

# Characteristics of People and Households Without a Private Pension

Coverage: UK

Date: **11 September 2014**

Geographical Area: **Theme specific**

Theme: **Economy**

## Key points

- For those below retirement age, 45% of men and 49% of women in Great Britain did not have any private pension savings in 2010-2012.
- 95% of men and women working in Accommodation and food service industries did not pay into a private pension in the UK in 2012. In 'Public administration, defence and social security' only 7% of men and 9% of women did not pay into a private pension.
- A third of employees, nearly half of the self-employed and around 80% of men and women 'not in work' did not have any private pension savings in Great Britain in 2010-2012.
- 76% of women in routine occupations did not have a private pension in Great Britain in 2010-2012 compared to 15% of women in higher managerial and professional occupations, a difference of 61 percentage points.
- The median of the sum of property, physical and financial wealth was £160,000 for households with a private pension in Great Britain. This is nearly seven times larger than for households without a private pension at £23,900.

## Introduction

This story looks at the characteristics of people below retirement age without a private pension. For men, this includes those below 65 and for women those below 60.

The main characteristics covered are:

- Age
- Sex
- Socio-economic status

- Education
- Earnings
- Industry
- Employment status
- Region

Understanding the characteristics of those that do not have a private pension is of interest to policymakers and the general public alike. There is a belief that most people will want to supplement the retirement income they get from the [state pension](#), by saving into a private pension, to ensure a comfortable retirement. The desire to increase the [number of people with a private pension](#) has been seen in government initiatives such as [automatic enrolment](#). It is also seen in policies that make pension savings more attractive, by increasing [flexibility](#) around how a pension pot is used on retirement.

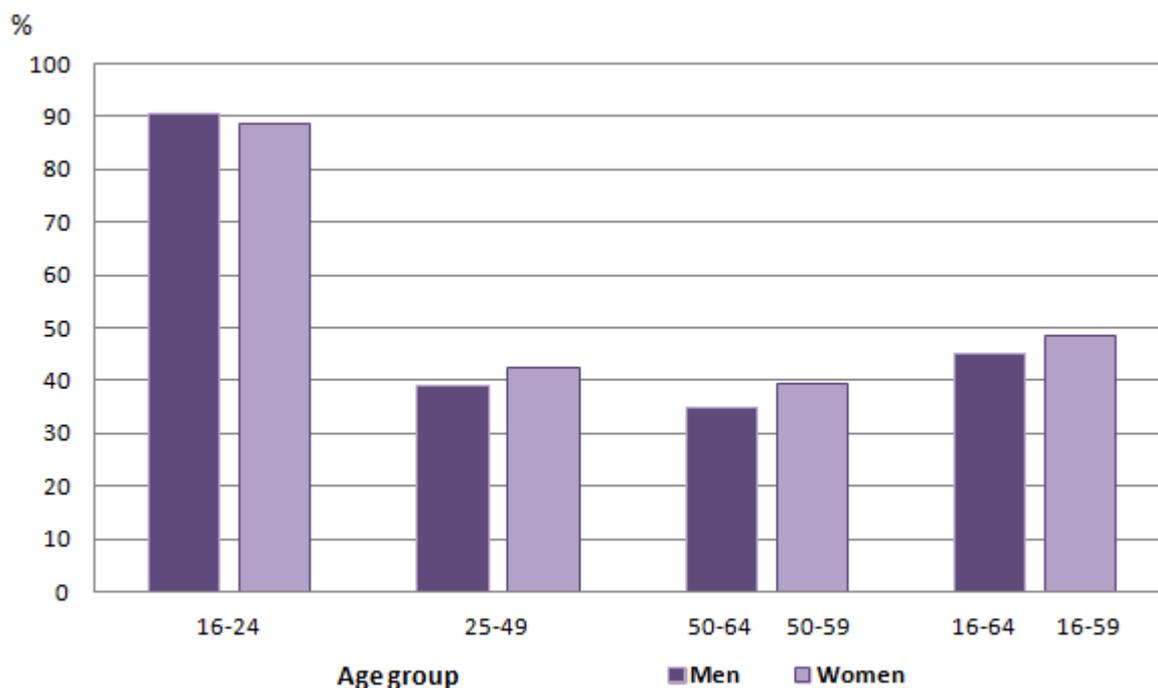
The data in this story is from the period 2010-2012, which is before the beginning of [automatic enrolment](#). The aim is to repeat this story when the results of the next wave of the Wealth and Assets Survey (WAS) are available. By then, automatic enrolment will have been running for some time, and it will be interesting to see if things have changed for the above characteristics.

