

# Northern Ireland Life and Times Survey

# RESEARCH UPDATE

Number 4

October 2000

## Retirement: Facing the disappointment

By Eileen Evason  
University of Ulster

Data from the 1999 Life and Times Survey for Northern Ireland suggest that many people under pensionable age are confused about pensions and may face disappointment when they retire. The data also indicate that current policy is out of step with what people want. This is the most comprehensive analysis conducted to date on these topics in Northern Ireland and indicates a clear need for much broader debate and public awareness.

The survey included 2200 adults across Northern Ireland of whom 1695 were under retirement age. Table 1 shows that few people (13%) under retirement age have given a lot of thought to their finances when they retire. Men and those in full time employment are more likely than other groups to think about these matters but even here only minorities have given a lot of thought to the issue.

**Table 1: Over the past year or so, how much thought have you given to how you will manage financially when you reach retirement age?**

	%		
	Men	Women	All
A lot of thought	16	10	13
Some thought	33	33	33
Not much thought	20	21	21
No thought at all	30	36	33
Don't know	-	1	1

Nevertheless, few (7%) expect to be badly off and, regardless of age or employment status, the majority of those questioned thought that at the very least they would be able to manage.

Whether or not people will be able to manage depends on the kinds of pension provision they have in place - and government policy. Broadly speaking, the people interviewed can be divided up into three groups - two of which give cause for concern.

### a People in occupational pension schemes

The first group consists of the 38% of employees who are currently contributing to occupational pension schemes. The majority of these interviewees are in the more advantageous final salary schemes and, whilst much depends on years of membership, this group is probably the best provided for. However the lower proportion of women employees in schemes is worrying.

**Table 2: Percentage of employees contributing to an occupational pension scheme**

	%		
	Men	Women	All
Yes	45	32	38
No	4	5	5
No scheme provided	50	63	57

The majority of these people received regular information on the schemes they were in and understood it. 11%, however, said they did not actually read the material sent. There was a significant demand for more information and some demand for clearer information.

Whether as a result of lack of information or failure to read information, many interviewees were unclear at many points on what their schemes would deliver. It has long been noted that the caring responsibilities and different career patterns of women are a major obstacle in the way of their building up independent pension rights. On this basis the provision made by spouses is critical. Table 3 is of interest inasmuch as it indicates that approaching one fifth of males were not sure

whether or not the schemes they were in made provision for partners. Interestingly, however, women in pensionable employment were even less clear on this issue.

**Table 3: Does this scheme provide a pension or a lump sum for any partner who survives you?**

	%		
	Men	Women	All
Yes	79	59	69
No	3	10	6
Don't know	17	29	23

**b People with personal pension provision**

The second group consists of those 16% making provision via a personal pension. The data here give rise to two main concerns. First, only 45% of the self-employed had personal pensions. This group, by definition, lacks access to occupational pensions and is, in addition, excluded from SERPS – the state earnings related pension scheme. As a result, government has tried to encourage the self employed to make provision via personal pensions. To date, however, the results are not encouraging. The second problem revealed by the survey is the very low level of monthly contributions people are making into their personal pension. More than half (53%) are paying under £50 per month.

**Table 4: Monthly contribution to personal pension**

	%
£20 and under	15
£21 - £30	14
£31 - £40	12
£41 - £50	12
£51 – £100	14
£101 and over	9
Don't know	24

Whilst predictions in this field are hazardous, there is a need for more information on the very modest pensions limited contributions for a limited number of years will deliver. At current rates people need a fund of £10,000 to give them a pension of just £10 - £15 a week.

**c Those relying on state pension only**

The third and largest group consists of those relying on state provision. It is sometimes thought that this group is in some way at fault for not

making arrangements for when they retire. In fact, of course, many of this group are making provision. They are paying national insurance contributions, without the rebates others enjoy, which take a sizeable chunk of earnings. 78% had paid contributions and, in the majority of cases, had done so for most of their working lives. Our survey shows that people think they have a contract with the state – that in return for paying tax and contributions the state will provide adequate benefits.

The following table presents the overall responses to a series of statements by this group. The responses to the third statement suggest some anxiety, with 40% sometimes wondering how they will manage but not being able to afford to do anything about it. The responses to the fifth statement show a degree of confusion about the subject generally and consequently any action that could be taken. On the whole, however, the dominant impression is of people not thinking about the issue but assuming they will be all right having paid their tax and national insurance and that adequate benefits will be available when required.

**Table 5: Percentage who strongly agree/agree that...**

	%
I have paid my tax and national insurance so I assume that I will be all right	66
I don't really think much about my pension at all	68
Sometimes I wonder how I will manage but I just can't afford to do anything about it at the moment	40
I just assume that adequate state benefits will be there when needed	67
I don't really know enough about it all so I don't know if there's anything I could do	59

As the basic pension continues to decline and the cuts in SERPS take effect from this year, this optimism may prove to be unfounded for many.

