

Welcome

Red Sky in the Morning?
Inequalities, Savings Gaps and the
UK pension system.

A report from the PPI UK Pensions Framework Series

Chair's Welcome

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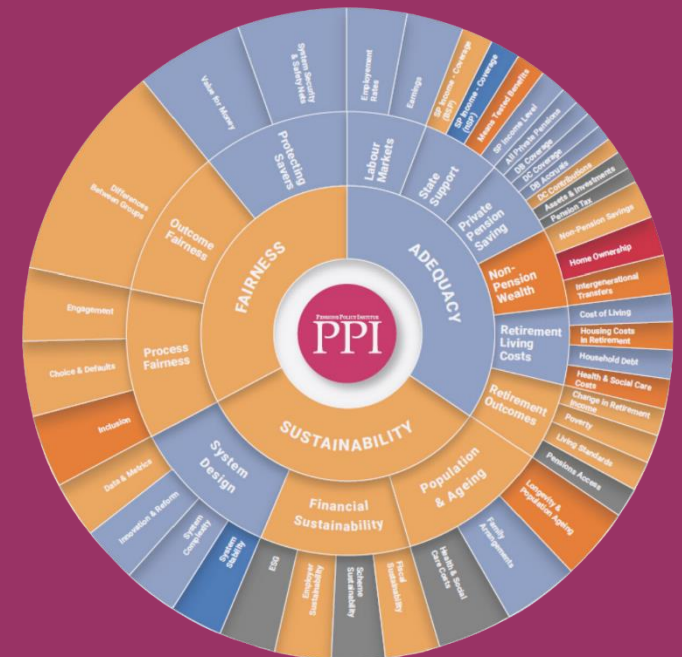


Event overview

Launching the fourth edition of the PPI's UK Pensions Framework in association with



This year's report looks at how factors relating to fairness could be contributing to outcomes in later life



Key Findings

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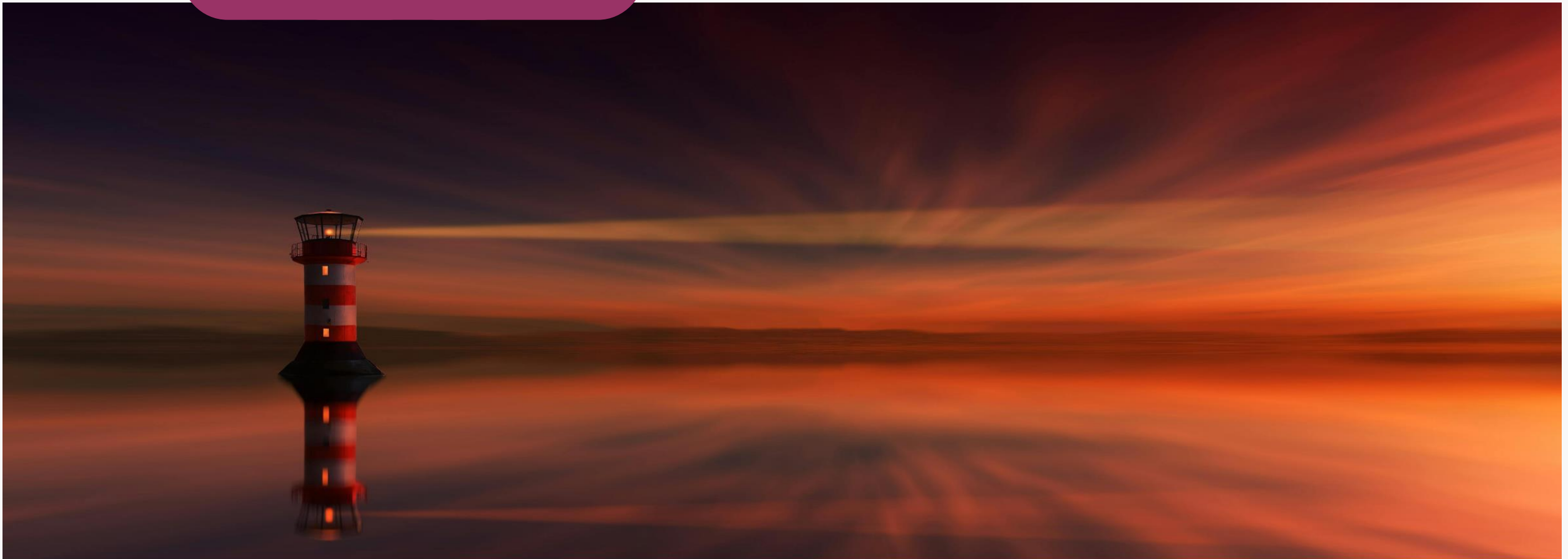
Red Sky in the Morning?