## Proportion of people without a private pension, before retirement age

For this story we have assumed that, in the period 2010-12, the retirement age was 65 for men and 60 for women. The people included below retirement age were men aged 16 to 64 and women aged 16 to 59. An individual is deemed not to have a private pension if they don't pay into or have entitlements to a private pension (see section: **Background notes**).

Before retirement age, over 45% of men and 49% of women did not have a private pension. In the youngest age group (16-24), 91% of men and 88% of women did not have a private pension. In the pre-retirement age group, 35% of men aged 50-64 were without a private pension while, for women aged 50-59, 39% did not have a private pension (see Figure 1).

**Figure 1: Percentage of people without a private pension, by sex and age groups, 2010-12**



Source: Wealth and Assets Survey - Office for National Statistics

**Notes:**

1. Based on data for individuals under retirement age. Retirement age is assumed as 65 for men and 60 for women.

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**Characteristics of people without a private pension**

In the following sections, the data for men is for ages 16-64, representing the population below retirement age. The data for women is for ages 16-59.

**Socio-economic status**

The proportion of those with no private pension was analysed using the [National Statistics Socio-economic Classification \(NS-SEC\)](#). Figure 2 gives examples of occupations in each socio-economic class.

Figure 2: Examples of occupations in each class of the National Statistics Socio-economic Classification (NS-SEC)



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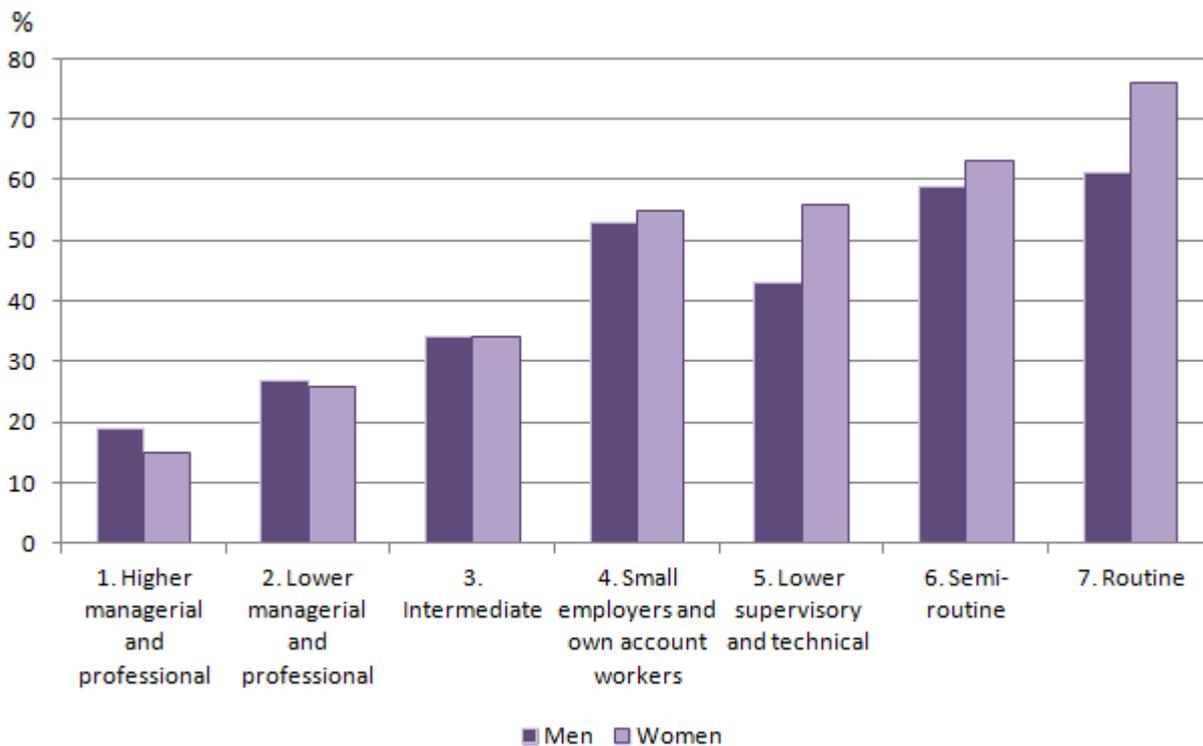
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A greater proportion of people have a private pension in NS-SEC classes 1-3 than in classes 4-7. In the higher managerial and professional occupations (class 1), less than 20% of men and 15% of women did not have a private pension. In the routine occupations (class 7), 61% of men and 76% of women did not have a private pension.

