Chair's Welcome

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The PPI Pillars of Purpose

OUR VISION

BETTER-INFORMED POLICIES AND DECISIONS THAT IMPROVE LATER LIFE OUTCOMES

OUR MISSION

WE PROMOTE INFORMED, EVIDENCE-BASED POLICIES & DECISIONS FOR FINANCIAL PROVISION IN LATER LIFE THROUGH INDEPENDENT RESEARCH & ANALYSIS

WE ARE A TRUSTED SOURCE OF INFORMATION

We balance the argument by providing objective and accessible information on the extent and nature of later life financial provision, and any associated implications.

WE LEAD THE DEBATE

Through contributing impartial analysis and commentary to the policymaking process.

WE ENCOURAGE RESEARCH

Both at the PPI and in collaboration with others, which in turn informs policy and decision-making.

WE MODEL IMPACT OF POLICY CHANGES

We analyse long term outcomes under the current UK pensions system and the impacts of possible reforms.

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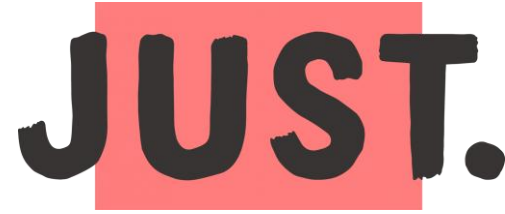
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An independent report by the Pensions Policy Institute

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Today's Roundtable

The roundtable is the official launch of the first part of the **"From Pensions to Payslip: Life Course Impacts on Retirement Saving Among Low Earners"** series

This first report, **Part One: Persistent Low Earning**, investigates persistent low earnings.

In this research

Low earning - means earning less than a full-time living wage.
Persistent - means being a low earner for an extended period.

Introduction

- Automatic Enrolment is due to expand its scope.

- Some Low Earners can and should save, while others cannot afford to and may not need as much of a private pension.

- Low Earners are sometimes excluded from Automatic Enrolment.

- This project aims to identify what different low earners need in terms of pensions, and what policy interventions may be necessary.

Introduction

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➢ This first phase of the project looks at persistent low earning.

➢ We find that many low earners spend decades as low earners, especially women, and that there are risk factors that can help predict persistent low earning.

➢ We predict this by building a career "roadmap" for different groups using the Understanding Society dataset.

Definitions

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➢ Automatic Enrolment currently uses a trigger income of £10,000 p/a.

➢ However, many people earning above this could also be considered low earners.

➢ This research mostly considers those earning less than a full time Living Wage (£24,570 salary; £916.50 contribution).

➢ This research also considers one gender at a time.

