RN26
Sociology of Social Policy and Social Welfare

Roberta Adami

The financialization of the pension system in the UK: a gendered perspective

The UK pension system

- The UK is 'one of the least generous state systems in Europe and one with the 'most developed' voluntary arrangements (EU Pension Adequacy Report, 2018) owing to many reforms with ideological roots in neoliberal thinking.

- **State Pension:** A PAYG scheme, new state pension (NSP) £185.15 a week with 35 qualifying years.

- **Supplementary pensions:** workplace pensions, private arrangements; personal pensions

- Automatic enrolment (2018), all employers must provide a pension scheme, employees are automatically enrolled.

- Mostly DC schemes

Financialization of pensions

Financialization (neoliberal policies), encourages engagement with financial markets to achieve financial well-being. Knowledge, information needed

Greater contact between individuals and financial services.

Retrenchment of welfare states, driven by austerity (Berry, 2016).

Individualisation of pension systems. The state is best suited institution to mitigate risks of the future, role passed to individuals (least suited), state now promotes individuals' access to financial markets (Berry, 2022)

Shift of financial responsibility and risks from welfare states to individuals increases the need for financial capability (Atkinson *et al*. 2007)

***Are 'understanding' and 'knowledge' enough to make good decisions*?**

A trend towards financialization of UK pensions

Individualisation of pension savings

- *Increase* private provisions through reduction of state provision: introduction of personal pension plans in 1986, removal of State 2nd Pension in 2016 and introduction of New State Pension. Auto-enrolment implemented between 2012 and 2018

women state pension age equalized to men's SPA from 2018 (Pensions Act, 2011)

- The delay in receiving state pension significantly increase absolute poverty rate of women aged 60-62 (IFS)

Increase to 35 years of contributions for a full state pension.

- *Pension Freedoms*: Those aged 55+ can access their DC pension savings. Measures to support those considering doing so include provision of pension guidance by the Pension Wise service (low take up)

Pension freedoms: were they really a good idea? (FT ADVISER, 2022)

(Financial) Liberation came with decisions many were not equipped to make, help from government not up to scratch.

Increased risks, transfers from DB to DC became popular

Work and Pensions Committee recommended more support from Pension Wise, programmes to boost advice not working

Those within the industry claim more must be done to educate people on pensions and that "… the key to improving better outcomes is to improve financial literacy…"

*Pension freedoms, self empowerment, taking control of own's financial planning sound very appealing, **but** they involve time and resources to make adequate decisions*

Why gender?

Women are good at daily money management but more likely to lack pension planning (Foster, 2012; Adami, 2022)

In a financialized pension system, retirement planning is key for financial security and inclusion in later life.

Lack of pension planning addressed by widening participation through auto-enrolment, not aimed at women taking career breaks

Wide gender retirement income gap, women have lower and fewer contributions (salaries, career breaks, part-time / temporary work)

Research Question

Are lower financial knowledge / self-confidence / understanding importance of planning for later life associated with gender differences in retirement planning / lower engagement with financial products?

Foster (2012) points to low levels of interest and high 'financial myopia' amongst women

The data

Financial Capability Survey by the Money Advice Service.

Nationally representative, 5,974 adults aged 18+ living in the UK, 2018

Financial capability defined as 'ability to manage money through life events, such as retirement, handle periods of financial difficulty'.

It includes personal skills, knowledge, behaviour, attitudes, external factors.

It can help explain the heterogeneity evidenced so far.
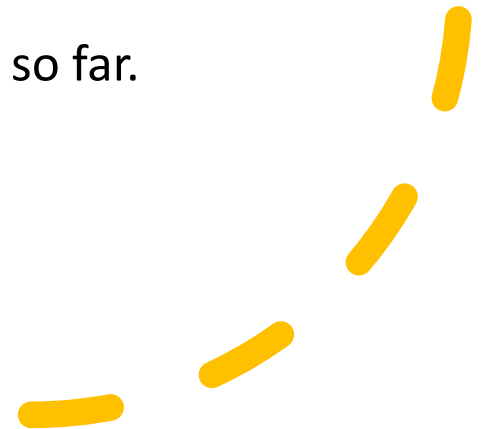
Methods

Analysis of propensity to plan and retirement planning *by gender*

Propensity to plan for retirement (Lynch *et al*., 2010; Hoffman and Plotkina, 2020) defined by: setting retirement as a financial goal, having a plan on how to achieve saving for retirement, how important is to put money aside for your retirement

Retirement planning is defined by: How much of a plan for retirement finances; How much has been done for retirement planning; How much idea of likely retirement income; On track for reasonable retirement income; Currently / ever contributed to private and / or occupational pensions

How do understanding, literacy and confidence about financial matters affect the propensity to plan and retirement planning

