State Pension deferral: public awareness and attitudes

Nick Coleman, Rosie McLeod, Oliver Norden and Alice Coulter
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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AA</td>
<td>Attendance Allowance</td>
</tr>
<tr>
<td>DWP</td>
<td>Department for Work and Pensions</td>
</tr>
<tr>
<td>IB</td>
<td>Incapacity Benefit</td>
</tr>
<tr>
<td>LFS</td>
<td>Labour Force Survey</td>
</tr>
<tr>
<td>MIG</td>
<td>Minimum Income Guarantee</td>
</tr>
<tr>
<td>NI</td>
<td>National Insurance</td>
</tr>
<tr>
<td>PDCS</td>
<td>Pension, Disability and Carers Service, formerly known as TPS</td>
</tr>
<tr>
<td>SOC</td>
<td>Standard Occupational Classification</td>
</tr>
<tr>
<td>SP</td>
<td>State Pension</td>
</tr>
<tr>
<td>SPA</td>
<td>State Pension age</td>
</tr>
<tr>
<td>TPS</td>
<td>The Pension Service, now also known as PDCS</td>
</tr>
</tbody>
</table>
Summary

Background and aims of the project

In April 2005, changes to the provision of State Pension (SP) deferral saw a reduced period of qualification for a weekly increase or increment to SP entitlement (from seven weeks to five weeks), and the introduction of a second deferral option: receipt of a one-off lump sum.

BMRB Social Research carried out a study amongst people that had passed State Pension age (SPA) since April 2005. The aims of the research were to:

• find out the characteristics of those people past SPA who do/do not defer claiming their SP, as well as the characteristics of those who go on to claim the increment or lump sum;
• understand what motivates people’s decisions;
• gauge awareness of existing deferral policies;
• provide information to help consider whether there is a case for changing SP deferral arrangements.

Research methods

The research covered a number of respondent groups; all of these (except the first) were restricted to people who had passed SPA since April 2005:
• people approaching SPA (aged up to five years below SPA);
• current deliberate deferrers (people who said they made a decision to delay receipt of their SP once they were eligible);
• current accidental deferrers (people who said they were not receiving SP but had not ‘decided’ to do so);
• working claimants (people who were in paid work at the time of the interview and who had claimed their SP as soon as they were eligible);
• **non-working claimants** (people who were not in paid work at the time of the interview and who had claimed their SP as soon as they were eligible);

• **lump sum claimants** (people who had deferred their SP – either deliberately or accidentally – and then claimed the lump sum option);

• **increment claimants** (people who had deferred their SP – either deliberately or accidentally – and then claimed the increment option).

All of these groups were covered by a quantitative survey, conducted by telephone. Between 122 and 1,092 interviews were conducted in each of the groups in September-November 2007.

A sample of respondents was re-contacted for a follow-up qualitative interview. In total, 60 in-depth interviews were conducted by telephone in January-February 2008.

**Awareness of State Pension deferral**

Awareness of SP deferral was limited, as was knowledge about more general issues relating to pensions. Amongst people approaching SPA, two in three (65 per cent) were aware of SP deferral. Although this proportion increased amongst those who had passed SPA, a minority were still unaware of deferral, and only 36 per cent of current accidental deferrers were aware of the policy.

While some people were unaware of SP deferral at all, others had a vague knowledge but had chosen not to engage with the detail of the policy. This stemmed either from a lack of interest or confidence in financial matters, a perception that SP deferral was not relevant to them, or scepticism about pensions policy generally.

The feeling that SP deferral was not relevant was often linked to perceptions of retirement, which was defined as finishing full-time work. Because SP deferral was perceived as being aimed at people who had ‘not yet retired’, people in part-time work (and therefore, by their own definition, ‘retired’) sometimes thought that it was not relevant to them.

Only around one in three of those approaching SPA were aware of each option and awareness was even lower amongst current accidental deferrers. While current deliberate deferrers were mostly aware of the two options for claiming, one in three were not aware of the lump sum option. In the qualitative interviews, some deliberate deferrers confirmed that they had only a cursory knowledge of the deferral policy but said that they intended to gain further knowledge before they decided which option to claim. Amongst people who had claimed their SP as soon as they were eligible, awareness of the options was higher amongst those in work, reflecting a general trend across all groups. In total, eight per cent of working claimants (who had claimed as soon as they were eligible) said that they would have deferred if they had known more about the options.
Awareness of the increment option was slightly higher than of the lump sum option amongst the various groups.

Information from the Department for Work and Pensions and The Pension Service

Most respondents over SPA recalled receiving information from the Department for Work and Pensions (DWP) or The Pension Service¹ about their options for deferring their SP. Other sources of information were friends, family or colleagues, the Internet and newspapers. The qualitative research confirmed that the information booklet sent by DWP was the principal information source for people who had passed SPA but that its usefulness depended on people’s understanding of financial matters. Some found it helpful but less financially literate respondents often found it too complex to understand.

When respondents contacted the DWP by telephone for information or advice, on the whole the service was considered helpful and the personal explanation of policy was highly valued. However, complaints of unanswered queries or inconsistent responses did affect a minority of respondents’ evaluations of their experience. This impacted upon decision-making where lump sum and increment claimants felt that DWP staff had failed to make them aware of both options when they contacted them for advice. There was also the feeling that misconceptions and lack of awareness could lead people along routes that were not necessarily appropriate, and that there was no mechanism for this to be picked up (e.g. by DWP staff).

The qualitative research found that people often needed information in two stages: firstly when they were considering whether or not to defer and then (if they did defer) at the point at which they were choosing which option to claim. The qualitative interviews also raised a number of suggestions for information and advice about SP deferral, including ways of publicising SP deferral more widely, and specific types of information required.

Characteristics of deferrers and non-deferrers

The majority of current deliberate deferrers were in paid work (79 per cent), much higher than the proportion of current accidental deferrers (26 per cent). Overall, according to Labour Force Survey (LFS) data, amongst people aged up to three years over SPA (i.e. equivalent to the people interviewed in the survey) 31 per cent are in paid work.²

¹ To note that this study was undertaken before the merger of The Pension Service and The Disability and Carers Service to form the new agency ‘Pension, Disability and Carers Service’ (PDCS).
Current accidental deferrers were more likely than current deliberate deferrers to be female, as this group included married women who said they were not eligible for an SP (mostly those who had paid married women’s stamp and who had to wait until their husband reached SPA before they could claim).

The research compared current deliberate deferrers with ‘working claimants’ – people who had claimed their SP as soon as they were eligible but had continued in employment (a group that might be expected to consider deferral). This showed that people that deliberately deferred often continued to work similar hours (full-time in the majority of cases) after reaching SPA, while those who claimed SP as soon as they were eligible often moved to part-time work. This difference in the proportion working full-time was the most pronounced difference between the two groups.

Current deliberate deferrers also tended to have worked in higher Standard Occupational Classification (SOC) groups than working claimants. However, the proportions in self-employed work were similar. There was no evidence that the length of time people intended to carry on working was an influence on the decision to defer.

Current deliberate deferrers tended to have a higher income, and were more likely to say they were financially comfortable, than working claimants. This is partly explained by the greater proportion that were working full-time, although not all deliberate deferrers were working (at all) and in addition the income of working claimants would include their SP. Nevertheless, not all deliberate deferrers were financially well off and around one in five said that they would either definitely or probably not have enough money to live on in retirement.

The qualitative interviews found that income was relevant in people’s perceptions of deferral, with non-deferrers often seeing deferral as aimed at ‘someone else’: those who could not afford to defer saw it as an option for the wealthy, while wealthier non-deferrers thought that it was targeted at those on low incomes (since the financial incentives of deferral were seen as relatively minor).

Demographic characteristics, such as household composition, disability or caring responsibilities, had no evident impact on the decision to defer. However, current accidental deferrers were more likely to have a long-standing illness or disability than current deliberate deferrers; this is related to the lower proportion of current accidental deferrers who were working.

Reasons for deferral and non-deferral

Two general factors underpinned motivations to defer, or not defer, SP: Firstly, the level of consideration given to deferral varied widely. As already noted, some people were not aware of SP deferral at all, while others were unwilling, or unable, to engage with the detail of what was involved; if these people deferred they tended to do so passively. By contrast, other people were quite active in making detailed calculations before making a decision.
Secondly, while plans for working influenced respondents’ decisions about deferral, decisions about staying on in work were generally well established by the time of the deferral decision. There was no evidence in the survey that the option of deferring SP had an impact on respondents’ decisions about the continuation of work beyond SPA. It should be noted, however, that the research was not designed to assess this issue conclusively.

A decision on whether or not to defer could be influenced by a number of factors, including:

- plans for continuing work;
- perceptions of immediate and future financial need;
- potential use of deferral as a savings mechanism or as a means of expenditure control;
- tax considerations (e.g. with deferral used to keep below the 40 per cent tax threshold);
- the perceived attraction of the interest earned through deferral;
- the principle of entitlement (either the perception that people were entitled to an SP at a certain age or conversely, the feeling that it was not appropriate to claim an SP if one carried on working);
- life expectancy (specifically, the risk of a deferred SP being unclaimed in the event of death).

In the quantitative survey, the most frequent reason for deferral was that the respondent or their partner was continuing in work, while the most common reason for not deferring (amongst those still working) was financial need.

People who had deferred had wide-ranging views on their experience. Respondents were generally very content with the policy and the option that they had chosen, with experiences that matched their expectations of deferral.

Problems included delays to payment and a perception that they had taken the wrong option.

Claiming the lump sum or increment option

Respondents in the various groups expressed a slight preference for the increment over the lump sum. People who had already claimed one of the options tended to take the increment where deferral was no longer affordable and where regular income was needed from the SP.

The increment was also preferred by respondents who saw it as giving greater financial security, and potentially a greater long-term profit, than the lump sum. In addition, the tax paid on the lump sum was unattractive to those who deferred their SP primarily to avoid paying tax on their incomes whilst working. The tax
paid on the lump sum was a specific source of discontent among those who had not been aware of this aspect of the policy when they decided to defer. The lump sum was also sometimes avoided by people who thought that it might lift them into a higher tax threshold for the year that they claimed it.

The lump sum attracted those who felt able to spend the deferred SP immediately, and who had specific plans for using a sum of money. Others favoured the lump sum because they thought it would take too long to make savings on the increment option, whereas the lump sum could be claimed and invested in a savings account. Life expectancy was also a factor, with concerns that people might not live long enough to recoup their full SP entitlements under the increment option.

The working characteristics of lump sum and increment claimants differed. Lump sum claimants were more likely than increment claimants to have been in work whilst deferring (although similar proportions stopped work when they claimed). In addition, after claiming, increment claimants were more likely than lump sum claimants to be in part-time work and to be self-employed. This indicates that the increment option was more attractive to people with a lower or less reliable income from work, as a way of providing financial stability.

Lump sum claimants were more likely than increment claimants to be female but otherwise there were no differences between the two groups in terms of demographic characteristics or household income.

Length of deferral and timing of claim

Because of the timing of the survey, those who had already claimed the lump sum or increment must have done so within two to three years after reaching their SPA. However, current deliberate deferrers often expected to wait some time before they claimed one of the options (29 per cent said it would be at least five years after they reached SPA). This often reflected expectations of how long respondents expected to continue working.

The timing of a claim after deferral was often linked to stopping work or moving to part-time work. However, other reasons included needing the money (for example, where circumstances had changed), claiming as soon as they were eligible for the increment or lump sum and a change of mind.

Future options

In order to help consider whether there is a case for changing SP deferral arrangements, respondents were asked about two additional options: being able to defer more than once and deferring part of one’s SP only. The latter was slightly more attractive to respondents in the various groups, as it was seen as making deferral affordable to those who needed some income from an SP, while being less of a risk financially than deferral of full SP. It was also seen as extremely compatible with part-time work.
Deferring more than once was seen as potentially attractive to those who could not guarantee a secure or consistent income. Respondents envisaged the lump sum being used in this way to pay off or buy specific items over time.

On both of the additional options, there were concerns over administrative capacity, either to respond efficiently to requests to start or stop a claim (in the case of deferring more than once) or in ensuring accuracy of payment (in the case of partial deferral).
1 Introduction

1.1 Background

April 2005 saw the introduction of a number of changes to the provision for SP deferral. Previously, people were able to receive a weekly increase or increment to their SP entitlement if they deferred for a period of seven weeks. From April 2005, the period required to qualify for the increment was reduced from seven weeks to five weeks. When they claim their SP, people earn an increase to their SP of one per cent for every five weeks they defer; this is equivalent to around 10.4 per cent extra for every full year someone defers.

In addition, a second option was made available, to receive payment via a one-off lump sum; this option was made available to people who deferred for a period of 12 consecutive months. The lump sum payment, when claimed, is based on the amount of normal weekly SP the person would have received, plus interest added each week and compounded.

As an example, if someone’s SP was worth £100 per week and this person deferred for one year, they could then either receive a higher weekly rate of £110 through the increment option or receive a lump sum payment of £200 in addition to their arrears.

A person can defer their SP as long as they want in order to earn the increment or lump sum. It is also possible to start a deferral period after claiming an SP.

Incentives to defer the SP are part of Government efforts to encourage more people to continue working after SPA. These efforts are particularly important given recent changes to working and retirement patterns: for example, men in particular are much more likely to leave work before SPA than a generation ago. At the same time, the ‘pathways’ or ‘transitions’ into retirement have become more diverse than once was the case.

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1.2 Research objectives

The main objectives of the research were to:

• find out the characteristics of those people past SPA who do/do not defer claiming their SP, as well as the characteristics of those who go on to claim the increment or lump sum;

• understand what motivates people’s decisions;

• understand the awareness of existing deferral policies amongst those who have passed SPA (both those who have deferred and those who have not) and those approaching SPA;

• provide information to help consider whether there is a case for changing SP deferral arrangements; this is in response to recommendations in the Turner report that people be given more incentives to work beyond SPA.5

1.3 Research methods

The research was carried out by BMRB Social Research, using both quantitative and qualitative methods. The quantitative survey allowed an assessment of the characteristics of people who do, and do not, defer; it also examined how awareness varied between different groups and indicated people’s preferences (e.g. for the lump sum or increment option). The qualitative research was able to explore people’s motivations in greater depth, as well as the often complex interplay of factors that lead to different types of behaviour and decision-making. It also helped to contextualise or ‘understand’ the quantitative findings.