Inequalities, Savings Gaps and Adequacy in the UK Pension System

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Introduction

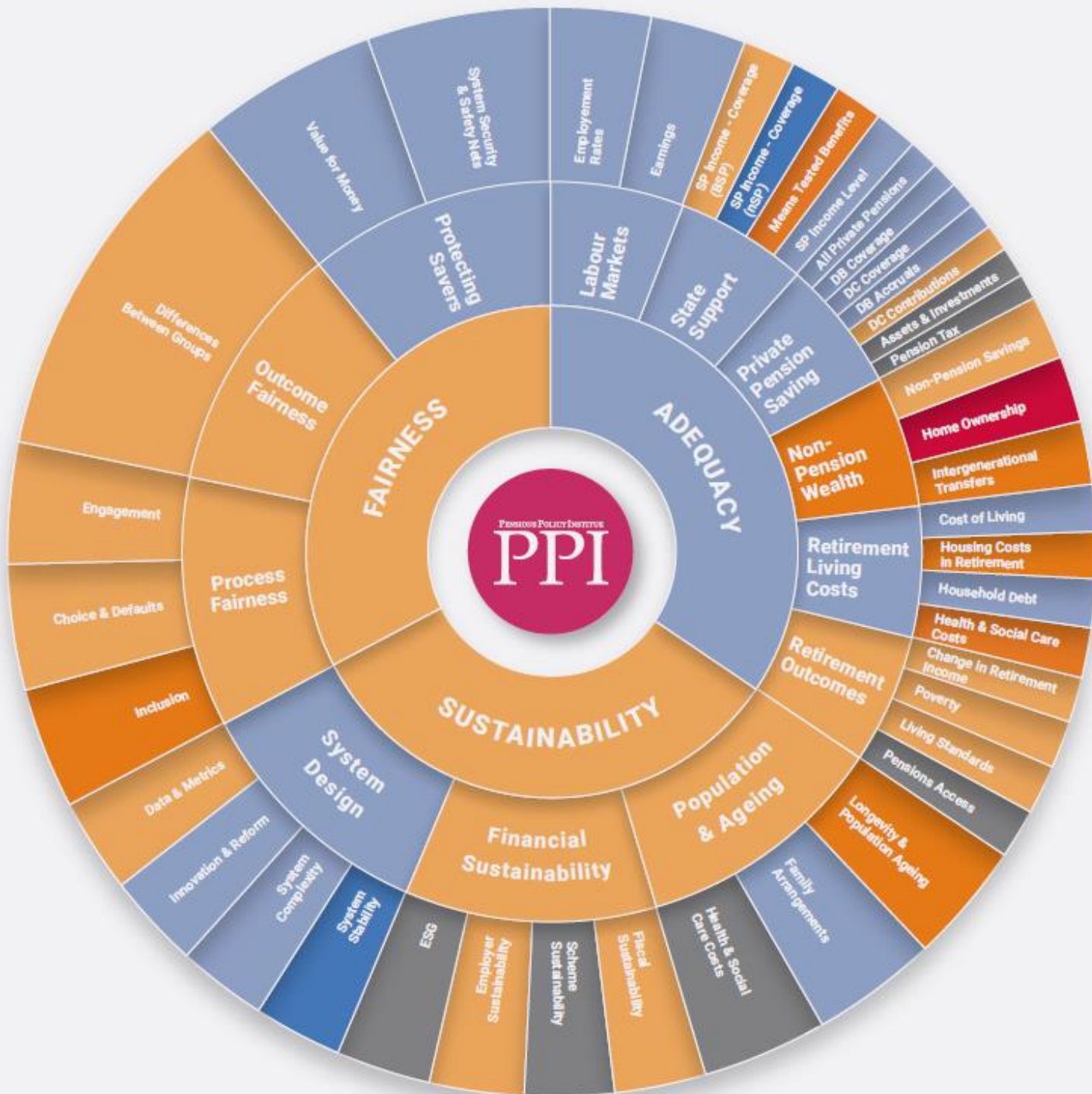


Red Sky in the Morning?