MANOVA

Retirement planning by gender %

| How much of plan have for retirement finances	Men	Women	How much have done for retirement planning	Men	Women	On track for reasonable retirement income	Men	Women
Clear plan	19.8	10.5	Great deal	18.9	9.5	Strongly agree	17.5	9.8
Rough plan	33.9	27	Fair amount	30.4	22.7	Tend to agree	31.8	23.9
Not much of a plan	23.3	27.6	Not very much	29.3	34.7	Neither agree nor disagree	21.5	22.1
No plan at all	20	30.8	Nothing at all	19	28.9	Tend to disagree	10.3	14.9
Don't know	3	4.1	Don't know	2.4	4.2	Strongly disagree	12.8	18.3
						Don't know	6	11

Understand enough to make decisions about retirement
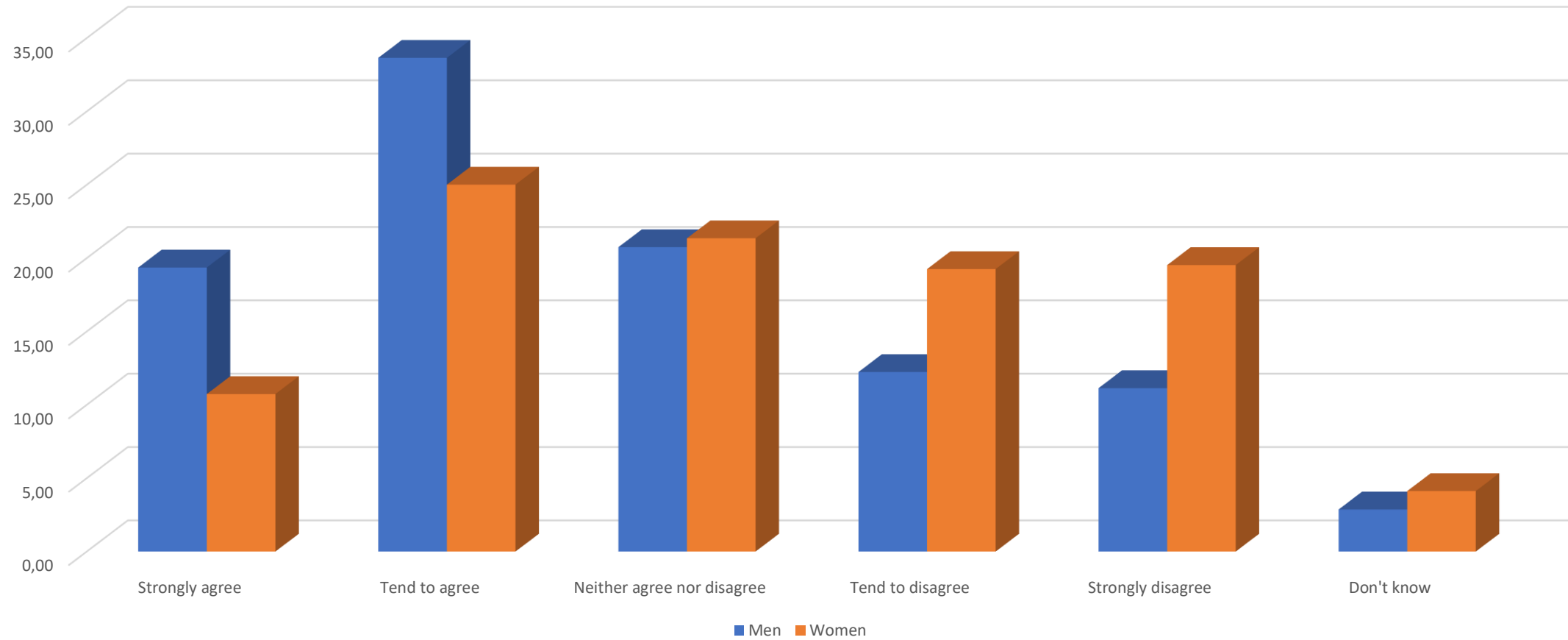
Financial Literacy (quiz answers correct from 0 to 4)
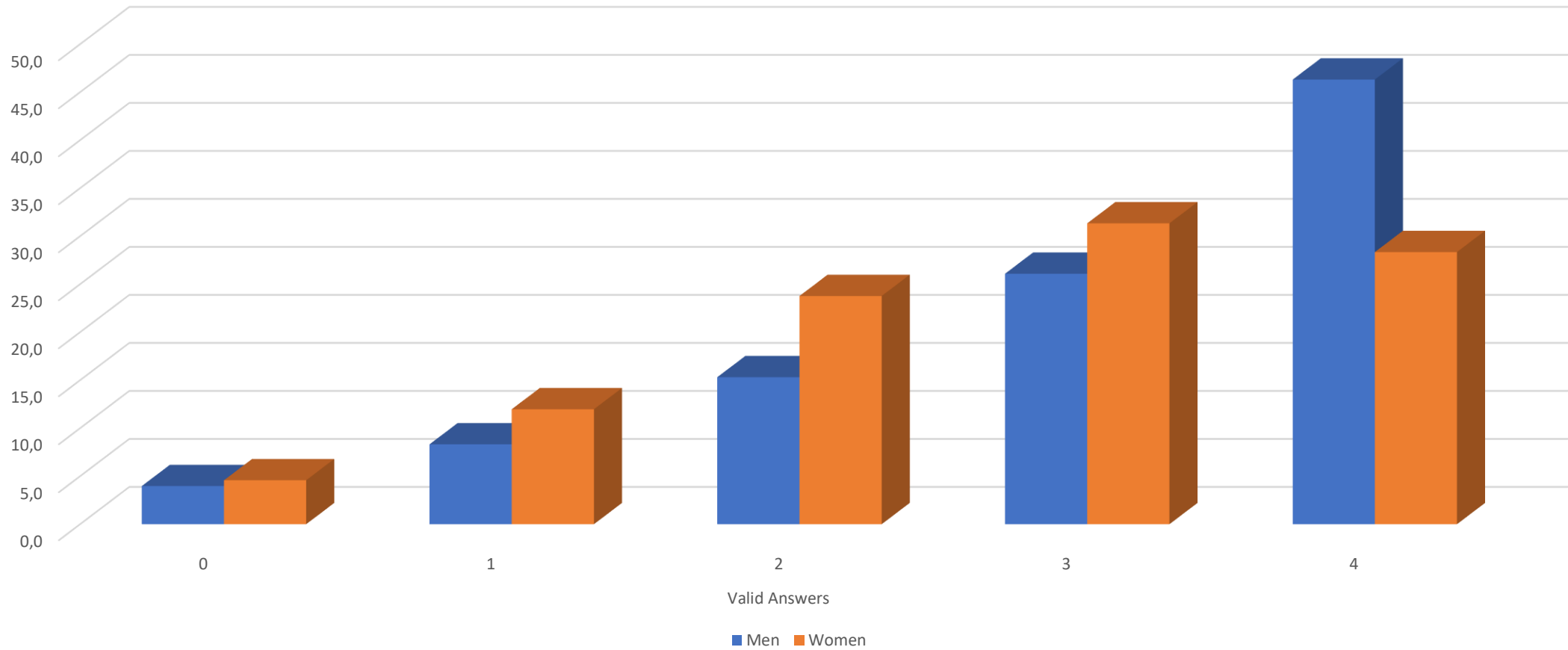
Confidence in planning for financial future
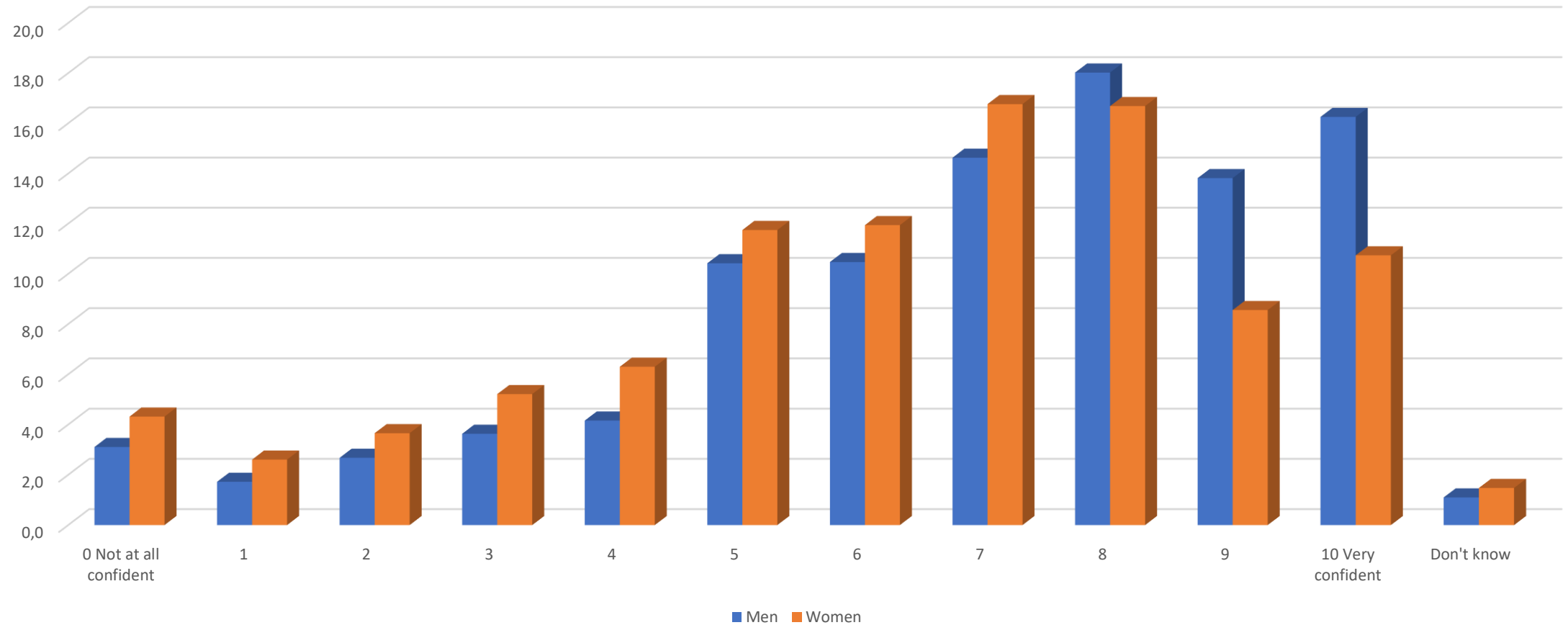
Results