1.3.1 Groups included in the research

The research includes a number of different respondent groups. Other than the first group (people approaching SPA), all groups were restricted to people who had passed SPA since April 2005 (i.e. were up to two and a half years over SPA when interviewed in autumn 2007). Note that for all groups, ‘deferral’ is defined as not receiving an SP for at least five weeks after reaching SPA. The groups are as follows:

• people approaching SPA: those aged up to five years below SPA (i.e. men aged 60-64 and women aged 55-59). This group contains a representative sample of all people in this age band;

• current deliberate deferrers: people who said they made a decision to delay receipt of their SP once they were eligible;

• **current accidental deferrers:** people over SPA who were not receiving SP but who had not made a conscious decision to defer. This group includes people who had claimed late or had a delay in their claim, as well as those who were unaware that they were entitled to an SP or that they needed to make a claim. Specifically, this group includes people who said they were ineligible for an SP because they had insufficient National Insurance (NI) contributions. Where appropriate, we have analysed separately the respondents who said they were not eligible. However, it is not possible simply to remove these respondents from the analysis, because respondents are not always sure if they are eligible;

• **working claimants:** people who were in paid work at the time of the interview and who had claimed their SP as soon as they were eligible;

• **non-working claimants:** people who were not in paid work at the time of the interview and who had claimed their SP as soon as they were eligible;

• **lump sum claimants:** people who had deferred their SP (either deliberately or accidentally) and then claimed the lump sum option;

• **increment claimants:** people who had deferred their SP (either deliberately or accidentally) and then claimed the increment option. Some survey respondents were not aware which option they had received or said they had not received either option. Where the sample came from administrative data (see Section 1.3.2), these respondents were allocated to either the increment or lump sum group according to the details recorded in the administrative data. Where the sample came from the Omnibus re-contacts (also in Section 1.3.2), these respondents were allocated to the increment sample. This was because a) increment claimants were more numerous than lump sum claimants according to administrative data; and b) it was felt that people would be less likely to remember receiving the increment than lump sum.

Italics show the wording used to describe each group; italics are used throughout the report to avoid any confusion (for example ‘working claimants’ refers to the specific group who continued working after SPA but claimed SP as soon as they were eligible, whereas ‘working claimants’ is a more generic reference (e.g. including lump sum or increment claimants who were in work).

The relationship of the groups can be summarised as follows:

• the group **approaching SPA** covers all people within five years of SPA;

• when they reach SPA, people then fall into one of the following groups depending on claiming/deferral and work: current deliberate deferrers, current accidental deferrers, working claimants, non-working claimants;

• deliberate and accidental deferrers then have the option of ‘becoming’ a lump sum claimant or increment claimant.

Actual behaviour can be more complicated than this, because it is possible to claim an SP and then defer but this summary reflects the most common scenarios.
Some groups are more relevant than others to particular subjects in the report. For example, in examining the decision of whether or not to defer, the analysis focuses on current deliberate deferrers and working claimants (a group that might have been expected to consider deferral).

1.3.2 Quantitative research

BMRB interviewed a representative sample of people in the various groups. The sample was drawn from a number of sources:

- BMRB’s General Public Telephone Omnibus survey, which interviews a representative sample of either 1,000 or 2,000 adults per week. The sample is generated through random-digit dialling and quotas are set on age, gender and working status. This was used for the interviews with people approaching SPA. Questions were asked only of people in the relevant age band, over a four-week period.

- Recontacting respondents of BMRB General Public Omnibus surveys. In order to identify people who had passed SPA since April 2005, a sample of people who had been interviewed in recent BMRB Omnibus surveys was drawn up. This sample was restricted to people with an eligible date of birth who had agreed to be recontacted (at the end of the original interview).

- DWP administrative data. This was used to supplement the sample of recontacted Omnibus respondents, for groups of people who had deferred their SP: current deliberate deferrers, current accidental deferrers, lump sum claimants and increment claimants.

Table 1.1 shows the number of interviews in each group.

### Table 1.1 Number of interviews used in quantitative survey

<table>
<thead>
<tr>
<th>Group</th>
<th>Number of interviews</th>
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<tbody>
<tr>
<td>People approaching SPA</td>
<td>506</td>
</tr>
<tr>
<td>Current deliberate deferrers</td>
<td>319</td>
</tr>
<tr>
<td>Current accidental deferrers</td>
<td>122</td>
</tr>
<tr>
<td>Lump sum claimants</td>
<td>270</td>
</tr>
<tr>
<td>Increment claimants</td>
<td>186</td>
</tr>
<tr>
<td>Working claimants</td>
<td>362</td>
</tr>
<tr>
<td>Non-working claimants</td>
<td>1,092</td>
</tr>
</tbody>
</table>

At the start of the interview, screening questions checked that respondents were eligible for the survey in terms of age/date of birth and then allocated them to the various groups outlined above.

Interviews were conducted by telephone between September and November 2007; this means that people over SPA will have passed SPA in the previous
two and a half years. The interview length ranged from five minutes (for non-
working claimants) to 20 minutes (for current deliberate deferrers, lump sum and
increment claimants), reflecting the relative importance of the different groups to
the research objectives.

Response rates are shown in Appendix A.

For all groups, data have been weighted by gender. Weighting of the increment
and lump sum claimants was based on DWP administrative data on the gender
profile of these groups. The same data was also used for the weighting of current
deferrers; in doing so, it was assumed that the gender profile of lump sum and
increment claimants combined would equate to that of current deliberate and
accidental deferrers combined (since logically, current deferrers will go on to one
or other of the claimant groups). Weighting of non-deferrers (working claimants
and non-working claimants) was based on LFS data.

1.3.3 Qualitative research

The qualitative phase of the research took place after the quantitative survey, in
order to follow up on individuals with known characteristics.

The qualitative research comprised 60 in-depth telephone interviews with survey
respondents who had indicated their willingness to be recontacted for a follow-
up interview. Four of the survey groups (as described above) were included in
the qualitative stage: current deliberate deferrers, increment claimants, lump
sum claimants and working claimants, and 15 interviews were conducted in each
group. It was decided to concentrate on these four groups as they were the most
relevant to the research objectives.

Purposive sampling, based on demographic quotas, was used to reflect the broad
spread of survey respondents. Primary quotas were set for gender, social status
and working status, as follows:

• at least five men and five women in each group;
• at least five ABC1s and five C2DEs in each group;
• five full-time workers, five part-time workers and five non-workers in each group
  (except the working claimants group, which by definition excluded non-workers
  and included six full-time and nine part-time workers).

BMRB’s Qualitative Field Team recruited the respondents from the sample provided
by the quantitative survey. A recruitment screener was used to ensure that
respondents matched the recruitment quotas.

Interviews were conducted during January and February 2008 by experienced
qualitative researchers and lasted approximately 30 minutes. Three topic guides
(see Appendix C) were used, each tailored to cover the key themes to be addressed
and the specific issues for coverage within each group. All interviews were digitally
recorded, with permission, and transcribed verbatim to allow detailed analysis.
The transcribed interviews were subject to a rigorous content analysis (Matrix Mapping), which involved systematically sifting, summarising and sorting the verbatim material according to key issues and themes within a thematic framework. Further classificatory and interpretative analyses were then derived from the analytic charts and these formed the basis of the evidence reported in the following chapters. Further details of the analytical process used may be found in Appendix B.

The findings have been illustrated with the use of verbatim quotations. The quotations have been edited for clarity but care has been taken not to change the respondents’ meaning in any way – alterations are shown using parenthesis and ellipses.

For the purposes of this report, analysis drew out the themes and issues raised across respondent groups. Unless otherwise indicated, the findings in the report therefore covered all of the groups included in the qualitative research.

1.4 Analysis and interpretation

A number of issues need to be considered when interpreting the findings from this research:

Firstly, the ‘population’ of people who had passed SPA since April 2005 contained small proportions in each deferral group (current deliberate deferrers, current accidental deferrers, increment claimants and lump sum claimants), while the majority of people in this ‘population’ were . LFS data\(^6\) shows that, amongst people aged up to three years over SPA, 86 per cent\(^7\) are claiming an SP (23 per cent whilst working and 63 per cent whilst not working), while 14 per cent are not claiming an SP (eight per cent whilst working and six per cent whilst not working). Therefore, findings for deferral groups are not necessarily typical of the ‘population’ as a whole.

Secondly, while the quantitative survey is based on representative samples of people in the individual groups, it is not possible to combine the figures for different groups together, or give ‘overall’ figures for this ‘population’. However, the LFS can provide some data for the overall ‘population’ on employment and household characteristics and these are referred to in the report where relevant.

In particular:

* it is not possible to combine the groups of current deliberate and accidental deferrers, as there is no available ‘population’ data on the relative proportions in the two groups, which could provide appropriate weighting;

---

\(^6\) LFS data extract, July – September 2007.

\(^7\) This will include a proportion of people who have deferred their SP and then claimed the lump sum or increment but DWP administrative data indicates that numbers are very small, in relation to the total ‘population’.
• while DWP administrative data is available on the relative proportions of lump sum and increment claimants, these proportions are changeable over time; therefore, it is not certain that the figures from the administrative data will correspond to the respondents interviewed in the survey. In addition, in order to get a sufficient number of interviews with people in these groups, it was necessary to select all available cases from the administrative data, rather than sample them in the proportions choosing the options. As a result, if these two groups were combined, a large weighting factor would apply, reducing the efficiency of the sample and the resulting statistical confidence.

As in all surveys, quantitative findings are based on a sample of respondents only and differing levels of statistical confidence apply to the various groups. When comparing groups in the report, differences are highlighted in the text only when they are statistically significant. Qualitative findings are not designed to be statistically representative. The report is ordered thematically, with both qualitative and quantitative findings included as appropriate.

The following conventions relate to report tables:

* less than 0.5 per cent;
0 no observations;
[ ] numbers in square brackets are percentages based on fewer than 50 observations.

In some cases, percentages in tables may not sum to 100, due to rounding of percentages or multiple responses.

1.5 Report layout

Following this chapter, the remainder of the report discusses the research findings in detail:

• Chapter 2 explores respondents’ awareness and understanding of SP deferral, including their knowledge of the deferral options and the sources of information they used to inform their understanding;

• Chapter 3 examines the characteristics of deferrers and non-deferrers, in order to identify the types of people most likely to defer;

• Chapter 4 focuses on the reasons for the decision to defer or not defer;

• Chapter 5 examines the two options for claiming a deferred SP (increment or lump sum), and assesses the characteristics associated with choosing one over the other, and the reasons for the choice;

• Chapter 6 looks at the length of time that people have deferred for, and plan to defer for, and the reasons for claiming at a particular point in time;
• Chapter 7 examines reactions to two additional deferral options;
• Chapter 8 provides some conclusions from the research and the policy implications of the findings.

Separate summary reports for each respondent group were produced following the first stage of analysis.
2 Awareness of State Pension deferral

This chapter examines the public's knowledge of SP deferral, both generally and in relation to the increment and lump sum options. It also looks at awareness of and attitudes towards the information and advice provided by the DWP and The Pension Service.

2.1 Knowledge of pensions issues

Before focusing on SP deferral, the survey asked respondents about their overall knowledge of pensions issues. As Table 2.1 shows, respondents expressed varying levels of knowledge about pensions, with knowledge particularly low amongst current accidental deferrers.

This is confirmed by previous research, which has indicated that people often have a 'weak grasp of how pensions work' and that 'the system (state and private) is complex and unfamiliar to many'\(^8\).

Within the sample of current deliberate deferrers, those with a higher income tended to express greater knowledge than those on a lower income (79 per cent of those with an income of £35,000 or more per year said they had at least a reasonable, basic knowledge, compared with 58 per cent of those with an income below £35,000 per year). The same feature applied to the sample of people approaching SPA, where in addition perceived knowledge was also greater amongst married respondents (67 per cent expressed at least a reasonable, basic knowledge, compared with 54 per cent of unmarried respondents).

---

Table 2.1  Perceived knowledge of pensions issues

<table>
<thead>
<tr>
<th></th>
<th>Current deliberate deferrers</th>
<th>Current accidental deferrers</th>
<th>Working claimants</th>
<th>Non-working claimants</th>
<th>Approaching SPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good knowledge</td>
<td>8</td>
<td>3</td>
<td>14</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Reasonable, basic knowledge</td>
<td>58</td>
<td>24</td>
<td>52</td>
<td>47</td>
<td>52</td>
</tr>
<tr>
<td>Patchy knowledge</td>
<td>24</td>
<td>22</td>
<td>22</td>
<td>23</td>
<td>21</td>
</tr>
<tr>
<td>Know little or nothing</td>
<td>10</td>
<td>50</td>
<td>11</td>
<td>20</td>
<td>16</td>
</tr>
</tbody>
</table>

Base: All respondents 319 122 362 1,092 506

The qualitative research found considerable variation in the level of confidence and interest that people had in the management of their personal financial affairs. This variation was reflected in respondents’ awareness of, and interest in, pensions issues and SP deferral, which was also extremely mixed.

A high degree of interest and confidence in the management of one’s financial affairs was associated with people with professional experience, access to independent advice, greater time to devote to financial affairs, or previous experience of financial difficulties. By contrast, a lack of concern or interest in financial affairs was associated with low levels of confidence, in particular for those who described a reliance on a spouse.

As noted above, the quantitative findings showed that knowledge about pensions issues was often lower than average amongst people on lower incomes. The qualitative research found that these low levels of knowledge were often a cause for concern, particularly those who were socially isolated and financially insecure.

2.2  Awareness of State Pension age and entitlement

Most respondents in the various groups were aware that the ‘amount of basic SP people get depends on the number of years of NI contributions or credits’. The proportion who said this statement was true was highest amongst current claimants (96 per cent of lump sum claimants, 94 per cent of increment claimants, 97 per cent of working claimants and 93 per cent of non-working claimants). Around nine in ten current deliberate deferrers (90 per cent) and people approaching SPA (89 per cent) said the statement was true, while knowledge was again lowest amongst current accidental deferrers (80 per cent).

Although most people were aware that the amount of basic SP people get depends on the number of years of NI contributions or credits, the qualitative research found that people nearing SPA were often unclear on the actual amount
of SP that they would get. Even though it is possible for people to get a forecast, many respondents had not done this and were not aware of what they were due to receive; this uncertainty was often a particular worry.

‘I’d been trying to find the right way to get this jolly information about how much pension I was due and how it was made up, and that was terrible. You couldn’t really get a straight answer of how it was made up, and they couldn’t tell me how much it was. They said that you can find out before you turn 60, but you can’t find out after unless you actually apply to have the blooming pension… it was a catch 22, because I didn’t want to do that until I knew what it was.’

(Lump sum claimant)

2.3 Awareness of State Pension deferral

Amongst people approaching SPA, 65 per cent were aware that people can delay claiming their SP when they reach SP. Although this proportion then became higher amongst people who had reached SPA, a minority of those who had claimed straightaway were still unaware of the option to defer (as shown in Table 2.2). Only around a third (36 per cent) of current accidental deferrers were aware that people can defer.

Overall, this shows that many people were not aware of the option of deferral. Awareness was lower amongst those not in work, those on a lower income or who saw themselves as less financially comfortable, and those living alone. Again, these are the same types of respondents who showed a low awareness of pensions issues generally, and who expressed concern over financial insecurity or uncertainty.

