Why people may decide to remain in or opt out of personal accounts: Report of a qualitative study

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# Glossary of terms

**Automatic enrolment**

Refers to the mechanism by which eligible individuals will be enrolled into a qualifying workplace pension scheme, which may be the personal accounts scheme, from 2012. Those who fulfil the eligibility criteria (see *Automatic enrolment, eligibility for*) will be automatically enrolled into a scheme, but will have the opportunity to opt out if they do not wish to participate.

**Automatic enrolment, eligibility for**

Refers to individuals who would be eligible for automatic enrolment into a qualifying workplace pension scheme (including the personal accounts scheme). In order to be eligible, individuals must be aged between 22 and State Pension age (currently 60 for women and 65 for men) and an employee earning at least £5,035\(^1\) (in 2006/07 earnings terms) per year before tax from a single job. Only individuals who fulfilled these key eligibility criteria for automatic enrolment were interviewed in this survey. Please note however that the eligibility criteria for this survey were modified slightly from those that will apply for automatic enrolment from 2012.

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\(^1\) This limit will be uprated on an annual basis prior to 2012 in line with earnings using the Average Earnings Index.
**Contribution cap**

Total annual contributions to the personal accounts scheme will be capped at £3,600 (in 2006/07 earnings terms – the limit will be uprated in line with earnings). It is anticipated that any contributions exceeding this amount will be refunded. The annual cap applies only to the personal accounts scheme and not to other qualifying workplace schemes.

**Defined contribution pension scheme**

All qualifying workplace pension schemes will be defined contribution schemes. These are pension schemes into which the employer (and in this case also the employee) make contributions at a fixed rate. These contributions are then invested, and the resulting pot of money is used to buy an annuity at retirement which will then provide the individual with an annual income. The retirement income from such a scheme is not fixed, but depends on the performance of the investments and the type of annuity purchased.

**Employer contributions**

Refers to the fact that employers will be required to make contributions into their employees’ qualifying workplace pension scheme pot. Employers will be required to contribute a minimum of three per cent of a set band of the employee’s earnings (between £5,035 and £33,450 in 2006/07 earnings terms). The minimum overall contribution to a qualifying workplace pension needs to be eight per cent of that band of earnings. Employers can contribute more than three per cent if they choose to do so provided – if the employer is using the personal accounts scheme – that the total annual contributions fall within a set limit (see Contribution cap). See also Individual contributions.

**Independent Financial Adviser (IFA)**

A professional financial adviser contracted privately by individuals to give them financial information and advice. These services typically have to be paid for.
**Individual contributions**

Refers to the contributions that individuals will pay into their qualifying workplace pension each month or week if they choose to remain in the scheme after automatic enrolment. The minimum overall contribution into a workplace pension needs to be eight per cent of an employee’s qualifying earnings (a set band of between £5,035 and £33,450 in 2006/07 earnings terms). The minimum employer contribution is three per cent, in which case an employee would have to contribute four per cent in order to total eight per cent once the Government contribution in the form of normal tax relief has been included. However, if an employer contributes more than three per cent the employee may pay less than four per cent. As with employers, individuals can also contribute more than four per cent if they choose to do so provided – if they are in the personal accounts scheme – that the total annual contributions fall within a set limit (see *Contribution cap*). See also *Employer contributions*.

**Opting out**

Refers to the fact that individuals who are automatically enrolled into a qualifying workplace pension scheme (including the personal accounts scheme) will have the right to opt out if they do not wish to remain a member.

**Personal accounts scheme**

A trust-based, defined contribution occupational pension scheme that will be set up in the United Kingdom from 2012. Eligible individuals will be automatically enrolled into the scheme if their employer does not have or does not wish to use their own qualifying workplace pension scheme. This pension scheme will be run at arm’s length from Government by a body corporate acting as an independent, not-for-profit trustee. For the purposes of this study eligible respondents were informed that they would be automatically enrolled into the personal accounts scheme only if their employer did not have their own scheme of equivalent quality.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prompt cards</td>
<td>Materials used during the interviews to help explain the features of the reforms and personal accounts scheme to respondents.</td>
</tr>
<tr>
<td>State Pension age (SPA)</td>
<td>The age at which eligible individuals can start to receive their State Pension in the UK. It is currently 60 for women and 65 for men, although this is set to rise gradually from 2010 to 2020.</td>
</tr>
<tr>
<td>Tax relief</td>
<td>Refers to the fact that individual contributions paid into a qualifying workplace pension scheme are not subject to taxation. In effect this means that, for every four per cent of an individual's qualifying earnings that is paid into the pension scheme, members gain the equivalent of around one per cent from the Government in the form of normal tax relief.</td>
</tr>
<tr>
<td>Trust-based pension scheme</td>
<td>The personal accounts scheme will be a trust-based pension scheme. This means that it will be set up as a trust under UK law and that an appointed trustee body, separate from the organisation running the personal accounts scheme, will hold the scheme's assets. The trustee is responsible for ensuring the scheme is run properly and that the members' best interests are being acted on.</td>
</tr>
</tbody>
</table>
Summary

Policy background

The Pensions Act 2008 set out the Government’s reforms to introduce, from 2012, a duty on employers to automatically enrol all their eligible employees into a qualifying workplace pension scheme. Employers will also have to provide a minimum contribution towards the pension saving for those employees who participate, although employees will be able to opt out if they do not wish to participate. The Pensions Act also set out plans for the establishment of the personal accounts scheme, which will be a trust-based, occupational pension scheme for employers that do not have or wish to use a qualifying scheme of their own. This pension scheme will be run at arm’s length from Government by a body corporate acting as an independent, not-for-profit trustee. The aim of these reforms is to overcome the decision-making inertia that currently characterises individuals’ attitudes to pension saving, and to make it easier for individuals to save for their retirement.

This research forms part of a wider programme of research and analysis to inform the Government’s workplace pension reforms to encourage and enable more people to save for retirement. The programme includes a quantitative survey conducted in 2007 by Ipsos MORI on behalf of the Department for Work and Pensions (DWP). The survey was conducted among a group of 754 individuals eligible for automatic enrolment under the Government’s reforms. The survey measured the attitudes and likely reactions of this group in relation to the key features of the reforms and the personal accounts scheme.

It should be noted that, from 2012, employers with qualifying pension schemes will be able to choose whether to automatically enrol their employees into their own pension schemes or into a personal account. However, this research focused mainly on personal accounts rather than on qualifying workplace pension schemes.

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in general. This was for the sake of clarity and robustness, to enable interviewers to explain all the key elements of the scheme and thus allow participants to make an informed prediction about their likely behaviour.

Objectives of the study

This summary contains the findings from a qualitative study of 60 individuals carried out by the Ipsos MORI Social Research Institute on behalf of DWP. The study examined the range of factors behind individuals’ decisions to stay in or opt out were they to be automatically enrolled into the personal accounts scheme. The study was carried out among employees currently without workplace pension provision to understand why they may decide to stay in or opt out of the personal accounts scheme when it is introduced in 2012.

The overall aim of this study was to explore the factors people considered in their decision whether to stay in or opt out of the personal accounts scheme. Specifically the objectives were to:

- examine which factors people considered in their decision to stay in or opt out of personal accounts, and in particular, to examine the relative influences of the features of the reforms (e.g. automatic enrolment, scheme benefits, level of contribution) compared with other factors such as personal circumstances (e.g. income and debts) or attitudes, such as their level of trust in pensions;
- explore how people weigh up these factors and examine which appear to have the most influence on decisions to stay in the scheme or to opt out; and
- explore reasons for opting out of or staying in personal accounts in groups of particular interest, such as those on low incomes and young and old individuals.

Methodology

A qualitative methodology was used for the research. Face-to-face in-depth interviews of approximately one hour in length were carried out with 60 participants who were eligible for automatic enrolment. The fieldwork took place between October and December 2007. In order to explore a range of views and opinions, quotas for the interviews were set on a number of key attributes. These included income levels, age, location and gender. The sample of participants was derived from the main-stage sample file of the quantitative study conducted on behalf of DWP earlier in 2007.3

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Key findings

Key findings from the research are summarised in the following sections, beginning with general attitudes towards the personal accounts scheme and followed by the process by which participants made their decision on whether to remain in or opt out of the scheme, together with a summary of the key reasons for making that decision.

General attitudes towards the reforms and the personal accounts scheme

On the whole, research participants were positive about the reforms and the personal accounts scheme, regardless of whether or not they felt it was a scheme they personally would remain in at this particular time. The positive benefits and aspects of the scheme were felt to be:

- **Pensions are important for future generations.** Participants acknowledged that unless people and particularly young people begin making provision for their retirement through increased saving, there is likely to be an increase in pensioner poverty in the future. Many felt that it was ‘about time’ that a strategy to tackle these issues was introduced.

- **There is a need to overcome individuals’ inertia to pensions and saving for retirement.** Automatic enrolment was popular with participants. They were broadly in favour of the Government taking a more proactive approach to workplace pension saving and encouraging people to think about their own long-term retirement provision.

- **The personal accounts scheme was viewed as straightforward, flexible and easy to understand.** Participants spoke positively about the easy-to-understand nature of the reforms and the scheme. In their view, the scheme compares favourably to other forms of private saving which participants perceived to be provided by a complex market.

Attitudes towards automatic enrolment

Many participants felt that they needed to be given encouragement through automatic enrolment to start saving for retirement; without this, they would continue to put off making any provisions. However, a small minority of people were opposed to the feature of automatic enrolment. Those who expressed opposition towards it also tended to voice negative perceptions of the Government. These participants were of the opinion that joining a pension scheme should be down to the choice of the individual and that the State should not be putting people in a position whereby they are forced to make this decision. Those opposing automatic enrolment were not against the Government encouraging people to think about pensions per se, but they viewed automatic enrolment as something more than ‘encouragement’, more a forceful action that is pushing people into making a decision.
Attitudes towards employer contributions and tax relief

The reforms and scheme were praised for the benefits they will bring to lower earners – both in terms of encouraging them to save into a pension, and providing an affordable way to save. Participants felt that the compulsory three per cent employer contribution would encourage employers to value their low-paid staff more.

Attitudes towards individual contributions

During the course of the interviews, participants were given information about the amount of contribution that would apply to their level of earnings. When asked about the contribution levels, there was a strong sense among participants that the personal contribution level was set at a fair and affordable amount. Furthermore, many suggested that they would notice very little difference if the contribution was deducted from their wages. Some participants on lower incomes and in receipt of working-age benefits held little faith in their own ability to save into a pension scheme, which had an impact on whether they thought they would be able to save into personal accounts specifically.

The majority of participants felt that financial provision during retirement is an individual’s responsibility. Many felt that they did not want to be reliant on the State during retirement and saw having a private pension (such as the personal accounts scheme) as part of the solution.

Making the decision

Participants were asked to consider whether they would stay in or opt out of the personal accounts scheme if they were introduced ‘tomorrow’, i.e. the next day after their interview. They were therefore responding to the question based on their current circumstances, attitudes and values. When the reforms and personal accounts scheme are introduced in 2012, individuals will be making their decision following an awareness raising campaign and within the context of wider communications activity.

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4 Please note that since the time of fieldwork, minimum contributions are described in a different way. We no longer refer to a minimum employee contribution, only a minimum employer contribution of three per cent and a minimum overall contribution of eight per cent. If the employer chooses to contribute the entire eight per cent, employees may not have to contribute depending on the scheme rules or their contract. At the time of fieldwork, the basic policy for those who choose to save was explained as the employee having to contribute four per cent of their earnings, receiving an extra one per cent in tax relief, with their employer contributing a minimum of three per cent.
The decision-making process was, for most people, a matter of balancing and trading off different factors against each other when deciding whether or not to stay in or opt out of the personal accounts scheme. For some, their decision hinged on a single decisive factor that dominated their thinking about the scheme, for example ‘I need to start saving’, or ‘I want to be financially independent when I am retired’, and for those who said they would opt out; ‘I can’t afford it at the moment’, or ‘I’m too close to retirement for this to be worth it’.

The total numbers of factors that participants felt were important in their decision varied considerably. For some people there were relatively few factors to consider overall and as a result the decision-making process for them was quite straightforward. By contrast others felt a large number of factors were important enough to include and weigh up, reflecting a more complex or challenging decision.

**Approaches to the decision-making process**

Participants had a broad range of approaches that they used when deciding whether or not they would choose to remain in the personal accounts scheme. These framed the ways in which participants approached and weighed up their decision. They are not mutually exclusive, and some participants employed more than one approach to decision-making over the course of the interview.

- **Cost-benefit analysis.** Individuals using this approach gave careful consideration to the relative costs of participation compared to the benefits and financial gain that saving would be likely to bring. They indicated that they would take time to weigh up the information and think through the impact that the contributions would have on their financial situation, both in the short and longer term.

- **Short-term financial considerations.** Participants who used this approach made their decision by considering the cost of contributions relative to their current financial circumstances and the overall perceived affordability of saving. Unlike the cost-benefit approach, participants made their decisions on the basis of perceived cost alone rather than also taking the wider or longer-term benefits of saving into account.

- **Valuing the principle of saving for retirement.** A third approach to decision-making was governed by a strong appreciation of the principle of making provision for retirement. The desire for future financial security for themselves and their families was a strong driver of decision-making for those using this approach. Those using this approach were especially likely to focus on the wider benefits of saving for retirement when making their decision.
• Linking the decision to existing political and ideological standpoints. For a small number of participants, their strong political and ideological views on the role of the State tended to frame their approach to deciding whether or not to remain in the personal accounts scheme. In particular, the issue of automatic enrolment and the role the State takes in encouraging saving became a strong driver of the decision-making process for some. This issue tended to polarise views among those few participants with strong political and ideological standpoints, with some feeling strongly that State intervention was a very positive aspect of the reforms and the scheme, whilst others felt that it impinged on individual rights or choice.

The role of others when making the decision
The views of family, friends and work colleagues played an important role in the decision-making process for many participants.

• Informal help and advice. Participants often turned to a range of people for informal advice. Family members were particularly relevant for younger participants who looked to their parents and grandparents when considering financial decisions such as pension provision. Friends and work colleagues were also felt to be a valued source of advice. Participants also spoke of the influence that the experiences of others had on their own thinking regarding pensions, especially when it came to particularly positive or negative experiences.

• Formal advice. Looking beyond the less formal advice and guidance sought from family, friends and colleagues, some preferred advice from trained professionals to inform their decisions, since they felt they could trust the ‘experts’ to make a decision which was in their best interests. Financial advisers and accountants were mentioned as sources of advice by these participants.

Factors influencing decision-making
The research explored in-depth the reasons underpinning participants’ decisions to stay in or opt out and how important each of these reasons were in their decision-making. They were also asked to select one ‘decisive’ factor that had the most impact on their decision, over and above others which also came into consideration. As participants were asked to select only one decisive factor, some of those factors categorised as decisive by some participants were felt to be merely ‘important’ for others. This gave a sense of the relative weight given to the different factors impacting upon the decision-making process across the sample of participants as a whole, as well as those carrying a different weight for the respective sub-groups.
Understanding reasons for staying in

The decisive stay-in factors
The decisive factors for participants who stated they would remain in the scheme were:

• **Perceived Government backing of the personal accounts scheme.** Participants were positive about the perceived ‘security’ afforded by the Government’s role in the development of the scheme.

• **Desire for a decent standard of living in retirement.** For many, their decision was motivated by a strong desire to ensure that they had a good standard of living in retirement and as such, they felt that enrolment into a workplace pension scheme was a positive step towards saving and thus securing their desired quality of life in retirement.

• **Desire for financial independence during retirement.** Among those participants with personal experience of supporting family members in retirement, there was strong motivation to maintain their own financial independence in retirement. For some this created a desire not to feel dependent on their children or other family members.

• **Desire to start saving as soon as possible.** Many participants who indicated they would stay in the scheme were positive about the need to begin saving for retirement at a young age.

• **Changes in personal and family circumstances.** Some participants discussed significant changes that had occurred in their lives which had changed the way they thought about their own finances. New jobs and promotions had given some participants more disposable income and there were those who felt they would look to start investing this in their future. For others, it was changes in their domestic arrangements that had an impact, such as finding themselves on their own after a separation and feeling the need to be more financially independent, both in the short and longer term.

