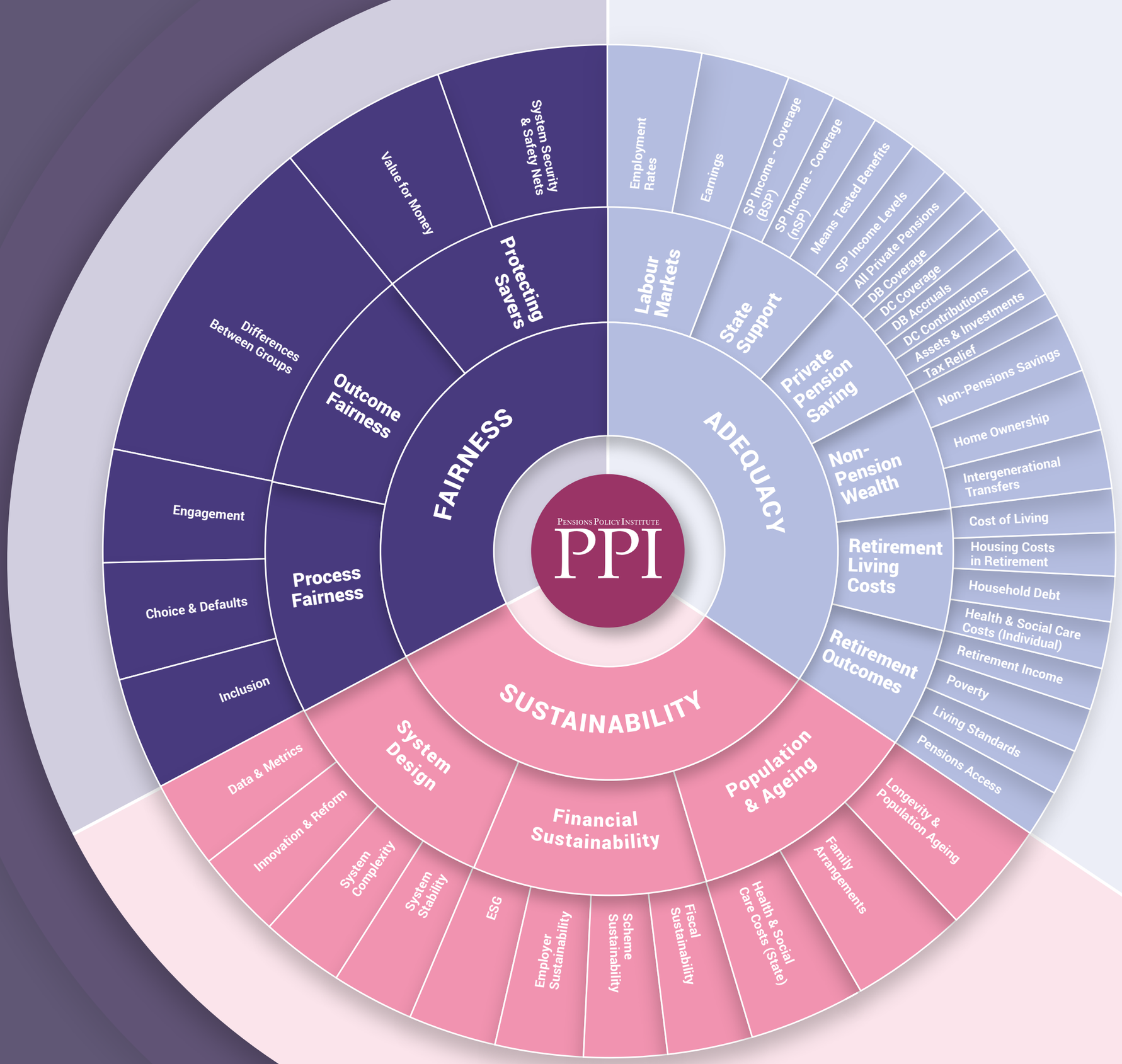
PENSIONS POLICY INSTITUTE

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The UK Pensions Framework:

HOW WORK SHAPES RETIREMENT OUTCOMES



A report from the PPI UK Pensions Framework Series, in association with:

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Foreword



Michele Golunska

MD, Wealth and Advice, Aviva

Retirement forms a significant part of our lives. While longevity is something to be celebrated, ensuring we make the most of our later years means making sure we do all we can during our working lives to prepare for them. The current pensions system has achieved something hugely important by helping millions more people to save. However, making sure this system is adequate, fair and sustainable is a further challenge. As might be expected of a design built to serve so many people, outcomes are not experienced equally, and crucially this is not just a case of individual choices or behaviours. People's circumstances, opportunities and working patterns all play a role, with the design of the system often reinforcing these differences over time.

This year's report shows that the trends are not linear; earning more does not mean you're inherently better placed for retirement if pension saving is not prioritised by the employer or individual. However, there is real cause for optimism, with great examples out there of lower earners on track for good retirement outcomes; working in sectors which encourage contributions, for employers who act on this intent to encourage consistent saving.

Throughout our working lives financial decisions involve some trade-offs, such as that of near-term affordability against saving for the long-term. Automatic enrolment has harnessed behaviour in such a productive way to boost participation, but some of those core trade-offs remain for employees, employers and the self-employed. Being able to explore these trade-offs and the dynamics which influence them is what makes the Pensions Framework so invaluable.

I'd like to thank the PPI for once again delivering such an insightful report, and the experts, policymakers, employees and employers who have contributed. The analysis deepens our understanding at a time of significant policy debate, from encouraging greater retirement savings through working life, to supporting informed retirement decisions and ensuring sustainable incomes in later life.

Whether someone is a higher or lower earner, highly engaged with their pension or not, the pensions system plays a vital role for individuals, families and communities. At Aviva, we remain committed to playing our part in helping people achieve better retirement outcomes.

EXECUTIVE SUMMARY



Executive Summary

This report is part of the PPI's UK Pensions Framework series, which provides a structured approach to assessing the UK pension system against three core objectives: adequacy, sustainability, and fairness. The Framework recognises that the pension system does not operate in isolation from the labour market. Retirement outcomes reflect the interaction between people's earnings and employment trajectories, the pension provision available to them, their capacity and propensity to save, and the role of the State.

This report explores that interaction through a set of representative worker profiles. The profiles are used to examine how different working lives translate into different pension outcomes under the current system. This provides a more granular assessment of where the current system supports positive retirement outcomes, where risks remain, and how potential policy changes could affect different parts of the workforce.

The report finds that there is no single adequacy challenge. Different workers face different barriers to achieving adequate retirement outcomes, reflecting variations in earnings, employment, and pension provision. This means that approaches to improving adequacy are likely to have different effects across the workforce, and will need to consider both where additional saving is needed, and where it can realistically come from.

The UK pensions policy debate is increasingly focused on whether the system will deliver adequate retirement incomes for future generations. Automatic enrolment (AE) has substantially increased participation in workplace pension saving, but increased participation does not necessarily translate into adequate retirement incomes. The second Pensions Commission presents an opportunity to assess whether the system as currently designed can deliver adequate, sustainable, and fair retirement outcomes over the decades ahead.

There is not one single adequacy challenge. Different workers face different barriers to building an adequate retirement income, meaning that the effectiveness of approaches to improving adequacy will vary across the workforce.

This report examines how earnings, employment, and pension provision interact to shape retirement outcomes, highlighting a number of important considerations for achieving adequate retirement outcomes in a sustainable and fair way:

- **Earnings alone do not determine retirement outcomes**, with contribution levels and employer pension provision playing an important role in how working life earnings translate into retirement resources.
- **Where people work influences the opportunity they have to build adequacy and security**, with some workers receiving substantially more support than others.
- **Different causes of low pension saving present different policy challenges**, meaning that a single policy response will not have the same impact across the workforce.
- **Future policy needs to consider not only how much more needs to be saved, but where additional saving can realistically come from**, including the balance between employee and employer contributions.

[1] Earnings are split at 35th percentile and 65th percentile. Pension contributions are split at 10%. More details on how the worker profiles were constructed can be found in the Modelling Appendix.

Earnings, employer pension provision, and wider financial circumstances interact to shape retirement outcomes

Earnings and pension saving are unevenly distributed across the working population, and higher earnings do not always correspond with higher levels of pension saving. To explore how these differences shape retirement outcomes, this report constructs six representative worker profiles, combining higher, average, and lower earnings with relatively lower or higher pension contributions (Figure Ex.1)

Figure Ex.1[1]

	Lower pension contributions	Higher pension contributions
Higher earnings	**Profile A** (20% of workers)	**Profile B** (15%)
Average earnings	**Profile C** (19%)	**Profile D** (11%)
Lower earnings	**Profile E** (24%)	**Profile F** (11%)

The profiles show that **pension outcomes are shaped by more than earnings. Employer provision, pension scheme type, employment patterns, saving behaviour, and wider financial circumstances can reinforce or offset earnings differences**. Workers may also move between profiles during their working lives as their earnings, employment, and pension arrangements change. Retirement outcomes reflect the interaction of many factors over the course of working life. The dashboard below aggregates the more detailed assessments throughout the report, highlighting where these factors reinforce one another and where strengths in one area can offset weaknesses in another (Figure Ex.2).

Key	
L6	Strong support for adequacy
L5	Good support for adequacy
L4	Somewhat supports adequacy
L3	Somewhat fails to adequacy
L2	Poor support for adequacy
L1	Fails to support adequacy

Figure Ex.2

	A	B	C	D	E	F
Capacity to save						
Employer support						
Private pension arrangements						
State support						

These differences combine to produce substantially different levels of support for adequacy across the six profiles (Figure Ex.3).

Figure Ex.3



Profiles A and F illustrate this contrast particularly clearly. In Profile A, **20% of the working population combine higher than average earnings with comparatively low pension contributions**, showing that greater capacity to save is not always converted into stronger retirement outcomes. By contrast, in Profile F, **11% of workers combine lower earnings with higher contributions and stronger employer provision**, demonstrating how institutional provision can mitigate some of the disadvantages associated with lower earnings. While DB provision is particularly prevalent in this profile, a quarter (25%) have DC provision, showing that stronger employer support is not confined to DB.

Nearly two-thirds of workers are in lower-pension profiles where employer support is weaker

Where people work influences the opportunity they have to build adequacy and security. Profiles A, C, and E account for around 63% of the working population. While the reasons for lower pension saving differ, weaker employer provision and contributions at or close to minimum levels are recurring features. Profiles B, D, and F account for around 37% of the working population, combining higher pension contributions with stronger employer provision.

The difference is substantial. Average employer contributions are 14 percentage points lower in the lower-pension profiles than in equivalent-earning high-pension profiles. This partly reflects higher concentration of DB provision in higher-pension profiles, but the difference persists **within DC: average employer contribution rates are 8 percentage points higher in the higher-pension profiles than in the lower-pension profiles**. Stronger employer provision can mitigate some of the disadvantages associated with lower earnings, while weaker provision can constrain pension accumulation even at higher earnings. The nature of employer provision also affects how investment and longevity risk are shared between individuals and employers.

The importance of employer provision is also evident among the self-employed. More than three-quarters of people moving from employment into self-employment stopped contributing to a private pension within the first year, while average contributions fell from around 8% of earnings to just over 2%.[2] This highlights the role that employer involvement and automatic workplace saving play in sustaining pension saving.

Different drivers of low pension saving present different policy challenges

Workers with relatively low pension saving should not be treated as a single group. The underlying causes and potential routes to greater adequacy differ across the earnings distribution.

20% of workers are higher earners but are not on track to achieve adequate retirement outcomes

Profile A's higher earnings suggest greater capacity to save more. The challenge is primarily one of converting greater financial capacity into pension saving. Approaches that increase contributions through stronger defaults, automatic escalation or employer matching could therefore have a different effect for this group than for workers with less capacity to save.

19% of workers are average earners with relatively low pension contributions, but less capacity to increase pension saving

Profile C's average earnings may constrain capacity to save more. There is greater tension between improving future retirement income and maintaining living standards during working life. The balance between employee and employer contributions therefore becomes increasingly important.

24% of workers are lower earners facing multiple barriers to achieving adequate retirement outcomes

Profile E's lower earnings, alongside other structural disadvantages, make achieving adequacy particularly challenging. There are limits to what can be achieved through higher individual contributions alone, increasing the importance of employer provision and State support.

[2] Cribb & O'Brien (2026)

These profiles point towards a more nuanced policy approach. Where financial capacity exists but is not translated into pension saving, there is greater scope to **activate that capacity**. As capacity becomes more constrained, **how the cost of additional saving is shared between workers and employers** becomes increasingly important. Where low earnings place a structural limit on private pension accumulation, **institutional and State support** become more significant alongside contribution reform.

Future policy needs to consider not only how much more needs to be saved, but where additional saving can realistically come from

The differences demonstrated by the worker profiles reframe the policy challenge from one of increasing pension saving across the population to one of understanding where additional saving can realistically come from and how different interventions affect different workers.

Increasing pension contributions can support adequacy, but the effects differ according to workers' earnings, existing pension provision, and capacity to save. Higher employee contributions affect take-home pay, while higher employer contributions increase employer costs. For workers with limited scope for additional individual saving, employer provision, AE design, and State support play a greater role. **The balance between individual, employer, and State responsibility may need to shift as workers' capacity to build adequate private pension wealth changes.**

These differences have implications for adequacy, sustainability, and fairness. The worker profiles show why these objectives cannot be assessed only at an aggregate level. The same policy can have different effects across the workforce because the causes of low pension saving differ. **The route to adequacy differs across the workforce. Improving retirement outcomes requires consideration not only of the level of pension saving, but of workers' capacity to contribute, the support available through employment, and where the associated costs and risks fall.**

Understanding these differences is important as policy moves beyond extending pension participation towards addressing adequacy. The findings highlight the importance of considering pension contributions as part of a wider remuneration package, and the role that employers can play in directing a greater share of remuneration towards later life. The evidence in this report provides a basis for considering not only **how much more needs to be saved, but who is able to save more, where additional contributions could come from, and how responsibility for improving retirement outcomes is shared between individuals, employers, and the State in a way that supports adequacy while remaining sustainable and fair**.

Introduction

This report is part of the PPI's UK Pensions Framework series, which provides a structured approach to assessing the UK pension system against its three core objectives of adequacy, sustainability, and fairness.

Reforms following the first Pensions Commission, including automatic enrolment (AE), have substantially increased participation in workplace pension saving. As participation has increased, policy attention has increasingly turned to whether the system will deliver adequate retirement incomes. The second Pensions Commission brings renewed focus to the long-term adequacy, sustainability, and fairness of retirement outcomes, and to how responsibility for delivering them is shared across the pension system.

The pension system does not operate in isolation from the labour market. Retirement outcomes reflect not only how much people earn, but how they work, the pension provision available through their employment, their capacity and propensity to save, and the role of the State. Understanding how these factors combine across different working lives is important when assessing where risks to adequacy arise and how they might be addressed effectively.

To examine these differences, this report uses six representative worker profiles to assess how labour market circumstances and pension system design shape retirement outcomes. The profiles provide a more granular view of where risks to adequacy arise, and the extent to which the current system mitigates or reinforces inequalities that develop during working life.

Chapter One – How is pension saving distributed across the workforce?

Identifies structural patterns linking employment, earnings, and pension saving behaviour. These patterns are used to construct a set of representative worker profiles that capture key earnings and pension dynamics. This chapter establishes how earnings, pension participation, and asset accumulation are distributed across the population, which will form the empirical foundation for analysis throughout the rest of the report.

Chapter Two – How do labour market and behavioural factors impact inequalities across worker profiles?

Provides a detailed exploration of the worker profiles identified, exploring the drivers behind the patterns observed in Chapter One. It examines why pension saving behaviour varies across different groups and how these differences develop over time. These disparities reflect the interaction of employment structures, institutional pension design, earnings trajectories, behavioural factors, and broader life-course dynamics, which together shape retirement outcomes for different worker profiles across the population.

Chapter Three – How does pension system design impact inequalities across worker profiles?

Explores the interaction between worker profiles and the design of the current pension system, highlighting where structural features of the system may reinforce or mitigate inequalities in retirement outcomes.

Chapter Four – Who is advantaged and disadvantaged under the current system?

Assesses how effectively the pension system supports different workers against the objectives of adequacy, sustainability, and fairness, and explores how individual capacity and institutional support shape retirement outcomes.

CHAPTER ONE:

How is pension saving distributed across the workforce?

This chapter identifies structural patterns linking employment, earnings, and pension saving behaviour. These patterns are used to construct a set of representative worker profiles that capture key earnings and pension dynamics. This chapter establishes how earnings, pension participation and asset accumulation are distributed across the population, which will form the empirical foundation for analysis throughout the rest of the report.

Introduction

The PPI's UK Pensions Framework identifies adequacy, sustainability, and fairness as the core objectives of the UK pension system. Assessing whether these objectives are being achieved requires more than an understanding of aggregate trends. While population-level indicators provide an essential overview of system performance, there is a need to dig deeper into more granular differences in how individuals experience the pension system throughout their working lives and into retirement. Variation in earnings, employment characteristics, pension scheme membership, and household wealth indicate that workers enter retirement with varying levels of pension security despite participating within the same policy framework.

While previous editions of the Pensions Framework have focused primarily on aggregate data and system-level insights, this report takes a more segmented approach. Building upon the established Framework indicators, this report examines how combinations of labour market characteristics interact to produce distinct patterns of pension saving and retirement preparedness. The analysis recognises that retirement outcomes are shaped by the interaction of multiple factors including earnings level, occupation, sector, pension scheme type, and broader household assets. These characteristics combine over time to create differing trajectories of pension accumulation, exposing some groups to greater risks of inadequate retirement income, while positioning others to benefit more fully from the existing pension system.

This chapter analyses relationships between key indicators within the UK Pensions Framework to identify recurring structural patterns across the labour market. These patterns are used to construct representative worker profiles to better understand how different groups experience the pension system in practice, depending on the interaction between earnings, pension type, sector, and non-pensions assets. Existing evidence suggests that similar earnings levels can be associated with very different retirement outcomes depending on contribution rates and pension scheme design, reinforcing the value of a profile-based approach to analysis.[3] These profiles are intended as analytical tools to understand worker groups rather than precise descriptions of individual workers.

Worker profiles

Retirement outcomes cannot be explained through any single characteristic, such as earnings, pension participation, or pension scheme membership. The interaction of multiple labour market and financial characteristics shapes individuals' opportunities to accumulate pension wealth over the course of their working lives. Differences in earnings, employment stability, employer pension provision, pension scheme design, and wider household assets combine to produce distinct patterns of retirement preparedness across the workforce.

To understand these complex relationships, this report adopts a profile-based analytical framework. The representative worker profiles set out in this chapter are analytical archetypes, rather than fixed demographic categories or descriptions of every worker in the UK labour market. They represent recurring combinations of labour market characteristics, pension arrangements, and household financial circumstances that shape retirement outcomes. Workers may move between profiles throughout their careers as their circumstances change. Characteristics such as gender, disability, caring responsibilities, health, and ethnicity cut across the profiles and can interact with employment and pension characteristics to produce multiple or overlapping sources of advantage and disadvantage.

Figure 1.1[4]

	Lower pension contributions	Higher pension contributions
Higher earnings	**Profile A** (20% of workers)	**Profile B** (15%)
Average earnings	**Profile C** (19%)	**Profile D** (11%)
Lower earnings	**Profile E** (24%)	**Profile F** (11%)

How to read the adequacy wheels

For each worker profile, the figures below present an adequacy wheel which indicates how different adequacy indicators contribute to the overall objective of adequacy for individuals within that profile.

L6	Strong support for adequacy
L5	Good support for adequacy
L4	Somewhat supports adequacy
L3	Somewhat fails to adequacy
L2	Poor support for adequacy
L1	Fails to support adequacy

Figure 1.2[5]



Profile A

Alexander

Higher earnings | Lower pension contributions

Example worker: private sector heavily commission-based or industry where pensions are less of a focus of remuneration package, or self-employed.

20% of working population

Key figures

£1,540 Gross weekly income

Contribution rate **4.7%** As % of total pay

Employee: **2.1%**

Employer: **2.6%**

Profile characteristics

71% male

96% full-time

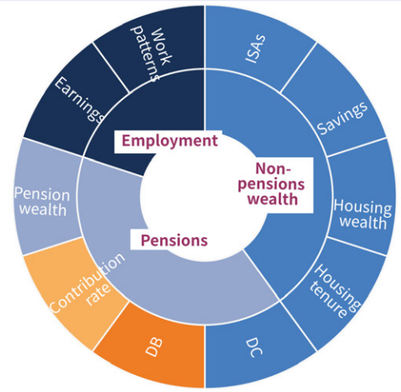
Among those saving **93% DC**

The key things to know about Alexander

Earnings suggest a relatively strong capacity to save for retirement, but accumulation is comparatively modest compared to others with similar earnings.

Associated with private sector professional employment, DC provision, and contribution rates that remain close to the statutory minimum.

Adequacy risk: May struggle maintain working life living standards in retirement.



[3] Cribb, O'Brien & Sturrock (2024)
[4] Earnings are split at 35th percentile and 65th percentile. Pension contributions are split at 10%. More details on how the worker profiles were constructed can be found in the Modelling Appendix.
[5] PPI analysis of ASHE and WAS

Figure 1.3[6]



Profile B

Ben

Higher earnings | Higher pension contributions

Example worker: private sector within industry industry with stronger employer pension provision, e.g. finance, or public sector.

15% of working population

Key figures				Profile characteristics		Among those saving
£1,190 Gross weekly income	Contribution rate 19.5% As % of total pay	Employee: 6.6%	Employer: 12.9%	60% male	95% full-time	57% DB

The key things to know about Ben

Combining higher earnings with sustained participation and comparatively generous employer pension provision.

Benefits from both greater individual saving and stronger employer contributions, meaning he is less at risk of inadequate retirement outcomes.

Provides an important benchmark against which other labour market and pensions trajectories can be assessed.

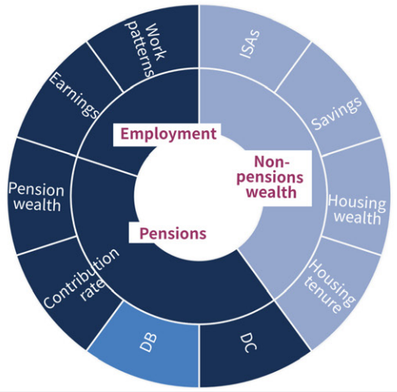


Figure 1.4[7]



Profile C

Connor

Average earnings | Lower pension contributions

Example worker: private sector in a lower-level office-based role, or a more senior role in lower-paid industries, e.g. hospitality or retail.

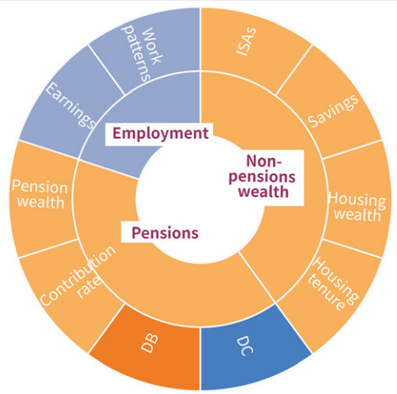
19% of working population

Key figures				Profile characteristics		Among those saving
£650 Gross weekly income	Contribution rate 6.2% As % of total pay	Employee: 3.0%	Employer: 3.2%	55% male	93% full-time	95% DC

The key things to know about Connor

Earnings close the national average but with limited pension accumulation. Average earnings may constrain capacity to save more without impacting current living standards.

Associated with workers in the earlier stages of their career for whom retirement outcomes may improve over time depending on employment trajectory, as well as workers who remain in this profile for a greater proportion of their working lives and are therefore at greater risk of inadequate retirement outcomes as a result.



[6] PPI analysis of ASHE and WAS
[7] PPI analysis of ASHE and WAS

Figure 1.5[8]



Profile D

Demi

Average earnings | Higher pension contributions

Example worker: public sector, or private sector within an industry with stronger employer pension provision.

11% of working population

Key figures				Profile characteristics		Among those saving
£660 Gross weekly income	Contribution rate 28.1% As % of total pay	Employee: 9.3%	Employer: 18.8%	63% female	88% full-time	69% DB

The key things to know about Demi

Stable employment within sectors offering DB arrangements or higher employer contributions in general may enable workers with average earnings to accumulate pension wealth or entitlements more rapidly than might otherwise be expected.

Illustrates that relatively strong retirement outcomes are achievable without particularly high earnings where institutional provision is comparatively generous.

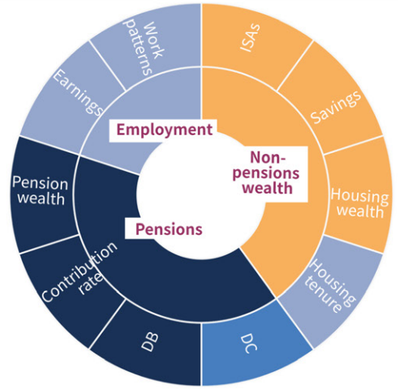
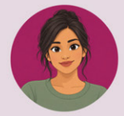


Figure 1.6[9]



Profile E

Elena

Lower earnings | Lower pension contributions

Example worker: private sector in an industry associated with lower pay and less generous pension provision, or public sector worker who has opted out.

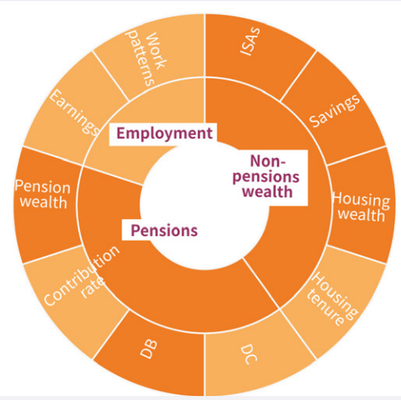
24% of working population

Key figures				Profile characteristics		Among those saving
£370 Gross weekly income	Contribution rate 4.3% As % of total pay	Employee: 2.2%	Employer: 2.1%	64% female	58% full-time	97% DC

The key things to know about Elena

Multiple structural disadvantages in relation to retirement saving. Lower earnings, fragmented employment, limited pension participation, and comparatively low contribution rates combine to reduce opportunities for accumulation over the life course.

These characteristics are not confined to the private sector. A notable minority of this profile work in the public sector, suggesting access to stronger employer provision does not always translate into higher pension saving for low earners.



[8] PPI analysis of ASHE and WAS
[9] PPI analysis of ASHE and WAS

Figure 1.7[10]



Profile F

Francesca

Lower earnings | Higher pension contributions

Example worker: public sector, or private sector within an industry with stronger employer pension provision. Half of this profile are part-time workers.

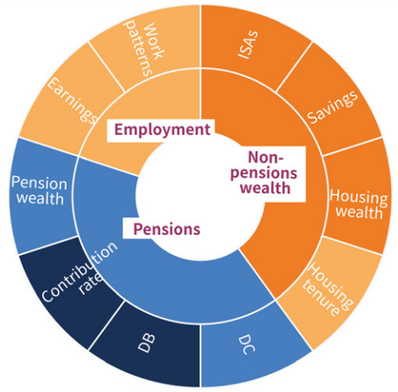
11% of working population

Key figures				Profile characteristics		Among those saving
£360 Gross weekly income	Contribution rate 25.9% As % of total pay	Employee: 7.5%	Employer: 18.4%	82% female	40% part-time	57% DB

The key things to know about Francesca

Relatively low earnings but benefits from comparatively strong pension contributions. Despite having less capacity to save, high contribution rates, driven by the employer, may support stronger retirement outcomes than earnings alone would suggest, although low earnings may still limit overall retirement security.

Access to generous employer contributions, including many in DB arrangements, demonstrates the important role of employer provision in mitigating the disadvantages associated with lower pay.



The worker profiles highlight that retirement outcomes do not increase proportionately with earnings alone. Institutional arrangements, employer pension provision, and employment characteristics influence how well individuals are positioned to achieve retirement adequacy.

Workers with relatively high earnings do not necessarily achieve correspondingly strong retirement outcomes if pension contributions remain close to statutory minimum levels or employment histories are characterised by lower levels of pension engagement (High/Low Alexander). This can be seen in parts of the private sector where higher-paid workers may still have relatively weak employer pension provision or remain at minimum contribution rates. This could include employees in sectors where remuneration is heavily commission-based, while pension contributions are based on a much lower basic salary, such as sales; self-employed contractors, consultants, and small business owners (although many in these groups do not save into a pension at all); and employees in industries where remuneration packages include stock or equity compensation, with a comparatively low focus on pensions, such as some areas of the technology industry. Average and lower earners may achieve comparatively strong retirement outcomes where institutional pension arrangements provide sustained higher contributions over long periods of employment (Mid/High Demi and Low/High Francesca). This is particularly relevant to public sector workers, where DB provision can provide strong retirement security even at average or lower earnings. The impact of industry and sector is explored in more detail in Chapter Two.

The worker profiles differ in their prevalence across the working population. This is partly determined by the definitions used to construct the profiles, with earnings split into three broadly proportional categories on the earnings distribution.[11] Profile size does not indicate the severity of pension risk, but it does affect the scale of the population exposed to the characteristics and challenges identified. A relatively small profile may face particularly acute risks, while more moderate risks within a larger profile may have greater implications at a population level. Profile size should be considered alongside the nature and concentration of pension risks when interpreting the findings.

