Women millennials' perceptions of pension savings through the use of Automatic Enrolment in the UK pension system

Shortened title/running header: women and auto-enrolment

Abstract

There has been concern about younger people, and women in particular, not saving enough for retirement and how to encourage further saving. Therefore, this study, part-funded by the Fawcett Society in association with Scottish Widows, explores female millennials' attitudes and motivations towards pension saving and auto-enrolment through the use of 40 semi-structured interviews and a focus group. The findings show that while the introduction of auto-enrolment pensions is generally positively received, pensions knowledge is still limited and this intensifies the risk of under-saving for retirement among millennial women, particularly given women's diverse work histories.

Key words: pensions; attitudes; gender

Introduction

The future sustainability of pensions has been given increasing attention within the context of concerns about a 'demographic time bomb' and an aging population. The number of people aged 65 or older worldwide is projected to grow from an estimated 524 million in 2010 to nearly 1.5 billion in 2050 (World Health Organisation (WHO), 2012). Increasing life expectancy (and declining fertility rates in many countries) has led to changes in the age composition of populations. In the EU27, the number aged over 65 rose from 59 million in 1985 to 87 million in 2010 (from 13% to 17% of the population) (EuroStat, 2012). It is estimated that the population aged over 65 will grow twice as fast as the working-age population in the UK, accounting for 24% of the population by 2037 (Office for National Statistics (ONS), 2015).

The notion of a 'demographic time bomb' focuses on the expanding number of older people reliant on pension schemes as a direct result of demographic transitions, and the pressures this will present for the working age population. However, age-based measures overestimate the challenge to pension sustainability, as they ignore relevant changes such as the increase in women's employment, in state pension age (SPA), and in labor productivity (Foster, 2018). However, the term has also been utilized by neoliberal policy makers, who state that it is leading to unaffordable public spending. Along with alleged macroeconomic disutility's of public pensions, it is used to legitimate retrenchment, and to emphasise individual responsibility for pension saving (Foster, 2010; Ginn, 2003).

This focus on individual responsibility has emphasized the notion of 'under-saving' for retirement, especially amongst millennials (often defined as people born in the early 1980s up to people born in the mid to late 1990s). In the UK, it has been identified as a significant policy challenge, which could ultimately place increasing pressure on the state (Pensions Policy Institute (PPI), 2018a; Scottish Widows, 2014). Department for Work and Pensions (DWP)

(2017) figures indicate that implementing the savings adequacy measure developed by the Pensions Commission (2006), approximately 12 million individuals are still under-saving for their retirement. This represents 38% of the working age population (DWP, 2017). Under-saving for retirement is more common among women who, on average, receive a smaller pension in retirement than men (Grady, 2015; Price, 2007), with the main difference between men's and women's pensions occurring in private pensions (PPI, 2016). These trends are not specific to the UK. In the USA, the Department of Labor found only 45% of women participate in company-sponsored retirement plans (Liveris, 2014). In most countries, women are less likely than men to receive a pension, and where they do, levels are usually lower (United Nations Women, 2015). Across European Organisation for Economic Co-operation and Development (OECD) countries and the USA, pension payments to individuals aged 65 and over were 28% lower, on average, for women than for men (OECD, 2015). These gendered inequalities relate to women's more diverse employment histories, lower earnings and more limited engagement with pension planning (MacLeod et al., 2012).