Important stay-in factors
Other factors were considered to be important (but not decisive) in the decision to remain in the scheme. These were:

• employer contributions and tax relief;

• simplicity of the reforms and flexibility of the personal accounts scheme (e.g. portability and contributions being taken directly from wages);

• pensions as a reliable form of retirement saving.
Understanding reasons for opting out

The decisive opt-out factors

The decisive factors for participants who stated they would opt out of the scheme were:

• Too young or too old to save. Some participants felt that now was not necessarily the right time for them, citing other spending priorities and demands on their resources. Those who were under 30, and even some who were aged between 30 and 40, were more likely to feel that time was still on their side and that pensions can wait until they are older. Participants over 50 were more likely to question whether or not it was ‘worth their while’ to start a new pension scheme given the limited amount it would yield in the time that remained for them to save.

• Changes in personal and family circumstances. Issues such as changes in employment circumstances and domestic living situations, such as divorce or separation, influenced the decision to opt out for some, while for others they encouraged participation in the personal accounts scheme.

• Perceived affordability. This was a vital issue for those on lower incomes, including those with heavy debts or who were reliant on benefits. For some, their financial situation made it genuinely very difficult for them to think about affording contributions. However, there were other participants with greater disposable income for whom affordability appeared to be more a matter of perception, as other spending priorities took precedence.

• Preference for other ways of saving and investing. Personal accounts are one form of saving for retirement amongst many and some participants had a preference for other ways of saving. Most important here was the appeal of investing money in property, often viewed as a more tangible, flexible and potentially more profitable asset than a pension scheme.

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5 Please note that since the time of fieldwork, minimum contributions are described in a different way. We no longer refer to a minimum employee contribution, only a minimum employer contribution of three per cent and a minimum overall contribution of eight per cent. If the employer chooses to contribute the entire eight per cent, employees may not have to contribute depending on the scheme rules or their contract. At the time of fieldwork, the basic policy for those who choose to save was explained as the employee having to contribute four per cent of their earnings, receiving an extra one per cent in tax relief, with their employer contributing a minimum of three per cent.

6 Fieldwork was carried out between October and December 2007 and as such, the concerns about the housing market and economy in general were not as significant as at the time of this report publication.
• **Uncertainty about what a personal account will be worth when retiring.** Those wanting to invest for their future are particularly concerned with the likely future ‘value’ of their savings. This was a particular concern for participants over the age of 40.

• **Experience of State financial support.** For some participants, previous negative experience of financial interaction with the State led them to be less positive about the personal accounts scheme. Those who had experienced unexpected cuts to benefits payments or difficulties with deductions taken by the former Child Support Agency, were more likely to be wary of entering into another formal financial arrangement with what they perceived to be the Government.

**Important opt-out factors**
The important (but not decisive) factors were:

• lack of trust in pensions;
• impact on employer and job security;
• values and beliefs with regards to automatic enrolment;
• concerns regarding the management of the personal accounts scheme.

**Factors that would need to change**
As a final stage in the interview process, participants who said they would opt out were asked to visualise a situation whereby, in 2012, they would have changed their mind in relation to the personal accounts scheme and decided to stay in and take part.

Changes in income, employment, personal and family circumstances were all mentioned as factors that may change by 2012 for a number of participants, and that would have an impact on their decision as to whether to remain in or opt out of the scheme.

Some of those on lower incomes who had said they would opt out at this stage felt that changes to their circumstances before 2012 could mean that they are able to afford to stay in the personal accounts scheme and make contributions. Others felt their perceptions and priorities might well have shifted by 2012 as a result of changes in their employment, income or personal situation. Younger people who stated that they wanted to defer paying into a pension until the ‘right time’ as they felt too young at present, thought that in five years’ time or so, a pension might be more appropriate for them.

Some families with children anticipated a change in their household circumstances that may allow them to enter the scheme in 2012. Where participants thought their children would have left the family home or found work and would no longer be dependent on them, they envisaged having more disposable income for themselves and therefore they would be able to save towards their retirement.
Those who said they would opt out on the basis that they were uncertain about the amount that they would receive from their personal account in retirement, anticipated that by 2012, there may be more information available and hence, a more accurate way of predicting what such a pension pot would be worth. They felt this knowledge would equip them with the timely information they would need to make their decision as they would have a clearer idea of the extent to which a personal account would be a worthwhile investment for them.
1 Introduction

This report contains the findings from a qualitative study involving 60 in-depth interviews carried out by the Ipsos MORI Social Research Institute on behalf of DWP. The study examined the factors behind individuals’ decisions to stay in or opt out were they to be automatically enrolled into the personal accounts pension scheme. This chapter discusses the background to the research and research to date, the research objectives and the methodology used, as well as outlining the structure of the remainder of the report.

1.1 Research background

1.1.1 Policy background

The Pensions Act 2008 set out a series of measures aimed at encouraging wider participation in private pension saving. The aim of these reforms is to overcome the decision-making inertia that currently characterises some individuals’ attitudes to pension saving and to make it easier for individuals to save for their retirement. They are particularly targeted at low to median earners, amongst whom undersaving for retirement is currently widespread. The measures set out in the Act include a duty on employers to automatically enrol their eligible employees into qualifying workplace pension provision and to provide a minimum contribution towards the pension saving for those employees who participate. This duty will come into force from 2012.

Employees will be automatically enrolled if they are aged between 22 and State Pension age, have gross annual earnings of £5,035 or more, and are not already members of a qualifying workplace pension scheme. Employees will be able to opt out of the scheme if they wish, and those who choose to opt out may be re-enrolled after a set period of time (expected to be a minimum of three years). Employees who are not automatically enrolled may choose to opt in to a qualifying workplace pension scheme.

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7 The earnings limit is £5,035 in 2006/07 earnings terms and will be uprated in line with earnings using the Average Earnings Index.
Employees who choose to remain members of a qualifying workplace pension scheme will receive at least three per cent of their qualifying earnings (between a band of £5,035 and £33,450 in 2006/07 earnings terms) from their employer, and a further one per cent from the Government in the form of normal tax relief. The minimum overall contribution needs to be eight per cent, so employees of an employer that contributes three per cent will need to put in four per cent from their pay. Employees and employers may contribute more than the minimum if they wish.

The Pensions Act also allows for the establishment of the personal accounts pension scheme. This will be a trust-based defined contribution occupational pension scheme that employers must use if they do not have or do not wish to use, their own qualifying workplace pension scheme. The personal accounts scheme will be run at arm’s length from Government by a body corporate acting as an independent, not-for-profit, trustee for the scheme.

1.1.2 The need to gather evidence on public attitudes

DWP has consulted widely on the public’s reactions to the reforms, and on key features of the scheme’s set-up, to ensure the widest possible appeal for the scheme among its target users. Previous research has revealed that, while there is a lack of public awareness of Government debates surrounding pension reform, individuals are concerned about their retirement income and welcome changes in pensions policy that encourage people to save more money for their retirement. The current research aimed to gather further evidence on public attitudes to key aspects of the pension reforms, including attitudes to automatic enrolment, and to explore the likely behaviour of individuals if they were automatically enrolled into personal accounts.

It should be noted that, from 2012, employers with qualifying pension schemes will be able to choose whether to automatically enrol their employees into their own pension schemes, or into a personal account. However, this research focused mainly on personal accounts rather than on qualifying workplace pension schemes in general. This was for the sake of clarity and robustness to enable interviewers to explain all the key elements of the scheme and thus allow participants to make an informed prediction about their likely behaviour.

1.1.3 Quantitative and qualitative research

This research forms part of a wider programme of research and analysis to inform the Government’s pension reforms and enable more people to save for retirement. The programme includes a quantitative survey conducted in 2007 by Ipsos MORI.

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8 Contributions into the personal accounts national pension saving scheme will be capped at £3,600 (2006/07 earnings terms). The contribution limit will be uprated in line with earnings.

on behalf of DWP, from which a subset of participants were re-contacted for this research. The survey was conducted among a group of 754 individuals eligible for automatic enrolment under the Government’s proposals. The survey measured the attitudes and likely reactions of this group in relation to the key features of the reforms and the personal accounts scheme. Participants were asked about their reasons for deciding to remain in or opt out, and this qualitative study then explored participants’ decisions in more detail, considering how they made their decision and the factors they weighed up. This report can be read in conjunction with that of the quantitative survey, key findings from which can be found below.

The Department’s programme of research also includes a parallel, nationally representative survey and qualitative follow-up study of employers’ attitudes and likely reactions to the workplace pension reforms.

1.1.4 Key findings from the quantitative research

Findings from the quantitative survey show that over six in ten individuals found the idea of automatic enrolment attractive (64 per cent), and the opportunity for members to opt out of the scheme following enrolment was viewed as attractive by nine in ten (90 per cent). Other features that were perceived as appealing included employer contributions (91 per cent found this feature attractive), individual contributions deducted automatically from wages (72 per cent) and the opportunity for members to choose their own investment fund or be enrolled into the default fund if they do not make an active choice (68 per cent).

With regards to staying in and opting out of the scheme, the survey shows that seven in ten individuals said they would definitely or probably stay in the personal accounts scheme if automatically enrolled tomorrow (69 per cent). Two in ten participants said they would opt out of the scheme (22 per cent), half of which said they would ‘definitely’ choose not to take part, and the other half of which said they would ‘probably’ choose not to (11 per cent in each case).

From the quantitative survey the key reasons for individuals saying they would remain in the scheme were the perceived need to start saving for retirement (49 per cent), the scheme offering an easy way to save (31 per cent) and the value of employer contributions (31 per cent). Key reasons for individuals saying they would opt out of the scheme were a preference for types of retirement saving other than pensions (27 per cent), already saving in a personal pension (16 per cent), being too old to start saving (16 per cent), not being able to afford to start saving (16 per cent) and being concerned about losing money (12 per cent).

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1.2 Research aims

The overall aim of this study was to explore the factors people considered in weighing up whether to stay in or opt out of the personal accounts scheme. Specifically, the objectives were to:

• examine which factors people considered in their decision to stay in or opt out of personal accounts, and in particular, to examine the relative influences of the features of the reforms (e.g. automatic enrolment, scheme benefits, level of contribution) versus other factors such as personal circumstances (e.g. income and debts) or attitudes, such as their level of trust in pensions;

• explore how people weigh up these factors and examine which appear to have the most influence on decisions to stay in the scheme or to opt out;

• explore reasons for opting out of or staying in personal accounts in groups of particular interest, such as those on low incomes and younger and older individuals.

1.3 Methodology

A qualitative methodology was used for the research. Sixty face-to-face in-depth interviews of one hour in length were conducted in Great Britain with people eligible for automatic enrolment into personal accounts who had been interviewed as part of the quantitative survey described in Section 1.1.3. Fieldwork was carried out during October to December 2007. All interviews were digitally recorded, then transcribed and analysed using XSight qualitative research software. The Ipsos MORI team used this package to create a thematic framework upon which to base their analysis of the rich qualitative data.

The sample was derived from the main-stage sample file of the quantitative study conducted on behalf of DWP earlier in 2007, from those who indicated that they were willing to be re-contacted and who fitted the quota profile (see Section 1.4). The main advantages of interviewing participants from this sample were: firstly, participants had already given some thought to the issues and were familiar with the reforms and secondly, a sample of participants who fitted the quotas described below could be obtained. Another advantage of this approach to sampling was that participants had developed trust and confidence in the research process as a result of taking part in the quantitative survey and may have been more willing to talk openly and explain their financial situation to the researcher interviewing them for the qualitative stage of the research.

All the interviews were carried out by trained qualitative researchers from Ipsos MORI. Each interview was conducted using a semi-structured discussion guide which was developed collaboratively by Ipsos MORI and DWP.

The discussion guide was tested in four pilot interviews which were conducted at the very start of fieldwork to ensure it covered the relevant discussion areas and
was fit for purpose. Prior to all interviews, stimulus material\textsuperscript{11} was used in the form of a ‘pre-tasking’ exercise that participants were asked to complete and bring with them to the interview. The exercise reminded participants of the key aspects of the reforms and of the personal accounts scheme, as well as explaining contribution levels using an example tailored to their income bracket.

The pre-task also encouraged participants to again consider their response as to whether they would stay in or opt out of the scheme and asked them to record any thoughts, conversations with others, or actions they had taken, as a result of taking part in the quantitative interview. Reviewing the pre-task with the researcher at the beginning of the interview encouraged participants spontaneously to express the ‘top of mind’ factors behind their stated decision to stay in or opt out of the scheme.

To explore the rationale behind participants’ decisions in more detail, a card exercise was then introduced which helped to prioritise the factors in their decision. Participants were asked to write the factors influencing their decision on ‘post it’ notes and then to stick those on the upper or lower section of an A3 grid (see Appendix B) depending on whether they were more or less important to their decision. By prompting on additional factors that the participant had not mentioned spontaneously, the interviewer ensured that other factors, which might also have an influence on the decision, had not been overlooked. This technique allowed participants to interactively trade off factors and choose the ones that they felt were most significant to their decision. Having discussed all factors under consideration, participants were asked to highlight one ‘critical’ factor that held the strongest influence over their decision, and one which they were able to agree was ‘decisive’.

1.4 Research design

In order to explore views amongst a range of individuals, participants were sampled purposively, based on a number of key attributes. The breakdown of the sample and the rationale behind the sample selection are given below.

• Decision to stay in or to opt out – The sample was evenly split between participants who had indicated in the survey that they would definitely stay in, probably stay in, definitely opt out or probably opt out.

• Gender – An even distribution of men and women across the sample.

\textsuperscript{11} Participants were sent a workbook which contained information about the personal accounts scheme to act as a reminder of the key aims and rules of the scheme. The workbook also contained a number of short open-ended questions aimed to encourage thinking and aid recall prior to the interviews commencing. Copies of the workbooks are included within Appendix C.
• Age – Previous research has shown that the views and behaviours regarding saving can vary considerably with age. Interviews were conducted with a range of participants aged between 22-29, 30-39, 40-49 and 50-59.

• Income – Interviews were carried out with those earning £5,000-£14,999, £15,000-£24,999, £25,000-£32,999 and £33,000+ to understand how attitudes to the reforms and in particular the personal accounts scheme might vary across different income groups. The minimum income level was set at the minimum pay threshold at which people would be eligible for enrolment into the scheme.

The age and income bands used were in line with the quantitative survey to ensure consistency. Interviews were spread across nine Government office regions: London and the South East, the Midlands, Yorkshire and Humberside, Wales and the South West, Scotland and the North East.

Participants were re-contacted and then recruited by Ipsos MORI's qualitative field team over the telephone. Recruiters gained participants’ consent to be interviewed and meetings were booked at participants’ homes at a time suitable for them.

1.5 Definitions, presentation and interpretation of data

Qualitative methods, such as in-depth interviews, are ideal for exploring complex issues and to elicit a full range of views. Qualitative research allows insight into the attitudes and beliefs of participants, which could not be examined in as much depth by using a structured quantitative questionnaire. Unlike quantitative methods, in qualitative research smaller samples are purposively chosen, to ensure that the full range of perspectives are represented within the sample.

However, it needs to be stressed that qualitative research is intended to be illustrative and does not seek to produce statistical results, but to explore the range of views, attitudes, opinions and experiences of a sample of the general public. This needs to be taken into consideration when interpreting the research findings.

Throughout the research we have made use of verbatim quotations to exemplify a particular point of view. It is important to keep in mind that these views do not necessarily represent the views of all the research participants.

Where quotations have been used, the attributes, in order are:

• gender;
• age;
• whether the participant would (definitely/probably) stay in or (definitely/probably) opt out of personal accounts;
• income.
1.6 An informed audience

It is important to note that those participating in this study were relatively well informed about the reforms compared to the general public. Both the quantitative and qualitative studies used visual stimulus materials including show cards and tailored explanations to explain the reforms and help people understand the likely impact of the contributions on their take-home pay. As a result participants had twice been exposed to information about the reforms and had the opportunity to reflect and find more out about personal accounts in the time between the first survey interview and the second, qualitative interview.

For some participants, taking part in this research and the quantitative survey were the first times they had discussed pensions and how they work at any length. Despite all participants being well-informed about the reforms and personal accounts through the research process and pre-tasking exercise, some participants lacked a basic understanding of the way in which pension schemes operate, for example that the money paid in as contributions would be invested in various funds. For some, this lack of overall understanding regarding pensions as a form of saving, posed a challenge when it came to weighing up decisions. It was more of a challenge for those with lower levels of knowledge of pensions to engage in discussing the reforms and personal accounts, and to recognise the personal benefits of having a pension whilst considering the finer details and workings of the scheme.