[10] PPI analysis of ASHE and WAS
[11] Earnings split at 35th percentile and 65th percentile.
[12] PPI (2025) The UK Pensions Framework: Indicator appendix 2025 edition

Pension participation

Participation rates

UK Pensions Framework indicator A3.1 – Overall private pension coverage[12]

2025 system-level assessment: Some support for adequacy

The UK has made substantial progress in extending workplace pension participation. AE has been central to this improvement, shifting pension saving from a system that relied heavily on individual decisions, to one in which saving is the default for eligible employees. However, high participation should not be interpreted as evidence of universal pension coverage or adequate retirement saving.

The distinction between employees and the self-employed is particularly important. While 80% of employees participated in a workplace pension in 2023, participation among self-employed workers remained below one in five. This creates an important structural gap in the pension system, as self-employed workers do not benefit from AE or employer contributions. The issue is not whether self-employed workers choose to save, but that they operate outside the institutional framework through which most employees are now encouraged and supported to build pension wealth.

Participation also varies across the workforce according to earnings, employment characteristics and employer type. Workers in low-paid, part-time, temporary or otherwise non-standard employment may face greater barriers to pension participation, including AE eligibility thresholds, fluctuating earnings and periods outside eligible employment. Multiple jobholders may also experience different pension coverage across their jobs. As a result, aggregate participation rates can conceal persistent gaps among particular groups of workers.

Because of how the profiles are defined, higher pension profiles B, D, and F inherently have full participation, as they must be participating in order to make higher contributions. Lower pension profiles have varying pension participation rates, with Profiles A and C just below the population average at 79% and 77% respectively. Profile E, however, has much lower rates of participation at less than half (46%). High participation rates among higher pension profiles should be understood as a consequence of the profile methodology, rather than evidence that all workers with similar employment characteristics participate in a pension. There may be employees working for the same employer who fall into a different profile either because they have opted out or make contributions at a lower rate. This is particularly relevant when comparing low-paid workers across Profiles E and F. Workers may have access to similar institutional pension arrangements but fall into different profiles because of differences in participation or contribution levels.

Scheme type

The UK pensions landscape has undergone a significant shift from DB to DC provision. DB schemes, which provide a pension linked to earnings and length of service and place investment and longevity risks largely on the employer sponsor, were historically more prevalent. However, DB coverage has declined substantially, particularly in the private sector, while DC saving has become the dominant form of workplace pension provision. This shift has transferred greater responsibility and risk for achieving adequate retirement income to individuals, including investment, contribution, and longevity risks.

UK Pensions Framework indicator A3.2 – Defined Benefit coverage[13]
2025 system-level assessment: Somewhat fails to support adequacy
UK Pensions Framework indicator A3.3 – Defined Contribution coverage[14]
2025 system-level assessment: Good support for adequacy

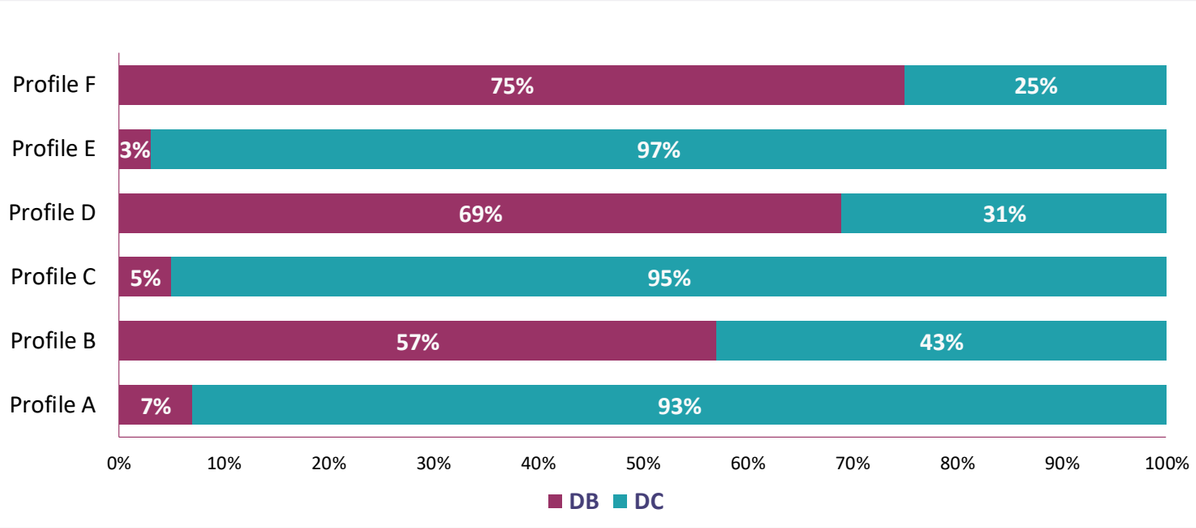
However, DB continues to be important to the adequacy challenge. Although DB coverage is shrinking, those who retain DB provision can benefit from greater certainty over their retirement income and protection against investment and longevity risks. This can be particularly valuable for groups otherwise at greater risk of inadequate retirement income. The decline of DB provision represents a fundamental change in how retirement income adequacy is achieved and who bears the risks associated with it.

DB provision is heavily concentrated in worker Profiles D and F (Mid/High Demi and Low/High Francesca), with Profile B (High/High Ben) also having a significant share. For Profiles A, C, and E (High/Low Alexander, Mid/Low Connor, and Low/Low Elena), more than nine in ten are members of DC schemes (Figure 1.8).

Figure 1.8[15]

Worker profiles associated with higher pension contributions (B, D, and F) are more likely to participate in a DB scheme, while other profiles are heavily concentrated in DC

Pension scheme type among employees participating in a workplace pension, by worker profile



Contribution rates

Participation rates alone do not determine pensions adequacy. Participation represents only the first stage of pension saving. AE was introduced primarily to address low pension participation by bringing more workers into workplace pension saving, but being enrolled is only the first stage of achieving an adequate retirement outcome. Adequacy ultimately depends on the amount contributed throughout an individual's working life, the duration of saving, and investment performance of accumulated pension assets. The Second Pensions Commission has therefore placed greater emphasis on the adequacy of pension saving, including whether contribution levels are sufficient to deliver better retirement outcomes. Its Interim Report indicates that increasing contributions is likely to form an important part of addressing these adequacy gaps.[16] Understanding differences in contribution behaviour is essential to assessing the long-term resilience of different worker groups.

Contribution rates vary considerably across the workforce. While statutory minimum contribution levels provide an important baseline for retirement saving, some workers contribute above these levels through voluntary employee contributions or enhanced employer contributions, including matched increases in some instances, while others remain reliant upon minimum contributions throughout their careers, limiting the level of pension wealth accumulated by retirement.

UK Pensions Framework indicator A3.4 – Defined Benefit accruals[17]
2025 system-level assessment: Strong support for adequacy
UK Pensions Framework indicator A3.5 – Defined Contribution contribution rates[18]
2025 system-level assessment: Poor support for adequacy

Employee contributions

Employee contribution rates reflect both institutional arrangements and individual financial circumstances. Workers with higher disposable incomes may be better positioned to make voluntary contributions above statutory minimums, while lower-income households often face competing financial pressures that constrain long-term saving. Pension saving can represent a significant financial burden for households with low incomes, creating a tension between saving for retirement and meeting immediate living costs.[19] This suggests that differences in contribution rates should be understood not only as differences in saving behaviour, but also reflecting the differing capacity of households to save beyond minimum levels.

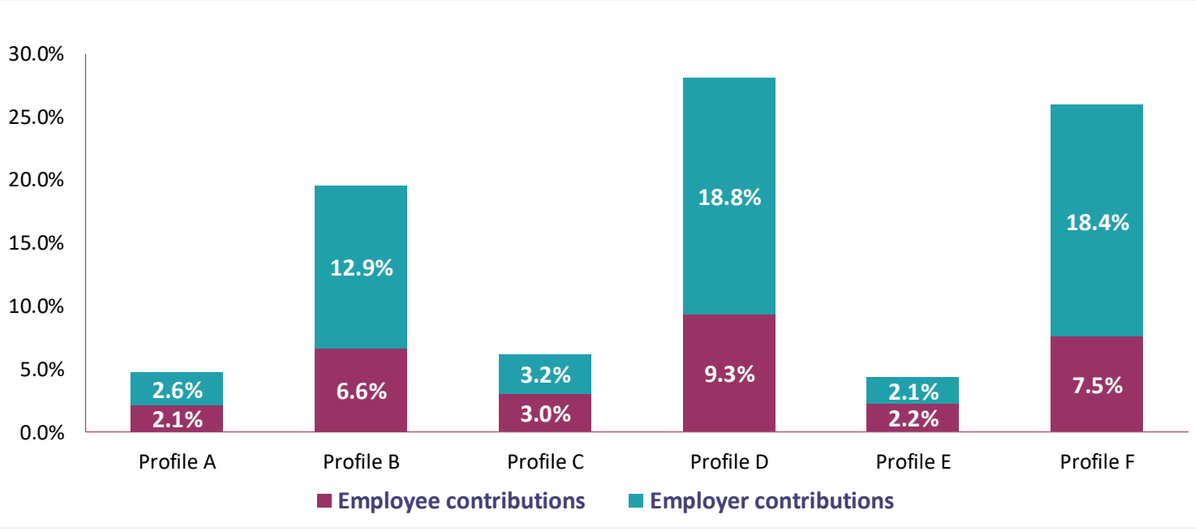
The scope for additional employee contributions is unevenly distributed across the workforce. Individuals with greater financial capacity may be able to increase contributions, take advantage of employer matching arrangements, or maintain higher contribution rates through periods of financial pressure. For lower-paid workers, the statutory minimum may represent the practical limit of affordable pension saving. This creates a divergence in accumulation over time, with differences in contribution capacity compounding alongside differences in earnings and employment histories.

[13] Adams et al. (2025)
[14] Adams et al. (2025)
[15] PPI analysis of ASHE and WAS
[16] The Second Pensions Commission (2026)
[17] Adams et al. (2025)
[18] Adams et al. (2025)
[19] Wilkinson & Pike (2024)

Figure 1.9[20]

Employer contribution rates vary more substantially than employee contribution rates

Average employee and employer effective contribution rates as a percentage of total earnings, by worker profile



The contribution rates identified for each worker profile are average effective rates across the workers represented by each profile and reflect the impact of qualifying earnings where relevant. The illustrative individuals are used as a presentation device to bring together the characteristics of each profile, rather than representing a specific individual worker. As a result, the average earnings and contribution rates shown will not necessarily align exactly with the effective rate implied by applying an 8% contribution rate to qualifying earnings.

Employer contributions

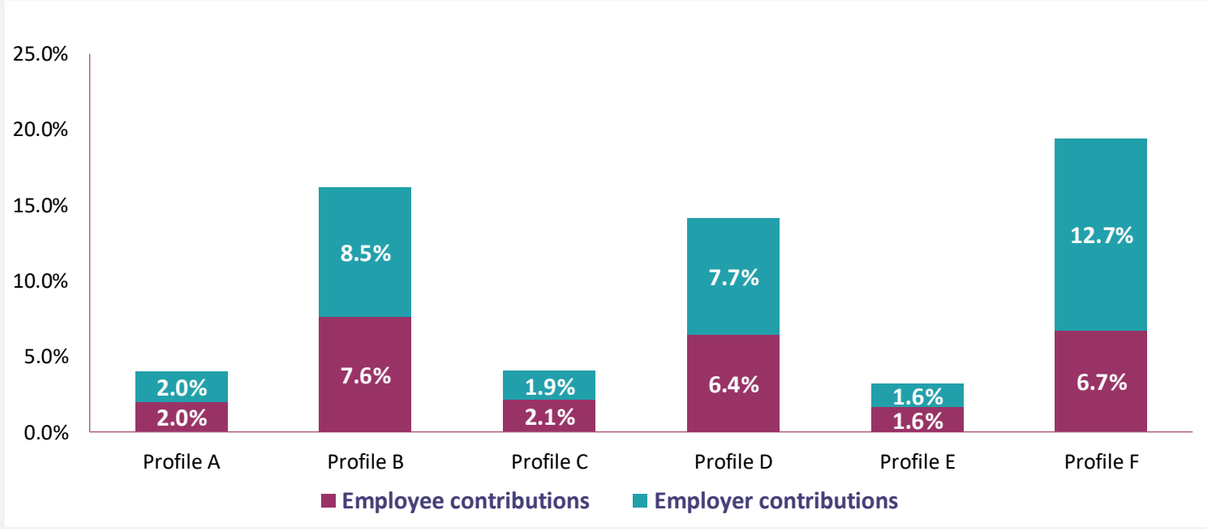
Employer pension contributions represent one of the most significant determinants of long-term pensions adequacy, particularly in a predominantly DC system where the level and timing of contributions directly affect the pension pot available at retirement. Differences in employer generosity can accumulate over an individual's working life, producing substantial differences in retirement outcomes even among workers with similar earnings. Differences in employer pension provision vary between sector and industry, meaning that differences in pension accumulation reflect not only individual characteristics and saving behaviour, but also the sector and organisation in which an individual works.[21] In this context, the employer is a central actor determining the level of resources accumulated for retirement. This impact is explored in detail in Chapter Two.

Comparing contribution rates on a DC-only basis provides a more consistent assessment across the worker profiles, particularly given differences in the prevalence of DB membership. DB and DC contribution rates are not directly comparable because contributions play different roles in determining eventual benefits under the two scheme types. Restricting the comparison to DC savers therefore provides a like-for-like indication of contribution levels, while recognising that profiles with greater DB membership may have substantial pension provision that is not captured by these rates (Figure 1.10).

Figure 1.10[22]

Differences in contribution rates between high and low pension profiles are smaller when only considering DC, but still substantial

Average employee and employer effective contribution rates as a percentage of total earnings, by worker profile, DC only



[20] PPI analysis of ASHE & WAS
[21] DWP (2022)
[22] PPI analysis of ASHE & WAS

Pension pot size

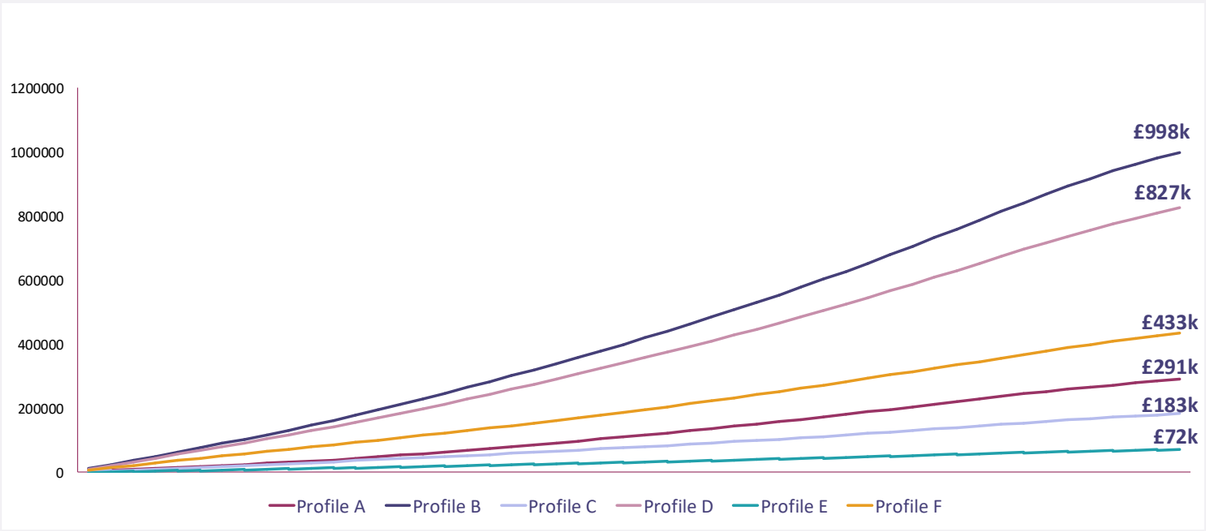
Differences in pension saving compound over working life

Differences in earnings and contribution rates translate into substantial differences in pension accumulation when sustained over a full working life. Illustrative modelling of the six worker profiles shows that the combination of earnings and provision matters more than either characteristic in isolation. Workers in the higher-pension profiles (B, D, F) can accumulate larger pension funds than workers earning the same or substantially more where their contribution rates are sustained at higher levels. Profiles D and F can outperform higher-earning, lower-pension profiles despite having less capacity to save from earnings (Figure 1.11).

Figure 1.11[23]

Differences in contribution rates mean that worker profiles with very different earnings can accumulate similar levels of pension wealth

Pension pot size at retirement if full working life spent in one worker profile (based on average earnings and average contribution rates)



These estimates represent illustrative long-term trajectories rather than predictions that workers will remain in the same profile throughout their careers. Their purpose is to demonstrate the scale and divergence that can arise when the earnings and pension characteristics associated with each profile persist over time. In practice, workers may move between profiles as earnings, employment, and pension arrangements change. The timing and duration of these transitions can materially alter retirement outcomes, an issue explored through the life course modelling later in the chapter.

Household assets and wider financial resilience

While workplace pension saving is a key mechanism through which individuals accumulate retirement income, pensions represent only one component of financial security in later life. Housing wealth, financial assets, non-pension investments, and liquid savings all contribute to an individual's capacity to maintain living standards after retirement. An assessment of retirement adequacy that considers pension wealth in isolation risks overlooking important differences in overall financial resilience. The distribution of these assets is also likely to interact with wider differences in pension accumulation. Individuals with lower levels of pension wealth may have greater financial resilience where they hold substantial housing or other assets, while those without access to such assets will be more reliant on income from private pension savings and the State Pension.

Housing

UK Pensions Framework indicator A4.2 – Home Ownership[24]
2025 system-level assessment: Some support for adequacy

Housing tenure is an increasingly significant determinant of financial wellbeing in retirement. Home ownership can provide security through lower or eliminated housing costs once a mortgage has been repaid, as well as providing an asset that can potentially be drawn upon in later life. By contrast, renters face continuing housing costs throughout retirement, increasing the level of pension income required to maintain an equivalent standard of living. Housing tenure is important not only because of the value of housing wealth, but also because of its implications for the level of income required to meet essential expenditure in retirement.

Housing tenure varies considerably across age groups, earnings levels, and regions, reflecting differences in labour market opportunities, housing affordability, and long-term house price growth. These differences are likely to become increasingly important for retirement adequacy as younger generations approach retirement with lower rates of home ownership than previous generations. The UK pension system has historically operated under the assumption that most people will reach retirement with low or no housing costs. However, declining home ownership among working age households means that this assumption is becoming increasingly unrealistic for future cohorts. The proportion of pensioner households in rented accommodation is expected to rise substantially. By 2044, the proportion of pensioner households privately renting is projected to increase from around 6% to 18%, while owner-occupation is projected to fall from around 79% to 64%.[25]

Growth in later life renting is likely to be concentrated among groups that already face greater constraints on pension saving, creating a potential interaction between lower pension accumulation and higher housing costs. This can compound rather than offset differences in retirement outcomes. A worker with a relatively modest pension who owns their home outright will have substantially lower expenditure needs than a worker with a similar pension who continues to rent throughout retirement.[26]

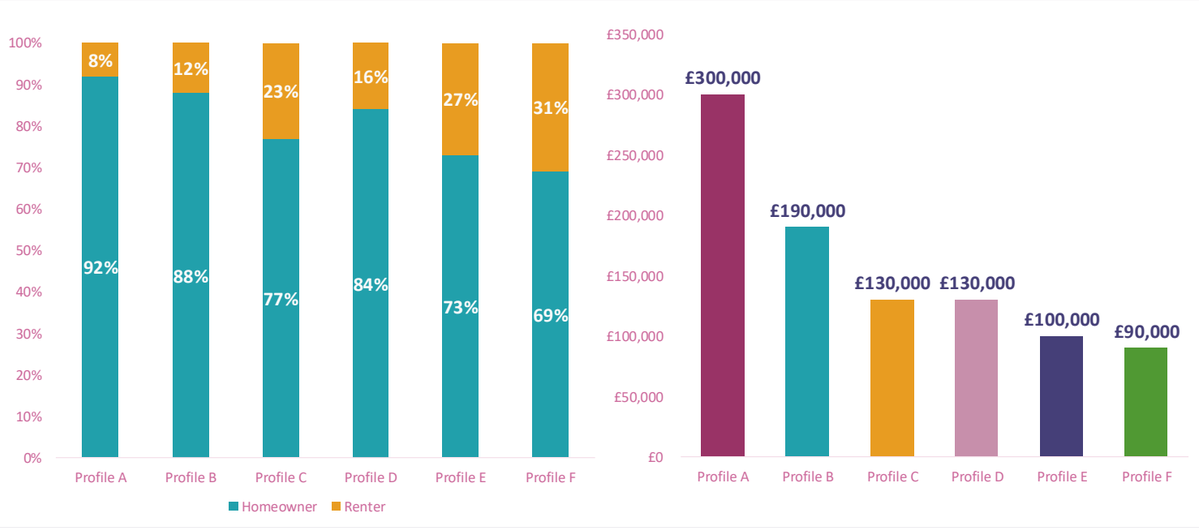
Higher levels of homeownership and property wealth are concentrated among the higher-earning profiles, suggesting that profiles with weaker pension accumulation may also have less housing wealth to draw on in retirement or facing ongoing housing costs as they are at greater risk of entering retirement still renting. Higher-earning profiles may have greater financial resilience in retirement through a combination of pension and housing wealth. Profile A, High/Low Alexander, may be able to compensate for lower pension contribution rates through considerably higher property wealth.

[23] PPI modelling
[24] Adams et al. (2025)
[25] Khambhaita et al. (2026)
[26] Khambhaita et al. (2026)

Figure 1.12[27]

Higher levels of homeownership and housing wealth are concentrated among the higher earning profiles

Proportion homeowners vs renters by profile, controlled for age, and average property wealth by profile



Financial assets and savings

UK Pensions Framework indicator A4.1 – Non-pension savings[28]
2025 system-level assessment: Somewhat fails to support adequacy

Housing is only one element of non-pension savings. Financial savings, investments, and other assets can provide additional resources that may be drawn upon during periods of financial pressure or used to supplement pension income in retirement. Liquid savings are particularly important because they can provide resilience against unexpected expenditure.

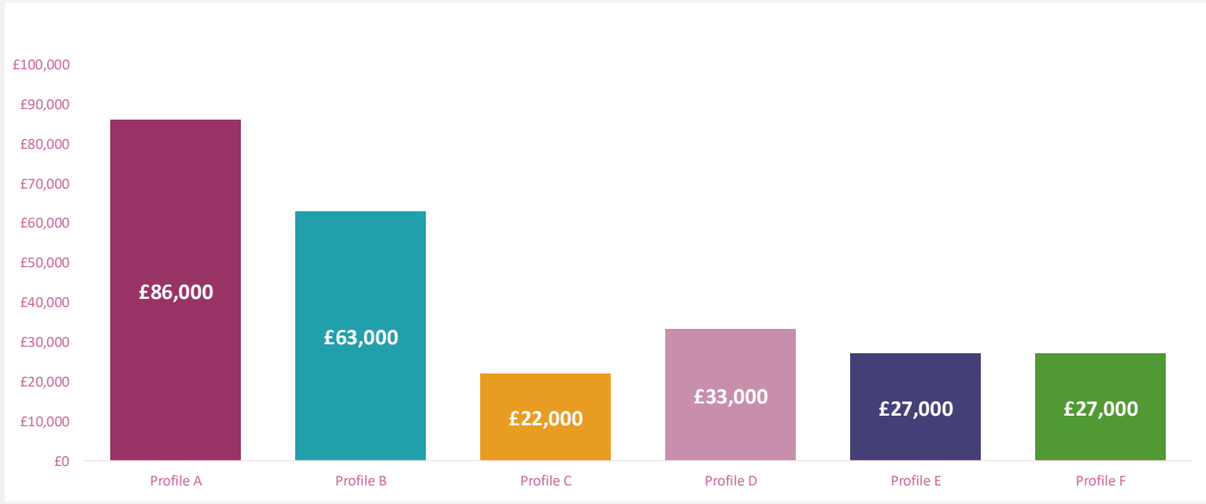
This wider perspective is important when comparing worker profiles. Two workers with similar pension pots may have materially different levels of financial resilience depending on whether they own their home, have outstanding housing costs, hold other financial assets, or have accessible savings. A worker with relatively low pension wealth may have greater overall retirement resources where substantial housing or other household assets are available.

Formal financial assets, outside of pension saving, can support retirement adequacy by supplementing pension income, funding one-off or unexpected costs, and providing greater flexibility in managing income throughout retirement. However, the extent of this support varies considerably between worker profiles. High/Low Alexander's higher level of financial assets may allow him to compensate, at least in part, for lower pension saving, giving them greater flexibility and resilience in retirement than their pension savings alone would suggest, but unlikely to be enough to close the adequacy gap. High/High Ben has only slightly lower levels of financial assets despite his stronger pension savings. For the remaining profiles, non-pension financial assets are relatively limited, providing less scope to compensate for inadequate pension saving or absorb unexpected costs in retirement. There is relatively little different in non-pension savings between the average and lower earners, suggesting that differences in earnings do not necessarily translate into greater financial buffers outside the pension system (Figure 1.13).

Figure 1.13

Non-pension savings and financial assets are heavily concentrated in Profiles A and B

Value of all formal financial assets, including current accounts, savings, accounts, ISAs and investments, by profile



[27] PPI analysis of WAS
[28] Adams et al. (2025)

Life course trajectories

Workers move between profiles as circumstances change over the course of working life

The representative worker profiles presented in this report should not be interpreted as fixed or permanent categories. They provide illustrations of employment and pension saving dynamics that capture common patterns across the labour market. Most individuals will experience changes in their employment, earnings, and pension saving behaviour over the course of their working lives, meaning that they may move between profiles at different stages of their careers. Retirement outcomes are shaped by the cumulative interaction of labour market experiences and pension system design across the life course.[29]

The length and nature of these transitions can vary substantially. For example, the transition from education into stable employment is not necessarily immediate. Recent labour market conditions have made this particularly relevant for younger workers. In April-June 2026, 739,000 people aged 16-24 were unemployed, representing a youth unemployment rate of 16.2%, up from 14.3% a year earlier.[30] Periods spent unemployed, economically inactive, or in low-paid or insecure employment early in a career can reduce the duration over which pension contributions are made and may delay progression into higher-paying roles.

For example:

- A graduate entering the labour market in a low-paid or temporary role may initially resemble Profile E (Low/Low Elena) before progressing into Profile B (High/High Ben) or Profile C (Mid/Low Connor) as earnings increase and access to more generous pension provision improves.
- An individual who begins their career in a professional occupation with strong pension provision (Profile B – High/High Ben) may move towards Profile A (High/Low Alexander) if they become self-employed or move to an employer offering only minimum AE contributions.
- Others may experience transitions between worker profiles associated with caring responsibilities, redundancy, or ill health, resulting in interrupted contribution histories that temporarily shift them towards profiles characterised by lower pension accumulation.

These transitions mean that the profiles should be understood as states within a life course trajectory rather than as characteristics of individuals. An individual may move from a low contribution profile to a higher contribution profile as earnings and employment stability improve, but may subsequently move in the opposite direction following caring responsibilities, redundancy, self-employment, or a change in employer. The eventual pension outcome reflects the cumulative pattern of these transitions.

Employment transitions can also present important behavioural moments. Evidence suggests that changing employer is the point at which workers are most likely to alter their pension saving behaviour.[31] New employment means renewed automatic enrolment, entry into a different workplace pension scheme, and potentially changes in employer contribution rates. As a result, labour market transitions can affect pension accumulation not only by altering earnings, but also by reshaping participation and contribution decisions.

This is particularly important because the financial consequences of a transition depend on when it occurs. A period of low contributions early in working life has more time to be followed by higher contributions, whereas a similar period close to retirement may leave less opportunity to rebuild pension wealth. Equally, an extended period of part-time work or caring may affect both current contributions and future earnings progression. The same employment transition can have very different implications depending on its duration, timing, and the individual's subsequent ability to return to higher earnings and contribution levels.

[29] Boileau et al. (2026)
[30] Francis-Devine, Powell & Zaidi (2026)
[31] Cribb & O'Brien (2023)

A small but significant minority experience persistent precarious employment over the course of working life

Movement between profiles is not random, nor does every worker experience upward progression. This is particularly important because insecure work, characterised by uncertainty or limited security over the continuity, hours, or income of work, is not a single labour market condition, but exists along a spectrum of severity.[32] Some workers experience isolated periods of insecurity, while others face overlapping disadvantages such as low pay, unstable hours, weak employment protections, and limited opportunities for progression. These forms of severe insecurity are more likely to become embedded within longer-term employment trajectories, increasing the likelihood that workers experience repeated periods of low pension saving rather than temporary interruptions.

Longitudinal evidence suggests that while many individuals move into more secure employment over time, a substantial minority experience persistent or recurring labour market disadvantage. Around 10-12% of the UK workforce experienced precarious employment during the period 2009-2022, with this proportion remaining relatively stable over the period. Rather than representing a temporary phase for all workers, precarious employment follows several distinct trajectories. Approximately half of workers (49%) experience almost no precarious employment throughout their careers, while a quarter (25%) move in and out of insecure work as circumstances change. One in ten workers (10%) experience precarious employment primarily during the early stages of their careers before progressing into more secure employment. However, around 8% of workers follow an increasingly precarious trajectory, becoming progressively more likely to experience insecure employment over time, while a further 8% experience moderate but persistent exposure to precarious work throughout much of their working lives.[33] These findings challenge the assumption that precarious work represents a temporary stage through which workers naturally progress to more secure employment. While some individuals successfully transition into stable careers, others experience repeated or worsening labour market insecurity over extended periods.