Persistent low earning increases with a higher threshold for low earning

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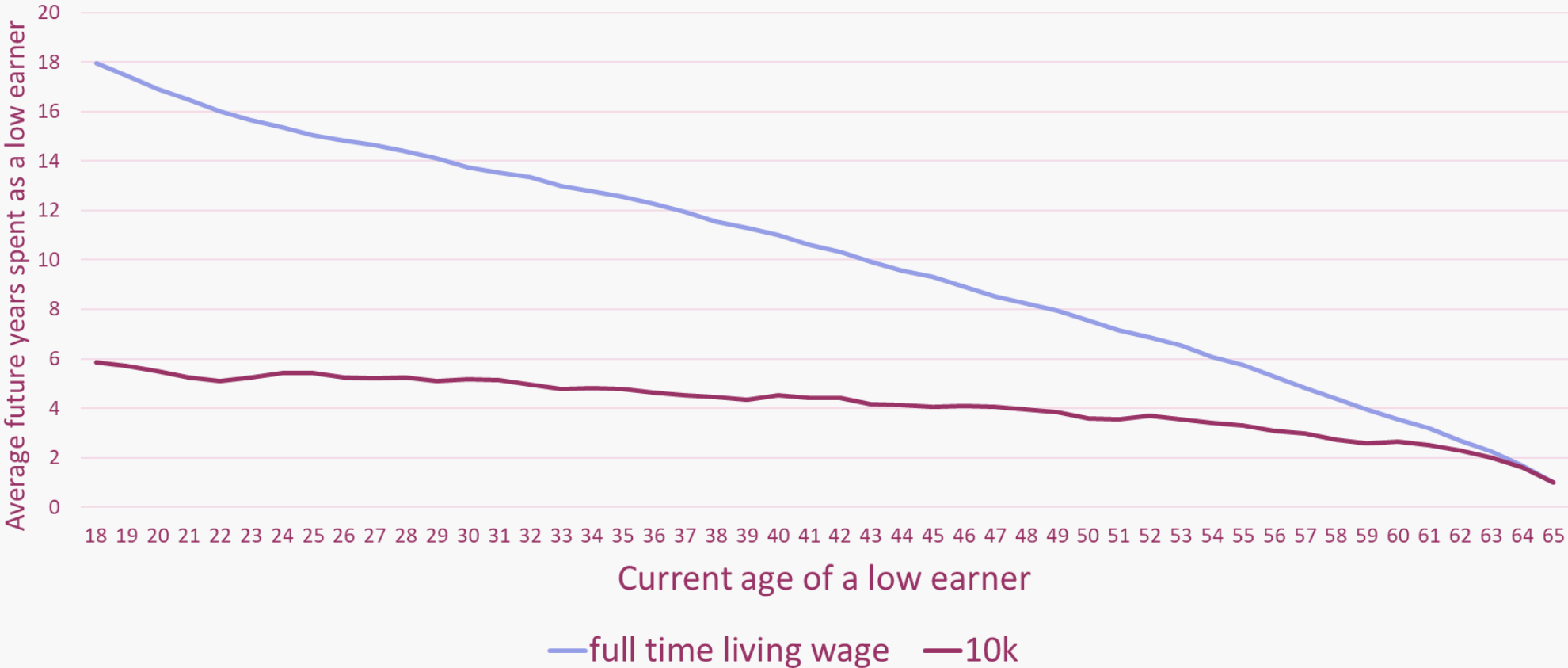
Expected number of future years of low earning for women, by age, under different low earning thresholds

Average future years spent as a low earner

20
18
16
14
12
10
8
6
4
2
0

18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65

Current age of a low earner

—— full time living wage   —— 10k

Gender differences

➢ Men and women are considered separately in this analysis.

➢ Men and women have different career trajectories and different risk factors for low earning.

➢ Women are more likely to be low earners, and more likely to be persistent low earners.

Women are more likely to be persistent low earners than men
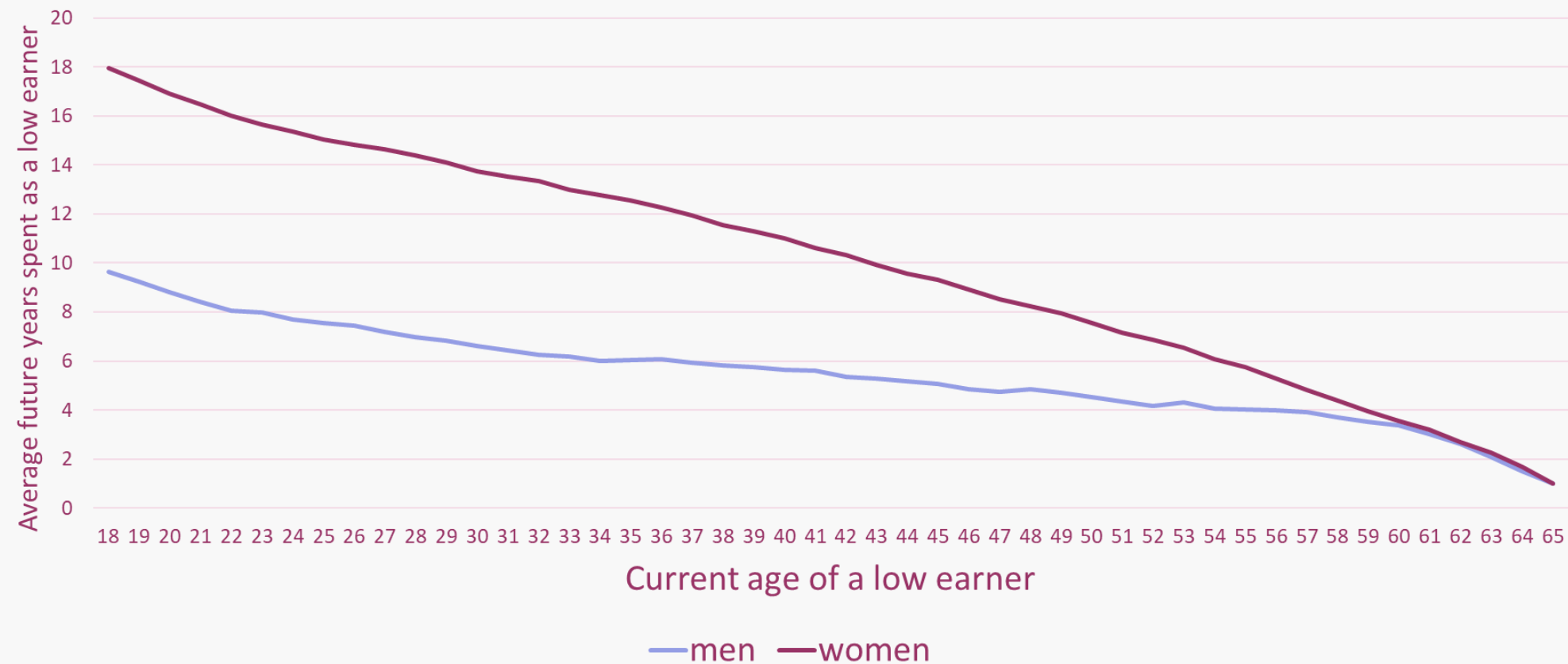
Expected number of future years of low earning for men and women by age