The percentage point difference, in terms of those without pensions, between the higher managerial and professional occupations (class 1) and routine occupations (class 7) was 42 percentage points for men and 61 percentage points for women. This data suggests that there are considerable inequalities in private pension membership between socio-economic groups.

For NS-SEC classes 1-3, a higher percentage of men were without private pensions while, for classes (4-7), a higher proportion of women were without a private pension.

**Figure 3: Percentage of people without a private pension, by NS-SEC and sex, 2010-12**



Source: Wealth and Assets Survey - Office for National Statistics

**Notes:**

1. Based on data for individuals under retirement age. Retirement age is assumed to be 65 for men and 60 for women.

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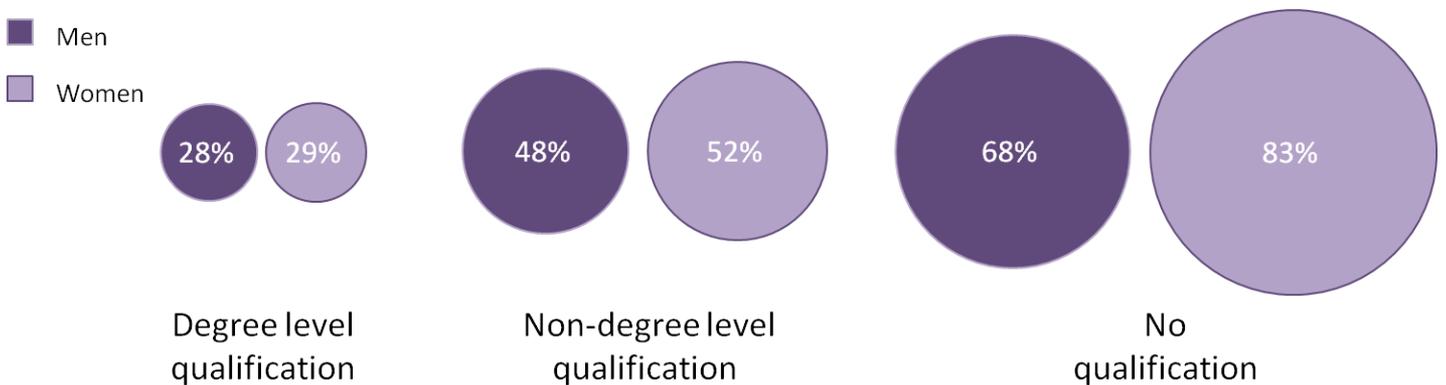
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**Education**

For those with a qualification at degree level, nearly 30% of both men and women did not have a private pension. For those with a non-degree level qualification, around half of both men and women did not have a private pension. For those reporting no qualification, 68% of men and 83% of women did not have a private pension.

**Figure 4: Percentage of people without a private pension, by education level and sex, 2010-2012**



Source: Wealth and Assets Survey - Office for National Statistics

**Notes:**

1. Based on data for individuals under retirement age. Retirement age is assumed to be 65 for men and 60 for women.
2. The non-degree level qualification category represents those responding that have a qualification other than at degree level, or those responding that they had a qualification but did not know at what level.

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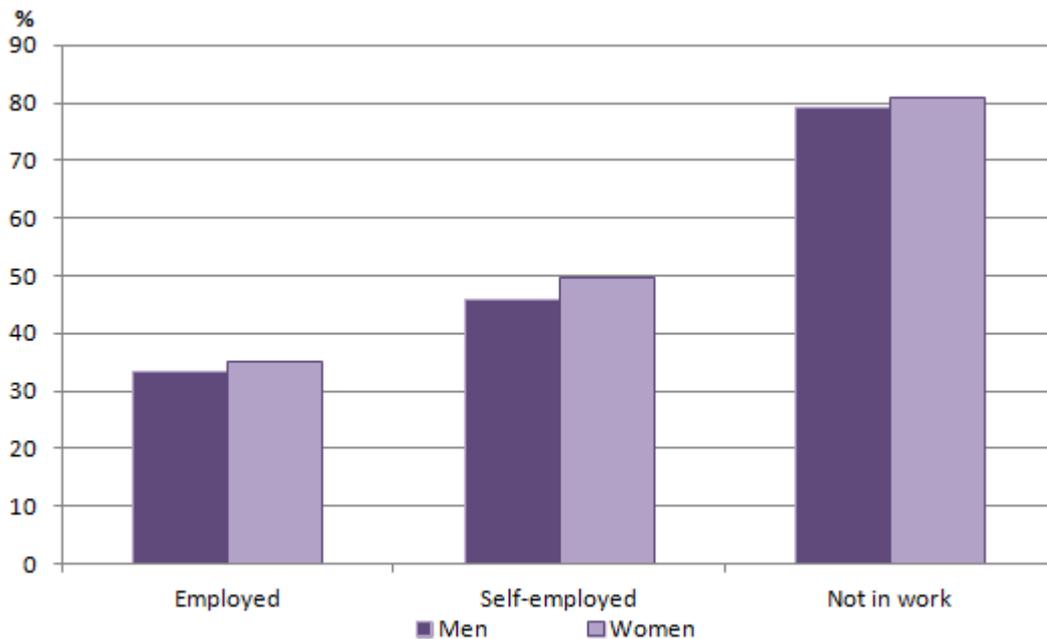
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**Employment Status**

