How to solve the self-employed pensions crisis

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In the last 20 years, self-employment has led a revolution in the UK labour market. Demand from individuals for flexibility and a better work/life balance—combined with the availability of new online platforms and remote working technology—has led to an explosion in the size and importance of the self-employed sector.

Rising by 50 per cent since 2000, the total number of self-employed people in the UK now stands at 4.8 million¹—almost as much as the entire public sector. As self-employment has boomed, however—particularly among women, the young and those approaching retirement age—a problem has emerged: people in this rapidly growing sector are simply not saving enough for later life.

**A ticking time-bomb**

New research from IPSE, conducted by ComRes, shows what can only be described as a looming crisis for the self-employed. While automatic enrolment has pushed the number of employees paying into a pension up to 78 per cent², that figure has fallen in the burgeoning self-employed sector. Shockingly, just 31 per cent of self-employed people are currently paying into a pension³ (see Figure 1).

“Just 31 per cent of self-employed people are paying into a pension.”

Similarly, small numbers of self-employed people are using other methods to save for later life. For example, just 33 per cent are using ISAs to save for later life, while only 2 per cent are using Lifetime ISAs (LISAs) – a savings vehicle to put money aside for a first home or retirement.

This is especially concerning because of the number of people approaching retirement age in the self-employed sector. In fact, 44 per cent of all self-employed people in the UK right now are aged between 50 and 65⁴. As a result, while the average age of an employee is currently 29, the average self-employed person is 46.

“44 per cent of all self-employed people are aged between 50 and 65.”

It is not that the self-employed do not want to save for retirement. According to IPSE’s research, 67 per cent are concerned about financially preparing themselves for later life. The fact is, the current employment-gearied savings system does not give the self-employed options they need and is harming the most vulnerable.

• The self-employed are ambivalent about automatic enrolment: 36 per cent would remain enrolled vs 25 per cent who would opt out – 38 per cent don’t know

• One in five solo self-employed people are ‘insecure’ and cannot afford to set aside money without being able to draw on it⁵

• Self-employed people who are younger, have less experience of self-employment or are women are less likely to be saving for later life

“The ‘insecure’ self-employed cannot afford to set aside money without being able to draw on it.”

As the self-employed sector continues to grow, the worrying lack of saving could cause serious problems not only for the self-employed themselves, but also for the Government.

At an individual level, the crisis is likely to cause much higher levels of pensioner poverty, and with the average age of self-employed people much higher than employees, this is likely to come sooner rather than later.

A knock-on effect of this will be more and more self-employed people relying on state pensions as their main source of retirement income. In 2017, the Office for Budget Responsibility estimated the total spent on state pensions that year was £91.6bn⁶. As that figure rises—especially with the triple lock in place—there will be a growing question mark over the financial viability of state pensions.

“Lack of saving could cause serious problems for the self-employed and for the state.”

The lack of saving for later life among the self-employed is a ticking time-bomb for the self-employed themselves and for the Government. What’s more, it is a crisis that will get significantly worse the longer it is left. The Government must act now to improve saving among the self-employed—especially the groups saving least, including women and younger and self-employed people, the financially insecure and those with less experience in self-employment.

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To combat the looming self-employed savings crisis, IPSE has developed a number of recommendations, outlined in full in the Recommendations (pages 15–21). They are based on the results of research with over 1,000 self-employed people, as well as broad consultation with Government and industry. Key recommendations are:

1. Support rolling out the sidecar pension scheme to the self-employed, allowing them to save for later life and also into a separate ‘rainy day’ fund for emergencies.

2. Provide open access to a free mid-life MOT, connecting older self-employed people with advisors to assess financial health and identify where to make interventions to improve their savings.

3. The single financial guidance body that the Government is introducing should have a greater role in providing guidance on how the self-employed can save for later life. (IPSE research found 51% of the self-employed trust Government websites for advice, making it among the most trusted sources of advice).