**The broad picture**

Taking all of the data on the arrangements people are making together, we now have a broad picture of those who are most at risk of poverty in old age. Table 6 indicates that just over three fifths of adults in Northern Ireland have at least one sort of provision in place. Whilst some of those not

covered - such as the sick and the unemployed - will benefit from arrangements to credit them with contributions, women are clearly most at risk. Indeed, only 38% of women currently engaged in full time home care have any arrangement in place to give them entitlement in their own right.

Additionally, Table 6 demonstrates the importance of state provision generally in Northern Ireland. Coverage jumps sharply when this is taken into account, and the effect is particularly marked amongst women. The data clearly underline the potential difficulties for future pensioners here of the continuing decline in the basic pension as a percentage of average wages and the sharp cuts in entitlement under the state earnings related pension scheme to be implemented from this year.

**Table 6: Cumulative arrangements for second tier provision by gender**

	Men	Women	All
In an occupational pension scheme (op)	18%	15%	16%
In an op and/or personal pension (pp)	35%	23%	29%
In op and/or pp and/or has paid National Insurance for most of working life	68%	57%	62%
None of the above	33%	43%	39%

Finally, on arrangements for the future, the survey investigated whether or not people were making provision in other ways apart from pensions. Our data suggest that the gaps we note above are not being closed by alternative arrangements. Only a minority (28%) reported that they were taking such steps and those doing so were more likely to be in employment and often therefore adding to other provision.

### Attitudes

A further worrying element to emerge from the survey was the extent of confusion amongst the general population about what the state provides. 77% of people believe that the basic state pension is paid to everyone when they retire. This is not true – the basic pension is not a universal pension paid automatically on reaching retirement age.

**Table 7: The basic state retirement pension is paid to everyone when they reach retirement age.**

	%		
	Men	Women	All
True	77	78	77
False	16	13	14
Don't know	7	10	9

Whether people get the basic pensions – and whether or not they receive a full or reduced pension – depends, in the main, on their contribution records. Women in particular need more information on this. Beyond this, the majority of interviewees (58%) were unable to identify the correct amount of the pension when presented with a list of options and many thought the basic pension for a single pensioner was higher than it is

**Table 8: Do you think that the basic pension for a single person with a full contribution record is:**

	%
£ 50.25 per week	10
£ 66.75 per week	42
£ 75.25 per week	13
Don't know	35

**Table 9: The basic state pension of £ 66.75 is lower than I thought it was**

	%
Strongly agree	20
Agree	42
Neither agree nor disagree	11
Disagree	17
Strongly disagree	2
Don't know	8

In the course of the interview itself people received a lot of information about current provision. In the closing stages of the interviews, interviewees were asked for their views on current policy and the way forward. 89% thought the basic pension “isn’t much for those who have paid tax and national insurance all their lives”. 90% thought the government could find the extra money to pay a proper basic pension “if it wanted to”. There was also strong support for the idea of everyone paying and being entitled when they came to retirement age. Thus 80% thought that “when people have paid their contributions they are entitled to the pension regardless of income”.

Finally, people were asked about their preferences with regard to the role of the state in pension provision.

**Table 9: Looking to the future, which of these options do you favour?**

	%
The state continues to provide a very modest basic pension and helps the poorest with a means-tested top up	19
The state provides a modest pension which is sufficient to live on without hardship or having to claim Income Support. If people want more they have to provide it themselves	38
The state provides a pension based on earnings which is sufficient to live on with a few luxuries and means that people's living standards do not fall substantially when they retire	36
Don't know	8

As the table above indicates, option one had only limited support. 38% of people want the state to provide a pension which is, at least, sufficient to live on without hardship or having to claim means tested income support. 36% of people go further than this and want a state pension based on earnings so that living standards do not fall substantially on retirement. The worrying aspect of this data is that current policy comes closest to option one – the least favoured option. Government clearly has much to do to convince the people of Northern Ireland that it is on the right track.

*The questions reported on here were funded by the Nuffield Foundation, Department for Social Development and the Social Security Agency. The survey involved face to face interviews with a random and representative sample of 2200 adults in their own homes. Figures do not always add up to 100 because of rounding. Eileen Evason is a Professor of Social Policy at the University of Ulster.*

### KEY POINTS

- Only 13% of people under retirement age have given a lot of thought to their finances when they retire
- Less than half of the self employed have personal pensions and those that do, tend to contribute very low amounts
- Most people believe that the state will provide them with adequate benefits if they have paid their tax and national insurance
- 89% thought that the basic pension "isn't much for someone who has paid tax and national insurance all their lives"
- The least favoured option for state pension provision is the one closest to current government policy

The Northern Ireland Life and Times Survey is carried out annually and documents public opinion on a wide range of social issues. In the 1999 survey, 2200 adults were interviewed on the main survey and 449 young people on the accompanying Young Life and Times Survey. Interviews were carried out by Research and Evaluation Services (RES).

The Life and Times Survey is a joint project of the two Northern Ireland universities and aims to provide an independent source of information on what the public thinks about the social issues of the day. Check the web site for more information on the survey findings ([www.qub.ac.uk/nilt](http://www.qub.ac.uk/nilt)) or call the survey co-ordinator at Queen's University (028 90 273585) with any queries.