A third of the employed (33% of men and 35% of women) had no private pension. A higher proportion of the self-employed, 46% of men and 50% of women, did not have a private pension. For those 'not in work', 79% of men and 81% of women did not have a private pension (see Figure 5).

**Figure 5: Percentage of people without a private pension, by employment status and sex, 2010-2012**



Source: Wealth and Assets Survey - Office for National Statistics

**Notes:**

1. Based on data for individuals under retirement age. Retirement age is assumed as 65 for men and 60 for women.
2. The category 'Not in Work' includes the following people: those defined as unemployed by the International Labour Organisation, students, those looking after the family/home, the temporarily sick or disabled, the long-term sick or disabled, and those not in work for other or unknown reasons.

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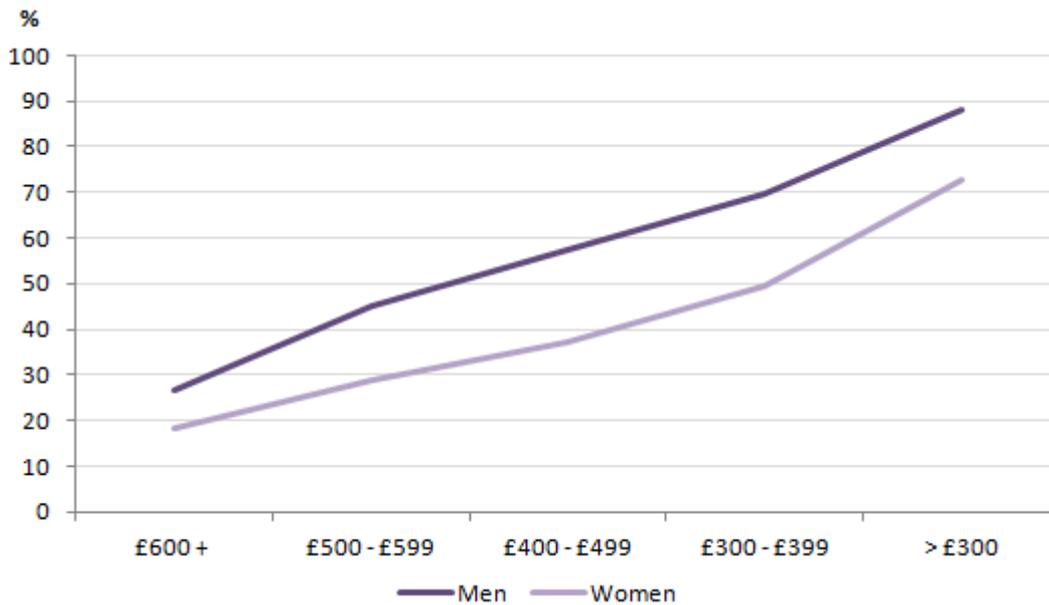
**Earnings**

Data from the [Annual Survey of Hours and Earnings \(ASHE\)](#) was used to investigate private pension membership by earnings. ASHE data includes people who are paying into a workplace pension. The survey is not designed to capture information on other types of pension membership. The survey does not capture the self-employed and does not include all employees below the PAYE threshold.

Private pension membership decreased with decreasing weekly earnings. For people earning £600 and over a week, 27% of men and 18% of women did not have a private pension. In the lowest paid category, which is less than £300 a week, 88% of men and 73% of women did not have a private pension. The different earnings brackets reveal a large inequality in private pension membership (see Figure 6).

