Modern life

Pensions Age explores how well the UK workplace pensions system is adapting to changing societal and working trends

Milestones later in life

Younger generations are reaching life milestones later than previous generations. For instance, research from Skipton Group has found that the average age of a first-time homebuyer has climbed to 34 years old, compared to an average age of 29 in the mid-1990s. According to the Office for National Statistics (ONS), in 1970 the average age that women had their first baby was 23. In 2020, it was 29. It also found that 31 was now the average age for marriage, and 36 the average age for buying a home, an increase from 32 years in 2004.

Hitting these stages later in life matters for pensions saving because "the early adult years, when compound returns are most powerful, are often dominated by rent, student debt, childcare costs or saving for a deposit", Hughes Price Walker director, Ray Hughes, says.

"People may spend their 20s and early 30s prioritising rent, deposits, education and establishing themselves professionally before looking to 'settle down' which can also include financially settling down," Cartwright Employee Benefits group risk and healthcare consultant, John Mullally, says.

Also, the pension system was designed for a life trajectory where people bought homes in their 20s, settled into stable careers early, married and had children young and retired with housing costs largely behind them, PensionBee head of pensions, Becky O'Connor, says.

"The reduced contributions and lower investment growth then impact the quality of retirement, meaning that people retire later, and even constrain the ability to retire at all," O'Connor explains.

Despite this, Royal London workplace pensions director, Rory Marsh, states that the UK pensions system has adapted well in some respects, "particularly through the success of automatic enrolment, which has brought millions more people into pension saving".

"However, there is growing recognition that the system needs to evolve further to reflect modern working and saving patterns. The planned expansion of automatic enrolment, including lowering the minimum age and removing the lower earnings limit, is an important step towards helping younger people begin saving earlier and build stronger retirement outcomes," he adds.

The Pensions Commission's final recommendations will need to grapple seriously with the housing question, O'Connor adds. "A pension system that assumes outright homeownership at retirement is not fit for a generation where almost two million more pensioner households will be renting by 2044. Even for those with mortgages, mortgage terms are now longer and often run up to age 70, pressing the boundaries of how long someone can realistically work for. Adequacy frameworks will need to account for housing costs, not just contribution rates."

In the future, Hughes expects "more focus on personalised engagement, pensions dashboards and life-stage nudges that show the long-term cost of delaying saving".

He adds: "The wider policy question is whether the pensions system can continue to assume a neat, linear path from education to stable work, home ownership, family life and retirement. If those milestones continue to move later, the industry will need to help people make up lost ground without making pensions feel unaffordable at precisely the point when younger households are already under pressure."

The gig economy/simultaneous jobs

A CIPD 2023 report found that just under half a million people (463,583) work in the gig economy. According to the research, only a fifth of UK gig economy workers are either private hire drivers, working through apps such as Uber (52,898), or undertaking food delivery (82,649).

In contrast, it found that almost a quarter of a million (246,417) gig economy workers undertake desk-based services such as web development, translation and legal services through apps and websites.

Meanwhile, fractional working, the practice of working on a freelance or contract basis but holding a portfolio of these part-time assignments simultaneously, for instance through seasoned C-suite leaders who offer their expertise to several businesses at once on a part-time schedule, is on the rise in the UK, a Marks Sattin 2025 whitepaper states.

It also highlights how 5 per cent of UK employees are in temporary positions, which equated to about 1.5-1.6 million people in temporary roles in early 2025.

Mullally notes that, depending on your age and where you live, having multiple jobs is becoming more commonplace. "This makes it tricky to have a pension in place on your earnings especially if you are freelancing…. If people are having to work multiple jobs, it is unlikely that they have a stable income or would place a high importance in investing in a pension," Mullally explains.

As Hughes says, "the UK pensions system caters well for conventional employees on payroll, but much less well for people whose income is irregular, split between several sources or classified as self-employed".

Indeed, PensionBee's research found that 57 per cent of gig workers say they cannot afford to save into a pension, "which tells you the problem is structural, not motivational", O'Connor says.

"Gig workers sit in a gap that auto-enrolment cannot reach," she explains. "They are not employees, so they receive no employer contributions. They often work multiple jobs, so no single employer has sight of their overall earnings. The variable nature of their income makes consistent saving difficult in practice, even for those who want to save. But the often-necessary prioritisation of short-term income needs for this group often means there is little individual incentive to save for the long term."

The DWP's consultation on broadening auto-enrolment thresholds is a step in the right direction, O'Connor adds, "but without employer contributions, the structural disadvantage remains. It's encouraging that the Pensions Commission is actively considering this group when developing policy recommendations".

Future developments to help those in the gig economy are likely to focus on portability, small-pot consolidation and mechanisms that allow pension saving to follow the worker rather than sit with a single employer, Hughes predicts.

"Policymakers may also need to consider whether platforms and engagers should carry clearer pension responsibilities where they exercise employer-like control," he adds.

Self-employment

According to Statista, as of June 2026, there are approximately 4.5 million self-employed workers in the UK, accounting for roughly 13-15 per cent of the total national workforce.

"Self-employment has long sat awkwardly alongside the UK pension

framework because there is no employer to enrol the individual automatically, prompt contributions or pay an employer contribution, Hughes says.

"Many self-employed people value flexibility and control, but pension saving can easily be postponed when income varies, tax bills are uncertain and business investment feels more immediate. The result is that the system caters poorly for self-employed workers compared with employees, despite many of them facing the same need for a secure retirement income," he adds.

Indeed, only a fifth of self-employed workers save into a pension, O'Connor notes.