There is also evidence that the UK economy is changing with implications for women's employment, access to pensions and capacity to plan for retirement. For instance, the composition of the UK labor market has been characterized by a considerable increase in self-employment and alternative working arrangements since the 2008 economic downturn (Costa & Machin, 2017). In particular, insecure and precarious forms of employment represent the fastest growing section of the labor market (Tomlinson & Corlett, 2017). There are nearly five million self-employed people in the UK, which represents an increase of 50% since the millennium. The self-employed are less likely to save into a pension, with just 12% actively contributing to a scheme (PPI, 2017a). Furthermore, there are approximately 900,000 workers on zero hours contracts, in addition to 800,000 agency workers, groups which are variously described as the 'gig economy', precarious workers or ubiquitously as among those who are ‘self-employed’ (PPI, 2018b). The changing nature of self-employment is likely to exacerbate under-saving among younger workers and women in particular, as the number of female self-employed workers is growing at a faster rate than men and millennials are entering self-employment in the greatest numbers (PPI, 2017a). Individuals employed in gig economy positions may be excluded from pension schemes, either because they are defined as self-employed and ineligible for employer contributions, or through low earnings, which may also ultimately restrict the capacity for pension planning.

Under-saving is not always recognized by individuals, in part because of a lack of understanding and awareness of how pension schemes operate (Foster & Heneghan, 2018; Pettigrew et al., 2007). Furthermore, it is common for people’s pension saving not to match their expectations, especially in pension schemes where the fund received is heavily dependent on investment performance (Webb et al., 2014).

In order to contain welfare costs and reduce under-saving for retirement in the UK, the promotion of non-state pension provision has become a central policy concern over recent decades (Ebbinghaus, 2015). This has placed increasing demands on individuals’ ability to plan for their own retirement (Waine, 2009). However, the failure of policy to encourage sufficient private pension saving has led to substantial changes to the UK pension system. One of the most important of these developments has been the introduction of ‘soft’ compulsion in the form of auto-enrolment into non-state pensions (Thaler & Sunstein, 2008). Since October 2012, workers in the UK within a particular age and income range have been automatically enrolled into workplace pensions (with the option to opt-out). The UK is one of the four countries to have introduced auto-enrolment at a national level, although there are also plans to introduce auto-enrolment in Poland, Ireland, Russia and Lithuania. In 2007, the Italian government introduced auto-enrolment as part of its severance pay system reforms called Trattamento di Fine Rapporto (Rinaldi, 2011). In the same year New Zealand introduced the KiwiSaver, which auto-enrols people into a savings scheme when they start new employment (Inland Revenue, 2015). Turkey introduced auto-enrolment in 2007. Limited research has been undertaken regarding reasons why people opt-out or do not opt-out of auto-enrolment schemes (Fornero & Monticone, 2011; Inland Revenue, 2015; Rinaldi, 2011). A lack of affordability has been identified as the most common reason for opting out of KiwiSaver (Inland Revenue, 2015).

In the UK, auto-enrolment has largely been hailed as a success in terms of increasing the number of people saving for retirement (Prabhaker, 2017). Among eligible employees in the private sector, pension participation had risen by over 31 percentage points since 2012 to 73% of eligible employees in 2016. It has been stated that it has reduced levels of under-saving by 2 million people (DWP, 2017). Furthermore, the largest increases were witnessed among those traditionally with least access to workplace pensions including: the lowest earners; younger people (especially those aged 20 – 29); and women (DWP, 2017). However, auto-enrolment is not without criticism, particularly in terms of its exclusion of certain groups including the youngest millennials and those not in paid employment, among whom women are overrepresented, in addition to uncertainties regarding the pensions people will ultimately receive in retirement (Ginn & Macintyre, 2013; Price, 2007). The amount individuals are expected to contribute to auto-enrolled pensions are also gradually increasing. Therefore, there is a need to further understand how attitudes can affect behavior in relation to auto-enrolment (Prabhaker, 2017). This is particularly important in relation to female millennials, identified as typically having low levels of pension saving (MacLeod et al., 2012).