Inequalities, Savings Gaps and Adequacy in the UK Pension System

Introduction

- ✓ • Inequality means that there are recurring patterns of differences in the opportunities people have, and the outcomes they are able to achieve.
- ✓ • Evidence consistently shows that the socioeconomic gaps we see across the population today will become the pension gaps of tomorrow.
- ✓ • Since the current pension system was proposed in 2004, the UK has become a materially more unequal society.
- ✓ • Inequalities linked by cause and effect to lifetime income are particularly important to later life outcomes, and are the main focus of this research.



Differences in retirement adequacy are reduced by recent pension reforms, but widened by socioeconomic inequalities and saving gaps in the UK pension system

L6	Much higher levels of adequacy across the population
L5	Somewhat higher levels of adequacy across the population
L4	Slightly higher levels of adequacy across the population
L3	Slightly lower levels of adequacy across the population
L2	Somewhat lower levels of adequacy across the population
L1	Much lower levels of adequacy across the population
	No data, or no recent change in trends that will affect adequacy

What do the results tell us?

Living standards in later life could...

Improve

As a result of...

Pension reforms

That are linked to...

Higher coverage

Rising State Pension

Worsen

Widening inequalities

Unresolved gaps in the pension system

Health

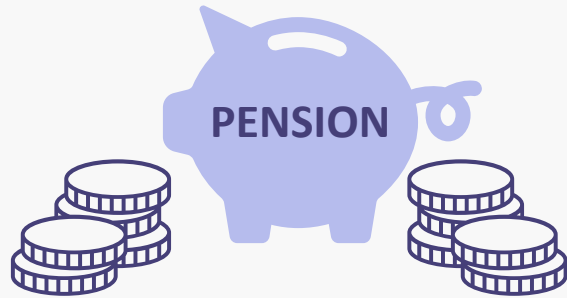
Employment

Wealth

Employers

Housing

Systemwide policy reforms are helping to improve adequacy because they are designed to be of most benefit to groups at greatest risk



Automatic enrolment has reduced participation gaps by sector, gender, age and ethnicity.



The new State Pension has narrowed differences in State Pension income among younger retirees by raising income for the poorest pensioners.

