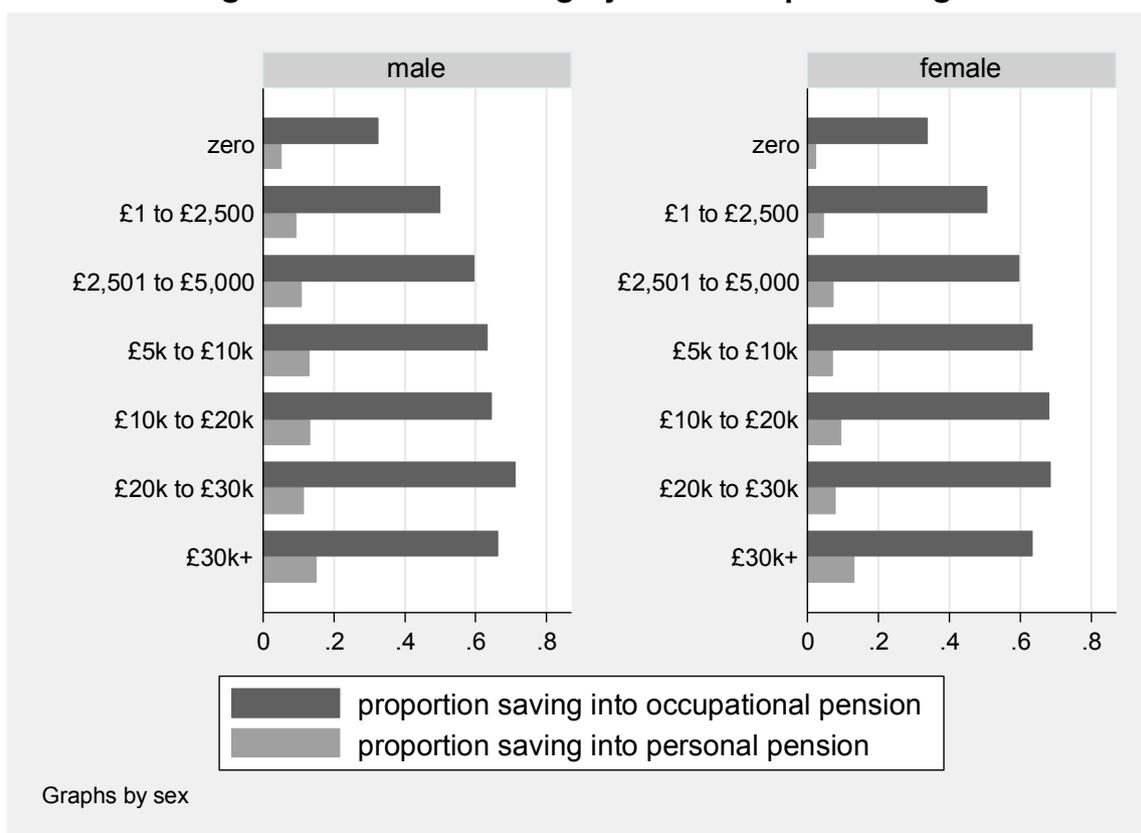
Amount of liquid saving	Male (%)	Female (%)	Total (%)
zero	32.4	27.8	30.1
£1 to £2,500	31.7	35.2	33.4
£2,501 to £5,000	8.7	9.8	9.2
£5k to £10k	8.9	9.3	9.1
£10k to £20k	7.6	7.8	7.7
£20k to £30k	3.6	3.8	3.7
£30k+	7.2	6.4	6.8
Total	100.0	100.0	100.0

Notes: employees aged 16-65. Liquid savings include savings accounts, ISAs, National Savings products, PEPs.

Figure 6 reveals a positive association between the amount of liquid savings and the proportion of men and women saving into both types of pension. In particular, about 30% of men and 35% of women with zero liquid savings were saving into an occupational pension, compared with 60% or more of those with liquid savings exceeding £2,500. Very small proportions (5% or less) of men and women with zero liquid savings were saving into a personal pension, compared with more than 15% of those with liquid savings exceeding £30,000. Hence rather than compensating for low levels of liquid savings, occupational and personal pension saving becomes more prevalent at higher levels of savings. This supports the idea that people may prefer to build up a buffer of liquid savings before starting to save into a pension (particularly a personal pension) and that active saving is a precondition for saving for retirement. As noted above in the discussion of Tables 3 and 4, the buffer may need to be larger for women to save to personal pensions than for men: Figure 6 shows that only at very high liquid savings levels (more than £30,000) does women's participation in personal pension saving approach that of men.

Finally, there is some evidence that, at very high levels, liquid savings become a substitute for saving into an occupational pension – the proportions of men and women with liquid savings exceeding £30,000 saving into an occupational pension were smaller than those with liquid savings of between £20,000 and £30,000. However this does not emerge for personal pension saving.

Figure 6: Pension saving by amount liquid savings



Notes: Employees aged 16-65. Liquid savings include savings accounts, ISAs, National Savings products, PEPs.

Pension saving and liquid debt

In the Appendix we provide some details of the distribution of liquid debt and its association with pension saving. About half of employees have some liquid debt (such as amounts owing on credit cards, hire purchase, overdrafts and loans) and about half of borrowers owe less than £2000. There are at least two (opposing) mechanisms that could lead to an association between liquid debt and pension saving.

First, having to service debt may reduce the amount of income available for pension contributions (a negative association between debt and pension saving); and second, the extra commitment of saving to a pension may increase the need to borrow for other expenses (a positive association between debt and pension saving). Overall we find little relationship between personal pension saving and liquid debt, but employees with moderate amounts of debt (less than £1000), especially men, are less likely to be in occupational pensions.

Having identified and discussed the relationships between pension saving and individual and household characteristics, we next turn to investigating how occupational and personal pension saving varies across job- and employer-related characteristics.

7. Pension saving and job characteristics

Research question:

- How does participation in pension saving vary by job characteristics?

Key messages:

- 25% of men in a part-time job saved into a pension compared with 60% of men in full-time jobs. This difference is lower among women – 45% of women employed part-time saved into a pension compared with 60% employed full-time.
- Men and women employed in larger workplaces are more likely than those in small workplaces to be saving into a pension. About 80% of those in large workplaces save into a pension compared with less than 40% of those in small workplaces. However, this is caused by occupational pensions – employees in small workplaces are more likely than those in large workplaces to save into a personal pension.
- Much of the differences in pension saving between workplace size and full- and part-time employees can be explained by differences in occupational pension eligibility. Part-time employees and those in small workplaces are less likely to be eligible for an occupational pension.
- There are large differences in the availability of occupational pensions across industries. More than 80% of employees in education, public administration and defence are offered an occupational pension compared with less than 40% of employees in construction, retail, accommodation and food.
- In all industries, part-time employees are less likely to save into an occupational pension than full-time workers, and these differences are more pronounced among men than women.

Background

Previous chapters have pointed to the high prevalence of occupational pension savers, among the population of people who save into a pension. However, since saving into an occupational pension scheme will depend on being eligible, this suggests that variations in the availability of workplace pensions and rules on eligibility are likely to have a key role in determining participation in pension saving.

Findings

Thus far our focus has been on describing the individual and household characteristics of employees who save into occupational and personal pensions. We now focus on job-related characteristics. This is important to determine the extent to which differences across individuals in pension saving can be explained by the

characteristics of the individuals themselves, or whether the availability of occupational pensions differ between jobs and employers.

We first summarise pension saving by employment type (i.e. whether the person is employed in a full-time or part-time job) and the size of the employer (in terms of the number of employees). This is shown in Table 7 for men and women.

This reveals stark differences in pension saving between full- and part-time employees, particularly among men. Only 25% of men working part-time were saving into a pension compared with almost 60% of full-time employees. The gap was much smaller among women: 45% of women employed in a part-time job were saving into a pension, compared with 60% of full-time employees. As will be seen below, part-time work is very uncommon among men – only 7% of men work part-time, compared to 39% of women – so their situations may be very atypical.⁶ We therefore focus our discussion on women working part-time. The difference in pension saving between women in full- and part-time jobs only emerges for occupational pensions: 40% of women in part-time jobs saved into an occupational pension compared with 55% of those in full-time jobs while about 4% of those in full- and part-time jobs saved into a personal pension. At this stage we are unable to say whether these differences in occupational pension saving between full- and part-time employees is caused by part-time workers being in jobs or occupations that do not offer such schemes, but we return to this later.

A number of relationships emerge between retirement saving and workplace size.

Firstly, it is clearly evident that men and women employed in larger workplaces are more likely than those in small workplaces to be saving into a pension. Among male employees, 38% of those working for workplaces with fewer than 25 employees were saving into a pension compared with 60% of those working for workplaces with between 25 and 499 employees and almost 80% of those working for workplaces with 500 or more employees. A similar pattern emerges for women, where 35% of women working for small workplaces employing fewer than 25 employees were saving into a pension compared with 60% of those in workplaces employing 25–499 employees and 80% of those in workplaces employing 500 or more employees. Thus participation in pension saving is much more prevalent among employees working in larger workplaces. This may be related to the occupations or industries in which workers in workplaces of different sizes operate, or the nature of the employment in small and large workplaces. These are issues we return to later in our analysis.

Secondly, much larger proportions of workers employed in large workplaces save into occupational pensions compared to those in small workplaces, and again this is apparent for both men and women. About one in four men and women in workplaces employing fewer than 25 workers were saving into an occupational pension, compared with about three in four in workplaces employing 500 or more workers.

⁶ A quarter of men working part-time are aged 23 or less, compared to less than 10% of women working part-time. Thus some men in part-time jobs may be (part-time) students (though they report their main activity status to be employee). However a large share of men in part-time jobs are also older workers (a quarter of them are 55 or over). As noted previously they may have withdrawn from their career occupation and be bridging the transition to full retirement with part-time work.

Thus participation in occupational pension schemes is much higher among larger workplaces than smaller workplaces, which again might relate to the relative occupations in which people are employed in small and large workplaces. In addition, the fixed cost of setting up a pension scheme can be spread more widely in a large firm.

Table 7: Pension saving by employment type and workplace size

	No pension	Personal pension only	Occupational pension only	Occup. and personal pension	All
<i>Men</i>					
Total	42.2	7.7	47.4	2.7	100.0
Part-time	75.7	4.0	18.8	1.5	100.0
Full-time	41.4	7.1	49.0	2.6	100.0
1-24 employees	62.0	12.4	23.5	2.1	100.0
25-499 employees	40.5	5.3	51.5	2.7	100.0
500+ employees	21.6	1.7	74.0	2.7	100.0
<i>Women</i>					
Total	44.6	4.1	49.5	1.8	100.0
Part-time	54.3	3.7	40.5	1.6	100.0
Full-time	39.7	3.8	54.8	1.7	100.0
1-24 employees	64.9	6.3	27.6	1.2	100.0
25-499 employees	40.4	2.8	55.0	1.8	100.0
500+ employees	20.8	1.5	75.5	2.3	100.0

Notes: employees aged 16-65.

Thirdly, men and women in small workplaces are much more likely than those in large workplaces to save into a personal pension. For example, 12% of men in small workplaces were saving into a personal pension compared with less than 2% of men in large workplaces, and 6% of women in small workplaces were saving into a personal pension compared with less than 2% of women in large workplaces. This might suggest that workers at smaller workplaces have fewer opportunities to join occupational pension schemes than those in larger workplaces, and so save into personal pensions instead.

Hence the majority of full-time employees contribute to a pension, with about one half saving into an occupational pension. The majority of part-time workers do not save to a pension. The majority of employees in large workplaces save into an occupational pension, compared to one in four employees in small workplaces. Relatively high proportions of employees in small workplaces save into personal pensions. In the remainder of this section, we focus on occupational pensions, and examine the extent to which these differences are caused by differences in occupational pension coverage and eligibility.