4. Universities, schools and pension providers should work together to provide financial education for younger people.

5. Pension products should be more user-friendly and engaging and the terms of a policy need to be clearly and accessibly set out. Language should be used that is accessible to all.

6. The Government should not introduce automatic enrolment for the self-employed, given both the barriers highlighted in its recent review and IPSE’s research showing many self-employed would opt out of it.

We are clear there is no one-size-fits-all approach to solving the self-employed savings crisis. It is therefore essential that a range of options are opened up to improve savings in this vital and growing sector (see Figure 2).
How to solve the self-employed pensions crisis

IPSE

How to solve the self-employed pensions crisis

IPSE

Saving for later life solutions

1. IPSE does not believe AE would be a viable savings solution for the self-employed because they do not support this measure.

2. IPSE does not support the use of Making Tax Digital as a way to automatically enroll the self-employed into a pension.

3. We support the sidecar pension scheme as a potential solution for the self-employed.

4. IPSE does not favour a rise in National Insurance Contributions to automatically enrol the self-employed.

5. We support the mid-life MOT as a way to increase awareness of the ‘health’ of a person’s pension and other methods of saving for later life.

6. IPSE recommends tax incentives at the lower income end are made greater.

7. IPSE encourages the use of technology as a means of increasing engagement by self-employed people on pensions, especially through web based or smartphone solutions.

Education solutions

8. IPSE recommends pension providers offer education schemes like the Barclays Life Skills Programme to bolster self-employed peoples engagement with pensions.

9. We recommend pension providers provide more advice on pensions at university career events, especially for courses that typically produce more self-employed graduates (e.g., the creative arts).

10. IPSE and other similar organisations could host informational sessions that provide essential guidance on savings options.

11. The Money Advice Service and The Pensions Advisory Service should undertake a review of their guidance on ways of saving for later life and adapt these to cater guidance to the self-employed.

Pensions have a PR problem

12. IPSE recommends collaboration between the public and private sector on selling the benefits of pensions to self-employed people.


14. IPSE could work with pension providers to engage consumers. This could be through online or in-person seminars that target self-employed people.

15. Companies offering products such as long-term savings accounts and pensions should review their offerings and consider rebranding them as products specifically for the self-employed.

16. Pensions providers should make pension documents as accessible as possible and use the one-page ‘pension passport’ as a guiding example.

17. Pension providers and the Government need to do more to market pensions as something that is available for all professions.

18. Pension providers should market ethical investment funds to younger people as a way of targeting interest from this group.

Our report has been informed by an extensive range of research activities to ensure a richer understanding of self-employed people’s attitudes towards saving for later life, and to develop evidence-based policy solutions informed by robust qualitative and quantitative data.

We focused on answering the following research questions:

• Are self-employed people concerned about saving for later life?

• What are the barriers self-employed people face in saving for later life?

• Where and how do self-employed people currently save?

• What are self-employed people’s attitudes towards current savings options?

• How do self-employed people believe current savings options could be improved?

• If a self-employed person could develop their ideal pension product, what would this look like?

• How do self-employed people view a proposed extension of automatic enrolment to the self-employed?

A broad range of research activities were undertaken to answer these overarching research questions, which included:

• Five focus groups – three composed of a diverse and representative mixture of self-employed people, and two with a targeted focus on the ‘Millennial generation’ aged 18-31

• An original survey of 1,003 UK self-employed workers aged eighteen and above, between 27th October and 13th November 2017, weighted to be representative of all self-employed UK adults aged 18+ by age, gender, region and Standard Occupational Classification (SOC)

• A stakeholder roundtable with attendance from senior representatives in the pensions industry, think tanks and Government

SUMMARY OF OUR RECOMMENDATIONS

METHODOLOGY
INTRODUCTION

Self-employment is undergoing a massive boom. Although a seemingly marginal player in the workforce, this diverse sector has grown significantly by 50 per cent since 2000 and now represents 15 per cent of all those working in the UK. The total number working in self-employment amounts to 4.8 million people and shows no signs of slowing down.