1.7 Analysis

Each of the interviews were transcribed for analysis purposes. The research team then met to ‘brainstorm’ findings, working through the key overarching themes that cut across all interviews, to produce headline findings. This was then followed by a process of finer analysis and coding achieved by analysing transcripts using XSight – a qualitative analysis software – which helped the researchers develop a thematic framework to highlight the key ideas and findings coming out of the interviews. The thematic framework is a basis for analysing transcripts and evolves as subsequent transcripts are analysed. This approach ensures that the full range of underlying reasons and findings are explored, within a consistent framework which aids comparison across age and income based sub-groups.

A working hypothesis at the outset of the research was that differences might be found between the factors that were influential in decision-making for those who had said in the earlier quantitative interview that they would definitely stay in or opt out of personal accounts and those who had said they would probably stay in or opt out of the scheme. From close analysis of the interview findings, however, it became apparent that there was no clear pattern of particular sets of factors being associated more strongly with ‘definitely’ than with ‘probably’ responses, or vice versa. In light of this finding, the decision was taken not to use the distinction between those who would definitely or probably stay in or opt out of the scheme as an analytical category in this report.
It is worth noting that the limited usefulness of the definitely/probably distinction as an analytical category appears to stem from the fact that participants based their decision on whether to say they would probably or definitely opt out on a range of reasons. It might be expected that someone saying they would definitely stay in or opt out is an indicator of a firmer decision, in contrast to someone who says they would probably stay in or opt out. However, the interview findings indicated that a ‘probably’ or ‘definitely’ response does not always indicate the firmness of the decision, but for some participants instead reflected uncertainty about what they would do in the future or that they would need further information to make this decision. Uncertainty about what their eventual decision would be when personal accounts were introduced in 2012 led to some participants giving a ‘probably’ rather than a ‘definitely’ response. Some participants said they were unable to say with any certainty what they would do in 2012 and had given a ‘probably’ response as a result; although they were asked by moderators to base their decision on what they would do if personal accounts were introduced tomorrow, they were aware of the 2012 date and reverted to mentioning this from time to time in the interview. This expression of uncertainty was particularly true for those on lower incomes and for those undergoing times of change in personal or employment circumstances.

In other cases, the ‘probably’ response was given because participants felt they simply did not have enough information about personal accounts at this stage to make an evidence-based decision with certainty. Furthermore, some of those who gave a ‘definitely’ response stated that they were making this decision based both on their current personal circumstances and the knowledge they had of personal accounts at this stage.

1.8  Report structure

The remainder of the report is structured as follows:

• Chapter 2 is a contextual chapter discussing participants’ general attitudes to the reforms and specifically the personal accounts scheme.

• Chapter 3 examines the decision-making process and the approaches participants drew on when making their decision, as well as the role of others such as friends, family, work colleagues and advisers in decision-making.

• Chapter 4 discusses the decisive and important factors underpinning the decision to remain in the scheme.

• Chapter 5 looks at the decisive and important factors influencing people’s decision to opt out of personal accounts.
2 General attitudes to personal accounts

This chapter indicates the general views of participants regarding pensions, the features of the personal accounts scheme and the workplace pension reforms more widely. It sets the remainder of the report in context, as some participants with generally positive views towards aspects of the reforms and personal accounts stated that they personally would choose to opt out of the scheme. These participants could identify attractive elements of the scheme but at that moment in time their personal circumstances meant they would not stay in the scheme. They could, for example, be attracted to personal accounts but perceive themselves as currently too old or too young to start saving in a pension.

2.1 Attitudes towards the reforms and personal accounts

Research participants were positive about the reforms and the personal accounts scheme, regardless of whether or not they felt it was a scheme they personally would choose to remain in at this particular time. The positive benefits and aspects of the reforms and scheme were felt to be:

- **Pensions are important for future generations.** Participants acknowledged that unless people begin making provision for their retirement through increased saving, there is likely to be increases in pensioner poverty in the future. Many felt that it was ‘about time’ that a strategy to tackle these issues was introduced.

- **There is a need to overcome individuals’ inertia to pensions and saving for retirement.** Automatic enrolment was popular with participants, although there were examples of some participants for whom it was not. Participants were in favour of the Government taking a more proactive approach to workplace pension saving and encouraging society to think about their own long-term retirement provision.
• The personal accounts scheme was viewed as straightforward, flexible and easy to understand. Participants spoke positively about the easy-to-understand nature of the scheme. In their view, the scheme compares favourably to other forms of private saving which participants perceived to be provided by a complex market.

A powerful starting point for many when considering personal accounts was their opinion of the main principles of the reforms. For those who stated they would stay in personal accounts (and indeed many who stated that they would opt out), the idea that personal accounts would encourage people to save and would be available for everyone were positive characteristics.

Personal accounts were often seen as another form of saving to provide an extra safety net in retirement – with many participants taking the view that ‘every bit helps’. There was also a strong sense that some people need clear direction and guidance in their retirement planning and that the reforms and personal accounts are a step in the right direction. This perspective was commonly taken by older participants (particularly those over 40) who expressed the benefit of saving.

Behind this was the belief that there exists a significant gap in pension provision and that the Government should be proactively encouraging people to save for their retirement from as young an age as possible.

‘My generation weren’t told at school “you need a pension, you need to do this, you need to do that, start saving”…we’ve had to find out ourselves or through our parents and through this and through that…the Government should do more. Especially at schooling level…teach kids the value of what life is.’

(Male, 30-39, probably opt out, £15K – £25K)

It is important to note, however, that many participants agreed with the Government taking a guiding lead on pension saving – through automatic enrolment – though this did not necessarily mean that they felt personally in need of guidance. In these cases those participants felt that others would benefit more from the scheme than themselves. Most typically, this was seen through older people citing the benefits of pension saving to younger generations rather than themselves. Participants overall tended to find it easier to talk about the benefit the scheme would bring in terms of encouraging saving amongst others rather than themselves.

‘I think it is a good way of making people think about their future, perhaps it’s a bit too late for me because…I’m hopefully finishing working soon, but I think it could make people a bit more aware of the future…people ought to start saving earlier.’

(Female, 50-59, probably stay in, £5K – £15K)

### 2.1.1 Attitudes towards automatic enrolment

Many participants felt that they needed to be given encouragement to start saving for retirement; without this, they would continue to put off making any provisions.
‘You see if you were to say to me, “right, all this is starting in January next year and [you’ll put in] just say, £10 a week, that’s it, you’re in”. And I would say, right, OK then. At least I know, at the back of my mind, that I have done something to start saving. It’s just really that little push. That’s it; it’s all done and dusted.’

(Female, 50-59, definitely stay in, £5K – £15K)

‘It’s something that I know I’ve got to do, but never got round to it, so the fact that somebody’s effectively going to do it for me, that’s the big benefit.’

(Male, 30-39, definitely stay in, £33K+)

There was a strong sense that automatic enrolment was positive as long as it came in partnership with the ability to opt out. Most assumed that the opt-out process would be fairly straightforward, meaning that those who did not want to take part were not inconvenienced.

‘A lot of people wouldn’t even know or think about it unless they were automatically put in to it. It’s like with the donor card. My feeling is everybody should automatically...be a donor and they should have the option of opting out of it.’

(Female, 50-59, probably opt out, £5K – £15K)

When discussing the scheme benefits, participants were not always thinking of how applicable they would be to themselves. Often, automatic enrolment was seen as a good way to get other people who were less financially responsible (particularly young people) to start saving without them having to take any action.

‘My kids are now coming up and I hear them talking about pensions and I suggest that one or two of them start a personal pension fund, but they’re not interested, so this will almost force the issue because they probably won’t be bothered to opt out.’

(Male, 50-59, probably opt out, £33K+)

Other participants spoke favourably of the sense that the scheme will be ‘taking care of things’ for them, and therefore saving them the task of having to set up a scheme for themselves.

‘You know that it’s there, it’s come out of your pay, [and] you ain’t got to worry about it.’

(Female, 30-39, definitely stay in, £5K – £15K)

‘Well they would have to make it some sort of compulsory thing, a bit like tax and national insurance...if it’s left to the individual nowadays they’ll take the path of least resistance, won’t they, and “no I want to buy this, this week” and “I want to buy that this week”.’

(Male, 50-59, definitely opt out, £25K – £33K)
A small number of participants, however, were opposed to the feature of automatic enrolment and mentioned it as an important factor influencing their decision to opt out. Those who expressed opposition towards automatic enrolment tended also to voice negative perceptions of the role of the Government in the reforms. These participants were of the opinion that joining a pension scheme should be down to the choice of the individual. Whilst they were in favour of the State encouraging people to think about pensions and providing information on available options, they felt strongly against the Government putting them in a position where they had no choice but to make a decision. In this sense, they felt that they were being forced into making a decision, rather than being encouraged to make a decision.

‘That’s wrong, you should be given the choice I think, you should be given the choice, “would you like to do this?” Yeah, I’d like to have the choice of whether I’d like to do this or not. That is really, that is important, if I wasn’t given the choice, then I won’t be doing it, I’ll just opt out.’

(Male, 30-39, probably opt out, £15K – £25K)

2.1.2 Attitudes towards employer contributions and tax relief

A key feature of the scheme that was commonly mentioned was its broad eligibility, particularly the opportunity it gives to part-time, temporary or agency staff. These employees were thought to currently be at a disadvantage in being offered pensions because of their temporary employment. In addition, the reforms and the scheme were praised for the benefits they will bring to lower earners – both in terms of encouraging them to save into a pension, and personal accounts in particular acting as a low-cost and affordable way to save. Participants felt that the minimum three per cent employer contribution will encourage employers to value their low-paid staff more.

‘Because it’s not just an ordinary savings scheme, there’s going to be a tax break from the Government, and also that your employer would have to contribute as well…it’s important to me, because just paying in my few pound a month myself, and it’s doubled by the contributions from my employer, and it’s more tax break from the Government, so that adds more to it.’

(Female, 30-39, definitely stay in, £5K – £15K)

Participants were positive about the matched employer contribution and tax relief, and saw this as an incentive to save.
2.1.3 Attitudes towards individual contributions

During the course of the interviews, participants were given information about the amount of contribution that would apply to their level of earnings. This information was shown as a weekly and monthly amount, as a percentage of gross earnings. When asked about the contribution levels, there was a strong sense among participants that the personal contribution level was set at a fair and affordable amount. Furthermore, many suggested that they would notice very little difference if the contribution was deducted from their wages.

Perceived affordability of the employee contribution varied little across income levels. Instead, personal characteristics, perceived life priorities and experiences emerged as playing a more important role in shaping views. This is illustrated by the finding that some on lower incomes, who might be expected to see the contribution as less affordable, felt four per cent was an acceptable amount, while there were others on higher wages who said they had other spending priorities and therefore the personal contribution was too much for them at that time.

A few participants on lower incomes and in receipt of income-related and working-age benefits (such as council tax benefit and housing benefit) held little faith in their own ability to save into a pension scheme, which had an impact on whether they thought they would be able to save into personal accounts specifically. Participants cited their history of making poor financial decisions, or having fluctuating or low incomes, as the main challenges to making frequent and significant contributions. Some on lower incomes and in receipt of income-related and working-age benefits mentioned that they had not been able to afford to save in the past. They were, therefore, not confident that they would be able to keep up with contribution payments and were concerned that they might have to leave the scheme as a result.

Participants felt that financial provision during retirement is an individual’s responsibility. Many participants felt that they did not want to be reliant on the State at retirement and saw having a private pension (such as a personal account) as part of the solution. Some older participants also expressed the belief that people should not rely on the State if they had the means at earlier points in their life to save towards their own pension for retirement.

12 Please note that since the time of fieldwork, minimum contributions are described in a different way. We no longer refer to a minimum employee contribution, only a minimum employer contribution of three per cent and a minimum overall contribution of eight per cent. If the employer chooses to contribute the entire eight per cent, employees may not have to contribute depending on the scheme rules or their contract. At the time of fieldwork, the basic policy for those who choose to save was explained as the employee having to contribute four per cent of their earnings, receiving an extra one per cent in tax relief, with their employer contributing a minimum of three per cent.
3 Making the decision

This chapter looks in detail at the decision-making process that individual participants went through when considering whether to stay in or opt out of personal accounts. It begins by looking at decision-making in context, before going on to explore the ease with which decisions are made. The chapter concludes by exploring participants’ different approaches to decision-making and the role of others, such as friends, family and work colleagues, in influencing views on whether to remain in the personal accounts scheme.

3.1 The context

Participants were asked to consider whether they would stay in or opt out of personal accounts if they were to be introduced ‘tomorrow’, i.e. the next day after their interview. They were therefore responding to the question based on their current circumstances, attitudes and values. This focus on the current time was important in order to enable a meaningful and ‘real-life’ consideration of decision-making to take place in the interview. Asking participants what decision they would make in a hypothetical situation more than four years into the future would have been less likely to elicit a meaningful response, since it is difficult for people to predict with accuracy how personal circumstances might change by 2012 and impossible to say what events might take place over that time period that could influence their decision.

Some participants noted in the course of the interview that they might well be in different personal circumstances by the time personal accounts are introduced in 2012, which could mean that their decision whether or not to remain in the scheme would change. These participants nonetheless felt that the process of decision-making they went through and types of reasoning they used would be broadly similar in four years’ time, with different factors having become more or less important depending on any changes in circumstances and views.
3.2 Eliciting views on the importance of different factors

All participants had responded to a 30-minute quantitative interview about personal accounts two to four months before taking part in the qualitative interview. At an early stage in the qualitative interview they were asked to recall what decision they had made and whether they had changed their mind at all since the previous interview. In the main, participants were able to recall the decision they had made at the time. In order to elicit important factors spontaneously from participants, the moderator asked them to discuss their decisions in more detail.

Following their spontaneous answers participants then prioritised the factors they had mentioned on a grid according to whether they were more or less important to their decision. The moderator then prompted participants on whether any other factors were important, using a pre-prepared list of areas that previous research had indicated could act as important influences on decision-making about personal accounts. Participants were only prompted on areas that they had not already mentioned spontaneously.

In a final step, participants were asked to select one critical or ‘key’ factor that had the most impact on their decision. This process enabled the relative weight and importance of different factors and sets of factors in decision-making to be explored. Throughout this report, we use the term ‘decisive’ factor to refer to the critical factor that each participant said was most important in making their decision, whilst the term ‘important’ factor is used to denote those factors which participants said were ‘important’ in their overall decision but not critical to it.

3.3 The ease or complexity of decision-making

The decision-making process was, for most people, a matter of balancing and trading off different factors against each other when deciding whether or not to stay in or opt out of the personal accounts scheme. A range of factors were critical in respondents’ decisions to stay in the scheme: in particular, the degree of importance they placed on saving for retirement, a perception that the scheme was ‘Government backed’, the employer contribution and tax relief, and a perception that the reforms were simple and easy to understand. Respondents who stated they would opt out of the scheme cited a range of reasons: in addition to already having a personal pension scheme in place, reasons included a preference for different ways of saving for retirement (namely regular savings or investing in property), a perception that saving for retirement was not their priority because they were too young, or, conversely, a perception that they were too old to start saving for retirement. Concerns about whether they could afford to contribute at that time were also an important issue for some respondents. These factors, and others, are discussed in more detail in Chapters 4 and 5.

For some, their decision hinged on a single decisive factor that dominated their thinking about the personal accounts scheme, for example, ‘I need to start saving’, or ‘I want to be financially independent when I am retired’, and for those who
said they would opt out, ‘I can’t afford it’, or ‘I’m too close to retirement for this to be worth it’. Others however, mentioned two or three decisive factors which together acted as the main influences on their decision, despite being asked to choose just one of these factors as part of the interview process.

The total numbers of factors that participants felt were important in their decision varied considerably between participants. For some people there were relatively few factors to consider overall and as a result the decision-making process for them was quite straightforward. By contrast, others felt a large number of factors were important enough to include and weigh up, reflecting a more complex or challenging decision.

For those who said they would stay in the scheme, the numbers of factors mentioned as important (whether decisive, more important or less important) in their decision ranged from seven to 18. For those who said they would opt out, the numbers of factors ranged from as few as three through to as many as 17. This indicates that while for some the decision to opt out was complex and involved weighing up a high number of factors, for others the decision was simpler and influenced by fewer factors. In particular, those for whom perceived affordability was a decisive factor tended to find the decision more straightforward.

Across all participants, there were many who found it comparatively easy to give a response to whether or not they would choose to remain in the scheme. There were participants who identified a large number of factors as important in their decision but nonetheless, found it easy to point to the one or two factors that were decisive for them.

However, there were also those who found it more challenging to balance the different factors and arrive at a solid conclusion. Difficulties were experienced for two main reasons: Firstly, for those participants who perceived a large number of factors to be important in their decision, trading off the factors was often challenging. Secondly, some participants felt that they lacked some crucial information, consideration of which might well make a difference to their decision.