The difference between the highest earning category (£600 and over) and the lowest (less than £300), was 61% percentage points for men and 54% percentage points for women. A gender inequality is present, with a consistently higher proportion of men not having a private pension<sup>1</sup>.

**Figure 6: Percentage of employees without a private pension, by sex and weekly earnings level, 2012**



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

**Notes:**

1. Based on data for employees who are not paying into a private pensions arranged through an employer, for those aged between 16 and 64 for men and 16 and 59 for women.
2. Data does not include the self-employed.

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**Industry**

Data from the [Annual Survey of Hours and Earnings \(ASHE\)](#) was used to examine private pension membership by industry.

In Accommodation and food services, 95% of men and women were not paying into a private pension organised by their employers. In administration and support services, 85% of men and 87% of women were not paying into a pension. Other industries where over 75% of men and women were not contributing to a private pension were ‘Arts, entertainment and recreation’ and ‘Agriculture, forestry and fishing’ (see Table 1).

The industry with the lowest proportion of people without a private pension was 'Public administration, defence and social security' (7% of men and 9% of women).

**Table 1: Percentage of employees without a private pension, by industry and sex, 2012**

| Industry  | Percentages |       |
|---|-------------|-------|
|   | Men         | Women |
| Accommodation & food service industries         | 95          | 95    |
| Administration & support services               | 85          | 87    |
| Agriculture, forestry & fishing                 | 81          | 85    |
| Arts, entertainment & recreation                | 77          | 79    |
| Wholesale & retail trade & other <sup>4</sup>   | 74          | 79    |
| Construction                                    | 70          | 74    |
| Health & social work                            | 40          | 45    |
| Financial & insurance activities                | 26          | 29    |
| Education                                       | 23          | 25    |
| Electricity, gas, steam & air conditioning      | 20          | 32    |
| Public administration, defence, social security | 7           | 9     |

**Table source:** Office for National Statistics

**Table notes:**

1. Based on for employees who are not paying into a private pensions arranged through an employer, for those aged between 16 and 64 for men and 16 and 59 for women.
2. Data does not include the self-employed.
3. Industries are grouped according to the Standard Industrial Classification (SIC) 2007.
4. The 'other' category in 'Wholesale & retail trade & other' includes the repair of motor vehicles and motorcycles.

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**Notes for Characteristics of people without a private pension**

1. We believe the reason why Figure 6. shows a higher percentage of men without a pension, a pattern largely not present in, for example, Figure 1, is that there are large numbers of female

employees in the industries where pension membership is relatively high (see, for example, Table 1. 'Public administration, defence, and social security'). These female employees will be spread across the earnings bands in Figure 6. and so raise the membership level for women in each earnings band. Also, more men had [higher weekly earnings](#) than women, and given that those with high earnings are more likely to have a private pension it helps to explain why overall (i.e. Figure 1) men have higher percentages with a private pension. Further differences can be explained by the differing data sources for Figure 1 and Figure 6. For more information, please see the **Data Sources** section.

## Characteristics of households without a private pension

### Regional analysis

This analysis is based on household data from the Wealth and Assets Survey. If none of the household members have private pension savings then the household is deemed to have no private pension.

**Table 2: Percentage of households without a private pension, by English Region, 2010-2012**

| Region                 | Percentage without a private pension |
|------------------------|--------------------------------------|
| South East             | 20                                   |
| South West             | 24                                   |
| East of England        | 25                                   |
| Yorkshire & the Humber | 27                                   |
| East Midlands          | 31                                   |
| West Midlands          | 31                                   |
| North West             | 32                                   |
| North East             | 32                                   |
| London                 | 35                                   |

**Table source:** Office for National Statistics

**Table notes:**

1. Based on data from households where the household reference person is below retirement age. Retirement age is assumed as 65 for men and 60 for women.

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A similar proportion of households did not have a private pension in England (28%), Scotland (30%) and Wales (30%).

For the English regions, the highest percentage of people without a private pension was in London at 35%, followed by the North East and North West at 32%. The South East had the lowest proportion without a private pension at 20% (see Table 2). The high percentage of households without a private pension in London may be partly explained by its [relatively young population](#).

### Comparison of private pension savings with other wealth

This section is based on household data from the Wealth and Assets Survey 2010-12. When comparing the median wealth of households with and without private pensions, a difference emerges whether the comparison is by financial wealth, physical wealth or property wealth (see Figure 7). The median total wealth (excluding pensions savings) of households with a private pension was £160,000, which is nearly seven times greater than the median of £23,900 for households with no private pension.