These findings are reinforced by further longitudinal evidence following more than 10,000 UK workers over a four-year period. The analysis found that insecure work frequently becomes a long-term labour market state rather than a stepping stone to higher-quality employment. Among workers who began the study in insecure work, 44% remained in insecure employment four years later, while 40% progressed into secure employment. A further 9% had left employment altogether, becoming unemployed or economically inactive. In comparison, 80% of workers who began in secure employment remained securely employed throughout the study period.[34] Workers who entered the labour market in secure employment were therefore approximately twice as likely to remain securely employed as those who started in insecure work.

The likelihood of escaping insecure work varies considerably across the life course. Younger workers are often able to transition into more secure employment as they gain experience and qualifications. Mid-life and older workers are considerably more likely to remain trapped in insecure work. Among workers who were in insecure employment at the beginning of the above study, 49% of those aged 45-54 remained insecure four years later, compared with 28% of workers aged 16-24.[35] Opportunities for retraining, occupational change, and upward progression appear to narrow later in working life, increasing the risk that insecure employment becomes entrenched.

The timing of transitions between profiles is also important. Contributions made early in working life have the greatest opportunity to grow through long-term investment returns. As a result, prolonged periods of low pension saving early in working life may continue to affect retirement outcomes even if earnings subsequently improve. At the same time, interruptions in contributions occurring later in working life are often difficult to offset because there are fewer years remaining to make up any shortfall in pension savings before retirement. Pensions adequacy should therefore be understood as the product of cumulative labour market experiences rather than current employment circumstances alone.

[32] Florisson (2024)
[33] Posch et al. (2024)
[34] Navani & Florisson (2024)
[35] Navani & Florisson (2024)

Movement between worker profiles can have lasting effects on retirement outcomes

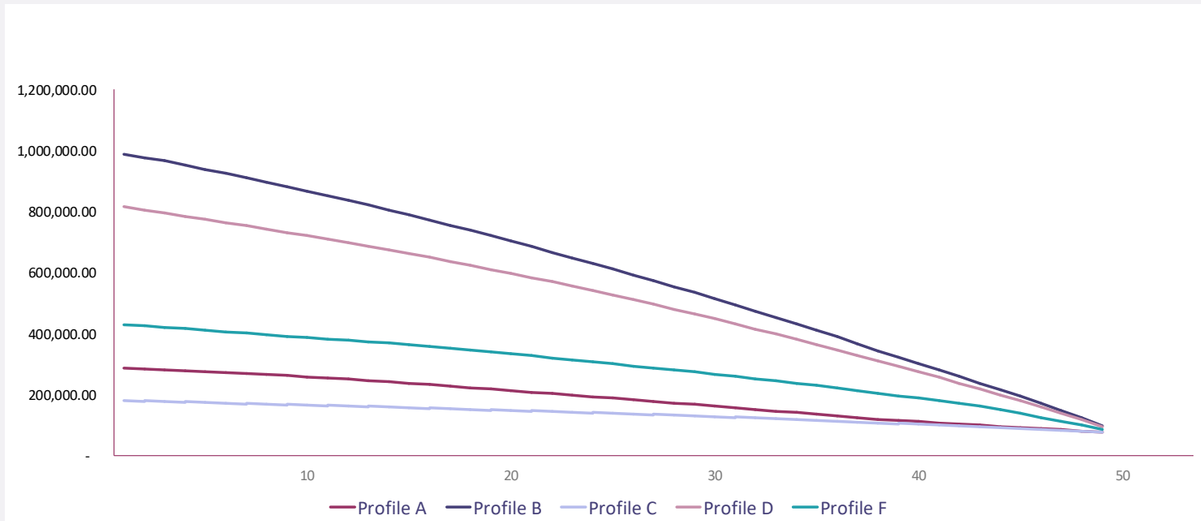
The effects of changing employment and pension circumstances on retirement outcomes depends not only on an individual's position at a particular point in time, but also on how long they spend in different profiles and when those periods occur. This is particularly important where workers experience periods of low earnings and low pension saving resembling Profile E (Low/Low Elena).

The impact of time spent in Profile E depends not only on its duration, but also on where the remainder of an individual's working life is spent (Figure 1.14). Periods in Profile E reduce pension accumulation across all pathways, but the scale of the reduction and its implications for retirement adequacy differ according to the pension accumulation achieved in other years. Workers who otherwise spend their careers in profiles with stronger pension outcomes may experience a larger absolute reduction in pension wealth but retain greater capacity to absorb periods of weaker saving. Those whose remaining careers are spent in profiles with relatively weak accumulation may experience a smaller absolute loss but have less scope to absorb it without increasing the risk of inadequate retirement income.

Figure 1.14[36]

The impact of years spent in Profile E depends on the profile in which remaining years of working life are spent

Pension pot size at retirement by years spent in profile E (based on average earnings and average contribution rates)



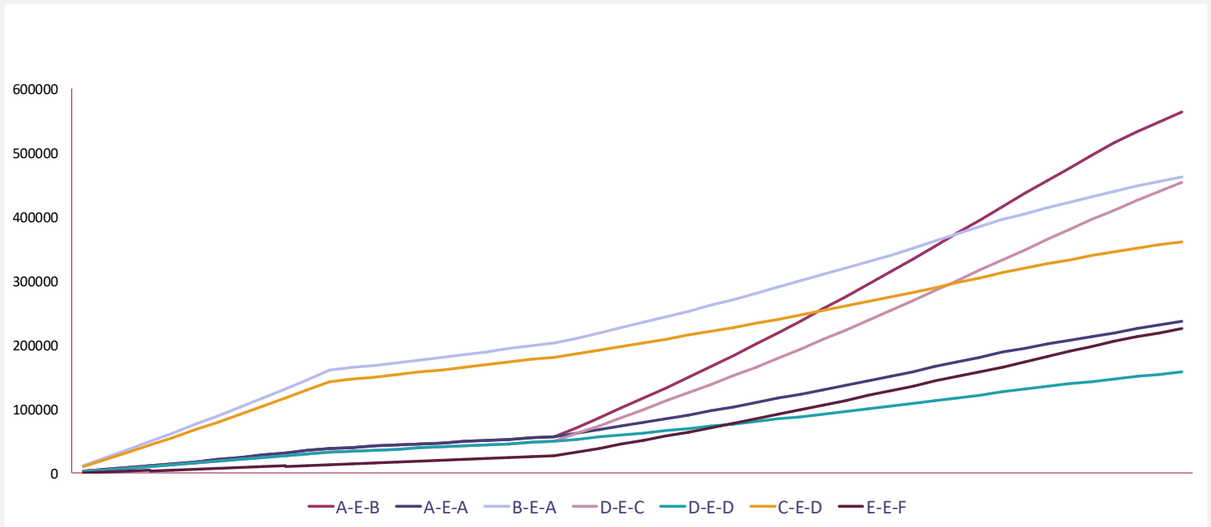
These results illustrate an important distinction between temporary and persistent disadvantage. A relatively short period of low earnings or weak pension saving will not necessarily determine retirement outcomes if it is followed by sustained employment with stronger earnings and pension provision. However, repeated or prolonged periods in Profile E reduce both the amount contributed and the time over which those contributions can generate investment returns. As a result, the effects of labour market disadvantage can persist even after employment circumstances improve.

The eventual outcome also depends on the profiles between which workers move. There is substantial variation between workers who experience a period in Profile E but subsequently return to their previous trajectory and those who move into profile characterised by stronger pension saving (Figure 1.15). This demonstrates that a period of low earnings and pension saving does not have a uniform effect. The pension provision available before and after that period can either compound or partially offset its long-term impact.

Figure 1.15[37]

People move between worker profiles over the course of working life – the impact of career breaks or periods of lower earnings depends on what it is followed by

Pension pot size at retirement when moving between profiles (based on average earnings and average contribution rates)



The life course modelling outlined above illustrates that current earnings and pension contributions provide only a snapshot of retirement preparedness. Duration and sequencing matter. Temporary periods of low earnings and low pension saving may be recoverable, particularly where workers subsequently move into employment with stronger pension provision, while prolonged or repeated exposure can have cumulative effects that become increasingly difficult to reverse. This highlights how inequalities in employment and pension provision experienced throughout working life can translate into substantial differences in retirement outcomes.

[36] PPI modelling
[37] PPI modelling

CONCLUSIONS

- Pension saving is not distributed evenly across the workforce. Earnings play a role but are not entirely deterministic. Some high earners contribute at relatively low rates, while some average and low earners save at a higher rate, primarily driven by employer contributions.
- Examining pension saving behaviour and outcomes using a worker profile approach can identify where factors may lead to advantages and disadvantages within the pension system, which might be masked at an aggregate level.
- Housing and other non-pension savings can also contribute to retirement adequacy and security, but these are also unevenly distributed across the population, and often concentrated where adequacy risks are less severe.
- People move between worker profiles throughout their working lives. Time spent in profiles associated with weaker pension accumulation can have lasting effects on retirement outcomes, but the scale and severity of the impact depend on both the duration of those periods and the pension provision experienced during the rest of working life.

CHAPTER TWO:

How do labour market and behavioural factors impact inequalities across worker profiles?

This chapter provides a detailed exploration of the worker profiles identified, exploring the reasons behind the patterns observed in the previous chapter. It explores the reasons why disparities in pension saving behaviour arise and how they develop over time, with employment structures, institutional pension design, earnings trajectories, behavioural factors, and broader lifecourse dynamics interacting to produce differing retirement outcomes for different worker profiles across the population.

Introduction

Chapter One outlined how pension outcomes vary systematically across different groups of workers, reflecting recurring relationships between earnings, employment characteristics, pension participation, and wider household assets. While these patterns provide an important descriptive account of how retirement preparedness is distributed across the labour market, they do not in themselves explain why such differences emerge. This chapter moves beyond identifying structural variation to examine the mechanisms through which labour market experiences translate into differing retirement outcomes.

The factors influencing accumulation pathways may be grouped into two broad categories:

- **Labour market and institutional conditions** determine access to employment, earnings progression, and employer pension provision. These factors help explain why some worker profiles accumulate relatively strong pension wealth while others remain dependent on minimum contributions and State Pension provision.
- **Behavioural factors** influence how individuals respond to those opportunities, including whether they increase contributions, engage with retirement planning, or prioritise other forms of saving.[38] Behavioural responses may either reinforce or partially offset institutional advantages and disadvantages, although their influence can be constrained by income and financial capacity.

How to read the risk dashboards

The risk dashboards used throughout this report (starting with Figure 2.5) summarise how different features of the pension system and employment characteristics affect retirement outcomes across the six worker profiles. The ratings show the relative level of vulnerability each profile faces in relation to the specific issue being examined.

L6	**Strong support for adequacy**
L5	**Good support for adequacy**
L4	**Somewhat supports adequacy**
L3	**Somewhat fails to support adequacy**
L2	**Poor support for adequacy**
L1	**Fails to support adequacy**

The ratings are qualitative judgements, not numerical scores or probabilities. They assess how each profile's characteristics interact with the issue being considered and should not be interpreted as predetermined outcomes for individuals.

Dashboards can be compared across the report to identify how different features of the pension system reinforce or offset one another. A profile may face high risk in one area but greater protection in another.

[38] Wilkinson & Silcock (2024)
[39] ONS (2022a)
[40] Boileau et al. (2026)
[41] ONS (2022b); Jones (2019)
[42] Boileau et al. (2026)

Labour market structure and employment characteristics

Employment status can create persistent gaps in pension saving

Employment status can create persistent gaps in pension saving by shaping access to workplace pensions, contribution levels, and the continuity of saving. Part-time work, self-employment, and periods out of employment can each reduce pension accumulation, with effects that may persist over the working life course.

Part-time work and career breaks lead to lower pension accumulation over the life course

Employment status and continuity shape both the amount and duration of pension saving. Part-time employment is associated with lower earnings which reduce the likelihood of being eligible for AE and the amount accumulated through contributions when enrolled. In 2021, 61% of part-time employees were members of a workplace pension, compared with 87% of full-time employees. Among private sector employees specifically the gap was even larger, at 50% and 84% respectively.[39] Part-time workers may move in and out of AE eligibility as their earnings or working hours change, disrupting the continuity of pension saving. Sustained part-time work is associated with lower private pension saving over the life course.[40] While low earnings are an important source of these differences, part-time work may also limit earnings progression where higher-paid and more senior roles are less accessible on a part-time basis, potentially widening earnings differences over working life.[41]

Time out of paid employment creates a related but distinct risk. Career breaks interrupt pension contributions, while a return to work may involve reduced hours, lower earnings, or slower progression, meaning that the effects can persist well beyond the period out of work.

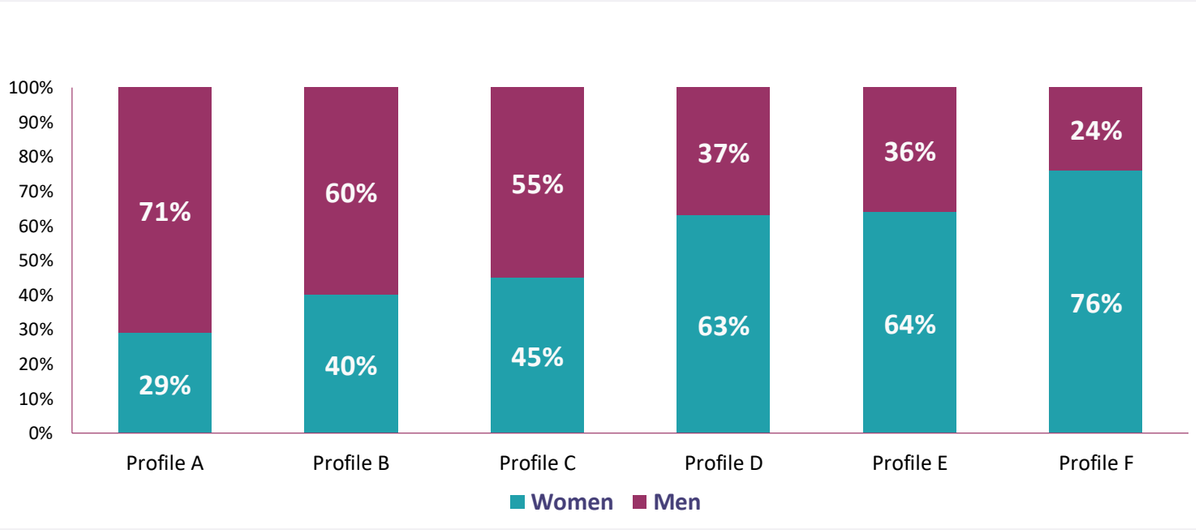
Time out of the labour market is not evenly distributed across the population. Women are more likely to experience sustained periods of non-employment or part-time work as a result of caring responsibilities, with gendered gaps in labour market activity and pension saving emerging around the birth of a first child. Evidence from older cohorts illustrates the impact on retirement outcomes. Among people aged in their 70s and early 80s between 2018 and 2023, 50% of women who returned to part-time work but not full-time work after having children were in the bottom fifth of the individual retirement income distribution, compared with 6% of people who worked full-time for more than 75% of their working lives.[42] Time out of the labour market should therefore be viewed as a life course risk to pension adequacy, rather than just a temporary reduction in pension contributions. Gender differences can intersect with other characteristics such as disability, health, and ethnicity to create overlapping disadvantages that reinforce one another and shape pension outcomes.

Because caring-related interruptions are disproportionately experienced by women, they contribute substantially to the gender pensions gap. However, the profiles demonstrate that women's outcomes are not uniform. Women are overrepresented in Profile E (Low/Low Elena), but also in Profiles D and F (Mid/High Demi and Low/High Francesca), where stronger pension provision can offset some of the effects of lower earnings (Figure 2.1). The greater proportion of women in public sector employment (39% compared with 20% of men) helps explain the representation in Profiles D and F. The presence of public sector workers within Profile E also demonstrates that sector alone does not determine pension outcomes. Low earnings, part-time working, and differences in pension participation can constrain accumulation even among workers employed in sectors typically associated with stronger pension provision.

Figure 2.1[43]

Women are overrepresented in worker profiles associated with lower earnings and part-time work (Profiles E and F), but also associated with profiles linked to more generous employer provision (Profiles D and F)

Gender split of worker profiles



Workers who experience periods of unemployment, inactivity, part-time work, or repeated changes in employment may have fewer opportunities to make continuous pension contributions, although individual jobs provide access to a workplace pension. As pension accumulation is a cumulative process, lower contributions in individual years can have a lasting effect, particularly when they occur repeatedly across working life. Frequent job changes can also result in multiple small pension pots, making pension saving more difficult to manage and potentially reducing engagement with retirement planning. A worker with low earnings who also experiences periods of insecure employment may accumulate substantially less than worker with similar annual earnings but a stable employment history and continuous access to employer contributions.

Self-employment often creates gaps in pension saving

The self-employed face a distinctive saving challenge because they are outside the employer-based AE mechanism and must initiate and maintain pension saving independently. Variable earnings, business uncertainty, and competing financial demands can also make regular contributions difficult, particularly for those with limited financial capacity. In 2023/24, 18% of self-employed workers contributed to a pension, falling to 4% among those with income only from self-employment.[44] If the current AE eligibility criteria were applied to the self-employed, around 64% would be eligible, suggesting that a significant proportion are missing out on pension saving purely because of their employment status and the associated lack of an employer to automatically enrol them.[45]

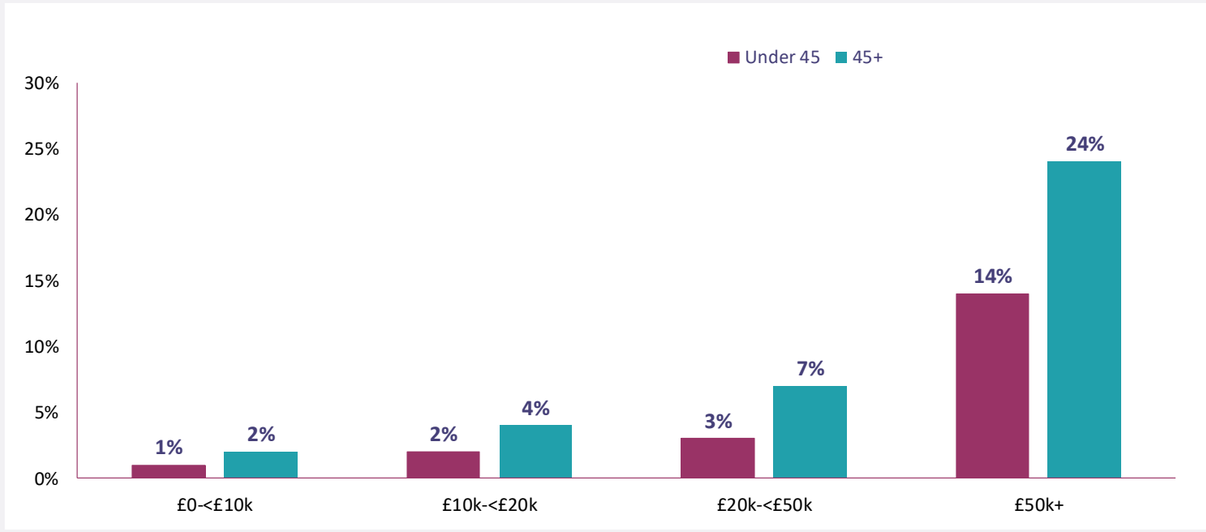
While low pension participation among the self-employed cannot be attributed solely to lower earnings, they are an important part of the explanation. The self-employed haver lower average annual earnings than employees, as well as a wider distribution of earnings.[46] For lower-earning self-employed people in particular, the absence of an employer contribution compounds this constraint as they must fund the entire contribution themselves.[47]

However, the self-employed population is not homogeneous. Pension participation is higher among older and higher earning workers (Figure 2.2). There is a significant increase in participation around the Higher Tax Rate Threshold (£50,270)[48], suggesting that the tax treatment of pension contributions may provide an additional incentive for higher earners to save.[49]

Figure 2.2[50]

Pension participation is higher among self-employed workers with higher earnings and also correlated with age

Pension participation by age and earnings 2023/24



Transitions into self-employment show how the loss of workplace saving arrangements can affect behaviour. More than three-quarters of people moving from employment into self-employment between 2009-10 and 2016-17 stopped contributing to a private pension within the first year. Average pension contributions fell from around 8% of earnings while employed to just over 2% in the first year of self-employment. The reduction was particularly pronounced among lower earners. Around 17% of those previously in the bottom two-thirds of the employee earnings distribution continued saving after becoming self-employed, compared with around 37% of those previously in the top third.[51] This suggests that the loss of employer involvement and automatic workplace saving can have a substantial effect on pension saving behaviour, with workers who have greater financial capacity better placed to maintain pension saving independently. Prior employment can provide some protection through accumulated pension wealth, established saving habits, and familiarity with pensions. A worker moving from strong occupational provision may be better placed to maintain saving than someone entering self-employment early in their career or after a period of weak provision, although previous participation doesn't guarantee continued saving when individual engagement is required.

Considering pension wealth in isolation provides an incomplete picture of self-employed adequacy. Some self-employed workers accumulate wealth outside pensions, including property, business assets, and other investments, which may provide an alternative source of retirement income. However, the extent to which these assets support retirement adequacy depends on their value, liquidity, and the ability to convert them into income. Accounting for property (excluding primary residence), financial assets, and business assets increases the proportion of self-employed workers in their 50s projected to meet their target replacement rate by around 20%, although much of this benefit is concentrated among wealthier individuals.[52]

[43] PPI analysis of WAS
[44] DWP (2026a)
[45] DWP (2026a)
[46] DWP (2026a)
[47] Cribb et al. (2024)
[48] This is the higher tax rate threshold in England and Wales. In Scotland, the higher tax rate applies to income above £43,663, with an intermediate rate applying from £29,527
[49] DWP (2026a)
[50] DWP (2026a)
[51] Cribb & O'Brien (2026)
[52] Cribb et al. (2024)

Earnings inequalities compound over time to widen pension wealth gaps

While earnings are not the sole determinant of retirement outcomes, they influence retirement outcomes directly by determining whether workers qualify for AE and how much they are able to contribute, as well as indirectly through interactions with employer pension provision, tax relief, and broader financial circumstances.

Lower earners are less likely to participate in workplace pensions

The relationship between earnings and workplace pension participation is most apparent at lower earnings levels. Participation increases as annual earnings rise towards £20,000, after which rates appear to stabilise. There is also a clear shift in participation either side of the £10,000 AE earnings trigger, reflecting the point at which employees become eligible for AE.[53]

AE has substantially increased participation among lower earners. Among private sector employees earning £10,000 to £20,000, participation rose from 17% in 2012 to 74% in 2025.[54] However, this remains below the 90% participation rate among all eligible employees, demonstrating that a significant earnings-related participation gap persists despite the success of AE.

Although the £10,000 trigger has remained frozen while nominal earnings have increased, bringing more employees into AE over time, workers earning below the threshold remain significantly less likely to participate because enrolment requires an active decision to opt in. As a result, earnings continue to influence pension saving both through eligibility for AE and through the level of contributions individuals are able to make once enrolled.

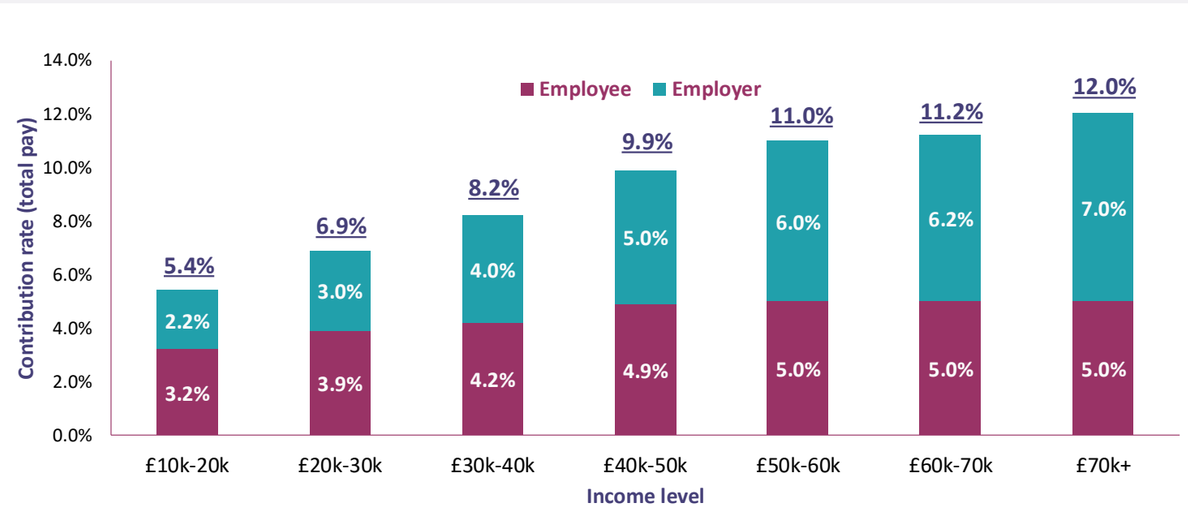
Higher earners contribute at a higher rate and are more likely benefit from stronger employer provision

There is a clear relationship between earnings and the level of contributions made to workplace pensions, not just because contributions are calculated based on a high level of earnings, but also because higher earners contributions are at a higher rate, on average. Among private sector DC employees, median total contribution rates rise steadily with earnings, from 5.4% of total pay among those earning £10,000-£20,000 to 12.0% among those earning £70,000 or more. This reflects increases in both employee and employer contributions, but particularly employer contributions, which rise from 2.2% to 7.0% across these earnings groups (Figure 2.3).[55] Higher earners are therefore not only more likely to participate in pension saving, but also tend to accumulate pension wealth at a faster rate once they are participating.

Figure 2.3[56]

Average contribution rates increase with earnings

Median contribution rates by private sector DC employee into workplace pensions (as a percentage of total pay) by earnings



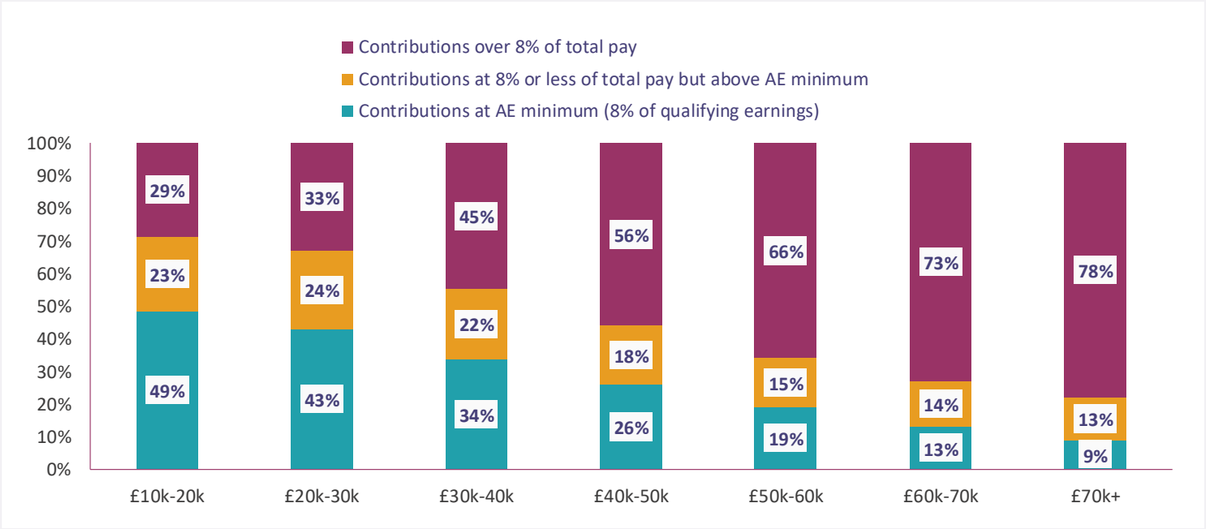
Lower earners are much more likely to remain at or around AE minimum contribution levels. Around half (48%) of employees earning £10,000 to £20,000 are saving at AE minimum levels, compared with around one in ten (12%) of those earning £60,000 to £70,000.[57] This is compounded where contributions are calculated on qualifying earnings rather than total earnings, which can reduce effective contribution rates at both ends of the earnings distribution. For lower earners, a significant share of pay may fall below the Lower Earnings Limit (LEL) (particularly relevant for Low/Low Elena), while for higher earners, earnings above the upper limit may attract no contributions, meaning a much lower effective contribution rate compared to average earners (particularly relevant for High/Low Alexander) (Figure 2.4).

[53] DWP (2026b)
[54] DWP (2026b)
[55] DWP (2025a)
[56] DWP (2025a)
[57] DWP (2026a)

Figure 2.4[58]

Around half of £10k-£20k earners are saving at AE minimums, compared to just 9% of £70k+ earners

Employees in DC schemes total contribution levels by earnings (2024)



Employer provision can reinforce differences in pension outcomes. In 2022, four in ten employees worked for an organisation offering the minimum 3% employer contribution to all workers, while a further two in ten worked for an employer offering the minimum to some employees.[59] Employer matching and enhanced contribution structures tend to favour higher-paid or more senior workers who have greater capacity to contribute themselves, while lower paid and less secure workers are more likely to remain at minimum contribution levels.[60] These differences can compound over a working life, meaning that relatively small differences in contribution rates can translate into substantial gaps in pension wealth.