Average future years spent as a low earner

Current age of a low earner

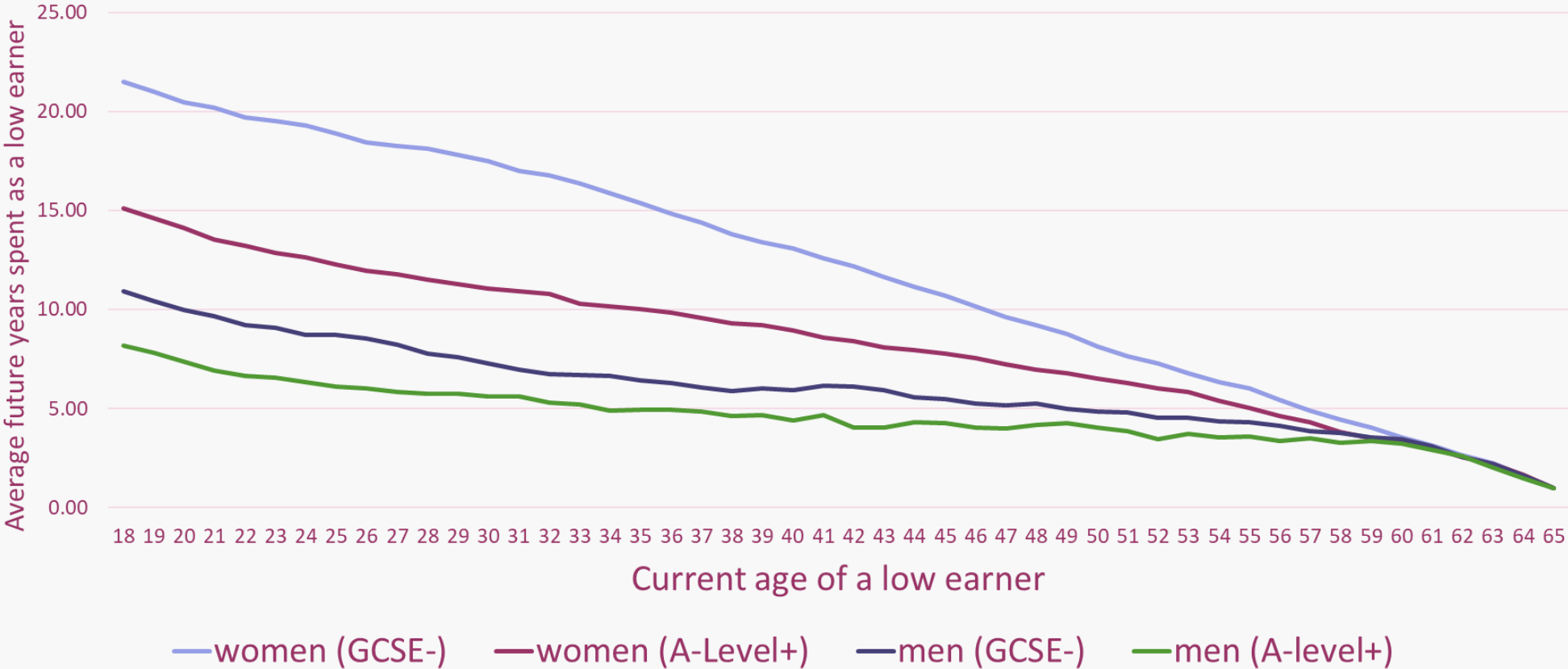—men —women

What contributes to low earnings among women?