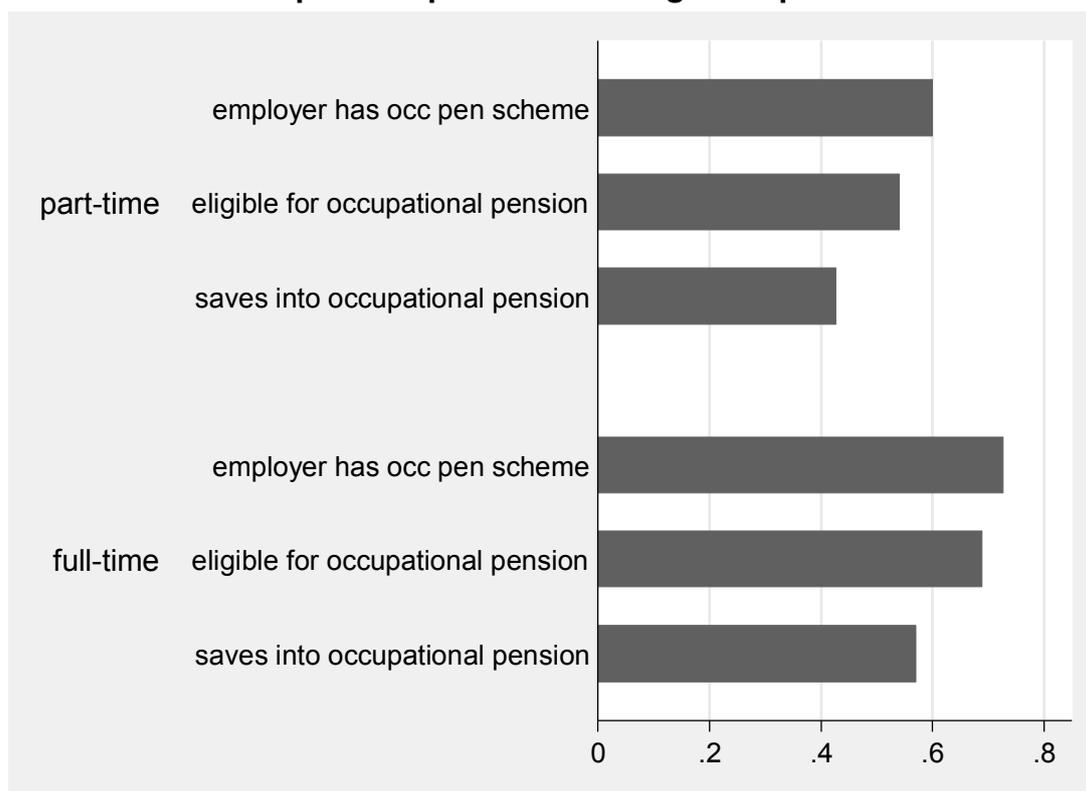
Part-time/full-time status and occupational pension savings

Figure 7 shows the proportions of female employees whose employer offered an occupational pension, the proportions eligible for a pension and the proportions saving into a pension. Women in full-time jobs were more likely than those in part-time jobs to be in firms that offered a pension: over 70% of full-timers were in firms offering a pension compared to 60% of part-timers. Most employees in firms that offered pensions were also eligible for membership, but there was a slightly bigger gap between pension offer and eligibility among part-timers than full-timers.

About 55% of part-timers were eligible (90% of those whose firms offered pensions), while just under 70% of full-timers were eligible (about 95% of those whose firms offered pensions). Note that these differences between full-time and part-time employees do not necessarily imply discrimination in pension provision. They may instead reflect differences in the types of jobs done by the two groups, or reflect rules about which occupations are eligible for a workplace pension. We investigate this in Section 8 when we control for other job characteristics in a model of pension eligibility.

Some 43% of part-time employees saved into an occupational pension compared with 57% of full-time employees. In both cases these proportions represent about 80% of those eligible, therefore the different patterns of occupational pension saving across full- and part-time employees can largely be explained by their eligibility rates. This finding points to eligibility as a major factor driving differences in pension saving across the workforce. We now explore patterns of eligibility across establishment size and industry sector.

Figure 7: Female occupational pension coverage and part-time/full-time status



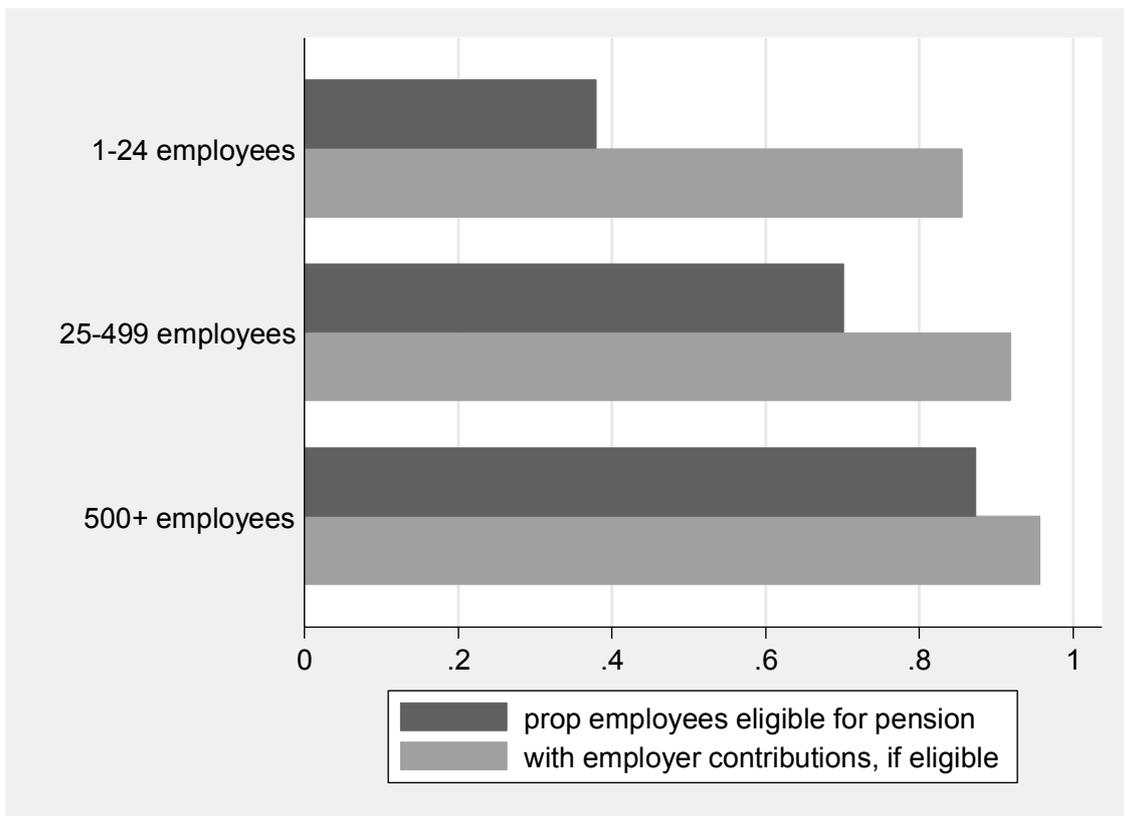
Notes: female employees aged 16-65.

Workplace size and occupational pension savings

In Figure 8 we investigate how occupational pension scheme coverage varies by workplace size, and the extent to which occupational pension schemes offered have employer contributions.

As for part-time workers, the relatively low rates of pension saving among workers in small workplaces may be due to few such employees being eligible for occupational pensions, or because small employers do not make contributions to the pension which deters workers in those workplaces from pension saving. Employees may be more inclined to save into an occupational pension if the employer is also making contributions. Figure 8 indicates that a relatively small proportion of employees in workplaces employing fewer than 25 workers are covered by an occupational pension – less than 40% are covered compared with almost 90% of employees in workplaces employing 500 or more workers. About 70% of employees in workplaces with 25-499 workers are covered by an occupational pension. Conditional on coverage, workers in small workplaces are also less likely to have access to occupational pensions with employer contributions. About 85% of employees in workplaces with fewer than 25 workers who are eligible for a pension would benefit from employer contributions if they joined, compared with 95% of those in workplaces employing at least 500 workers. Therefore the relatively low rates of occupational pension saving among employees in small workplaces may be explained by low levels of occupational pension coverage and of occupational pensions with employer contributions.

Figure 8: Occupational pension coverage by workplace size



As is clear from Table 8, the low eligibility rates in small workplaces affect around a third of the workforce, indicating that small firms may need to be a focus of policy. A further half of employees work in medium sized workplaces, with the remaining fifth in large workplaces. The proportions of men and women are similar across workplace size.

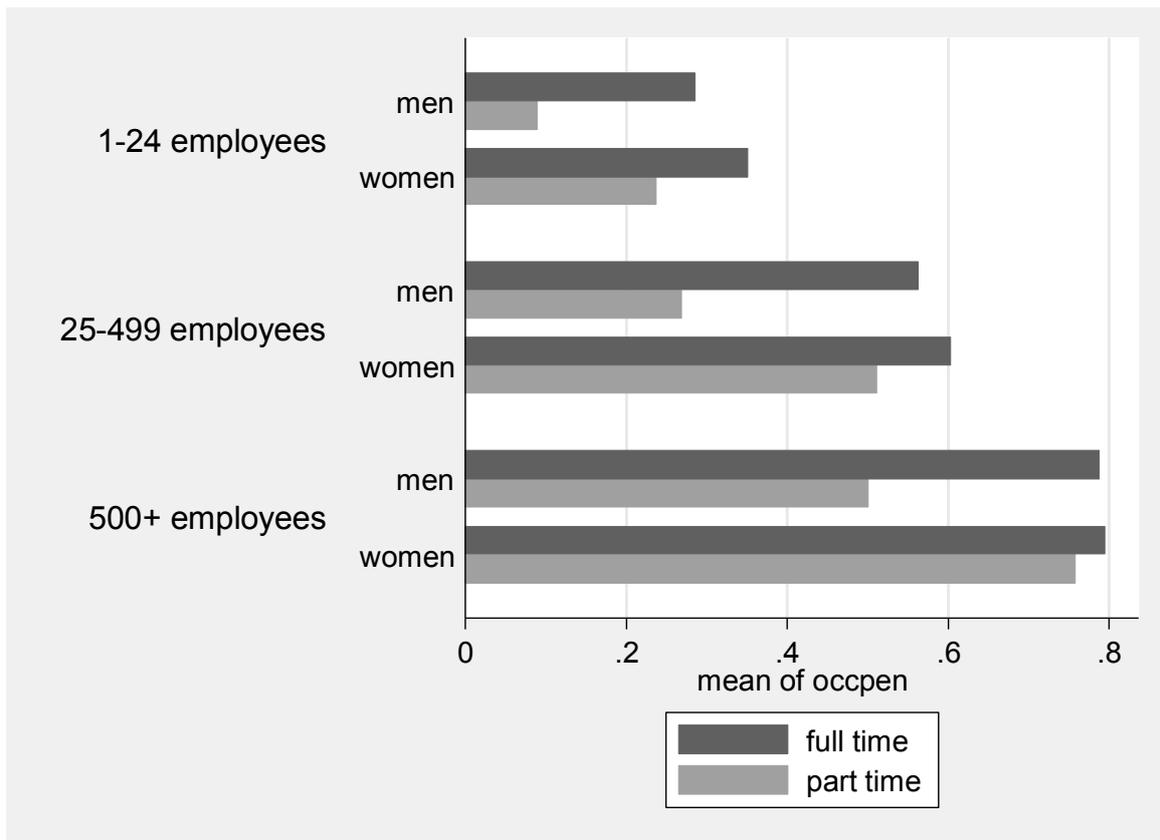
Table 8: Distribution of employees over workplace size, by gender

Workplace size	Female		Total (%)
	Male (%)	(%)	
1-24 employees	30.7	34.2	32.4
25-499 employees	50.7	47.9	49.3
500+ employees	18.6	18.0	18.3
Total	100.0	100.0	100.0

Notes: employees aged 16-65.

In Figure 9 we show saving rates into occupational pensions by workplace size, but disaggregated by gender and full-time/part-time status. Looking at full-time employees, we see a similar pattern of increasing occupational pension participation across workplace size as was documented in Table 7.

Figure 9: Occupational pension saving by hours of work and workplace size



Therefore differences in savings rates by workplace size are not driven by full-time/part-time composition. As already noted, women were more likely to be in occupational pensions than men, and it is notable that the gap between women and men in full-time jobs is the largest in small workplaces. In workplaces with 1-24 employees, nearly 35% of women working full-time saved into occupational pensions, compared to under 30% of men, while in workplaces with at least 500 employees, about 80% of full-time employees of both sexes were in occupational pensions.