Growth has occurred significantly amongst previously underrepresented groups. Women account for only 32 per cent of the self-employed with the majority being men (68%) but this is changing. The rate of growth amongst self-employed women is far higher than men, and currently stands at 77 per cent between 2001 and 2016. There has also been a steep rise in pensioner poverty and this may come through a pension.

Our research highlights groups in this sector who are at particular risk of not saving at all, and these include growth groups within self-employment. Women who are the fastest growing group of the self-employed are particularly at risk of not saving for later life and not saving into a pension. Likewise, younger self-employed people – another growing group – are also at risk of not saving for later life.

Findings from the Centre for Research on Self-Employment (CRSE) shows one in five (21%) of the sole self-employed – amounting to over 825,000 people – have been classified as ‘insecure’ which means that they are low-middle earners and are typically looking for alternative forms of work. People in this group tend to be less qualified than their more secure counterparts and are much less likely to have the sort of financial security that would allow them to contribute to a pension. It is this group that will benefit from innovative solutions that allow them to both save for emergency situations and later life.

Increasing pressure on the state pension

There is a real risk that more and more self-employed people who are not saving will turn to the state pension as their primary means of a retirement income. This is a risky approach and could leave a new generation of self-employed people facing an insecure retirement with a large drop in their living standards.

As the state pension is only £164.35 per week, there could be a squeeze on consumer spending in older age groups if no private provision has been made earlier in life, and greater numbers rely on the state pension as their primary source of retirement income in later life.

The opportunity to act is now

There is much to be done but the outlook is positive. Our research shows an overwhelming majority of the self-employed (67%) are concerned about saving for later life – so this issue is at the forefront of their thinking and it seems they would like to save more. Crucially, they need saving options that give them greater flexibility as one of the key barriers to them saving is affordability. Options that deal with the challenges they face such as fluctuating incomes will help the self-employed to do this. In addition, pensions and other savings methods need to be sold to self-employed people in a way that speaks to them and their needs. We deliver more into our findings in the following pages and offer our solutions in the Recommendation section.

2001 and 2016. There has also been a steep rise in the youngest groups of the self-employed. The 16 to 24-year-old category has increased from 104,000 to 181,000 between 2001 and 2016 – an increase of 74 per cent.

The economic results indicate a motivated and productive workforce. Analysis of the self-employed contribution to the UK economy amounts to a significant contribution of £271 billion – enough to fund the NHS twice over.

Despite these positives around self-employment, there is an issue that cannot be overlooked: the growing self-employed savings crisis.

Since 2010, the state pension has been subject to the ‘triple lock’, a guaranteed the state pension will increase depending on which is highest among a set of three official measures (these are inflation, 2.5% or average earnings growth). This has meant spending on the state pension has risen consistently. If too few people are saving enough for later life this may prompt a scenario where the triple lock needs to be increased. This will in turn mean future spending on pensions will be considerably higher.

The self-employed are not saving enough for later life

As self-employment has grown in popularity in recent years, it has become concerning how few people are saving for later life. Our research shows that less than a third (31%) of the self-employed are saving through a pension.

There are significant economic risks by not encouraging more self-employed people to saving for their futures. At the individual level, there is a likelihood we will see a steep rise in pensioner poverty and this may come sooner rather than later. IPSE’s research found that the average age of a self-employed individual is 46, which means that the average self-employed individual is around 20 years from the state retirement age.

Our research highlights groups in this sector who are at particular risk of not saving at all, and these include growth groups within self-employment. Women who are the fastest growing group of the self-employed are particularly at risk of not saving for later life and not saving into a pension. Likewise, younger self-employed people – another growing group – are also at risk of not saving for later life.

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ATTITUDES OF THE SELF-EMPLOYED ON SAVING FOR LATER LIFE

In this section we uncover the results from our research into self-employed people and saving for later life. This survey was conducted by ComRes and offers a nationally representative snapshot of self-employed people’s views on saving for later life. Our survey results capture an extensive range of findings that we have used to inform our recommendations.