➢ One factor that contributes to low earning among women is motherhood.

➢ Another is low qualifications.

➢ There is some evidence to suggest that either factor by itself increases the persistence of low earning.

Motherhood increases the persistence of low earning among women

Expected number of future years of low earning before age 50 for mothers, women without children, and men by age

Y-axis: Average future years spent as a low earner

10.00
9.00
8.00
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00

X-axis: Current age of a low earner

30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48

Legend: men — mothers — women without children
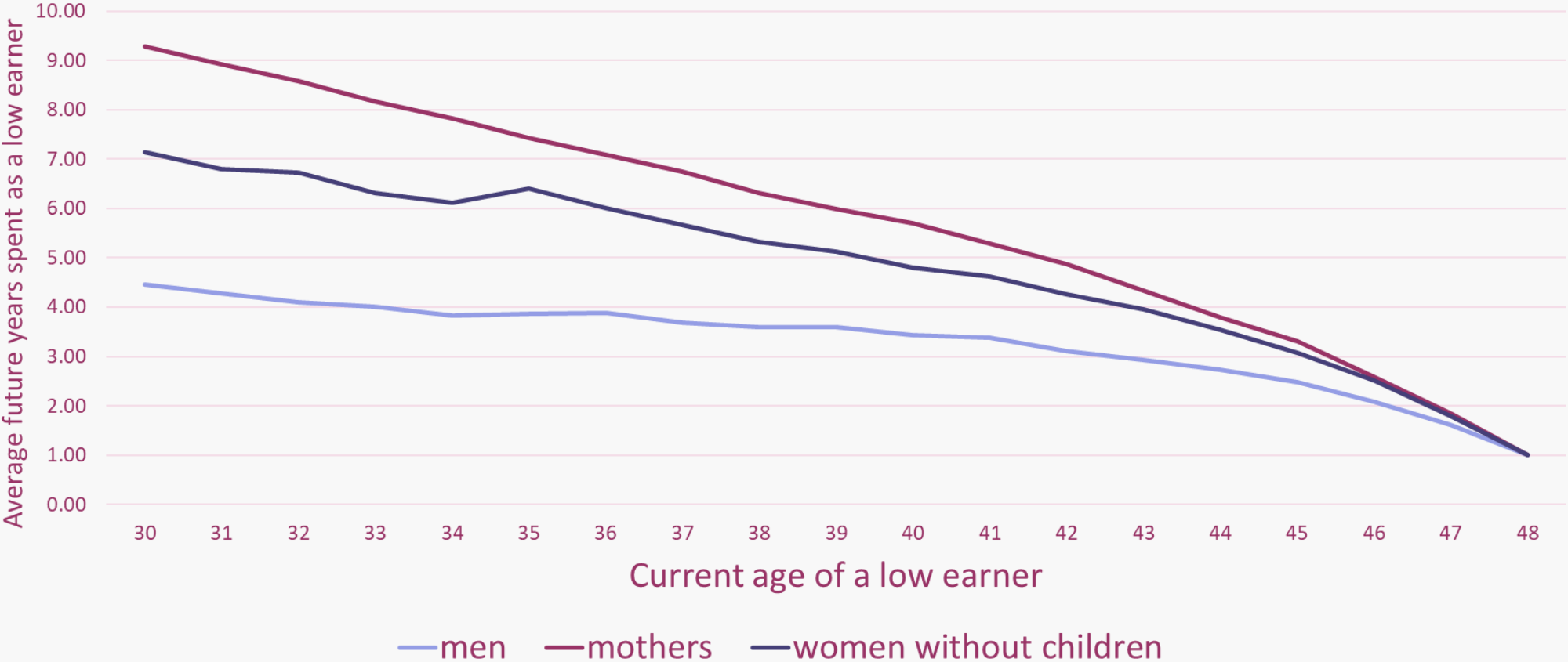
Low qualifications also increase the persistence of low earning for women, as well as men