There is currently limited research which focuses on public attitudes to pension reforms and auto-enrolment (Foster, 2017; Inland Revenue 2015; Pettigrew et al., 2007; Prabhakar, 2017), and even less research which focuses specifically on younger women and their pension behavior (Foster, 2012; Foster & Heneghan, 2018; Prabhakar, 2017). Given that pensions are based on levels of contributions during the life course it is also important to comprehend attitudes, knowledge, expectations and savings habits in relation to auto-enrolment in the earlier stages of people's working lives, especially within a changing pension policy context (Bryan & Lloyd, 2014). Exploring these attitudes is helpful for understanding the reasons for people's decisions around opting-out or remaining auto-enrolled. As such this research uses 40 semi-structured interviews and a focus group with 10 female millennials in paid employment conducted since the introduction of auto-enrolment (between 2012 and 2016) to explore their attitudes and motivations towards pension saving with a particular focus on auto-enrolment (PPI, 2018a). It was part-funded by the Fawcett Society, the UK's leading charity campaigning for gender equality and women's rights. Formed in 1866, the Fawcett Society commissions and publishes research that brings together academics, politicians, activists and civil society, to advocate for gender equality.

Initially the article sets out the UK private pension context which led to the introduction of auto-enrolment, before exploring how auto-enrolment operates. Then, using findings from the interviews, it explores attitudes towards pensions and auto-enrolment, including: compulsion; priorities; knowledge; and advice and guidance. Finally, it explores potential policy mechanisms to enhance millennial women's pension saving.

The UK private pensions context and pension-savings behavior

Successive UK governments have largely responded to pension challenges by promoting a political economy focused on neoliberal concerns of private saving and individual responsibility in pension provision. Under-saving for retirement and the need to limit state involvement have become key drivers in pension policy reforms, in addition to the promotion of the role of markets and private pensions (Clark et al., 2012). These trends make appropriate decision-making regarding pensions increasingly challenging. In particular those individuals who are some distance from retirement, such as millennials, struggle to identify how much pension saving will be needed to ensure the standard of living they require in retirement (Kotecha et al., 2010). Decision-making is especially challenging where individuals, especially women, have unpredictable life-course trajectories (Price, 2015) and have limited knowledge and understanding of where to locate appropriate impartial advice (Berry, 2016). Furthermore, competing demands at different points of their life, such as student debt and housing costs, or childcare costs, can mean retirement savings are not always prioritized (Foster, 2017; Creedy et al., 2015). Pension planning is age-related, with people not tending to think much about pensions until their 30s or 40s, with women often thinking about pensions later than men (MacLeod et al., 2012; Scottish Widows, 2014). There is also evidence to suggest that women may be less likely to believe financial planning is important (Clark et al., 2012; Jacobs-Lawson et al., 2004) and have lower levels of self-reported pension knowledge (Scottish Widows, 2014).

It is apparent that a lack of financial knowledge often leads to financial decisions, which are inconsistent with financial needs (Clark & Strauss, 2008; Lusardi & Mitchell, 2005). The complexity of pensions, including choice overload, can deter decision-making and lead to inaction. This complexity may be further exacerbated by low levels of literacy and numeracy (DWP, 2017). In practice employees often do not take sufficient advantage of employer matching contributions (see Choi et al., 2004); do not utilize information efficiently (Bernheim, 1998); and are risk averse (especially women) when faced with asset allocation and portfolio choices, but may actually be risk-seeking in the face of losses (Clark et al., 2012; Tversky & Kahneman, 1991). Furthermore, people often fail to explore their financial needs in retirement until it is too late to significantly change the outcome (Foster, 2012).

In order to address under-saving, there have been attempts made to work ‘with’ people to help them become ‘rational actors’ by, in effect, enhancing pension education and facilitating choice within pension markets (Clark et al., 2012). This approach is concomitant with the privatization of pensions and creation of new markets underpinned by a neoliberal model of economic decision-making, grounded in rational choice theory and expressed through utility maximization (Clark & Strauss, 2008). However, it is apparent that strategies to encourage individual saving have been largely ineffectual and could be perceived as pointing to a false conceptualization of individuals as economically rational, simply requiring the appropriate incentives to save for the future (Ring, 2010). Indeed, critiques from behavioral finance have challenged the hegemony of the rational actor model. These critiques have questioned the ability of individuals to play assigned neoliberal roles (Langley, 2008) and led to the development of alternative policy mechanisms.