A growing problem served by a lack of evidence

Despite increasing concerns developing around the growing savings crisis among the self-employed, there is relatively little evidence of the views of the self-employed themselves. As the representative body for the self-employed, IPSE knew it was important to give voice to the self-employed on this issue; to help policy makers and industry better understand what is stopping more from this sector of the workforce from saving¹⁰.

We began by conducting a series of focus groups with a diverse and representative mixture of self-employed people, and two with a targeted focus on the ‘Millennial generation’ aged 18-31. We focused on answering the following research questions:

• Are self-employed people concerned about saving for later life?
• What are the barriers self-employed people face in saving for later life?
• Where and how do self-employed people currently save?
• What are self-employed people’s attitudes towards current savings options?
• How do self-employed people believe current savings options could be improved?
• If a self-employed person could develop their ideal pension product, what would this look like?
• How do self-employed people view a proposed extension of automatic enrolment to the self-employed?

We interviewed people with a broad range of self-employed people working in occupations covering design, marketing, literature, health and digital specialisations, as well as IT and consultancy.

The focus groups highlighted a range of key themes that were important to self-employed people and informed the development of our broader survey.

No single option was favoured as a way of saving for later life

• This led us to conclude it was important to ask and determine whether this was typical of the self-employed at large.
• The general response towards a scenario where automatic enrolment was rolled out to the self-employed was largely negative.

Many found pensions confusing

• Comments included the ‘pension is ridiculously complicated,’ ‘it is a minefield unless you have an accountant,’ ‘guidance at HMRC is deliberately vague.’

• On a tailored solution for the self-employed, strong themes coming from comments included the need for flexibility, greater and more engaging guidance, more transparency over return on investment and reducing withdrawal restrictions, which is important from a group who can suffer from fluctuating incomes.

New and original research uncovering the real issues

¹⁰ We also performed research in 2016, however, this focused mainly on freelancers and not the wider range of the self-employed population. Accessible at Independent Professionals: Pensions and Retirement Savings – Attitudes, Motivations and Methods.
These and other themes were useful in assisting us to identify the knowledge gaps that were important to be filled by the broader survey. In the rest of this section we address those gaps by outlining our key findings.

The self-employed are concerned about being financially prepared for later life

Less than a third of self-employed people are paying into a pension; despite this, saving for later life is still a key concern for the majority of self-employed people.

The results of our survey outline the total number saving through a pension totals just 31 per cent. Although this leaves more than two-thirds without a pension, this does not mean that pensions and saving for later life is not at the forefront of people’s minds. When asked “to what extent, if at all, are you concerned about saving for later life?” a significant majority of 67 per cent told us they were concerned, and only 29 per cent (see Figure 3) said they were not. Saving is a real priority for the self-employed, but many have found barriers to this.

Self-employed people are not using traditional saving options

Our research shows the self-employed have no strongly favoured method of saving and tend towards a broad mix of options. As mentioned above, 31 per cent of the self-employed invest in a pension as a way of saving. Thirty-three per cent use an ISA as a way to save for later life, and just two per cent opt for a LISA. Other methods include buying property (14 per cent), investing in stocks and shares (14 per cent), investing in their own businesses (6 per cent), and bonds (6%). Just one per cent invest in cryptocurrencies. Thirty-nine per cent said “none of the above” in relation to the options we set out suggesting well over a third may not be saving in any way at all.

Financial concerns are stopping the self-employed from saving into a pension

For most of the self-employed, this barrier to saving is a question of both feasibility and competing priorities. Thirty-seven per cent of those asked why they were not paying into a pension scheme told us it is because they could not afford to. A further 17 per cent said they have other financial priorities. And 16 per cent said they had stopped contributing to a pension when they moved into self-employment. With 39 per cent of people saying they don’t use any saving products, the questions becomes how can we get self-employed people to save for later life?