Table 2.2 Proportion in survey groups aware that people can delay claiming their SP

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approaching SPA</td>
<td>65</td>
</tr>
<tr>
<td>Current accidental deferrers</td>
<td>36</td>
</tr>
<tr>
<td>Working claimants</td>
<td>93</td>
</tr>
<tr>
<td>Non-working claimants</td>
<td>80</td>
</tr>
</tbody>
</table>

Base: All respondents in each group: Approaching SPA 506; Current accidental deferrers 122; Working claimants 362; Non-working claimants 1,092
2.4 Awareness of working and deferring

Most respondents were aware that ‘people can continue working after they become eligible to receive their SP’, as shown in Table 2.3. Other respondents tended to think that this depended on individual circumstances (this explains why only 95 per cent of working claimants were aware). Awareness was higher amongst people in work than those not working, as one might expect.

Table 2.3 Proportion in survey groups aware that people can continue working after they become eligible for SP

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approaching SPA</td>
<td>87</td>
</tr>
<tr>
<td>Current deliberate deferrers</td>
<td>92</td>
</tr>
<tr>
<td>Working claimants</td>
<td>95</td>
</tr>
<tr>
<td>Lump sum claimants</td>
<td>94</td>
</tr>
<tr>
<td>Increment claimants</td>
<td>89</td>
</tr>
</tbody>
</table>

*Base: All respondents in each group: Approaching SPA 506; Current deliberate deferrers 319; Working claimants 362; Lump sum claimants 270; Increment claimants 186*

Note: question not asked of current accidental deferrers.

Interviewers confirmed with respondents that people can continue working after reaching SPA, and then asked them whether they thought people could receive their SP at the same time, could defer claiming whilst working or whether both of these options were available. Only two in five of those approaching SPA said that both options were available, and although this proportion increased amongst people over SPA, only around three in four in the various groups were aware of both options. This is shown in Table 2.4. Once again, awareness was higher amongst those in work.

Where respondents were not aware of both options, they were approximately evenly divided between those who thought people had to claim their SP if they continued working after reaching SPA, and those who thought people had to defer.
Table 2.4 Proportion in survey groups aware that people working after SPA can either claim SP or defer

<table>
<thead>
<tr>
<th>Group</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approaching SPA</td>
<td>40</td>
</tr>
<tr>
<td>Current deliberate deferrers</td>
<td>78</td>
</tr>
<tr>
<td>Working claimants</td>
<td>72</td>
</tr>
<tr>
<td>Lump sum claimants</td>
<td>76</td>
</tr>
<tr>
<td>Increment claimants</td>
<td>71</td>
</tr>
</tbody>
</table>

Base: All respondents in each group: Approaching SPA 506; Current deliberate deferrers 319; Working claimants 362; Lump sum claimants 270; Increment claimants 186

Note: question not asked of current accidental deferrers.

2.5 Levels of engagement with State Pension deferral

The qualitative research found that respondents’ awareness of, and engagement with, SP deferral were affected by a range of issues, such as their general interest in financial affairs, perceptions of the personal relevance of deferral and scepticism about pensions policy more generally. Each of these issues is examined in turn below.

Respondents displaying low awareness of deferral generally preferred to avoid engaging with more information. Underpinning this lack of engagement was a lack of interest or lack of confidence in financial affairs. In some cases, people did not read the information they received about deferral, because it was considered too onerous and complex or a spouse was relied upon to deal with financial affairs.

‘We are both very busy, we never seem to have time to sit down and spend an hour or two…I can’t remember what it was, because my husband does that, he always does the paperwork.’

(Current deliberate deferrer)

Where pension deferral was not seen as relevant, this was often linked to perceptions of retirement. Retirement was often defined as finishing full-time work, and therefore people continuing to work on a part-time basis still thought of themselves as retired. Similarly, SP deferral was perceived as being for people who had not yet ‘retired’, i.e. who were still working full-time. As a result, some people dismissed SP deferral as irrelevant to them even if they were continuing to work in some capacity. This perception has implications for the characteristics of people who do, and do not, defer, as discussed in Section 3.2.1.
'We certainly didn’t discuss it, at the time I don’t think it was an option. Because I have had nothing, no real information prior to retiring, I didn’t even think about it. You just thought that’s it, I am 65, I am retired, I have got my State Pension.’

(Working claimant)

Other respondents considered that **the amount of SP they were entitled to was insignificant** and therefore, did not think that they needed to be aware of the details of SP deferral. This applied both to respondents who were financially comfortable, as well as those who were not receiving a full SP (e.g. female respondents who had paid married women’s stamp). The qualitative research found that this perception could lead either to a decision to defer or not to defer.

‘Because the amount is so small it didn’t really seem to matter what we did with it, and they said I was just best to wait until my husband reached his 65th birthday.’

(Increment claimant)

Finally, non-deferrers who were sceptical of public and private investment schemes were often not interested in understanding deferral. There was cynicism as to whether the policy would remain in place, with a suspicion that people could lose their deferred pensions if the policy were to change. In some cases, this cynicism was based on past experiences of the loss of money through savings or investment schemes. Similarly, respondents who had paid the married women’s stamp often felt they had been short-changed and were uncertain of their final pension settlement. **As a result, some were deeply sceptical of pensions policies.**

‘I just like to know if it’s there, you never know what’s gonna happen these days do you, you might not get it in the end, they might stop it altogether, the way they carry on.’

(Working claimant)

Other research has also found cynical attitudes towards pensions issues, which are often bound up with antagonism towards the forthcoming increase in the SPA, as well as perceptions that the Government has ‘made a mess’ of pensions. As a result, specific policies such as SP deferral are often viewed in this negative context⁹.

### 2.6 Awareness of lump sum and increment options

Figure 2.1 shows the proportions of respondents who were aware of the lump sum and increment options, specifically those who said that the following statements were true:

---

• ‘You can claim a higher weekly rate of State Pension if you put off claiming for a short period of time.’

• ‘You can claim a one-off lump sum payment in addition to arrears if you put off claiming your State Pension for a longer period of time.’

In the various groups, awareness of the increment option was higher than of the lump sum option, possibly because the lump sum option has only been available since April 2005.

Looking at awareness amongst different groups:

• The chart shows that only a minority of those approaching SPA were aware of each option and that awareness was also very low amongst current accidental deferrers. The findings for current accidental deferrers reflect the low awareness of different issues; for example, only 51 per cent of current accidental deferrers were aware that they had to make a claim to receive an SP (those who were aware generally thought that they were not eligible for an SP, as discussed in Section 4.6.2).

• Awareness amongst current deliberate deferrers was higher than amongst other groups, although perhaps not as high as might be expected. However, the qualitative research found that current deferrers often acknowledged a cursory understanding of the policy but intended to familiarise themselves with further detail on deferral options when they wished to claim. This is a reflection of the two-stage decision-making process identified by respondents in the qualitative research: firstly in deciding whether or not to defer and then – at a later stage – making a decision on which option to take. This is discussed further in Section 2.7.2.

   ‘The time for worrying about it is when I make my decision, which is when I’m deciding to pack up work.’

   (Current deliberate deferrer)

However, the qualitative research found that most deliberate deferrers were aware of the existence of two claiming options, with those describing an interest in the policy aware of the tax implications and interest rates. This did not reflect wealth, but interest in financial affairs.

• Awareness was higher amongst working claimants than non-working claimants and this highlights a pattern also found in other groups, whereby people in work expressed higher levels of awareness than those not working; this pattern has been seen throughout this chapter. There was also a tendency in some groups for men to express higher awareness than women. In addition, the qualitative research found a strong link between awareness of the options and interest in financial affairs more generally.

As noted elsewhere in this chapter, these findings indicate a limited awareness of SP deferral and suggest that the numbers taking up deferral may be increased if awareness is raised. This is particularly relevant for working claimants, a group
who might have been expected to defer but who had not done so. When asked directly whether they would have deferred if they had known more about the options, eight per cent of all *working claimants* said they would have done so. Similarly, in the qualitative interviews, the general lack of awareness of deferral was identified as the only barrier to deferral for some respondents. Other respondents said that they were too preoccupied with the decision over whether to return to work to have time to think properly about deferral.

**Figure 2.1  Awareness of lump sum and increment options**

We can also look at awareness amongst those who had already claimed one of the options. As might be expected, people were more likely to be aware of the option they had taken than the alternative, as shown in Table 2.5.
Table 2.5  Awareness of lump sum and increment options amongst those who had already claimed one of the options (percentage saying statement is true)

<table>
<thead>
<tr>
<th></th>
<th>Column percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lump sum claimants</td>
</tr>
<tr>
<td>You can claim a higher weekly rate of SP if you put off claiming for a short period of time</td>
<td>70</td>
</tr>
<tr>
<td>You can claim a one-off lump sum payment in addition to arrears if you out off claiming your SP for a longer period of time</td>
<td>84</td>
</tr>
</tbody>
</table>

Base: All respondents 270 186

It is perhaps surprising that awareness of the options among lump sum and increment claimants is not higher. However, as noted in the introduction, some respondents were not aware which option they had received or were not aware of receiving either. This was particularly likely to be the case where respondents had originally deferred accidentally.

In addition, some lump sum and increment claimants in the qualitative research said that DWP staff had not made them aware of both options. These respondents considered it an oversight of DWP not to have informed them of their choices when they telephoned DWP to start claiming their SP. It is possible, of course, that some of these respondents were only eligible for the increment option (if they had deferred for less than 12 months).

‘They just said, “oh we’ll send you out a lump sum and then your pension will be on such and such a date…”, neither of us had a choice as to what we wanted for our pension when we actually reclaimed them.’

(Lump sum claimant)

The qualitative research also found that many respondents did not understand specific aspects of the lump sum option:

- Deferrers did not always realise that interest could be earned on the lump sum payment. The decision to defer had been based primarily on the ability to avoid paying a higher tax on earnings, so further details of the deferral policy had not been explored.

- Some lump sum claimants said that, when they decided to defer, they had not realised that the lump sum would be liable for income tax. This led to misperceptions of the total entitlement through SP deferral, disappointment with the amount received as a lump sum and a subsequent sense of having been misled or feeling ‘naïve’ in their interpretation of the policy.
‘[if aware of tax] I would have taken the thing at the proper date and forgotten about the few pounds that I would get extra.’

(Lump sum claimant)

2.7 Information from Department for Work and Pensions and The Pension Service

2.7.1 Recall of DWP information

Most respondents remembered receiving information from The Pension Service or DWP around the time they reached SPA telling them about the options for deferring their SP. Details are shown in Figure 2.2. As noted in Section 2.7.3, people often felt that they would like more information or advice on various issues but these findings confirm at least that the majority recalled receiving information.

Figure 2.2 Proportions who say they ‘definitely’ or ‘probably’ remembered receiving information from The Pension Service or DWP

<table>
<thead>
<tr>
<th>Source</th>
<th>Definitely</th>
<th>Probably</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lump sum claimants</td>
<td>81%</td>
<td>7%</td>
</tr>
<tr>
<td>Increment claimants</td>
<td>74%</td>
<td>7%</td>
</tr>
<tr>
<td>Deliberate deferrers</td>
<td>82%</td>
<td>8%</td>
</tr>
<tr>
<td>Working claimants</td>
<td>77%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Base: All respondents in each group: Lump sum claimants 270; Increment claimants 186; Current deliberate deferrers 319; Working claimants 362.

2.7.2 Sources of information about SP deferral

When asked how (else) they found out about deferring their SP, respondents who had passed SPA were most likely to refer to information from The Pension Service
(between 16 per cent and 21 per cent of those in the various groups) or from DWP (between 15 per cent and 20 per cent). Other respondents mentioned friends, family or colleagues (between 12 per cent and 19 per cent), the Internet (between six per cent and 11 per cent) and newspapers (between six per cent and 13 per cent).

Those approaching SPA mentioned similar sources of information, although, compared with people over SPA, they placed a greater emphasis on friends, family or colleagues, newspapers or their employer. Details are shown in Table 2.6.

### Table 2.6 Sources of information used to find out about deferring SP (top answers)

<table>
<thead>
<tr>
<th></th>
<th>Lump sum claimants</th>
<th>Increment claimants</th>
<th>Current deliberate deferrers</th>
<th>Working claimants</th>
<th>Approaching SPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>DWP</td>
<td>20</td>
<td>19</td>
<td>17</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>The Pension Service</td>
<td>18</td>
<td>16</td>
<td>19</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Friends, family or colleagues</td>
<td>12</td>
<td>13</td>
<td>16</td>
<td>19</td>
<td>9</td>
</tr>
<tr>
<td>Internet</td>
<td>8</td>
<td>11</td>
<td>8</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Newspapers</td>
<td>6</td>
<td>6</td>
<td>13</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Employer</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>7</td>
</tr>
</tbody>
</table>

Base: All respondents/* = all aware of deferral

The qualitative research confirmed that the information booklet sent by DWP was the principal information source for people who had passed SPA. There were some comments on the timing of this information (which is sent four months prior to reaching SPA): accidental deferrers, in particular, felt that they would have preferred to have received it earlier, to give them more time to understand what was involved. However, there is of course a difficult balance between allowing people enough time to make a decision and providing information sufficiently close to SPA so that it will be seen as relevant. One suggestion was that SP deferral could be publicised more widely, for example, through posters in Jobcentre Plus offices or other locations (e.g. doctors’ surgeries, post offices or workplaces). Expanding the range of information materials and increasing their circulation could help to raise awareness in general terms before detailed information was provided.

In addition, qualitative respondents often relied heavily on advice from friends and family and, for non-deferrers in particular, this could be the sole source of information on SP deferral.
The qualitative interviews also established that, amongst deferrers, there were two key stages at which information was needed: firstly when nearing SPA, in deciding whether or not to defer; and secondly, having deferred, when deciding which option to claim. Respondents said that they sought advice at these two stages, from DWP, as well as from personal financial advisers, family and friends.

### 2.7.3 Qualitative findings on use of information and contact with DWP

The qualitative research found that respondents’ grasp of finances affected the way that DWP information could be used. Confidently numerate respondents with an active interest in organising their finances, described using the booklet to calculate the relative merits and profits associated with the different deferral options; these respondents often used no sources of information other than the DWP booklet.

However, for less confident respondents, the DWP booklet was considered too complex to understand. These respondents often felt that more information was necessary when deciding whether to defer. In some cases, these respondents sought further advice, either through DWP or through independent financial advisers, to help make recommendations to them. Those who were socially isolated or lacking financial confidence but who had not sought further information themselves, felt DWP should take the lead in offering personal assistance because of the complexity of the information booklet. One specific suggestion was that the booklet could contain more diagrams to summarise the text.

Qualitative respondents raised a number of issues about telephone contact with DWP. Telephone calls were mainly used to resolve any issues concerning their SP entitlement and to provide clarification on the detail of SP deferral policy. Satisfaction with the service received was very mixed. On the positive side, the human contact and explanation was greatly valued by respondents who had not understood the policy in written form.

‘They talked to me very sensibly, straightforward. When they write to you it’s something rather different but I expect they’re not allowed to write in the ordinary language you would speak in. But talking on the phone they’re very helpful.’

(Increment claimant)

However, frustration at unanswered queries and inconsistent responses left some respondents still uncertain of their entitlements.

‘I don’t think it’s very good actually, I just don’t think they give you very much information at all. When you do try to get the information…I had to ring up about four or five times to get anything sorted out, I kept getting different stories.’