Information needs have been explored in greater detail in a DWP commissioned research report entitled ‘The information required by people to support their decision to remain in, or opt out of, a workplace pension scheme’\(^\text{13}\).

Some participants stated that they required more information on what the pension would be worth come retirement. Some form of forecast or prediction was desired in order to help participants to weigh up the potential future ‘value’ of the pension fund, particularly in monetary terms.

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\(^{13}\) McAlpine, C., Marshall, H. and Thomas, A. (2008) *The information people may require to support their decision to remain in, or opt out of, a workplace pension*, DWP Research Report No. 540.
'They should really state how much a week or a month they’re going to get back. It would be nice, like when you put a [bank] card into a machine, like your bank balance, it would be nice to say I know how much it’s worth.’

(Male, 30-39, probably stay in, £5K – £15K)

Others had questions about more detailed aspects of the reforms and personal accounts scheme, for example the process of turning the personal account into a payable pension (annuitisation), and the level of benefit payable to dependants and/or family upon death whilst the annuity is providing an income, or indeed before that point had been reached.

‘What if I die? What happens to it? Where does it go? Does it go into somebody else’s coffers?’

(Female, 40-49, probably stay in, £33K+)

This finer level of detail about the benefits and terms of the personal accounts scheme tended to be requested by participants aged 40 and over. Further information and clarification about rules were also sought by those on lower and middle incomes (earning £25,000 per year or less) and by those who were in receipt of some form of benefit or tax credit. These groups sought reassurance that current benefits (either housing or council tax) or other tax allowances (such as Working Families’ Tax Credit) associated with their level of income would not be reduced or cut if they decided to pay into a personal account. They expressed some concern that they might be perceived to be less in need of these benefits if they had the resources to contribute to a personal account.

3.4  Approaches to decision-making

People use a broad range of approaches when making major financial decisions, such as deciding whether or not they would choose to remain in the personal accounts scheme. Below we describe the four main approaches that participants took, together with an indication as to the types of people who are more likely to use each approach. It is important to note that these are not mutually exclusive, with some participants employing more than one approach to decision-making over the course of their interview.

These broad approaches framed the ways in which participants approached and weighed up their decision. They are therefore important to discuss before turning to the specific sets of factors that drove participants’ decisions, which are detailed in Chapters 4 and 5.

3.4.1  Cost-benefit analysis

Individuals taking a cost-benefit approach to decision-making tended to give careful consideration to how much contributions would cost them in relation to the benefits that the savings would enable in the long-term. Participants using this approach felt they understood the wider benefits of having a pension. Knowing
at least a little about pensions as a concept and the notion of long-term savings in general allowed these decision-makers to engage with the concept of personal accounts in detail, and thus move beyond the initial thought of ‘what is it going to cost me?’.

Those employing a cost-benefit approach to decision-making were more likely to be aged over 40, with medium to high levels of income (£25,000 or more per annum). They took their existing outgoings and fixed expenditure into account when weighing up their decision. Important factors that participants weighed up included perceived affordability, spending priorities other than pensions, existing and alternative forms of pension provision and the scheme rules and benefits.

‘I would weigh it up, to be honest, my husband and I would put down now what’s most important. Paying quite a bit on the pension? Or, we would look at the overall picture…get the mortgage down? I think we would look at quite a few angles really. What’s going to benefit us? And then obviously I’m quite sure it would be a pension rather than your mortgage, because the market’s so unpredictable.’

(Female, 40-49, probably stay in, £5K – £15K)

Participants using this approach adopted a balanced attitude to decision-making, taking time to weigh up the information to hand. This involved considering the perceived future benefits of remaining in the scheme as well as thinking through the impact that the contributions would have on their financial situation, both in the short and longer term.

3.4.2 Short-term financial considerations

Participants influenced by short-term financial considerations tended to make their decision by considering the cost of personal accounts contributions in relation to their current personal financial circumstances and the overall perceived affordability of the scheme. This approach differs from the cost-benefit approach discussed above in that participants made their decisions on the basis of perceived cost alone and did not weigh these up in the context of wider or longer-term benefits that saving into the personal accounts scheme or another private pension might bring.

Age and life-stage played a role here, with those under 40 being more likely to use this short-term cost consideration approach. Those using this approach tended not to prioritise their future long-term welfare and provision over their short-term situation, since they perceived that there was plenty of time ahead to start thinking about retirement.

Decision-making for participants on lower incomes (under £25,000 per annum) was more likely to be influenced by the short-term cost implications of the scheme contributions. Some had a clear appreciation and understanding of the value and benefit of a pension scheme in principle, but felt that their financial circumstances at present governed their decision and that as a consequence it did not currently
make sense for them to consider the benefits of the personal accounts scheme in any depth. There was nonetheless a sense that they were able to look forward to a time in their future when they felt they would be in a financial position which would enable them to begin thinking about the potential benefits of personal accounts.

3.4.3 Valuing the principle of saving for retirement

A third approach to decision-making was governed by a strong appreciation of the principle of retirement provision. The benefits of saving for retirement tended to dominate the thinking of those using this approach.

For participants using this decision-making approach, the desire for future financial security for themselves and their families was an important driver behind their decision. Many of the core reasons these participants cited for saying they would stay in related not to the specific benefits of the personal accounts scheme but rather, to the wider ways in which participants thought they would feel as a result of having a personal account in place. A sense of future financial security for the individual and the wider family, not being a burden on their families in later life and maintaining a decent standard of living upon retirement were important factors that these participants mentioned as driving their decision to stay in the personal accounts scheme.

‘Pensions are, savings for the future are important, and you cannot just back up and say, no, if I want to save up for a car then I’ll stop paying for pensions, no, because it’s tough to budget and manage. I used to think like this once, but as long as, when you get a family, when kids come along, you just grow up overnight, and you get mature, and suddenly you’ve different priorities in life.’

(Female, 30-39, definitely stay in, £5K – £15K)

Whilst participants over 40 were more likely to feel that their decision was framed by the perceived value of retirement saving, this approach to decision-making was not confined to the older groups but used by participants from across the age ranges.

3.4.4 Linking the decision to existing political and ideological standpoints

For a few participants, the approach they took to making the decision whether or not to remain in personal accounts was strongly influenced by their political and ideological views. These related to the nature of the relationship they thought should exist between individuals and the State.

Some individuals had strong ideological perspectives on what the relationship between individuals and the State ought to be, which influenced how they viewed aspects of the reforms and the personal accounts scheme itself. For example, a handful of participants were particularly negative towards automatic enrolment
(a key feature of the pension reforms) as it was felt to impinge on their sense of individual rights or choice. This dominated thinking for these few participants and meant that they did not consider the longer-term benefits of pension saving and the wider implications of the personal accounts scheme.

Others, however, were more positive about the nature of State intervention, and viewed this as a strong selling point of the scheme. For example, one participant in his mid-40s perceived that the State should play a leading role in helping people save for retirement and felt that this was in line with his political views and was an important factor in his decision-making, despite the fact that he stated he would choose to opt out at this particular time in his life.

‘My grandparents they’re socialists, great socialists and I’ve always supported the Labour party, I think it’s part of my background…When I hear about things like that [workplace pensions], I know how important they are, how much our unions fought for them and I want to see the State taking a lead so that other people can get them too.’

(Male, 40-49, definitely opt out, £15k – £25k)

Older participants (those aged over 40) were more likely to relate the decision to their political and ideological perspectives.

3.5 The role of others when making the decision

While this chapter has focused on how individuals made decisions about personal accounts, the role others play within deliberation often has a significant influence on individuals. The section starts by looking at more informal advice and guidance, from family, friends and work colleagues, who often play an important role in the decision-making process.

3.5.1 Informal advice

The experience of family members and the advice they give can often frame decision-making. This was particularly the case among younger participants. For those who see their parents, grandparents or other family members prospering in retirement, or making provision as they work towards old age, this can act as a standard by which they seek to live and that they bear in mind when making decisions about their own provision. However, there were participants who had witnessed a family member losing their pension savings as a result of a scheme folding, which influenced them to be more sceptical about starting a pension and the benefits this may bring in retirement. For others, the influence of family experiences resulted in them questioning how worthwhile it is to save for the future when events have made them feel that it may be preferable to live for the here and now.
‘We’ve suffered tragedy in the family in as much as people have been taken ill and lives have been cut short. I think you have to live for the day and enjoy it and if you’ve got the money to spend it at that time, then go for it, the more that’s put away into investment, the less you have and I think you have to live every day to the full.’

(Female, 50-59, probably opt out, £5K – £15K)

Friends and work colleagues can also be influential on individuals’ decision-making. Seeking advice from others was more often mentioned by those participants in their 20s and 30s. For some participants in this age group, pensions were a relatively ‘new’ concept and something that they felt they would want to discuss and seek advice about. In some instances these participants had spoken with friends and colleagues about personal accounts after participating in the initial quantitative survey interview. While some mentioned negative reactions from friends or colleagues, others said that the people they had spoken to had reacted positively to hearing about the reforms and personal accounts scheme.

A small number of participants who had direct experience of pension schemes through trade unions in the workplace, felt quite strongly about the concept of pensions, considering them to be a vital working benefit. This finding illustrates the influence that the workplace can have on individuals’ decisions and in shaping the appeal of private pension saving in this setting.

### 3.5.2 Formal advice

Some participants said they would defer all major financial decisions to an ‘expert’ and seek advice. These participants were usually those who had previous experience or contact with independent financial advisers and felt that they could trust them to make a decision which was in their best interests.

‘I would want time to go and talk to my independent finance adviser who knows all details about my finances and therefore, can decide, and help me decide whether or not it’s a good decision to be doing at that moment in time. And a year later we can review it, see what’s changed.’

(Female, 40-49, probably opt out, £33K+)
4 Understanding reasons for staying in

This chapter looks at participants’ motivations for saying they would stay in the scheme and, where relevant, analyses differences in opinion across age, gender, income and personal circumstances. It discusses the decisive and important factors which influenced those participants that stated they would stay in the personal accounts scheme.

Participants were asked to discuss and explain all the factors which influenced their decision. From this group of factors they were asked to select one ‘critical’ factor (called the ‘decisive’ factors henceforth) which most influenced their overall decision. Participants were asked to then discuss those factors which were also important to them when making their decision, but were not critical. The chapter begins by exploring the factors which were decisive for participants and then proceeds by discussing the important (but not decisive) factors.

For the purpose of reporting this research, the decisive and important factors have been presented in order of importance (for the participants who were interviewed). However, it should be noted at this point that as participants were asked to select only one decisive factor (which was the most critical in making their decision), it is possible that some of those factors categorised as decisive by some participants may have been merely ‘important’ for others. To aid the presentation of the analysis those factors presented as decisive are those which emerged, in general, as being the most prominent critical factors that would drive participants to either stay in or opt out of personal accounts.

In this respect, the groups of factors discussed by participants could be pictured as having three levels of importance. For example, the decisive factor (being the most important), secondly, those factors which participants stated as being important to their overall decision and thirdly, those which would feature in the decision-making process for participants but which they stated were less important – although they still played a role in their decision. For the purpose of this report the critical and important factors are presented within Chapters 4 and 5.
4.1 The decisive factors

The following section details the factors that participants felt had a critical influence on their decision-making. These reasons are themed under the following headings:

• perceived Government backing of the personal accounts scheme;
• desire for a decent standard of living in retirement;
• desire for financial independence during retirement;
• desire to start saving as soon as possible;
• changes in personal circumstances.

4.1.1 Perceived Government backing of the personal accounts scheme

During the course of interviews, participants spoke at length about the role that the Government would have in the development of the personal accounts scheme. Interviewers were clear to point out that the Government would not be running, administering or managing the personal accounts scheme, and that this would be done by an independent body. Many participants did, however, struggle to recognise this distinction, and many comments were framed by their misconception that Government would take a lead role in both administering and ‘backing’ the personal accounts scheme as part of the wider set of reforms.

The research process may, to some extent, have influenced this misconception. Participants were told that Ipsos MORI was conducting the project on behalf of the DWP, and this may have encouraged a connection in thought between the personal accounts scheme and Government.

There was a perception among participants that pensions are a confusing and intimidating prospect, with the majority wanting to seek reassurances and security when making their decision about such an important investment. Participants felt that damage had been done to the trust they had in Government, however, many believed that the personal accounts scheme would be a safer and more secure option for pension saving compared to its counterparts in what participants described as the ‘private’ pensions industry.

‘I’m naïve and I’ve got more belief in the Government…the Government aren’t perfect, but I believe for a scheme like this they’d basically get it right.’

(Male, 50-59, probably opt out, £33K+)
‘But [you] trust the Government with every other money you pay in don’t you, if you pay tax you’ve got to trust them, you can’t say, well I’m not paying tax because I don’t think you’re going to fix a road… I know it sounds daft to keep trusting them but they’re not always wrong on everything are they?’

(Male, 30-39, probably stay in, £5K – £15K)

For those choosing trust in the Government as their decisive factor when stating that they would stay in the personal accounts scheme, reasoning came from two assumptions: Firstly, because the reforms and the personal accounts scheme were initiated by the public sector, participants perceived the scheme to be less profit-orientated than the traditional private pension environment, with account holders receiving all potential returns from the investment’s growth. Secondly, the perceived risk of loss would be minimal or non-existent as the personal accounts scheme is in some way connected to the Government. This assumption of ‘a guarantee’ (meaning that the personal accounts scheme was perceived as being more ‘risk-free’ and ‘predictable’) was a recurring theme mentioned by participants in the course of their discussions, which was continuously challenged and probed on by the interviewers, though for some participants it was difficult to overcome.

‘If it was [privately run] I might think well, what’s to stop the trustees from disappearing. When it’s a Government scheme obviously they’re elected to act in the interests of the people they’re serving, so I’d probably have more faith in a Government run scheme.’

(Female, 30-39, definitely stay in, £5K – £15K)

‘I would trust them…it’s a Government thing so it’ll be OK. The State Pension system’s never collapsed has it?’

(Female, 50-59, probably opt out, £5K – £15K)

Even though some participants believed that the Government could potentially make mistakes in their administration, or that investment funds may not perform well, some of those that said they would stay in the scheme reasoned that politicians could not afford to let the personal accounts scheme fail in what it sets out to achieve. At the time of the fieldwork, HM Treasury had recently intervened in the collapse of the Northern Rock bank, and some participants did mention this particular crisis and particularly how the Government had ‘stepped in’ to protect Northern Rock’s customers. When participants were framing their decisions at this particular point in time, this type of Government action supported their view of the State acting as a ‘guarantor’.

Some participants felt that more traditional investments administered by the private sector tended to suffer because of their direct association with commission and profit, with a sense that those running or selling such schemes are primarily motivated by their own gain. This in turn was felt to influence the tactics employed by those ‘selling’ pension scheme memberships. Indeed, some of those who said
they would participate in the personal accounts scheme cited the lack of a ‘hard sell’ of the scheme when compared to other ‘private’ schemes as a positive thing.

‘People [wouldn’t] feel pressurised, and I think we do feel a bit pressurised with insurance companies, all about sales, commission and “my product’s better than this product” and things like that. Whereas, as I say, this kind of scheme, it’s quite independent. You dread the insurance man that comes round because it’s all sales, sales, sales.’

(Female, 40-49, probably stay in, £5K – £15K)

4.1.2 Desire for a decent standard of living in retirement

The desire to have a decent standard of living in retirement was another key factor influencing participants’ decisions when stating that they would stay in the scheme. Providing sufficiently for the future was a primary motive for anyone who stated that they had considered having a pension, and this was reflected in the discussions around the personal accounts scheme. For many, this concern stemmed from their ideas surrounding the State Pension and that it will not provide more than a basic lifestyle in retirement. As such, they felt that it is individuals’ responsibility to ensure they are adequately financially supported in later life. People were wary of experiencing a drastic change in disposable income when reaching retirement and they wanted to avoid living without any luxuries in their old age.

‘You’ve worked all your life [and then retire and] scrimp for the rest of your life, you want to retire and be comfortable.’

(Female, 40-49, probably opt out, £5K – £15K)

While some saw the personal accounts scheme as a way to ‘top up’ the State Pension, others believed that it would eventually result in being a full replacement of any State provision. This was challenged and probed on by interviewers as participants were told that this was not the case. Concern about the future of State pensions was, however, an important perception brought up by participants in this research.

Many participants viewed the personal accounts scheme as a way of avoiding poverty in old age. Some drew upon their own and family experiences (such as, having been in poverty themselves or having witnessed parents or grandparents in financial difficulty) and this provided a powerful motivation for forward thinking and planning for their future.