The emergence of auto-enrolment

The introduction of auto-enrolment in 2012 (in a phased manner where employers become subject to duties in order of size) stems from a concern that more targeted financial education and information failed to sufficiently encourage further retirement saving (Ring, 2010). It is also evident that immediate needs and desires often mean sacrifices are made to pension saving with little awareness of the long-term implications (Quilgars et al., 2008). Thaler & Sunstein (2008) state that individuals have a range of competing demands at various times in their lives which may result in pension savings not always being prioritized. Decisions regarding pension saving may be reasonable informed responses to immediate financial needs, which may include affording food or shelter (Price, 2015). However, pension saving may also be perfectly viable for others. Persuading young people in particular that saving for retirement is both affordable and desirable can be challenging (Pettigrew et al., 2007).

Auto-enrolment is associated with the concept of ‘nudge’, linked to the view that behavior is not always an entirely rational or instrumental response to our situation (Thaler & Sunstein, 1998). Behaviors become self-perpetuating through routine and certain traits, and act as barriers to rational decision-making (Hardcastle, 2012). Thaler & Sunstein (1998) advocate an approach whereby regulators amend the 'choice architecture', a central component of the market economy, to counter the effects of irrational consumer behavior. The logic behind auto-enrolment then, is that while structured advice and information can lead to improvements in understanding, behavioral barriers, including myopia, cynicism and inertia may still stymie increases in saving (Wicks & Horack, 2009). Furthermore, a lack of understanding of risk and insufficient saving is provided as a justification for supporting the 'libertarian paternalism' inherent in auto-enrolment (Clark & Strauss, 2008).

According to its advocates, this approach does not conflict with liberal values, but instead it represents an attractive form of 'asymmetric paternalism' in which individuals remain in a position to make their own choices (and mistakes) by positively rejecting defaults in auto-enrolment (Mabbett, 2012). Within the libertarian paternalist framework, the state no longer collectivizes economic and social risks, instead it enables (and, paradoxically, commands) individual choice and responsibility (Strauss, 2014). In the USA, Madrian & Shea (2001) have explored the effectiveness of auto-enrolment through using evidence from a US health employer, which changed its pension scheme to require people to actively opt-out rather than the previous process of having to opt-in. They identified that this resulted in significant differences between members under the old system (48.7%) and the new system (85.9%). They specified that the results were associated with the 'power of suggestion', whereby participation in the pension scheme is 'suggested' by the process of auto-enrolment.

How auto-enrolment operates in the UK

Auto-enrolment in the UK entails automatically enrolling eligible individuals (generally low-to-median earners) without access to good quality workplace pensions into a low cost portable occupational pension, while allowing existing schemes, with benefits or contributions above the National Employment Savings Trust (NEST) (the default option auto-enrolment scheme) minimum, to continue. Minimum contributions are being gradually increased and will be set at 4% for the employee, 3% for the employer and 1% in tax relief by 2019 (they are currently set at a minimum of 5% of qualifying earnings). It assumes that, on the whole, people understand that it is necessary to save for retirement yet are not prepared to proactively enrol in a pension (MacLeod et al., 2012). This is justified 'given the financial position that many individuals might otherwise experience at retirement were they left to themselves' (Ring, 2010: 544). While there is an option to opt-out, it is envisaged that financial incentives of investment growth, along with employer and government contributions will persuade most of the auto-enrolled who are tempted to opt-out to resist (Wicks & Horack, 2009).

