

Public attitudes to pension reform

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Background

To build consensus on pension reform the Government requires evidence on public attitudes to pensions and retirement planning. In November 2005, shortly before the publication of the Second Report of the Pensions Commission, DWP placed a module of questions on BMRB International's face-to-face omnibus survey. This module, with some additions, was repeated by BMRB in February 2006, to provide quantitative information on any changes to public attitudes since the report's publication. The survey findings contribute to a wider body of quantitative and qualitative evidence on attitudes to saving for retirement, pensions, and pension reform. In particular, they are complemented by qualitative focus group research on public attitudes to Pension Reform, consisting of 12 group discussions conducted in November 2005¹. The DWP has also undertaken a major consultation and research exercise through the National Pensions Debate².

Methodology

The same methodology was used for both waves of the survey; face-to-face interviews were conducted with approximately 2,000 adults aged 16 or over in private households in Great Britain. The age and sex structure of the sample was representative of the general population. Some questions in the second survey were only asked

¹ A report of this research, entitled *Pensions and pension reform*, can be found at <http://www.dwp.gov.uk/asd/asd5/rrs2006.asp>.

² <http://www.dwp.gov.uk/debate/>

of half the total sample, numbering approximately 1,000 people. Where relevant this is indicated below in the outline of the findings.

Knowing enough to take the right savings decisions

Respondents who were not retired were asked '*Do you feel you know enough to decide with confidence how to save for your retirement?*'

In the initial survey responses to this question were evenly divided; forty-eight per cent answered yes, and 51 per cent answered no. Fifty-four per cent of men felt they knew enough, compared with 42 per cent of women. Older respondents were more likely than average to answer this question positively.

The results of the repeat survey in February were very similar, with 50 per cent answering yes and 49 per cent answering no.

Trust in pensions

Respondents were asked how much they agreed or disagreed with the statement '*A pension is the most secure way to provide for my retirement*'.

In the initial survey a majority of people (64 per cent) agreed with this statement. Twenty per cent disagreed, and 15 per cent neither agreed nor disagreed. There was no statistically significant difference between the findings of the first and second surveys.

Responses to attitudinal questions about trust are volatile, and can be susceptible to the tone of pensions coverage in the media. The above

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results are similar to those of a 2002 DWP research project³, which found that 65 per cent of people agreed that *'Putting money into a pension is the most secure way of saving for retirement'*. However, this figure fell to 51 per cent in 2004, when Pensions Commission research⁴ repeated the 2002 question. Levels of trust in pensions appear to have recovered since then.

Awareness of pension shortfalls

Respondents were asked *'It has recently been suggested that because many people are living longer, they may have a shortfall of funds in retirement. Were you aware of this suggestion?'*

In both surveys four-fifths of respondents said they were aware of prospective pension shortfalls. Awareness was significantly lower amongst the youngest group of respondents, with only around half of those aged 16-24 saying they were aware.

Overcoming pension shortfalls and working longer

All respondents were asked how much they agreed or disagreed with the statement *'With people now living longer on average, it is right that people should have to work longer before retiring'*.

In the first survey 66 per cent of respondents disagreed with this statement. Nineteen per cent agreed, and 15 per cent neither agreed nor disagreed. Following the publication of the Second Report of the Pensions Commission there was a statistically significant shift in attitudes, with the number of people disagreeing falling to 58 per cent. The number of people agreeing rose to 26 per cent, and again 15 per cent neither agreed nor disagreed.

Respondents who were not retired were also asked *'If you thought you weren't going to have*

enough money in retirement, what would you be likely to do?', and given a number of responses to select.

Despite the findings above, in both surveys the most commonly chosen solution to a pension shortfall was working longer. Thirty-six per cent of people selected this option, and older respondents were more likely than average to select it. Savings-related choices were also frequently cited; 27 per cent said they would save more in their existing savings, and 25 per cent said they would start to save. Twenty-four per cent said they would invest in property. The results of the second survey were similar.

Views on the contributory principle

Respondents were asked *'Which comes closest to your view about people's entitlement to a State Pension? **Either** the more money somebody contributes towards their State Pension through their National Insurance contributions, the more State Pension they should receive, **or** people should get the same amount of State Pension regardless of how much money they have paid into National Insurance contributions'*.

Responses supported the contributory principle; two-thirds of respondents thought that State Pension payments should be related to how much money a person has contributed through National Insurance.

We also asked respondents *'Do you think people who spend time looking after a sick or disabled relative should get the same amount of State Pension as someone who has worked all their life?'*

Four-fifths of respondents thought that carers for sick or disabled relatives *should* receive the same amount of State Pension as somebody who has worked all their life.

State Pension Age (SPA) and retirement age

Respondents were asked how much they agreed or disagreed with the statement *'With people*

³ Mayhew, V (2003) DWP Research report 193: *Pensions 2002: Public attitudes to pensions and saving for retirement*.

⁴ Pensions Commission (2004) Unpublished research.

now living longer on average, it is right at some stage in the future to raise the age at which people can get their State Pension’.