Pay progression can widen pension wealth differences over the course of working life

Pay progression also matters as it increases contributions in cash terms even where contribution rates remain unchanged. Progression can also provide access to better-paid occupations and more generous employer pension arrangements. While earnings typically rise with age and experience, progression opportunities are unevenly distributed by occupation, sector, qualifications, employment status, and working patterns. In 2024, 69% of employers reported monitoring earnings progression, but only 36% had a transparent progression pathway through which entry-level jobs could lead to higher-paid work.[61] This suggests that progression is not an automatic feature of employment and may depend substantially on the characteristics of the job and employer. Progression opportunities may also differ between workers. Evidence suggests that disabled and ethnic minority workers can face lower access to promotion and progression, alongside differences in employment and earnings outcomes, while migration status can also influence pay and labour market outcomes.[62]

Implications for worker profiles

Figure 2.5 illustrates how earnings and pay progression interact with pension outcomes across the representative worker profiles. The profiles show that earnings alone do not determine pension wealth. The extent to which workers benefit from higher earnings also depends on contribution behaviour and employer pension provision. Higher earners generally have greater capacity to save and can accumulate pension wealth more quickly, particularly where employer contributions are strong. Lower or average earnings can constrain the amount that can be accumulated, even where workers participate consistently. Strong employer provision can partially offset the constraints associated with average earnings, while weak employer provision or limited engagement can mean that high earnings do not translate into proportionately higher pension saving.

Figure 2.5: Impact of earnings and pay progression

Profile	Impact	Why?
Alexander – High Earnings/Low Pension	**Strong support for adequacy**	High earnings provide substantial capacity to save, although this may not translate into higher contributions where employer pension provision is weak or inertia persists.
Ben – High Earnings/High Pension	**Strong support for adequacy**	High earnings increase both the capacity to contribute and the value of employer and employee pension contributions.
Connor – Average Earnings/Low Pension	**Somewhat supports adequacy**	Average earnings provide some capacity for pension saving but leave less scope to increase contributions beyond minimum levels.
Demi – Average Earnings/ High Pension	**Somewhat supports adequacy**	Average earnings constrain the absolute amount that can be saved, but stronger employer contributions partially offset this limitation.
Elena – Low Earnings/Low Pension	**Poor support for adequacy**	Low earnings constrain both the ability to make contributions above minimum rates and the amount that is accumulated when contributing at minimum rates.
Francesca – Low Earnings/High Pension	**Somewhat fails to support adequacy**	Low earnings constrain the absolute amount that can be accumulated, but high pension contributions can provide stronger retirement saving than earnings alone would suggest. Generous employer pension provision may help offset the limitations associated with lower pay.

[58] DWP (2026a)
[59] Kuipers, Phillips & Sandbrook (2022)
[60] Kuipers, Phillips & Sandbrook (2022)
[61] DWP (2025b)
[62] Hofman et al. (2024); Campbell & Fitzgerald (2026)

Place of work shapes pension outcomes through employer, sector, and industry characteristics

Employer characteristics influence pension outcomes independently of workers' earnings. Employer size, sector, and industry influence the likelihood of participating in a workplace pension scheme, the type of scheme available to them, and the level of employer contributions they receive. While AE has substantially increased participation across the workforce, significant differences remain between workers employed by organisations of different sizes, across the public and private sectors, and between industries and occupations, both in terms of participation and contribution behaviour.

Employer size shapes both pension participation and contribution behaviour

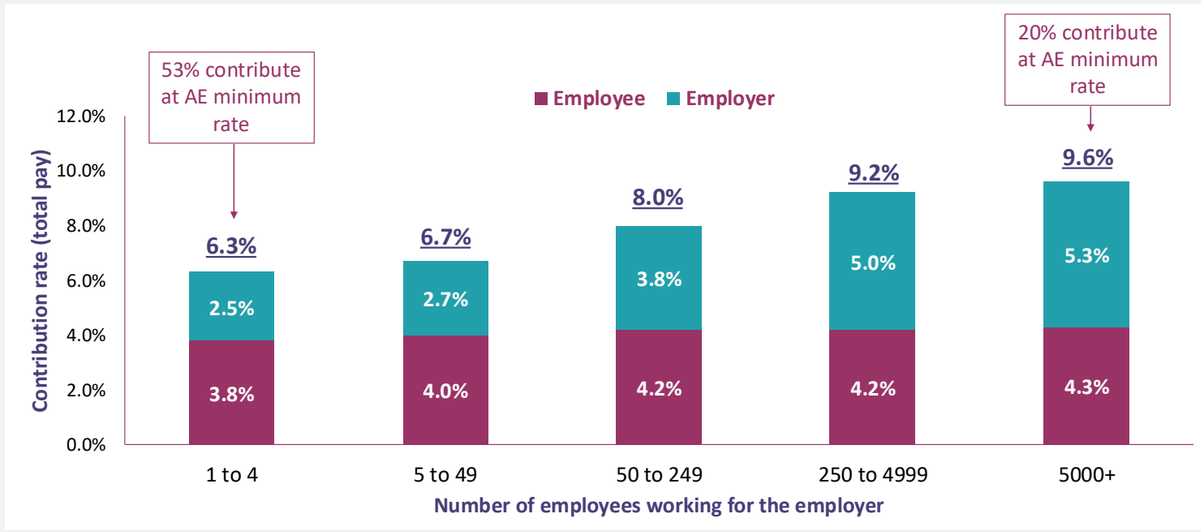
Employees of smaller employers are both less likely to participate in a workplace pension and more likely to receive only minimum contributions. In 2025, 55% of AE-eligible employees working for a micro employer (fewer than five employees) in the private sector were saving into a workplace pension in 2025, compared with 90% of eligible employees overall.[63] While this partly reflects the greater concentration of lower-paid and part-time workers in smaller firms, lower participation among eligible employees suggests that eligibility alone does not explain the gap.

Employer size is also strongly associated with contribution levels (Figure 2.6). Even after controlling for age, sex, industry, and earnings, employees in firms with fewer than 50 employees are 29 percentage points more likely to receive only the statutory minimum employer contribution than comparable employees working for organisations with more than 10,000 employees.[64] Smaller employers are more likely to cite legal compliance when setting contribution rates (63% with 2 to 49 employees vs 47% with 250+) and less likely to consider employees' future retirement adequacy (25% vs 45%).[65] Lower-paid workers in smaller firms can therefore face a double disadvantage as lower earnings reduce the value of contributions, while their employer is more likely to provide only the statutory minimum.

Figure 2.6[66]

Average contribution rates are greater for employees of larger employers compared to smaller employers

Median contribution rates by private sector DC employee into workplace pensions (as a percentage of total pay) by employer size



These patterns are reflected across the worker profiles:

- High/High Ben is likely to benefit from stronger pension provision associated with larger employers.
- High/Low Alexander may also benefit from working for larger organisations despite weaker pension engagement or may work for a smaller employer or run their own small business.
- Mid/High Demi and Low/High Francesca, as primarily public sector workers, are less directly affected by the differences in employer size seen in the private sector, given the prevalence of large public sector employers and more standardised pension provision.
- Mid/Low Connor and Low/Low Elena are more likely to be exposed to smaller employers, where participation is lower, even among eligible employees, and pension contributions are more likely to remain at statutory minimum levels.

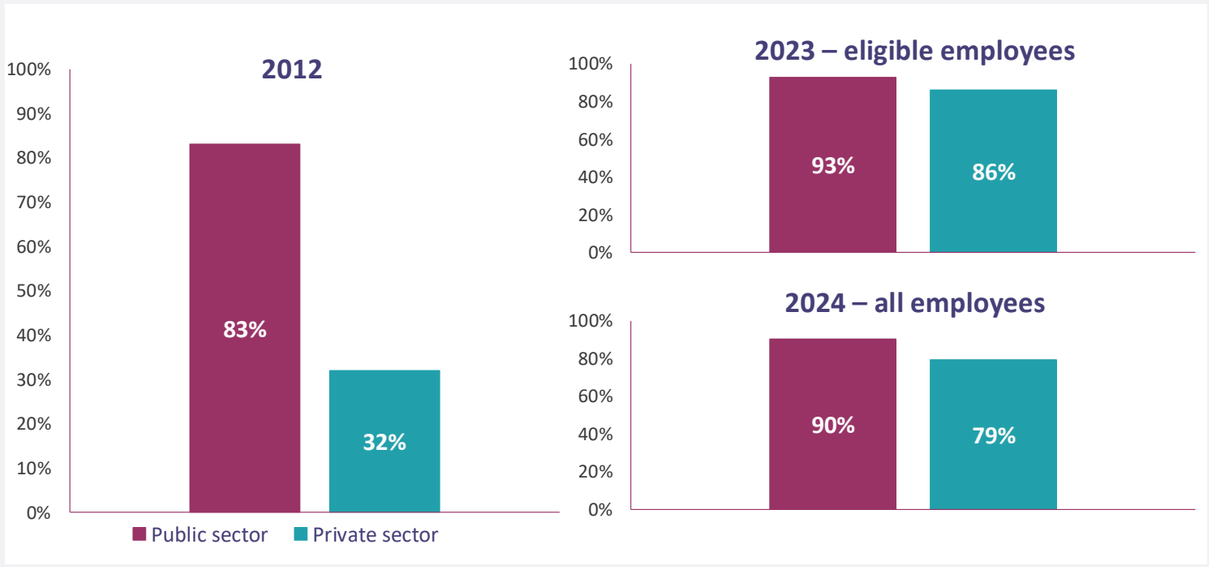
Differences in scheme design and saving behaviour between public and private sector contribute to inequality in pension outcomes

The public/private sector divide is a major source of variation in pension provision. In 2024, 78% of public sector employees were members of a DB scheme, compared to 7% of private sector employees.[67] Pension participation is also higher in the public sector, reflecting more stable employment, larger employers, and established occupational pension provision, although AE has narrowed the participation gap (Figure 2.7). Among AE-eligible employees in 2023, participation was the same for men and women within both the private sector and public sector.[68] However, across all employees, participation in the private sector remains higher among men (81%) than women (76%), reflecting differences in the composition of the workforce and the proportion meeting the AE eligibility criteria.[69]

Figure 2.7[70]

The participation gap between public and private sector has narrowed significantly since the introduction of AE

Workplace pension participation rates by sector



[63] DWP (2026b)
[64] Cribb, Karjalainen & O'Brien (2026)
[65] Kuipers, Phillips & Sandbrook (2022)
[66] DWP (2025a)
[67] ONS (2026a)
[68] DWP (2025c)
[69] ONS (2026a)
[70] DWP (2025c); ONS (2026b)

Scheme design further reinforces these differences. Median contribution rates in public sector DB schemes are around 26% of total pay (19% employer/7% employee), compared with 20% in private sector DB schemes (13% employer/6% employee), while average DC contributions remain around the AE minimum of 8% of band earnings.[71]

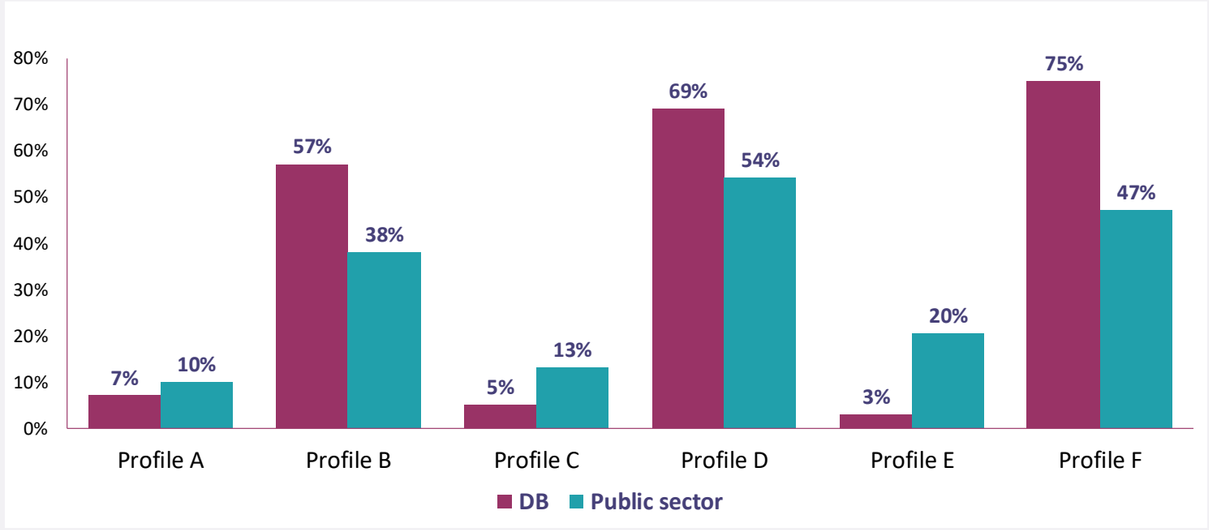
This means that sector affects pension outcomes through several interacting mechanisms. Public sector workers are more likely to experience stable employment, high participation, and access to DB provision, while private sector workers are more likely to rely on DC pensions, where contribution rates and accumulated pension wealth can vary considerably between employers. AE has substantially narrowed the participation gap, but it has not removed the underlying differences in pension provision between sectors.

The continued concentration of more generous pension provision within the public sector explains some of the differences observed across worker profiles, although the relationship between sector and pension type is not one-to-one. Public sector employment varies considerably across the profiles and is broadly associated with higher DB membership, reflecting the continued prevalence of DB provision in the public sector (Figure 2.8). Profiles D (Mid/High Demi) and F (Low/High Francesca) have relatively high concentrations of public sector employment and are therefore more likely to benefit from the stronger and more standardised pension provision associated with this sector, helping to offset the constraints of average or lower earnings. However, DB membership exceeds the public sector share in several profiles, particularly Profile F, indicating that DB provision also extends to workers outside the public sector classification, including those in universities, grant-funded educational establishments, and other non-public employers. High/Low Alexander and High/High Ben, with greater exposure to private sector employment, may still accumulate substantial pension wealth, but their outcomes depend more heavily on the variable generosity of employers' DC schemes and their own contribution behaviour. Mid/Low Connor and Low/Low Elena are similarly more exposed to private sector employment, where minimum DC contributions are more common, potentially limiting pension accumulation over working life. However, Profile E contains a notable public sector presence despite very low DB membership, suggesting that the advantages of public sector pension provision do not extend uniformly to all low earners. This may reflect lower pension participation, including opt-out, alongside differences in eligibility, leaving some low-paid public sector workers with similarly weak pension accumulation. Access to a favourable institutional environment can therefore improve pension outcomes, but sector alone does not determine them. The interaction between employer provision, earnings, eligibility, working patterns, and participation determines whether workers are able to translate that access into stronger retirement outcomes.

Figure 2.8[72]

While there is a significant correlation between public sector employment and DB membership, it is not a one-to-one relationship

Pension scheme type and sector by worker profile



Occupation and industry shape pension participation and employer provision

Although AE has substantially increased pension participation across the UK workforce, participation and contribution levels continue to vary significantly by occupation and industry, reflecting differences in earnings, working patterns, employer characteristics, and pension provision.

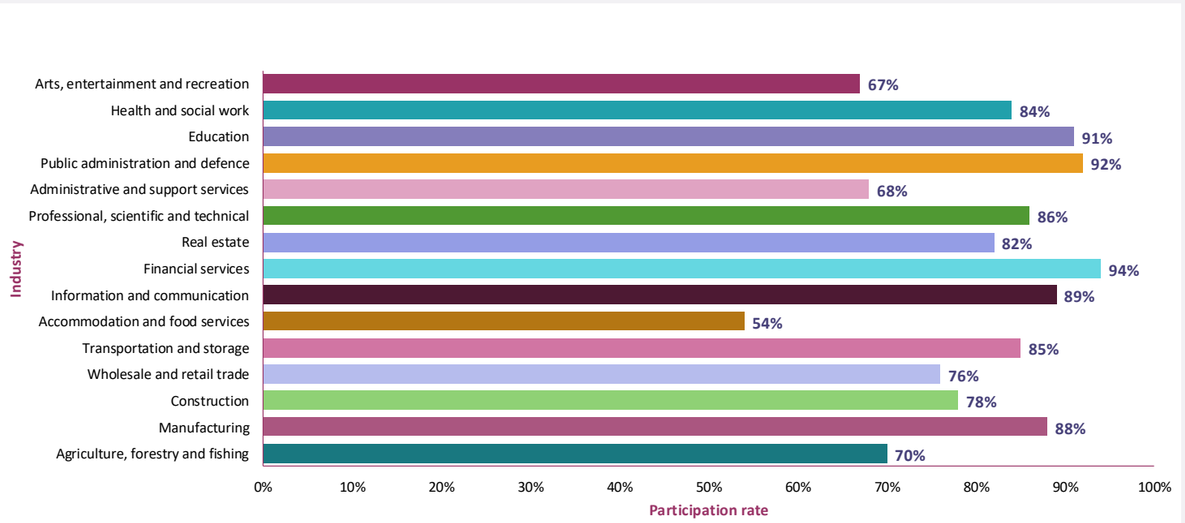
Professional, managerial, and technical occupations tend to combine higher earnings with larger organisations and stronger pension provision. In 2022, 91% of eligible employees in professional, managerial, and technical occupations were contributing to a pension, compared to 81% of eligible employees in elementary occupations.[73] Lower-paid occupations, concentrated in retail, hospitality, and social care, are more likely to involve part-time work, variable hours, and higher turnover, reducing both eligibility and the continuity of saving.

The public/private sector divide is also reflected across industries. Industries with high levels of public sector employment, such as public administration and defence and education, have consistently high participation and stronger occupational pension provision. By contrast, predominantly private sector industries, such as hospitality, arts and entertainment, and administrative and support services have historically had lower participation rates (Figure 2.9). Of around 2.5 million private sector employees earning below the AE earnings trigger, more than half are concentrated in hospitality, retail, and health and social care.[74] These industries account for a disproportionate share of employees who are not saving for a pension due to low earnings. These differences partly reflect the age and earnings profiles of workers in different industries, alongside differences in employment structures and pension provision. The scale and composition of employment in these sectors may also change in response to AI and digitalisation, cost-of-living pressures, migration policy, and wider structural changes, potentially altering which groups are most exposed to low earnings and weaker pension provision.[75]

Figure 2.9[76]

Participation varies considerably across industries: 94% of employees in financial services contribute to a workplace pension compared to just 54% in accommodation and food services

Proportion of employees saving into a workplace pension by industry



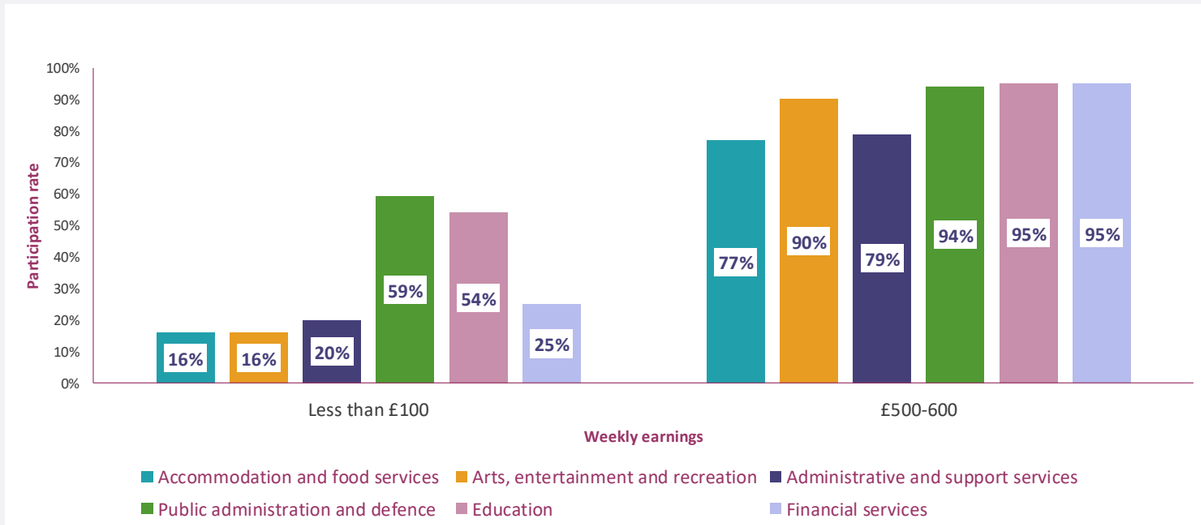
[71] DWP (2025a)
[72] PPI analysis of WAS
[73] DWP (2023)
[74] The Second Pensions Commission (2026)
[75] ONS (2021); ONS (2024); HMRC (2026); Department for Science, Innovation and Technology & AI Security Institute (2026); Home Office (2025)
[76] ONS (2026a)

Importantly, earnings explain only part of these differences. Although controlling for earnings narrows the participation gap, there are persistent differences, suggesting that employer pension provision, workforce composition, and sector-specific employment practices continue to influence pension participation independently of income. At lower earnings levels, for example, employees in public administration and defence are almost four times as likely to participate as those in the accommodation and food services industry[77] and arts, entertainment and recreation.[78] At higher earnings levels, the participation gap narrows considerably but does not disappear. Participation remains around 18 percentage points higher in financial services and education than accommodation and food services (Figure 2.10). This suggests that where someone works influences pension participation independently of their earnings.

Figure 2.10[79]

When income level is taken into account the industry gap in participation narrows but participation remains consistently higher in some industries

Proportion of employees saving into a workplace pension by weekly earnings and industry

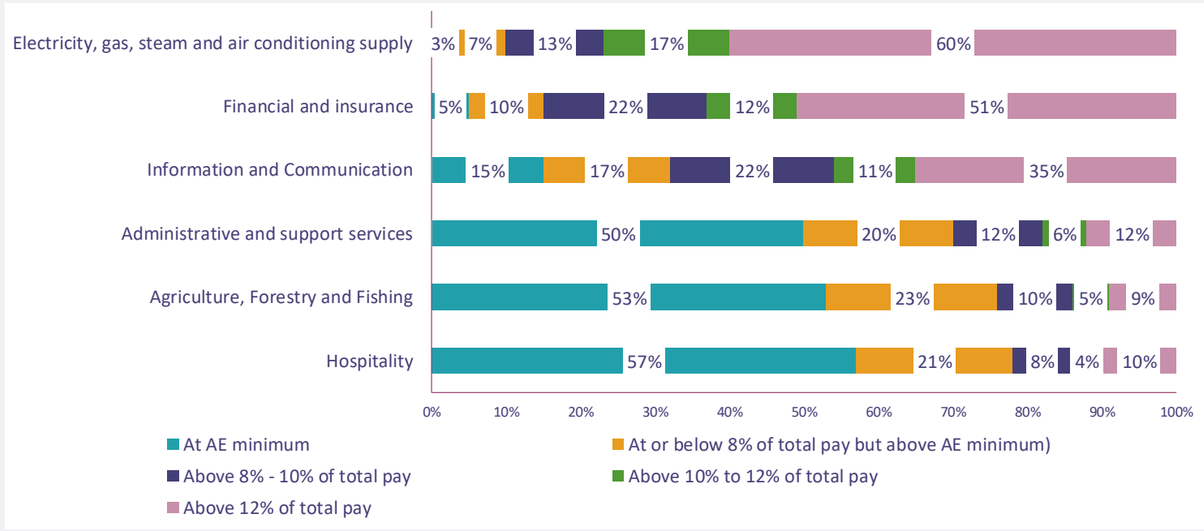


Industry also shapes contribution levels once employees are participating in a pension. Among private sector DC savers, 57% of employees in hospitality receive only the statutory minimum contribution, compared with just 3% in utilities.[80] Conversely, 60% of utility workers have a contribution rate of 12% or more of total pay, compared to just 10% of hospitality workers (Figure 2.11).[81] These differences persist even after controlling for age, sex, earnings, and employer size, indicating that industry-specific pension provision and employer practices contribute to inequalities in pension accumulation beyond differences in workforce composition.

Figure 2.11[82]

Contribution levels vary by industry, with those working in hospitality most likely to contribute at minimum AE levels

Proportion of private sector DC savers by industry and contribution level – industries with lowest and highest contribution rates



These patterns help explain differences across the worker profiles. Mid/High Demi and Low/High Francesca, for example, benefit from employment in public-sector industries such as education and public administration, where participation is high and DB provision is widespread. High/High Ben is more likely to benefit from higher earnings combined with employment in industries where enhanced employer contributions are more common, such as finance, or in the public sector. Low/Low Elena, by contrast, is more likely to work in industries such as hospitality or administrative and support services where the combination of lower earnings, weaker employer provision, and employment patterns can limit pension accumulation over working life.

Implications for worker profiles

Industry, sector, and employer characteristics matter because pension outcomes are shaped not only by an individual's earnings but also by the type of employer and industry in which they work. Larger employers and higher-paying sectors have higher rates of participation and are generally more likely to offer pension contributions above the statutory minimum, while workers in lower-paid sectors or smaller firms are less likely to participate in a workplace pension and more likely to receive minimum contributions if they do. This creates an additional layer of inequality between workers with similar earnings or employment status.

[77] Accommodation and food services includes businesses such as hotels, restaurants, cafes, pubs, and catering services.
[78] Arts, entertainment and recreation includes businesses and organisations involved in arts and creative activities, sports and fitness, gambling, and recreation services, including museums, libraries, theatres, cinemas, and leisure facilities.
[79] ONS (2026a)
[80] Utilities include electricity, gas, steam, and air conditioning supply
[81] DWP (2026a)
[82] DWP (2026a)

Figure 2.12: Impact of employer characteristics and industry

Profile	Impact	Why?
Alexander – High Earnings/Low Pension	**Somewhat fails to support adequacy**	High earnings provide capacity to save, but workers in employers or industries with weaker pension provision may receive relatively low employer contributions despite their earnings.
Ben – High Earnings/ High Pension	**Good support for adequacy**	Higher-paying industries and larger employers are more likely to offer generous pension provision, creating cumulative advantage through higher earnings and employer contributions.
Connor – Average Earnings/Low Pension	**Somewhat fails to support adequacy**	Employer size and industry can affect access to more generous pension schemes, progression opportunities, and workplace support, increasing the risk of remaining at minimum contribution levels.
Demi – Average Earnings/High Pension	**Strong support for adequacy**	Strong employer provision can substantially improve pension outcomes despite average earnings, particularly where larger employers or sectoral context provide contributions above the statutory minimum.
Elena – Low Earnings/ Low Pension	**Poor support for adequacy**	Lower-paid industries and smaller or less secure employers are more likely to be associated with minimum pension provision, limited progression and weaker capacity to save, compounding low earnings.
Francesca – Low Earnings/High Pension	**Strong support for adequacy**	Strong pension provision may reflect employers or industries offering more generous contribution rates, established workplace pension arrangements, or stronger institutional support for retirement saving. This suggests that employer and sector characteristics can provide significant protection against weaker pension outcomes, even where other employment characteristics, such as earnings, may be less favourable

Regional labour markets shape pension outcomes and broader wealth accumulation

Regional differences in pension outcomes appear to operate primarily through local labour market characteristics rather than region itself. Earnings, employment patterns, and industrial and occupational composition vary across regions, while differences in housing and living costs also affect workers' capacity to accumulate pensions and other wealth.

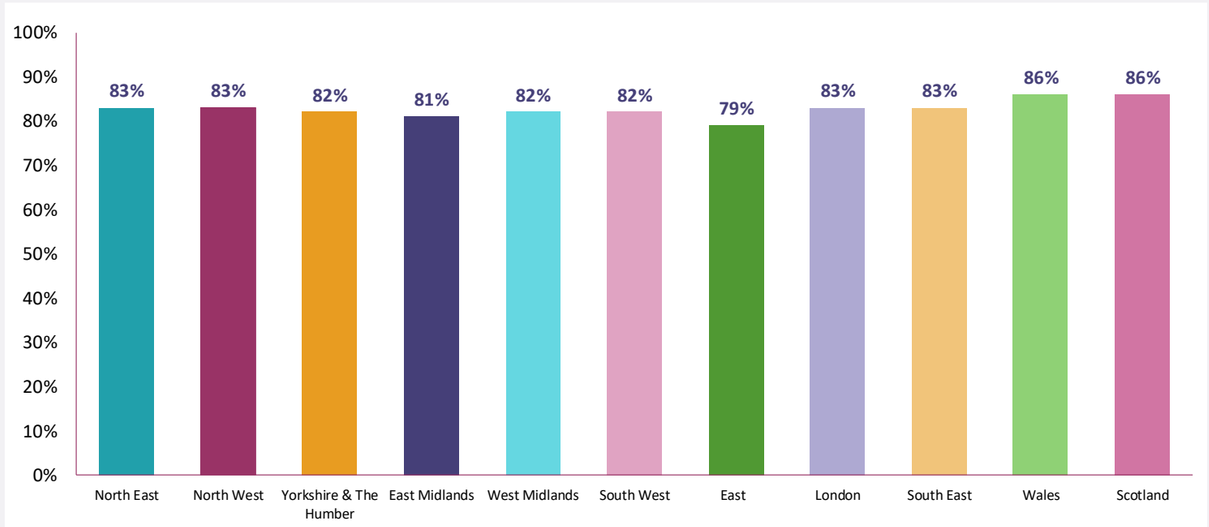
Regional differences in pension participation largely reflect AE eligibility

Among AE eligible employees, pension participation is consistently high across the UK, ranging from 87% in the South-West and East of England to 93% in Scotland and Wales.[83] The relatively narrow range suggests that once employees meet the eligibility criteria for AE, where they live has only a limited influence on whether they participate in a workplace pension. Similar gaps exist when looking at all employees, not just those who are eligible (Figure 2.13). These regional differences in participation appear to be driven by differences in workforce composition and AE eligibility rather than differences in individual saving behaviour.

