Young women’s pension planning in the UK

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Levels of saving

• In the UK approximately 11 million working age individuals will receive lower retirement incomes compared to the level they expect (DWP, 2013).

• Levels of pension saving are lowest among the youngest working age cohorts. For instance, around one in eight (13 per cent) of 18-24 year olds have ever had a private pension compared with eight in ten (81 per cent) of 45-54 year olds (MacLeod et al., 2012).

• Scottish Widows (2014) estimated 50% of women were saving adequately for retirement.
Women and pensions

- As a proportion of men’s median full-time hourly pay, women full-timers receive 81% and part-timers only 52% (Pike, 2011).
- In the UK in 2011/12, the average net income for a single male pensioner after housing costs was £256 per week compared with £212 for women (DWP, 2013).
- The main difference between the genders occurs in occupational pension income with single men receiving £102 per week on average from this source, compared with £63 per week for single women in 2011/12 (DWP, 2013).
- Women are nearly three times more likely than men to retire with only the State Pension (Prudential, 2014).
The study

This study considers young women’s (18-30) attitudes towards pensions by using interviews with 30 women about their pensions behaviour and attitudes towards pensions and retirement.
Knowledge and choice

Eve, a nursing assistant, stated:

‘I’ve never really got any information, my own fault really. I’ve never looked into it but I’ve been offered it. I’ve never been offered much information – it’s been do you want it, yes or no, without giving me the benefits of it. I don’t feel like I make sound decisions. I don’t know enough about pensions’.
Knowledge and choice

Jenna, a hairdresser, said:
‘It’s not a thing that you’d sit down and talk about really though, is it?’.

Jane, a market researcher, felt that:
‘it isn’t something I have really thought about and I don’t know where to find out about it, the internet maybe?’.

Hayley, an entertainment manager, reported a concern that:
‘The internet would only tell me the basics, how much the state pension is and that will all change by the time I get to retirement. It wouldn’t tell me whether I should contribute to the scheme my employer offers and cut down on the holidays and cinema and things like that’.
Trust

Dawn, a bar worker, stated that:
‘the state will have to provide for me in retirement because I would be surprised if anyone else does’.

Jane, a supermarket worker, stated:
‘Considering the way things are going I don’t think I will have much for retirement. The state will have to look after me unless I win the lottery or something!’

Linda, a project worker, stated:
‘I’d like to think there would always be a State Pension, and that the Government will just find the money, to fund the pensions, but then with private pensions ... I think it’s difficult because of the investment stuff, so recently there have been a lot of problems with pensions because investments have gone down in value so I think that has reduced my confidence’
Trust

Sarah, a supervisor in a supermarket, stated she would seek advice from:

‘Mum and dad because I always go to them for advice, particularly about money because they’ve always given me good advice in the past’.
Responsibility

Jenna, a hairdresser, said:
‘There are some people in their jobs who have worked bloody hard haven’t they, you know, at school and stuff to get where they are. Then you might get a low life that’s just sat in front of telly smoking 20 a day ... why should he get a top up when he has maybe not worked as hard?’

Eve, a nursing assistant, said:
‘You make your own path out in life and your decisions and you should be saving for your own future.

Samantha, a teacher, felt that:
‘The reason people aren’t saving enough is because they can see that people who have nothing get everything’.

And Lucy, a university lecturer, stated:
‘You don’t want people to be living in poverty ... but on the other hand, I do feel well “tough shit”, if you didn’t plan ahead why should the state’.
Responsibility

Alice, a researcher, stated:

‘The employer has a definite responsibility to look after people . . . And not see people as disposable’.

Rowan, a senior project worker, felt:

‘It can be a big benefit to employment – an employment package – so if that’s something they want to offer me, offer a decent pension not just a token gesture, then great’.
Uncertainty

Eve, a nursing assistant, said:

‘You might be dead tomorrow and so you might as well spend what you’ve got today. I know it’s not really a good answer but that’s how I see it. I think I’m twenty nine now, I’ve got a long time to sixty, anything can happen in between and when you’ve got two children you want to spend what little money you have on them and go places rather than thinking about thirty five years time’.

Tracey, a university admissions officer, said:

‘I suppose it’s based on the fact that right now I don’t feel old enough to be worrying about retiring and I’ve got other things that are more important to me right now and other things that I feel like I’ve got to be doing first. So, I don’t even think about retiring because I’ve got all these other things that I would be spending money on first’.
Uncertainty

Toni, a cleaner, felt:

‘I don’t earn enough to worry about pensions. My partner is earning though and I think he has joined one of those schemes Nick from the apprentice advertised on the telly so we should be ok’.

Rhea, a university researcher, said:

‘I’ve been in a long-term relationship until quite recently and being single and not getting married has made me think ... I need to think about this as a single person. So that’s affected my decision’.
Risk

Linda, a project worker, said:

’I would do high risk when I was younger and move everything into lower risk as I neared retirement’.

Rhea, a university researcher, concurred that:

‘I like the idea of property because I think that’s quite ... safe ... and although prices can go up and down I think that’s quite a safe bet’.
Auto-enrolment

Sally, who works for a small PR company yet to introduce auto-enrolment, stated:

‘I don’t want to have to go to the effort of opting out which will be annoying’

Trish, an artist, stated:

‘I really can’t afford to contribute to a pension now so for me it will be no good’.

Jo, a social worker said:

‘I suppose part of the logic is once people are in it they can’t be bothered to opt-out of it and they perhaps don’t miss it in the same way because they’re used to it’.
Auto-enrolment

Rowan, a senior project worker, stated:

‘People don’t seem to get up and do anything about it themselves so, other than have a massive crisis with millions of poverty stricken pensioners, the government has got to do something, so I think it’s a good idea’.

Sarah, a supervisor in a supermarket, felt:

‘I think it is a good thing to make it an obligation that everybody has some sort of alternative pension scheme available to them, that they really ought to invest in. ‘Opt-out’ rather than ‘opt-in’ is a good standard to set rather than people having to make the choice’.

Donna, a shop worker, who has been auto-enrolled and not opted out, said:

‘I have never contributed to anything in the past and at least I know I am saving for retirement now and won’t have to worry later on’.
Discussion – implications of auto-enrolment

• The default auto-enrolment option, the NEST, employs DC-type features of investment choice and individualised risk where there is no guarantee the fund at retirement will exceed the value of contributions. This is particularly difficult to predict for those some distance from retirement (Hardcastle, 2012).

• Price and Livsey (2013) note that as employers may choose the scheme utilised auto-enrolled workers could find themselves in badly-run funds with substantial annual charges.

• For women, the risk of a wrong decision is especially high, ‘as unpredictable careers and future relationship status are combined with the uncertainties of future investment returns, charges and annuity rates’ (Ginn, 2013). As such, it remains to be seen whether auto-enrolment is a suitable option for all women.
Conclusion

• Pension policy needs to take into account the realities of women’s lives which are often fragmented, steering pension policy away from traditional patterns of male employment.

• There is a need to raise awareness about pensions and the need to contribute from an early age.
References/further reading


• DWP (2014) *Automatic Enrolment opt out rates: findings from qualitative research with employers staging in 2014*, London: DWP


References/further reading