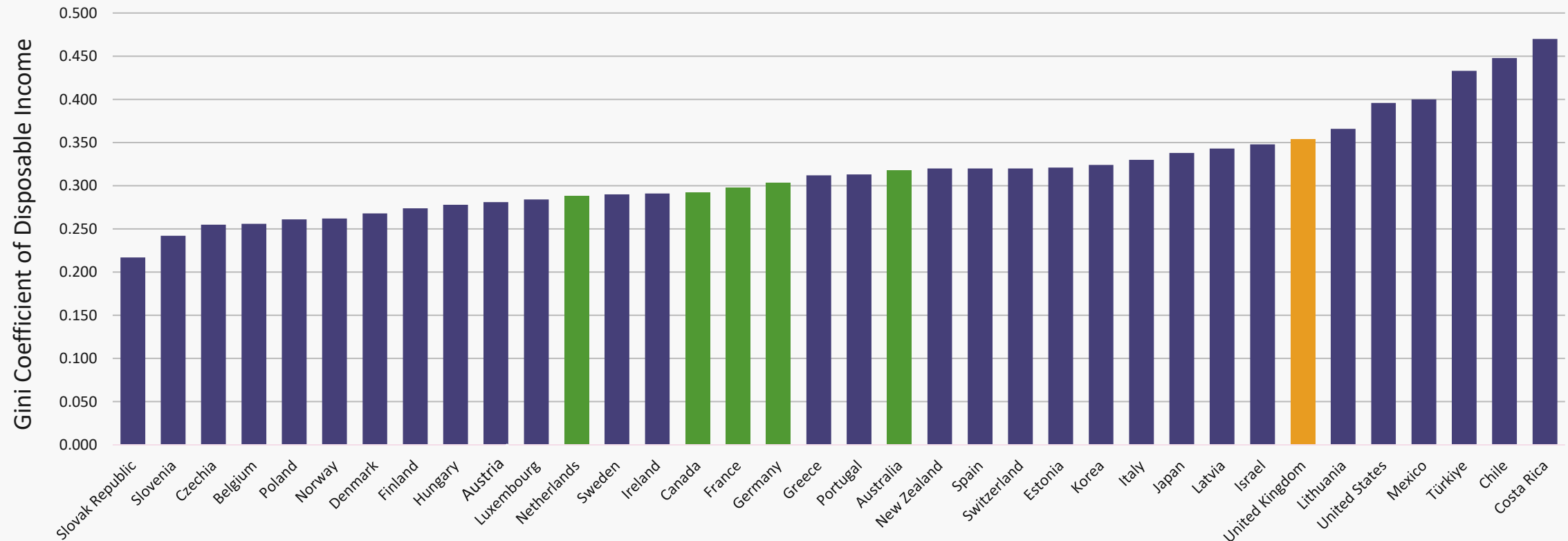


The National Minimum Wage has narrowed earnings inequality by lifting those on the lowest incomes, and bringing people into automatic enrolment

UK disposable income inequality has been the highest of all large European economies since the 1990s, and underpins other emerging inequalities

Income inequality (disposable income), OECD countries 2022 (or nearest available data)

Gini coefficient: 0 = complete equality; 1 = complete inequality



The gap in total wealth between top and bottom 10% of UK households grew by 50% (£3.5tn) between 2011-2019

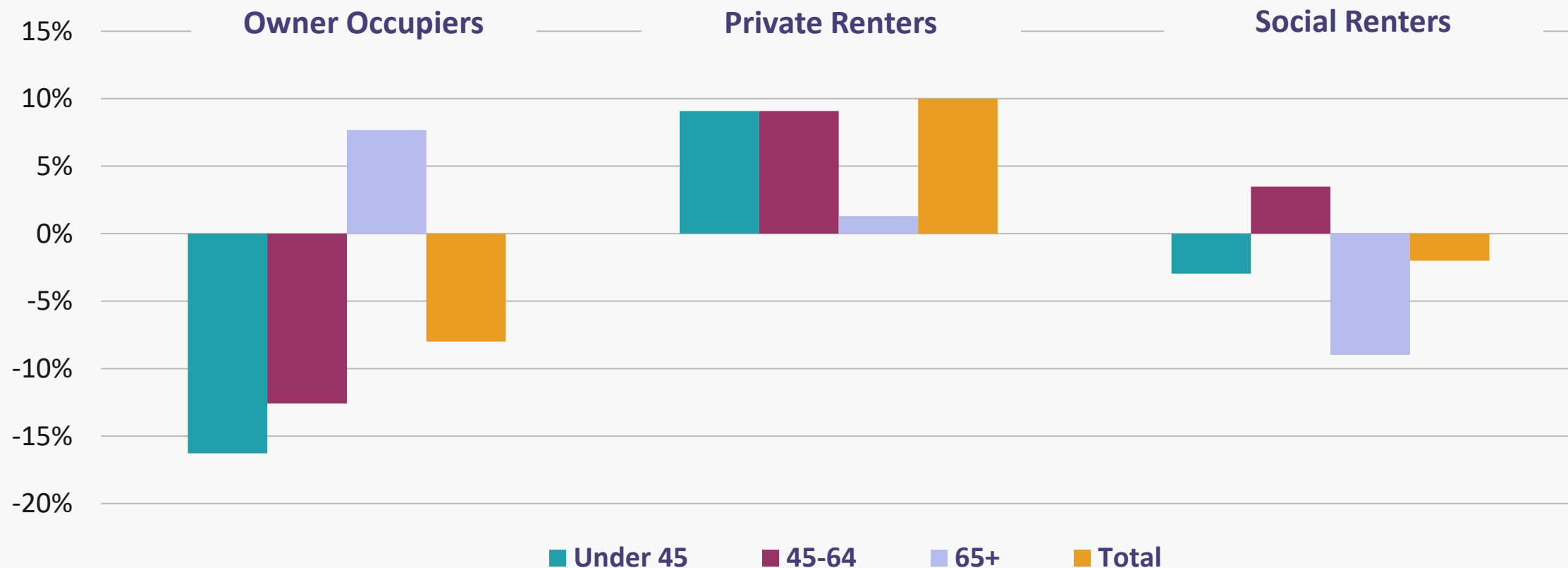
Wealth components (median) by household total wealth decile, Great Britain April 2018 to March 2020.



Source: Household total wealth in Great Britain: April 2018 to March 2020. ONS, 2022.