There are conditions which define eligibility for auto-enrolment. First, people need to be aged 22 years or over but below the state retirement age (this excludes some younger millennials). Second, people need to earn within a particular income range. The annual earnings threshold above which every employee should be automatically enrolled is £10,000 (2016/17) (within a single employment). Anyone who is not auto-enrolled into a workplace pension because their earnings are below the trigger has the right to opt-in and receive an employer contribution as long as they earn above the lower limit of the qualifying earnings band (over £5,824). The PPI (2018a) found that over three quarters (77%) of employees earning less than the auto-enrolment trigger are women. Contributions are payable on band earnings up to a limit of £43,000 (2016/17) (PPI, 2018a). Furthermore, almost 106,000 working people are not being auto-enrolled into a pension as their earnings come from more than one job (the inclusion criteria is based on earnings from one job) and 70% of these are women (Citizens Advice, 2017).

Overall, auto-enrolment has been successful in encouraging more people to contribute to a pension, including millennials (who made up around 40% of the eligible target group for auto-enrolment) and women (PPI, 2018a). The biggest increases in those contributing to a pension have been witnessed among the youngest age cohorts (Cribb & Emmerson, 2016). By 2015/16, participation in workplace pensions stood at 72% of eligible 22-29-year olds compared with 36% for the then 22-29-year olds in 2011/12 (PPI, 2018a). It has helped participation rates for women catch up with those for men. In 2012, 40% of eligible women in the private sector saved into a workplace pension, rising to 73% in 2016 (DWP, 2017).

Thus far the average opt-out rate for auto-enrolled employees has been fairly consistent since its implementation at around 9% (DWP, 2017). Analysis of samples of employers who started auto-enrolment in 2013 and 2014 indicated that millennials were least likely to opt-out (around 7% in 2014), with employees over 50 being most likely (around 23% in 2014) (PPI, 2018a). Lack of affordability or other provisions for retirement (more likely among older cohorts) have been cited as the main reasons for opting-out (DWP, 2014).

The introduction of auto-enrolment, and other changes in the pensions landscape, mean millennials have very different pension opportunities and potential outcomes to those who came before. This will lead to greater uncertainty regarding pension outcomes (Ebbinghaus, 2015) and exacerbate challenges for women in particular, who are more likely to experience diverse employment (Price, 2007). As millennials entered the workforce during the initial implementation of auto-enrolment they may also be the first cohort to spend their entire working life in pension schemes that they were auto-enrolled into. As such it is important to explore millennial women’s experiences and attitudes towards auto-enrolment.

Methodology

This research uses 40 semi-structured interviews and a focus group with 10 female millennials in paid employment, conducted since the introduction of auto-enrolment (between 2012 and 2016), to explore their attitudes towards pension saving with a particular focus on auto-enrolment, seen as one of the key measures to reduce under-saving (PPI, 2018a). This semi-structured format enabled the women to express their own views in detail regarding pensions and auto-enrolment. This approach is useful in providing a detailed, contextual and multi-layered interpretation of developments (Mason 2002). It also provided an opportunity to probe respondents for additional detail or provide clarification.

The sample was recruited using an advert to a regional database of external partners and the researcher's contacts in the Yorkshire and Humber region. All those interviewed had earnings within the auto-enrolment threshold and worked for an employer, but not all participants had had an opportunity for auto-enrolment, depending on when their employer introduced it (45 of the 50 interview and focus group participants had been auto-enrolled). Quota sampling was employed in order to ensure that a mixture of ages (within the broader category), occupational characteristics, marital statuses and whether women had children were represented. See Table 1 for further information.

Insert Table 1

Participants were asked a variety of questions regarding pension planning and auto-enrolment. The initial questions focused on their personal characteristics, attitudes and knowledge of pensions more generally, and then a series of questions were asked which considered their knowledge of auto-enrolment and how it works; whether they thought it was a positive or negative approach; and if they felt it would operate in a manner which was equal for men and women. In total, approximately 40 questions were asked, some of which required a one-word response, while others involved greater explanation (please contact the authors for further details regarding the questions if required). There was also some flexibility in terms of the order in which they were addressed. The focus group was carried out following the interviews and included 10 participants. Similar topics were discussed in the focus group. The decision to undertake a focus group was based on the view that it would be valuable to explore interactions between participants and how these stimulated responses (Brinkmann & Kvale, 2018). The approach proved more flexible with participant's comparing their own experiences to those of fellow participants and building on each other's ideas. This is reflected in the findings. The interviews and focus group were recorded, transcribed and pseudonyms employed. The interviews lasted between 30 minutes and an hour and thirty minutes, while the focus group lasted 2 hours.