In the initial survey, 64 per cent of people disagreed that, with increased longevity, it is right to raise SPA. This figure fell to 57 per cent in the repeat survey, with the proportion of people agreeing rising from 23 per cent to 27 per cent. Similar proportions of people neither agreed nor disagreed in each wave; the initial figure was 13 per cent, rising slightly to 15 per cent.

In the second survey, only half of respondents were asked the above question. The remainder were asked a new question which was not included in the initial survey. This question asked how much they agreed or disagreed with the statement *‘With people now living longer on average, the age at which people can get their State Pension should begin to rise, starting about 20 years from now’.*

The results are interesting. They indicate that respondents found an increase in SPA considerably more acceptable when it was explained that the change would start in about twenty years from now; 44 per cent disagreed with raising SPA in these circumstances, and 36 per cent agreed. Nineteen per cent neither agreed nor disagreed.

Respondents who thought that it was right to raise SPA were also asked what age they thought it should be increased to.

In the initial survey the most popular choice, selected by 45 per cent of respondents, was 66 years. Increases beyond the age of 68 were unpopular, chosen by only 20 per cent. Six per cent were unsure. The repeat survey produced similar results.

Linking the State Pension to earnings and increasing SPA

Respondents were asked *‘It has been suggested that because people are living longer, State Pension Age may have to start rising, starting in about 20 years time. Which of the following would you prefer? **Either** for State Pension Age*

to rise to 67 in 2040, with the pension amount keeping up with average earnings or for State Pension Age to stay the same, with the pension amount falling in value compared to average earnings’. This question was only asked in the second survey.

Two-thirds of respondents chose for SPA to rise to 67 in 2040, with the amount keeping up with average earnings.

Views on compulsory retirement saving

Respondents were asked how far they were in favour of or against the suggestion *‘It should be compulsory for everyone in work to pay into a private pension’.*

In the initial survey 46 per cent of respondents were in favour of compulsion. There was a statistically significant rise in this figure in the repeat survey, to 51 per cent. The proportion of respondents opposing compulsion fell from 33 per cent to 30 per cent. In both surveys around a fifth of people were neither in favour nor against.

Tax increases

Respondents were asked how far they were in favour of or against the suggestion *‘Taxes should be increased to pay for State Pensions’.*

In the initial survey 52 per cent of respondents were opposed to tax rises, and 31 per cent were in favour of them. The results of the repeat survey were not statistically significantly different.

Automatic enrolment into pension schemes

Respondents were asked ‘For some employers who provide a pension scheme new employees automatically join the scheme. If the employee doesn’t want to join they can ask not to. Please state whether you think employers should or should not make joining the pension scheme and deducting contributions from pay automatic for employees.’

In the initial survey, attitudes to automatic enrolment were evenly divided. Forty-eight per cent of people thought that employers should automatically enrol employees. Fifty per cent thought they should not. There was a statistically significant increase in the proportion of people who favoured automatic enrolment in the repeat survey, to 53 per cent.

The repeat survey also asked respondents who did not think that employees should be automatically enrolled whether they would change their mind if employers also contributed to the pension.

Twenty-eight per cent of respondents who were opposed to or unsure about automatic enrolment changed their mind and said they were in favour of it, once the employer contribution was explained.

In the repeat survey, only half of respondents were asked the above questions. The remainder were asked a new question which was not included in the initial survey. This question asked *‘One suggestion to encourage retirement saving is for employees to be automatically made a member of their employer’s pension scheme, unless they decide to opt out. Both the employer and employee would contribute. How far are you in favour of or against this idea?’*

In this question 77 per cent of people were in favour of automatic enrolment; 31 per cent were *strongly in favour*, and 46 per cent were *in favour*. Compared to the response to the original question, this is a high proportion of people in favour of automatic enrolment. This is attributable, at least in part, to the different wording and answer scale provided. The new question specifically mentioned the employer’s contribution to the pension at the outset, but the original question did not. In addition, the original question only allowed respondents to answer ‘should’ or ‘should not’, whilst the new question gave five possible responses, ranging from ‘strongly in favour’ to ‘strongly against’.

Generally, the findings from the questions on automatic enrolment suggest that a majority of people are in favour of it, when it is combined with an employer pension contribution.

Attitudes to risk

Respondents who were not retired were asked whether they would choose a fund with low risk, some risk, or high risk to provide them with income during retirement. It was explained that the level of risk affects the level of return.

In both surveys a low risk fund with low income was the most popular option, chosen by just under half of respondents. Most of the remainder chose a fund with *some risk* that offered more income. Only five per cent chose a high risk fund that offered a higher level of return.

Attitudes to employer pension provision

Respondents were asked *‘Thinking about the benefits that go with a job, how important is it to you personally that your employer provides a pension?’*. They were also asked how important it was to them personally that their employer contributed to a pension.

In both surveys three-quarters of people said that it was important to them that an employer provided a pension. The same proportion of respondents said that an employer pension contribution was important to them.

We also asked respondents how far they were in favour of or against the suggestion *‘It should be made compulsory for employers to contribute to their employees’ pensions’*.

In both surveys four in five respondents were in favour of this suggestion.

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