"Without auto-enrolment, employer contributions, or a payroll mechanism to make saving the default, pension saving for the self-employed requires consistent active effort that employment structures handle automatically for everyone else," she adds.

Despite this, pension provision for the self-employed has been one the areas where reform has been slowest, Hughes notes.

"There have been policy discussions and trials around using tax, accounting software or prompts at key financial moments to encourage saving, but no comprehensive solution has yet matched the simplicity and behavioural power of automatic enrolment for employees," he says.

Also, Mullally adds, changes to accounting standard IR35 has closed more loopholes to kerb the self-employed who were using it to pay less tax.

However, O'Connor says that "the Pensions Commission has received evidence calling for a pension saving mechanism delivered through self-assessment. This would give self-employed workers a default route into saving without mandating rigid monthly contributions. It remains a recommendation rather than policy, but this idea and similar variations are being actively considered and tested."

Career changes

Mid-life career change and retraining are becoming more common as people respond to longer working lives, evolving technology, redundancy risk and changing personal priorities, Hughes says.

However, a career change may mean taking a more entry-level job than previously held, "so that, in their mind, they cannot put as much into a pension as they did (at least initially). Or they are training, in which case they are not earning or earning low amounts of money whilst *[doing so]*", Mullally notes.

For the pensions sector, the challenge is that each job change creates a new pension pot, often with a different provider and different fees. The average person now changes jobs 11 times during their career," O'Connor highlights.

As Hughes says, "the UK system can cope with job moves in a technical sense, but it does not always help people understand the cumulative pension impact of a major career reset".

Help is at hand though, with many policy reforms "aimed at improving continuity and visibility, including pensions dashboards, small-pot consolidation and automatic enrolment changes", Hughes notes.

"These should make it easier for people to see what they have built up across different jobs and reduce the risk that small, deferred pots become forgotten. However, current reforms do not directly address the contribution gaps or lower earnings that can arise when someone retrains or starts again in a new field.

"As career paths become less linear, pension communications will need to become more event-based rather than purely annual. People changing career need clear prompts about what a lower salary, a contribution pause or a new employment pattern means for their retirement planning. I would expect more tools that help individuals model career breaks, retraining periods and later-life earnings changes, so that pension saving can adapt to real working lives rather than assuming a single uninterrupted career," he adds.

Caring breaks

According to the ONS, economic inactivity of those aged 16-64 due to looking after the family/home was over 1.5 million in June 2026. Meanwhile, the 2021 ONS Census of all people that provide unpaid care, found 26 per cent were in their 50s.

These breaks often result in pension saving pauses, reducing retirement incomes and widening existing inequalities, Aegon head of pensions, Kate Smith, notes. "Women are particularly affected, as they remain more likely to take time out of work or reduce hours to care for children or relatives," she adds.

The result is the financial effect can persist long after the break itself has ended. However, "the UK system provides some protection through National Insurance credits for state pension purposes, but private pension saving is often much less well protected during unpaid or lower-paid caring periods", Hughes says.

Indeed, every year spent out of paid work to care for a child or relative costs approximately £5,000 in lost retirement savings, according to PensionBee research.

"As more people have non-linear careers, there is a growing case for pension policy to better support those who spend time out of the workforce providing unpaid care," Smith says.

To that end, the Pensions Commission's call for evidence has received significant submissions on carer pension credits and contribution top-ups during unpaid care periods, O'Connor notes.

What solutions the commission finds to accommodate carers' pension saving remain to be seen, but demographic trends suggest caring responsibilities will become an increasingly important issue for working-age adults, Marsh says.

"As the population ages, more people are likely to balance the later part of their career with caring commitments. The industry will need to continue developing solutions that support flexibility and inclusion, while policymakers and employers will need to consider how best to ensure those who provide vital care do not face disproportionate financial disadvantage in retirement," he explains.

Phased retirement

Phased retirement, such as reducing working hours gradually, moving into consultancy, combining employment income with pension income, or returning to work after a period of retirement, is becoming increasingly popular, as people look for greater flexibility and a better work-life balance later in life. For instance, Aegon's *Second 50* research found that just 24 per cent of over-50s expect a hard-stop retirement.

"For many, this is a positive choice rather than a financial necessity," Smith says, as "almost half of those planning a phased retirement say they want to stay mentally active".

Marsh agrees that a phased retirement is a positive choice for many, highlighting YouGov research that shows three out of five retired British employees believe that phased retirement has the potential to improve work-life balance.

According to O'Connor, the pension system has not kept pace with this increasing trend for a phased retirement. "Drawdown rules, tax implications, and the interaction with means-tested benefits can all create perverse incentives against a gradual transition," she explains.

However, Hughes believes the UK pensions system is "reasonably flexible" in allowing access to DC savings from later life, "but the interaction between work, tax, pension withdrawals and ongoing contributions can be difficult to navigate".

Arguably the greatest assistance to phased retirement has been pensions freedoms, which has "already made phased retirement more possible for DC savers, while industry developments around retirement income products, guidance and investment pathways are intended to support better decisions", Hughes says.

The Pension Schemes Act implementation of guided retirement and decumulation pathways, along with the advice/guidance gap being bridged though targeted support are expected to help retirees become more confident in their pension choices.

But more may need to be done. As Hughes says, both "policy and the industry will need to develop better retirement defaults, clearer guidance and retirement income solutions that support partial work, partial drawdown and changing income needs over time. The key will be helping people use flexibility safely, so phased retirement becomes a planning opportunity rather than a source of confusion or poor decisions".

Written by Laura Blows