‘I would like to think in years to come, when I wasn’t working, I could still be able to go out and buy something for my grandchildren. Not scrimping and scraping to try and make ends meet, like I did when their parents were small and they lived with me.’

(Female, 50-59, definitely stay in, £5K – £15K)
‘Your parents are going through it and you can see how they’ve maybe changed or had to adapt everything, and you think I don’t know if I like that, or you can actually visualise someone really close to you going through issues, financial, and it makes you think.’

(Female, 40-49, probably stay in, £15K – £25K)

4.1.3 Desire for financial independence during retirement

Some participants, particularly those on the lowest incomes felt that, as they neared retirement age the critical factor behind their decision to say they would remain in the scheme, was to be financially independent during retirement. Such participants had previously been providing for a family but now their focus had changed from being a provider for others, to ‘not being a burden’ on their family during their later years. Participants defined financial independence as being able to afford their own personal care if and when the time came, or having enough money aside for their children or significant others to inherit.

Among participants in the oldest age groups, this sense of duty often remained strong even though their children had grown up. This view was also held by some participants in the younger age groups, who even with young children, were conscious of the impact pensioner poverty could have on them in later life.

‘Obviously I don’t want to burden them [kids] in the future with trying to care for me if I haven’t made my own provisions to take care of myself.’

(Female, 30-39, definitely stay in, £5K – £15K)

4.1.4 Desire to start saving as soon as possible

There were many influencing strands within the theme of timing, the clearest being age, which tended to cut across a variety of different factors which participants stated as their reasons for saying they would remain in the personal accounts scheme. Enthusiasm about the personal accounts scheme was expressed mostly amongst participants over 40, indicating that many participants tended to reach a watershed in their 30s where their focus turned from the ‘here and now’, such as short-term financial considerations and disposable income, to the future and putting savings aside for retirement. Commonly, this conscious recognition of the future was associated with a change in people’s circumstances, which encouraged them to either say they would start saving or when reflecting on their own financial history, that they felt they should have started saving earlier.

‘I think you’ve got to be a certain age and in the right frame of mind to know that it’s important to keep it up…because your priorities are different when you get older…[when you’re young] you need your money for going out, and now it’s an entirely different ball game.’

(Female, 40-49, probably stay in, £15K – £25K)

Whilst the quantitative survey exploring attitudes to the workplace pension reforms found that younger respondents were more likely to state that they would stay in
the scheme, the qualitative study found that some younger participants (particularly those in their 20s) were often less inclined to take part. Such respondents tended to argue they were too young or could delay worrying about saving until a later time. However, it should be noted that there were exceptions to this. Some younger participants recognised the importance of starting a pension early, although these people tended to have been influenced by friends or colleagues who had already started saving, and therefore recognised the importance of starting to save as soon as possible.

‘I need to get a pension soon. I’ll be 26 in a couple of weeks…I’ve got another 30 years left at least before I can retire, so it’s time to start it up. People at uni, they joined a pension scheme when they were 21. I thought I was too young, but in hindsight maybe [it] made more sense…’

(Male, 22-29, definitely stay in, £15K – £25K)

4.1.5 Changes in personal circumstances

A variety of life events were discussed by participants as affecting their decision to remain in or opt out of the personal accounts scheme. For some individuals particular life events and sets of circumstances were critical to their decision to stay in the personal accounts scheme.

The link between greater personal responsibility in life (such as, starting a family or buying a home for instance) and the prioritisation of pension saving was a common theme amongst participants throughout the research. Although those with children and families tended to have greater financial commitments, some were still more motivated about staying in and being part of the personal accounts scheme. The findings indicate that having these types of commitments instilled a sense of ‘duty’ within some individuals. However, it should be noted that for other participants, such changes to personal circumstances would result in them deciding to opt out at that particular time, rather than remain in. Changes in personal circumstances having the opposite effect on participants’ decisions are discussed in more detail within Chapter 5, which explores individuals’ reasons for opting out.

‘Because I’ve got kids and that, it’s more likely that I’d probably want to opt in rather than out. If you’d asked me that sort of like five years ago I’d probably have said “I don’t know, I’d probably opt out and think about it in the future”. But now that the kids are around it’s a case of I probably would opt in rather than out of it.’

(Female, 30-39, definitely stay in, £5K – £15K)

Various other personal circumstances also influenced people’s decision to say they would stay in or opt out of the personal accounts scheme. Recent separation or divorce, for example, had caused some (particularly women) to reassess their plans for retirement. For these people, the personal accounts scheme was seen as an affordable way to make provision for themselves in the future. It tended to be such an event that was critical in influencing their overall decision to say they would remain in the scheme.
‘When I was married I just assumed that my husband would look after me... [but that didn’t] last a long time so I suppose I should have thought about it.’

(Female, 50-59, probably opt out, £5K – £15K)

For others, personal events within the workplace were more relevant. For instance, the move from part-time to full-time work or from temporary to permanent employment was a critical factor for some who said they would stay in the scheme. These people said that they preferred to be more financially secure before they committed to a pension – and this was typically voiced by those on lower incomes.

In particular there was also a sense that pension saving would only be worthwhile when in full-time and permanent work. Some participants stated that because they were earning more money than previously in their current position (or had been promoted), they were able to make the decision to say that they would remain in the scheme. Although the life events above (divorce, separation and changes in employment circumstances) related to only a small number of those interviewed, for those to whom they were relevant they were critical in their decision to say they would stay in the scheme.

4.2 The important (but not decisive) factors

The important factors discussed by participants were:

- employer contributions and tax relief;
- simplicity of the reforms and flexibility of the personal accounts scheme;
- pensions as a reliable form of retirement saving.

4.2.1 Employer contributions and tax relief

When looking at all the aspects of the reforms and the features of the personal accounts scheme, the three per cent contribution paid by employers and the one per cent tax relief offered by the Government received the most positive reaction amongst participants and were important features influencing the decision to stay in the scheme. Receiving an amount of money which was matched to the individual’s investment (of four per cent), and therefore ‘doubling your money’, was considered as generous by most participants, and this feature of the reforms prompted many to think that pension saving in this way had the potential to yield a better return than other investments.

‘Well if someone is contributing a certain percentage of what you’re putting in… it’s better than you just doing it on your own... it would be like my kids getting their pocket money but they also get a couple of quid from granny and another couple of quid from granddad.’

(Female, 40-49, probably stay in, £15K – £25K)
Although participants did recognise and discuss that it would be a considerable commitment for businesses, many of those who said they would stay in the personal accounts scheme cited the employer contribution as a convincing and important reason to take part. It did not feature as a decisive, overriding factor for participants, but it was nonetheless important to their overall decision. One perspective from the research was that this measure forced employers to make an investment in and show appreciation for their staff, which would benefit them in the long term through increased staff loyalty and productivity.

‘If you think your company’s going to look after you, you’ll look after them… If a company says, “well no I’m not bothering, I don’t think it’s worth it”… [you] might think…well then I’ll go to another company that’s going to do it.’

(Male, 30-39, probably stay in, £5K – £15K)

‘[Having an employer contribution] might make me want to stay in for sure…I’ve worked for the same guy for 20 years and now when he gives me money if I thought he was going to pay some towards my retirement it would make me stay [with him] even more than ever.’

(Male, 40-49, probably stay in, £25K – £33K)

Some participants voiced concern that certain businesses currently make themselves more profitable than others in their particular market by not offering pensions to their staff and therefore saving money. The personal accounts scheme was seen as a positive move in ending any practices which disadvantage the employee. People often stated that certain employees were valued through pension provision, but that others currently miss out on such opportunities. Larger companies were also criticised by participants for under-valuing staff – and some suggested that these employers should pay more than the minimum three per cent to be introduced as part of the wider reforms.

‘Large companies don’t provide pension schemes because it makes them more competitive…this [scheme] levels the playing field because everybody’s got to do it, then there’s no competitive advantage not to do it.’

(Male, 30-39, definitely stay in, £33K+)

‘At the moment [big employers] are paying as little as they can to their staff, as little as they can get away with, so I think they can probably afford to pay a lot more than the three per cent.’

(Female, 30-39, definitely stay in, £5K – £15K)

The employer contribution was mentioned not only as a motivation for participants themselves to take part but also as a good way to encourage younger workers who may be putting off starting a pension. There was a belief that young people would be more motivated by monetary incentives rather than appealing to their personal sense of responsibility.
‘I think if it’s shown to a young person that OK they’re making a contribution, the Government’s making a contribution but the people that they’re working for is making almost as much a contribution as they are, they would think they would be getting a good deal.’

(Female, 50-59, probably opt out, £5K – £15K)

As well as the input from employers, the additional Government contribution in the form of tax relief was broadly welcomed as a positive feature and thus, an important factor influencing participants who said they would stay in the scheme. To participants this suggested a greater level of Government commitment towards solving the widespread deficit in pension saving, and this contribution in particular was seen as an important incentive for changing individuals’ behaviour. It is worth noting, however, that for some participants this feature was often perceived less as an active contribution from the Government and more as a tax waiver. With that in mind, there was the suggestion from some that the Government could invest more in the personal accounts scheme, although some conceded that this may impact on other areas of Government spending.

‘That’s a good incentive…with an employer’s hat on I’d like the Government to put in more, but if the Government puts in more it’s going to come out of everyone’s taxes so it’s swings and roundabouts isn’t it? But yeah it’s probably as fair as it could be.’

(Male, 50-59, probably opt out, £33K+)

4.2.2 Simplicity of the reforms and flexibility of the personal accounts scheme

Many participants found the features of the reforms and the personal accounts scheme very simple and attractive. Participants who mentioned this factor as important could be split broadly into three types – those who lacked the confidence to navigate financial investments, those who had little time or inclination to arrange a private pension and those who stated that they needed encouragement to start saving into a private pension.

Simplicity was particularly important for those who had little experience of finance because the main aspects of the scheme removed the need for them to learn about or understand pensions. Typically, this group found the idea of weighing up different pension schemes and investments a daunting prospect.

‘A lot of people are afraid to go into banks and go and see a financial adviser and ask for these things, so if they don’t know about it then that would make it easier for them.’

(Female, 30-39, definitely stay in, £5K – £15K)

There were others, however, who were less fearful of engaging with their finances, but had so far not got round to setting up a pension (either due to other priorities or the lack of time to research what would be best for their circumstances). For them, the scheme’s simplicity and the way in which the personal accounts scheme
would operate (being portable across various jobs), allowed them to get on with
their work and other commitments whilst benefiting from the knowledge that
they would have a pension accumulating.

‘It’s something that I know I’ve got to do, but never got round to it, so
the fact that somebody’s effectively going to do it for me is, that’s the big
benefit.’

(Male, 30-39, definitely stay in, £33K+)

‘Well I’m no good at saving money myself. So I’d rather have somebody or
something take money out of my wages straight away before I get them,
because otherwise I will go out and spend the money on my clothes and
everything that you…spend on.’

(Female, 22-29, definitely stay in, £5K – £15K)

Although many who stated this factor were full-time workers (and typically not on
low wages), the simplicity of the reforms and flexibility of the personal accounts
scheme were also positive aspects for other groups. For example, the ‘hassle’
of setting up a standard stakeholder pension was considered least worthwhile
amongst those in temporary or transient work and thus, such participants saw the
benefit and said that this would be one of the key reasons as to why they said they
would remain in the personal accounts scheme.

‘All the hassle [of setting up a stakeholder pension], I didn’t really want it
all…it would probably take about a month for it to go through and…I didn’t
know whether [my employer was] going to keep me on or not, it wasn’t
worth it.’

(Female, 50-59, probably opt out, £15K – £25K)

In most cases, having the simple option of being able to opt out (as part of the
reforms) was considered important, and enhanced the overall perceived simplicity
and flexibility. The possibility to opt out and then later re-enrol was valued as
participants felt it recognised the changes that occur in people’s circumstances
and situations over time. Such examples given included, moving to a new job and
changes in levels of income. Participants stated that they felt the personal accounts
scheme had value within the current market because they had the option to stay
in or opt out, and if they did choose to opt out that they would be automatically
enrolled at a later date and so would not miss out on the opportunity to save.

‘Your values change…after a while. As you get older you start thinking
about different things. So, at least you’re not saying once you’re out, you’re
banned [not allowed to re-enrol]. You know, you think, oh well, a couple
of years down the line, five, ten years down the line, you think, “I wish I’d
started that now”.’

(Male, 50-59, definitely stay in, £5K – £15K)
One particular feature of the personal accounts scheme which participants stated was an important reason for remaining in the scheme was the flexibility provided by the portability of a personal account. Participants really valued the fact that a personal account can be taken with them (as their own pension pot) between jobs where employers offer the personal accounts scheme. This was particularly important for the young to middle-aged groups irrespective of income level. Some of these participants had small individual pension pots associated with previous jobs, which alone were worth only a small amount. For many, transferring pensions to new jobs was seen as a ‘hassle’ which many participants had never got around to in the past.

‘I have got two pensions from previous employers that are still just sat there in that account with probably not a lot in them because I didn’t stay very long with the companies. I had never transferred them…it comes back to having to make the effort to do it.’

(Male, 30-39, definitely stay in, £33K+)

### 4.2.3 Pensions as a reliable form of retirement saving

Whilst many of those middle-aged and older participants (aged 40+) interviewed for the research already had property or other forms of wealth, there was some recognition across these groups that such assets could not be relied upon solely as an income in retirement. Participants reported that recent downturns in the economy, decreases in the value of houses, inflation and the potential rise in unemployment, were all reasons which encouraged them to believe that such forms of retirement provision were unreliable, and therefore it was important for them to think about saving into a pension. In light of this, the personal accounts scheme and pensions in general were perceived as a safer and more conventional way to save for the future.

‘I’d want to know that I was putting my money into something that was predictable, if you like, putting it into property’s all very well, but if the property market suddenly drops, then you’ve just lost your retirement fund.’

(Male, 30-39, Definitely stay in, £33K+)
5 Understanding reasons for opting out

This chapter examines the reasons participants gave as to why they stated they would opt out of the scheme and, where relevant, analyses differences in opinion across age, gender, income and personal circumstances. It discusses the decisive and important factors which influenced those participants that stated they would opt out of the personal accounts scheme.

As in Chapter 4, which examined the factors behind remaining in the scheme, this chapter begins by exploring the factors which were decisive for participants, and then proceeds by discussing the important (but not decisive) factors.

5.1 The decisive factors

The decisive factors for participants who stated they would opt out of the scheme were:

- too young or too old to save;
- changes in personal circumstances (e.g. divorce and job loss);
- perceived affordability;
- preference for other ways of saving and investing;
- uncertainty about what a personal account will be worth when retiring;
- experience of State financial support.

5.1.1 Too young or too old to save

A critical factor for those participants who said they would opt out of the personal accounts scheme was that they felt they were either too young or too old to start saving in a pension. Participants in their 50s were often concerned that they did not have enough time left before retiring in which to make a worthwhile contribution to a personal account and therefore, this influenced them to say that they would opt out.
‘I think it is a good idea for people who are [in their] 20s [and] 30s. But…it doesn’t really bother me that much, because of my time of life, I’ve only got about three or four years to go now.’

(Female, 50-59, probably opt out, £15K – £25K)

Many participants aged over 40 also had some form of existing provision in place; some had saved throughout their lives and had different personal pension schemes and savings specifically put aside for retirement. This group tended to be much less inclined towards starting a new scheme as they already had secure plans for their future.

‘My husband has a very good pension from the police force. So they get very good pensions. So we won’t be struggling, but it would be nice to have my own, in case he decides to leave me before then. I don’t know how much I’d be entitled to.’

(Female, 40-49, definitely opt out, £5K – £15K)

Some participants stated that because they already had some form of retirement provision in place, they were reluctant to engage with the idea of starting a new pension scheme, such as personal accounts, when they were so close to retirement age.

In contrast, younger people (particularly those in their 20s) who said they would choose to opt out of the personal accounts scheme, commonly stated they had other priorities in their lives that they privileged over saving for a pension. Some in this group felt that they did not have enough disposable income to enable them to contribute towards a pension. Others were paying off student loans or generally had lower incomes and felt that the decision to start saving into a pension would be one that they would take at a later stage in life – when they were older.

Many who were younger felt that they had sufficient time in which to save towards a pension and therefore perceived little sense of urgency to do so at the current time. Younger participants perceived retirement to be a long way off, and struggled to engage or relate to this stage in the future, and therefore regarded themselves as too young to save.