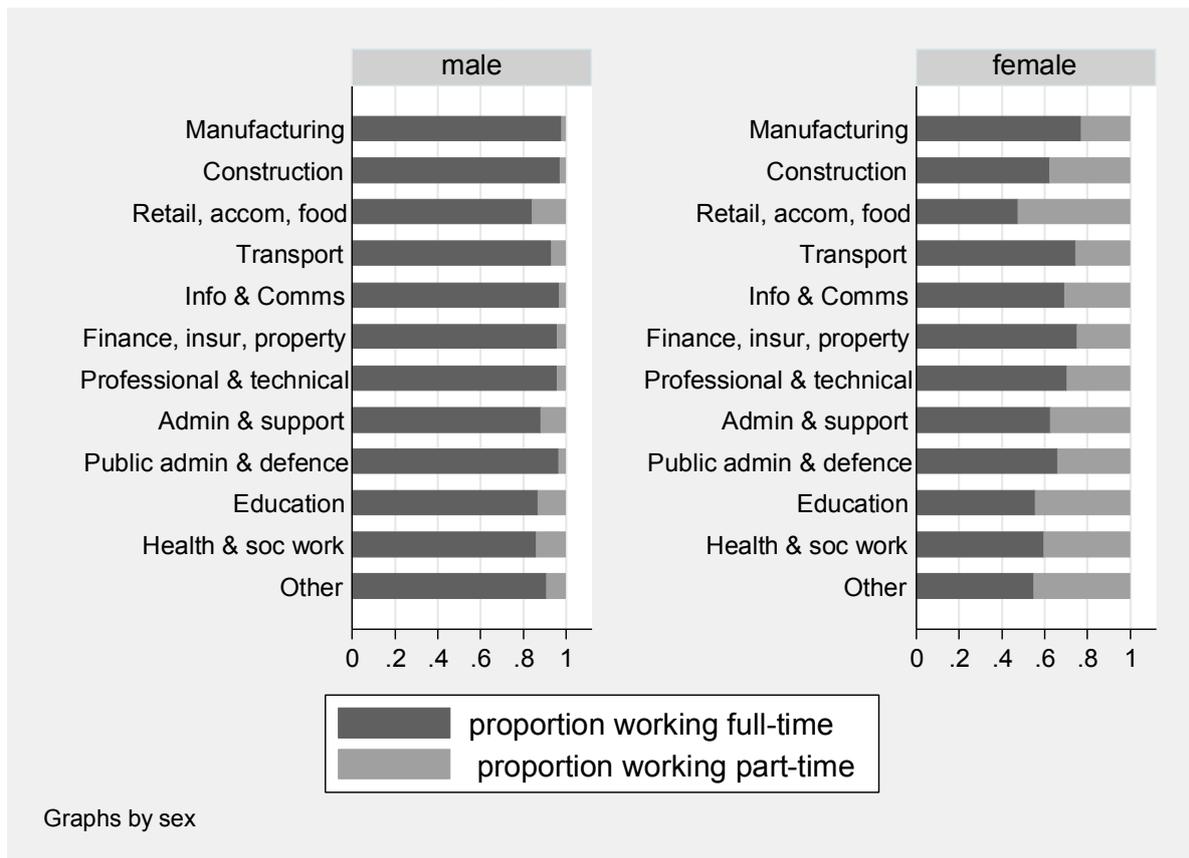
However, although women in full-time jobs in small firms are more likely to be in occupational pensions than men, their part-time counterparts are less likely to participate. The figure shows that the gap in occupational savings rates between full-time and part-time employees (looking only at women, given the low number of male part-time employees) is bigger in smaller workplaces, and in fact almost disappears in large workplaces. In workplaces with 1-24 employees, about 35% of female full-time employees saved to an occupational pension, compared to under 25% of women in part-time jobs. In large workplaces with at least 500 employees, 80% of women in full-time jobs saved, compared to about 75% of part-timers.

Industry sector and occupational pension savings

The distribution of workplace sizes, the prevalence of full- and part-time employment opportunities, and the availability of occupational pension schemes with and without employer contributions are also likely to vary considerably by industry. Given the

strong association between pension saving and being in full- or part-time employment, we first describe the distribution of part-time employment by industry of employment and gender to provide a picture of how rates of part-time employment differ across industries, before investigating pension coverage by industry of employment. Figure 10 summarises part-time employment rates by industry and gender.

Figure 10: Full-time and part-time work by industry and gender



This indicates primarily that part-time employment is considerably more prevalent among women than men. More than 40% of women employed in some industries, such as construction, retail, education and health, were in part-time jobs. Administration and support (consisting largely of employment agencies, cleaning services and business support) and public administration also have high rates of female part-time employment. As already noted, part-time employment among men is low, but as for women is highest in retail, administration, education and health industries (at around 15%). Given this, we might expect to see relatively low proportions of employees in these industries saving into occupational pension schemes.

Table 9 shows how men and women are distributed across industries. Nearly half of men are employed in manufacturing, construction or retail, while nearly two thirds of women work in retail, public administration, education or health & social work. Differences in occupational coverage across industry will therefore affect men and

women very differently, although we know that on aggregate their participation rates are very similar.

Table 9: Distribution of employees across industries, by gender

Industry	Male (%)	Female (%)	Total (%)
Manufacturing	19.4	7.0	13.3
Construction	10.3	2.8	6.6
Retail, accommodation, food	16.7	19.1	17.9
Transport	8.4	2.3	5.5
Info & Communications	5.6	2.6	4.1
Finance, insurance, property	5.5	6.2	5.8
Professional & technical	4.5	4.6	4.5
Admin & support	4.0	3.7	3.9
Public admin & defence	7.9	10.2	9.0
Education	5.5	15.9	10.6
Health & social work	5.3	20.1	12.5
Other	7.0	5.6	6.3
Total	100.0	100.0	100.0

Notes: employees aged 16-65.

Figure 11 summarises occupational pension eligibility, and the proportion of eligible employees whose employers offer contributions, by industry of employment. There is a large amount of variation, for example, less than 40% of employees in administration and support were eligible for an occupational pension as were fewer than 50% of employees in construction and retail, accommodation and food. The retail sector is a major employer of both men and women (employing nearly a fifth of both sexes, Table 9). In contrast more than 80% of employees in industries dominated by the public sector such as education and public administration and defence were eligible for occupational pensions. Given the concentration of women in these industries, this is a factor behind the slightly higher overall occupational saving rate among women.

Hence there are large differences in the availability of occupational pensions across different industries, and so variations in occupational pension saving across workers is at least partly due to differences in the availability of such pensions across firms and industries.

Figure 11 also indicates that there are differences across industries in the proportions of occupational pensions that include employer contributions, although these differences are smaller than those in occupational pension coverage. For example, 80% of employees in administration and support who are eligible for occupational pensions would benefit from employer contributions, compared with almost all employees in public administration and defence and 95% of employees in

education and health and social work. As seen for workplace size, there is much more variation in eligibility across industries than in the offer of employer contributions, thus eligibility rates are likely to play a larger role in explaining differences in occupational pension saving than whether or not the employer contributes to the pension.

Figure 11: Occupational pension coverage by industry

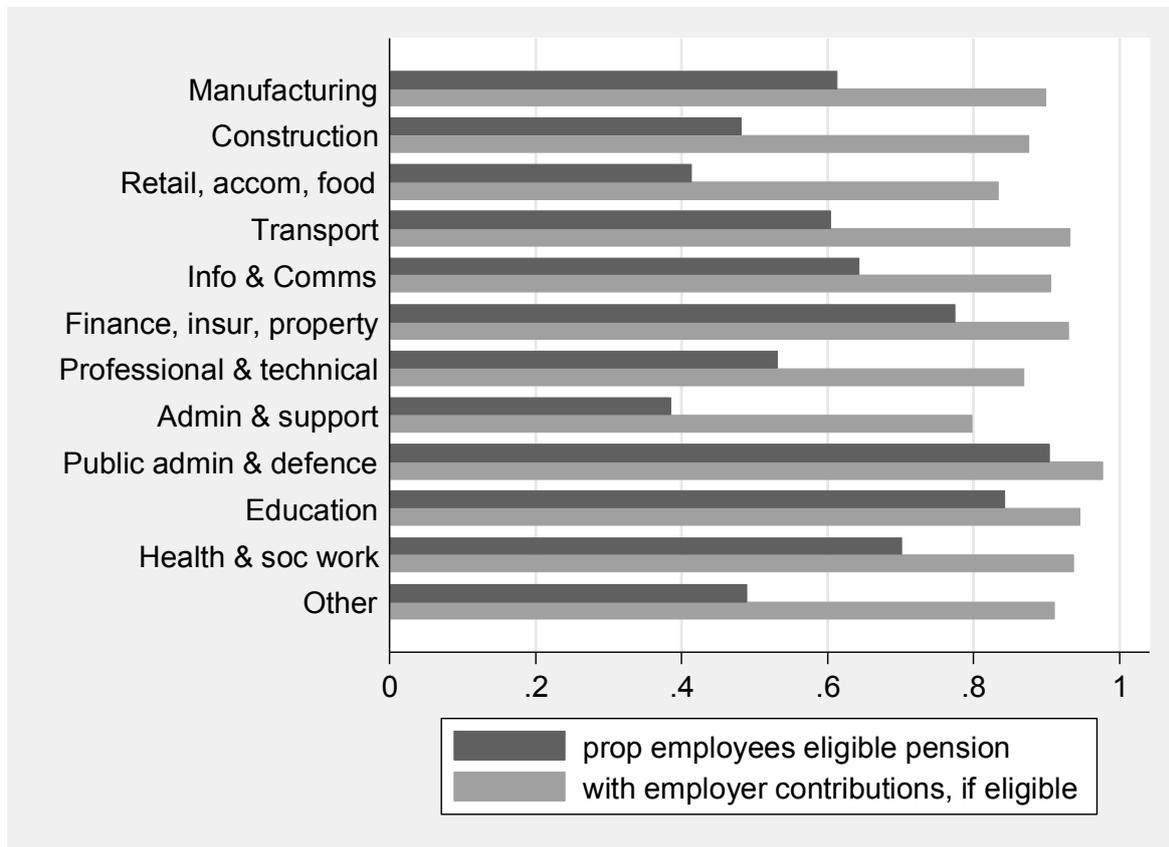
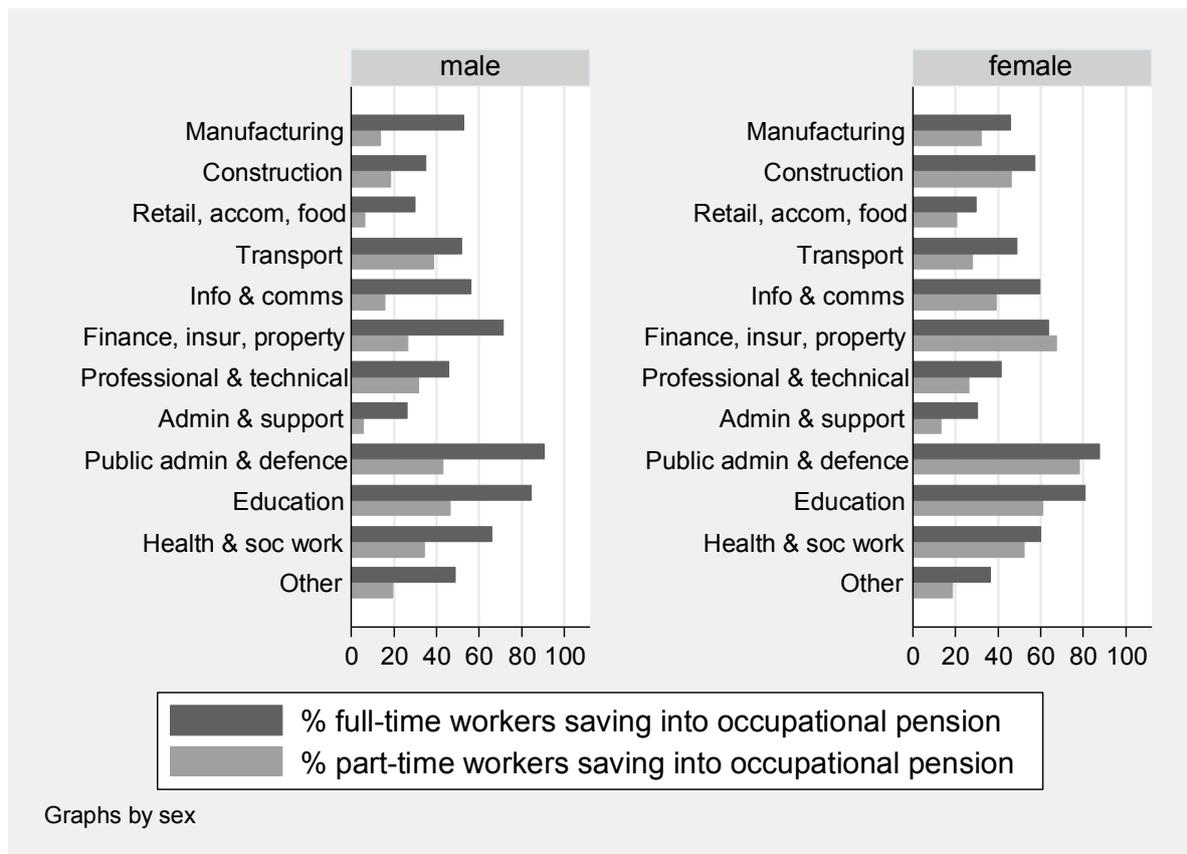


Figure 12 summarises occupational pension saving by industry status and whether employees were in full- or part-time jobs separately for men and women. This reveals stark differences in pension saving between industries. For both men and women occupational pension saving was highest in public administration and in education, which are dominated by the public sector. In these industries more than 80% of full-time employees saved into an occupational pension. In contrast, occupational pension saving was lowest in the retail, accommodation and food industry where at most about 30% of employees were saving. Occupational pension saving is also relatively low in the administration and support industry (though only 4% of employees work in this industry, Table 9). With the exception of construction, where larger proportions of women were saving into an occupational pension scheme than men, occupational pension saving among full-time workers is similar for men and women. These participation rates broadly mirror the pattern of eligibility shown in Figure 11, confirming that eligibility largely drives final levels of pension participation.