Average future years spent as a low earner

Current age of a low earner

— women (GCSE-) — women (A-Level+) — men (GCSE-) — men (A-level+)
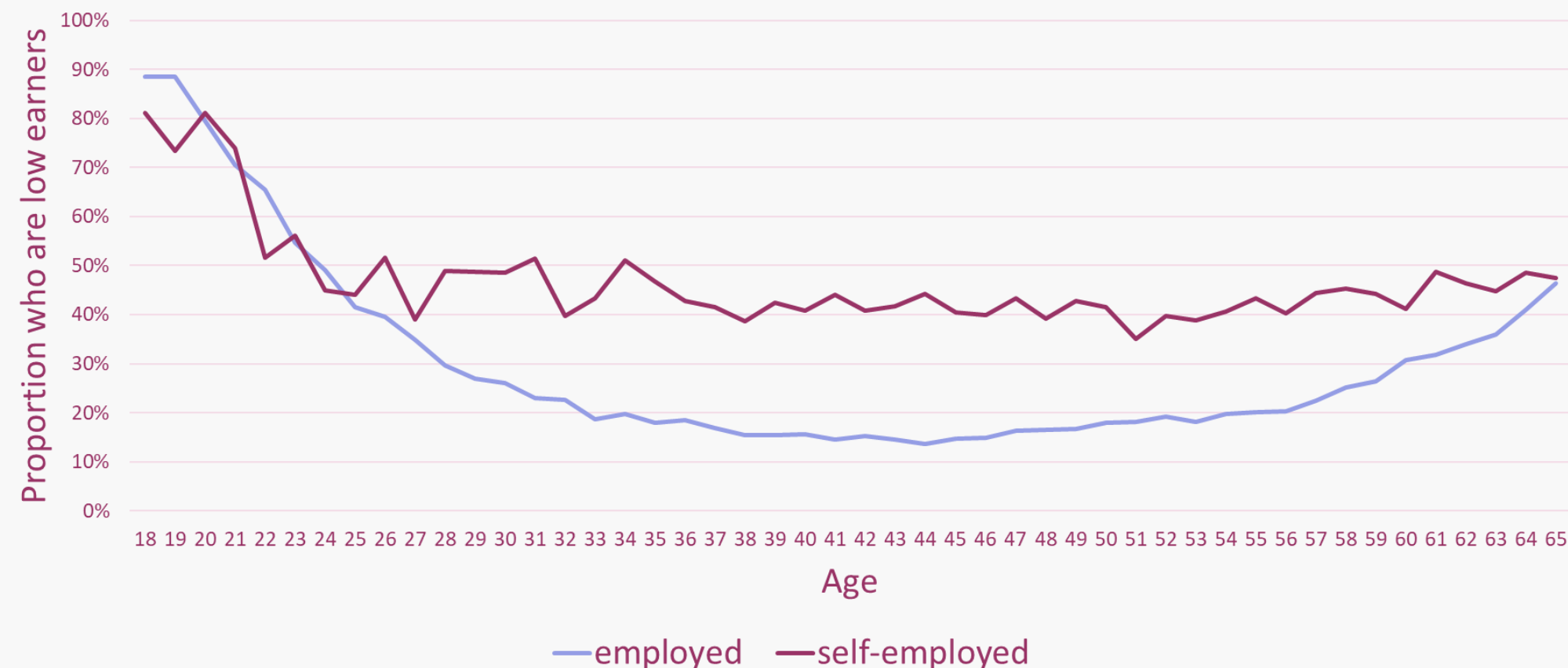
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Expected number of future years of low earning for men and women, whose highest educational qualification is a GCSE or lower, or an A-level or higher