(Increment claimant)
Some working claimants (who did not defer) felt they were not adequately informed about deferral when they telephoned DWP upon reaching SPA.

‘When I did phone up, I think probably he should have told me a bit more, like “hang on you don’t have to take it you can defer it if you want, if you’ve got enough money” which I happen to have had at that time.’

(Working claimant)

In addition, as discussed in Section 2.6, people who had claimed either the increment or lump sum often felt that the two options had not been explained to them.

Respondents in the qualitative interviews felt that it was too easy to move through the deferral process with incomplete understanding and misconceptions of the policy, which were not noticed or resolved during contact with DWP. Similarly, the passive and ‘automatic’ process of deferral was criticised for causing cases of accidental deferral among those who could not afford to defer.

Respondents in the qualitative interviews offered a number of specific suggestions for information they would have liked to receive and for additional methods of receiving information:

• In terms of gaps in current knowledge that respondents wished to gain more clarity on, there were requests from all groups to know **what would happen to the deferred pension in the event of death**, in particular whether the increased interest would be transferred to a widow/er’s pension or not. It was suggested this information should be clearly signalled in the DWP literature, as, at present, uncertainty over this issue was felt to be preventing some people from deferring.

• Respondents felt that information about the **tax implications of deferring** had not been clearly explained in the literature sent by DWP at the point of deferring. Respondents blamed this for a mistaken assumption that deferral would be more profitable than it was; this was particularly relevant for those who had claimed the lump sum. Other research has shown that people can be confused by the tax implications of work and retirement\(^\text{10}\).

• Respondents felt strongly that **individualised, annual pension deferral forecasts** would have helped them to make a decision as to whether to defer and to choose between the two options. SP forecasts were used by respondents deciding to defer and were felt to be a very helpful resource. Those who were not aware they could access forecasts felt this had hindered their ability to determine whether to defer because they could not calculate the value of their future pensions by deferring. More generally, it was felt that greater assistance in making personal calculations when deciding whether to defer would help people to understand the policy better.

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Another request was for clearer information on **whether the SP would be readily available and accessible** if it was required. Flexibility of access to the deferred SP was a major query for non-deferrers, who sought an indication in the literature of how deferral compared with savings accounts in this respect.

Respondents suggested making more use of other communication methods to clarify explanations of the policy, for example, if the DWP information booklet could be accompanied by the option of **face-to-face contact** with DWP staff, through seminars or one-to-one sessions at workplaces or Jobcentre Plus offices.

Personal guidance was felt to be particularly useful when deciding which option to claim. As noted in Section 2.6, some respondents felt that they were not made aware of the two options when they made contact about claiming their deferred SP.
3 Characteristics of deferrers and non-deferrers

This chapter looks at the characteristics of people who do, and do not, defer their SP, in order to identify which characteristics may lead people to defer. In the next chapter we cover people’s stated motivations for deferring and not deferring.

This chapter focuses on people who had passed SPA since April 2005 (and so were up to two and a half years over SPA when interviewed). The two groups of particular interest in this chapter are current deliberate deferrers and working claimants (people who carried on working but claimed their SP as soon as they were eligible). The latter is a group that might have been expected to defer, so it is useful to compare them with deliberate deferrers. Other groups are also included in the analysis as appropriate, to provide a broader reference.

3.1 Work status

As a starting point, we can examine whether people were in paid work when they were deferring their SP and how this compares with people who claimed as soon as they were eligible. This confirms that, as we might expect, current deliberate deferrers were much more likely to be in paid work than those who had claimed their SP as soon as they were eligible.

As Table 3.1 shows, four in five current deliberate deferrers (79 per cent) were in paid work whilst they were deferring. This contrasts with 26 per cent of current accidental deferrers. The survey did not obtain further details on the sources of income of current accidental deferrers who were not working, although (as noted in Section 3.4.4), 42 per cent said that SP would be their only source of income when they claimed it.

According to LFS data, of all people aged up to three years above SPA (i.e. corresponding to the people over SPA interviewed in the survey), 31 per cent were in paid work – a similar figure to the proportion of current accidental deferrers but much lower than the figure for current deliberate deferrers.
The same pattern applied to those approaching SPA in terms of likely take-up of SP deferral: the proportion who thought they would ‘delay claiming their SP to get extra money in the future’ was much higher amongst those in paid work (28 per cent compared with ten per cent of those not working).

Table 3.1  **Work status of current deliberate and accidental deferrers**

<table>
<thead>
<tr>
<th>Work status</th>
<th>Current deliberate deferrers</th>
<th>Current accidental deferrers</th>
</tr>
</thead>
<tbody>
<tr>
<td>In paid work</td>
<td>79</td>
<td>26</td>
</tr>
<tr>
<td>Retired from paid work</td>
<td>15</td>
<td>32</td>
</tr>
<tr>
<td>Permanently sick or disabled</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Looking after family or home</td>
<td>3</td>
<td>24</td>
</tr>
<tr>
<td>Unemployed</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

**Base: All respondents 319 122**

We can also examine the work status of the respondent’s spouse or partner. This shows that amongst current deliberate deferrers, 86 per cent lived in a household in which either they or their partner was working, compared with 48 per cent of current accidental deferrers. This means that, in addition to the 79 per cent of current deliberate deferrers who were in work, a further seven per cent had a partner who was working, while 14 per cent were not in work and did not have a partner in work. Because of the small number of respondents in this group, it is not possible to analyse their characteristics further.

Table 3.2 shows a break-down of people in work according to the work status of the respondent and their partner. This shows that current deliberate deferrers and working claimants were similar in terms of the work status of the respondent and their partner.

Table 3.2  **Work status of respondent and partner at the time of interview, current deliberate deferrers and working claimants**

<table>
<thead>
<tr>
<th>Work status</th>
<th>Current deliberate deferrers</th>
<th>Working claimants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent lives with partner:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Both in work</td>
<td>42</td>
<td>44</td>
</tr>
<tr>
<td>One in work</td>
<td>36</td>
<td>33</td>
</tr>
<tr>
<td>Respondent in work, lives without partner</td>
<td>22</td>
<td>24</td>
</tr>
</tbody>
</table>

**Base: All respondents in work 257 362**
3.2 Working details

3.2.1 Hours worked

Figure 3.1 shows the proportions in different groups working full-time (30 or more hours per week), as well as those working between 16 and 29 hours per week and less than 16 hours per week. The chart includes figures for those approaching SPA, working claimants and current deliberate deferrers, in order to examine how working hours are linked to the decision to defer; Section 5.2.2 looks at this issue in relation to lump sum and increment claimants, to see how working hours affect take-up of these options.

Amongst those approaching SPA, the majority were working full-time (64 per cent), and this proportion remains the same amongst current deliberate deferrers. Amongst working claimants, however, the proportion is much lower (22 per cent). This indicates that people who defer often continue to work similar hours after reaching SPA, while those who claim SP as soon as they are eligible often move to part-time work. It is not clear from the analysis whether those moving to part-time work had changed hours in the same job or had moved to a different job (or whether there was a gap between jobs when they did change).

The large difference between current deliberate deferrers and working claimants on this issue indicates that this is a key characteristic affecting deferral and suggests that decisions about whether to move to part-time work or continue in full-time work can affect deferral decisions.

Amongst current deliberate deferrers, women were more likely than men to be working part-time but the difference was not significant amongst working claimants; the overall gender profile of deferrers is discussed in Section 3.3.1.
To some extent, these findings reflect the impact of income on the decision to defer: those working full-time will tend to have a higher income than those working part-time and therefore, may be more likely to consider deferral. However, as noted in Section 2.5, SP deferral is often seen as relevant only to those who continue to work full-time or who have not yet ‘retired’ (retirement often being defined as finishing full-time work). These findings may, therefore, reflect perceptions of SP deferral as much as financial capability.

Section 4.1.1 provides more details about working patterns after SPA.

### 3.2.2 Self-employment

A relatively high proportion of people in work over SPA were self-employed: 19 per cent of both working claimants and current deliberate deferrers. This compares with the overall figure of 13 per cent in the working population as a whole.\(^{11}\)

Because there is no difference in the proportions of working claimants and current deliberate deferrers who were self-employed, this suggests that self-employment is not a factor that affects the overall decision to defer. However, the increment option specifically appears to be attractive to self-employed people, as discussed in Section 5.2.2.

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\(^{11}\) LFS data, July-September 2007.
3.2.3 Standard Occupational Classification

Details were obtained on the SOC of the job that respondents spent most of their life doing. Table 3.3 shows that current deliberate deferrers tended to have worked in higher SOC groups than working claimants. As a result, it may be that current deliberate deferrers had gained access to a greater accumulated wealth over their working life than working claimants, which may have helped their ability to defer. It also suggests that people who defer are likely to have full SP entitlement (i.e. they are unlikely to be people with a low entitlement who use SP deferral to increase their award at a later date).

Table 3.3 SOC for job spent most of life doing

<table>
<thead>
<tr>
<th></th>
<th>Current deliberate deferrers</th>
<th>Working claimants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers and senior officials</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Professional occupations</td>
<td>24</td>
<td>13</td>
</tr>
<tr>
<td>Associate professional and technical operations</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Administrative and secretarial occupations</td>
<td>17</td>
<td>21</td>
</tr>
<tr>
<td>Skilled trades occupations</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Personal services occupations</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Sales and customer service occupations</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Process, plant and machine operatives</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Elementary occupations</td>
<td>6</td>
<td>12</td>
</tr>
</tbody>
</table>

Base: All respondents who have ever worked 257 362

Although these details were not obtained for current accidental deferrers, within the sample of increment claimants, those who had deferred deliberately tended to have worked in a higher SOC band than those who had claimed accidentally. In addition, amongst both current deliberate deferrers and working claimants, people in higher SOC bands tended to have a greater overall knowledge of pensions issues. These findings suggest that people in higher SOC bands tend to have a greater knowledge and understanding of the issues relating to SP deferral to enable them to make a decision.

3.2.4 Working intentions

Across the various groups, around half of respondents who were in work said they intended to carry on working until they were at least five years over SPA. Analysis of current deliberate deferrers showed that this was higher amongst women than men (54 per cent compared with 32 per cent). This intention to continue working beyond SPA is confirmed by those approaching SPA: 70 per cent of those in work agreed that they intended to carry on working as long as they could.
However, there was no statistically significant difference in the overall proportions of working claimants and current deliberate deferrers (57 per cent and 50 per cent) who said they intended to carry on working until they were at least five years over SPA. Therefore, there is no evidence that the length of time people intended to carry on working was an influence on the decision to defer.

As shown above, many people continue working for some time after SPA, while the majority who had stopped working did so before, rather than at, SPA (for example, amongst non-working claimants, 73 per cent stopped working before they reached SPA and 27 per cent stopped paid work under the age of 55). This means that many people have already made a decision about work when they reach SPA – many have already stopped work and others intend to continue working for some time.

3.3 Demographic characteristics

3.3.1 Gender

LFS data indicates that people who have recently passed SPA (men aged 65, 66 or 67 and women aged 60, 61 or 62) are predominantly female (in 59 per cent of cases). The gender profile of current deliberate deferrers is very similar to this age group as a whole (as shown in Table 3.4). However, Table 3.4 shows that there is a higher proportion of women in the working claimants group than amongst current deliberate deferrers.

There is a large proportion of women in the group of current accidental deferrers. This is because this group included married women who said they were not eligible for an SP (mostly those who had paid married women’s stamp and who had to wait until their husband reached SPA before they could claim). If we exclude people who said they were not eligible, the gender profile of current accidental deferrers is similar to the age group as whole (58 per cent).

Table 3.4 Proportion of women in survey groups

<table>
<thead>
<tr>
<th>Categories</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current deliberate deferrers</td>
<td>57</td>
</tr>
<tr>
<td>Current accidental deferrers</td>
<td>70</td>
</tr>
<tr>
<td>Working claimants</td>
<td>71</td>
</tr>
<tr>
<td>Non-working claimants</td>
<td>53</td>
</tr>
<tr>
<td>Age group as a whole¹</td>
<td>59</td>
</tr>
</tbody>
</table>

Base: All respondents in each group: Current deliberate deferrers 319; Current accidental deferrers 122; Working claimants 362; Non-working claimants 1,092

¹Source: LFS data based on men aged 65, 66 and 67 and women aged 60, 61 and 62.
3.3.2 Household composition

The majority of people who had passed SPA since April 2005 were living with a spouse or partner and the proportion was consistent across the various groups; the same pattern is also found in the LFS when analysing household composition in relation to working and claiming SP. This suggests that the presence of a partner (in its own right) does not have a bearing on the decision to defer.

More generally, analysis of people who claimed as soon as they were eligible indicates that those living with a spouse or partner were more likely to have continued working past SPA than those living without a spouse/partner; this applied to both men and women.

3.3.3 Disability and caring

As shown in Table 3.5, a substantial proportion of people who passed SPA since April 2005 said they had a long-standing illness, disability or infirmity. In the population as a whole, incidence of long-term illness or disability increases with age.

Analysis of the different groups shows that there is a link between work status and illness or disability. Non-working claimants were considerably more likely than working claimants to have a health problem or disability and the proportion was also relatively high amongst current accidental deferrers (the majority of whom were not working). However, a comparison of current deliberate deferrers and working claimants shows no significant difference and this remains the case if we limit our analysis of current deliberate deferrers to those in work. This indicates that while the presence of a long-term illness or disability means that people are less likely to be in work, it has no independent impact on the decision to defer.

Table 3.5 Proportion with a long-standing illness, disability or infirmity

<table>
<thead>
<tr>
<th>Categories</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current deliberate deferrers</td>
<td>25</td>
</tr>
<tr>
<td>Current accidental deferrers</td>
<td>38</td>
</tr>
<tr>
<td>Working claimants</td>
<td>27</td>
</tr>
<tr>
<td>Non-working claimants</td>
<td>49</td>
</tr>
</tbody>
</table>

Base: All respondents in each group: Current deliberate deferrers 319; Current accidental deferrers 122; Working claimants 362; Non-working claimants 1,092

Across the different survey groups, around one in six respondents said that they had a caring responsibility, most frequently for their partner or a parent. This was consistent across the groups and therefore, suggests that this is not an influence on the decision to defer.
3.4 Income and finance

3.4.1 Current income

When asked for the total annual income for themselves and (if applicable) their partner, a large proportion (up to a half in the various groups) were not able, or refused, to give an answer (this is not unusual in survey questions asking about household income). Of those who did give an answer, *current deliberate deferrers* had a higher income than *working claimants*, as shown in Table 3.6. This can be at least partly explained by the higher proportion of *current deliberate deferrers* in full-time work (discussed in Section 3.2.1), as well as the possible effect of a working life in higher SOC groups (discussed in Section 3.2.3). However, this will partly be balanced by the fact that not all *current deliberate deferrers* were working. In addition, income for *working claimants* will include their SP; this means that *current deliberate deferrers* still had a higher income than *working claimants* despite not having income from an SP.