Figure 2.13[84]

Regional variation in participation rates is primarily driven by differences in workforce composition and AE eligibility

Workplace pension participation all employees by region 2025



Regional pay differences contribute to gaps in pension saving

Regional earnings differences further shape pension outcomes. Median weekly pay for full-time employees was £767 across the UK in April 2025, but was highest in London and lowest in the North-East (Figure 2.14).[85] Higher earnings increase both the likelihood of AE eligibility and the capacity to contribute above minimum levels.

[83] DWP (2026b)
[84] DWP (2026b)
[85] ONS (2025a); Francis-Devine (2025)

Figure 2.14[86]

Earnings vary considerably by region, with London and the South East having the highest average earnings, and the North East and Yorkshire & The Humber the lowest

Median weekly pay by region of residence, April 2025, Full-time employees



These earnings differences reflect the structure of regional labour markets. London, the South-East, and parts of the East of England have relatively high concentrations of financial, professional, and technical employment, as well as larger employers and higher paid occupations, while other regions have more employment in retail, hospitality, social care, and administrative services, where lower pay, part-time work, and variable working patterns are more common. Sector composition also varies. English regions, the proportion of employees working in the public sector ranges from 21% in the West Midlands and London to 29% in the North-East, while the share is substantially higher in the devolved nations, at 37% in Wales and 36% in Scotland.[87] Region is therefore better understood as a marker of wider labour market opportunities available to workers than as an independent driver of pension saving.

Place-based economic policies may influence these patterns over time by changing local employment, skills, and industrial composition. Initiatives such as the UK Shared Prosperity Fund and investment in sectors such as advanced manufacturing can indirectly affect pension outcomes by expanding access to higher paid, more stable employment and opportunities for progression.[88]

Worker profiles associated with higher earnings and professional employment, particularly High/Low Alexander and High/High Ben, are more likely to be concentrated in regions with stronger labour markets and higher-paid industries. Public sector workers Mid/High Demi and Low/High Francesca may be less exposed to differences in regional labour market conditions because public sector employment tends to offer more standardised pay, employment, and pension arrangements across regions. This can mitigate some of the regional variation in pension outcomes that is more pronounced among private sector workers. Mid/Low Connor and Low/Low Elena are more likely to be in regions where part-time work and employment in lower-paying industries are more prevalent, increasing the likelihood of weaker pension accumulation.

[86] Francis-Devine (2025)
[87] ONS (2025b)
[88] Ministry of Housing, Communities & Local Government & Department for Levelling Up, Housing & Communities (2025); West Midlands Combined Authority (2024); West Midlands Combined Authority (2025)

Housing and other living costs can offset the pensions advantages of higher regional earnings

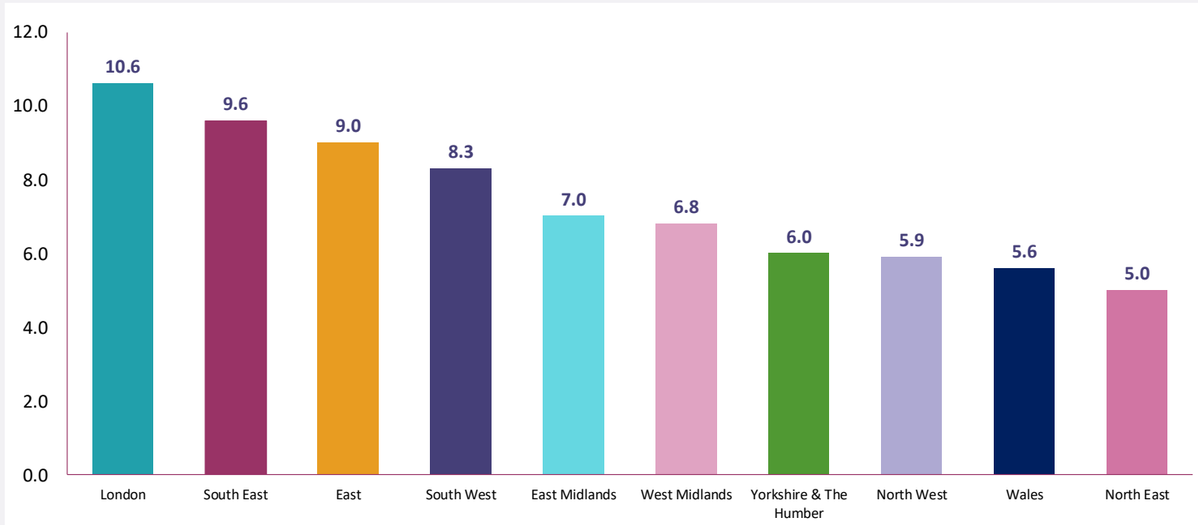
Regional differences in retirement security cannot be understood through pension saving behaviour and earnings alone. The resources available to save for retirement depend on the wider cost of living, including housing, transport, and other essential household expenditure.

Housing affordability varies substantially across the UK. In 2025, the median home in England cost 7.6 times the median annual earnings of a full-time employee, compared with 6.0 times in Wales. Within England, London was by far the least affordable region, with an average home costing 10.6 times average earnings, compared with 5.0 times in the North-East (Figure 2.15). In London, a further £279,000 would be required on top of five times average earnings to purchase an average-priced home, whereas an average-priced home in the North-East would be affordable within five times average earnings.[89] Similar differences apply to renting. In 2024, average private rents in London were equivalent to 42% of private-renter household income, compared with 20% in the North-East.[90]

Figure 2.15[91]

House prices are least affordable in London and the South East despite higher average earnings

Median housing affordability ratio by region, 2025



High housing costs relative to earnings can reduce the income available for pension saving above minimum levels, delay home ownership, and increase the resources required to maintain living standards in retirement. This is particularly challenging for lower- and middle-income households for whom housing expenditure represents a larger share of available resources and who have less capacity to compensate through additional pension saving.

Housing is only one component of these regional cost differences. Transport costs, energy costs, and other essential household expenditure can also affect the amount of disposable income available for pension saving and wider wealth accumulation. Transport is particularly relevant because access to employment can itself generate substantial costs, while energy expenditure can place additional pressure on household budgets.[92] For lower- and middle-income households in particular, higher essential expenditure can leave less disposable income for voluntary pension contributions, additional saving, and other forms of wealth accumulation. Regional differences in these costs can reinforce differences in pension saving capacity.[93]

[89] ONS (2026c)
[90] ONS (2025c)
[91] ONS (2026c)
[92] ONS (2025d)
[93] ONS (2026d)

Implications for worker profiles

By themselves, regional differences are unlikely to be a key factor in determining pension saving behaviour and retirement outcomes, but they can reinforce differences created by earnings, employment, and housing.

Figure 2.16: Impact of regional differences

Profile	Impact	Why?
Alexander – High Earnings/Low Pension	**Somewhat supports adequacy**	High regional earnings provide capacity to save, but high housing costs in regions such as London and the South-East can reduce disposable income available for additional pension saving.
Ben – High Earnings/ High Pension	**Somewhat supports adequacy**	Higher earnings and stronger pension provision provide significant capacity to build retirement wealth, but workers in higher-earning regions can face substantial housing costs. This can offset some of the wider wealth advantages associated with higher incomes and pension contributions.
Connor – Average Earnings/Low Pension	**Somewhat fails to support adequacy**	Greater exposure to lower-paid regional labour markets, part-time employment, and industries with weaker pension provision can increase the risk of falling below the AE earnings trigger or remaining at minimum contribution levels.
Demi – Average Earnings/High Pension	**Good support for adequacy**	Less exposed to regional differences in labour markets, as a public sector worker. More standardised employment and pension provision can mitigate the effects of regional variation in earnings and labour market conditions.
Elena – Low Earnings/ Low Pension	**Somewhat fails to support adequacy**	Most exposed to the interaction between low earnings, weaker pension provision, and regional labour market conditions. A greater likelihood of working in lower-paid industries or below the AE earnings trigger, combined with limited capacity for additional saving, can result in persistently weak pension accumulation over working life.
Francesca – Low Earnings/High Pension	**Good support for adequacy**	Strong pension provision can reduce the impact of regional differences in labour markets and earnings. Where workers have access to generous employer contributions or more standardised pension arrangements, pension outcomes may be less sensitive to regional variation, providing greater protection in areas with weaker labour markets or higher living costs.

Employer objectives, workplace norms and environment can shape pension saving behaviour

Employers shape pension saving not only through contribution levels but also through the information, incentives, and support available to employees. For many employees, the workplace is the main setting in which they encounter pensions. Stable employment and supportive employer practices can encourage participation and sustained saving, while insecure employment and weak employer provision can limit the opportunity to build pension wealth and reduce engagement with pension saving.

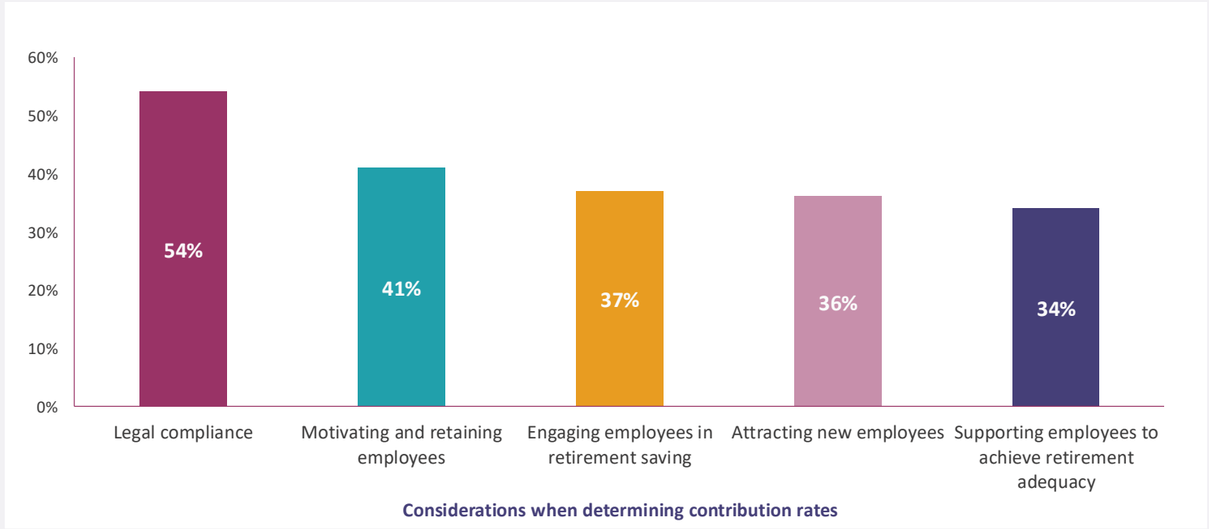
Employer priorities shape the generosity of pension provision

Employer pension provision is shaped by the objectives organisations attach to their pension arrangements (Figure 2.17).

Figure 2.17[94]

Legal compliance is the most common consideration for employers when determining contribution rates

Considerations when determining employer contribution rates – survey of 500 employers (2022)



This suggests that employer pension provision does not generally reflect a focus on helping employees to achieve retirement adequacy. Only 34% of employers cite this as a consideration when determining pension contributions.[95] Contribution decisions typically reflect a combination of regulatory requirements, recruitment and retention, employee benefits, affordability, and wider organisational priorities. The result is considerable variation in pension provision between employers, even among workers with similar levels of earnings. The prevalence of minimum contributions reinforces this point. In 2022, four in ten employees worked for an organisation offering the minimum 3% employer contribution to all employees, while a further two in ten worked for an employer that offered the minimum contribution to some employees. Among employers offering only the minimum to all employees, affordability was an important consideration. 51% said they could not afford to contribute more, while 26% said they prioritised putting money into base salaries.[96]

Employer trust and workplace culture can influence pensions engagement

The workplace can shape pension engagement and saving decisions through the norms, expectations, and support surrounding retirement saving. Employer endorsement, clear communication, and financial wellbeing support can make pensions more visible, while colleagues and managers can reinforce social norms around contributing and retirement planning.[97] Where pensions are rarely discussed, employees may receive fewer prompts to engage.

[94] Kuipers, Phillips & Sandbrook (2022)
[95] Kuipers, Phillips & Sandbrook (2022)
[96] Kuipers, Phillips & Sandbrook (2022)
[97] Robertson-Rose (2019); Crossfield & Lynn-Birkett (2023)

Trust also matters. Employees who trust their employer may be more receptive to pension communications and employer-selected pension arrangements, although this can reinforce inertia if they assume the default will provide an adequate retirement income.[98] Financial and pensions education can improve understanding of contributions, employer matching, and retirement planning, but information alone may not change behaviour where employees lack the financial capacity to save more. Workplace support is likely to be most effective when it is accessible to workers with different levels of financial capability and combined with strong pension provision. It may be particularly important for workers who have the financial capacity to save more but do not engage actively with their pension, such as High/Low Alexander.

Implications for worker profiles

Workplace norms can reinforce differences between worker profiles by shaping the extent to which pension saving is encouraged, supported, and prioritised within employment. The impact varies according to both the quality of employer provision and workers' capacity to respond to workplace incentives and support.

Figure 2.18: Impact of employer objectives and workplace norms

Profile	Impact	Why?
Alexander – High Earnings/Low Pension	**Somewhat fails to support adequacy**	High earnings provide capacity to contribute more, but weak employer provision or a workplace culture focused on minimum compliance can leave pension saving below what earnings would support. Limited employer encouragement or financial wellbeing support may also reduce active engagement.
Ben – High Earnings/ High Pension	**Good support for adequacy**	Higher-paying employers are more likely to use pension provision as part of recruitment, retention and reward strategies. Higher earnings also provide greater capacity to respond to workplace encouragement, financial education, and opportunities to contribute above minimum levels.
Connor – Average Earnings/Low Pension	**Somewhat fails to support adequacy**	Workers may have some capacity to save more but are exposed to employers whose pension objectives focus on legal compliance and cost. Limited workplace discussion, education, or encouragement can reinforce inertia and reduce the likelihood of increasing contributions.
Demi – Average Earnings/High Pension	**Strong support for adequacy**	Strong employer provision can compensate for lower levels of active decision-making, while established workplace norms can reinforce participation and long-term saving.
Elena – Low Earnings/ Low Pension	**Poor support for adequacy**	Lower-paid workers are more likely to be employed by organisations relying on statutory minimum provision and less access to generous employer contributions or workplace financial support. Limited financial capacity also reduces the ability act on employer encouragement to increase contributions.
Francesca – Low Earnings/High Pension	**Strong support for adequacy**	Strong pension provision suggests employers place greater emphasis on retirement saving as part of their reward and employee benefits strategy. Established workplace norms, generous contributions, or active employer support may encourage and sustain pension saving, helping to overcome barriers to engagement that can otherwise affect lower-paid workers.

Behavioural and financial decision-making factors

Behavioural and financial decision-making factors also shape how people save

Institutional and labour market characteristics shape the opportunities and constraints individuals face, but do not fully determine pension saving behaviour. Individuals may exhibit inertia, present bias, and limited financial capability when making complex, long-term decisions.[99] However, these behavioural factors are themselves shaped by income, employment security, and financial pressures, and should therefore not be viewed simply as differences in financial responsibility or motivation, but as interacting with, and potentially reinforcing, structural inequalities in pension accumulation.

AE harnesses inertia for participation, but can reinforce inertia in contributions

Behavioural factors are particularly important in a pension system built around AE. AE has successfully removed the need for most eligible employees to make an active decision to start saving, but the same reliance on defaults can reduce the incentive to make subsequent decisions to start saving, but the same reliance on defaults can reduce the incentive to make subsequent decisions about contribution levels or investment choices.

The inertia that has made AE so successful at increasing participation does not disappear once an employee has been enrolled. Employees make relatively few changes to their pension saving over their working lives. Contribution rates are particularly persistent, with many workers not increasing their pension saving as their earnings or financial circumstances change. Changes in earnings have only a small effect on pension saving, and there is little evidence that workers systematically increase their contribution rates at particular ages or as their financial capacity increases. Pension contributions respond only modestly to major life events, including changes in earnings, the arrival of children, and changes in housing tenure, suggesting that employees do not routinely reassess pension saving when their capacity or need to save changes.[100] This persistence is important because the level of saving established earlier in working life can continue even as earnings and household circumstances change.

The effect is likely to differ across the worker profiles. For Low/Low Elena, remaining at the default contribution rate may reflect both inertia and limited financial capacity to save more. For Mid/Low Dylan, there may be a greater capacity to increase contributions over time, but the absence of an active decision can still result in saving remaining at or close to minimum levels. High/Low Alexander, by contrast, is more likely to benefit from higher employer contributions and greater capacity to make additional voluntary contributions, meaning that AE is more likely to represent a base for pension saving rather than the level at which saving remains. The persistence of contribution rates also has implications for Alexander. High earnings create greater capacity to save, but this does not automatically lead to higher pension contributions. Without active decisions to increase saving, workers can remain at contribution levels established earlier in their careers, even as their earnings and financial capacity increase.[101] Higher income creates an opportunity to save more, rather than guaranteeing that the opportunity will be taken.

[98] Crossfield & Lynn-Birkett (2023)
[99] Thaler & Sunstein (2008)
[100] Cribb & O'Brien (2023)
[101] Cribb & O'Brien (2023)

Participation does not necessarily mean engagement

The distinction between participation and engagement is important. A worker can be continuously enrolled in a pension while having little understanding of how much they are saving, where their money is invested, or what their pension might provide in retirement. For example, in 2024, 31% of DC savers were unaware that their pension is invested and 57% were not aware that fees are charged on DC pensions.[102] Inertia, low financial capability, and negative attitudes towards pensions and retirement planning can act as barriers to engagement. Some savers may regard retirement as too distant to require attention, while others may assume that AE means that no further action is necessary.[103] Savers can experience detachment, fear and complacency, as well as finding it difficult to assess what information about their pension means for their future. Even among savers who recognise the importance of pensions, they may still lack the confidence or knowledge to accurately assess whether they are saving enough or what action they should take.[104] The behavioural challenge is not just whether information reaches savers, but whether they can understand its implications and translate it into an appropriate action. The result is a significant gap between participation as a pension saver and engaging as an active retirement planner. AE has been highly effective at increasing the former, but it does not necessarily produce the latter, and may even discourage it by reinforcing inertia.

UK Pensions Framework indicator F1.2 – Engagement[105]
2025 system-level assessment: Poor support for fairness

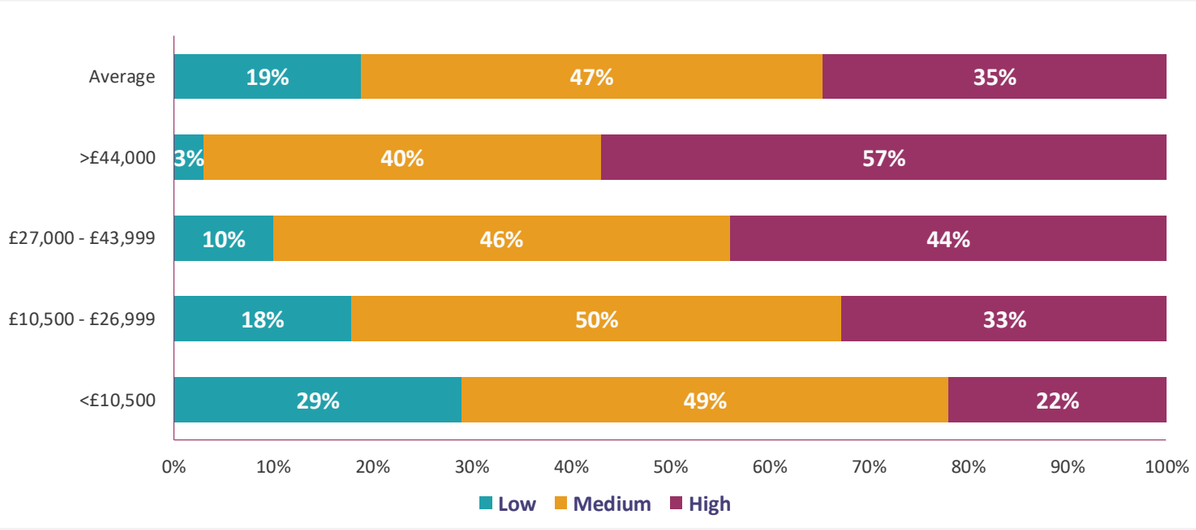
Financial capability affects the ability to make informed decisions

Pension saving behaviour also depends on individuals' financial capability and confidence in making long-term financial decisions. DC pensions require individuals to understand contribution rates, investment risk and returns, the effect of charges, compound growth, and eventually choices about accessing their pension. Low financial capability makes pension engagement more difficult, while the complexity of pensions itself can discourage people from engaging.[106] Levels of financial capability and confidence vary considerably across the population.[107] Financial literacy is a sub-indicator contributing to the Inclusion indicator under the objective of Fairness (Indicator F1.1). The 2025 indicator update found there to be significant variation in levels of financial literacy across the population, with low levels of financial literacy strongly associated with those most at risk of poor retirement outcomes (Figure 2.19).

Figure 2.19[108]

Higher levels of financial literacy are correlated with higher earnings

Levels of financial literacy in the UK, by annual earnings



However, financial capability should not be treated as synonymous with the ability to achieve good outcomes. Understanding the benefits of saving does not necessarily create the financial capacity to do so. High/High Ben is more likely to have both the financial capacity and confidence to engage actively with pension decisions. Higher earnings make it easier to increase contributions without compromising immediate living standards, while greater financial resources make professional advice or other forms of financial support more accessible. High/Low Alexander has many of the same characteristics, and yet, is still less likely to engage to make active decisions about pension saving.

For Low/Low Elena, lower engagement should not necessarily be interpreted as a lack of financial capability. Low earnings, irregular hours, and insecure employment can make long-term financial planning more difficult, while immediate financial pressures may leave little capacity to increase pension contributions. Financial capability matters, but so does the financial capacity to act on that capability. For Low/Low Elena, interventions that rely on individuals making active decisions are likely to be less effective than changes to defaults, employer provision, or other features of the pension system.

For Mid/High Demi and Low/High Francesca, stronger employer pension provision reduces the extent to which retirement outcomes depend on individual decisions. Higher and more predictable employer contributions can generate substantial pension accumulation without requiring the employee to make active decisions about how much to save. Institutional provision can therefore compensate, at least partly, for differences in individual financial capacity or engagement.

Financial insecurity can make long-term saving difficult

The relationship between financial circumstances and behaviour is particularly clear among workers experiencing insecure employment. Research on precarious workers identifies different financial mindsets associated with different levels of security (Figure 2.20).

Figure 2.20[109]

	SURVIVING	SECURING	SAVING
Primary focus:	Immediate needs	Short-term resilience	Long-term security
Priority:	Getting through today	Building a financial buffer	Building future wealth
Example:	Paying bills & essentials	Emergency savings	Pension saving
Time horizon:	Now	Next few months	Years ahead

[102] FCA (2025a)
[103] Wilkinson & Silcock (2024)
[104] Crossfield & Lynn-Birkett (2023)
[105] Adams et al. (2025)
[106] Wilkinson & Silcock (2024)
[107] FCA (2025a)
[108] Adams et al. (2025); Butt et al. (2022)
[109] Fuzi (2023)

These mindsets are not just individual preferences. They reflect the resources and degree of certainty available to households. Where income is volatile or future employment is uncertain, prioritising immediate bills, debt repayment, or precautionary savings can be a rational response to financial risk. Pension saving involves sacrificing income today in return for an uncertain benefit many years in the future, making it harder to prioritise when immediate financial security is fragile. A worker may understand the benefits of pension saving but still choose not to increase contributions because doing so would leave insufficient resources to manage current financial risks. In these circumstances, remaining at the minimum contribution rate may represent a constrained financial decision rather than disengagement. This is particularly relevant to Low/Low Elena, for whom low earnings, employment insecurity, and weaker employer provision can reinforce one another. The resulting lack of pension engagement should therefore be understood within the context of limited financial security, rather than evidence of poor financial decision-making.

Competing financial priorities shape pension decisions

Pension saving competes with other financial priorities throughout working life. Housing costs, childcare, debt repayment, emergency savings, and other forms of wealth accumulation can all affect the amount individuals are able or willing to allocate to pensions. The availability of short-term savings is particularly important because households without a financial buffer may be more vulnerable to unexpected costs, potentially leading them to reduce pension contributions, take on expensive debt, or draw on longer-term savings. Evidence suggests that a more flexible "sidecar" savings approach could enable accessible emergency savings to complement, rather than compete with, retirement saving.[110]

For High/Low Alexander, relatively high earnings provide greater capacity to save, but this does not mean that additional pension contributions will always be the preferred use of that income. Mortgage repayments and other investments can provide competing routes to financial security. Decisions to allocate resources towards housing rather than additional pension saving may reflect competing forms of long-term wealth accumulation rather than a failure to plan for retirement.

For Mid/Low Connor and Low/Low Elena, the trade-off is more acute. Lower earnings mean that an increase in pension contributions can have a more significant impact on disposable income. where households are facing high housing costs, debt, or other essential expenditure, increasing pension saving may not be financially feasible.

Behavioural factors can compound structural inequalities

Behavioural and financial decision-making factors interact closely with the institutional and labour market characteristics outlined earlier in this chapter. The same behavioural tendency can have very different consequences depending on the resources available to an individual.

Inertia can be beneficial when it keeps an employee enrolled in a pension, but harmful when it prevents contributions from increasing as earnings rise. Limited engagement may have relatively little effect on a worker who benefits from a generous employer pension, but much greater consequences for someone whose employer contributes only the statutory minimum. Financial confidence can help higher earners take advantage of opportunities to increase saving, while workers facing immediate financial pressures may have limited capacity to act even when they understand the benefits of doing so.

This means that behavioural differences can contribute to a cumulative pattern of pension inequality. Workers who already have higher earnings, stable employment, and more generous employer provision are more likely to have both the capacity and opportunity to engage actively with retirement planning. Workers with lower earnings and less secure employment are more likely to face immediate financial constraints, limited capacity to save, and greater difficulty making long-term financial commitments. The implications are therefore broader than individual behavioural and financial decision-making factors. People do not make pension decisions in a vacuum; the capacity to make active long-term saving decisions depends partly on whether current financial circumstances make that decision possible. This also means that the effectiveness of engagement strategies is likely to vary between worker groups. Behavioural interventions, financial education, and more effective communications have an important role, but their effectiveness will depend on the structural conditions that determine whether individuals have the resources and security needed to act. For some people, particularly those with limited capacity to save or engage, structural changes to pension provision and support are likely to be more effective than encouraging greater individual engagement.[111]

Implications for worker profiles

The impact of behavioural and financial decision-making factors varies across the worker profiles, because individuals differ not only in their willingness to engage with pension saving, but also in their capacity to act on that engagement. Inertia and limited engagement can reinforce low pension saving where earnings and employer provision are weak, while higher earners with stronger employer provision have greater capacity to respond to incentives and make active decisions. The risks are greatest where behavioural constraints coincide with limited financial capacity, particularly for Low/Low Elena, while stronger institutional provision can reduce reliance on individual decision-making for Mid/High Demi and Low/High Francesca.

Figure 2.21: Impact of behavioural and financial decision-making factors

Profile	Impact	Why?
Alexander – High Earnings/Low Pension	**Somewhat fails to support adequacy**	Has substantial capacity to save but may not translate higher earnings into higher pension contributions, particularly where employer provision is weak or competing priorities such as housing and other wealth accumulation are more attractive.
Ben – High Earnings/ High Pension	**Strong support for adequacy**	Has the greatest capacity to respond to pension incentives and engage actively with retirement planning, while also benefitting from stronger employer provision. Behaviour and institutional provision reinforce one another.
Connor – Average Earnings/Low Pension	**Somewhat fails to support adequacy**	More exposed to inertia and minimum contribution rates. There may be some capacity to save more over time, but competing financial demands and weaker employer provision can limit active increases in pension saving.
Demi – Average Earnings/High Pension	**Good support for adequacy**	Behavioural factors generally support adequacy through continued participation and sustained pension saving, although stronger and more standardised pension arrangements reduce the need for active individual decision-making.
Elena – Low Earnings/ Low Pension	**Poor support for adequacy**	Faces the greatest behavioural constraints because low earnings, financial insecurity, and immediate spending pressures reduce both the capacity and incentive to increase long-term pension saving. Remaining at minimum contributions may represent a rational response to constrained circumstances rather than simply inertia.
Francesca – Low Earnings/High Pension	**Good support for adequacy**	Strong pension contributions suggest that behavioural and financial barriers to pension saving are being overcome, potentially through generous employer provision and workplace pension arrangements that reduce reliance on individual decision-making. This can provide a more consistent route to retirement saving for workers who may otherwise have limited capacity to prioritise long-term saving.

[110] Kuipers et al. (2023); Cooksey & Sandbrook (2021)
[111] Wilkinson & Silcock (2024)

CONCLUSIONS

Institutional dynamics help explain the divergence between profiles characterised by strong occupational pension provision and those reliant primarily on AE defaults. Profiles associated with stable employment, large employers, and public sector occupations benefit from institutional structures that encourage higher participation levels, contribution rates, and pension adequacy. By contrast, profiles associated with precarious work, fragmented employment histories, and lower earnings are more likely to experience limited pension accumulation despite formal participation in workplace pensions.

CHAPTER THREE:

How does pension system design impact inequalities across worker profiles?

This chapter explores the interaction between worker profiles and the design of the current pension system, highlighting where structural features of the system may reinforce or mitigate inequalities in retirement outcomes.