A pension solution that offers flexibility would encourage the self-employed to save more

What would an ideal pension arrangement look like and encourage greater participation from the self-employed? In a word: ‘flexibility’. The survey showed that a way in which to encourage the self-employed to make greater savings for later life is to design a flexible pension solution specifically for them (31%).

Who included elements such as the flexibility to pause, stop and restart payments without incurring penalties (54% select as one of their top three most preferred options) and the option to withdraw a percentage of their pot in advance of retirement if it could be paid back in a specified amount of time (25% select as one of their top three most preferred options).

Government hold the key for providing effective advice

There is a clear role for Government to play in providing advice or guidance on pensions. When our survey participants were asked to rate who they trust the most, 59 per cent said they trust friends and family. A total of 51 per cent said they trust Government run websites. As 26 per cent would like clearer advice or guidance on pensions there is a clear role for Government to be doing more in this area, particularly as it moves to create the Single Financial Guidance Body.

The self-employed are ambivalent over automatic enrolment as a solution

The self-employed are ambivalent on automatic enrolment. Thirty-six per cent would remain enrolled if it was extended to the self-employed, whilst 25 per cent would choose to opt-out. A further 38 per cent don’t know what they would do, suggesting a degree of ambivalence towards this proposed policy intervention and possibly a greater likelihood of opting out.

Groups at risk of not saving for their future

Women, less experienced, and younger self-employed people are least likely to save. However, each of the three groups exhibit higher than average levels of concern about saving for later life compared to the general self-employed population. Furthermore, all of these groups are less likely than average to save into a private/personal pension and are also less likely to use other methods of saving for later life, such as ISAs and investing in stocks and shares.

With men charging a higher day rate than women (average £219.40 in comparison to £187.40), it is unsurprising that according to our survey, men were more likely to be saving for later life. For younger self-employed people, 20 per cent of those aged 18 to 34 have not thought about saving, in comparison to 2 per cent of those aged over 55.

RECOMMENDATIONS

This section outlines our recommendations to encourage more self-employed people to save for later life based on the robust evidence we have collected from this growing section of the population. In addition, many of the recommendations have been informed by the views of representatives of leading pensions providers, think tanks and Government departments in a high-level roundtable we held in December 2017 - as well as further consultation during the course of this project.

We divide our recommendations across a set of key themes that emerged from our research. These include:

- Theme one: saving for later life policies
- Theme two: education
- Theme three: pensions have a PR problem
IPSE does not think that AE would be a solution for the self-employed. In addition, IPSE does not believe AE would be a viable savings solution for the self-employed. There is no obvious mechanism to capitalise on the tax relief for the individual and add it to the implementation of a plan that would allow the advisor to offer an active service to the self-employed person. A mid-life MOT would work by connecting an advisor with a self-employed person. This would allow the advisor to offer an insight into the financial health of the self-employed individual. This could lead to the implementation of a plan that would allow the self-employed to save enough for retirement. This offering is particularly important as the average age of a self-employed person is 46.²

Adoption is likely to be low if the cost is prohibitive. In focus groups hosted by IPSE, the cost of financial advice was often referred to as a barrier to seeking advice or guidance. Therefore there is an opportunity for The Pensions Advisory Service or the forthcoming Single Financial Guidance Body to offer this product free of charge.

Our recommendation
IPSE supports a mid-life MOT if it is provided free of charge.

Increasing National Insurance Contributions
Currently self-employed people pay both Class 2 and 4 National Insurance Contributions (NICs). Class 2 is a flat fee, whilst Class 4 is based on profits above £8,164. The Government was committed to abolishing Class 2 NICs and increasing Class 4. However, to alleviate cost pressure, the increase in Class 4 NICs has been reversed and the abolition of Class 2 NICs has been delayed. Aviva and Royal London looked at the positives and negatives of increasing NICs to encourage saving for later life.³ The policy would work by increasing Class 4 NICs by a set percentage. Under this proposal, the increased NICs could be reclassified if the self-employed person makes an equivalent pension contribution. This policy would offer flexibility for self-employed people wishing to make pension contributions. Contributions are based on the payable NICs, so would increase or decrease in line with profits. This means that if a self-employed person has a particularly good year, they would contribute more. However, there may be political difficulties with this as it could be branded in the same way as the attempted increase in Class 4 NICs in 2017. Furthermore, if the default option was not to make a pension contribution, take-up rates could still be low.