### Table 3.6 Income band at the time of interview for respondent (and partner), *current deliberate deferrers* and *working claimants*

<table>
<thead>
<tr>
<th></th>
<th>Current deliberate deferrers</th>
<th>Working claimants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £10,000 per year</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>£10,000-£20,000 per year</td>
<td>24</td>
<td>32</td>
</tr>
<tr>
<td>£20,000-£30,000 per year</td>
<td>21</td>
<td>29</td>
</tr>
<tr>
<td>£30,000-£40,000 per year</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>£40,000-£50,000 per year</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>£50,000 per year or more</td>
<td>20</td>
<td>10</td>
</tr>
</tbody>
</table>

*Base: All respondents giving an amount 218 194*

3.4.2 Perception of current income

Table 3.7 looks at respondents’ perceived financial position. To some extent, this confirms the findings on income, in that *current deliberate deferrers* were more likely than *working claimants* to say they were financially comfortable. However, the two groups were similar in the proportion who said they found it very or fairly difficult to cope financially.

The table also shows a link between financial security and work. *Non-working claimants* and *current accidental deferrers* (most of whom were not working) were more likely than the other groups to say they found it difficult to cope financially. In addition, amongst *non-working claimants*, those who stopped working before SPA were more likely to say they had financial problems than those who stopped working at SPA (24 per cent compared with 13 per cent).
Additional analysis shows that, across the various groups, perceived financial problems were also more common amongst women, those living without a partner and those with a long-standing illness or disability. These sub-groups are related (e.g. both women and those with a long-term illness or disability were less likely to be living with a partner).

Table 3.7 Perceived financial position, current deliberate deferrers and working claimants

<table>
<thead>
<tr>
<th></th>
<th>Current deliberate deferrers</th>
<th>Current accidental deferrers</th>
<th>Working claimants</th>
<th>Non-working claimants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financially comfortable</td>
<td>52</td>
<td>45</td>
<td>44</td>
<td>37</td>
</tr>
<tr>
<td>Don’t find it difficult financially but don’t have much to spare</td>
<td>34</td>
<td>30</td>
<td>42</td>
<td>39</td>
</tr>
<tr>
<td>Very or fairly difficult to cope financially</td>
<td>14</td>
<td>27</td>
<td>12</td>
<td>22</td>
</tr>
</tbody>
</table>

*Base: All respondents 319 122 362 1,092*

Current deliberate deferrers were also asked how they viewed their future financial situation. The majority thought that they would definitely (32 percent) or probably (42 per cent) have enough money to live on in retirement, although one in five said that they would either definitely (six per cent) or probably (13 per cent) not have enough money. This shows that while deliberate deferrers tend to be better off financially than other people who have passed SPA, there is a minority that is less financially secure. Section 4.3.1 indicates that these people tended to use SP deferral to support thrift in the management of personal finances and to maximise the amount gained from the SP.

In considering the impact of income on the decision to defer, it is worth noting the findings from the qualitative interviews, in which non-deferrers often felt that the policy was aimed at ‘someone else’. Among those who felt they could not afford to defer, the policy was seen as an investment option for the wealthy. Conversely, it was perceived by wealthier non-deferrers as a policy designed for those on low incomes, because the financial incentive was thought to be too small for those who were already investing more sizeable savings in different schemes.

3.4.3 Benefits

A proportion of respondents in all groups was receiving a benefit other than the SP, most commonly Incapacity Benefit (IB), Attendance Allowance (AA), Pensions Credit or Minimum Income Guarantee (MIG). The proportions receiving a benefit other than SP was 17 per cent amongst current deliberate deferrers and ten per cent amongst working claimants (these details were not obtained for current
accidental deferrers or non-working claimants). This difference reflects the fact that people who were not working were more likely to be receiving these benefits – amongst current deliberate deferrers who were not working, 29 per cent were receiving a benefit compared with 14 per cent of those in work.

As noted above, a minority of current deliberate deferrers were not working and living on a low income. This section shows that some were also receiving benefits. It is not clear from the analysis whether these benefits were allowing them to defer their SP in the short term.

### 3.4.4 Additional sources of income

In addition to income from work or benefits, the majority of respondents in all groups also received income from additional sources, such as savings, shares and investments, and an occupational, personal or private pension (either their own or their partner’s). The prevalence of these sources did not vary across the different groups, as shown in Table 3.8. This indicates that people in different groups relied on similar sources of income, even if the amount of income they received varied (as discussed in Section 3.4.1).

### Table 3.8 Current sources of income, current deliberate deferrers, working claimants and non-working claimants

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Current deliberate deferrers</th>
<th>Working claimants</th>
<th>Non-working claimants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>52</td>
<td>45</td>
<td>46</td>
</tr>
<tr>
<td>Your own occupational, personal or private pension</td>
<td>40</td>
<td>49</td>
<td>58</td>
</tr>
<tr>
<td>Shares or investments</td>
<td>36</td>
<td>27</td>
<td>26</td>
</tr>
<tr>
<td>Partner’s occupational, personal or private pension</td>
<td>29</td>
<td>39</td>
<td>27</td>
</tr>
<tr>
<td>Renting out a property (other than main home)</td>
<td>8</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>None</td>
<td>24</td>
<td>23</td>
<td>22</td>
</tr>
</tbody>
</table>

Base: All respondents: 319, 362, 1,092

Amongst current deliberate deferrers, 23 per cent said that the SP would be their only source of income when they started claiming it. Although lower than the proportion of current accidental deferrers who said this (42 per cent), this again confirms that there is a sub-group of deliberate deferrers who are less comfortable financially. Reflecting the general pattern seen in Section 3.4.2, women and those with a long-standing illness or disability were most likely to be relying on the SP in the future.
4 Reasons for deferral and non-deferral

This chapter explores the range of factors taken into account by respondents during the decision-making process over whether to defer their SP. These include retirement plans and other financial considerations, as well as other factors such as the principle of working and claiming SP, and life expectancy. These factors had different impacts on people, explored in further detail below.

The majority of the chapter is based on findings from the qualitative research; the final section then summarises the quantitative findings on the reasons given for deferring or not deferring SP.

Before considering these issues in detail, it is important to note two key findings. These underpin the detailed issues considered below.

• Firstly, the level of consideration given to decisions about deferring varied widely. As noted in Chapter 2, many people did not defer because of low awareness of, or lack of engagement with, SP deferral. This lack of engagement tended to stem from either a lack of confidence or interest in financial affairs, a perceived lack of relevance to personal circumstances or scepticism about pensions policy more generally. In considering the detailed motivations for deferral or non-deferral, this chapter inevitably focuses more on those respondents who were more aware of and engaged with the deferral policy.

• Secondly, while attitudes towards working and future retirement plans influenced respondents’ decisions about deferral, there was no evidence that the option of deferring SP had an influence on respondents’ decisions about the continuation of work beyond SPA. It is important to note that the quantitative survey did not address this question directly and was not set up to produce conclusive evidence on this point. The findings, therefore, rely on the qualitative interviews, which found no evidence of deferral influencing decisions about extending working life.
It is also worth pointing out that, overall, respondents who had claimed their SP after deferring generally held positive views of their experience and were strongly supportive of the concept of deferral, which was considered a helpful way for people to boost their pensions. The simplicity and convenience of the process were also praised.

4.1 Plans for working and retirement

Plans for working and retirement are often central to decisions over SP deferral. Firstly, this section examines the different approaches to work and retirement identified in the qualitative research, before seeing how these affect deferral decisions.

Different concepts of ‘retirement’ were described. As noted in Section 2.5, ‘retirement’ is often defined as stopping full-time work, as opposed to stopping work entirely. In addition, respondents perceived themselves as ‘retiring’ by leaving their ‘career’ role or occupation, yet continuing working in another, less demanding position.

4.1.1 Approaches to working and retirement plans

Respondents who had continued working after SPA could be broadly split into three types according to their motivations: those continuing work to meet certain priorities; those doing so for pleasure; and those working due to financial need. These attitudes and plans strongly influenced respondents’ behaviour and decision-making with regards to SP deferral. Each of these groups is explored below, as well as those who had stopped working before or at SPA.

*Maintaining a job after SPA to meet certain priorities*

Respondents who continued working beyond SPA within the same role and job specification tended to be guided by certain priorities, such as:

- funding a particular item for a finite period, such as supporting a dependent, paying off a mortgage or working to meet the conditions for a full private pension;

- finishing a contract or project, such as continuing to work until the end of a term or season, or continuing to work until a defined point in order to make up the time required to earn a full private pension.

  ‘I didn’t want to depart and leave this particular project up in the sky as it were. Yeah I was quite happy to stay on for another year.’

  (Current deliberate deferrer)

These respondents tended to have a clear timeframe for their retirement plans corresponding to the associated priority: expectations to retire either within a few months, within a year or two years or gradually slow down working life were all mentioned.
Working after SPA for pleasure

Respondents who continued working after SPA mainly for pleasure, appeared content with their working life and held a positive view of their jobs, whether they were continuing in the same job or in a different one. Patterns of working were in some cases adjusted in order to enhance their quality of life, such as: making roles more flexible through zero-hour contracts, adjusted hours or self-employment combined with part-time work. Family-run businesses with work shared amongst older and younger members were felt to support this arrangement strongly. More creative roles, such as garden design and novel writing, were new pursuits. Respondents described exercising choice and greater control of the management of their time and in this respect, continuation of work was generally associated with a balanced lifestyle.

Working was considered a pleasant or important way to stay active, interact socially and pass time which would otherwise be without engagement.

‘It’s one of the joys of being self-employed…now I’m older I’m definitely working under picking and choosing.’

(Increment claimant)

Whilst there was some reluctance to be drawn on a time for retirement, respondents in this category contended that their decisions to work would be led mainly by their future health or the continued enjoyment of their jobs. For informal or irregular roles, the availability of work was also a key factor.

‘I don’t think I’m really ready to give up work yet. Maybe health will define when I have to. Perhaps another couple of years… I’m not ready to be at home all day and every day at the moment. I just enjoy going out to work.’

(Current deliberate deferrer)

Working after SPA due to financial need

Retiring from work was not an option for those respondents who described themselves as dependent on the income that their jobs provided; this included some self-employed respondents. Reasons for this dependency included their general financial position, as well as unexpected changes in personal circumstances. Becoming redundant from a secure job, losing financial security through recent divorce or bereavement or the receipt of a less generous private pension than expected, were all examples of situations that forced a change in plans to continue or take up paid work. It was notable that perceptions of financial need did not necessarily correspond to social classification12, both because of the subjective nature of financial need and due to changes in personal circumstances.

In the absence of alternative income, people in this category generally planned to continue working as long as they felt that they were capable of doing so.

12 As recruited by socio-economic grade.
‘I think it [continuing employment] will probably need to be for a good few years yet because I can’t manage on the pension alone.’

(Lump sum claimant)

Retiring before or upon reaching SPA

Those respondents who had retired from working described a variety of reasons for doing so, including pursuit of other activities and health problems; some said that they were just taking a break from working. Those considering a return to paid employment were often doing so for enjoyment, for example having been made redundant or retired from a stressful job. However, the prospect of obtaining a job was often considered difficult, as employers were thought to prefer younger workers.

Previous research has identified a combination of ‘push’ and ‘pull’ factors influencing the movement out of employment. The most common ‘push’ factors tend to relate to poor health or disability, as well as work-related reasons; ‘pull’ factors are generally associated with financial security, with those retiring early having higher earnings than those leaving employment at or around SPA.\textsuperscript{13}

4.1.2 Impact of working and retirement plans on decision to defer

The plans and expectations described in the previous section influenced people’s decisions about SP deferral. Those who were certain of the point at which they foresaw themselves retiring used this knowledge in considering whether to defer, and those who decided to defer often planned to do so until they retired from work. Where ‘retirement’ entailed a move from full-time to part-time work, deferral was seen as a method of maintaining a more steady income: the timing of the claim after deferral corresponded with the move into part-time work.

There were two types of planning in evidence:

- Deferrers who planned to retire from their main work within a short defined period. These respondents tended to see deferral as a way of maintaining a stable income to prevent a rise in tax paid during that financial year. The short-term use of deferral was felt to bring tax and interest benefits but it was assumed that the deferral policy was designed by DWP for longer term deferral and it was doubted that short-term deferral would yield any meaningful financial benefit.

‘I decided on balance I would just defer it for the four months and get that little bit extra. But I just felt that is something that nobody would be aware of. I felt, well, perhaps the Government don’t want me to know about that option.’

(Increment claimant)

Deferrers who were confident about their job security and had decided to retire in a year or more. Secure income for the period of deferral and the date set for retirement were factored in to calculations made on the interest gained on the pension through deferral. Deferral via lump sum also offered an opportunity to pay for a particular item at the point of retirement, such as a car, holiday or to support dependents.

‘Obviously retiring I wouldn’t have a company car, and I thought, that would go a long way to purchasing a car for me.’

(Lump sum claimant)

While a clear view of the timing of retirement could lead people to consider SP deferral, those with long-standing expectations of retirement arrangements often dismissed the option of deferral. For example, those claiming a private pension described having already adjusted their life-stage plans and would not question claiming their SP, despite continuing to work in some capacity.

‘I was already taking a pension – I got used to the idea, there seemed no point in deferring part of it.’

(Working claimant)

Job insecurity and uncertainty about whether to continue working at SPA diverted respondents from considering SP deferral because they could not guarantee their future income. Respondents also felt they had missed the point at which they would consider revising their arrangements because to defer after SPA would require administrative inconvenience and a change to their budgeting.

‘If I had thought of it, I would have done the deferring. I think what it was, I was just not sure that I would have enough work, and as it is I am getting more than I want.’

(Working claimant)

4.2 Financial need

As described above, patterns of work and retirement influenced the decision to defer but the overarching reason given for deferring SP was a lack of financial need. Although they varied widely in their financial circumstances, deferrers said they could manage on their present income, whether this was obtained through working, private pensions or a combination of both, without receiving the SP.

‘I just thought I didn’t want to give up work and I thought well it was silly drawing my pension. I didn’t need to draw my pension.’

(Current deliberate deferrer)

Among non-deferrers, pressing financial constraints were cited as reasons for feeling unable to defer. The income from the SP was felt to be needed at the point of reaching SPA. Once again, this was very much a perception of financial need and applied to people in differing financial circumstances.
4.3 Other financial considerations

4.3.1 Using deferral as a savings mechanism

Deferral provided a savings opportunity or budgeting tool and this applied to respondents with a range of levels of financial security. For the financially secure it was perceived as a savings account, a convenient alternative to investing surplus pension income. Despite perceptions that the interest accrued through deferral was inconsequential relative to other investment options, deferral was favoured because it was viewed as a simple, indeed passive, decision (as no action is required to defer). In addition, these respondents felt there was little to lose through deferral, as it would be easy to end deferral and begin to claim an SP if they changed their mind.