There were also large differences between full- and part-time employees *within* industries. Focussing on women in the right-hand panel of Figure 12, we see that that in all industries part-time employees are less likely to save into an occupational pension than their full-time counterparts (with the exception of the finance industry). Industries with noticeably large (proportionate) gaps were transport and information and communications, however they are not large employers of women (they employ 5% of women, compared to 14% of men, Table 9).

Figure 12: Occupational pension saving by industry and part-time status: men and women



Therefore we find considerable differences in pension saving between full- and part-time workers and between employees in small and large workplaces. Further investigation suggests that these differences are partly due to differences in occupational pension scheme coverage and employer contributions between employees in firms of different sizes and in different industries.

8. Pension saving and financial attitudes and expectations

Research question:

- How does participation in pension saving vary by financial expectations, attitudes to saving and pensions knowledge?

Key messages:

- Almost 90% of employed men and women who expect their largest source of income in retirement to be their private pension save into a pension, as do more than 50% who expect property or a future inheritance to provide their largest source of income in retirement.
- Sizeable proportions of employees who expect to receive most of their post-retirement income from other sources still save into a pension.
- A larger proportion of women than men expect the largest source of retirement income to be the state pension, irrespective of their current pension saving activity.
- 20% of men and 12% of women not currently saving into a pension expect to rely on income from an occupational or personal pension in retirement.
- 40% of men and women not currently saving into a pension expect most of their income in retirement to come from savings, investments, property, inheritance or some other source.

Background

During the last decade, policymakers have displayed increasing interest in public attitudes to saving, pensions and how people's characteristics shape their financial behaviour. Policy measures to promote education and awareness of pensions have been developed. It is therefore important to understand how pension saving interacts with financial attitudes and expectations

Findings

Having described differences in retirement saving by individual, household and job-related characteristics, we next investigate the extent to which saving into pensions varies with people's financial attitudes and financial engagement.

While we expect to find strong associations between attitudes, expectations and pension saving, it is difficult to establish causality and identify whether a person's attitudes determine whether or not they save into a pension, or whether a person's pension saving behaviour affects the way they report their attitudes and expectations.

Despite this, it is useful to see whether the associations between attitudes and saving behaviour are in the expected directions, and whether they persist in multivariate models after controlling for a range of other determinants of pension saving.

Expected sources of retirement income and pension saving

We first examine the association between saving into occupational and personal pensions and the respondent's largest expected source of retirement income, i.e. how individuals say they expect to fund their retirement.⁷

Table 10 shows that 44% of employees expected their private pension (occupational or personal) to be their biggest source of retirement income. This proportion is less than the pension participation rate of 55% (Table 1), indicating that not all savers had high expectations of their pensions. This is particularly clear for women, of whom only 37% expected their private pension to be the largest source of income, and is consistent with women making lower contributions than men (because of lower earnings) despite their comparable participation rates.

A quarter of employees expected the state pension to be their largest source of income, and again there is a gender gap: 30% of women and 21% of men expected the state pension to be their largest income source. This suggests that any erosion of the value of the state pension will have implications for a sizeable minority of employees, especially women.

About 30% of employees expected their main retirement income to come from non-pension sources, of which the most common was savings or investments, followed by realising income from their home (by borrowing against their property, renting out rooms or downsizing), income from a second property, and inheritances. The residual "other" category (covering 5% of employees) includes financial support from a partner. While this may cover partners' pensions, it seems more likely that respondents would report such income in the main pension category.⁸

⁷ WAS also collected information about how many years of retirement respondents expected to fund. We do not use this information because only about a third of employees were able to answer this question.

⁸ The questionnaire does not include a category for partners' pensions. The other items in the "other" category are income from businesses, sale of valuables, part-time or freelance work, state benefits, and any remaining sources.

Table 10: Largest expected source of retirement income, by gender

Largest expected source of retirement income	Male (%)	Female (%)	Total (%)
State pension	21.3	29.7	25.6
Occupational/personal pension	50.3	37.4	43.7
Savings/investments	9.9	9.3	9.6
Home equity (or renting rooms)	6.4	8.8	7.6
Second property	4.4	3.6	4.0
Future inheritance	3.7	5.3	4.5
Other	4.2	5.9	5.1
Total	100.0	100.0	100.0

Notes: employees aged 16-65.

We now look at the relationship between pension saving behaviour and expected main income. We break up this analysis into two age groups, the over 50s and those aged 50 or younger, because it is likely that individuals closer to retirement will have more accurate knowledge of their likely future income from pensions and other sources. In addition, older age groups may be more likely to be in DB schemes, and so know how their much pension will pay out, while income from DC schemes depends on the prevailing annuity rates at the point that a pension pot is converted into an annuity.

Figure 13: Pension saving by largest expected source of retirement income

(a) Aged 16-50 years



(b) Aged 51-65 years



Figure 13 shows pension participation according to the largest expected source of income, for 16-50 year olds in the top panel (a), and for the over 50s in the lower panel (b). The figure reveals, unsurprisingly, men and women who expect their largest source of retirement income to be their private pension were more likely to be saving into a pension. Approaching 90% of such men and women were saving into pension (80% into an occupational pension and 10% into a personal pension). However, there were a small proportion of employees that expect their main source of retirement income to be their private pension but who were not saving into a pension. This proportion was very similar in the two age groups, suggesting that there are both younger workers who intend to start saving into a pension in the future, and older workers who have already accumulated pension savings and are near to retirement.

The figure also shows that more than 50% of employed men and women who expect property (either their home or their second property) or a future inheritance to provide their largest source of income in retirement nevertheless still save into a pension. Indeed among men, and also older women, relatively large proportions save into a personal pension.

Similarly about 40% of younger men and women, and more than 50% of older men and women, who expect to mostly rely on other savings and investments for their retirement income saved into a either an occupational or a personal pension.

Generally the pattern of pension saving by expected main income is similar for the two age groups, and indicates some diversification when planning for retirement as sizeable proportions of employees who expect to receive most of their post-retirement income from other sources continue to save into occupational or personal pensions.

A difference worth noting between age groups is among those who expect to rely on the state pension. Only around 20-25% of employees under 50 who expected the state pension to be their main income were saving into a private pension, while over 40% of their older counterparts were saving. This may indicate that the older group have taken out private pensions to supplement their expected state pension income, or that they are generally more pessimistic about the income they can expect from private sources relative to the state pension. We can shed some light on this by looking at expectations within each pension saving status.

Figure 14 examines the largest expected source of retirement income by pension status. For each employee's current pension saving activity, it summarises their largest expected source of retirement income. Comparing the two age groups, we see that older employees are much more likely than younger workers to expect the state pension to be their largest source of income. For example, less than 15% of younger men saving into a personal pension (only) expected to rely on the state pension, compared to 40% of such men in the older age group. Younger employees had correspondingly higher expectations of private income sources, including pensions, investments and inheritances.

There are several potential explanations for this pattern. First, since older employees should have a better idea of future pension income than the younger group, the

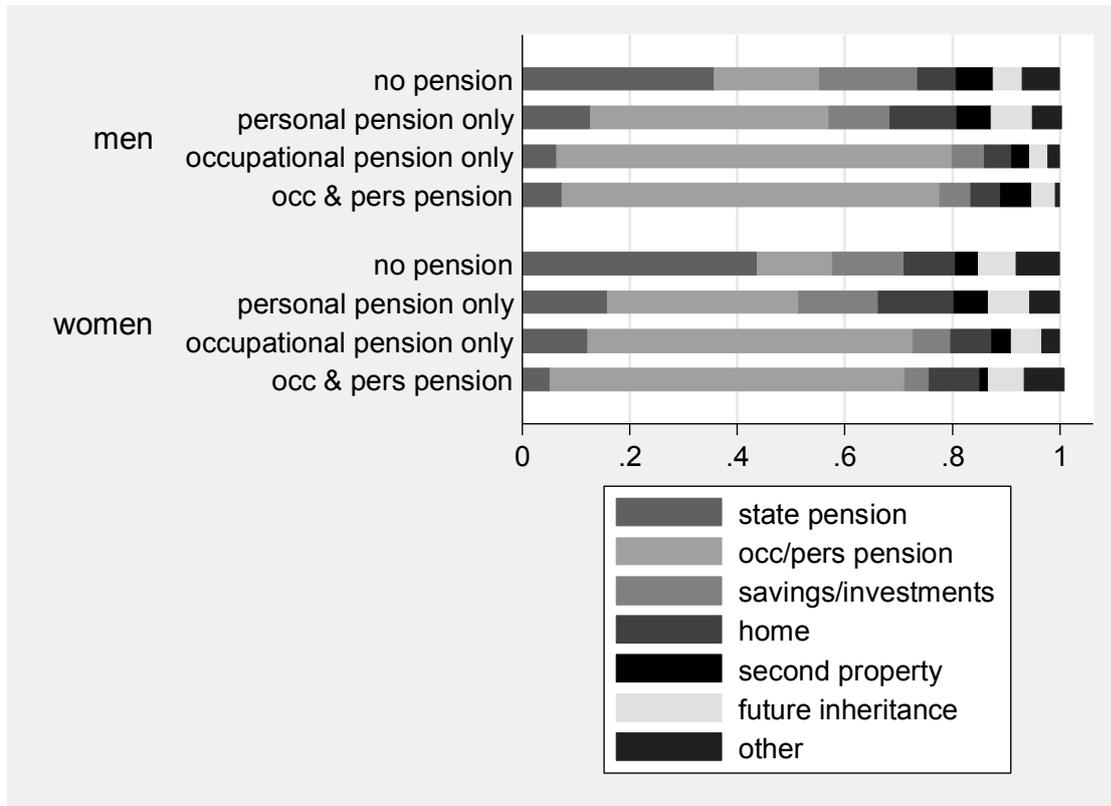
young may be overestimating the returns from private sources. Alternatively, the young may have lower expectations of the state pension. It is also possible that the young correctly anticipate receiving larger inheritances (as property from their parents) than do the over 50s. About 7% of the younger age group expected inheritances to be their main source of retirement income, compared to only about 2% among the over 50s. This would be consistent with the benefits of housing boom accruing to the (now retired) older generations.

It is noticeable from this figure that a larger proportion of women than men expect the largest source of retirement income to be the state pension, irrespective of their current pension saving, and that this pattern is particularly prevalent among older employees. For example, among employees over 50, about 45% of men and nearly 60% of women who currently do not save into an occupational or personal pension expect most of their income in retirement to come from the state pension. This pattern is also evident among those currently saving into personal and/or occupational pensions.

About 30% of older men not currently saving into a pension expect to rely on income from an occupational or personal pension in retirement, suggesting that they have accumulated pension rights previously. But only some 10% of older female employees not currently saving into a pension expect to be able to rely on a private pension (as noted 60% of them expect their main income to come from the state pension). In the younger group, about 20% of men and 15% of women expect their main income to come from private pensions, suggesting that they are intending to start saving into a pension in the future. About 30% of older men and women (and over 40% of younger men and women) not currently saving into a pension expect most of their retirement income to come from savings, investments, property, inheritance or some other source. These may be concentrated in higher income groups.

Particularly among the younger age group, large proportions of employees who save into a personal pension only expect the largest source of retirement income to come from non-pension savings, property, a future inheritance or from somewhere else. For instance, among younger men and women saving only into a personal pension, over 40% expect to rely mainly on non-pension sources, with 45% expecting to rely on their personal pension and 15% on the state pension. In contrast 70% of younger men and 60% of younger women saving into an occupational pension expect the largest source of retirement income to be from their pension, while 30% of such women and 20% of such men expect non-pension sources to fund most of their retirement income. These differences between personal and occupational pensions suggest that personal pension savers take a more active, diversified approach to pension saving.

**Figure 14: Largest expected source of retirement income by pension status
(a) Aged 16-50 years**



(b) Aged 51-65 years



Financial attitudes and pension saving

We now turn to consider a range of financial attitudes measured in WAS. Table 11 shows the proportions of employees holding various attitudes, such as whether they consider themselves savers rather than spenders and whether they prefer a good standard of living today to saving for retirement.⁹

Most of the attitude variables are derived from questions asking the respondent to what extent they agree with the statement summarised in the first column of the table. We define the respondent as holding a given attitude if they strongly agree or tend to agree with the statement (as opposed to neither agreeing nor disagreeing, tending to disagree or strongly disagreeing).

