

The humble squirrel is the quintessential sensible saver of the animal kingdom. Red, grey or black, they spend the autumn months stashing caches of delicious nuts in the cold ground so that they can return and enjoy a healthy feast when the earth has hardened with frost and fresh food is sparse.

Much as the small, branch dwelling rodent devotes a great deal of its time to burying nuts in the ground for future food, sensible humanoid savers will spend their working lives squirrelling away wages into occupational pension schemes to enjoy in the winter of our lives. But to what extent are these savings responsible for savers' income as they reach their later years, what factors affect their contribution and what does the future hold?

Income breakdown

Data from the Department for Work and Pensions' (DWP) *Pensioners' Income Series 2018/19* indicates that 69 per cent of pensioners received income from an occupational or personal pension in 2018/19.

The figures show that occupational pension income accounted for 30 per cent of total gross income for all pensioner units, defined as a pensioner couple or single pensioner.

This was overshadowed by benefit income, including the state pension, which made up 43 per cent of income.

Earnings income was the other major contributor, making up 14 per cent of income, while income from investments, personal pensions and other sources made up 8, 3 and 1 per cent respectively.

Unsurprisingly, occupational pension income was the most significant form of income for couples and single pensioners in the highest-earning fifth, accounting for 42 and 35 per cent of their respective incomes.

Comparatively, couples and single pensioners in the bottom fifth saw less than 10 per cent of their income coming

Summary

- Occupational pensions are the second-most significant contributor to retirement income, accounting for 30 per cent of average weekly income.
- Inequality is rampant in terms of occupational pension income, with women and BAME pensioners receiving less than their White British male counterparts.
- The proportion of retirement income coming from workplace pensions is on the rise and is likely to continue climbing.

Saving nuts for winter

✓ **How much income do occupational pension schemes provide for retirees and what does the retirement income landscape look like? Duncan Ferris delves into the statistics and sheds light on pension income inequalities, and how future generations' retirement takings are being damaged in the present**

from occupational pensions, as they relied on benefits for 78 and 86 per cent of their respective incomes.

Whilst this illustrates the importance of a significant contribution to income from an occupational pension, evidence of a slowdown in growth of pensioner income threw into even sharper relief why saving into a workplace scheme is becoming more essential.

Despite weekly average pensioner unit income having increased by just 10 per cent from £500 to £550 between 2008/09 and 2018/19, this same period saw weekly occupational pension income increase by 38 per cent, from £121 to £167.

The decade beforehand saw weekly average pensioner unit income rise by 39 per cent from £360 to £500, while occupational pension income climbed by



30 per cent from £93 to £121.

This means that, even though growth in average overall pensioner income has slowed across the two decades, income from occupational pension schemes has actually accelerated.

This has been possible because two of the other most significant forms of income, benefits and investments, have seen their contributions to pensioner units' weekly gross income decline, dropping from respective levels of 46 and 12 per cent to 43 and 8 per cent between 1998/99 and 2018/19.

Inequality

While it is worth noting that pensioners' disposable income growth appears to have slowed, it is equally key to recognise that pension income is not the same across the board, with some sections of society sadly receiving a rawer deal than others.

Overall income inequality among retired households is on the rise, according to data from the Office for National Statistics (ONS), which showed inequality had increased by 2.4 percentage points in 2019 to 31.6 per cent.





One stark example of inequality has been illustrated by research conducted by the Pensions Policy Institute, which found that the average woman's pension savings stood at £51,000, under a third of men's £156,500.

Divorced women were found to be an even more vulnerable group, with median pension wealth of £26,100 and a private pension income of £3,880, 42 per cent below the national average.

According to data from the DWP's *Pensioner Income Series 2018/19*, occupational pension income was £80 per week and made up 25 per cent of single women's gross income in 2018/19, compared to £124 and 29 per cent of single men's income.

Single women received an average of £323 per week, significantly lower than the £435 received by single men, and they were much more reliant on benefits and the state pension, which made up 64 per cent of their income and 47 per cent of their male counterparts.

The proportion of single women's gross income stemming from an occupational pension has increased from 18 per cent in 1994/95, while the proportion for single men was unchanged at 29 per cent.

Consequently, single women are marginally less reliant on benefits, with benefits and the state pension having supplied 67 per cent of their gross income in 1994/95, although there remains a clear disparity between male and female retirees.

PensionBee head of corporate development, Clare Reilly, says: "The gender pay gap should not be something that rests on women's shoulders alone. The government should do more to tackle it as we know where there's discrepancy in pay a discrepancy in pensions will follow."

Gender is not the only issue where there is an imbalance, as there is also an evident divide along racial lines.

DWP data released in 2019 showed that White British pensioners received

a weekly occupational pension income of £160, 4 per cent above the national average of £154.

Black pensioners received just £62 per week, 60 per cent below average, Asian pensioners received £69 a week, 55 per cent below average, and Mixed-Race retirees took home £81 per week, or 47 per cent below average.

Additionally, White pensioners from non-British backgrounds received £97 of occupational pension income per week, or 37 per cent below the national average.

DWP data showed that, between 2016/17 and 2018/19, BAME pensioners were less likely to receive income from an occupational pension, with just 30 per cent of Asian pensioners and 41 per cent of Black pensioners enjoying a contribution to their income from workplace schemes.

This was significantly lower than the 61 per cent of White pensioners who received income from the source.

The White British group of pensioners also received more in benefit and personal pension income each week, leaving their contemporaries from other racial groups receiving significantly lower total incomes.

Participation

In terms of current trends, the proportion of employees with an active workplace pension has increased from 43 per cent in 2012 to 77 per cent in 2019, according to figures from the ONS' *Annual Survey of Hours and Earnings*.

However, Royal London pension specialist, Helen Morrissey, still expresses concern, as she explains: "Thanks to auto-enrolment investing in a pension has become business as usual for millions of workers.

"However, there remains concern that people believe the current 8 per cent minimum contribution will be enough to secure a decent retirement income and not feel the need to increase contributions beyond this point.

"The reality is that a contribution

more like 15 per cent is needed. We need to make people aware of the importance of contributing beyond the 8 per cent minimum wherever possible."

Despite this concern that contributions might not be at a high enough level, we can broadly extrapolate from trends and increased participation that workplace pension schemes are likely to make up a greater proportion of retirement income for future generations.

There does remain a potential complication in the form of the unignorable impact of coronavirus, which, according to a survey by Scottish Widows, has resulted in 10 per cent of working age people with pensions reducing contributions or ceasing saving altogether due to the crisis.

Furthermore, figures from the ONS have demonstrated that the number of employees on payroll fell by more than 600,000 between March and May, when the pandemic was at its most volatile.

Though the impact of Covid-19 could turn out to be a short-term issue, it may present a palpable threat to future occupational pension income if the nation's economic recovery does not go smoothly.

Overall, It seems that it is more essential than ever for savers to diligently siphon their savings into workplace schemes because of their increasing importance, just as the humble squirrel buries its nuts to see it through the barren winter.

Written by Duncan Ferris