Deferral was perceived as a means of expenditure control among respondents with a concern for their future financial security who wished to budget carefully. By not accessing their SP until retirement from work, deferral would support thrift in the management of personal finances rather than being spent as disposable income. Any interest accrued through deferral was considered a bonus rather than a key factor in determining whether to defer. Savings were seen as providing a greater degree of financial security for those who considered their future finances to be on the borderline of poverty.

 ‘I thought the little bit of money that I can save up will enable me to have a few quid in the bank sort of thing…so I had a bit of money, something to fall back on.’

(Current deliberate deferrer)

4.3.2 Tax considerations

The desire to avoid increasing their tax liability was a key factor determining decisions to defer for those respondents close to (and aware of) the 40 per cent tax threshold.

 ‘I would be earning more and paying more tax in a year than I was working part-time in the subsequent year so I maybe pushed it forward out of one income tax year into the next.’

(Increment claimant)

Non-deferrers beyond the 40 per cent threshold appeared to be less concerned about the tax implications of claiming their SP due to the relative insignificance of the sums involved.

While not all respondents were aware of the tax implications of deferring their SP, there was criticism of the requirement to pay any tax on SP, and this was particularly relevant to the lump sum option, as discussed in Section 5.3.2.
4.3.3 Interest earned through deferral

The interest earned through deferring SP was given as a reason to defer. The dual benefits of accruing interest whilst avoiding paying the higher threshold of tax were seen by some as an overall financial rationale for deferring. Respondents who were not working also deferred in order to boost their total income and saw any additional income that could be gained as worthwhile.

Non-deferrers did not consider that SP deferral presented an attractive enough savings option, suggesting that more interest could be earned through other savings and investment schemes such as ISAs. In addition, the policy was not considered to offer the same flexibility of access as private savings accounts. These respondents valued the ability to get immediate access to savings in response to changes in circumstances or priorities and thought that this would be less easy with SP deferral.

The wish to gain ‘extra’ interest by deferring was perceived to offer the ‘least worst decision’ for those who felt ‘cheated’ by the size of their pension entitlement.

‘In actual fact when you pay the money, it was worth a damn sight more than it is now…they act as though they are giving you some, they are not giving you anything because it’s money you’ve paid in. I intend to live to be 100, so I can get more out of them than the £9,000, that’s the real reason, so it’s an optimistic calculation…I’m trying to keep inside the £7,500 that they allow you tax free, you see, that’s what I’m trying to do.’

(Increment claimant)

4.4 Principle of entitlement

The feeling of entitlement to an SP was raised as a reason for not deferring. It was felt that the pension had been earned, was deserved and should, therefore, be accessed at the point of eligibility. This view applied to those continuing to work past SPA, although some felt the need to ‘justify’ claiming an SP while continuing to gain income from work, through reference to low job security or describing SP as particularly deserved as they had paid more in NI contributions than were required.

Equally, some deferrers were guided by the principle that one should not need to work and claim an SP simultaneously. These respondents thought it was ‘wasteful’ to claim money that was intended for retirement and so to claim would be unnecessary.

4.5 Life expectancy

Confidence in long-term health and life expectancy affected the decision-making of those with plans to defer in two ways: Firstly, good health was considered necessary by those deferrers who had continued working (and were, therefore,
able to defer), as well as to be confident there was little risk of illness or death during the period of deferral. As shown in Section 3.3.3, people who continued to work after reaching SPA were less likely than those who were not working to have a long-term illness or disability (e.g. 27 per cent of working claimants compared with 49 per cent of non-working claimants).

Secondly, the risk of the loss of unclaimed pension in the event of death was considered too great for those who were not certain of their future health, particularly among respondents who wished to pass on their savings to their families.

‘There was a sort of cut off point, around about the 80 mark [when deferral became advantageous] but before that, if I hadn’t lived to be 80 I would be better taking it now…we all came to the conclusion that, if you were going to live a long time and keep working for another few years, then it would be better to defer it, but if you have a family history, who don’t live past 70, then you are on a hiding to nothing by deferring it.’

(Working claimant)

Previous research has shown that ‘many people distrust the evidence that healthy life expectancy is increasing. They expect to get sick and die in a timescale that is not radically different from the previous generation’\(^\text{14}\). This can lead to resistance to working longer beyond SPA and will also discourage some people from taking up SP deferral (if they perceive that it will take many years to make deferral financially worthwhile).

4.6 Summary of reasons for deferral and non-deferral: quantitative findings

The previous sections of this chapter have been based on the qualitative findings, which draw out the range of motivations for considering deferral. The quantitative survey provides an overview of the reasons for deferral and non-deferral, which although unable to go into the same depth, can usefully summarise and prioritise the various reasons.

4.6.1 Reasons for deferral

Firstly, we focus on the motivations of those who deliberately defer their SP, before considering the reasons for accidental deferral. These findings are based on the sample of current deliberate deferrers, as well as the lump sum and increment claimants that said that they had deferred deliberately (84 per cent and 74 per cent of the total samples respectively).

\(^{14}\) Robinson, P., Working later: Raising the effective age of retirement, IPPR, 2005.
When asked, without prompting, why they decided to defer or why there was a delay in their claim for their SP, respondents were most likely to mention work: that either they or their partner continued working, while around one in five said that they deferred in order to get the increment or lump sum. The next most common answer was that they did not need the money.

Among current deliberate deferrers, women were more likely than men to refer to the lump sum or higher weekly rate (33 per cent compared with 18 per cent), while men were more likely to say that they did not need it or already had a private pension.

The findings above were based on an unprompted question, in which respondents answered in their own words; this serves to highlight the reasons that were most prominent in respondents’ minds. Deliberate deferrers (both current deferrers and those who had gone on to claim) were then read a number of possible reasons for deferring a claim for the SP and asked whether each one applied to them. This ‘prompted’ question provides an examination of the relative importance of different factors. The large percentages for each of the answers (as shown in Table 4.1) confirms that a range of factors are relevant to the decision to defer.

Table 4.1  Reasons for not claiming SP (prompted)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Lump sum claimants</th>
<th>Increment claimants</th>
<th>Current deliberate deferrers</th>
</tr>
</thead>
<tbody>
<tr>
<td>You wanted to continue working*</td>
<td>77</td>
<td>69</td>
<td>86</td>
</tr>
<tr>
<td>You still got enough income through your work*</td>
<td>70</td>
<td>68</td>
<td>81</td>
</tr>
<tr>
<td>Because you got a higher weekly rate or an additional one off lump sum payment when you did claim the SP</td>
<td>68</td>
<td>51</td>
<td>77</td>
</tr>
<tr>
<td>You wanted to work to save more money for when you retire*</td>
<td>65</td>
<td>41</td>
<td>72</td>
</tr>
<tr>
<td>You still got enough income through your partner’s work**</td>
<td>53</td>
<td>38</td>
<td>54</td>
</tr>
<tr>
<td>You didn’t need the money from the SP at that time</td>
<td>50</td>
<td>43</td>
<td>52</td>
</tr>
</tbody>
</table>

Base: All deliberate deferrers, with reduced base for: * those currently working, ** those with a partner in work
Respondents who said that they deferred in order to get the increment or lump sum payment were asked whether they would still have deferred even if these options were not available. One in four current deliberate deferrers said that they would have deferred anyway and the proportion was similar for lump sum and increment claimants (27 per cent and 17 per cent respectively).

4.6.2 Accidental deferral

Three in ten current accidental deferrers (30 per cent) said they were not eligible to receive their SP and a further 11 per cent were not sure whether they were eligible. Almost all respondents who said they were not eligible were married women and this is reflected by the reasons given for not being eligible (with some saying they had not paid enough NI contributions and others that they were waiting for their spouse to retire).

4.6.3 Reasons for non-deferral

As discussed in Chapter 2, non-deferral can stem from low awareness of, or lack of engagement with, SP deferral. Amongst more knowledgeable working claimants (those who were aware of both of the deferral options), the reasons for not deferring were most likely to relate to financial need (27 per cent said they need the money straightaway) or uncertainty about life expectancy (ten per cent) or the future generally (11 per cent).

Although needing the money was the most frequent reason for claiming straightaway, the majority of working claimants (58 per cent) said they could have afforded to delay claiming their SP when they were first eligible, although those with a long-term illness or disability were less likely to say they could have afforded to defer (47 per cent). The fact that many people said they could have afforded to defer confirms that immediate financial need is not always the main reason for non-deferral.
5 Claiming the lump sum or increment payment

This chapter examines preferences for either the lump sum or increment option and the reasons for those preferences. It also looks at the characteristics associated with claiming each option.

5.1 Preference for lump sum or increment

At the time of the survey, DWP administrative data indicated that around 75 per cent of deferrers had claimed the increment option, while 25 per cent had claimed the lump sum. However, the preference for the two options is likely to vary over time. In addition, because some deferrers have not yet claimed either option, it is not possible to know precisely the relative proportions claiming the two options for any group or ‘cohort’ of deferrers.

In the survey, respondents who were asked about the two options expressed a slight preference for the increment over the lump sum. Table 5.1 shows the figures for current deliberate deferrers: the preference for the increment option was particularly strong amongst those not in work; this is consistent with respondents who had claimed one of the options (see Section 5.2.1). In addition, the increment option was a particular preference of those who said they had no more than a patchy knowledge of pensions (of whom 50 per cent preferred the increment).

As the table shows, 22 per cent of current deliberate deferrers did not know which option they would take. This is consistent with qualitative findings, which indicated that some current deferrers were happy to wait before thinking through their options, which would depend on their financial situation and other circumstances in the future.
‘Between now and when I do decide to retire, if it’s because of ill-health it might pay me to take the lump sum. If I still feel as if I’ve been left another ten years then it would be beneficial for me to carry on taking an interest on my pension. ...Why worry myself over that when I’ve got no need to worry about it. The time for worrying about it is when I make my decision, which is when I’m deciding to pack up work.’

(Current deliberate deferrer)

Table 5.1 Preferred option when claiming SP, current deliberate deferrers

<table>
<thead>
<tr>
<th></th>
<th>In work</th>
<th>Not in work</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher weekly rate</td>
<td>44</td>
<td>62</td>
<td>48</td>
</tr>
<tr>
<td>One-off lump sum payment</td>
<td>34</td>
<td>14</td>
<td>30</td>
</tr>
<tr>
<td>Don’t know</td>
<td>22</td>
<td>24</td>
<td>22</td>
</tr>
</tbody>
</table>

Base: All current deliberate deferrers 257 60 319

Amongst those approaching SPA, ten per cent said they would claim the increment and four per cent the lump sum (the remainder either expected to claim their SPA as soon as they were eligible or were unsure which option they would claim).

Working claimants also favoured the increment over the lump sum. Those who were not aware of both options were given an explanation of how the options work and were then asked whether they would have started claiming straight away if they had known about them at the time. There was more interest in the increment than the lump sum option (eight per cent compared with two per cent), although the majority (84 per cent) said they would still have claimed straight away.

5.2 Characteristics of lump sum and increment claimants

5.2.1 Work status

Lump sum claimants were more likely than increment claimants to have been in work whilst deferring and to have been in work at the time of the survey interview (i.e. after they had claimed). Details are shown in Table 5.2.

In addition, amongst those who were not working, lump sum claimants stopped working more recently than increment claimants: 29 per cent of lump sum claimants stopped work before SPA, compared with 39 per cent of increment claimants.
Table 5.2  Economic activity during deferral

<table>
<thead>
<tr>
<th></th>
<th>After SPA but before claiming</th>
<th>After claiming (at time of interview)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lump sum</td>
<td>Increment</td>
</tr>
<tr>
<td>Working</td>
<td>81</td>
<td>67</td>
</tr>
<tr>
<td>Retired from paid work</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>Permanently sick or disabled</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Looking after family or home</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Unemployed</td>
<td>*</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Base: All respondents 270 186 270 186

We can extend this analysis to include work done by a spouse/partner. Table 5.3 shows that, at both stages, lump sum claimants were more likely than increment claimants to have at least one partner in work, and to have both partners in work.

Table 5.3  Work status of respondent and partner

<table>
<thead>
<tr>
<th></th>
<th>After SPA but before claiming</th>
<th>After claiming (at time of interview)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lump sum</td>
<td>Increment</td>
</tr>
<tr>
<td>Respondent lives with partner</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Both in work</td>
<td>39</td>
<td>28</td>
</tr>
<tr>
<td>One in work</td>
<td>30</td>
<td>36</td>
</tr>
<tr>
<td>Neither in work</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Respondent lives without partner</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In work</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>Not in work</td>
<td>5</td>
<td>12</td>
</tr>
</tbody>
</table>

Base: All respondents 270 186 270 186

Although lump sum claimants were more likely than increment claimants to be in work, there was no difference between the two groups in the proportion who stopped work when they claimed (24 per cent of all respondents in each group). Similar proportions also said that either they or their partner had stopped
working when they claimed their SP (28 per cent of *increment claimants* and 26 per cent of *lump sum claimants*). These figures reflect the fact that many people stayed in work when they claimed but often with reduced hours (as discussed in Section 5.2.2).

### 5.2.2 Working details

In addition to those who stopped work when they claimed, many respondents moved to part-time work when they claimed the increment or lump sum. Figure 5.1 shows that the majority of *current deliberate deferrers* were working full-time but that the proportion was lower after deferrers had claimed. The proportion of *increment claimants* working full-time was particularly low. This suggests that the increment option in particular was sometimes used as a support for tapering hours of work.

While hours worked often vary by gender, there was no significant difference by gender for increment or *lump sum claimants* (although note that the number of respondents was particularly low for *increment claimants*).

#### Figure 5.1 Hours worked

<table>
<thead>
<tr>
<th>Deliberate deferrers</th>
<th>Increment claimants</th>
<th>Lump sum claimants</th>
</tr>
</thead>
<tbody>
<tr>
<td>9%</td>
<td>28%</td>
<td>27%</td>
</tr>
<tr>
<td>27%</td>
<td>53%</td>
<td>64%</td>
</tr>
<tr>
<td>64%</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>26%</td>
<td>31%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Base: All respondents in each group: Current deliberate deferrers 319; Increment claimants 186; Lump sum claimants 270.

*Increment claimants* were much more likely than *lump sum claimants* to be self-employed in their current work (34 per cent compared with 14 per cent), suggesting that the increment option may be relatively attractive to self-employed workers. In both groups, men were more likely than women to be self-employed.
There were no differences between the two claimant groups in terms of the length of time they expected to work or in terms of the SOC of the main job they had spent their life doing.

Overall, this section indicates that people claiming the increment rather than the lump sum option were less likely to be working and (where they were working) were more likely to be working part-time or in self-employed work, in comparison with lump sum claimants. This suggests that the increment was used to provide longer-term financial stability by people with a lower or less reliable income from work.

5.2.3 Demographic characteristics

The sample of lump sum claimants contained a greater proportion of women than the sample of increment claimants (72 per cent compared with 58 per cent). Otherwise, there were no differences in the demographic profile of the two groups, in relation to household composition, health problems or disabilities, or caring responsibilities.

5.2.4 Income and finance

There were no differences between increment and lump sum claimants in terms of current income or receipt of benefits other than SP. Income details are shown in Table 5.4.