Attitudes to risk and time preferences are derived from different questions. Risk attitudes are measured using a question about whether the respondent would prefer a guaranteed payment of £1,000 or a one-in-five chance of receiving £10,000. Individuals are defined as risk averse if they prefer the guaranteed payment and risk tolerant if they prefer the one-in-five gamble. Time preferences are derived from a question asking whether the respondent would prefer £1,000 today or £1,100 next year. We define them as impatient if they prefer £1,000 today and as patient if they are prepared to wait for £1,100.

Table 11: Financial attitudes, by gender

Holds attitude:	Male (%)	Female (%)	Total (%)
Tend to buy when can't afford	14.8	18.7	16.8
More of a saver than a spender	40.7	37.7	39.1
Tend to buy on credit and pay later	24.1	24.6	24.4
Risk tolerant	27.1	19.3	23.1
Risk averse	71.8	79.6	75.8
Patient	25.0	19.5	22.2
Impatient	74.3	79.7	77.1
Prefer living today to saving for retirement	36.5	38.5	37.5
Pension best way to save for retirement	53.9	50.6	52.3
Property best way to save for retirement	58.1	57.1	57.6
Know enough about pensions to make decisions	50.4	33.4	41.9

Notes: attitudes are binary variables to indicate that the respondent tends to agree or strongly agrees with attitude statement, except: risk tolerant indicates respondent prefers a 20% chance of £10k to £1k with certainty; risk averse indicates respondent prefers £1k with certainty to a 20% chance of £10k; patient indicates respondent prefers £1,100 next year to £1,000 today; impatient indicates respondent prefers £1,000 today to £1,100 next year.

Table 11 shows that there is a mix of attitudes that potentially influence the decision to save into a pension. Substantial minorities held attitudes that do not seem conducive to pension saving: 38% preferred a good standard of living today to saving

⁹ We do not use some other subjective variables – whether respondents tended to shop around for the best interest rates, whether they had heard of changes to pension policy, and their expectations about their financial outlook – because they were only asked to half the sample.

for retirement, a quarter tended to buy things on credit, 17% tended to buy things they couldn't really afford; and a majority (three quarters) of employees were impatient about financial rewards.¹⁰

On the other hand, 39% of employees saw themselves as savers rather than spenders and a small majority agreed that pensions were the best way to save for retirement.¹¹ However, only 42% of employees thought they knew enough about pensions to make decisions.

Figures 15 and 16 illustrate how these attitudes among employees correlate with occupational and personal pension saving respectively. For comparison purposes, the top bars for men (women) show the average level of savings among all male (female) employees. There are a number of important patterns that emerge from the charts.

First, about 60% of employed men and women who say that they know enough about pensions to make decisions were saving into an occupational pension (compared to an average rate of about 50%). Participations rates in personal pensions were similarly higher among those who felt they knew enough about pensions (Figure 16). This confirms the expected positive correlation between knowledge about pensions and pension saving – but a caveat here is that while this might suggest that improving people's knowledge and awareness of pensions and the pension saving environment will raise pension saving, it may also suggest that saving into a pension increases peoples knowledge of pensions.

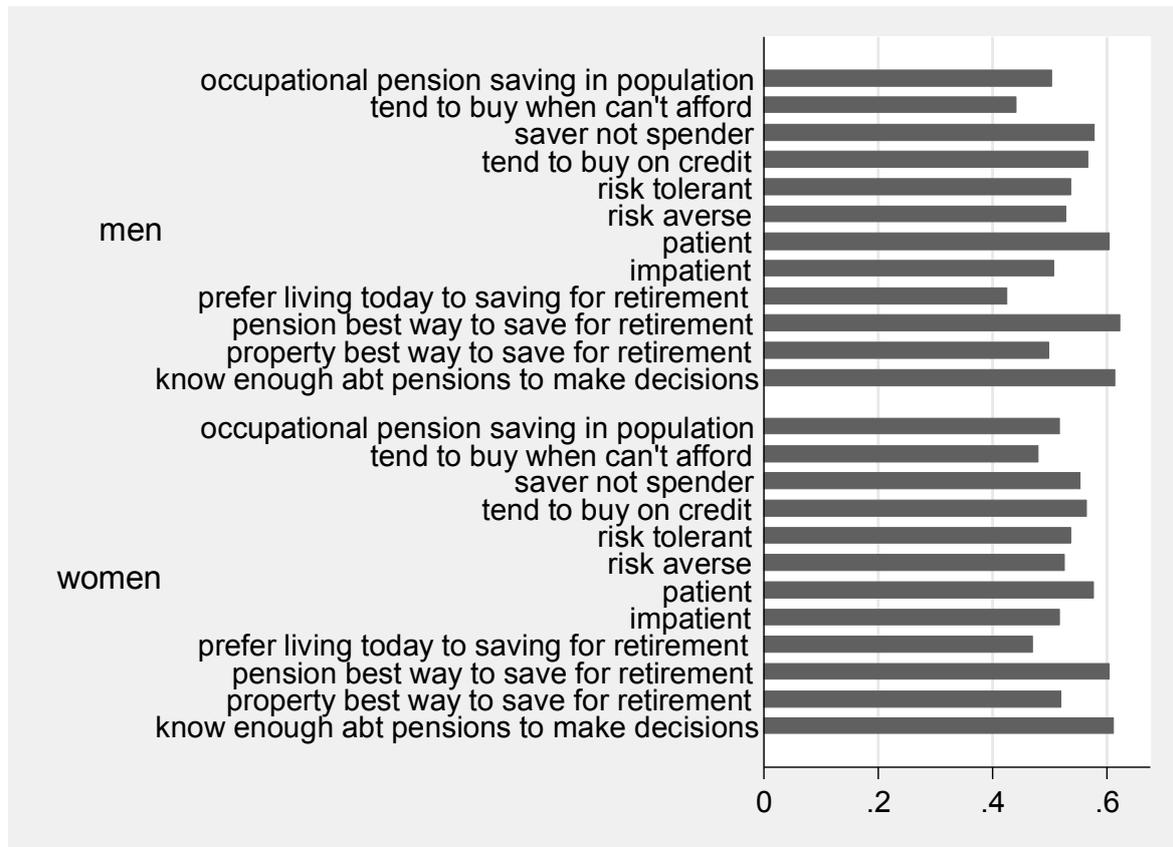
Pension saving, both occupational and personal, was also higher than average among those who consider themselves to be savers rather savers. Perhaps surprisingly, employees who tend to buy things on credit and pay later also have higher savings rates than average.

In contrast, pension saving was relatively low among men and women who tend to buy when they cannot afford (around 45% save into an occupational pension) or who prefer a good standard of living today to saving for retirement (again, around 45% save into an occupational pension). Participation rates in personal pensions show similar patterns: less than 8% of men and 4% of women who tend to buy when they cannot afford saved to a personal pension (compared to overall averages of 9% and 5% respectively). These are as we expect, although we need to be aware that, for example, reporting a preference for spending today rather saving for retirement may reflect saving behaviour as well as causing it.

¹⁰ We do not have information on the "opposites" of most attitudes, e.g. who preferred retirement saving to a good living standard today, since these questions were not asked.

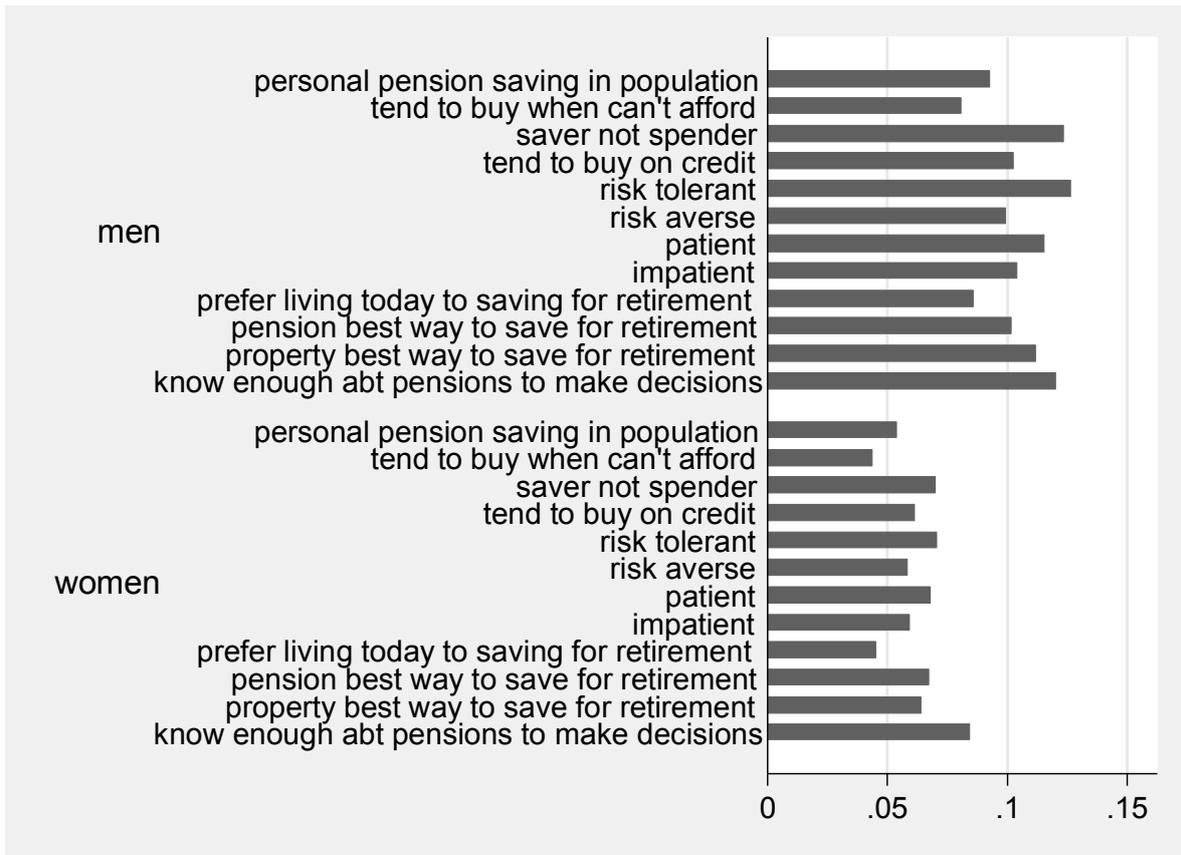
¹¹ There are clearly some inconsistencies in responses about the best means to save for retirement, because while 52% thought pensions were the best way, 58% thought that property was the best way. The responses can add to more than 100% because they come from two separate (though consecutive) questions.

Figure 15: Financial attitudes and occupational pension saving



Turning to risk and time preferences (for which we have both “positive” and “negative” dimensions of each attitude), Figure 15 indicates that risk tolerant men and women are slightly more likely to save into occupational pensions than those who are risk averse, but the difference is small. By contrast, there is a much larger (proportionate) gap in personal pension saving behaviour between the risk tolerant and risk averse, especially for men. Over 12% of risk tolerant men save into a personal pension, compared to 10% of risk averse men. This larger gap may be because personal pensions are perceived as being more risky. We return to this issue in the multivariate models. Financially patient employees are more likely to save than impatient individuals. The largest proportionate gap is again for men, but for occupational pension saving. Over 60% of patient men save to an occupational pension compared to 50% of impatient men.

Figure 16: Financial attitudes and personal pension saving



Overall although some of the associations between financial attitudes and pension saving are as we might expect, there are some exceptions.

9. Determinants of employer pension eligibility, and participation in occupational and personal pensions

Research question:

- What factors are associated with being eligible for a workplace pension?
- What factors are associated with participation in occupational or personal pension saving?

Key messages:

- The main determinants of eligibility for a workplace pension are industry sector and workplace size. Compared to public administration, which has the highest eligibility, eligibility is some 45 percentage points lower in the professional & technical and administration & support industries. Employees in workplaces with less than 25 employees are 43 percentage points less likely to be eligible than those in workplaces with 500 or more employees.
- Controlling for occupation and employer characteristics, there are no differences in the eligibility of part-time and full-time workers.
- Among eligible employees, the offer of employer contributions increases participation in occupational pensions by 71 percentage points, and is the dominant factor affecting participation.
- Employees with student loans are about 5 percentage points less likely to contribute to an occupational pension than those without a student loan.
- Outright home owners are more likely than mortgage holders or tenants to save to a pension, in particular a personal pension (by 4 percentage points). Among mortgage holders, those with low housing equity and mortgage arrears are less likely to save into occupational pensions. High income and savings favour participation in both types of pension, although the effects decline beyond certain thresholds.
- Employees are about 11 percentage points less likely to save to a personal pension if they are eligible for a workplace pension.
- Financial attitudes and pensions knowledge can explain some pensions saving decisions, but as for other personal and household factors, they are less important than eligibility and employers contributions.