Our recommendation
IPSE is concerned that this policy would act as a revenue raiser for the Government rather than solve the issue and IPSE does not support it as a viable solution for the self-employed.

Mid-life MOT
A mid-life MOT would work by connecting an advisor with a self-employed person. This would allow the advisor to offer an insight into the financial health of the self-employed individual. This could lead to the implementation of a plan that would allow the self-employed to save enough for retirement. This offering is particularly important as the average age of a self-employed person is 46.²

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Our recommendation
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One of the fastest growing age groups for self-employment is the 16 to 24 year-old range. It is also this age group that is faced with more financial decisions when compared to their parents and grandparents.

As the survey showed, one of the key reasons why people aren’t saving for later life is because of other saving priorities. The immediate priority that springs to mind is housing. Average house price growth has outpaced wage increases since 2011, with growth in 2016 of 7.4 per cent and growth in 2017 of 6.2 per cent⁴⁰.

As the National Bureau of Economic Research notes, only 27 per cent of young people understand basic financial concepts such as interest rate calculations⁴¹. In order to get more people engaged with saving for later life, financial literacy must be improved. There is a role for friends, family and schools to play in improving this.

Interventions at school level
Providing financial education at school is important because 64 per cent of children get their first bank account before they start secondary school and nearly 75 per cent of 15 year olds have a debit card⁴⁵.

Younger people can start to save from a young age, so there could be a role for schools to play in addressing the financial literacy gap. The question that then follows is how can schools help?

Introducing financial terms at a young age
The ‘rule of seven’ is an old marketing adage, but it could be utilised in the education system to help improve saving amongst younger people. The rule of seven suggests that it takes someone hearing a message seven times for it to mean something to them.

By introducing financial terms to children at a young age, the long-term process of developing financial knowledge can begin. At the focus groups of millennials conducted by IPSE, it was observed that a lot of students did not know what a pension was. They said this was because they had not been introduced to the term at a young age. Careers advice is offered at secondary school, yet younger people are not introduced to financial terminology. In addition, the industry must start using language that is accessible to people who are not financially literate, on which there is more below.

The importance of introducing financial terms to children is not just related to saving for later life. One of the biggest barriers to saving for later life comes from the inability to afford it, as our research shows. This inability to afford it may come from a variety of sources, but one of the key reasons is debt. Young Money have noted that 36 per cent of 15 to 25 year olds do not understand what APR means in relation to credit cards or loans⁴⁶.

This may lead to expensive borrowing, which could act as a barrier for saving for later life. By improving financial education, some of the barriers to saving – namely lacking the money to save - can be reduced.

Our recommendation
IPSE recommends pension providers offer education schemes like the Barclays Life Skills Programme.

Interventions at university level
More people are going to university in comparison to previous generations. According to UCAS, 559,030 people had submitted applications by the January 2018 deadline⁴⁷. University is often the first time that students are required to deal with their own finances, including taking out loans. It therefore seems sensible to provide university students with financial education.

There are courses which lead to a high number of freelance professionals. These courses range from graphic design to computer science. They have the potential to incorporate financial management into modules that address professional skills.

University courses that produce high numbers of self-employed people should include modules on financial management. These modules should cover topics such as accounting, taxation and saving.

Our recommendation
IPSE and pension providers could provide guidance at careers events so that students have access to advice from a variety of external sources, and these could be focused on courses that produce a high number of self-employed people (e.g., creative arts).