Introduction

The UK pension system has been transformed over the past two decades, particularly through the introduction of AE. By making workplace pension saving the default for eligible employees, AE has substantially reduced the extent to which participation depends on individuals actively deciding to save. However, being enrolled in a pension is only the first step towards an adequate retirement income. The level, continuity, and eventual value of pension savings continue to depend on a range of structural features of the pension system. These features do not affect all workers in the same way. The profile-based approach used throughout this report illustrates how the same pension system can produce very different experiences and outcomes depending on the combination of earnings, employer characteristics, and behavioural factors.

This chapter considers how the architecture of the UK pension system shapes the ability of different worker groups to achieve adequate retirement outcomes. It examines the points at which the system can mitigate differences between workers and the points at which it can reinforce them.

Structural features of the pension system

Automatic enrolment has transformed participation, but its design still shapes who benefits and how much is saved

AE has substantially increased pension participation and reduced reliance on individuals actively choosing to save. This has particularly benefited workers who might otherwise have delayed joining a pension, such as Mid/Low Connor and Low/Low Elena. However, AE does not remove all barriers to pension saving. Its eligibility rules, contribution structure, and reliance on defaults determine both who is brought into pension saving and the level at which saving begins and subsequently persists.

The policy challenge facing workplace pensions has changed significantly since the introduction of AE. Where focus was previously on increasing participation, the central issue is now whether participation levels are translating into adequate retirement outcomes. The Second Pensions Commission estimates that around 15 million working-age people are on course to achieve inadequate retirement outcomes on a TRR measure and will therefore face significant decreases in income and standards of living at retirement.[112] The emerging challenge is therefore how to move from a system that successfully encourages saving to one that generates sufficient retirement income.

Eligibility rules create different starting points for pension saving

UK Pensions Framework indicator F2.1 – Differences between groups[113]
2025 system-level assessment: Somewhat fails to support fairness

AE does not apply to all workers. Employees aged between 22 and SPa who earn at least £10,000 from a single employer must be automatically enrolled. Employees earning between £6,240 and £10,000 can opt in and receive mandatory employer contributions, while those earning below £6,240 do not receive an employer contribution through the AE framework if they opt in (although some employers may make voluntary contributions).

Workers with low or fluctuating earnings may move in and out of eligibility, while people with multiple jobs can earn more than £10,000 in total without reaching the trigger with any one employer. Part-time, seasonal, and insecure workers are therefore more exposed to gaps in automatic saving. Low/Low Elena and Low/High Francesca are more exposed to ineligibility, while the remaining profiles are less directly affected because their earnings are more likely to place them consistently within the AE framework.

There is a legitimate affordability rationale for retaining earnings thresholds. For some low-paid workers, pension contributions would divert resources needed to meet essential day-to-day needs, competing with housing costs, debt repayment, childcare, and building emergency savings, and potentially exacerbating financial hardship.[114] However, individual earnings do not necessarily provide a complete picture of financial capacity. A low-paid worker may live in a higher income household, while someone above the earnings trigger may be the main earner in a household under considerable financial pressure. For example, 5% of women in the UK are low earners living in households with above average income.[115] More comprehensive assessments of household financial capacity could help to target AE more precisely, but would add considerable complexity and administrative burden that could undermine the simplicity that has contributed to AE's success.

Employer contribution rules raise a further fairness question. A worker earning £6,240 to £10,000 can opt in and receive a mandatory contribution from their employer, while a worker earning below £6,240 does not. For those who can afford to save, even at very low incomes, this means missing out on employer support simply because their earnings fall below the threshold.

This is particularly relevant to Low/Low Elena. For a worker with genuinely limited financial resources, immediate needs take priority over pension contributions. However, where Profile E represents a low-paid worker who could afford to save, particularly because they are part of a higher-income household, exclusion from employer contributions can result in a potentially significant loss of pension accumulation. The same threshold can therefore provide protection for one low-paid worker while disadvantaging another.

The resulting policy question is therefore not simply whether low earners should be automatically enrolled. It is whether the current design strikes the right balance between protecting low-income households from unaffordable pension saving and ensuring that low-paid workers who could afford to save have the opportunity to benefit from valuable employer contributions.

Self-employed workers remain outside AE

Self-employed workers do not have an employer to enrol them or contribute on their behalf, so they must initiate and maintain retirement saving themselves. This makes outcomes more dependent on engagement, financial capability, and the ability to commit income over time. The challenge is greatest for those with low or volatile earnings, for whom regular contributions can be difficult and the absence of an employer contribution weakens the immediate incentive to save. As discussed in Chapter Two, self-employment is diverse. Higher earning self-employed workers may have substantial capacity to save through pensions, property, or other assets. The structural concern is therefore not self-employment itself, but the absence of the default and employer contribution that support employees.

[56] The Second Pensions Commission (2026)
[113] Adams et al. (2025)
[114] DWP (2025d); DWP (2024)
[115] Upton (2026)

AE minimum contributions provide a base to build upon, rather than necessarily an adequate level of saving

Since 2019, the minimum total contribution has been 8% of qualifying earnings, normally comprising at least 3% from the employer and 5% from the employee, including tax relief. Because contributions are calculated on qualifying earnings rather than total earnings, the effective contribution rate as a proportion an employee's full salary is lower than 8% for many workers.

Evidence suggests that the minimum is unlikely to be sufficient for many people. Increasing minimum contribution rates to 12% would raise the proportion of private sector employees projected to reach their target replacement rate from 66% to 74%.[116] For a median earning man, compared to the current minimum, a 12% contribution rate would increase the projected pension pot at retirement from around £184,000 to £276,000.[117]

Defaults matter because contribution rates tend to be persistent once established. Employees make relatively few changes to their pension saving over time, with contribution rates often remaining unchanged even as earnings and financial circumstances change.[118] This persistence means that AE can establish a default contribution rate that continues over substantial periods of working life, unless voluntary employer provision and workplace culture shift behaviour. Employees may also interpret the statutory minimum as an indication of the amount they are expected or recommended to save, rather than recognising it as a legal minimum. This can reinforce the tendency to remain at minimum contribution levels.[119] Evidence on actual saving levels supports this concern. Private sector DC pension contribution rates have remained broadly unchanged since the minimum contribution rate last increased in 2019.[120]

The implications differ across the worker profiles:

- High/Low Alexander has capacity to save more but may remain at low contribution rates where employer provision is weak and active increases are required.
- Mid/Low Connor is similarly exposed, although remaining at the minimum may reflect both inertia and genuine financial constraints.
- For Low/Low Elena, persistently low contribution rates are more likely to reflect genuine affordability constraints rather than inertia.
- By contrast, High/Ben, Mid/High Demi, and Low/High Francesca demonstrate the role of strong employer provision in increasing contribution rates above the statutory minimum.

The policy implication is that increasing participation through AE and increasing the adequacy of pension saving are distinct objectives. AE has been highly effective at overcoming the behavioural barrier to starting pension saving, but the persistence of minimum contribution rates means that further policy interventions may be needed to encourage adequate levels of saving. The key policy question is no longer whether workers are in a pension, but whether the contribution framework and employer and employee behaviours are sufficient to generate adequate pension accumulation over the course of working life.

Implications for worker profiles

The AE framework mitigates some inequalities while reinforcing others. AE reduces differences in participation but does less to equalise the amount and continuity of saving. Its benefits are strongest where stable employment, sufficient earnings, and strong employer provision reinforce the default. Lower or volatile earnings, fragmented employment, and weak employer contributions can leave workers with lower contributions and more gaps.

Figure 3.1: Impact of AE design

Profile	Impact	Why?
Alexander – High Earnings/Low Pension	**Somewhat fails to support adequacy**	High capacity to save, but exposed to minimum contribution defaults. Stable and relatively high earnings make AE eligibility less of a concern, but where employer contributions are limited and the worker does not actively increase their contributions, the statutory minimum can persist over time, limiting the extent to which higher capacity to save translates into higher pension accumulation.
Ben – High Earnings/ High Pension	**Good support for adequacy**	Higher earnings provide substantial capacity to contribute, while high employer and employee contribution rates build upon the AE baseline. This profile is consistently eligible and less exposed to the structural limitations affecting lower-paid or fragmented employment.
Connor – Average Earnings/Low Pension	**Somewhat fails to support adequacy**	Consistently eligible, but exposed to minimum contribution rates and weaker employer provision. AE provides a foundation for pension saving, but persistent contributions at or near the statutory minimum result in relatively low accumulation.
Demi – Average Earnings/High Pension	**Good support for adequacy**	Strong employer provision reduces reliance on AE defaults. Although earnings are average, stronger pension provision and higher contribution rates provide a route to substantial pension accumulation. Where stronger employer provision applies, the worker is less dependent on individual decisions to increase contributions above minimum rates.
Elena – Low Earnings/ Low Pension	**Poor support for adequacy**	Most exposed to the structural limitations of AE. Low earnings reduce contribution capacity, while eligibility thresholds, fluctuating employment, and multiple jobs can create gaps in AE. Where saving does occur, contributions are likely to be relatively low. This profile faces risks across access, contribution levels, and continuity.
Francesca – Low Earnings/High Pension	**Somewhat fails to support adequacy**	Strong employer pension provision can offset low earnings, but eligibility may be less consistent. This profile demonstrates that low earnings do not necessarily result in weak pension outcomes where employer provision is strong. However, workers with fluctuating earnings may move in and out of AE eligibility, creating a structural risk to the continuity of saving.

[116] Cribb, Karjalainen & O'Brien (2026)
[117] Khambhaita et al. (2026)
[118] Cribb & O'Brien (2023)
[119] Bajorek, Gifford & Brown (2026)
[120] DWP (2025a)

Pension scheme type creates a substantial divide in the risks and retirement security faced by different workers

DB and DC pensions allocate risk very differently. DB schemes provide a guaranteed income in retirement determined by earnings, accrual rates, and years of service, while DC outcomes depend on contributions, investment returns, and how the pot is ultimately accessed at retirement. This means that DB members bear more investment and longevity risk directly, while in DB, employers bear a greater share of risk.

Access to DB pensions gives some worker profiles greater retirement security despite lower earnings

Scheme type is unevenly distributed across the labour market. In 2024, 78% of public sector employees were members of a DB scheme, compared with just 7% of private sector employees.[121] The long-term shift away from private sector DB provision means that DB membership is increasingly concentrated among public sector workers, with 92% of active DB members and 60% of deferred member in the public sector.[122]

This matters because earnings alone do not determine pension outcomes. Around 69% of Profile D and 75% of Profile F are DB members. Mid/High Demi and Low/High Francesca benefit from greater risk pooling and stronger employer contribution structures, giving them greater certainty than many DC savers with similar or higher earnings.

However, the DB/DC distinction should not be interpreted as meaning that DB schemes are inherently "better" in every respect. DB schemes provide greater certainty over retirement income but impose substantial funding and longevity risks on sponsoring employers and, in the case of public sector schemes, ultimately on the State, which can have significant implications for sustainability. DC schemes can provide greater flexibility over contributions, investment, and retirement income. The key distinction is where risk sits, alongside the substantial differences in contribution rates described in Chapter Two.

Implications for worker profiles

Differences in pension scheme type create substantial variation in how retirement risks are distributed across worker profiles. Differences in outcomes across different types of schemes reflect contribution structures, but also the distribution of risk between employer and employee.

Figure 3.2: Impact of pension scheme type

Profile	Impact	Why?
Alexander – High Earnings/Low Pension	**Somewhat fails to support adequacy**	Predominantly DC provision means this profile bears investment and longevity risks directly. High earnings provide capacity to save more, but comparatively low pension accumulation increases the risk that retirement income falls short of expectations.
Ben – High Earnings/ High Pension	**Good support for adequacy**	This profile is evenly split between DB and DC provision. Strong pension accumulation and higher earnings provide greater capacity to absorb investment and longevity risks for those within a DC arrangement. Higher contributions and employer provision can also provide a substantial buffer against adverse outcomes.
Connor – Average Earnings/Low Pension	**Somewhat fails to support adequacy**	Greater reliance on DC provision exposes this profile to individual investment and longevity risks, while relatively low pension accumulation limits the capacity to absorb poor investment performance or inadequate saving. The combination of lower accumulation and individual risk creates a significant vulnerability.
Demi – Average Earnings/High Pension	**Strong support for adequacy**	High DB membership provides substantial retirement security despite moderate earnings. Investment and longevity risks are the responsibility of the scheme and sponsoring employer, rather than borne directly by the individual.
Elena – Low Earnings/ Low Pension	**Somewhat fails to support adequacy**	Low pension accumulation is combined with limited capacity to compensate through additional saving. As a DC saver, this profile bears individual investment and longevity risks despite having the least financial capacity to absorb them, increasing reliance on the State Pension and means-tested support.
Francesca – Low Earnings/High Pension	**Strong support for adequacy**	High DB membership provides substantial protection against investment and longevity risks despite lower earnings. Strong employer provision gives this profile greater retirement security than earnings alone would suggest.

[121] ONS (2026e)
[122] TPR (2025)

Tax incentives can widen differences in the benefits of pension saving

Tax relief supports pension saving, but is not a strong adequacy lever for those most at risk

Pensions tax relief reduces the effective cost of saving, but evidence suggests employees respond less to financial incentives than traditional economic models would predict. Participation and contribution behaviour appear to be more strongly influenced by other institutional features such as AE and employer provision.[123]

The value of tax relief is also unevenly distributed. Half of the total value of DC pension tax relief goes to the 15% of people with the highest incomes. A continuously contributing basic-rate taxpayer could receive around 18% more from their DC pension saving as a result of tax relief, compared with around 52% more for a higher-rate taxpayer.[124] AE has increased the number of lower earners receiving tax relief, but not their share of its value. Between 2012 and 2018, the proportion of people receiving relief who earned less than £30,000 increased from 52% to 63%, while their share of total relief increased only from 23% to 24%.[125]

Tax relief supports pension saving but is unlikely to close adequacy gaps. The largest cash benefits accrue to workers who already have the greatest capacity to contribute, like High/High Ben, while the effectiveness in increasing saving among workers with lower pension wealth appears more limited, although there is a net gain from tax relief across all worker profiles.

The benefits of salary sacrifice arrangements are concentrated among higher earners, but upcoming reforms will narrow this advantage

Salary sacrifice allows employees to give up part of their salary in return for an equivalent employer pension contribution. Under the current system, sacrificed pension contributions are exempt from Income Tax, as well as employee and employer National Insurance contributions (NICs), meaning that salary sacrifice can increase the amount paid into a pension a given reduction in take-home pay. The value of the arrangement is therefore greater for workers who are able to make larger contributions through salary sacrifice, although access also depends on whether an employer offers a salary sacrifice scheme.

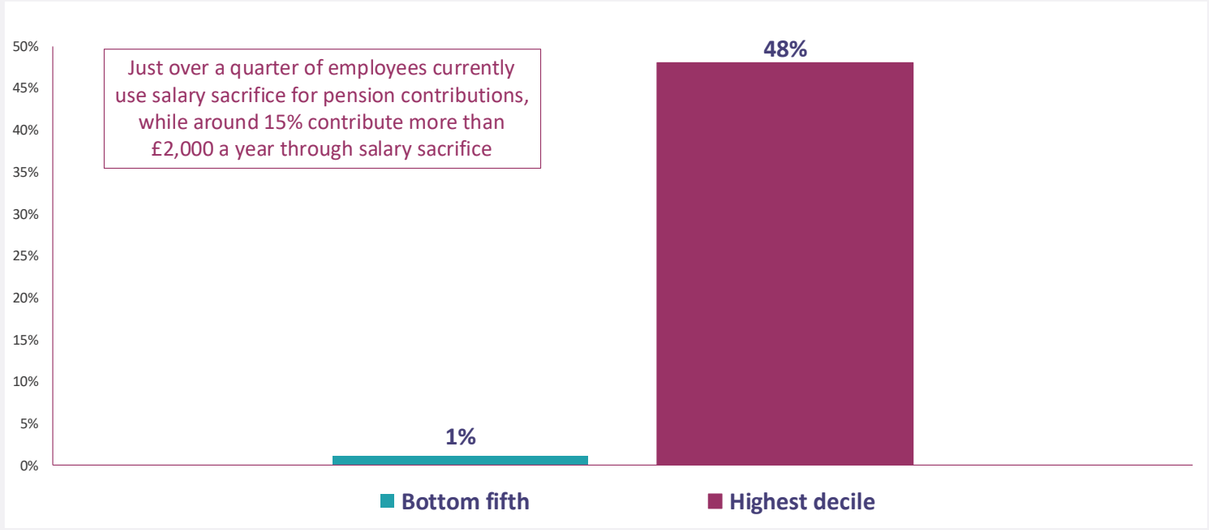
The Government will change the NIC treatment of salary sacrifice from April 2029, when the NIC exemption will be limited to the first £2,000 of annual pension contributions. Contributions above this level will become subject to both employee and employer NICs, although the existing Income Tax treatment of pension contributions made through salary sacrifice will remain unchanged.[126]

Exposure to the reform is highly concentrated among higher earners (Figure 3.3). This reflects both greater use of salary sacrifice among higher earners and their greater likelihood of contributing more than £2,000 a year through salary sacrifice. If workers continued making their existing contributions, the reform would generate an average additional NIC liability of almost £1,000 per year for employees in the top earnings decile and their employers, compared with virtually no additional liability among the bottom fifth. Overall, 69% of the additional NIC liability would fall on the top earnings decile and their employers.[127] The impact is also likely to vary according to pension and employment context. Private sector workers are considerably more exposed than public sector workers. 18% of private sector employees make contributions above £2,000 through salary sacrifice, compared with 7% in the public sector. Within the private sector, almost 40% of employees in finance and insurance and in information and communication make contributions above the threshold, compared with less than 2% in accommodation and food services.[128]

Figure 3.3[129]

The expected impact of the upcoming salary sacrifice reform varies sharply by earnings

Proportion of employees directly affected by the £2,000 cap on salary sacrifice contributions exempt from NICs, by earnings



This pattern maps closely onto the worker profiles. High/High Ben is likely to derive the greatest benefit from the existing arrangements because higher earnings provide both the greater capacity to make larger contributions and greater scope to benefit from the NIC saving. High/Low Alexander also has substantial capacity to benefit, although their low rate of pension saving suggests that either their employer does not offer a salary sacrifice scheme or the tax incentives of salary sacrificing have not encouraged this worker to contribute at higher rates. This reinforces the distinction between the capacity to save and actual pension accumulation, which can be influenced by many other factors, both institutional and individual behavioural. By contrast, the potential benefits of salary sacrifice are likely to be much smaller for Mid/Low Connor, Low/Low Elena, and Low/High Francesca, where lower earnings and lower contribution levels make it less likely that workers will make large salary sacrifice contributions.

However, there is considerable uncertainty about what the actual impact of the upcoming changes to salary sacrifice will be because workers and employers could respond by changing their pension saving behaviour. Affected employees could reduce salary sacrifice contributions or switch to other arrangements. Employers could increase standard employer pension contributions, reduce wages, or stop offering salary sacrifice altogether.

Salary sacrifice currently provides a more valuable pension saving mechanism to higher earners, and the forthcoming reform will disproportionately reduce this advantage for those making larger contributions, with relatively little immediate impact on low earners. However, its implications for pensions adequacy are less straightforward. If higher earners respond by reducing pension contributions, the change could affect their future retirement outcomes, while employer responses could also alter remuneration and pension provision more broadly. The ultimate effect across the worker profiles will depend on both the extent of current salary sacrifice use and how workers and employers respond to the reform.

[123] Cribb & O'Brien (2023)
[124] Pike (2020)
[125] Pike (2020)
[126] HM Treasury (2025)
[127] O'Brien & Oulton (2026)
[128] O'Brien & Oulton (2026)
[129] O'Brien & Oulton (2026)

Implications for worker profiles

The incentives provided by the tax treatment of pensions offer the greatest financial benefit to workers with higher earnings and larger pension contributions, while workers with lower earnings and lower rates of contribution receive comparatively little support.

Figure 3.4: Impact of tax incentives

Profile	Impact	Why?
Alexander – High Earnings/Low Pension	**Somewhat supports adequacy**	Higher earnings provide substantial capacity to benefit from pension tax relief and, where available, salary sacrifice. However, this profile's relatively low pension accumulation suggests that tax incentives have not translated into strong pension saving.
Ben – High Earnings/ High Pension	**Strong support for adequacy**	This profile is best placed to benefit from pension tax relief because higher earnings and larger contributions generate greater tax benefits. However, upcoming changes to salary sacrifice arrangements will reduce some of the current advantage for those making larger contributions.
Connor – Average Earnings/Low Pension	**Somewhat supports adequacy**	Lower pension accumulation limits the value of tax relief because relatively modest contributions generate comparatively small tax benefits.
Demi – Average Earnings/High Pension	**Good support for adequacy**	Strong employer pension provision means this profile is less reliant on tax incentives to achieve adequacy. With higher-than-average contribution rates, this profile can still receive meaningful benefits from tax relief.
Elena – Low Earnings/ Low Pension	**Somewhat supports adequacy**	This profile is least able to benefit from the value of tax relief because low earnings and minimum contribution levels restrict both the amount saved and the resulting tax subsidy. Despite having the greatest need to improve adequacy, this profile receives comparatively little benefit from incentives designed around pension contributions.
Francesca – Low Earnings/High Pension	**Somewhat supports adequacy**	Low earnings limit the value of tax relief and make substantial salary sacrifice contributions less likely. However, high pension accumulation, supported by strong DB provision, means this profile is less dependent on tax incentives to achieve retirement security.

Fragmented pension saving creates the greatest challenges for workers already at risk of inadequate pension outcomes

The employer-based structure of workplace pensions means that changing jobs produces multiple pension pots across different schemes. Fragmentation of pension savings can make it harder to understand total pension wealth and can expose individuals to different charges, investment strategies, and administrative arrangements.

The forthcoming MoneyHelper Pensions Dashboard is expected to reduce one of the key challenges associated with fragmentation by enabling savers to find and view information on all their pensions in one place. This could be particularly valuable for High/Low Alexander, Mid/Low Connor, and Low/Low Elena by making accumulated pension wealth, including multiple small pots, more visible and helping individuals to identify potential gaps. However, dashboards are primarily an information and visibility tool, and the government dashboard will not include a mechanism for consolidation, although commercial dashboards subsequently entering the market may include this functionality. Individuals will still need to decide whether transferring or consolidating is appropriate, taking account of differences in charges, investment options, and scheme features across their various pension pots. The effectiveness of dashboards will also depend on engagement and individuals' ability to understand and act on the information provided.

Implications for worker profiles

Pension fragmentation creates the greatest risks for workers who already have low pension wealth and limited capacity to increase saving. Mid/Low Connor and Low/Low Elena are most exposed, as multiple small pots can obscure pension gaps and amplify the significance of charges and administrative complexity. High/Low Alexander faces a more moderate but potentially hidden adequacy risk, despite having greater financial capacity to act. High/High Ben, Mid/High Demi, and Low/High Francesca are better protected by stronger pension accumulation, including DB provision. The forthcoming pensions dashboard should improve visibility of fragmented savings, particularly for High/Low Alexander, Mid/Low Connor, and Low/Low Elena, but information alone will not resolve fragmentation; individuals will still need to engage to assess whether consolidation is appropriate and take action where necessary.

Figure 3.5: Impact of pension fragmentation

Profile	Impact	Why?
Alexander – High Earnings/Low Pension	**Somewhat fails to support adequacy**	Fragmentation creates a less visible adequacy risk for this profile. Higher earnings provide capacity to manage or consolidate multiple pension pots, but low pension accumulation and limited engagement mean fragmented saving may make it harder to assess whether sufficient retirement savings are being built up.
Ben – High Earnings/ High Pension	**Good support for adequacy**	Multiple pension pots are primarily a complexity and efficiency issue rather than a significant adequacy risk. Longer-term employer attachment may also reduce the extent of fragmentation.
Connor – Average Earnings/Low Pension	**Somewhat fails to support adequacy**	Fragmentation compounds an existing pension adequacy risk. Multiple small pots can make total pension wealth harder to understand and increase exposure to different charges and investment arrangements. With more limited capacity to compensate through additional pension saving, poor visibility of accumulated pension wealth can materially increase vulnerability.
Demi – Average Earnings/High Pension	**Good support for adequacy**	Strong pension accumulation and high DB membership provide substantial protection against the effects of fragmented saving. Multiple pension entitlements may increase administrative complexity, but they are less likely to create a material pension adequacy gap. Longer-term employer attachment, particularly in the public sector, may further limit fragmentation.
Elena – Low Earnings/ Low Pension	**Poor support for adequacy**	This profile is most vulnerable to the effects of fragmented saving. Small pension pots can make charges and administrative costs relatively more significant, while low earnings limit the ability to compensate through additional contributions. Fragmentation can therefore reinforce an already weak pension position and make gaps in retirement saving harder to identify and address.
Francesca – Low Earnings/High Pension	**Good support for adequacy**	Strong pension accumulation and high DB membership provide a substantial buffer against fragmentation despite lower current earnings.

Reliance on individual engagement leaves retirement outcomes uneven across worker profiles

The current pension system makes it hard for people to achieve optimal retirement outcomes without making informed active choices

The UK pension system places significant responsibility on individuals to make informed decisions throughout the accumulation and decumulation phases. While AE has reduced the need for individuals to make an active decision to participate, important decisions remain subject to individual engagement, including whether to increase contributions, consolidate pension pots, review investment choices, and decide how to access pension savings at retirement. This creates an important structural distinction between being enrolled into a pension and being able to make the decisions required to achieve an adequate retirement outcome.

Expectations of engagement need to recognise substantial differences in individuals' financial capability, circumstances, and willingness to engage. Engagement can improve outcomes for some people, but it is not equally achievable or beneficial for everyone. A significant proportion of the population are unlikely or unable to make informed active choices that are likely to lead to positive retirement outcomes, meaning engagement-based approaches alone are likely to be insufficient. For these groups in particular, guidance, defaults, and safety nets are likely to play an important role.[130]

Well-designed defaults could support those for whom engagement is less feasible to achieve better outcomes

Evidence suggests that a more structured choice architecture could be beneficial. Engagement remains valuable, particularly for people who are willing and able to make informed decisions, but appropriately designed defaults can provide protection for those who will not or cannot make informed active choices to achieve better retirement outcomes.[131]

This direction is increasingly reflected in current policy development. The emerging guided retirement and targeted support frameworks seek to retain the flexibility of pension freedoms while providing more structured support around key decisions. The government's objective for guided retirement is to make retirement decisions simpler and less risky, by enabling DC savers approaching retirement to benefit from default solutions, while targeted support is intended to provide a more structured journey throughout accumulation by offering ready-made suggestions to groups of savers with shared characteristics and financial needs.[132] This approach aims to support both people who are willing and able to engage and those who are unable or choose not to.

However, structured choice also creates risks. Defaults inevitably embed assumptions about what constitutes an appropriate outcome, and a default that is suitable for a typical member may not be appropriate for every member. While the Pension Schemes Act 2026 provides the overall structure for introducing more structured support, how these policies are implemented in practice will be shaped through secondary regulation and industry practice, and the impact will depend on how they are designed and trade-offs navigated.[133]

The current system's reliance on individual engagement creates a distributional difference in the ability to convert pension participation into adequate retirement outcomes. Workers with higher earnings, stronger employer provision, and greater financial capability are generally better positioned to benefit from a system based on active choice, while those with lower pension wealth may face the greatest consequences from disengagement. The emerging policy emphasis on defaults, including guided retirement and targeted support, represents a move towards a more structured choice architecture, maintaining individual flexibility where it is valuable, while reducing the extent to which adequate retirement outcomes depend on individuals successfully navigating a complex pension system on their own.

UK Pensions Framework indicator F1.3 – Choice and defaults[134]
2025 system-level assessment: Somewhat supports fairness

Implications for worker profiles

Reliance on individual engagement creates uneven retirement outcomes because the workers most able to benefit from active choice are not necessarily those who need it most. The below risk dashboard captures two dimensions of engagement: the extent to which individuals can achieve positive outcomes through active engagement, and the extent to which they are protected from poor outcomes where strong pension provision reduces reliance on individual decision-making.

Figure 3.6: Impact of engagement and reliance on individual decision-making

Profile	Impact	Why?
Alexander – High Earnings/Low Pension	**Somewhat fails to support adequacy**	Reliance on individual engagement creates a risk that workers do not recognise the shortfall or take action to increase contributions. The gap between capacity to save and actual pension saving therefore creates a potentially significant, but less immediate, vulnerability.
Ben – High Earnings/ High Pension	**Good support for adequacy**	Higher earnings, strong pension accumulation and greater capacity to engage with financial decisions place this profile in a strong position to benefit from a system based on active choice. However, financial capability does not guarantee engagement, so some risk remains.
Connor – Average Earnings/Low Pension	**Poor support for adequacy**	Has a greater need to make active decisions to improve pension adequacy but less financial capacity and potentially less ability or willingness to navigate complex pension choices. Reliance on voluntary increases in contributions and other active choices can reinforce existing inadequacy where engagement is limited.
Demi – Average Earnings/High Pension	**Good support for adequacy**	Strong employer pension provision, particularly high DB membership, reduces the consequences of limited individual engagement.
Elena – Low Earnings/ Low Pension	**Poor support for adequacy**	This profile faces the greatest engagement risk because it has the greatest need for effective pension decisions to improve adequacy while having the least capacity to compensate for poor choices through additional saving. A system requiring individuals to assess contribution adequacy, investment risk, pension consolidation, and retirement options places substantial responsibility on those least able to absorb mistakes or inaction.
Francesca – Low Earnings/High Pension	**Good support for adequacy**	Although lower earnings may constrain the ability to make additional savings or navigate complex choices, strong employer pension provision reduces reliance on active individual decision-making to achieve pension security.