Background

In previous sections we have highlighted and discussed relationships between pension saving and a range of individual, household, job and employer-related characteristics. However, these relationships were bivariate and do not take into account other potential confounding or mediating factors. In this section we present

the results from some multivariate models that explain eligibility for a workplace pension, and participation in occupational and personal pension saving, as a function of a selected set of factors than that can be assumed 'exogenous' (or independent) determinants of the pension saving decision. The results from these statistical models more accurately reflect the impacts of various characteristics on the propensity to save for retirement.

Findings

The next stage in our analysis is to estimate multivariate models of pension saving. Unlike the preceding analysis, the models now presented control for other factors and (observable) characteristics that are also associated with individuals' propensities to engage in pension saving.

This sort of analysis enables us to identify the association between individual factors with participation in pension saving, *independent of the effect of other factors*. This sort of analysis is highly valuable in helping to quantify the relative importance of individual, household, job and employer-characteristics in the decision to engage in pension-saving.

The WAS is a particularly rich source of a wide range of such characteristics allowing more reliable and robust conclusions to be drawn. We therefore estimate a range of different models to distinguish between the opportunities and choices individuals face, and the characteristics associated with outcomes of interest at each stage:

- First, we estimate a model to identify the key factors associated with whether employees are eligible for an occupational pension, and in doing so, focus on the 'supply' of workplace pension saving.
- We then estimate models to identify the key factors associated with whether or not people join an occupational pension if eligible.
- Finally we estimate a model to identify the key factors associated with whether or not people save into a personal pension.

In particular, it is important to undertake analysis of factors associated with being eligible for occupational pensions, in order to be able to assess how employment characteristics – size of employer, sector – determine participation in pension saving, independently of individual and household characteristics (gender, education, financial attitudes, etc.).

We present and discuss the results from each of these models below.

It is important to highlight from the outset that every individual in the sample – and by extension, all working-age employed individuals in the population – each display every characteristic analysed here, for example, gender, level of earnings, level of education, sector of employment, financial attitudes, etc.

As such, the effect of those factors identified here as being positively or negatively correlated with participation in pension saving can be thought of as being additive, in that an individual displaying two factors positively associated with pension saving will

be more likely to engage in pension saving by an amount approximately equal to the sum of these correlations.¹²

9.1 Eligibility for occupational pension

We first discuss results from models identifying whether or not employees are eligible for an occupational pension.

Our descriptive analysis indicated that such eligibility varies considerably by firm size, hours of work and industry, and our statistical models now examine how robust these findings are when allowing for potentially confounding and mediating factors.

Figure 17 summarises the results from the model, where the bars indicate the percentage point change in the probability of being eligible for an occupational pension associated with each factor (for further details of how to interpret the effects, see Appendix B). The results indicate that a number of individual and job and employer-related characteristics are important.

Focusing initially on the characteristics of the employee, our results indicate that older workers are more likely to be eligible for an occupational pension than younger workers with otherwise similar characteristics. However, the size of this effect declines with age (the effect of age squared is negative), and we find that occupational pension eligibility increases up to the age of about 45 after which it starts to fall again.

This relationship between age and occupational pension eligibility may reflect two potential lifecycle processes, as well as a cohort effect:

- First as workers' careers progress, they develop skills and experience that make them more likely to be employed in jobs offering an occupational pension.
- Second, it is possible that as workers age they become more concerned about their wellbeing in retirement and they seek jobs that offer occupational pensions.
- Third, if there have been reductions over time in occupational pension availability, this too will be reflected in the estimated age coefficients, with younger workers less likely to be eligible than their older counterparts.

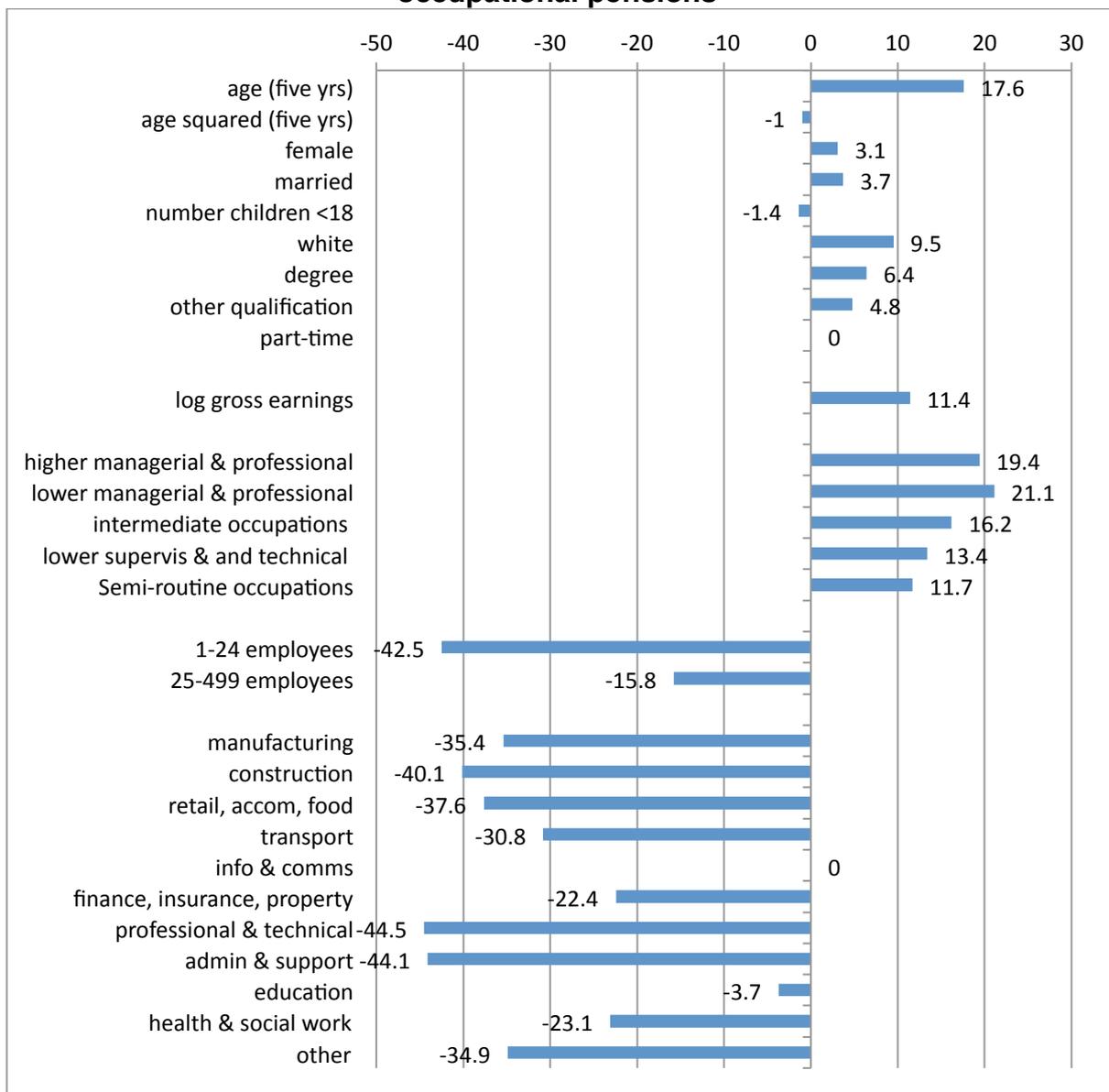
We are unable to distinguish between these processes with these data.

Other individual characteristics that are associated with whether or not employees are eligible for occupational pensions include gender, family status, ethnicity and education level:

¹² An individual who is already highly likely to participate in pension saving owing to an accumulation of favourable factors (e.g. being in a large workplace in the public sector) will be relatively uninfluenced in their behaviour by an additional favourable factor (e.g. having a degree). Therefore the total effect of two or more factors on pension participation is only approximately, not exactly, equal to the sum of the effects of each factor taken separately. Since the impact of a factor on pension saving (measured as the percentage point change in the probability of saving) depends on the other factors and characteristics, the effects presented here are calculated for a person with an average set of characteristics.

- *Gender*: women are three percentage points more likely than men to be eligible for an occupational pension scheme.
- *Family status*: married employees are four percentage points more likely to be eligible than single people. While the latter may suggest that those with family responsibilities seek out jobs and employers that offer occupational pensions, we find that the number of children aged below 18 reduces the probability of being eligible.
- *Ethnicity*: those of white ethnic origin are about ten percentage points more likely than ethnic minority employees with the same individual and job characteristics to be eligible for occupational pensions, while occupational pension eligibility also increases with educational attainment.

Figure 17: Factors affecting whether or not employees are eligible for occupational pensions



Notes: Probit regression. Columns show % change in likelihood of being eligible for an occupational pension. Omitted categories: routine occupations; 500+ employees; public administration and defence. 23251 observations.

However the impacts of these individual-level characteristics are for the most part dwarfed by those of job- and employer-related characteristics:

- *Earnings*: the probability of occupational pension eligibility increases with employment income – employees in higher wage jobs are more likely than those in low wage jobs to be eligible for an occupational pension. A 10% increase in gross earnings (equal to 0.1 log points) is associated with a 0.46 percentage point increase in pension take-up.
- *Occupational status*: differences in occupational pension eligibility emerge by occupation – and in particular employees in higher status occupations are more likely to be eligible for an occupational pension than those in low status occupations. For example, those in managerial and professional occupations are some twenty percentage points more likely to be eligible than those in routine, elementary occupations, while those in intermediate, lower supervisory and technical and semi-routine occupations are between twelve and sixteen percentage points more likely.

There is therefore a clear occupational gradient in pension eligibility, even when adjusting for differences between occupations in earnings.

- *Workplace size*: the model finds that workplace size also has a large impact on the probability of occupational pension eligibility, even when holding occupation and industry constant. Our estimates indicate that workers in workplaces employing fewer than 25 people are more than forty percentage points less likely to be eligible for an occupational pension than otherwise similar workers in workplaces employing at least 500 people. Workers in workplaces employing between 25 and 499 people are sixteen percentage points less likely to be eligible.

Thus workplace size has a strong association with occupational pension eligibility.

- *Industry*: our estimates also highlight the associations between industry of employment and occupational pension eligibility, even when adjusting for firm size, income, occupation and individual level characteristics. The base industry category is public administration and defence, and since all the other industry effects are negative (or not statistically significant), then as suggested by the earlier bivariate analysis, public administration offers the highest level of pension eligibility. Working in professional & technical and administration & support industries are associated with the lowest probabilities of pension coverage, some 45 percentage points below that associated with working in public administration. By contrast, working in education is associated with an eligibility rate of only four percentage points less than public administration.
- *Full-time/part-time*: once adjusting for workplace size, occupation and industry, as well as a range of individual characteristics, we find no statistically significant difference in occupational pension eligibility between full-time and part-time employees. Hence the higher eligibility rates among full-time employees found in the bivariate analysis are actually caused by differences in occupation, industry or firm size etc. between full- and part-time employees.

Comparing full- and part-time employees in the same industries, occupations and workplace sizes etc, we see no difference in their eligibility.