Many younger participants also expressed a desire to become a homeowner before they took out a pension, and saw this as a more pressing financial priority. The benefits of being a homeowner were often more appealing to younger people who did not currently own a home or have a mortgage, than saving into a pension.

Some of those participants who were under 30, and even some aged between 30 and 40, felt other priorities were more important and that there was enough time ahead of them to save for retirement. In their opinion, paying into a pension could be deferred until later on in their working life.
5.1.2 Changes in personal circumstances

Certain life events were critical in influencing those participants who said they would choose to opt out of the personal accounts scheme at the time. Some of those participants who had become parents tended to define pensions as benefiting the individual rather than the wider family unit and felt that spending money to provide for the family's current needs took priority over individual pension saving. However, it should also be noted that for some participants, such similar changes to their personal circumstances would actually result in them deciding to remain in the personal accounts scheme if they were automatically enrolled. The effects of such changes in personal circumstances are discussed within Chapter 4 which explores individuals’ reasons for staying in.

‘I would love to think about putting as much as I can aside but some months it's just not feasible and kids and their shoes, food and stuff so it just goes. So there's more to life than just me putting away for my life.’

(Male, 30-39, probably opt out, £15K – £25K)

The impact of having children on financial priorities was relevant for all those participants interviewed who were parents, but was particularly so for those who had experienced recent sharp changes in their family circumstances, such as newborn children and older teenagers who were leaving to go to university and needed extra financial support. For these individuals, such changes meant that finances were tighter at this particular time and this resulted in them having to prioritise spending their household income on the immediate needs of their children, rather than saving into a private pension.

Participants who were recently divorced, or found themselves in a situation where they or their partner had lost their job, or people with an illness and those undergoing other radical changes in their circumstances found it challenging to think about the future and therefore, tended to focus solely on dealing with their current situation. At such times of change, people often had so much else to think about and such major decisions to make that there was very little room for making decisions about retirement provision. However, as previously discussed within Chapter 4, for some participants such periods of change would result in them deciding to remain in as they felt that it was the ‘right’ time to start saving. This demonstrates how the same change in circumstance may result in the opposite outcome, depending on the particular individual.

However, even though such life events were the critical factors affecting these participants’ decisions to say they would opt out of the personal accounts scheme, they did state that in the near future they might be able to reconsider their situation and opt in to the personal accounts scheme.
5.1.3 Perceived affordability

Whilst the quantitative survey exploring attitudes to the workplace pension reforms found that affordability was cited as a factor by just 16 per cent of those who said they would opt out of the personal accounts scheme, for some individuals within this study, particularly those on lower incomes, with heavy debts or who were in receipt of benefits and/or working tax credits, perceived affordability was a decisive factor influencing their decision to say they would opt out. These participants felt that they did not have a sufficiently large enough income to be able to set aside money for a pension at the present moment in time.

When discussing the finances of some of those participants on lower incomes it was clear that they genuinely found it a real challenge to envisage making pension contributions at that time. This was typically the case amongst those in receipt of benefits or those who were repaying heavy debts.

‘I’m working 16 hours a week, I get a small amount of family tax credit, for child tax credit, I’m working, I’m now a single parent that doesn’t get any money off my ex-husband, and I have just applied for housing benefit because I can’t pay my rent. Tell me how I could afford to go into this now?!’

(Female, 30-39, definitely opt out, £5K – £15K)

In contrast to such cases, some participants stated that they would not be able to afford to remain in the personal accounts scheme, but they had some disposable income which was spent on other priorities. Being able to ‘afford’ contributions in such cases was more a matter of prioritisation and perception, as these participants chose to prioritise other forms of expenditure in their lives. Such spending priorities included: general living costs and socialising. Some also stated that they chose to prioritise saving for holidays, cars or periods of study, rather than retirement.

Related to affordability, some participants were keen to know how saving into the personal accounts scheme may interact, if at all, with their current working-age benefits. Some of those on lower incomes and in receipt of benefits stated that they would be wary of agreeing to make pension contributions as they thought that this could potentially mean their other immediate working-age benefit

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14 Please note that since the time of fieldwork, minimum contributions are described in a different way. We no longer refer to a minimum employee contribution, only a minimum employer contribution of three per cent and a minimum overall contribution of eight per cent. If the employer chooses to contribute the entire eight per cent, employees may not have to contribute depending on the scheme rules or their contract. At the time of fieldwork, the basic policy for those who choose to save was explained as the employee having to contribute four per cent of their earnings, receiving an extra one per cent in tax relief, with their employer contributing a minimum of three per cent.
payments may be reduced or deemed as unnecessary\textsuperscript{15}. These participants stated that they needed to know more about the immediate financial implications (with regards to their current benefits) of choosing to remain in the personal accounts scheme, and whether saving into a personal account would result in changes to their current financial support from the State, such as a reduction in their income support, an increase in child support payments or being moved into a higher tax band.

5.1.4 Preference for other ways of saving and investing

Some participants who chose to opt out believed there were better, more productive uses for their money than contributing towards a pension. These participants were more likely to be those within the higher income brackets (receiving £33,000 income per annum or more). Their preference was to invest money elsewhere, mainly by investing in property by contributing to mortgage payments.

For those saving for a deposit for a house or paying into mortgages, the idea of being a homeowner had more perceived immediate benefit than paying into a pension. People commonly saw ‘bricks and mortar’ as being a more tangible, secure and flexible piece of capital that could also generate greater profit over time. Such participants saw property as being more reliable and a less risky investment than other financial investments, including pensions.

’I know houses can go up and they can go down but they’ll never go down so far that you’re not going to get something out of a house. All the time you’re hearing about things going belly up in the financial markets, so bricks and mortar are worth bricks and mortar, investments can disappear. Like Northern Rock and things like that.’

(Female, 50-59, probably opt out, £5K – £15K)

Property was also regarded as a long-term investment for some and, therefore, was more directly comparable to pensions for these people. Such participants felt that they would be able to downsize to a smaller home in the future and use this capital as a retirement fund when the time came. Where property offered similar benefits and assurances to that of a pension in some participants’ minds, it was a

\textsuperscript{15} In actuality, for those receiving tax credits the level of tax credit payments are calculated on gross income post-pensions contributions. This means that for individuals and couples on the tax credits taper they will receive more tax credits when they contribute to a pension, in addition to paying less taxation. The tax credit taper is 39 per cent, meaning that for each £1 of income saved, the individual will receive up to 39 pence in extra tax credit. When combined with basic-rate tax relief at 20 per cent that all pension savers are entitled to and the contribution from the employer, each £2 going into the pension may cost the individual just 51 pence. People who are also eligible for Housing Benefit and/or Council Tax Benefit may also receive an increase in these benefits, reducing the net cost even further.
challenge for these individuals to see the value of paying into a pension scheme alongside making mortgage payments. Such individuals saw the value of their home as a lump sum, and therefore a valuable piece of capital that would be released at retirement and used instead of a pension fund.

People who owned a greater share of their home, commonly those in their 50s, often saw downsizing as a very real, viable addition to their retirement income. At the time of the research this resulted in some participants feeling that downsizing would be a realistic alternative to other ways of saving for retirement.

'We’re making the house more up to date with the view to selling it when the mortgage is complete, but that’s going to be our basic pension, that’ll be the money that we’ll probably fall back on.’

(Female, 50-59, probably opt out, £5K – £15K)

Older people approaching retirement often made a direct comparison between the personal accounts scheme and other forms of saving. Regular savings schemes were seen as having the advantage of being more flexible should people choose to retire early or need access to money very soon, for example, for house repairs. In addition, the relative ease of working out what their savings accounts or property were worth was viewed by these participants as offering more certainty and assurance than ‘figuring out’ what pension contributions would be worth upon retirement.

5.1.5 Uncertainty about what personal accounts will be worth when retiring

For some participants the lack of certainty about what contributions would be worth on retirement was a decisive factor influencing their decision to opt out of the scheme. Some of those who expressed a need to know what their contributions would be worth said they could not imagine that the contributions paid in would result in a pension pot of a high enough value for them to live on comfortably in retirement. Some sought to estimate the value of taking part in the personal accounts scheme with regards to the benefits their contributions would provide them with once in retirement. These participants based their calculations on what they could pay into a personal account at that moment and what it might be worth in the future. Some of those participants saying they would choose to opt out stated that they could not imagine a ‘worthwhile’ rate of return from the contributions they could presently make. Their estimations tended to be based upon two key pieces of information: firstly, their current income and secondly, the number of years they have left until retirement.

Many of those on low incomes struggled to imagine that the contributions they were able to make would amount to any significant value upon retirement. They assumed that the personal accounts scheme would not provide much of a return when they retire. Indeed, some participants found it difficult to associate relatively small levels of saving now (in terms of their personal accounts contributions) with a large ‘pot’ of money.
Older people who tried to work out what their pension would potentially be worth were in part guided by the number of years they calculated were left until retirement. Many participants with only a short amount of time left until retirement did not think they could make enough contributions to make it worthwhile. For older people on low incomes, the influence of their low income level and having less time to save were combined. These participants requested more certainty and assurances about the financial value of a personal account when reaching retirement.

In addition to this, many older people wished to know some of the finer details about the terms and rules of the personal accounts scheme. With regards to inheritance, they wished to know how flexible personal accounts would be for their family and dependents. They wished to know how easily they could pass their pension pot on to others in the event of their death (before or after retirement). While participants did not have this information at the time of interview, they argued that the ability to pass on their savings built up within a personal account, in the event of their death, was an important factor that would influence their decision as to whether to stay in the scheme or to opt out. Some also had minor concerns about when they could use their pension should the State Pension age change.

5.1.6 Experience of State financial support

Automatic enrolment was particularly remarked upon as an issue for those who, in their opinion, had encountered negative experiences of the Government when receiving financial support from the State. Such participants did not want to be involved in the personal accounts scheme because they would be automatically enrolled and saw this as overly forceful.

A wide range of participants had experience of receiving benefits whether currently or in the past – including Income Support, Jobseeker’s Allowance, disability benefits, Child and/or Working Tax Credits. Previous and current experiences of and interaction with the Government with regards to benefits or tax credits framed, and indeed drove, the decision-making process for some individuals.

For some individuals their decision was influenced by their negative experiences of receiving financial support in this way, and thus had an impact on how they felt about the Government as a whole. For example, those who have had problems with deductions being taken from their wages for child support payments, or had had benefits to support their income stopped unexpectedly, tended to perceive the management or administration of the personal accounts scheme quite negatively. Such previous experiences had left some participants concerned that small administrative errors could potentially have a serious impact on their finances should they decide to stay in the scheme.

‘Governments make mistakes like everybody else don’t they. I don’t trust anybody any more. If it was up to me I think I’d put it under the bed.’

(Female, 50-59, probably opt out, £15K – £25K)
5.2 The important (but not decisive) factors

The important factors discussed by participants were:

- lack of trust in pensions;
- impact on employer and job security;
- values and beliefs with regards to automatic enrolment;
- concerns regarding the management of the personal accounts scheme.

5.2.1 Lack of trust in pensions

Some participants' lack of trust in pension saving stemmed from their awareness of negative experiences previously – whether their own personal experiences, those of friends, family or work colleagues, or high-profile cases in the media. High-profile cases about pension schemes that have failed and the security of people's money more generally were vital to participants. A few participants in particular had previous personal experiences of losing money through pension schemes and other financial arrangements that had defaulted.

'We were hit very badly with...the endowments and I think, when you’ve been shot in the foot with things like that, it makes you very wary about anything else really. We had massive negative equity in our property and our endowment isn’t going to cover anywhere near what it should’ve done.’

(Female, 40-49, definitely opt out, £5K – £15K)

Some older participants had lived through certain events which had made them less trusting of pension schemes. For example, some participants in their 40s and 50s referred to high profile cases of pension scheme mismanagement and this influenced their decision to say they would opt out of the personal accounts scheme.

Attitudes towards pensions varied across families (depending on past experiences) and some expressed concern about who benefited from pensions. Some were of the opinion that the 'value' of the pension was not 'secure' if the saver or recipient of the pension were to pass away. Some had experiences of the fund being 'consumed' by the scheme and not benefiting the widow or family in these instances. In this sense, participants preferred forms of saving which ensure that the full value of the account is safeguarded and available to next of kin.

'What’s always bothered me [about pensions] is you don’t get all your money back if anything happens...if it’s in the bank...I get it.’

(Male, 50-59, probably opt out, £25K – £33K)

5.2.2 Impact on employer and job security

For some participants their employer’s potential views and behaviour influenced their decision as to whether to remain in or opt out of the personal accounts scheme. Such participants were concerned that their employer may react negatively
to the introduction of the personal accounts scheme, when they do not currently contribute to a workplace pension for the employee. Employers’ attitudes and their likely reactions are explored in a parallel DWP report.\(^{16}\)

Participants who predicted a negative response from their employer tended to be working within particular, highly competitive sectors. Those in cleaning, construction, and manufacturing, and those who worked for small firms were often the most concerned. In their opinion they worked in sectors that were not able to pass on the costs of contributions to their purchasers or customers, and therefore this may lead the employer to spread the effect of the costs across other areas of their business, most notably employee pay and conditions.

‘[if] they’re made to put extra money into peoples’ pensions it could affect the stability of the company. Whether it stays afloat or whether it goes bust I suppose.’

(Male, 30-39, probably stay in, £15K – £25K)

Participants were concerned that employers may reduce or freeze wages, and that other more ‘informal’ perks of the job may disappear. A small minority of participants voiced the concern that they felt the reforms may have the potential to result in job cuts. These participants stated that if they felt that their jobs were at risk as a result of their employer having to pay contributions, their priority would be to ensure that they kept their job, which ultimately may persuade them to opt out of the personal accounts scheme. Where concerns around job security existed, participants sought reassurances that their jobs would not be in danger as a result of the contributions employers would have to make. Equally, those with concerns regarding pay and conditions wanted to ensure they would not lose any of the positive aspects of their terms and conditions as a result of taking part in the personal accounts scheme.

5.2.3 Values and beliefs with regards to automatic enrolment

A small minority of people were opposed to the feature of automatic enrolment and cited this as an important factor influencing them to opt out of the personal accounts scheme. Such individuals felt that joining a pension scheme should be down to the choice of the individual and that it should not be the role of the State to ‘push people’ into this decision or course of action. The more negative perceptions of automatic enrolment – which did not dominate discussions – tended to be held by those who also had particularly negative perceptions of the Government and were strongly against State policy or intervention, something that they described as ‘State intrusion’ into the lives of citizens. For some these perceptions stem from previous negative experiences of interacting with the State financially, whilst for others such views formed part of a wider set of ideals about the role of citizens and the State.

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5.2.4 Concerns regarding the management of the personal accounts scheme

Amongst a small minority of participants there was a level of circumspection surrounding the maintenance and administration of the personal accounts scheme. As the concept of the personal accounts scheme was new and because it is not yet operational, some people stated that they were less confident about staying in the scheme.

‘I think once the scheme was up and running and glitches had been sorted out, it was working properly, that would make me think again about going in. An example of something which is being imposed upon us which hasn’t been as well thought out as it should be are these HIPs [Home Information Packs], house buying. There have been problems and glitches there, not enough inspectors in place for it to be implemented smoothly.’

(Female, 40-49, probably opt out, £33K+)

Cynicism around the management of the personal accounts scheme tended to be more common amongst those in their 50s. In some cases these views were based on previous negative personal experiences, but more commonly tended to stem from broader negative perceptions of Government administration. Relatively recent high profile media reports of losing information and perceived poor Government management, particularly in relation to the NHS, were cited as having contributed to some participants’ opinions.

5.3 Factors that would need to change

As a final step in the interview process, participants were asked to visualise a situation whereby, in 2012, they would have changed their mind in relation to the personal accounts scheme and decided to stay in and take part. They were asked what would have to change in order for them to take part.

Changes in income, employment, personal and family circumstances were all mentioned as factors that may change by 2012 for a number of participants, and that would have an impact on their decision as to whether to remain in or opt out of the scheme.

Of those on lower incomes who had said they would opt out at this stage, some felt that changes in their circumstances before 2012 may mean that they would be able to afford to stay in the personal accounts scheme and make contributions. For others a pay rise, which they perceived as realistically achievable by that time, potentially would allow them to consider entering the scheme. For those currently paying off debts, saving into a personal account may indeed become a more realistic prospect as they approach 2012 and have greater disposable income.

‘My pay would have to go up. It’s as simple as that.’

