

2019 ACA PENSION TRENDS SURVEY

Report No.4 – Addressing ‘gig economy’ and younger employees’ pensions and savings...and social care costs



ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE

SURVEY IDENTIFIES NEED TO BETTER ADDRESS ‘GIG ECONOMY’ AND YOUNGER EMPLOYEES’ PENSIONS AND SAVINGS NEEDS...AND SOCIAL CARE COSTS

11 November 2019: In the latest report outlining the results of the ACA’s *2019 Pension trends survey*, the Association of Consulting Actuaries (ACA) has found over half of the employers responding to the survey now engage workers within the ‘gig economy’, where there is no requirement for pension provision to be made by the employer. The survey also found demand for greater flexibility in savings and pensions products to be made available to younger workers to increase overall savings levels. There is acceptance from employers that a range of actions are needed – which are likely to add to employer and employee costs – to meet mounting social care costs as the population ages.

Key findings in the report

The ACA survey¹, which was conducted over the summer and received responses from 308 employers of all sizes, found:

- **52%** of responding employers said they engage ‘gig economy’ workers for whom no pension provision must be made by the employer, with **21%** engaging upwards of 5% of their workforce in this way.
- **53%** of employers say aggregate employee savings would increase if there was greater flexibility in vehicles available to younger workers, with **28%** saying they might provide employer contributions to a more flexible savings vehicle that could be used for retirement savings and other purposes, such as house purchase.
- **65%** of employers say they expect the typical retirement age in their business to increase to age 66-67 by the end of 2021, compared to **14%** retiring at these ages at present.
- **68%** of employers say employees working past State Pension Age should pay employee NI to help meet social care costs, with **74%** also saying social care costs should be met by higher levels of tax and NI.
- **47%** of employers (up from 19% last year) also said that social care costs should be met by a compulsory social insurance scheme for those below a certain age.

ACA Chair, Jenny Condron, commented:

“The findings in this, our latest report on our 2019 Pension trends survey, underscore how the labour market has changed in recent years as employers have sought greater flexibility in the way they manage their business and as the workforce has responded to the increases in State Pension Age (SPA) and the end of compulsory retirement ages.

“It is a concern for many that the rapid expansion of the ‘gig economy’ – where those engaged in this way miss out on compulsory minimum employer contributions – has offset the otherwise major progress made in enlisting millions of younger workers into AE pension saving. We understand that there are c.4 million people working in the gig economy. We accept that a proportion of employers and workers favour the flexibility involved, and the UK’s relatively low level of unemployment may well be a resulting benefit, but can we be happy with the retirement savings problem that could be building as a result?

“The survey findings also reveal that over half of the responding employers feel that younger workers would save more if there was greater flexibility in the savings and pensions vehicles on offer to them. It seems strange that we are prepared to offer older workers a wide range of pension freedoms but are reluctant to allow younger savers the same opportunity to be able to save tax efficiently and, for instance, to draw on their pension savings to help with a house deposit. Yes, there would be a need for rules capping such drawdowns, but surely these could be sensibly determined.

“The year ahead sees employees receiving their State Pension at age 66 and, from our survey, it is clear that well over half of employers expect their firms’ typical retirement age to move up in parallel, but with an increasing number of employees deciding to stay on until ages 67 and 68.

“Whilst the Government has struggled to put forward an approach to address the escalating cost of social care, our survey findings suggest employers are in favour of those working beyond their State Pension Age paying National Insurance to help meet social care costs. They also accept there is a need to both increase taxes and to explore the possibility of a compulsory social care insurance scheme to meet longer-term costs to which those below a certain age would contribute. This latter path would undoubtedly stir further intergenerational concerns, but it could help as one facet in a comprehensive solution.”

The final report on the 2019 Pension trends survey’s findings is due to be published in mid-December.

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¹ The ACA 2019 Pension trends survey was conducted in the summer of this year and attracted 308 responses from employers of all sizes, running over 510 different schemes.