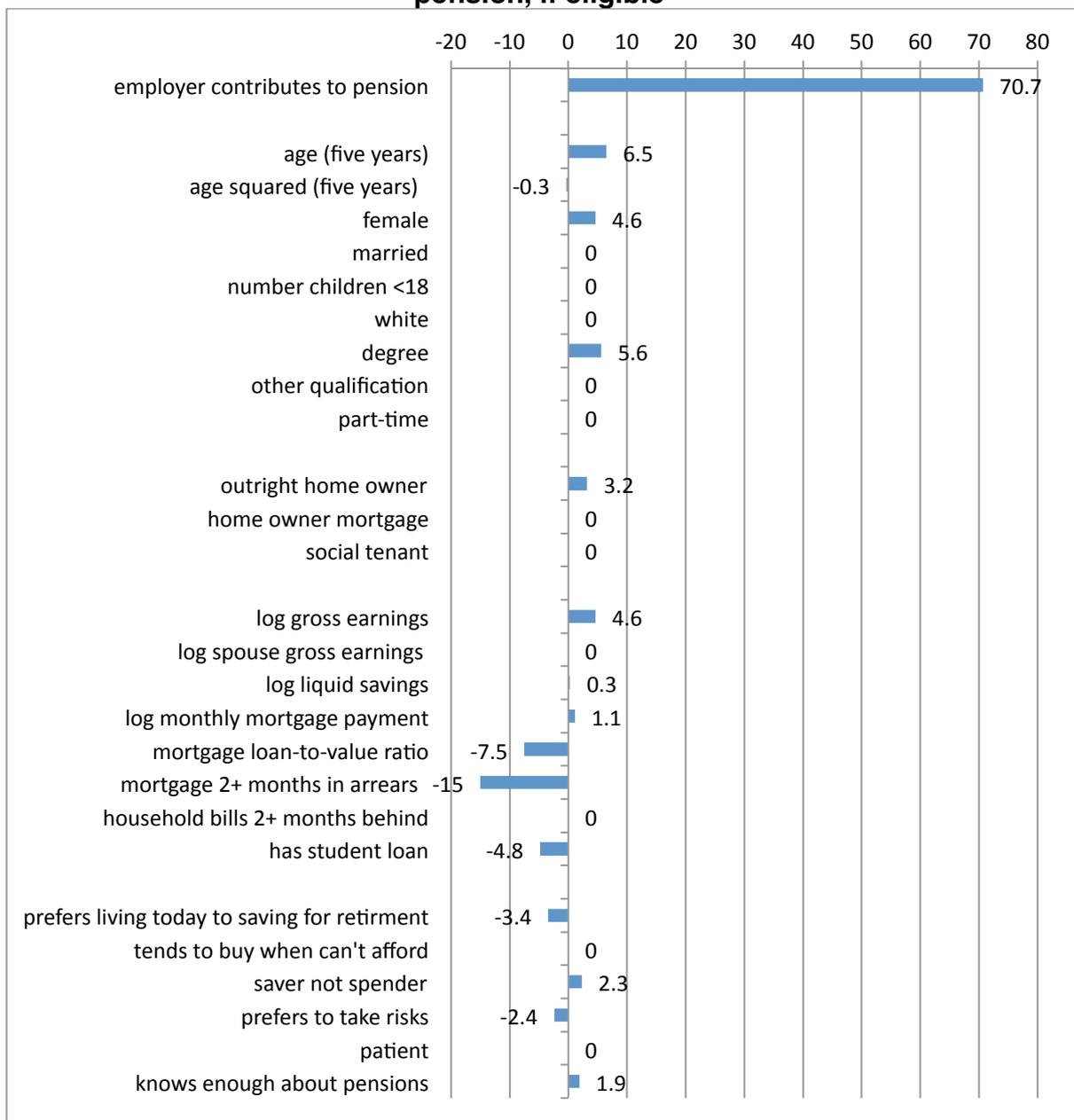
Having described the factors that have the largest impact on whether or not employees are eligible for an occupational pension, we next turn to identifying key factors associated with whether or not individuals join an occupational pension, if eligible.

9.2 Saving into an occupational pension scheme, if eligible

Figure 18 presents the estimated effects of a range of individual and household characteristics on the probability of saving into an occupational pension if eligible.

This analysis therefore identifies the independent association between each characteristic of the individual and the decision to save into an occupational pension, given its availability. This is a decision made by the individual, and therefore we only include individual and household characteristics in our statistical models.

Figure 18: Factors affecting whether people save into an occupational pension, if eligible



Notes: Probit regression. Columns show % change in likelihood of joining an occupational pension, if offered. 9732 observations.

The analysis indicates that employer contributions to the occupational pension is a major factor in the decision to save – increasing the probability of saving into the occupational pension by 71 percentage points. This is clearly the dominant effect, although it may include the impact of other factors also associated with employer contributions. For instance, employers offering contributions may promote pension membership more heavily among the workforce than those not offering contributions. Therefore this large effect may be considered an upper bound on the “pure” contributions effect.

Other individual characteristics that are associated with higher probabilities of saving into an occupational pension are:

- *Age*: as for eligibility, the “age” effect is positive while the “age squared” effect is negative, resulting in a hump-shaped age profile. Calculations from the profile show that older employees are more likely to contribute to a pension, but participation flattens off and begins to fall after age 55;
- *Being a woman*: women are five percentage points more likely to save into the pension than otherwise similar men. Since the analysis controls for eligibility, this effect does not reflect the slightly higher eligibility rates among women compared to men;
- *Having a degree*: having a degree is associated with a probability of saving into a pension that is six percentage points higher than having no qualifications.

Thus older workers, women, and the highly educated are more likely to be saving into an available occupational pension than younger workers, men and the less educated.

Other factors appear to have no independent association with participation in pension saving if eligible:

- *Partnership status*: controlling for other factors, being married appears to have no influence on pension saving;
- *Children*: the presence of children under the age of 18 in the household appears to have neither a positive or a negative effect on participation in pension saving;
- *Ethnicity*: once other factors have been controlled for, it does not appear that being white on its own increases the probability of someone participating in pension saving;
- *Part-time*: the fact that someone is part-time does not on its own reduce the probability of someone participating in pension saving.

Our analysis then explores other characteristics of interest:

- *Tenure*: compared to private tenants (the base category), neither social tenants nor mortgage holders are more likely to contribute to a occupational pension, however outright home-owners are about three percentage points more likely to participate. This suggests that home ownership may favour pension saving, but only once the mortgage is paid off. A possible explanation

is that outright ownership is an indicator of high net assets, which increase the affordability of pension saving. .

The next set of characteristics relates to the individual's financial position:

- *Earnings*: those with higher employment incomes have a greater probability of saving into an occupational pension if eligible;
- *Spousal earnings*: participation in pension saving does not appear to be associated with spousal earnings, suggesting that the decision by individuals to participate in pension saving is independent of what the spouse earns;
- *Savings*: a 10% increase in savings (equal to 0.1 log points) is associated with only a 0.03 percentage point increase in pension take-up. Thus it appears that there is very little association between level of savings and participation in pension saving, consistent with the earlier analysis that beyond a certain volume of liquid savings, there was little association between possessing liquid savings and pension saving;
- *Mortgage arrears*: being in mortgage arrears is associated with a 15 percentage point lower probability of saving into a pension. This perhaps is not surprising – individuals in households under severe financial pressure do not participate in saving for retirement. The size of the effect is relatively large, but being in mortgage arrears is a relatively rare event. This does however indicate that sharp increases in interest rates, which would raise the number of workers exposed to unsustainable mortgage costs, would have major 'knock-on' effects for pension saving.
- *Household bills in arrears*: it appears that there is no association between being two months in arrears with household bills and whether or not someone participates in an occupational pension. This may indicate a level of 'stickiness' to occupational pension saving, and that pension contributions may not be the first item that households cut when faced with bills in arrears;
- *Mortgage repayments*: a 10% increase in the size of mortgage repayments (equal to 0.1 log points) is associated with a 0.1 percentage point increase in pension take-up. Thus it does not appear that the amount of household income spent on mortgage repayments has a large influence on decisions to participate in pension saving.
- *Mortgage loan-to-value ratio (LTV)*: a 10 percentage point increase in LTV is associated with a 0.75 percentage point decrease in pension take-up. Again this a modest effect, but it highlights that mortgage pressure in the form of arrears (see above) or low equity is associated with lower occupational pension take-up.
- *Student loan*: having a student loan is associated with a lower probability of saving into an occupational pension, of five percentage points. The negative association between occupational pension membership and having a student loan has important policy implications, given the decision of the government to raise the cap on university tuition fees, with the result that in future, a greater proportion of the employed population will be the repaying the costs of higher education, and for longer. Our estimates indicate that one perhaps unanticipated outcome of this may be a decline in occupational pension saving with longer-term consequences.

The final group of characteristics relates to financial attitudes:

- *A good standard of living today vs saving for retirement:* those who prefer living today to saving for retirement - and who therefore heavily discount the future in favour of the present - are about three percentage points less likely to save into an occupational pension. This association is as we expect, although we cannot conclusively identify the direction of causality – do attitudes shape behaviour, or does behaviour influence responses to such attitudinal questions?
- *Attitudes to risk:* employees who report preferring to take risks are also less likely to save into an occupational pension, by two percentage points. Again this is as expected – choosing not to join an occupational pension scheme can be interpreted as risky behaviour.

Some financial attitudes appear to be positively associated with participation in occupational pensions:

- *Saver not a spender:* individuals who identify themselves as savers rather than spenders are two percentage points more likely to save into an occupational pension, independent of other factors. However, this effect is relatively small, and should be caveated by the fact that financial behaviour and attitudes may be self-reinforcing, i.e. individuals who opt to save in a pension may be more likely to describe themselves as a saver;
- *Knowing enough about pensions:* controlling for other factors, individuals who report knowing enough about pensions are two percentage points more likely to participate in occupational pension saving. Again, this finding must be treated cautiously, as individuals may judge themselves to know about pensions on the basis that they are saving into a pension.

Some financial attitudes appear to have no association with participation in occupational pension saving:

- *Patience:* once other factors have been controlled for, a person's self-reported level of patience appears to have no association with participation in occupational pension saving.
- *Buying when you cannot afford:* although some individuals report that they buy things they cannot afford, this form of behaviour appears to have no independent association with decisions to participate in pension saving.

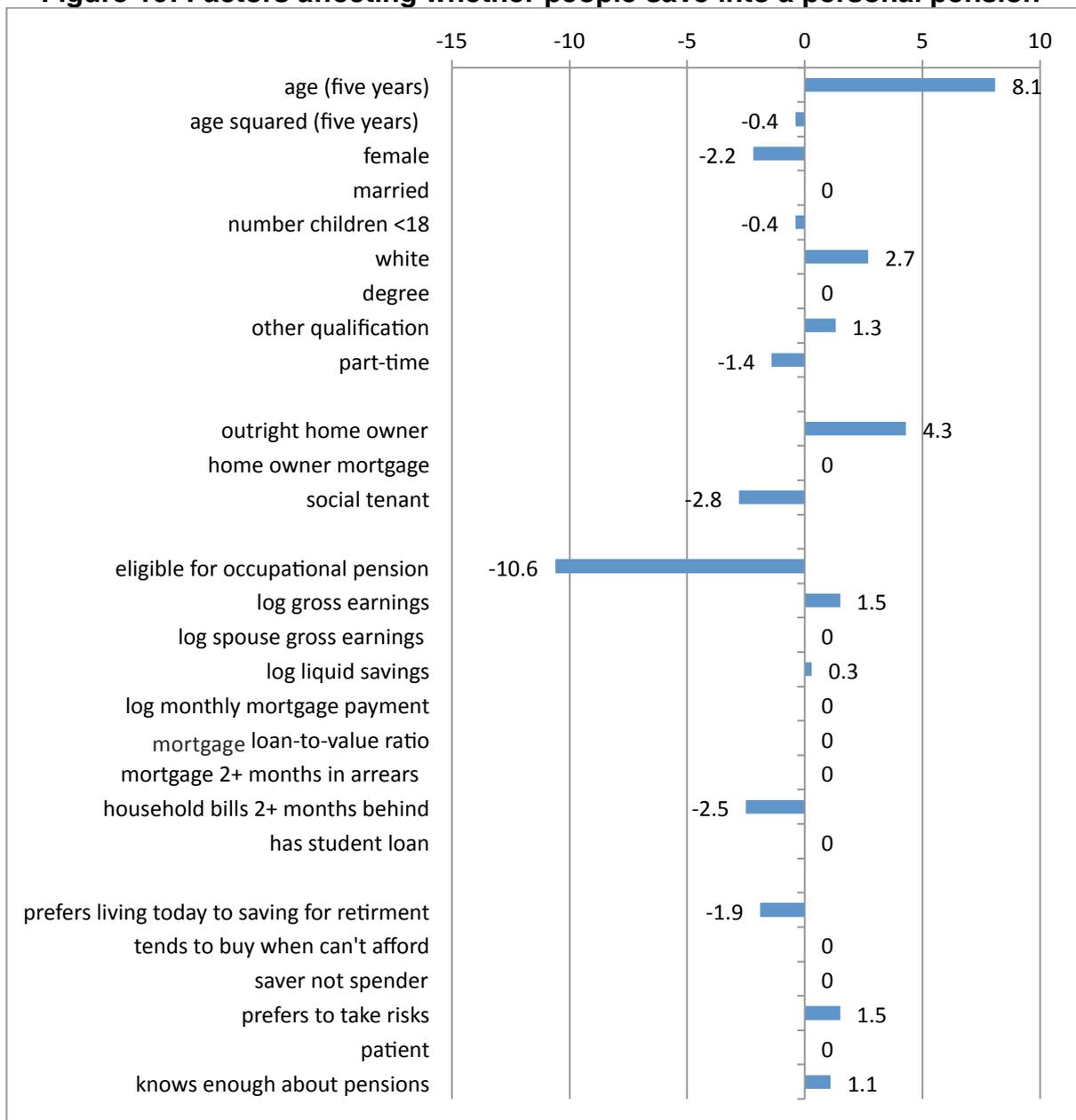
The principal conclusion that can be drawn from this analysis is employer pension contributions represent the major factor associated with joining an available occupational pension. Indeed, it is striking that the strength of association is so large as to potentially cancel out the effect of multiple factors that may negatively influence participation in occupational pensions, such as having a student loan, preferring to live for today, and not knowing enough about pensions so as to feel confident about making a decision on participation.