Falling home ownership means that 1.7 million pensioner households (14%) could be renting privately by 2040, up from 500,000 today (5%)

Percentage point change in housing tenure as a share of overall housing tenure by age group, households in England 2003-04 to 2020-21



Health inequalities are one of the fastest-growing risks to retirement outcomes, and are fracturing the link between employment and adequacy

From the most deprived areas of the country:



A male born today can expect to live 73.5 years, with 71% of his life in good health



A female born today can expect to live 78.3 years, with 66% of her life in good health

From the least deprived areas of the country:

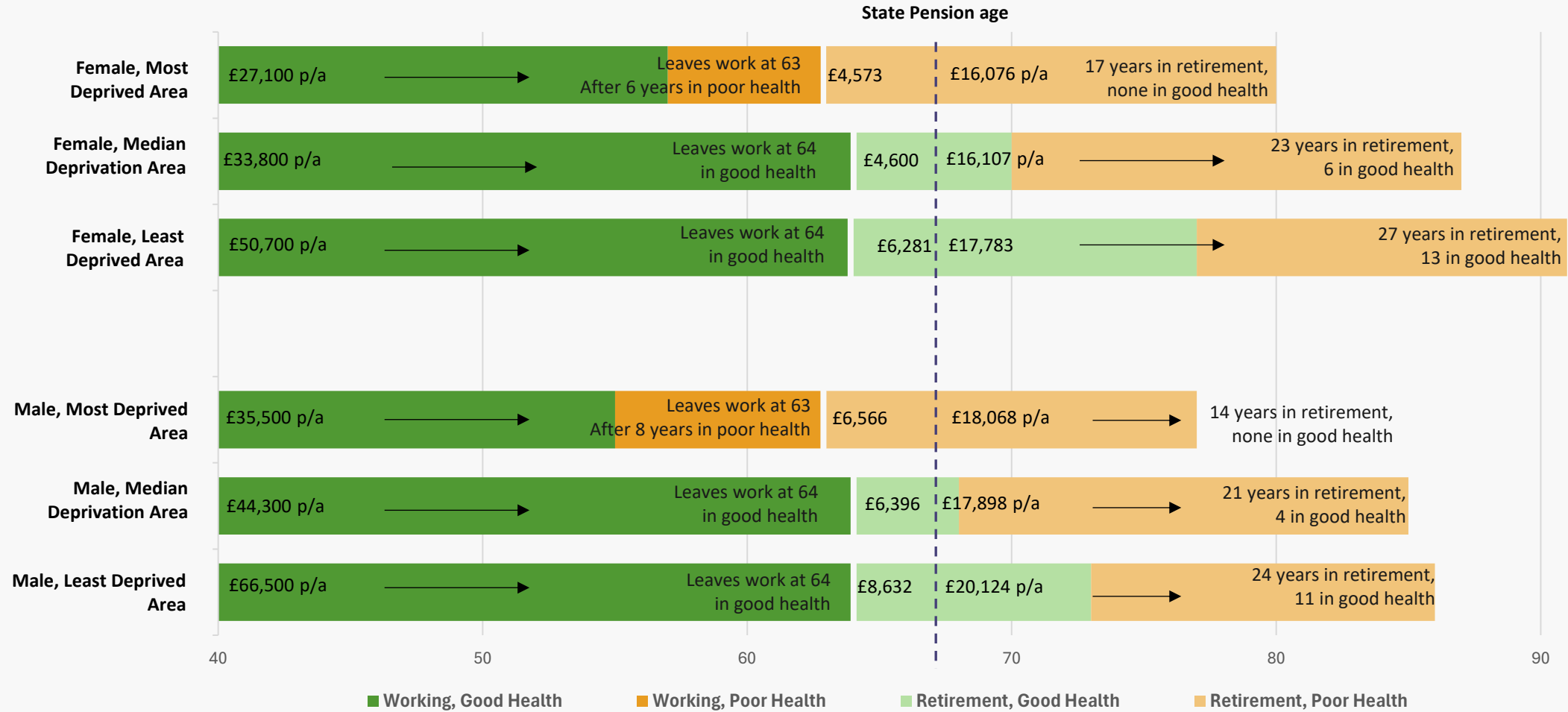
A male born today can expect to live 83.2 years, with 75% of his life in good health



A female born today can expect to live 86.3 years, with 82% of her life in good health