(Female, 50-59, probably opt out, £5K – £15K)
Others felt their perceptions and priorities might well have shifted by 2012 as a result of changes in their employment, income or personal situation. Younger people who stated that they wanted to defer paying into a pension until the ‘right time’, as they felt too young at present, thought that in five years’ time or so a pension might be more appropriate for them. They felt that by that time they would have a more secure career, a higher level of pay or have paid off student loans and overdrafts, and therefore be in a better position to save. Others imagined that they might have become more settled, perhaps by starting a family or establishing a home, and would then want to place more emphasis on being financially secure in the future than they did at present.

Some families with children anticipated a change in their household circumstances that may allow them to enter the scheme in 2012. Where participants thought their children would have left the family home or found work and would no longer be dependent on them, they envisaged having more disposable income for themselves and therefore, they would be able to save towards their retirement. Such shifts in spending priorities were mentioned by some who had stated they would opt out at this time, as something that might prompt them to consider saving in the future.

Those who said they would opt out on the basis that they were uncertain about the amount that they would receive from their personal account in retirement, anticipated that by 2012 there may be more information available and hence a more accurate way of predicting what such a pension pot would be worth. They felt this knowledge would equip them with the timely information they needed to make their decision as they would have a clearer idea of the extent to which a personal account would be a worthwhile investment for them.

Those only a few years away from retirement stated that they would have retired or either be very close to that time, by the year 2012 and would therefore not be in a position to save into the personal accounts scheme.
Appendix A
The discussion guide

Core objectives
To explore the factors people consider in weighing up whether to stay in or opt out of personal accounts. In particular, we will explore:

- the factors people considered in their decision to opt out of or stay in personal accounts, and in particular, the relative influences of the features of personal accounts themselves versus other factors such as personal circumstances (e.g. income and debts) or attitudes (such as their level of trust in pensions);

- how people weigh up these factors, and which appear to have the most influence on opt-out/stay-in decisions; and

- reasons for opting out of or staying in personal accounts among groups of particular interest, e.g. those with low income, with high debts, and younger and older individuals.
<table>
<thead>
<tr>
<th>Interview sections</th>
<th>Notes</th>
<th>Approx timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction and background</td>
<td>Sets the scene and gets background information on participants.</td>
<td>5 mins</td>
</tr>
<tr>
<td>2. Factors underpinning opt-out/stay-in decisions</td>
<td>Grounds the discussion and explores some general issues, such as their savings history.</td>
<td>15 mins</td>
</tr>
<tr>
<td>3. Trading off: which factors are more important than others?</td>
<td>Starts to explore key decision factors in real detail and prioritises the most important influences on the decision to stay in or opt out of the scheme.</td>
<td>25 mins</td>
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<tr>
<td>4. The best case scenario: what would need to change?</td>
<td>This section seeks to address the actions that participants feel may alter their decisions, and to gather information helpful in providing practical and actionable solutions to dealing with identified barriers to scheme membership.</td>
<td>10 mins</td>
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<tr>
<td>5. Conclusions</td>
<td>Key messages summarised.</td>
<td>5 mins</td>
</tr>
<tr>
<td>Key Questions</td>
<td>Notes</td>
<td>Approx timing</td>
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</tr>
<tr>
<td>1. Introduction and background</td>
<td></td>
<td>5 mins</td>
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<tr>
<td>1.1 Scene-setting:</td>
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<tr>
<td>• Thank interviewee for taking part</td>
<td>Welcome: orientates interviewee, gets them prepared to take part in the interview.</td>
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<tr>
<td>• Introduce self, Ipsos MORI, DWP and explain the aim of the interview</td>
<td>Outlines the ‘rules’ of the interview (including those we are required to tell them about under MRS and Data Protection Act guidelines).</td>
<td></td>
</tr>
<tr>
<td>• Role of Ipsos MORI – research organisation, gather all opinions: all opinions valid, disagreements OK</td>
<td>No detail about personal accounts at this stage. This ensures that spontaneity is retained for initial discussions and that the interviewee is not over-whelmed with information.</td>
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<tr>
<td>• Stress no right or wrong answers, all views are relevant and valid</td>
<td>Introduction: provides contextual background information about the interviewee (which can then be used in the analysis), such as household status, employment status. Important to check details that may have changed since the quant survey, as these may impact on participants’ views regarding personal accounts.</td>
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<tr>
<td>• Confidentiality: reassure all responses anonymous and that information about individual cases will not be passed on to any third party (e.g. DWP)</td>
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<td>• Get permission to tape record – transcribe for quotes, no detailed attribution</td>
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<tr>
<td>1.2 Introduction and background info:</td>
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<tr>
<td>• First name</td>
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<tr>
<td>• Where do you live? Who with? (household details)</td>
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<td>• How long have you lived there?</td>
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<td></td>
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<tr>
<td>• What do you do? (employment status)</td>
<td></td>
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<tr>
<td>• Average household income</td>
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<tr>
<td>Key Questions</td>
<td>Notes</td>
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<tr>
<td>2. Factors underpinning opt-out/stay-in decisions</td>
<td>This section will allow us to see what factors are ‘top of the mind’ in participants’ decisions to opt out of or stay in personal accounts, by exploring the spontaneous reasons cited. It will help the moderator direct his/her questioning during the rest of the interview, by finding out at this early stage any particular issues that the participant tend to focus on when they think and reason about personal accounts. It will also prepare the ground for the trade-off exercise in the next part of the discussion, through the moderator writing the factors cited spontaneously by the participant on post-it notes.</td>
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<tr>
<td>Moderator to explain that we are going to start off by talking through the pre-task sheets they have already filled in.</td>
<td></td>
<td>25 mins</td>
</tr>
<tr>
<td>– Did you have a chance to go through the workbook? Did you read the information? As you’ll have seen, the first part asks some questions to get you thinking about the interview you previously took part in and the scheme that was discussed, and then the second part takes you through the main features of personal accounts.</td>
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<tr>
<td>– Let’s discuss those four questions as a starting point.</td>
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<tr>
<td>– 1. Thinking about the time since you took part in our survey, what thoughts have you had about the personal accounts scheme? PROBE FOR RANGE OF INITIAL THOUGHTS AND FEELINGS</td>
<td></td>
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</tr>
<tr>
<td>– 2. What kinds of things did you tell other people about the scheme based on the interview that you had, if any? PROBE Who did you speak to? What did you say? What was their reaction? Did you speak to anyone else?</td>
<td></td>
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<tr>
<td>– 3. Have you done anything differently as a result of the interview you had? PROBE What have you done? When did this happen? Why would you say you did this?</td>
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</tr>
<tr>
<td>– 4. And have your opinions changed at all, do you intend to opt in or opt out of the scheme when it arrives? PROBE How did you respond to this question during the previous interview? What (if anything) has changed your mind? Why do you say that? MODERATOR TO NOTE ANY FACTORS MENTIONED THAT HAVE ALTERED VIEWS</td>
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# Key Questions

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<th>Notes</th>
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- So — you said you would [MENTION RESPONSE: definitely/probably stay in/opt out]. Can you tell me a bit more about why you say that? **PROBE FOR BARRIERS AND ENABLERS** (FACTORS THAT WOULD ENCOURAGE/ENABLE PARTICIPATION AND THOSE THAT WOULD CAUSE OPT-OUT). THESE COULD BE FACTORS THAT COUNTED FOR THEIR DECISION OR AGAINST IT. **MODERATOR:** TAKE A MENTAL NOTE (OR WRITE DOWN) SPONTANEOUS FACTORS. **MODERATOR NOTE:** USE PINK POST-IT NOTES TO DENOTE ‘SPONTANEOUS’ FACTORS. THIS WILL HELP KEEP THESE SEPARATE AS ‘TOP OF MIND’.

- OK, let’s go through the factors you mentioned. I’m going to write each one on a different post-it note so we can use them as reminders later.

- **PROBE ON EACH ONE MENTIONED AS FOLLOWS:**
  - WRITE FACTOR 1 ON POST-IT NOTE. First, you mentioned [FACTOR 1]. Why do you say that’s important? **PROBE ON REASONS GIVEN:**
  - WRITE FACTOR 2 ON POST-IT NOTE. And then you mentioned [FACTOR 2]. Again, why do you say that’s important? **PROBE ON REASONS GIVEN:**
  - CONTINUE FOR ALL FACTORS THAT PARTICIPANT SPONTANEOUSLY CITED. WRITE EACH ON A POST-IT NOTE AND PROBE ON REASONS WHY EACH IS IMPORTANT.

- If participant feels they wouldn’t get round to opting out — **PROBE FULLY ON WHY THIS MIGHT BE THE CASE**.
<table>
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<tr>
<th>Key Questions</th>
<th>Notes</th>
<th>Approx timing</th>
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<tbody>
<tr>
<td>– And are there any other factors we haven’t talked about yet that are important in your decision? [IF YES] Which ones? Why do you say that?</td>
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<tr>
<td>3. Trading off: which factors are more important than others?</td>
<td>This exercise will begin to explore the rationale behind participants’ decisions in more detail, and will begin to prioritise different factors. Participants will be given the opportunity to rank these influencers and we will begin to get a sense for the dominant factors that come into play whilst making these decisions.</td>
<td>25 mins</td>
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<tr>
<td>– MODERATOR LAYS OUT POST-IT NOTES FROM SECTION 2 ON A3 GRID</td>
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<tr>
<td>– You mentioned these factors that make a difference to your decision to (MENTION RESPONSE: opt out of/ stay in) personal accounts. Now we’d like to look at how important these factors are to you in making your decision.</td>
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<tr>
<td>– Can you put each of the factors in one of the two boxes – more important, less important – by sticking the post-it note in that box on the grid?</td>
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<tr>
<td>– MODERATOR NOTE: ENCOURAGE PARTICIPANT TO MAKE DECISION ON WHETHER FACTOR MAKES THEM MORE LIKELY TO STAY IN OR OPT OUT. IF THEY HAVE DIFFICULTY OR FEEL IT COULD APPLY TO BOTH SCENARIOS - WRITE THE FACTOR OUT AGAIN SO IT CAN BE USED TWICE (RECORDING REASONS WHY ON THE POST-IT NOTES) OR PLACE IN THE MIDDLE WITH A NOTE EXPLAINING WHY</td>
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<tr>
<td>– DISCUSS FOR EACH FACTOR ONCE PARTICIPANT HAS STUCK POST-IT NOTES ON GRID: Why do you say this factor is more/less important? What makes you say it is more important than [FACTOR Y/Z]?</td>
<td>Moderators will ensure that the ‘most important’ or ‘critical’ factor/s are identified within this section of the discussion.</td>
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<tr>
<td>Key Questions</td>
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</tr>
<tr>
<td>- There are other factors that other people might say are important in their decision on whether to stay in or opt out of personal accounts, and I’d just like to see whether you think any of these might be important to you personally in making your decision.</td>
<td>Further factors that may influence decisions to stay in or opt out will be introduced here.</td>
<td></td>
</tr>
<tr>
<td>- MODERATOR TO USE BLUE POST-IT NOTES TO NOTE DOWN (TO DIFFERENTIATE FROM THOSE FACTORS ALREADY SPONTANEOUSLY DISCUSSED) ANY OF THE FOLLOWING FACTORS THAT PARTICIPANTS FEEL ARE IMPORTANT AT ALL. DO NOT WRITE UP THOSE NOT FELT TO BE IMPORTANT – BUT MAKE NOTE ON THE LIST TO ENSURE ‘NON-IMPORTANT’ FACTORS ARE RECORDED:</td>
<td>It is likely that participants will, during ‘real-time’ decision making be considering many other ‘factors’ than those that spontaneously come to mind at this stage. These are likely to be raised through discussions with friends, family, employers and colleagues, and/or advisers. Including the additional probes at this stage of the discussion will ensure that a fuller range of influencers are raised and prioritised during the research.</td>
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<tr>
<td>- Thinking about current or future retirement provision, are there any things that come to mind when thinking about whether or not you would stay in or opt out of the personal accounts scheme? MODERATOR NOTE: PROBE ON FACTORS a) to d) AND USE THESE AS ‘MAIN’ FACTORS. USE BULLET PROMPTS WITHIN EACH MAIN ‘THEME’ a) to d).</td>
<td>MODERATOR NOTE; use the list of additional factors as prompts to explore each particular additional area or theme, e.g. ‘Existing Retirement Provision’. Ensure each is covered, but do not cover factors that have already been spontaneously mentioned.</td>
<td></td>
</tr>
<tr>
<td>1. PROBE ON: Existing retirement provision: a) Personal provision already in place</td>
<td>Use colour coding to ensure that the spontaneous factors remain clearly identifiable as this will be a key part of the analysis.</td>
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- I already save in a personal pension
- I already save in an occupational pension – though my employer doesn’t contribute
<table>
<thead>
<tr>
<th>Key Questions</th>
<th>Notes</th>
<th>Approx timing</th>
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</table>
| b) ‘Alternative’ provision in place | I’ll have a state pension when I retire  
- My partner earns enough to support us both in retirement/ has a pension that will support me  
- There are other, better ways of saving for retirement – like investing in property  
- I can sell my house or downsize  
- I have other savings or investments I can live on | |
| c) Favour a different approach | I’d rather save in a different way  
- Other pension schemes are better than personal accounts | |
| d) Need to start saving | I need to start saving for retirement  
- FOR EACH NEW THEME/FACTOR: Is this something you’ve thought about before? How important is it to you personally in deciding whether to opt out of or stay in personal accounts? IF FELT TO BE IMPORTANT- Where would you stick it on the grid? How does it fit in with the factors we have already been discussing? IF NOT IMPORTANT – MAKE A NOTE OF THIS  
- IF NOT MENTIONED SPONTANEOUSLY. How about your current time of life? Does that have any impact on your thinking?  
2. PROBE ON: Timing:  
- I’m too young to worry about it, I’ll worry about it when I’m older  
- It’s too late for me to save, I’m too old | |
<table>
<thead>
<tr>
<th>Key Questions</th>
<th>Notes</th>
<th>Approx timing</th>
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<tbody>
<tr>
<td>IF TIMING MENTIONED AS A KEY FACTOR:</td>
<td>Whilst prioritising these decision factors is a key part of the exercise, it is also important to ensure that participants’ top factors are identified – to help aid understanding of where the ‘bottom line’ sits with people.</td>
<td></td>
</tr>
<tr>
<td>Is this something you’ve thought about before? How important is it to you personally in deciding whether to opt out of or stay in personal accounts? IF FELT TO BE IMPORTANT: Where would you stick it on the grid? How does it fit in with the factors we have already been discussing? IF NOT IMPORTANT – MAKE A NOTE THAT THIS FACTOR IS NOT IMPORTANT</td>
<td></td>
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<tr>
<td>– And thinking about your employer, does their opinion or behaviour regarding the personal accounts scheme have any impact on your decision? (IF YES) In what way does it have an impact?</td>
<td>MODERATOR NOTE: PROBE ON FACTORS a) and b) AND USE THESE AS ‘MAIN’ FACTORS. USE BULLET PROMPTS WITHIN EACH MAIN ‘THEME’ a) and b).</td>
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</tr>
<tr>
<td>3. PROBE ON: Employer-related factors:</td>
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</tr>
<tr>
<td>a) Harm to employer</td>
<td>ência</td>
<td></td>
</tr>
<tr>
<td>– My employer might not be able to afford it</td>
<td>ência</td>
<td></td>
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<tr>
<td>– My employer would discourage me from taking part in the scheme</td>
<td>ência</td>
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<tr>
<td>– My employer might cut my salary or pay rise</td>
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<tr>
<td>b) Positive employer</td>
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<tr>
<td>– My employer would encourage me to join the scheme</td>
<td>ência</td>
<td></td>
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<tr>
<td>– I want my employer to contribute to my pension/savings for retirement</td>
<td>ência</td>
<td></td>
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<tr>
<td>Key Questions</td>
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<td>Approx timing</td>
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<tr>
<td>FOR EACH NEW FACTOR: Is this something you’ve thought about before? How important is it to you personally in deciding whether to opt out of or stay in personal accounts? IF FELT TO BE IMPORTANT: Where would you stick it on the grid? How does it fit in with the factors we have already been discussing? IF NOT IMPORTANT – MAKE A NOTE OF THE LACK OF IMPORTANCE OF THIS FACTOR</td>
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<tr>
<td>– How about other spending priorities? Do these have an influence on your thinking?</td>
<td></td>
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<tr>
<td>– MODERATOR NOTE: PROBE ON FACTORS a) and b) AND USE THESE AS ‘MAIN’ FACTORS. USE BULLETED PROMPTS WITHIN EACH MAIN ‘THEME’ a) and b).</td>
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<tr>
<td>4. PROBE ON: Affordability and spending priorities:</td>
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</tr>
<tr>
<td>a) Affordability</td>
<td></td>
<td></td>
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<tr>
<td>– I can’t afford it</td>
<td></td>
<td></td>
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<tr>
<td>– This sounds affordable for me</td>
<td></td>
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<tr>
<td>b) Other spending priorities</td>
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<tr>
<td>– There are other things it’s more important for me to save money for than retirement – like a house or a car</td>
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<tr>
<td>– I would rather have the money in my account to spend on other things than save it into a pension</td>
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<tr>
<td>– I need to pay off my debts first</td>
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<tr>
<td>MODERATOR NOTE: THIS FINAL TECHNIQUE TO BE USED IF PARTICIPANT HAVING DIFFICULTY IDENTIFYING WITH CERTAIN FACTORS – IF YOU FEEL THAT YOU NEED TO EXPLORE THEIR PERSPECTIVE WITHIN THEIR OWN SOCIAL CONTEXT</td>
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<tr>
<td>Key Questions</td>
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<tr>
<td><strong>FOR EACH NEW FACTOR:</strong> Is this something you’ve thought about before? How important is it to you personally in deciding whether to opt out of or stay in personal accounts? If felt to be important: Where would you stick it on the grid? How does it fit in with the factors we have already been discussing? If not important – make a note of the lack of importance of this factor. As well as factors relating to your personal circumstances, we would also like you to consider some of the key features of personal accounts. Is there anything about the scheme that you think is an important factor in your decision? (prompt with showcard highlighting key features – as per pre-task – to ensure participant considers the mechanics of the scheme in this section).</td>
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<tr>
<td>MODERATOR NOTE: probe on factors a) to c) and use these as ‘main’ factors. Use bullet prompts within each main ‘theme’ a) to c). 5. probe on: features of the reforms and personal accounts: a) automatic enrolment aspects</td>
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<tr>
<td></td>
<td>– I would be automatically enrolled into the scheme</td>
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<td></td>
<td>– I can decide to opt out of the scheme if I want to</td>
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<tr>
<td></td>
<td>– I would be re-enrolled into the scheme a minimum of every three years</td>
<td></td>
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<tr>
<td>Key Questions</td>
<td>Notes</td>
<td>Approx timing</td>
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</tbody>
</table>
| **b) Scheme benefits** | – The new scheme seems like an easy way to save  
– I would receive tax relief from the government on the money I pay into the scheme | | |
| **c) Contribution factors** | – I would pay in a contribution of 4% of my salary  
– My employer would pay in a contribution of 3% of salary  
– Is the annual limit on contributions too low? | | |