[130] Wilkinson & Silcock (2024)
[131] Wilkinson & Silcock (2024)
[132] FCA (2025b)
[133] Garcia Requejo & Adams (2026)
[134] Adams et al. (2025)

State support provides protection for lower earners but can weaken incentives to save privately

While this report focuses primarily on workplace pensions by nature of its profile-based approach, in order to take a full system-level view of distributional impacts, it is also important to consider State Pension provision, as well as broader welfare support.

The State Pension provides a stronger income floor for lower earners, but does not eliminate differences in retirement adequacy

UK Pensions Framework indicator A2.1 – State Pension Income – Coverage (bSP)[135]
2025 system-level assessment: Somewhat fails to support adequacy
UK Pensions Framework indicator A2.2 – State Pension Income – Coverage (nSP)[136]
2025 system-level assessment: Good support for adequacy
UK Pensions Framework indicator A2.3 – State Pension Income – Level[137]
2025 system-level assessment: Somewhat fails to support adequacy

The State Pension is the foundation of the UK retirement income system and interacts with workplace pension saving in determining total retirement income. Its relatively flat-rate structure means that it has very different implications across the worker profiles, providing a larger proportion of previous earnings for lower earners, while offering a much smaller replacement rate for higher earners. However, this should be understood within the context of the State Pension's objective to provide a baseline level of retirement income on which individuals can build through private pension saving, rather than to replicate working life living standards across the earnings distribution. Its smaller contribution to adequacy for higher earners is not a failing of the State Pension, but reflects the greater role that additional pension saving must play in maintaining higher pre-retirement living standards.

The State Pension has also become a more substantial income floor over time. In 2023, around half of nSP recipients received the full rate, although this proportion is expected to increase substantially as the transitional effects of the pre-2016 system diminish. By 2030, around four in five people reaching SPa are expected to be entitled to the full amount.[138] This reflects both the design of the new system and the role of NI credits in protecting entitlement during some periods outside paid work. At the same time, the value of the State Pension has increased relative to earnings. In 2026, the full nSP is worth around 25% of full-time average earnings, reflecting the effects of the nSP and the triple lock.[139] This strengthens the State Pension's role in supporting adequacy, particularly for people with low lifetime earnings and limited private pension saving.

86% of people in the bottom quarter of earners are projected to meet their target replacement rate, compared with only 40% of those in the top quarter.[140] This is because the State Pension alone provides a much higher replacement rate for lower earners. As a result, the State Pension provides an important redistributive effect within the pension system, as workers with relatively low lifetime earnings can achieve a relatively high replacement rate without accumulating large private pension pots. The triple lock reinforces this effect, providing protection against both price inflation and periods in which earnings grow more quickly. However, it also raises wider questions about the long-term cost and sustainability of State Pension provision, particularly as the population ages.

Target replacement rates are just one measure of adequacy, reflecting the comparison of retirement income to working life income, rather than taking into account living standards, or the ability to meet basic needs that are captured by some other adequacy measures. People on particularly low incomes could have a high replacement rate in retirement while still facing significant adequacy risks. The State Pension does not eliminate the risk of inadequate retirement outcomes. Considering other measures of adequacy, for example Pensions UK's Retirement Living Standards, lower earners are less likely to reach a minimum retirement living standard, because their lifetime incomes are lower and they have fewer resources to supplement the State Pension through private saving.[141]

[135] Adams et al. (2025)
[136] Adams et al. (2025)
[137] Adams et al. (2025)
[138] DWP (2016)
[139] PPI (2026)
[140] Cribb, O'Brien & Sturrock (2024)
[141] Cribb, O'Brien & Sturrock (2024)

The State Pension acts as an important redistributive floor, but its effectiveness also depends on whether individuals build a sufficient National Insurance record. This can create differences within worker profiles where individuals have different histories of qualifying years. The system provides credits for some periods outside paid employment, meaning that not all gaps in employment necessarily translate into gaps in State Pension entitlement, but some individuals may receive less than the full State Pension due to insufficient qualifying years.

State Pension age is another important consideration. The State Pension age is currently increasing from 66 to 67 between April 2026 and March 2028. This can have different consequences for workers with limited ability to remain in employment or build further private pension wealth. Analysis of previous increases in SPa shows that people who had already left paid work were less able to offset the loss of State Pension income through additional employment, resulting in substantially larger income losses.[142] The impact is compounded by the fact that people who cannot remain in work until an increased SPa and do not have sufficient private savings to bridge the gap will be reliant on the less generous working age benefit system for longer.[143]

Means-tested benefits can reduce the effective return from pension saving for lower earners

UK Pensions Framework indicator A2.4 – Means-tested benefits[144]
2025 system-level assessment: Poor support for adequacy

The interaction between private pension saving and means-tested benefits can influence the effective financial return that individuals receive from saving for retirement. This is particularly important when assessing pension adequacy across worker profiles, because the value of an additional pound of private pension saving depends not only on the pension income it generates, but also on whether it changes entitlement to means-tested support in retirement.

This interaction creates a significant difference across the earnings distribution. "Payback" from pension saving can be estimated by assessing what each £1 contributed ultimately provides after taking into account tax, investment returns, and changes in benefit entitlement. For a hypothetical male median earner (earning around £37,000 a year), every £1 contributed through AE is estimated to generate around £4.25 in retirement. For a hypothetical low earner (earning around £13,000 a year), the corresponding return is only £1.46.[145] The system therefore creates an important distinction between the gross return on pension saving and the net return after accounting for the wider tax and benefit system. Two workers making identical pension contributions can experience different improvements in their retirement income because the lower-income worker may lose some means-tested entitlement as their private pension income increases.

Housing costs are particularly important to this assessment. Retirement adequacy can look very different for otherwise similar low-income pensioners depending on whether they own their home outright or rent. Renters may receive Housing Benefit to help meeting housing costs after SPa, meaning that additional private pension income can affect both Pension Credit and Housing Benefit entitlement. This can further reduce the marginal gain from additional pension saving for some low-income renters. At the same time, Housing Benefit provides an important protection against high housing costs that the State Pension alone may be insufficient to meet. Assessments of retirement adequacy that focus only on pension income can therefore miss an important source of variation in both needs and State support.

This is particularly relevant to Low/Low Elena. A worker in this position is more likely to rely on means-tested support to supplement retirement income. Additional private pension saving can therefore increase pension income while simultaneously reducing entitlement to means-tested benefits, meaning that the worker does not retain the full value of the additional saving. This does not mean that saving is financially unrewarding for low earners, but it does mean that the marginal return from additional saving is lower than for workers who are unlikely to qualify for means-tested support.

Means-tested support also interacts with pension saving during working life. Pension contributions can reduce the earnings taken into account in the Universal Credit calculation, increasing the amount they receive and effectively reducing the cost of pension contributions for some lower-paid workers. This could provide an additional incentive for pension saving among eligible low-income workers. However, their capacity to increase contributions is still likely to be heavily limited by affordability constraints.

[142] Cribb, Henry & Karjalainen (2025)
[143] Cribb, Emmerson & Karjalainen (2024)
[144] Adams et al. (2025)
[145] DWP (2026a)

Implications for worker profiles

State support provides an important redistributive floor, particularly for lower earners, but it does not eliminate differences in retirement adequacy.

Figure 3.7: Impact of State Pension and means-tested benefits

Profile	Impact	Why?
Alexander – High Earnings/Low Pension	**Somewhat supports adequacy**	The State Pension provides relatively limited protection because it replaces a much smaller share of previous earnings for higher earners. With low private pension accumulation, this profile faces a potentially substantial reduction in living standards at retirement.
Ben – High Earnings/ High Pension	**Somewhat supports adequacy**	The State Pension provides a comparatively small replacement rate benefit, meaning this profile needs to fund a greater proportion of their retirement income from private pension savings. Strong workplace pension accumulation means that high levels of private pension wealth or DB entitlement should enable them to maintain living standards.
Connor – Average Earnings/Low Pension	**Good support for adequacy**	The State Pension provides an important baseline but may not fully compensate for relatively low workplace pension accumulation. Depending on eventual retirement income and wider circumstances, this profile may qualify for means-tested support, but benefit withdrawal could reduce the net gain from additional private saving.
Demi – Average Earnings/High Pension	**Good support for adequacy**	The State Pension provides a baseline of retirement income which strong workplace pension provision builds upon. Unlikely to be reliant on means-tested benefits.
Elena – Low Earnings/ Low Pension	**Strong support for adequacy**	The State Pension provides significant protection and can produce a relatively high replacement rate compared with previous earnings. However, this does not necessarily translate into an adequate retirement living standard. Low private pension wealth and limited capacity to save increase reliance on State Pension and means-tested support.
Francesca – Low Earnings/High Pension	**Strong support for adequacy**	This profile benefits from the strongest combination of State and workplace pension protection among lower earners. The State Pension provides a relatively strong replacement rate floor which high workplace pension accumulation builds upon.

CONCLUSIONS

- **AE has transformed participation, but participation does not guarantee adequacy:** Minimum contribution rates, eligibility thresholds, and uneven employer provision mean that significant differences in pension outcomes remain.
- **Structural features affect worker profiles differently:** Profile E faces the greatest constraints from low earnings, limited saving capacity, and reliance on State support, while Profile B is best positioned to benefit from higher contributions, employer provision and tax incentives. Profile A highlights that high earnings do not automatically translate into adequate pension saving.
- **Scheme type is a major source of difference in retirement security:** DB provision provides Profiles D and F with greater certainty, while DC members bear more investment and longevity risk and are more dependent on contribution levels and individual decisions.
- **The system increasingly relies on individuals to navigate complex choices:** Fragmented pots, investment decisions, and retirement choices can disproportionately disadvantage workers with lower pension wealth or less capacity to engage. The pensions dashboard, targeted support, and guided retirement could help shift the system towards more structured choice.
- **State support both protects and differentiates:** The State Pension provides an important income floor, particularly for lower earners, while means-tested benefits can reduce the effective return from additional private saving, particularly for Profile E.

CHAPTER FOUR:

Who is advantaged and disadvantaged under the current system?

This chapter assesses how effectively the pension system supports different workers against the objectives of adequacy, sustainability, and fairness, and explores how individual capacity and institutional support shape retirement outcomes.

Introduction

The previous chapters have demonstrated how differences in earnings, employment histories, pension provision, and wider financial circumstances shape workers' experiences of pension saving within the broader structure of the pension system. This chapter brings the analysis together to assess how effectively the current pension system supports different workers against the three objectives of the UK Pensions Framework: adequacy, sustainability, and fairness. It considers not only who accumulates the most pension wealth, but why some workers are better placed than others to build retirement security, how the pension system mitigates or reinforces inequalities originating in the labour market, and how the costs and risks of achieving adequate retirement outcomes are distributed.

Which worker profiles benefit most?

The evidence set out in this report indicates that the current pension system is best aligned with workers who combine stable employment, consistent earnings, strong employer pension provision, and sufficient financial capacity to save beyond minimum contribution levels. These characteristics reinforce one another over time, increasing both pension accumulation and protection against retirement risks.

This is most evident in Profiles B (High/High Ben), D (Mid/High Demi), and F (Low/High Francesca), although the sources of advantage differ. High/High Ben combines high earnings and strong pension accumulation with greater capacity to make additional contributions and benefit from tax relief and salary sacrifice, while also being better able to absorb the individual risks associated with DC saving. Mid/High Demi and Low/High Francesca benefit more directly from strong employer provision, including substantial DB membership, which reduces reliance on individual saving decisions and provides greater protection against investment and longevity risk. Low/High Francesca is particularly significant because she demonstrates that lower earnings do not necessarily result in inadequate retirement outcomes where institutional provision is strong.

Profiles C (Mid/Low Connor) and E (Low/Low Elena) are less well aligned with the current system. Mid/Low Connor is generally within the AE framework, but weaker employer provision and persistent minimum contributions create a risk that participation does not translate into adequacy. Low/Low Elena faces a more concentrated set of constraints, including lower earnings, greater exposure to AE eligibility thresholds, and limited capacity for additional saving. While employer provision plays a significant role in retirement outcomes, it is not the sole determinant. Some low earners work for employers who offer strong pension provision but are either ineligible or opt out due to financial constraints or behavioural factors. A sizeable minority of Profile E work in the public sector, where DB provision is more prevalent, but this profile is still characterised by low pension participation and accumulation. This distinction is important because it shows that access to generous pension provision does not necessarily translate into effective coverage where eligibility or affordability constrains participation. Overall, Low/Low Elena has the least scope to compensate for weak pension accumulation through individual action.

Profile A (High/Low Alexander) illustrates a different vulnerability. Despite substantial financial capacity, pension accumulation remains relatively low. The main risk is not primarily affordability or access, but the failure to convert saving capacity into pension wealth. Where employer contributions remain at or near minimum levels and the individual does not actively increase their contributions, AE can leave a high earner substantially undersaving relative to their potential. This illustrates that high earners are not, in themselves, a guarantee of pension adequacy.

Taken together, the profiles show that pension advantage does not follow a simple income hierarchy. Outcomes depend on the interaction between capacity to save and the institutional protection that enables that capacity to translate into retirement security. A higher earner with weak employer provision and low engagement may be less well positioned to achieve adequacy than an average or lower-paid worker benefiting from strong employer provision, but a worker for whom greater capacity to save and strong institutional support coincide is best placed to achieve retirement adequacy.

Figure 4.1 summarises the risk dashboards presented throughout the report.

L6	Strong support for adequacy
L5	Good support for adequacy
L4	Somewhat supports adequacy
L3	Somewhat fails to support adequacy
L2	Poor support for adequacy
L1	Fails to support adequacy

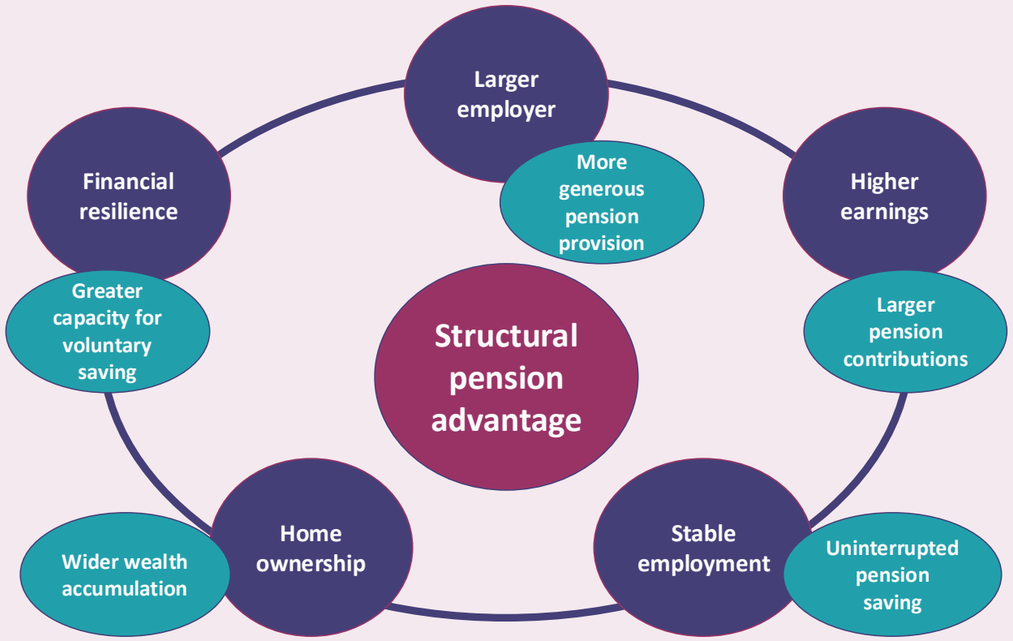
Figure 4.1: Impact of pension system and labour market characteristics

		A	B	C	D	E	F
Capacity to save	Earnings and pay progression						
	Regional differences						
	Behavioural and financial decision-making factors						
Employer support	Employer characteristics and industry						
	Employer objectives and workplace norms						
Private pension arrangements	AE design						
	Pension scheme type						
	Pension fragmentation						
	Engagement and reliance on individual decision-making						
State support	Tax incentives						
	State Pension and means-tested benefits						

The system rewards the combination of capacity and protection

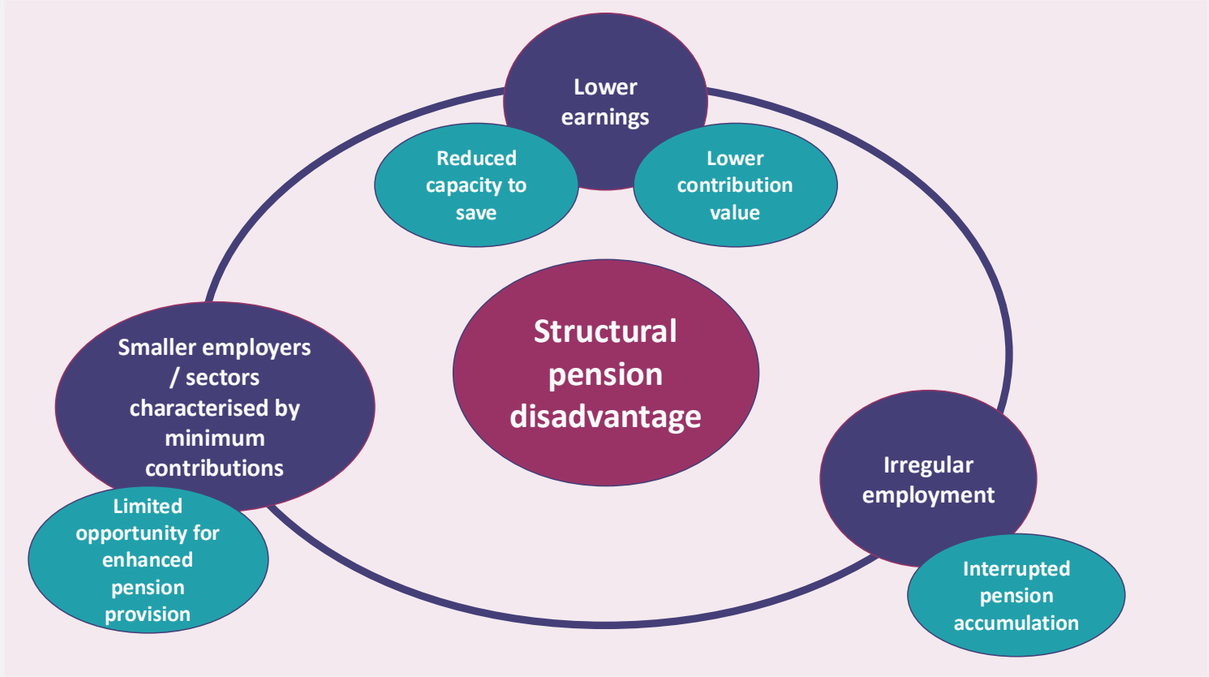
The central pattern is one of cumulative pension advantage and disadvantage. Structural pension advantage arises when favourable characteristics reinforce one another over a working life (Figure 4.2). Individually, these advantages may appear modest, but collectively, and compounded over several decades, they can produce substantially stronger retirement outcomes.

Figure 4.2



Structural disadvantage operates in the opposite direction, where multiple constraints coincide (Figure 4.3). Where these factors are accompanied by limited non-pensions assets, lower levels of homeownership, and reduced financial capability, retirement vulnerability may be greater than any single pension indicator suggests.

Figure 4.3



This cumulative perspective is important for policy because retirement outcomes reflect trajectories across working life rather than at a single point in time. Relatively small differences in contributions, employer generosity, or periods outside pension saving can compound over decades, while career progression, household circumstances, and policy interventions can alter those trajectories.

The findings do not imply that the system uniformly fails lower-paid or less secure workers. The State Pension provides an important redistributive floor, AE has significantly increased access to workplace pensions, and strong employer provision can substantially improve outcomes even for lower earners. The issue is that **the system's protective mechanisms are unevenly distributed**, meaning that some workers receive considerably more support in converting employment into retirement security than others.

The implications are broader than the question of who is enrolled in a pension. The key policy question is **who is able to benefit from the full architecture of the system**. Workers with stable employment, strong employer provision, and the capacity to save above minimum levels can use AE as a foundation for substantial pension accumulation. Workers with lower earnings, fragmented careers, or weaker effective access to employer provision may receive the same formal access to pension saving but derive considerably less benefit from that access.

The pension system mitigates some labour market inequalities but reinforces others

Many inequalities in retirement outcomes originate in the labour market. Differences in earnings, occupation, sector, employment patterns, career continuity, and employer characteristics influence both the opportunity and capacity to save. The pension system determines how far these differences are reduced, replicated, or reinforced.

Some elements have an explicitly mitigating effect. AE has substantially reduced behavioural barriers to participation by making workplace pension saving the default for eligible employees, increasing pension coverage among groups historically less likely to participate, including lower earners, younger workers, and employees of smaller firms. However, coverage remains incomplete. Eligibility thresholds can exclude workers with low or fluctuating earnings, multiple jobs, or non-standard working patterns, while the self-employed remain outside the AE framework. AE has reduced inequalities in participation but not eliminated them.

The State Pension also performs an important redistributive role, providing a higher replacement rate for lower earners than for higher earners, while National Insurance credits protect entitlements during some periods outside paid employment, including caring. Pension Credit provides a further safety net where retirement incomes remain low, although means-testing can reduce the additional retirement income generated by private pension saving as benefits are withdrawn.

Together, these mechanisms demonstrate that the pension system does not simply reproduce inequalities from working life. It redistributes resources, shares some risks, and provides an effective floor beneath retirement incomes. However, the protection provided is uneven, particularly where workers fall outside AE or have limited capacity to build private pension wealth above that floor.

The system is less effective at equalising the amount and continuity of pension accumulation. Once workers enter pension saving. Differences in contributions, employer provision, and security of employment can generate increasingly divergent outcomes that reflect, and in some cases magnify, inequalities from working life.

Employer provision is particularly important. Workers employed by organisations offering more generous pension arrangements can accumulate substantially more pension wealth than workers with similar earnings whose employers contribute at or close to the statutory minimum. The DB/DC divide also matters because workers with DB provision receive greater certainty over retirement income and greater protection from investment and longevity risk, while DC savers are more dependent on contribution levels, investment returns, and individual retirement decisions.

The effect is therefore cumulative. AE and the State Pension provide important minimum protections, but they operate on top of labour market circumstances and workplace pension arrangements that remain highly uneven. As a result, workers may have similar formal access to pension saving but very different opportunities to build retirement security.

The policy challenge has shifted from participation to adequacy

The system has been relatively successful at making pension participation the norm for eligible employees, but participation does not ensure that workers with different earnings and employment trajectories accumulate sufficient retirement resources. Those spending periods in low-paid or part-time work, experiencing career breaks or fragmented employment, or remaining at contribution rates close to statutory minimums continue to face significant adequacy risks. The key distinction is between access to a pension and the capacity to achieve an adequate pension.

The Second Pensions Commission's Interim Report points towards a policy agenda focused on this adequacy gap. Having identified the limitations of relying on participation alone, the Commission is exploring how additional contributions could be achieved without placing disproportionate costs on lower earners or employers, and how the system could provide greater support for groups at risk of inadequate retirement incomes.

The emerging policy focus on higher contributions, stronger defaults, targeted support, and guided retirement represents a shift from expanding participation towards improving the adequacy, resilience, and distribution of retirement outcomes. The challenge for policy is to determine how far these changes should compensate for inequalities in workers' capacity to save and navigate the pension system, while retaining appropriate roles for individual choice, employer provision, and the State. Policies aimed at providing a more structured choice architecture and appropriately designed defaults are more important for worker profiles concentrated in DC, particularly those who may have lower levels of financial capability or willingness to engage.

Against this backdrop, the policy challenge is not just whether pension saving should increase, but how different forms of support can improve outcomes for workers facing different barriers to adequacy. This raises questions about how much additional saving is needed, how responsibility for achieving it should be shared between individuals and employers, and whether stronger institutional support can compensate for differences in workers' capacity to save.

These questions cannot be answered through a single contribution rate or policy response. The profiles set out in this report show that workers can experience inadequate outcomes for different reasons. Some have the financial capacity to save more but remain at relatively low contribution levels, while others face weaker employer provision or interrupted saving, and for some, particularly low earners, limited capacity to contribute more is a significant constraint. The balance between individual action and institutional support that will be effective for a worker with substantial capacity to save may be very different from that for a worker whose ability to contribute more is constrained by low earnings.

Improving adequacy for at-risk profiles

Achieving adequacy requires different balances of individual and employer support

The profile analysis shows that workers with similar earnings can experience very different pension outcomes depending on the strength of their employer's pension provision and individual saving behaviour. The matched profile modelling below explores these differences directly by comparing three pairs of workers with similar earnings but contrasting levels of pension provision:

- Profile A (High/Low Alexander) and Profile B (High/High Ben)
- Profile C (Mid/Low Connor) and Profile D (Mid/High Demi)
- Profile E (Low/Low Elena) and Profile F (Low/High Francesca)

For each pair, the modelling explores how far stronger employer support, higher employee contributions, or a shared approach could improve outcomes for the lower pension profile. This comparison provides a way of exploring routes to achieving adequacy and how these differ according to workers' earnings and capacity to save.

The nature of the adequacy challenge differs across the three pairs. High/Low Alexander has relatively high earnings and greater capacity to save, but this does not automatically translate into higher pension accumulation. AE can successfully bring a worker into pension saving but, where employer contributions remain relatively low and the employee does not actively increase their own contributions, default minimum contribution rates can persist for long periods, increasing the risk of accumulating insufficient pension wealth to maintain living standards in retirement relative to working life. Mid/Low Connor has less scope to increase contributions without affecting current living standards, making the balance between individual and employer contributions more important. Low/Low Elena faces the greatest constraint. Her low earnings limit both the amount generated by percentage-based contributions and her capacity to increase saving independently. She faces the most severe adequacy challenge to accumulate sufficient resources to meet needs and achieve an acceptable minimum standard of living in retirement. This makes the consequences of inadequate pension saving more acute, while also limiting the extent to which the gap can reasonably be addressed through higher individual contributions.

High/High Ben, Mid/High Demi, and Low/High Francesca illustrate how stronger pension provision and individual saving decisions can support greater accumulation among workers at similar earnings levels.

The modelling tests these differences by applying alternative contribution arrangements to each of the lower pension profiles, using the contribution rates of the corresponding higher pension profile as a reference point. To provide a consistent and more realistic comparison, the modelling uses DC contribution rates only, excluding DB contribution rates which could overstate the level of employer support that might realistically be made available to DC savers.

Three scenarios are modelled:

- Employee-led increase: the lower pension profile retains its existing employer contribution rate but its employee contribution rate is increased to match the DC employee contribution rate of the corresponding higher pension profile.
- Employer-led increase: the employee contribution rate remains unchanged while the employer contribution rate is increased to match the DC employer contribution rate of the higher pension profile.
- Shared approach: a total contribution rate halfway between the total DC contribution rates of the lower and higher pension profiles, with the required increase from the lower profile baseline split evenly between employer and employee. This could represent an employer-matching approach.

These scenarios test the different ways in which the gap in pension saving between two otherwise similar earners might be narrowed: through greater individual saving, stronger employer support, or a more moderate increase shared between the two. The shared scenario is illustrative rather than a model of how employees would respond to a specific matching policy. In practice, its effectiveness would also depend on take-up and workers' capacity to make the additional contribution.

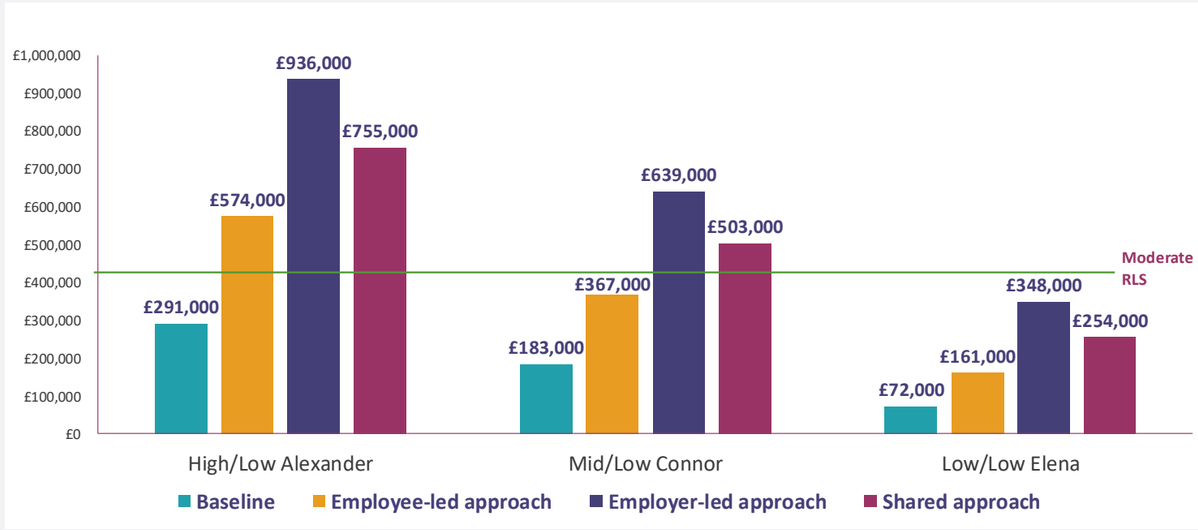
The resulting outcomes are compared with the contribution levels required to achieve the Moderate RLS, allowing the analysis to distinguish between changes that improve adequacy and those that are sufficient to reach the modelled adequacy benchmark. The Moderate RLS is used as the main adequacy benchmark rather than the Minimum RLS. The Minimum RLS represents a relatively basic standard of living and, particularly once State Pension income is taken into account, would provide a limited test of the role that additional private pension saving can play in improving retirement outcomes. Using the moderate RLS provides a more meaningful test of whether different contribution arrangements could support a reasonable standard of living in retirement, including some financial flexibility and participation in activities beyond essential needs. Replacement rates are also considered to reflect the different nature of the adequacy risks across the profiles.

