PREPARING FOR LATER LIFE: WORKING LONGER AND SAVING MORE

In our ageing society, encouraging people to prepare better for later life by saving more and working longer is an important area of government policy. The barriers to achieving this are particularly marked for low-income households. Those in low-paid and low-skilled work face constraints to saving and are more vulnerable to early exit from the labour market. Attitudes and expectations about later life also diverge according to life stage and generation.

This mixed methods study provides a picture of the barriers and opportunities facing those in low-paid and low-skilled work in relation to preparing for later life, and considers the policies aimed at supporting this group to work longer and save more.

**Key points:**

- The cost of living was cited by participants as a major barrier to saving for later life. With many struggling with day-to-day finances, saving for the future was considered out of reach. Low earnings and insecure work reduced opportunities for pension saving.

- Most participants accepted that they would need to work longer; indeed many felt that they would not have the necessary funds to retire. Older workers were concerned about the barriers to working in later life.

- Ideas for increasing opportunities for flexible hours – and enshrining this in legislation – were welcomed by participants, as were measures designed to retrain or upskill older workers.

- Life stage and generation were important factors in determining expectations and attitudes to saving. For example, the high costs of raising a family were highlighted by those who felt there were trade-offs between saving for their pension and short-term saving (for example for Christmas) and helping their children financially.

- In relation to savings policy, participants supported the idea of linking pay increases to contribution increases, simplifying pension information, and redistributing pension tax relief so that a higher proportion is directed towards those on lower earnings.

**The research**

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Helping people to work longer and save more for later life is an important part of responding to our ageing population. The employment rate for 55 to 64-year-olds in the UK lags behind that of comparable countries and rates of under-saving for retirement are worrying. The Office for National Statistics predicts that by 2020 people aged over 50 will make up nearly half the adult population and one-third of the workforce.

What’s the issue?

The ability to save is influenced by income. The growing problem of in-work poverty means that a significant proportion of the workforce faces considerable constraints in saving for the future. On top of this, the physical nature of some low-paid occupations can create real barriers to working later in life.

This research explored these issues, both from the perspective of low-paid and low-skilled workers and through the lens of life stage and generations.

Barriers to saving more

The principal barrier to saving more for those on low incomes was the cost of living. Participants described how rising prices and stagnating wages meant that, over recent years, they have had to cut back on spending to such an extent that the idea of saving for retirement was considered pretty much impossible for those in low-paid work. The spending pressures faced varied according to life stage; older participants spoke of trouble paying utility bills, younger participants highlighted the high costs of education, and those in mid-life were concerned with the costs of raising a family. The outcome, however, was the same; those in low-paid work lacked the funds they needed to put money aside for the future.

Affordability aside, younger participants admitted to low levels of awareness about even the most basic issues – like how much the state pension is and when it can be claimed – which undermined their ability to plan for later life. Participants across the age range struggled to understand how much money they might need in retirement and how any savings they did have might translate into an income. They did not know where to go for information or advice. Those in insecure low-paid work in particular felt unable to go to their employer for help. This left them in the position of seeking advice from colleagues, family or friends, who rarely knew more than they did.

The financial crisis of 2008 had left many questioning the merit of traditional savings products. Given how hard it was for those in low-paid and low-skilled work to save in the first place, they wanted to ensure their return was guaranteed. This uncertainty was compounded by a sense that the pensions landscape frequently changed. Across life stage and generation, few were motivated to engage seriously with planning for later life. Older participants did not want to think about it as they were worried about the standard of living they would have and felt there was little they could do to change it. Younger participants felt they shouldn’t have to think about it but, rather, lived in the moment. Those in mid-life were preoccupied by more immediate concerns, such as the cost of raising a family.
**Barriers to working longer**

Many assumed that working longer would be a given; they didn’t think they would have the necessary funds to retire — something that older workers in particular resented, especially those whose peers had already retired. Some participants identified positive associations with working longer, including increased income and opportunities for socialising; others raised concerns that they would face barriers which could prevent them from working for as long as they needed. These issues were most commonly highlighted by older participants who felt closest to these issues.

Health was cited as a major barrier to working later into life. Older participants described how their work was already physically or mentally more taxing than it used to be and they questioned how long they would be able to stay in their current role. This was compounded by concerns about the long-term usefulness of their own skills and a perception that their employer would not be open to making necessary adaptions to the workplace or their working hours as they aged.

Older participants also spoke of caring responsibilities — either for family members with health problems or for grandchildren to enable their children to work — which meant reducing their working hours or leaving the labour market altogether.

Psychological barriers were also mentioned. After spending their adult life in work, older participants believed that they deserved to retire and that doing so was a reward for behaving responsibly and doing the right thing. Additionally, given the competition for jobs, some questioned whether it was morally right to stay in work, depriving a young person of the opportunity to start their career.

**Policy responses**

The research tested a range of policy ideas through public polling and qualitative discussion. The public polling showed support for moves to redistribute tax relief so that those on lower earnings receive a greater contribution from the government and those on higher earnings receive a more modest one. Combined with reforms to make government contributions to private pensions more tangible and transparent, this could boost retirement saving levels for lower earners.

Participants agreed with the principles of ‘automatic escalation’ — ‘nudging’ people into saving more for their pension by linking increases in pay to contributions — and felt it would be the natural successor to automatic enrolment. In practice, though, there were concerns about this policy, mainly around affordability, with some worrying that this would result in ‘over-saving’ at the expense of their present needs.

Participants also discussed whether having the freedom to access their pension funds before the age of 55 would help to manage short-term risks and encourage saving. Participants were in agreement with the principles of this scheme — it was their money and they should be able to access it whenever they wanted — but the practicalities were a cause for concern. In particular, it was suggested that restrictions about how much could be withdrawn, and what the money could be used for, should be in place if this policy was to be effective in tackling under-saving. Younger people tended to be more positive about this policy than older people, which may reflect their more immediate financial concerns (such as buying a home).

Regarding working longer, participants responded positively to proposals they felt would help create the conditions for this, such as providing opportunities for flexible or part-time hours. There was an appetite for enshrining this in legislation; few believed employers would introduce these changes voluntarily. On top of this, measures designed to retrain or upskill older workers, enabling them to take more age-appropriate roles, were also welcomed.
Conclusions

For any measures to extend working lives and encourage saving to be effective, the diversity of the future retirement population must be recognised, and the different experiences and influences of life stage and generation appreciated. For example, younger generations are subject to pressures caused by high prices and job insecurity and do not identify as savers. In contrast, while older generations benefited from more generous pension provision and an affordable housing market, the pension policy shifts they have experienced have left them uncertain about how to plan for the rest of their lives. Furthermore, the levelling effect of life on a low income must also be taken into account. Regardless of generation or life stage, saving for later life was considered out of reach for those on low incomes given the day to day financial struggles they faced.

About the project

The study was based on: an analysis of secondary data (including the British Social Attitudes Survey and the English Longitudinal Study of Ageing), qualitative research (comprising in-depth interviews, mini-group discussions and a deliberative workshop with a range of participants), a policy workshop with stakeholders, and a representative survey of the adult population of Great Britain.