The individual's financial situation is also important. Other individual and household characteristics and financial attitudes exhibit small associations with occupational pension scheme membership, by comparison.

9.3 Saving into a personal pension

Finally, we present a model to explain saving into a personal pension. Because the decision to take out a personal pension is made at the individual level, we include a similar set of individual and household characteristics as in the model of occupational pension take-up. We also include a variable to indicate whether or not the employee is eligible for an occupational pension, because the bivariate analysis indicated some substitution between the two types of pension. We use eligibility for an occupational pension rather than saving because saving partly reflects the choice to take up the pension. This choice may be affected by (as well as affecting) the personal pension decision.

Figure 19: Factors affecting whether people save into a personal pension



Notes: Probit regression. Columns show % change in likelihood of joining an occupational pension offered with contributions. 16,240 observations.

The estimates are presented in Figure 19. Some key findings are as follows:

- *Occupational pension eligibility*: employees who were eligible for an occupational pension were nearly 11 percentage points less likely take out a personal pension. This appears to be the single most important factor in determining personal pension participation. That eligibility for an occupational pension reduces personal pension saving is perhaps not surprising – employees with an occupational pension have less need to save on their own behalf – but it does suggest that the greater availability of workplace pension schemes may have an effect on participation in personal pensions.

The remaining estimates show some similarities compared to the occupational pension model, but also some differences:

- *Age*: as for occupational pensions, older employees are more likely to save to personal pensions, with the effect peaking at around 50 years after which participation falls.
- *Gender*: unlike occupational pensions, women are less likely to save into a personal pension (by 2 percentage points);
- *Children*: having children slightly reduces the probability of saving (by 0.4 percentage points per child),
- *Part-time*: being a part-time worker makes someone less likely to save (by about one percentage point).

Also unlike the occupational pension model, there are large effects associated with different types of housing tenure:

- *Social tenants*: compared to private tenants, social tenants are less likely to save to a personal pension (by 3 percentage points);
- *Home-ownership*: outright home owners with no mortgage are more likely to save into a personal pension (4 percentage points).

Given the low overall participation in personal pensions (7%, reported in Table 1), these can be considered large effects.

The financial characteristics show similar effects to the occupational pension model.

- *Earnings*: higher earnings are associated with a higher probability of personal pension saving. A 10% increase in earnings is associated with a 0.2 percentage points increase in the probability of saving.
- *Spousal earnings*: however, spouse's income once again has no effect on pension saving;
- *Liquid savings*: once more, liquid savings have a marginally positive effect on personal pension saving;
- *Mortgage expenditure*: unlike occupational pension saving, the level of mortgage repayments does not appear to affect personal pension saving;
- *Mortgage loan-to-value ratio (LTV)*: there is also no association between LTV and personal pension saving;
- *Mortgage arrears*: being in mortgage arrears does not affect the probability of saving.

- *Household bills in arrears*: unlike for occupational pension saving, being arrears with household bills is associated with lower participation in personal pensions.
- *Student loan*: we do not find any effect of having a student loan the probability of saving to a personal pension.

Therefore, as for occupational pensions, own earnings and savings appear to play a modest role in determining personal pension saving. However, unlike occupational pensions, neither the level of mortgage commitments nor student loan commitments have an effect on personal pension saving, although outright home owners are much more likely to save.

As for occupational pension take-up and financial attitudes also affect saving into personal pensions. The effects are generally in the expected directions, but a notable exception is that risk tolerant employees, who were less likely to take up an occupational pension, are more likely (conditional on being eligible for an occupational pension) to take out a personal pension. This may not be surprising to the extent that personal pensions are seen as more risky than occupational pensions: they are always defined-contribution and may require choices over investment portfolios.

As for occupational pensions, knowledge of pensions is associated with more saving: employees who felt they knew enough about pension were one percentage point more likely to save.

Thus, while there are some similarities in the factors affecting occupational and personal pension saving, there are also some differences, suggesting that different processes may be at work. Taking out a personal pension may be seen as a household financial decision, while an occupational pension is viewed as part of the work compensation package. This might explain why household factors like housing tenure and the number of children are more important for personal pensions (as well as part-time status if part-time work is an indicator of secondary earner status). However, this cannot be the whole story because measures of household finance seem to matter, though in different ways, for both types of pension.

10. Conclusion

Using the rich data available from the Wealth and Assets Survey, this research has examined the factors associated with pension saving among employees in Great Britain. The majority of pension saving is through occupational rather than personal pensions, and the most important factors determining whether an employee saves into a occupational pension are: 1) eligibility in the workplace, and 2) the offer of employer contributions.

Pension eligibility averages around 60% of employees but differs widely across industries and workplaces. Only about 40% of employees are covered in the retail sector (employing nearly a fifth of the workforce) and in small workplaces (which employ a third of the workforce), compared to 80-90% in public administration and education (employing a fifth of employees) and large workplaces (nearly a fifth of the workforce). This suggests that ongoing pension reforms which require employers to offer workplace pensions will be successful in raising rates of participation in pension saving, with particularly large effects in sectors like retail and in small firms.

Some 80-90% of eligible employees are already covered by employer pension contributions (with relatively little variation across industries and firms), but the offer of employer contributions is the main factor associated with take-up among eligible employees. Thus the introduction of mandatory employer contribution should also be important in raising participation rates.

The reforms should also reduce inequalities in pension participation across households, given that partners within couples currently tend to reinforce each others' pension saving behaviour.

Eligibility for a workplace pension also has an impact on participation in personal pensions, with employees being significantly less likely to save to a personal pension if they are eligible for a workplace pension. This suggests that the pension reforms may reduce the demand for personal pensions.

Personal and household factors have somewhat less effect on pension saving. Higher earnings and savings favour both occupational and personal pension savings, although the effects may tail-off beyond a certain point. Heavy financial commitments and financial stress, as reflected in mortgages arrears and low housing equity, discourage take-up of occupational pensions. Having a student loan is also associated with lower occupational pension take-up, thus there could be a tension become the increase in student loans and policy to encourage pension saving.

Attitudes to saving, risk and time preferences affect pension saving appear to have an effect, but their effects are much smaller than factors such as workplace eligibility

and employer contributions. This points to the need for pension policy built around these structural factors, rather than simply trying to encourage individuals to have a positive attitude toward saving.

A final consideration is that private pensions are only one form of retirement saving. Even among employees saving to pensions, a sizeable proportion expects their main retirement income to come from other sources (including the state pension). While this shows that there is high diversity in pension planning, it also indicates that workplace pensions will need to be of good quality if they are to remedy the problem of retirement undersaving.

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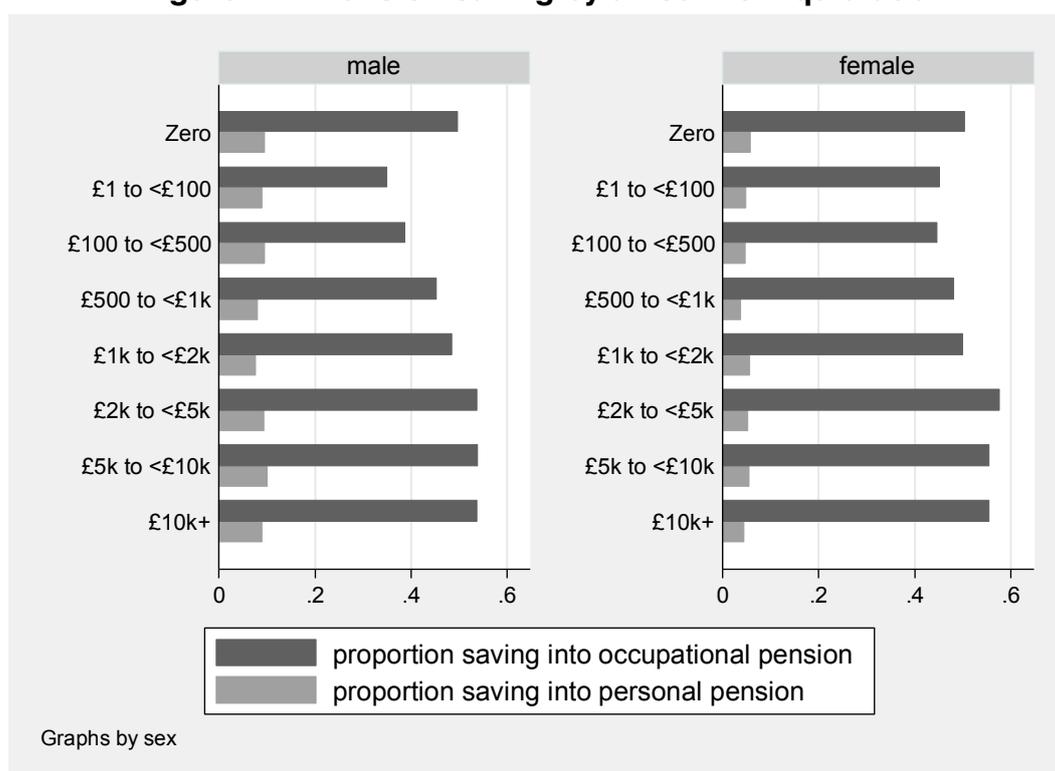
12. Appendix A

Table A.1: Distribution of liquid debt, by gender

Amount of liquid debt	Male (%)	Female (%)	Total (%)
No liquid debt	51.3	49.6	50.5
£1 to <£100	2.1	3.5	2.8
£100 to <£500	7.0	9.9	8.4
£500 to <£1k	5.2	6.0	5.6
£1k to <£2k	6.5	7.0	6.7
£2k to <£5k	10.3	10.1	10.2
£5k to <£10k	8.6	7.6	8.1
£10k+	9.1	6.3	7.7
Total	100.0	100.0	100.0

Notes: employees aged 16-65. Liquid debt includes amounts owed on credit and store cards, mail order, hire purchase, commercial and student loans, informal borrowing, overdrafts, and household bills.

Figure A.1: Pension saving by amount of liquid debt



Notes: Employees aged 16-65. See note to Table A.1.

13. Appendix B

Interpreting multivariate models of pension participation

The bars in Figures 17–19 are derived from the estimated coefficients from multivariate models of pension participation. In each case the bar indicates the percentage point change in the probability of pension participation due to the factor concerned or, for variables denoting quantities (such as number of children), due to a one unit change in that factor.

For instance in Figure 17 (pension eligibility), the female bar is associated with a percentage point effect of 3.1. This means that a woman is 3.1 percentage points more likely to be eligible for an occupational pension than a man of the same age, and in the same occupation, industry, and size of workplace etc (having the same values for all other variables in the model). Therefore if a man had a 50% probability of being eligible, a comparable woman would have a 53.1% probability of being eligible.

Also in Figure 17, the number of children variable is associated with a percentage point effect of –1.4. Thus, compared to a person with one child, a person with two children is 1.4 percentage points less likely to be eligible for an occupational pension.

Two types of variable are interpreted slightly differently:

1. We wish to capture the possibility that, for example, pension participation may increase with age for younger people but then flatten off and decrease with age for older people. Therefore the age variable is introduced into the model as a simple linear term, to capture a constant slope in age, and also as a squared (quadratic) term, which represents the change in the slope at different ages. The total effect at any given age is the combination of both terms. In Figure 17 the linear term is associated with a percentage point effect of 17.6, and the squared term with a percentage point effect of -1. The combination of a positive linear term and a negative squared term will generally give a hump-shaped age profile. Formally, the total effect (of an increase of 5 years) at a given age is given by: linear effect + 2 * squared effect * age/5. Thus the difference in the probability of pension eligibility of a 25 year old compared to a 20 year old would be: $17.6 + 2*(-1)*(20/5) = 9.6$ percentage points.
2. Variables such as earnings, savings and mortgage repayments are introduced into the model by taking their natural logs. This ensures that the changes considered are in percentages rather than absolute values (£ for example). The simplest way to interpret these effects is to consider a 10% change in the variable. This corresponds to 0.1 log points and so the effect is equal to one tenth of the value reported. In Figure 17, the log of gross earnings is associated with a percentage point effect of 11.4. Therefore a 10% increase in earnings is associated with a $11.4 * 0.1 = 1.14$ percentage point higher probability of being eligible for an occupational pension.

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