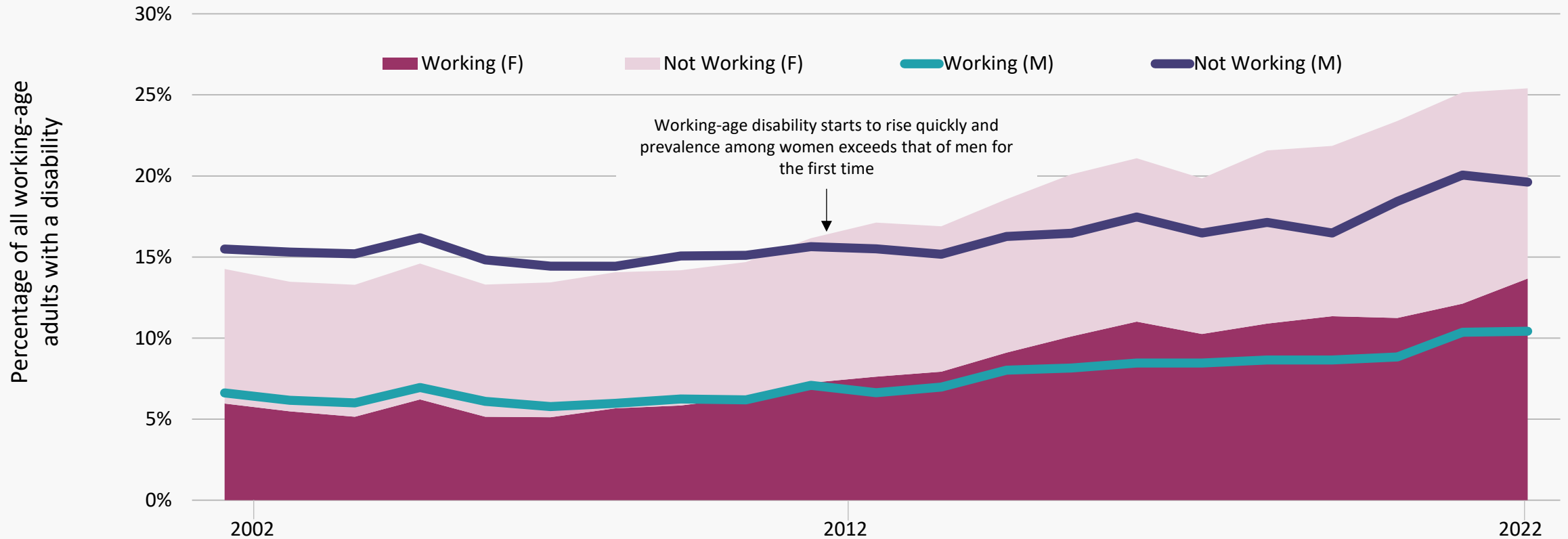


People in high deprivation areas are most likely to fall ill during working life, but those in areas of low deprivation need to make their income last longer



The proportion of working age adults with a disability has risen from 16% to 23% in just ten years

Percentage of working-age males and females reporting a disability, in work and economically inactive, UK 2002-03 to 2022-23



Labour market risks and inequalities are jeopardising progress that has been achieved by UK pension reforms



EMPLOYMENT

Groups most at risk of low financial security in later life share common characteristics of lower employment rates, more part-time work and lower earnings than average



EMPLOYERS

Pension saving differs by sector (public, private sector or self-employed), and for those in the private sector, by the size of the organisation they work for

The policy implications of the research can be summarised in five key steps



Build on success

Integrate dependencies

Simplicity has worked, but is it time for trade-offs?

Culture of engagement, or culture of compliance?

Strengthen safety nets

The UK pension system has reached a critical juncture

Conclusions

- Recent pension reforms have had remarkable success, bringing the benefits of pension saving to millions of workers and raising pension income among the poorest pensioner households.
- However, gains have now stalled and growing inequalities in health, wealth, housing and work signal widening differences in pension saving and living standards in later life.
- The Pensions Review will be critical to developing policies that can close savings gaps, while better reflecting the increasingly individualised nature of work and retirement in a changing UK society

Sponsor's Response

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Q&A with the panel



Anna Brain
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Emma Douglas
Aviva
PPI Governor



Des Healy
HM Treasury



Will Snell
Fairness Foundation

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Thank you to...



The authors of the research, Anna Brain, Daniela Silcock,
Tim Pike and John Adams

The Event Chair, Speakers and Panel Members

To everyone who has made the launch of this report
possible today.

**Thank you for
attending today**