<table>
<thead>
<tr>
<th>Income band at the time of interview, lump sum and increment claimants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Column percentages</strong></td>
</tr>
<tr>
<td>Lump sum claimants</td>
</tr>
<tr>
<td>Up to £10,000 per year</td>
</tr>
<tr>
<td>£10,000-£20,000 per year</td>
</tr>
<tr>
<td>£20,000-£30,000 per year</td>
</tr>
<tr>
<td>£30,000-£40,000 per year</td>
</tr>
<tr>
<td>£40,000-£50,000 per year</td>
</tr>
<tr>
<td>£50,000 per year or more</td>
</tr>
<tr>
<td><strong>Base: All respondents giving an amount</strong></td>
</tr>
<tr>
<td>156</td>
</tr>
</tbody>
</table>

However, increment claimants reported a wider range of other sources of income, as shown in Table 5.5.
Table 5.5  Current sources of income, lump sum and increment claimants

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Lump sum claimants</th>
<th>Increment claimants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>48</td>
<td>60</td>
</tr>
<tr>
<td>Your own occupational, personal or private pension</td>
<td>55</td>
<td>67</td>
</tr>
<tr>
<td>Shares or investments</td>
<td>24</td>
<td>42</td>
</tr>
<tr>
<td>Partner’s occupational, personal or private pension</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>Renting out a property (other than main home)</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>None</td>
<td>19</td>
<td>14</td>
</tr>
</tbody>
</table>

*Base: All respondents 270 186*

5.3  Reasons for preference

The qualitative research examined the reasons for preferring the increment or lump sum option. A number of issues affected respondents’ decisions about the option that they chose: their awareness of the two options, the perceived financial advantages of each option relative to their own circumstances and life expectancy. The qualification period of each option was also a factor.

5.3.1  Awareness of options

As noted in Section 2.6, some lump sum and increment claimants were not aware of the other option and were sometimes critical that both options were not mentioned by DWP staff when they discussed claiming SP over the phone (although it is possible, of course, that some of these respondents were only eligible for the increment option if they had deferred for less than 12 months). Lack of awareness was also felt to affect the length of time that people deferred, with some respondents saying they would have deferred for longer if they had known about the lump sum option.

5.3.2  Financial advantages of each option

The increment option tended to be taken in instances where deferral was no longer affordable and regular income was needed from the SP. Examples included retirement from full- or part-time work, redundancy or a rising cost of living.

Beyond this, three financial reasons for taking the increment option were highlighted:
• **To help budgeting.** For those who were anxious about their financial security, the interest earned was felt to provide greater confidence that future monthly bills would be covered. Those who were less concerned by financial constraints preferred the limits to spending imposed by the increment, whereas they thought a lump sum payment would be ‘frittered away’.

• The expectation that the increment would yield greater *long-term profit* than the lump sum, provided that the interest gained was calculated over a long period of years.

• The lump sum was avoided by those who thought it could lift them into the **higher tax threshold** for that year (even though in practice this should not be the case).

In addition, the **tax paid on the lump sum was unattractive** to those who deferred their SP primarily to avoid paying tax on their incomes whilst working. *Lump sum claimants* who had assumed that the lump sum was not taxed immediately stopped deferring once they found out that it was taxed. They contended that the tax significantly reduced the benefits of deferral.

> ‘I was [deferring pension] till I realised you’d be taxed on it, and if anything happened to you between then and then, you’d get nothing.’

(Lump sum claimant)

As a result, the tax paid on the lump sum was a major criticism of SP deferral, and this could compound a sense of grievance amongst those who already felt discontented with their SP settlement, such as women who had paid married woman’s stamp. More generally, the tax that applied to the lump sum was felt to be limiting the success of the deferral policy, since improving the financial incentive to defer was considered a key factor in increasing public interest.

The availability of the lump sum attracted those who felt able to **spend the deferred SP immediately**. Plans for spending were associated with leisure, such as holidays, a car or to pay for house or garden improvements.

> ‘I’ve worked all my life and you know not done a lot of squandering, you know you sort of want a wee bit of a celebration because I’ve not been in a position to spend a lot of other money.’

(Lump sum claimant)

Amongst those who wished to save, some felt that **it would take too long to make savings on the increment option**, whereas the lump sum could be claimed and invested in a savings account. The money was seen to offer a ‘nest egg’ of financial security for the future.
5.3.3 Timing of claim

As outlined in Section 4.1.2, the timing of retirement often affected the decision on whether to defer. In addition, where deferral was planned for a designated amount of time, it could affect the option chosen (i.e. those only deferring for a very short time would inevitably choose the increment option).

More generally, some people’s decision to defer was bound up with the expected length of deferral period and use of the increment or lump sum; these people would not have deferred unless the increment or lump sum had been available at a given time that fitted in with their planned use of the additional amount. These people can be contrasted with other respondents who, as noted in Section 5.1, deferred without giving much thought over which option they would eventually take.

5.3.4 Life expectancy

Life expectancy was a key consideration in determining options. Some respondents opted for the lump sum because they felt that they would not live long enough to recoup their full SP entitlements under the increment option, whereas with the lump sum the full amount would be available at a given point in time. For some, the possible loss of money that would be intended for children or grandchildren was a serious concern. For others, the wish to spend their SP rather than risk leaving any unclaimed money to the Government was the priority.

Calculations of the point at which the increment option became more profitable than the lump sum were used to determine the choice of options, to varying degrees of precision. The increment was assumed to take too long to recoup by those who gave little time to their decision-making. Those giving more time were confident of calculating figures for themselves, or with the aid of a financial adviser; those who felt confident that they would live long enough then opted for the increment.

‘I intend to live to be 100, so I can get more out of them than the £9,000, that’s the real reason, so it’s an optimistic calculation.’

(Increment claimant)
6 Length of deferral and timing of claim

This section looks at the length of time that people had deferred, or planned to defer, and examines the reasons for claiming at a particular point in time.

6.1 Length of deferral

Table 6.1 shows the length of time that lump sum and increment claimants said they had deferred for. This shows that deliberate deferrers delayed for longer than accidental deferrers and that lump sum claimants waited longer than increment claimants. This reflects the conditions covering the two options: the lump sum can only be claimed after a period of 12 consecutive months, while the increment can be claimed after five weeks. The table also indicates some confusion, particularly amongst accidental deferrers: some respondents said that they received the lump sum after less than a year, which is not possible under the conditions covering this option.

Because of the timing of the survey, people who had claimed the increment or lump sum must have done so within two and a half years of passing SPA. In order to consider deferral over a longer time period, it is necessary to examine current deferrers who intend to defer for several years.
Table 6.1 Length of time before claimed SP (after being eligible)

<table>
<thead>
<tr>
<th></th>
<th>Deliberate deferrers</th>
<th>Accidental deferrers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lump sum</td>
<td>Increment</td>
</tr>
<tr>
<td>Claimed straight away</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Less than five weeks</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Fifteen weeks – up to three months</td>
<td>*</td>
<td>9</td>
</tr>
<tr>
<td>Three months - up to six months</td>
<td>2</td>
<td>21</td>
</tr>
<tr>
<td>Six months – up to one year</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>One year – up to two years</td>
<td>90</td>
<td>47</td>
</tr>
<tr>
<td>Two years or more</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Don’t know</td>
<td>*</td>
<td>0</td>
</tr>
</tbody>
</table>

* Base: All respondents = 228 135 39 49

Current deliberate deferrers often expected to wait some time before they claimed the increment or lump sum. As shown in Table 6.2, 29 per cent said that they did not plan to claim the SP for at least five years after reaching SPA.

Women were more likely than men to say that they would wait for at least five years (36 per cent compared with 18 per cent). This is because answers often reflected expectations for continuing work: in the sample of current deliberate deferrers, a third of working men (32 per cent) said that they would not stop paid work until they were at least 70, while half of women in work (52 per cent) would wait until they were at least 65. More generally, the majority of those currently in work thought that they would stop work when they claimed their SP (58 per cent); the remainder said either that they would not stop work (26 per cent) or that they did not know (15 per cent). These findings are somewhat different from those for lump sum or increment claimants (people who had already claimed after deferral), only a minority of whom stopped work when they claimed. This suggests that intentions during the deferral period may not always translate into actual behaviour.
Table 6.2 Planned age for claiming SP

<table>
<thead>
<tr>
<th>Categories</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>At SPA (i.e. 65 for men and 60 for women)</td>
<td>1</td>
</tr>
<tr>
<td>One year after SPA</td>
<td>14</td>
</tr>
<tr>
<td>Two years after SPA</td>
<td>16</td>
</tr>
<tr>
<td>Three years after SPA</td>
<td>11</td>
</tr>
<tr>
<td>Four years after SPA</td>
<td>3</td>
</tr>
<tr>
<td>No specific age/year, but within five years after SPA</td>
<td>14</td>
</tr>
<tr>
<td>Five or more years after SPA</td>
<td>29</td>
</tr>
<tr>
<td>Don’t know</td>
<td>13</td>
</tr>
</tbody>
</table>

*Base: All respondents 319*

There was a similar pattern amongst those approaching SPA who were interested in deferral. Again, many (33 per cent of those who specified a timeframe) were thinking of deferring for at least five years, while just 11 per cent were thinking of deferring for a year or less.

### 6.2 Reasons for claiming the lump sum or increment at a particular time

As already noted in Section 5.2, many people either stopped work or moved to part-time work when they claimed the increment or lump sum. Overall, 24 per cent of lump sum and increment claimants stopped working when they claimed. Analysis of the lump sum claimant group shows that this was higher for men than women (35 per cent compared with 20 per cent) and also higher for deliberate rather than accidental deferrers (28 compared with five per cent).

When asked in their own words why they claimed the SP when they did, many respondents confirmed that it was linked to stopping work, as shown in Table 6.3.

However, reasons were not always related to work. Some needed the money (for example where circumstances had changed), while others claimed as soon as they were eligible for the increment/lump sum (in the table, this covers those who said they ‘were eligible to claim it’ as well as those who said they had delayed for a year/month as applicable). The qualitative research also found that some respondents changed their mind about claiming their SP, sometimes on the advice of friends, family or financial advisers.

‘I can’t honestly remember why I changed…it might have been the fact that I made a mistake and let my bank persuade me to invest in the bank for a pension, and it was the financial adviser pointed out that to get the money back it would have taken me until I was 84.’

(Increment claimant)
Table 6.3  Reasons for claiming SP when they did (unprompted)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Column percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lump sum</td>
</tr>
<tr>
<td>Had stopped working/retired</td>
<td>28</td>
</tr>
<tr>
<td>Needed it</td>
<td>14</td>
</tr>
<tr>
<td>I was eligible to claim it</td>
<td>10</td>
</tr>
<tr>
<td>Was advised to</td>
<td>5</td>
</tr>
<tr>
<td>Had reduced my working hours/income decreased</td>
<td>7</td>
</tr>
<tr>
<td>(Family) situation had changed/didn’t need it before</td>
<td>2</td>
</tr>
<tr>
<td>Had delayed it for a year/month (to get a lump sum/higher rate)</td>
<td>7</td>
</tr>
<tr>
<td>Decided I wasn’t gaining from delaying claiming it</td>
<td>4</td>
</tr>
<tr>
<td>Just seemed the right thing to do</td>
<td>5</td>
</tr>
<tr>
<td>The only source of income I had</td>
<td>2</td>
</tr>
</tbody>
</table>

Base: All respondents 270 186

Note: Table include answers given by five per cent of respondents or more in at least one of the two groups.
7 Future options

In order to provide information to help consider whether there is a case for changing SP deferral arrangements, interviewers asked respondents about two additional hypothetical options. In the quantitative survey, questions were limited to respondents who could be expected to take an informed view of the relative merits of these two options compared with the two existing options, specifically:

- all current deliberate deferrers;
- lump sum and increment claimants, provided that they had delayed in order to get one of those options (rather than deferred accidentally or without considering the impact of the option they would take);
- people approaching SPA who expressed an interest in deferral;
- working claimants who said they would have deferred if they had known about it (this applied to only 30 respondents, so this group is excluded from this analysis).

The qualitative research found that respondents’ views tended to reflect their perceptions of SP deferral more broadly (i.e. if they had a positive view of SP deferral, they were also likely to respond positively to the additional options).

7.1 Deferring more than once

7.1.1 Level of support

Firstly, respondents were asked about the possibility of deferring more than once, which was described as follows:

Firstly, you may be able to delay taking up your State Pension more than once – that is, you could delay taking it, then claim it, then delay taking it again, and so on. This could be to fit in with periods of work and the Government would pay you more money when you did take up your State Pension. Do you think you would consider doing this/would have considered this if it had been available?
Figure 7.1 shows that one in six current deliberate deferrers said they would definitely be interested in this option, while lump sum claimants were more likely than increment claimants to say they would definitely consider it. Amongst people approaching SPA who expressed an interest in deferral, one in five said they would definitely be interested.

**Figure 7.1 Interest in deferring more than once**

<table>
<thead>
<tr>
<th></th>
<th>Definitely</th>
<th>Possibly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lump sum claimants*</td>
<td>14%</td>
<td>32%</td>
</tr>
<tr>
<td>Increment claimants*</td>
<td>5%</td>
<td>32%</td>
</tr>
<tr>
<td>Deliberate deferrers</td>
<td>17%</td>
<td>40%</td>
</tr>
<tr>
<td>Approaching SPA***</td>
<td>21%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Base: Current deliberate deferrers – all respondents (319); lump sum and increment claimants (*) – those who deferred in order to get one of the options (168 and 76 respectively); those approaching SPA (**) - those who expressed an interest in deferral (104).

### 7.1.2 Perceived strengths and weaknesses

In the qualitative interviews, the option of deferring more than once was seen positively as allowing people to ‘test out’ retirement with the option of returning to work, assisting those who could not guarantee a secure and consistent income and helping people to buy things with the help of a repeated (annual) lump sum payment, while still working. It was noted, however, that the notice needed to commence or cease claiming would need to be very short in order to make it useful and there was some scepticism about the capacity of staff to deliver such a responsive service. The paperwork and administration time expected was considered to be a strong disincentive to this option.

### 7.2 Deferring part of the State Pension

#### 7.2.1 Level of support

The second hypothetical alternative put to respondents was to defer part of their SP only, while they claimed the other part. This was described as follows:
Another possibility is that you may be able to delay taking up part of your State Pension, while you claim the rest of it. When you eventually claimed the delayed part you would be able to receive either a higher weekly rate or an additional one-off lump sum payment. Do you think that you would have considered this, if it had been available?

This option was a little more popular than the option of deferring more than once, as shown in Figure 7.2.

**Figure 7.2 Interest in deferring part of the SP**

<table>
<thead>
<tr>
<th>Definitely</th>
<th>Possibly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lump sum claimants*</td>
<td>20%</td>
</tr>
<tr>
<td>Increment claimants*</td>
<td>15%</td>
</tr>
<tr>
<td>Deliberate deferrers</td>
<td>20%</td>
</tr>
<tr>
<td>Approaching SPA**</td>
<td>24%</td>
</tr>
</tbody>
</table>

Base: Current deliberate deferrers – all respondents (319); lump sum and increment claimants (*) – those who deferred in order to get one of the options (168 and 76 respectively); those approaching SPA (**) - those who expressed an interest in deferral (104).