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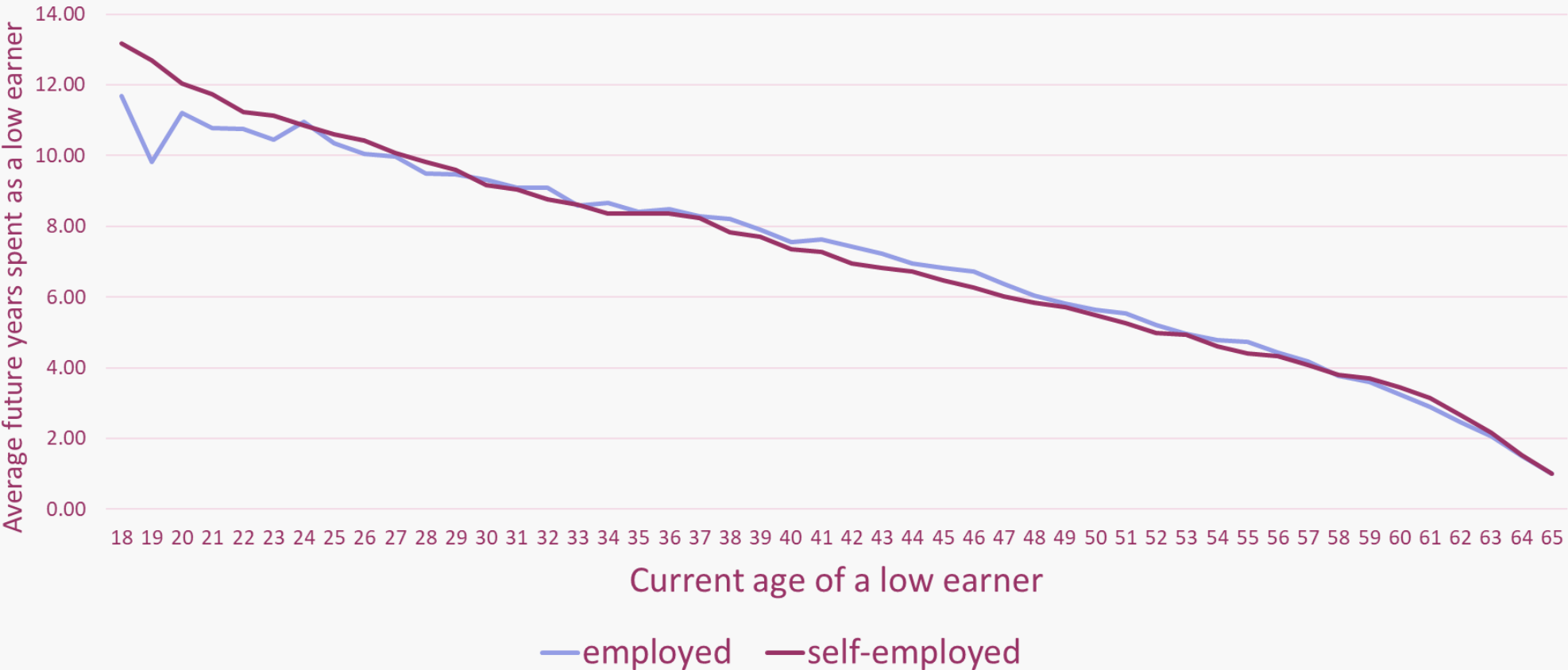
What contributes to low earning among men?

➢ For most men, low earning is less common overall, and happens most often at the beginning or end of working life.

➢ In the middle of working life, a key risk factor for men is self-employment: at age 40, 41% of self-employed men are low earners, compared to 16% of employed men.

➢ However, this is not a risk factor for persistent low earning: at age 40, low earning men can expect 7.6 years of future low earning if they are employed, or 7.3 if they are self employed.

In the middle of working life, self-employed men are more likely to be low earners than employed men

Proportion of men who are low earners at each age, by employment type

Proportion who are low earners

100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%

18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65

Age

—employed   —self-employed

Self-employed men and employed men have similar rates of persistent low earning

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Expected number of future years of low earning for low earning men, by employment type

Average future years spent as a low earner

14.00
12.00
10.00
8.00
6.00
4.00
2.00
0.00

18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65

Current age of a low earner

—— employed   —— self-employed

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Other factors

➢ Low earning is less consequential at very young ages than it is at older ages.

➢ Having a partner was also investigated, but has little effect on persistence of low earning.

➢ Other factors were identified as risk factors, such as disability, caring, and geography, which need further research.

Main takeaways

➤ Some low earners, especially women, are likely to spend around 20 years of their career earning less than a full-time minimum wage.

➤ This can be predicted by motherhood and qualification level.

➤ Self-employment is a predictor of low earning, but not persistent low earning in men.

➤ Predicting persistent low earning can help to estimate lifetime saving capability.

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Roundtable Discussion

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