The role of trade associations and representative bodies
Trade associations that represent small businesses and the self-employed have a role to play in educating and encouraging more in this sector to save for later life. Individuals choose to become members and view them as a trustworthy voice, which came through strongly in all the focus groups IPSE held.

Our recommendation
IPSE and other similar organisations could host informational sessions that provide essential guidance on savings options, as well as basic financial education on concepts such as pensions, ISAs, the benefits of compound interest and the risks of inaction.

The role of Government
The Government is seen by self-employed people as a reliable and trustworthy source of guidance on saving for later life. Its various websites such as The Pensions Advisory Service and Money Advice Service have a role to play in encouraging more in this group to save. However, feedback in focus groups often levelled the criticism that these websites generally focus advice towards employees and workers and not the self-employed. This leaves many having to make their own interpretations on how this guidance could apply to them, or undertake further research despite the need to use these websites as a means of support.

The intention is there but the Government could do more in this area.

Our recommendation
The Money Advice Service and The Pensions Advisory Service should undertake a review of their guidance on ways of saving for later life and adapt these to tailor guidance to the self-employed.

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How to solve the self-employed pensions crisis

IPSE How to solve the self-employed pensions crisis

The current crisis in pensions for the self-employed...
CONCLUSION

As our research shows, there must be action to encourage the almost five million self-employed to save for later life – sooner rather than later. In recent years, there has been an enormous rise in the number of self-employed people in the UK, and this shows no signs of abating. In fact, the self-employed workforce has grown by no less than 50 per cent since 2000. And considering the full diversity of the self-employed sector, as our research has done, the groups saving least for later life also seem to be those growing most quickly: women and 16-34-year-olds.

We have an opportunity to act now. If we miss it, more problems will emerge. Looking ahead, it is possible a growing number of formerly self-employed retirees, who have not saved sufficiently during their working lives, will come to rely on the state pension as their main source of income. This could reduce living standards and put more strain on a public purse already struggling to keep up with state pension demand – exacerbated by the triple lock. If we do not tackle the problem now, the UK could find itself with a generation of financially vulnerable retirees.

A picture emerges from our survey of a group whose saving needs are not being catered for either by Government or by providers. And as a group, they take this issue seriously. Thirty-seven per cent cannot currently afford to save for later life, but an overwhelming majority of these (67%) told us they were concerned about saving for the future. They are engaged on this issue and it matters to them.

One of the biggest problems seems to be the types of saving options currently on offer to self-employed people. A common criticism was that these options just do not give the self-employed the flexibility they need. And the low uptake of pensions, ISAs and LISAs sends a strong message to providers about this.

On the more positive side, there have been signs of the Government and industry acknowledging these issues. The Government’s automatic enrolment (AE) review in 2017, for example, identified some useful interventions such as ‘hackathons’ to develop technology-based solutions. It also said it was sceptical about whether AE would work for the self-employed. Within the pensions industry, a growing number of providers such as Zurich Insurance and Old Mutual Wealth (in partnership with the Pensions Policy Institute) are also authoring thought leadership reports on self-employed saving for later life. These have not only made significant contributions to the debate, but also proposed many helpful solutions.

In industry and in Government, the wheels are starting to turn. But it is clear from our research that much more must be done – and soon. With the self-employed sector continuing to grow, but fewer people in it actively saving for later life, it is clear a crisis is looming. And with 44 per cent of self-employed people aged 50-65, that crisis is not far off. The pensions industry and Government must work hard now to ensure the self-employed have the range of flexible savings options they need. They must act now to defuse this ticking time bomb.

The time to act is now

Key recommendations

- Sidecar Improved and tailored guidance on Government websites
- Improved and tailored enrolment for the self-employed
- Greater engagement with younger people
- Pensions policy documents that are accessible and written in plain English / jargon free
- Mid-life MOT

The time to act is now
IPSE, the Association of Independent Professionals and the Self Employed, is the representative body for the UK’s self-employed community, including freelancers, contractors, consultants and independent professionals.