### 7.2.2 Perceived strengths and weaknesses

The option to defer part of the SP was considered extremely compatible with part-time work during retirement. It was seen as making deferral affordable to those who needed some income from the SP and was seen as less of a financial risk than deferral of full SP. These positive views came from a range of respondents, including those who continued jobs purely for enjoyment, who praised this option for positively encouraging this lifestyle choice. The use of partial deferral to avoid paying tax in the highest threshold was also considered a financial incentive for the option.

Certainty of a secure (even if not necessarily large) income was thought to be an essential prerequisite for this deferral option, particularly as it was assumed that those inclined to the option would be unlikely to have large financial resources.
In administrative terms, the **perceived complexity of the paperwork** associated with the option again caused respondents to suspect errors and miscalculations may arise. In financial terms, the **quantities of money concerned for the average pension were judged to be too small** to warrant using this option as a way to save money.
8 Conclusions

This chapter presents some conclusions from the research, grouped according to the research objectives.

8.1 Characteristics of people who do/do not defer and who claim the increment or lump sum

Working patterns had the strongest influence on the decision to defer. People who remained in work after SPA were much more likely to defer than those who had stopped work. In addition, amongst those still in work, deferral was much more common amongst those who continued to work full-time, rather than work part-time. It appeared that many respondents had used SP deferral to support tapering working hours, by deferring while they were working full-time and then claiming when they moved to part-time work. The increment option in particular appeared to fulfil this role.

It is important to note, however, that although the majority of deliberate deferrers were in work and they tended to be financially better off than non-deferrers, there was a sizeable minority of deliberate deferrers (around one in five) who had, or expected to encounter, financial difficulties; these individuals tended to use SP deferral as a way of maximising their future income.

Non-deferrers in a range of circumstances expressed the view that SP was not aimed at them but at other people. This applied to people who had moved to part-time work and who perceived themselves as ‘retired’. Because they saw SP deferral as something for people who had not yet ‘retired’ (i.e. were still working full-time), they did not think it was relevant to them. For these people, it may be necessary to stress that SP deferral is an option for people working part-time or who have ‘retired’.

In addition, there was evidence from the research that SP deferral was not seen as relevant by those who were better off financially, as well as those who were worse off. People who felt they could not afford to defer saw the policy as an investment option for the wealthy. By contrast, wealthier non-deferrers saw it as a policy designed for those on low incomes, because the financial incentive was thought to be small.
Because of these perceptions, it may be useful for DWP information to communicate the relevance of SP deferral to people in different circumstances. For example, this could use a case study approach, highlighting how people in different circumstances might benefit. Some examples are given below, based on individuals’ financial position:

- People whose financial comfort was such that SP did not constitute a significant component of their income (whether working or retired) viewed the financial benefits of deferring as relatively insignificant. Where they did defer, this was often because of the convenience and ease of a ‘passive’ default choice which required limited action on the part of the claimant. Emphasis on the simplicity of the process of deferral could encourage this group.

- People who were less financially secure (including those maintaining employment for a short period of time, tapering working hours or continuing indefinitely in flexible or part-time job roles) could benefit from reassurance that SP deferral can be beneficial even if used for a short term only. It may also be helpful to stress to these people that deferral is an option even if you have already claimed an SP.

- Those who did not consider themselves financially secure were interested in SP deferral principally as a means of maximising personal finances. Any gains to income were perceived as worthwhile, so personalised guidance around the details of the deferred claiming options could encourage them.

As noted in the second example above, people often think of deferral as a long-term option; very few prospective deferrers expect to defer for a short time. This is either to fit in with expectations for working well beyond SPA or because of the perception that SP deferral is only financially worthwhile if used over a long time period. This view of SP deferral as a long-term decision reinforces concerns over financial risk (which are linked to uncertainties over life expectancy) and therefore, can make SP deferral appear a ‘bigger’ decision in people’s minds. This suggests that information should stress that deferral can be short-term and promote the benefits of shorter-term deferral.

The research indicates that the lump sum and increment options fulfil different roles, with the increment providing stability of income and longer-term financial security, a benefit that is attractive to those no longer in work or working reduced or irregular hours. The lump sum is more likely to be used to fund specific items of expenditure. The research highlighted some negative views of the lump sum being taxed, which may discourage take-up in the future.

In general, while the knowledge of a future financial ‘reward’ was important in many people’s decision to defer, the availability of the two specific options appeared to have little effect on the initial deferral decision. Many people made the decision to defer without knowing which option they would take. However, there was a minority of respondents for whom the choice of option was integral to their overall decision; these respondents often had a very clear idea of how long they would defer and what the deferred SP would be used for.
8.2 Motivations for decision-making

The research showed no evidence that SP deferral has an impact on extending working life; rather, it is used where it fits in with existing plans for work or to help financial planning. It is important to note that the quantitative survey did not address this question directly and was not set up to produce conclusive evidence on this point. The findings, therefore, rely on the qualitative interviews, which found no evidence of deferral influencing decisions about extending working life.

Nevertheless, it is notable that decisions on work and retirement can incorporate a multitude of factors. It is possible, therefore, that SP deferral could be an ingredient in this decision-making, if not a primary motivation. Even to do this, however, it is likely that SP deferral needs to be seen as offering a real financial benefit to a range of different people and it would need to be communicated to people at appropriate junctures so that they could factor deferral options into their broader decisions about work and retirement.

8.3 Awareness of existing deferral policies

The research indicated that awareness of the availability of SP deferral and detailed options, was limited. While some people had chosen not to engage in the policy and others had found out only as much as they felt they needed to, others may have benefitted from greater awareness. Low awareness had implications that could be detrimental to the success of the policy, such as:

- people not deferring who may have done so with greater knowledge (eight percent of working claimants said they would have deferred if they had known more about the options);

- people going on deferral routes that they might not have done with greater knowledge, e.g. accidental deferrers or people claiming one of the options without knowledge of the other.

Low awareness, of both SP deferral and pensions issues more generally, can also cause anxiety, and this was noted in the research in relation to those who were less financially secure, those not working and/or living alone.

Although some respondents found the information provided by DWP to be too complex to understand, others requested more detailed information, on items such as:

- what would happen to a deferred SP in the event of death;

- the tax implications of deferring;

- information on whether a deferred SP would be accessible quickly when requested;

- personalised annual pension deferral forecasts.
In some cases (e.g. not knowing what would happen to a deferred SP in the event of death), lack of knowledge was felt to be preventing some people from deferring while, in other cases, misconceptions (e.g. regarding the tax on the lump sum) had led to a negative impression of the deferral process. In this context, it is worth stressing that individuals’ impressions of SP deferral will be important in affecting future take-up; this is because of the reliance on friends, relatives and colleagues for information and advice amongst those who were not clear about the policy.

Some respondents in the qualitative interviews said that they would like to have received information from the DWP about SP deferral at an earlier stage (the information booklet is currently sent out four months prior to reaching SPA). This would give people more time to understand what is involved and may allow more scope for SP deferral to play a role in people’s decision-making. However, there is of course a difficult balance between allowing people enough time to make a decision and providing information sufficiently close to SPA so that it will be seen as relevant.

While the research confirmed the importance of DWP information sent to individuals, there is scope for other sources of information to play a role. One suggestion was that SP deferral could be publicised more widely (e.g. through posters/leaflets in Jobcentre Plus offices, post offices or other locations) to help increase awareness; this approach could also provide some initial recognition of the policy, which could pave the way for the more detailed information.

It was also notable that employers were not used very frequently as a source of information. Other research has indicated that employers often provide information on occupational pensions but not always on other issues to do with continuing work or managing retirement15.

8.4 Attitudes to other potential options

The research showed some support for two additional hypothetical options presented to respondents, although support was not at the level to suggest that these options, as described in the research, could substantially increase the overall numbers who are choosing to defer.

The main perceived advantages of these additional options were that they were seen as allowing a wider range of people to be able to defer. This was through offering greater flexibility (in being able to defer more than once) and being more affordable for those with a limited income (through part deferral). The latter may also be a way of attracting people in part-time work, who are currently much less likely to defer than those working full-time.

As with the existing options, however, a substantial take-up is likely to depend on being able to offer a strong reason or incentive to defer and this may be more difficult for these additional options. This is because the amount of interest gained through these options is likely to be smaller than through the existing options.
Appendix A
Response rates

The tables in this appendix show response rates for records selected from DWP administrative data, and for recontacted Omnibus respondents. Response rates do not apply to the sample of Omnibus survey respondents (people approaching SPA).
### Table A.1 Response rates for records drawn from DWP administrative data

<table>
<thead>
<tr>
<th>Category</th>
<th>N</th>
<th>Population in Scope of study %</th>
<th>Population in scope of fieldwork %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number sampled/in scope of study</td>
<td>1,680</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Cases not issued to interviewers (opt-outs)</td>
<td>74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invalid cases:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invalid telephone number</td>
<td>84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone number changed - no trace</td>
<td>34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unknown at number</td>
<td>95</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Died</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other invalid</td>
<td>77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ineligible: incorrect age</td>
<td>24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ineligible: doesn’t know if receive SP</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In scope of fieldwork:</td>
<td>1,286</td>
<td>77</td>
<td>100</td>
</tr>
<tr>
<td>Non-contact after 20+ call-backs</td>
<td>143</td>
<td>68</td>
<td>89</td>
</tr>
<tr>
<td>Refusals:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office opt out (during fieldwork)</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Respondent refusal</td>
<td>267</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proxy refusal</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abandoned interview/ terminated</td>
<td>39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broken appointment</td>
<td>23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unresolved</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>361</td>
<td>47</td>
<td>61</td>
</tr>
<tr>
<td>Other reasons for no interview:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Respondent away during fieldwork period</td>
<td>38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other unproductive</td>
<td>22</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>60</td>
<td>43</td>
<td>56</td>
</tr>
<tr>
<td>Response rate</td>
<td>722</td>
<td>43</td>
<td>56</td>
</tr>
</tbody>
</table>
Table A.2  Response rates for records drawn from recontacted Omnibus respondents

<table>
<thead>
<tr>
<th>N</th>
<th>Population in scope of study</th>
<th>Population in scope of fieldwork</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number sampled/in scope of study</td>
<td>3,830</td>
<td>100</td>
</tr>
<tr>
<td>Cases not issued to interviewers (opt-outs)</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>Invalid cases:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invalid telephone number</td>
<td>189</td>
<td></td>
</tr>
<tr>
<td>Telephone number changed - no trace</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Unknown at number</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Died</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Other invalid</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>Ineligible: incorrect age</td>
<td>635</td>
<td></td>
</tr>
<tr>
<td>Ineligible: doesn't know if receive SP</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>983</td>
</tr>
<tr>
<td>In scope of fieldwork:</td>
<td>2,830</td>
<td>74</td>
</tr>
<tr>
<td>Non-contact after 20+ call-backs</td>
<td>203</td>
<td>69</td>
</tr>
<tr>
<td>Refusals:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office opt out (during fieldwork)</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Respondent refusal</td>
<td>720</td>
<td></td>
</tr>
<tr>
<td>Proxy refusal</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Abandoned interview/ terminated</td>
<td>73</td>
<td></td>
</tr>
<tr>
<td>Broken appointment</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Unresolved</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>881</td>
<td>46</td>
</tr>
<tr>
<td>Other reasons for no interview:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Respondent away during fieldwork period</td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>Other unproductive</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td></td>
<td>117</td>
<td>43</td>
</tr>
<tr>
<td>Response rate</td>
<td>1,629</td>
<td>43</td>
</tr>
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</table>
Table A.3  Breakdown of interviews by sample source

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>DWP admin data</th>
<th>Recontacted Omnibus respondents</th>
<th>Omnibus survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current deliberate deferrers</td>
<td>319</td>
<td>227</td>
<td>92</td>
<td>0</td>
</tr>
<tr>
<td>Current accidental deferrers</td>
<td>122</td>
<td>63</td>
<td>59</td>
<td>0</td>
</tr>
<tr>
<td>Increment or lump sum claimants</td>
<td>456</td>
<td>363</td>
<td>93</td>
<td>0</td>
</tr>
<tr>
<td>Working claimants</td>
<td>362</td>
<td>15</td>
<td>347</td>
<td>0</td>
</tr>
<tr>
<td>Non-working claimants</td>
<td>1092</td>
<td>54</td>
<td>1038</td>
<td>0</td>
</tr>
<tr>
<td>Approaching SPA</td>
<td>506</td>
<td>0</td>
<td>0</td>
<td>506</td>
</tr>
</tbody>
</table>
Appendix B
Notes on qualitative research methods

Qualitative research was adopted to allow for individuals’ views and experiences to be explored in detail. Qualitative methods neither seek, nor allow, data to be given on the numbers of people holding a particular view nor having a particular set of experiences. The aim of qualitative research is to define and describe the range of emergent issues and explore linkages, rather than to measure their extent.

Verbatim quotations are used throughout this report to illustrate points made; such quotations are referenced according to the quota characteristics.

All interviews were carried out by four experienced qualitative researchers who have been trained in the techniques of non-directive interviewing.

Material collected through qualitative methods is invariably unstructured and unwieldy. Much of it is text-based, consisting of verbatim transcriptions of interviews and discussions. Moreover, the internal content of the material is usually in detailed and micro-form (for example, accounts of experiences, inarticulate explanations, etc.). The primary aim of any analytical method is to provide a means of exploring coherence and structure within a cumbersome data set whilst retaining a hold on the original accounts and observations from which it is derived.

Qualitative analysis is essentially about detection and exploration of the data, making sense’ of the data by looking for coherence and structure within the data. Matrix Mapping works from verbatim transcripts and involves a systematic process of sifting, summarising and sorting the material according to key issues and themes. The process begins with a familiarisation stage and would include a researcher’s review of the audio tapes and/or transcripts. Based on the coverage of the topic guide, the researchers’ experiences of conducting the fieldwork and their preliminary review of the data, a thematic framework is constructed. The analysis then proceeds by summarising and synthesising the data according to this
thematic framework using a range of techniques such as cognitive mapping and data matrices. When all the data have been sifted according to the core themes the analyst begins to map the data and identify features within the data: defining concepts, mapping the range and nature of phenomenon, creating typologies, finding associations and providing explanations.

The mapping process is similar for both individual interviews and group discussions. The analyst reviews the summarised data; compares and contrasts the perceptions, accounts or experiences; searches for patterns or connections within the data and seeks explanations internally within the data set. Piecing together the overall picture is not simply aggregating patterns but it involves a process of weighing up the salience and dynamics of issues and searching for structures within the data that have explanatory power, rather than simply seeking a multiplicity of evidence.
Appendix C
Fieldwork materials

The questionnaires, topic guides and advance letters for this study can be found at:

http://dwp.gov.uk/asd/asd5/rrs-index.asp