Lambdas	RP: Currently / ever contributed to pensions		RP: How much done for retirement planning		How important to put aside money for retirement	
	Men	Women	Men	Women	Men	Women
Understanding enough about retirement	0.046*	0.113***	0.34***	0.23***	0.084***	0.048**
Confidence in planning for financial future	0.031*	0.059***	0.215***	0.107***	0.092***	0.072***
Financial Literacy	N/S	N/S	N/S	N/S	0.036*	0.035*

Details of the results

Understanding enough to make retirement decisions significantly affects the propensity to save for retirement $F(10, 1242) = 11.13$, $p < .0005$; Wilk's $\Lambda = 0.84$ for men and $F(10, 1342) = 6.389$, $p < .0005$; Wilk's $\Lambda = 0.91$ for women. Understanding has a significant effect on the dependent variables 'having a plan to achieve saving for retirement' and 'how important to put aside money for retirement' for men ($F = 19.72$; $p < .001$; partial $\eta^2 = .137$) and ($F = 3.54$; $p < .001$; partial $\eta^2 = .028$) respectively, whilst it is only significant on 'having a plan to achieve retirement saving for women ($F = 11.26$; $p < .001$; partial $\eta^2 = .077$) . A clearer effect is shown on RP whereby the values for men $F = (25, 1936.9) = 19.77$; $p < .0005$; Wilk's $\Lambda = 0.46$ and , with statistically significant effects on all components, with partial η^2 ranging from 0.11 to 0.426), while for women the effect is slightly lower $F = (25, 2074) = 17.64$; $p < .0005$; Wilk's $\Lambda = 0.48$, whereby partial η^2 range from 0.088 to 0.388).

Confidence about planning for financial future significantly affects the propensity to save for retirement $F(22, 1230) = 5.53$, $p < .0005$; Wilk's $\Lambda = 0.82$ for men and $F(22, 1330) = 2.89$, $p < .0005$; Wilk's $\Lambda = 0.91$ for women. Confidence has a significant effect on 'having a plan to achieve saving for retirement' and 'how important to put aside money for retirement' for men ($F = 8.813$; $p < .001$; partial $\eta^2 = .136$) and ($F = 2.54$; $p < .004$; partial $\eta^2 = .043$) respectively, whilst it is only significant on 'having a plan to achieve retirement saving for women ($F = 5.43$; $p < .001$; partial $\eta^2 = .082$) . For RP the values are $F(50, 2356.6) = 4581$, $p < .0005$; Wilk's $\Lambda = 0.64$ for men, with all variables significantly associated with confidence, partial η^2 ranging from 0.028 to 0.248 and $F(50, 2525) = 5.12e$, $p < .0005$; Wilk's $\Lambda = 0.80$ for women, with partial η^2 ranging from 0.028 to 0.208)

A key finding is the lack of consistency of how significant understanding, knowing and feeling confident about own's retirement planning abilities.

This possibly points to a weakness in the data.

A clear-cut result is the lack of significant effect of financial literacy on propensity to plan as well as retirement planning

Conclusions

- The risk of financial insecurity in retirement remains higher for women than for men due to lower retirement planning, lower degrees of financial understanding and confidence.

- High degree of financialisation of the pension system renders those without time / resources / full understanding unable to achieve financial well-being in retirement.

- Data on propensity to plan provides less clear results than retirement planning

- Financial literacy does not necessarily mean actioning retirement planning is more likely

Thank you