The modelling assumes that the workers contribute consistently across working life. However, for many workers, particularly those in Profile E, employment trajectories may be more fragmented with periods out of employment or on very low earnings that make them ineligible for AE. Periods spent outside of pension saving negatively impact retirement outcomes compared to the sustained saving modelled below.

Figure 4.4[146]

Higher contribution rates improve adequacy, but impacts differ across worker profiles

Employee-led, employer-led, and shared mid-point scenarios – impact on pot size at retirement



Adequacy: the capacity to build sufficient retirement income remains unequal

The profiles demonstrate that the nature and severity of adequacy risk changes as earnings and capacity to save decline. While higher earners may have scope to address undersaving through additional contributions, this becomes progressively more difficult for average and lower earners, for whom affordability increasingly constrains the extent to which additional saving can close the adequacy gap. The modelling reinforces these distinctions. Additional saving materially improves outcomes for all three at-risk profiles, but does not have the same ability to achieve adequacy. All three contribution scenarios achieve the Moderate RLS benchmark for High/Low Alexander, only employer-led and shared increases do so for Mid/Low Connor, and none is sufficient for Low/Low Elena, although they do improve her outcomes considerably.

The RLS benchmark does not capture the same dimension of adequacy for each profile. This is particularly important for Alexander, whose higher working life income means that achieving the Moderate RLS may still represent a substantial fall in living standards at retirement. All three of the modelled scenarios provide Alexander with a replacement rate of around 50%, compared to his baseline of 34%. A replacement rate of around two-thirds to three-quarters may be needed to replicate working life living standards. For Connor, the modelled contribution increases enable him to meet this benchmark. For Elena, she is able to exceed target replacement rates but this primarily reflects her extremely low working life income and she may still face challenges meeting needs in retirement, which is why using a combination of adequacy measures is useful to capture the varying adequacy risks faced by different workers.

[146] PPI Individual Model

This points to an important distinction between undersaving caused by inertia and undersaving caused by constrained capacity. Stronger defaults and automatic contribution increases may be effective where workers have capacity to save more but do not act. This is particularly relevant to Alexander and potentially Connor. But the same approach becomes less effective as affordability becomes more constrained. For Elena, requiring substantially higher employee contributions could improve future pension wealth at the expense of current living standards or other forms of financial resilience.

Under the model assumptions, the total contribution rate required for an average worker to achieve the moderate RLS rises from around 5.4% for a high earner to 12.9% for a middle earner and 22.4% for a low earner. The contribution effort required to achieve the same retirement standard therefore increases substantially as earnings fall.

This also demonstrates why a uniform contribution solution may have uneven effects. Increasing minimum contributions could strengthen saving among those currently remaining close to statutory defaults, but the affordability implications would differ substantially across the workforce. The same percentage increase that is manageable for Alexander could represent a much more significant constraint on current consumption for Connor or Elena.

Employer provision is therefore an important part of the adequacy question. The matched pairs demonstrate that workers with similar earnings can experience substantially different pension outcomes depending on the support available through their employer. Stronger employer contributions can reduce the amount workers need to finance themselves and reduce dependence on active individual decisions. However, this shifts rather than removes the cost of increasing pension saving.

The profiles consequently point towards different forms of policy response. For Alexander, stronger defaults, automatic escalation and employer matching could help translate existing capacity into higher saving. For Connor, there is a stronger case for shared contribution increases, employer matching or stronger employer contributions, alongside employee escalation where affordable. For Elena, the scope to rely on employee contribution increases is substantially more limited, increasing the relevance of employer provision, AE coverage and threshold design, continuity of saving, and State provision.

Adequacy also cannot be assessed solely through pension wealth. Housing tenure, household circumstances and other resources affect the income required in retirement, while different workers may need different levels of income to maintain their previous living standards. The moderate RLS therefore provides a useful common benchmark for the modelling, but should not be interpreted as a complete measure of adequacy for every individual.

The adequacy challenge is consequently not simply how to increase pension saving, but **how to match the level and form of support to workers' different capacities to achieve adequate outcomes.**

Sustainability: the question is not only whether pension provision is affordable, but who bears its costs and risks

Sustainability concerns whether the pension system can continue to provide retirement security over the long term while maintaining an appropriate distribution of costs and risks between individuals, employers and the State. The worker profiles demonstrate that these risks are not distributed evenly.

The shift from DB towards DC provision is central to this question. Moving risk away from employers can make pension liabilities more predictable, but does not eliminate investment, longevity or adequacy risks. Instead, individuals become more responsible for accumulating sufficient assets, experiencing investment outcomes and managing those resources through retirement.

The profiles illustrate the significance of this distinction. Demi and Francesca benefit from greater DB provision and therefore greater pooling of investment and longevity risk. Alexander, Connor and Elena are more reliant on DC arrangements and bear greater individual responsibility for retirement outcomes. Their ability to bear that responsibility is also unequal: Alexander's higher earnings give him greater capacity to respond to an adverse outcome, while Connor and particularly Elena have less scope to compensate through additional saving.

This is also why the matched-profile modelling uses DC contribution rates rather than attempting to reproduce DB contribution rates. Higher DC contributions can improve retirement resources but do not reproduce all of the risk-sharing advantages associated with DB provision. Contribution adequacy and risk allocation therefore need to be considered separately.

The modelling makes another dimension of sustainability more visible: **improving adequacy has a working-life cost, and different scenarios allocate that cost differently.**

Under employee-led increases, the additional cost falls directly on workers through reduced take-home pay. This may be relatively manageable for Alexander but becomes progressively more difficult as earnings and financial capacity decline. For Connor, the trade-off between current and future living standards becomes more significant, while for Elena affordability places a more fundamental constraint on how far higher employee saving can provide a sustainable solution.

Employer-led increases avoid an immediate reduction in take-home pay but increase employer pension costs. The additional cost to the employer is around £280 per month for Alexander, £165 for Connor and £190 for Elena under employer-led scenario. Employers could absorb some of these costs through profits or productivity improvements, but higher employment costs could also affect wages, prices, recruitment, employment or other elements of remuneration. The scale and incidence of these effects is uncertain and is likely to differ by employer, sector and labour-market conditions. This highlights the potential trade-off in how remuneration is distributed between pay during working life and pension provision for later life, although the scope to shift that balance may be more constrained where current earnings are already insufficient to support living standards.

Shared approaches distribute rather than eliminate this cost. An employer-matching arrangement, for example, could increase both employer and employee saving while limiting the additional burden placed on either party. However, the sustainability and effectiveness of matching also depend on workers being able to afford the employee contribution necessary to access the employer match. This may make such approaches more feasible for Alexander and Connor than for workers with circumstances similar to Elena.

Sustainability also depends on the relationship between private provision and State support. Where workers cannot accumulate sufficient private pension resources, the cost of providing retirement security does not disappear. State Pension and, for some workers, means-tested provision become more important. For Elena, the modelling is particularly instructive because even substantial increases in private pension saving do not achieve the moderate benchmark. This suggests limits to how far private contribution reform alone can address the retirement consequences of persistently low earnings.

This does not mean that greater State provision is inherently unsustainable. An effective safety net is itself an important component of a sustainable pension system. The question is how responsibility should be distributed between individual saving, employer provision and collective support, including across generations.

The central sustainability question is therefore broader than whether any individual reform can be afforded. It is whether the distribution of pension costs and risks is sustainable. Higher employee contributions place more responsibility on workers; higher employer contributions increase employment costs; greater State provision places more responsibility on taxpayers; and greater reliance on individual DC provision increases individuals' exposure to investment, longevity and adequacy risks. Policy choices determine where these costs and risks sit rather than whether they exist.

Fairness: the capacity to bear additional employee contributions is uneven

Fairness concerns how the benefits, costs, risks and responsibilities associated with pension provision are distributed across individuals and groups. It cannot therefore be assessed simply by asking whether everyone is subject to the same formal rules.

Some differences in pension outcomes will reflect differences in earnings, contribution choices and individual circumstances. Other differences arise from factors over which workers have less direct control, including the pension provision available through their employer, employment structure and access to different types of pension arrangement. The relevant question is therefore not whether pension outcomes should be identical, but whether workers with different circumstances have a **reasonable opportunity to achieve adequate retirement security**.

Employer provision is particularly important. The matched profiles show that workers with similar earnings can receive very different levels of employer pension support. Demi and Francesca also benefit from greater DB provision and the associated pooling of investment and longevity risks. By contrast, Alexander, Connor and Elena are more exposed to the risks inherent in individual DC saving.

The fairness implications of this difference depend partly on workers' capacity to compensate. Alexander's higher earnings give him greater ability to respond to weaker employer provision by saving more independently. Connor has less scope to do so, while Elena's capacity is particularly constrained. The distribution of pension risk is therefore closely connected to the distribution of income and financial resources.

The modelling makes this inequality in capacity more explicit. Under an employee-led approach, the cost of improving adequacy is borne through lower take-home pay. For Alexander, the additional employee contribution of £245 per month represents a relatively more manageable, but still quite considerable, cost and is sufficient to address the modelled adequacy gap. For Connor, the corresponding £125 places greater pressure on current income and does not by itself achieve the benchmark. For Elena, even a smaller absolute contribution increase of £85 per month may represent a larger burden relative to available resources, while producing a more limited improvement towards adequacy.

The fairness issue is therefore not simply whether everyone is asked to contribute the same percentage. There is a tension between need and capacity: workers facing the greatest adequacy risks may have the least capacity to finance the additional saving required to address them.

This also changes the meaning of individual responsibility across the profiles. Alexander's relatively low pension accumulation occurs despite greater capacity to save, raising questions about the appropriate role of stronger defaults, automatic escalation, engagement and individual choice. For Elena, low accumulation is much more closely connected to constrained capacity. Placing greater responsibility on the individual through higher contributions or greater engagement is therefore unlikely to have the same effect.

Employer support changes this distribution by improving pension accumulation without directly reducing employee take-home pay. But this introduces its own fairness and sustainability questions. Workers' access to employer contributions depends partly on where they work, while increasing employer requirements could have different effects across sectors and firms with different capacities to absorb the cost.

Fairness also extends beyond the six illustrative profiles. Employment characteristics associated with pension disadvantage are unevenly distributed across the population. Low pay, part-time work, caring-related career interruptions, insecure employment and weaker pension provision can overlap, meaning that some groups experience several disadvantages simultaneously. Apparently neutral pension rules can therefore reinforce inequalities originating elsewhere in the labour market.

Similarly, government support for pension saving does not necessarily benefit workers equally. Contribution-based incentives are more valuable to people who have the resources to make larger contributions, while lower earners have less capacity to take advantage of them. This raises a wider question about whether the distribution of pension support is aligned with the groups facing the greatest barriers to achieving adequate retirement outcomes.

Fairness does not require pension outcomes to be equalised. Differences arising from earnings, saving and individual choices can be consistent with a fair system. The more important question is whether workers have a reasonable opportunity to benefit from pension provision and whether the benefits, costs, risks and responsibilities involved in achieving retirement security are distributed appropriately.

Taken together, the profiles suggest that fairness may require greater differentiation in the way responsibility is allocated. For Alexander, the challenge is primarily to **activate existing capacity**; for Connor, it is increasingly about **sharing responsibility for additional saving**; and for Elena, it is about recognising where **constrained capacity requires greater institutional and state support**.

Balancing adequacy, sustainability and fairness: as capacity to save declines, stronger institutional support becomes more important

The matched profile modelling demonstrates why adequacy, sustainability, and fairness need to be considered simultaneously as improving outcomes against one objective can involve trade-offs against the others. Higher contributions can improve adequacy, but how those contributions are financed has different implications for sustainability and fairness. Employee-led increases reduce current take-home pay and may be more difficult for lower earners to absorb. Employer-led increases reduce the immediate costs to workers but increase employment costs. Shared approaches distribute these costs more evenly, but still have implications for take-home pay and employment costs.

These trade-offs differ across worker profiles. The same contribution may represent a manageable cost for a worker with greater financial capacity but place significant pressure on the current living standards of a lower earner. Similarly, stronger employer provision may substantially improve adequacy but require a level of employer contribution that is more difficult to sustain in some sectors or for some employers. Assessing the effectiveness of policy options requires consideration not only of how far they improve retirement outcomes, but who bears the associated costs and risks and whether that distribution is fair and sustainable.

For higher earners like High/Low Alexander, there is greater scope for individual saving to play a meaningful role in addressing adequacy. This does not mean that the system necessarily needs to rely on active individual decisions, which so far have not translated into adequate pension accumulation for Alexander. Stronger defaults, automatic contribution escalation, or employer matching could help translate existing capacity into higher pension saving.

For average earners like Mid/Low Connor, the balance becomes more difficult. Greater individual saving improves outcomes, but has a greater impact on current living standards and, under the scenario modelled, is not sufficient on its own to achieve the moderate RLS benchmark. Policy approaches could therefore place greater emphasis on shared increases in contributions, for example through employer matching or phased escalation in which increases are divided between employer and employee. Stronger employer minimum contributions could also increase saving while limiting the immediate impact on take-home pay. Defaults and escalation remain relevant, but their design would need to take greater account of affordability than for higher earners.

For lower earners like Low/Low Elena, there are fundamental limits to relying on additional individual saving as it is constrained by lower capacity to save more. Stronger employer support produces a substantially greater improvement than employee-led increases, but even this does not fully close the modelled adequacy gap. For these workers, policy approaches may need to be more employer or state focused, rather than relying primarily on increases to employee contribution rates. In addition to stronger employer contributions, changes to AE thresholds and the earnings on which contributions are calculated could increase pension saving among lower earners. Policies that maintain contributions through periods of low or interrupted earnings could also improve adequacy for this group, but would likely entail significant cost to either employers or the state. The State Pension and wider state support play a particularly important role for this profile.

The policy approach that is likely to be most effective changes as capacity to save declines:

- For High/Low Alexander, the challenge is principally to activate existing capacity.
- For Mid/Low Connor, sharing the costs of increased saving without placing excessive pressure on current living standards is particularly important.
- For Low/Low Elena, institutional and state support may be needed to compensate for constrained capacity to accumulate sufficient pension wealth.

Figure 4.5: What forms of policy support matter most for different workers?

Profile	Main challenge	Implications from the modelling	Policy levers likely to be most effective
High/Low Alexander	**Activate existing capacity:** earnings provide scope to save more, but this is not translated into sufficient pension accumulation.	All three scenarios achieve the Moderate RLS benchmark, providing scope for employee increases, stronger employer provision, or matched contributions to solve adequacy gap.	• Stronger defaults • Automatic contribution escalation • Engagement and guidance
Mid/Low Connor	**Share responsibility:** greater saving is needed, but individual capacity to absorb higher contributions is more constrained.	Employer-led and shared increases achieve the Moderate benchmark. Employee-led increases improve outcomes but are insufficient.	• Phased contribution escalation • Stronger defaults • Employer matching
Low/Low Elena	**Compensate for constrained capacity:** low earnings limit both pension accumulation and the ability to contribute more.	All scenarios improve outcomes but none achieves the moderate benchmark. There is limited scope to rely on employee contributions due to financial constraints.	• AE coverage and threshold reform • Contribution continuity • State Pension and wider State support

The comparison points towards a continuum in policy relevance. Where capacity exists but is not translated into saving, policy can focus more on **activating that capacity**. As capacity becomes more constrained, **sharing the cost of additional saving between workers and employers** becomes more important. Where low earnings place a structural limit on private pension accumulation, **institutional and State support** become increasingly important alongside contribution reform.

These are not mutually exclusive policy approaches, nor does the analysis identify a single preferred intervention for each profile. Rather, the profiles show why the appropriate balance between individual, employer and State responsibility is likely to differ across workers with different capacities to achieve adequate retirement outcomes.

CONCLUSIONS

- Pension advantage does not follow a simple income hierarchy. Outcomes reflect the interaction between earnings, capacity to save, employer provision, employment security, and individual behaviour. The current pension system is most well aligned with workers who have consistent earnings, stable employment, and access to strong employer pension provision.
- The pension system mitigates some inequalities but reinforces others. AE and the State Pension provide important foundations, but differences in contributions and employer provision create substantial variation in the ability build adequate retirement incomes.
- The policy challenge has shifted from participation towards adequacy. Higher contributions improve outcomes, but the modelling shows that their ability to close adequacy gaps declines as earnings and capacity to save become more constrained.
- Improving adequacy involves trade-offs between adequacy, sustainability, and fairness. Employee contributions affect take-home pay, employer contributions increase employment costs, and the ability to absorb these costs differs across workers.
- The appropriate balance between individual and institutional support changes with capacity to save. One policy may not address adequacy risks across different worker groups. Policy may need to be more nuanced, focusing on activating individual capacity where it exists, sharing responsibility as it becomes constrained, and providing stronger institutional and State support where individual saving alone is unlikely to achieve adequacy.

Conclusions

This report has examined pension outcomes through the lens of worker profiles, recognising that retirement outcomes are shaped by the interaction between employment, earnings, pension participation, contribution levels, employer provision, and wider household wealth. The analysis demonstrates that there is no single experience of the UK pension system. While AE has substantially increased participation in workplace pensions, the adequacy of retirement outcomes depends increasingly on what happens after enrolment: how much is contributed, for how long, by whom and under what employment and household circumstances.

The worker profiles demonstrate that there is no single adequacy challenge. Earnings and pension saving do not always move together, and workers with similar levels of pension saving may face very different barriers to improving their retirement outcomes. Understanding these differences is important when considering not only how much additional pension saving may be needed, but where that saving could realistically come from.

Distributional implications: cumulative advantage and disadvantage

The analysis of worker profiles demonstrates that pension outcomes are shaped by the cumulative interaction of labour market circumstances, pension provision, and individual capacity to save. The workers best positioned to achieve adequate retirement outcomes are not necessarily those with the highest earnings, although earnings play a role, but those for whom stable employment, strong employer provision, sustained contributions, and financial capacity reinforce one another over time. Pension disadvantage can emerge where multiple constraints coincide, including low or variable earnings, insecure or interrupted employment, minimum contribution rates, weaker employer provision, and limited wider household wealth.

The contrast between Profiles A and F illustrates this particularly clearly. Profile A combines higher earnings and greater financial capacity with comparatively low pension contributions, demonstrating that capacity to save is not always converted into adequate retirement outcomes. Profile F combines lower earnings with higher contributions and stronger employer provision, demonstrating how institutional provision can mitigate some of the disadvantages associated with lower earnings.

This means that the pension system does not simply reproduce labour market inequalities, nor does it consistently offset them. AE and the State Pension provide important mechanisms for mitigating inequalities in participation and protecting against very low retirement incomes. However, differences in contribution levels, employer generosity, scheme type, and exposure to investment and longevity risk can continue to reinforce differences in pension accumulation. The result is a system in which workers may have broadly equal access to pension saving but very different opportunities to turn that access into adequate retirement security.

The worker profiles demonstrate why these differences should be understood dynamically. Relatively modest differences in contributions, employer provision, or periods of labour market absence can compound over decades, while access to strong institutional provision can provide protection that is difficult for individuals to replicate through their own saving. Pension advantage and disadvantage are best understood as cumulative and life course processes, rather than characteristics attached permanently to particular groups of workers.

This has an important implication for policy. **The adequacy challenge cannot be addressed through participation alone, nor through a single increase in individual contributions. A more nuanced approach may be needed that considers how employment, employer provision, pension design, individual capacity, and wider household resources interact. In particular, policy needs to distinguish between workers who are undersaving despite having the capacity to save more and those whose low contributions reflect genuine financial constraints.** The appropriate policy response may differ substantially between these groups. The effects of policies to increase pension saving will depend on workers' existing financial capacity, the pension provision available through employment, and how the costs of additional saving are distributed between individuals and employers. Where private saving capacity is more constrained, employer provision and State support become increasingly significant.

The UK pension system should be assessed not only in terms of how many people are saving, but in terms of who is able to accumulate sufficient resources, who bears the risks of doing so, and how those risks and resources are distributed across different working lives. This provides a clear link between the worker profiles examined in this report and the wider system objectives of adequacy, sustainability, and fairness, highlighting that the effectiveness of the pension system depends not only on access to saving, but on the capacity to convert that access into secure retirement outcomes.

Implications for policy

The findings have several implications for the future development of pensions policy:

- **The Policy focus is moving from participation towards adequacy.** AE has addressed much of the participation gap, but the remaining challenge concerns the level and duration of saving. The Second Pensions Commission's emphasis on increasing contributions reflects this transition. While the debate is moving on from primarily focusing on participation, there are still participation gaps, particularly among low earners and the self-employed who fall outside the AE framework. More work needs to be done to understand who among these excluded groups has the capacity to save and to consider how those who are currently excluded from AE can be better supported to build retirement provision.
- **Contribution policy needs to recognise differences in financial capacity.** A uniform increase in minimum contributions may improve aggregate pension saving but will have different effects across worker groups. The interaction between pension contributions and immediate affordability will need to be considered in policy design. Options include allowing savers to opt down to a lower contribution rate where higher defaults create affordability pressures, or using automatic escalation to increase contributions gradually over time. An opt down mechanism could preserve the benefits of continued saving while providing greater flexibility for those who are less able to absorb higher contributions. However, the behavioural response from savers is hard to predict. If opting down requires a similar level of active engagement as opting out, it may not provide the intended alternative and could potentially weaken the power of inertia on which AE relies. This approach would need to be designed and tested carefully to understand whether it preserves participation while providing meaningful flexibility for those facing affordability constraints.
- **Employer provision remains an important part of the adequacy debate.** Variation in employer contributions and pension arrangements means that where people work can materially affect retirement outcomes. Stronger employer provision can mitigate some of the disadvantages associated with lower earnings, while weaker provision can contribute to lower pension accumulation even among higher earners. The nature of provision offered also affects where responsibility for managing the risks associated with achieving adequate and secure retirement outcomes sits. These differences raise questions about how additional pension saving is shared between employees and employers, particularly for workers with limited capacity to increase their own contributions.
- **The source of additional pension saving has implications for sustainability and fairness as well as adequacy.** Higher employee contributions reduce take-home pay, while higher employer contributions increase employer costs and may interact with other elements of remuneration. Determining the balance between pay during working life and pension provision for later involves different trade-offs across the workforce. Where current earnings already constrain living standards, there may be limited scope to redirect remuneration towards retirement.
- **A life course perspective could make policy more effective.** Interruptions associated with caring, unemployment, ill health, insecure employment, and transitions between employment and self-employment can have lasting effects on pension accumulation and ultimately retirement outcomes. The ability to maintain or rebuild pension saving following these transitions is important to achieving adequacy for groups with non-standard working life courses. Because workers may move between profiles over their working lives, the effect of periods of weaker pension provision depends both on their duration and on the pension provision available during the rest of working life.
- **Pensions adequacy requires a more holistic, cross-cutting policy perspective** that considers pensions alongside housing, and wider household wealth. Future cohorts may enter retirement with different levels of home ownership, housing costs, and access to other assets than today's pensioners. Assessing pension income in isolation can provide an incomplete picture of retirement security. A more holistic approach would recognise these interactions and consider how policies across pensions, housing, employment, and wider household finances combine to shape retirement outcomes.

Modelling Appendix

About this appendix

This modelling appendix provides details of the approach used to create and analyse the Pension Profiles as part of the 2026 Pensions Framework. These profiles are:

- **Profile A:** High earners with low contributions
- **Profile B:** High earners with high contributions
- **Profile C:** Middle earners with low contributions
- **Profile D:** Middle earners with high contributions
- **Profile E:** Low earners with low contributions
- **Profile F:** Low earners with high contributions

Based on data from the Wealth and Assets Survey (WAS) and the Annual Survey of Hours and Earnings (ASHE), high and low contribution profiles were separated at a contribution rate of 10.05%. Individuals were classed as low income if gross weekly pay was below £526.95 / week, and as high income if gross weekly pay was above £800.9 / week. This separation was based on gross weekly pay data from ASHE Table 1.1a, where high earners are classed as those above the 65th percentile, and low earners were those below the 35th percentile. Table 1 shows the pay and contribution rate details for the aggregate profiles.

Table 1: All profiles

Profiles - All	Gross weekly earnings	Gross yearly earnings	Average contribution rate	Average employer	Average employee
A	1,543.99	80,287.35	4.66%	2.56%	2.10%
B	1,189.77	61,868.18	19.50%	12.87%	6.63%
C	646.84	33,635.56	6.24%	3.23%	3.01%
D	658.82	34,258.88	28.09%	18.80%	9.29%
E	372.51	19,370.61	4.27%	2.07%	2.20%
F	357.15	18,572.05	25.89%	18.44%	7.45%

These profiles were replicated using average rates for a DC-only sample of the WAS. High and low contribution profiles were separated at the median rate of 8%. Table 2 shows the pay and contribution rates for these profiles. Because the aggregate and DC-only samples were constructed differently, and are of different sizes, direct comparisons of the level of weekly earnings and exact contribution rates should be avoided.

Table 2: DC-only profiles

Profiles	Gross weekly earnings	Gross yearly earnings	Average contribution rate	Average employer	Average employee
2A	1,342.58	69,814.24	4.03%	2%	2%
2B	1,462.97	76,074.44	16.10%	8%	8%
2C	638.33	33,193.40	4.01%	2%	2%
2D	660.89	34,366.09	14.02%	8%	6%
2E	367.30	19,099.63	3.22%	2%	2%
2F	349.26	18,161.69	19.41%	13%	7%

Section 1: Use of WAS and ASHE data

The Profiles are delineated using information on gross weekly pay from the Wealth and Assets Survey (WAS) R8 coupled with information on employer and employee contributions rates from the Annual Survey of Hours and Earnings (ASHE). Having constructed the profiles, data on private pension income, savings, debt and other variables from WAS was further used for descriptive analysis. Data collected in WAS R8 (2020-2022) is presented in the report in 2025 earnings terms.

Because the majority of descriptive statistics originate from WAS, but a detailed breakdown of employer contribution rates was only available via ASHE, the two samples had to be harmonised in order to construct accurate and consistent profiles. To do so, groups in WAS were delineated based on pay bands and median employee contribution levels that matched the separation of these groups in ASHE. Each corresponding group in ASHE had an average contribution amount in £ for employers and employees. Once the WAS groups had been defined in a similar way, these contribution amounts were assigned to the equivalent WAS group, and calculated as a % of gross weekly pay for each individual in the WAS sample. This allowed subsequent analyses of contribution rates, including the calculation of the median contribution rate used to split high and low contributor profiles.

The calculations for the DC-only profiles were slightly different. Individuals in WAS were classified as DC holders if they answered “Yes” to having a DC pot. Data in WAS is self-reported, and some individuals may not be aware of the type of pension scheme they’re enrolled in. Because WAS calculates specific derived variables about employer and employee DC contributions, the data did not need to be supplemented with information from ASHE, and these derived variables could be used directly. Because of these different methods, the sample size available for the aggregated profiles, compared to the DC-only observations, is different, meaning 1-1 comparisons of, for example, levels of private pension wealth or savings between these samples should be avoided.

Section 2: Modelling approach

Introduction

Total fund size, retirement income and total contributions for each individual were modelled using the PPI's Individual Model (IM).

This involved constructing a range of possible lifecourses, and projecting retirement outcomes based on data on gross pay and contributions. For example, one individual may start in a low earner / low contribution profile and moves upwards throughout their career, to end in a high earner / high contribution profile. Each profile is associated with specific employee and employer contributions rates, as well as age-specific weekly pay. Contribution rates were assumed to be constant across years, except where an individual changes profiles during their working life. Total contributions are calculated on total income rather than banded income

Common assumptions

The economic assumptions in the IM are based on the Office for Budget Responsibility (OBR) figures for the Economic and Fiscal Outlook (EFO), which provide a projection of economic determinants, such as inflation. In addition, the following assumptions were made when constructing specific retirement outcomes.

Fund size and contributions

Individuals are assumed to contribute a fixed percentage of their salary to their pension fund throughout working life, from age 18 to 67. Employer and employee contributions are set by the individual's profile, and are assumed to be constant across ages. Total contributions in £ were summed across the lifecourse, and then deflated to 2026 earnings terms. Total fund size was deflated at the end of each year by the same index. Since all profiles contain a mix of DC and DB holders (except for the supplementary profiles, which only contain DC holders), projections of total fund size for each individual lifecourse are based on an assumption that all individuals are members of a DC scheme. This assumption is necessary for fund size calculations to be comparable across individuals.

Retirement income

Total retirement income for each individual is calculated as the earnings from public and private pensions, after subtracting the necessary amount for payable tax. To convert fund size into retirement income, all individuals are treated as having accumulated a DC pot from 2026-2075, which they access from age 68 via income drawdown at a rate of 5% per year. This income is reported together with income from the State Pension as total retirement income. All individuals are assumed to be receiving the full State Pension.

Pensions UK Retirement Living Standards

When assessing adequacy, individual retirement outcomes were compared to the levels set in Pensions UK's Retirement Living Standards. For retirement income, Minimum, Moderate and Comfortable levels assumed a one-person household living outside of London. To evaluate adequacy of total fund size, the midpoint of the range given in RLS / How Much do I Need To Save? was used.

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