Do any of these make any difference to your decision? Which ones? PROBE SPECIFICALLY ON HOW THE AMOUNTS REPRESENTED BY THE 4% EMPLOYEE CONTRIBUTION AND 3% EMPLOYER CONTRIBUTION ARE SEEN (AS A GOOD AMOUNT/SUFFICIENT AMOUNT/NOT ENOUGH?) AND WHETHER THIS IMPACTS ON THEIR DECISION FOR EACH NEW FACTOR: Is this something you've thought about before? How important is it to you personally in deciding whether to opt out of or stay in personal accounts? IF FELT TO BE IMPORTANT: Where would you stick it on the grid? How does it fit in with the factors we have already been discussing? IF NOT IMPORTANT – MAKE A NOTE OF THE LACK OF IMPORTANCE OF THIS FACTOR  
– And how about other issues about pensions in a more general sense (PROBE IF NOT ALREADY SPONTANEOUSLY MENTIONED)? Do these have an influence on your thinking?  
– MODERATOR NOTE: PROBE ON FACTORS a) and b) AND USE THESE AS ‘MAIN’ FACTORS. USE BULLET PROMPTS WITHIN EACH MAIN ‘THEME’ a) and b).
### Key Questions

6. **PROBE ON: Wider Issues:**
   - **a) Worry about safety of world finances**
     - Uncertain about world money markets (Northern Rock etc)
   - **b) Faith in pensions ‘system’**
     - People have lost money in the past (Maxwell etc.)
     - People have been given bad advice – mis-selling
   - **c) Trust in the scheme**

   **FOR EACH NEW FACTOR:** Is this something you’ve thought about before? How important is it to you personally in deciding whether to opt out of or stay in personal accounts? **IF FELT TO BE IMPORTANT - Where would you stick it on the grid? How does it fit in with the factors we have already been discussing? IF NOT IMPORTANT – MAKE A NOTE OF THE LACK OF IMPORTANCE OF THIS FACTOR**

   **NOTE:** IF TRUST IN PERSONAL ACCOUNTS DISCUSSED, ASK WHETHER THIS WOULD IMPACT ON THEIR DECISION TO OPT OUT OR STAY IN PERSONAL ACCOUNTS.

   **MODERATOR TO JUDGE WHETHER THEY FEEL THERE ARE TOO MANY FACTORS INCLUDED ON THE BOARD, AND ENCOURAGE PARTICIPANT TO PRIORITISE NO MORE THAN 15 FACTORS.**
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<th>Key Questions</th>
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<tr>
<td><strong>OPTIONAL SECTION</strong></td>
<td>Thinking about other people you know – perhaps your family, friends and work colleagues – are there any other factors we haven’t talked about that you think might make a difference to their decision to stay in or opt out of personal accounts? IF YES: which ones? How important do you think these factors would be in their decision? Are these factors important to you? Will they be important at another time in your life? What about in 2012?</td>
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<tr>
<td><strong>FOR THOSE WHO SAY THEY WOULD DEFINITELY OR PROBABLY OPT OUT OF THE SCHEME:</strong> Imagine that in 2012 when personal accounts are introduced, you do decide to stay in the scheme. What would need to change for you to decide to stay in the scheme? PROBE USING GRID: Which of these factors would need to change? How likely do you think it is that that change will happen in practice? MODERATOR NOTE – TRY TO KEEP INTERVIEW ‘GROUND’ AND MANAGE ‘UNREALISTIC’ RESPONSES</td>
<td>It is important here to get a clear understanding on the actions to help address concerns raised during the prioritisation exercise above. Identifying practical solutions to ‘barriers’ to remaining in the scheme will aid understanding of the likelihood of scheme participation. Moderators will keep this session focused on practical solutions where possible. MODERATOR NOTE: If participants come up with very unlikely changes (e.g. ‘I’d need to win the Lottery’ or ‘My salary would need to triple’), use further probes to bring them back to thinking about ‘realistic’ affordability (e.g. ‘OK, so thinking about your salary now, if it was £3,000 higher, would that make any difference to your decision? What amount would your salary need to go up by in order for this to make a difference to your decision?’) This enables further exploration of the reasons for people saying they would ‘probably’ stay in the scheme – does this relate to uncertainty caused by certain factors, or is it simply a case of being unwilling to say ‘definitely’ with regards to a future scheme?</td>
<td>10 mins</td>
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<tr>
<td>Key Questions</td>
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<tr>
<td>Of all these factors, if you had to select one critical or ‘key’ factor that impacts upon your decision to opt out, which would you choose? Why do you say that?</td>
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<tr>
<td>FOR THOSE WHO SAY THEY WOULD PROBABLY STAY IN THE SCHEME: You've said that at the moment you would probably decide to stay in the scheme. What would need to change for you to be able to say that you would <strong>definitely</strong> stay in the scheme? <strong>PROBE USING GRID:</strong> Which of these factors would need to change? How likely do you think it is that that change will happen in practice? Of all these factors, if you had to select one critical or ‘key’ factor that impacts upon your decision to stay in the scheme, which would you choose? Why do you say that?</td>
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<tr>
<td>FOR THOSE WHO SAY THEY WOULD DEFINITELY STAY IN THE SCHEME: You've said that at the moment you would definitely decide to stay in the scheme. What's the crucial factor – or factors – that persuade you to stay in the scheme? – If that factor was taken away, would your decision change – if so, how? <strong>MODERATOR:</strong> <strong>USE SPECIFIC PROBES DEPENDING ON FACTORS CITED,</strong> E.G. IF SOMEONE SAYS THEIR EMPLOYER BEING FAVOURABLE TOWARDS THE SCHEME IS THE CRUCIAL FACTOR, ASK HOW THEIR DECISION WOULD CHANGE IF THEIR EMPLOYER WAS NOT IN FAVOUR OF THE SCHEME.</td>
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<tr>
<td>Key Questions</td>
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<tr>
<td>5. Conclusion and key message</td>
<td>Thinking about everything we have discussed today, what is the one main message you would like us to take back to DWP about personal accounts?</td>
<td>5 mins</td>
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<td></td>
<td>And how do you think more people might be encouraged to save in personal accounts?</td>
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<tr>
<td></td>
<td>And is there anything else we haven’t discussed that you think is relevant?</td>
<td></td>
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<td></td>
<td>Get permission to recontact</td>
<td></td>
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<tr>
<td></td>
<td>THANK AND CLOSE. Formally ends the interview and provides reassurance that the findings will be both appreciated by and useful to DWP.</td>
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</tbody>
</table>
Appendix B
The decision grid used during the interviews

Interview name and date:

More important

Makes me more likely to stay in

Less important

Makes me more likely to opt out
Appendix C
The pre-task exercise and information received by participants prior to each interview
Appendices – The pre-task exercise and information received by participants prior to each interview

Introduction Slides – were sent to all participants

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### About this project

Thanks for agreeing to take part in an interview with a member of our team. The interview will look at what people think about a new proposed pension scheme called personal accounts. Your views are important to the research and we hope you find it worthwhile.

Please take some time to read through this booklet, familiarise yourself with the information in it and have a think about the 4 questions in the opening section.

**The first part** contains a few questions that we’ll be talking through at the interview – having a think about these and filling them in if possible will give us a head start for the interview.

**The second and final part** gives you some background information on the proposed personal accounts. Please read this through before the interview. If you have any more questions on the day we’re happy to try and answer them.

Thanks again and we look forward to meeting you soon.

Joe Lancaster, Project Manager, Ipsos MORI

---

### A few thoughts...

1. Thinking about the time since you took part in our survey, what thoughts have you had about the personal accounts?

2. What kinds of things did you tell other people about the accounts based on the interview that you had, if any?

3. Have you done anything differently as a result of the interview you had?
4. On the basis of what you currently know about personal accounts, if the new accounts were brought in tomorrow, do you think you would...? (Please tick ONE box only)

- Definitely stay in the scheme
- Probably stay in the scheme
- Probably choose not to take part
- Definitely choose not to take part
- It depends
- Don't know

About personal accounts
Appendices – The pre-task exercise and information received by participants prior to each interview

Sub-Group A
The following slides were sent to participants in the £5,000-£14,999 annual income bracket

Ipsos MORI

Background to the accounts

Some features of Personal Accounts

- Personal accounts will not replace the state pension – they are a new additional workplace pension scheme
- People like you are eligible and will be automatically enrolled, but they can choose to opt out
  - Employees earning at least around £5,000 per year before tax will be automatically enrolled if they are aged between 22 and 64
  - People who are not automatically enrolled, such as self-employed people, will still be able to opt in to personal accounts
  - People will save a percentage of their wage or salary into their personal account - this will be automatically taken out of their wages
  - Your employer will pay into your personal account - this will be automatically paid in
  - The money saved into your personal account will be invested to provide an income after you retire

Ipsos MORI

Personal accounts

Nick pays 4% of his salary, or £16.50, into his personal account each month

On top of this...

The Government pays in an amount that equals about 1% of his salary, or £4.55 a month, in the form of tax relief

And Nick's employer pays in an amount that equals about 3% of Nick's salary, or £12.40 a month

So in total the equivalent of 8% of Nick's salary, or £33 a month, is paid into his personal account each month

This means that...

For every £4 Nick pays in...

The Government pays in £1...

And his employer pays in £3
Appendices – The pre-task exercise and information received by participants prior to each interview

**Personal accounts**

**What that means for Nick is...**

Nick saves 4% of his salary into his personal account – each month this is... 

| A month | £16.50 |

This means that he takes home each month... 

| £705 |

---

**Personal accounts**

Nick pays 4% of his salary, or £16.50, into his personal account each month

On **top of this...**

- The Government pays in an amount that equals about 1% of his salary, or £4.55 a month, in the form of tax relief
- And Nick’s employer pays in an amount that equals about 3% of Nick’s salary, or £12.40 a month

So in **total** the equivalent of 8% of Nick’s salary, or £33 a month, is paid into his personal account each month

**This means that...**

- For every £4 Nick pays in...
- The Government pays in £1...
- And his employer pays in £3
Sub-Group B
The following slides were sent to participants in the £15,000-£24,999 annual income bracket

**Ipsos MORI**

**Personal accounts – an example**

**Rea decides to save into a personal account**

Rea is an administrator and earns £20,000 a year before tax
She doesn’t pay anything into her personal account on around the first £5,000 she earns
Because she earns £20,000, this means she pays in an amount that is worked out on around £15,000 of her salary

**Ipsos MORI**

**Personal accounts**

**What that means for Rea is...**

Rea saves 4% of her salary into her personal account – each month this is...

A month

£50

This means that she takes home each month...

£1,240
Appendices – The pre-task exercise and information received by participants prior to each interview

Sub-Group C
The following slides were sent to participants in the £25,000-£32,999 annual income bracket

### Personal accounts

Rea pays 4% of her salary, or £50, into her personal account each month

On top of this...

- The Government pays in an amount that equals about 1% of her salary, or £14 a month, in the form of tax relief
- And Rea’s employer pays in an amount that equals about 3% of Rea’s salary, or £37.50 a month

So in total the equivalent of 8% of Rea’s salary, or £100, is paid into her personal account each month

This means that...

- For every £4 Rea pays in...
- The Government pays in £1...
- And her employer pays in £3

### Personal accounts – an example

Alan decides to save into a personal account

Alan is a sales manager and earns £29,000 a year before tax.

He doesn’t pay anything into his personal account on around the first £5,000 he earns.

Because he earns £29,000, this means he pays in an amount that is worked out on around £24,000 of his salary.
Appendices – The pre-task exercise and information received by participants prior to each interview

## Personal accounts

**What that means for Alan is...**

| Alan saves 4% of his salary into his personal account – a month, this is... | £80 |
| This means that he takes home a month... | £1,717 |

## Personal accounts

**Alan pays 4% of his salary, or £80, into his personal account each month**

**On top of this...**

- The Government pays in an amount that equals about 1% of his salary, or £22 a month, in the form of tax relief
- And Alan’s employer pays in an amount that equals about 3% of Alan’s salary, or £60 a month

**So in total** the equivalent of 8% of Alan’s salary, or £160, is paid into his personal account each month

**This means that...**

- For every £4 Alan pays in...
- The Government pays in £1...
- And her employer pays in £3
Sub-Group D
The following slides were sent to participants in the £33,000+ annual income bracket

Ipsos MORI
Personal accounts – an example

All decides to save into a personal account

Ali is a factory foreman and earns £35,000 a year before tax
He doesn’t pay anything into his personal account on around the first £5,000 he earns
He also doesn’t pay contributions on what he earns above around £33,500
Because he earns £35,000, this means he pays in an amount that is worked out on around £28,500 of his salary

<table>
<thead>
<tr>
<th>£5,000</th>
<th>£25,000</th>
<th>£35,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ali (£35,000 a year)</td>
<td></td>
<td>Ali’s payment is worked out on £28,500</td>
</tr>
</tbody>
</table>

Ipsos MORI
Personal accounts

What that means for Ali is...

Ali saves 4% of his salary into his personal account – a month, this is...

A month

£93

This means that he takes home a month...

£2,055
### Personal accounts

<table>
<thead>
<tr>
<th>Ipsos MORI</th>
<th>Ali pays 4% of his salary, or £93, into his personal account each month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>On top of this...</strong></td>
</tr>
<tr>
<td></td>
<td>The Government pays in an amount that equals about 1% of his</td>
</tr>
<tr>
<td></td>
<td>salary, or £28 a month, in the form of tax relief</td>
</tr>
<tr>
<td></td>
<td>And Ali’s employer pays in an amount that equals about 3% of</td>
</tr>
<tr>
<td></td>
<td>Ali’s salary, or £70 a month</td>
</tr>
<tr>
<td></td>
<td><strong>So in total</strong> the equivalent of 8% of Ali’s salary, or £186,</td>
</tr>
<tr>
<td></td>
<td>is paid into his personal account each month</td>
</tr>
</tbody>
</table>

**This means that...**

- For every £4 Ali pays in...
- The Government pays in £1...
- And his employer pays in £3