**Figure 7: Median household financial, physical and property and total other wealth of those with and without private pension, 2010-12**



Source: Wealth and Assets Survey - Office for National Statistics

**Notes:**

1. Based on data from households where the household reference person is below retirement age. Retirement age is assumed as 65 for men and 60 for women.
2. Total other wealth is the sum of financial, physical and property wealth. For a definition of the categories of wealth, please see the data sources section.

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This comparison with other forms of wealth suggests that households without a private pension did not compensate by accumulating other forms of wealth, and that those with private pensions also tended to have greater wealth in other forms.

## Conclusions

For those below retirement age, just under half of men and women did not have a private pension. Higher proportions of people without a private pension were found in those who were aged between 16-24, those with no qualification and those who were not in work.

In terms of those who were working, those who earned less than £300 a week, those that worked in routine occupations, and those that worked in industries such as accommodation and food services had higher proportions of individuals without a private pension.

The households that had no private pension also seemed to have lower amounts of other wealth such as wealth in property, financial wealth and wealth in physical assets. London was the English region that had the highest proportion of households without a private pension.

## Data Sources

### In this story

This story is based mainly on the [Wealth and Assets Survey \(WAS\)](#), wave 3, which had a fieldwork period from July 2010 to June 2012. Wave 3 provided information on the wealth of individuals and households in England, Wales and Scotland, with a sample size of 21,451 private households. WAS contains measures of property wealth, physical wealth and financial wealth which are used in Figure 7. The definitions of these are the following:

- Property wealth – the value of any property privately owned in the UK or abroad (gross, and net of any liabilities on the properties).
- Physical wealth – the value of contents of the main residence and any other property of a household including collectables and valuables (such as antiques, artworks or stamps, vehicles and personalised number plates).
- Financial wealth – the value of formal and informal financial assets held by adults, and of children's assets. Net financial wealth is calculated by subtracting from financial asset values the value of any financial liabilities.

A second data source [Annual Survey of Hours and Earnings \(ASHE\)](#) was used for the private pension membership by earnings level (Figure 6) and private pension membership by industry (Table 1). ASHE is the most comprehensive source of earnings information in the UK. ASHE data includes employees only, excluding the self-employed. The data in this story is based on the revised 2012 dataset for which the reference date was 18<sup>th</sup> April 2012.

### Other data sources for pensions

#### Survey sources:

[Family Resource Survey](#)

[Occupational Pensions Scheme Survey](#)

[Employers' Pension Provision Survey](#)

[MQ5: Investment by Insurance Companies, Pension Funds and Trusts](#)

### **Administrative data sources:**

[HMRC Pensions Tables](#)

[The Pension Regulator – DC Trust: a presentation of scheme return data](#)

### **Feedback**

If you have any comments or suggestions, we would like to hear them. Please email us: [pensionsanalysis@ons.gsi.gov.uk](mailto:pensionsanalysis@ons.gsi.gov.uk)

### **Background notes**

1. Using the Wealth and Assets Survey, individuals below retirement age were deemed to have a private pension if they reported having current (still paying into pension) or retained (not currently paying but entitled to benefits upon retirement) private pension wealth. For those above retirement age, individuals were deemed to have a private pension if they reported receiving income from a private pension.
2. For the purposes of this story the Wealth and Assets dataset was restricted to those aged over 16 not in full time education.
3. [National Statistics Socio-economic Classification \(NS-SEC\)](#) is a measure of socio-economic class developed by the ONS.
4. Data from the Annual Survey of Hours and Earnings (ASHE) was used to investigate private pension membership by earning and industry. As ASHE is a survey of employers, it only covers workplace pensions, which are those that are either provided or facilitated by employers. It does not cover individual personal or stakeholder pensions (where individuals enter into a contract with an insurance company that is not facilitated by an employer). ASHE only collects information on the current employer's pension scheme. Employees may hold preserved rights

in former employers' pension scheme or be in receipt of a pension from a former employer. This information would not be captured by the survey. In ASHE, employees are defined as making contributions to a workplace pension if they have made a contribution, or had a contribution made on their behalf, in the survey pay period.

5. Details of the policy governing the release of new data are available by visiting [www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html](http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html) or from the Media Relations Office email: [media.relations@ons.gsi.gov.uk](mailto:media.relations@ons.gsi.gov.uk)

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