Data analysis focused on identifying themes using NVivo version 11 and employing an open, axial and selective coding process advocated by Strauss & Corbin (1990). The open coding entailed an initial coding of sentences linked to women's pension saving and auto-enrolment using 'analytic memos'. Once three interviews had been conducted transcripts were analyzed. It was evident that some of these highlighted the importance of areas not explicitly identified in the original semi-structured interview guides. As new themes emerged, these were subsequently explored in later interviews employing a constant comparative approach (Glaser & Strauss, 1967). The open coding process therefore occurred simultaneously with the collection of data. Axial coding was then employed in order to collapse categories with similar semantic meaning which were derived from the open coding. The selective phase of coding involved a return to the data to clarify at a higher level of abstraction the significance and scope of the themes which emerged during axial coding. It was evident that the initial areas identified were strongly linked to key themes evident in the selective phase of coding. These are used to organize the findings.

Due to the sample size and strategy, theoretical saturation could not be assumed. The study is illustrative (of the analytical themes) as opposed to extensive, with quotes utilized to exhibit the range within themes (rather than a comprehensive picture). However, the strength of the approach is in 'developing a much richer understanding of processes, motivations, beliefs and attitudes than can be gained from quantitative research' (Rowlingson, 2002: 632). It also enables the development of 'moderatum' generalizations. These generalizations can bring a 'semblance of order and consistency to social interaction' (Payne & Williams, 2005: 297). These can be particularly useful when linked to previous research findings.

Findings

The critical analysis of the interview data identified a number of themes associated with auto-enrolment. The main themes included: compulsion; priorities; and knowledge; advice and guidance. These are discussed below.

Compulsion

It was evident from the interviews and focus group that when participants were asked about whether auto-enrolment was a useful approach, on the whole, most millennial women interviewed (over three-quarters) were supportive. A key theme which emerged in relation to this was the notion of (soft) 'compulsion' and its role in reducing inactivity. It was deemed to be particularly effective for encouraging pension saving among those with limited knowledge about pensions, who would be unlikely to participate in a pension scheme if it involved actively having to opt in. It was felt that, in accordance with nudge principles, making it increasingly easy to participate in a pension scheme was a useful way of limiting inactivity. For instance, Clara stated:

> It seems logical knowing the sort of person I am I would never get around to doing it otherwise.

Despite recognizing the importance of pensions, Holly, echoing the views of Clara, also identified the challenges of getting around to contributing to a pension:

I think that a lot of people, like me, like the idea of a pension and recognize *that it's a* valuable thing to have, but actually getting around to doing it is another story.

Sarah said that:

It is good because if you have to opt-in, people might not do it since they are quite lazy.

Maureen stated:

People don't seem to get up and do anything about it themselves so, other than have a massive crisis with millions of poverty-stricken pensioners; the government has got to *do something, so I think it's a good idea.*

Katie, also felt that being auto-enrolled into a scheme reduced complexity, as she knew she would be saving. There was also a sense that it wouldn't be missed, as it would not be included in their wage packet.

It seemed sensible, starting a job. It will go out of my money before I even see it, so it's something less to worry about.

While the soft compulsion in auto-enrolment was perceived as an effective way of limiting inactivity, participants also emphasized the importance of choices regarding opting-out being explicit, given that auto-enrolment may not suit everyone's circumstances. As such it should also be possible to actively opt-out if required. For instance, Kate stated:

> Auto-enrolment is fine as long as people have the option and it is made very clear to them about opt-out and opt-in process, especially for people who are in short-term contracts when it is not your first consideration since it is going to be for a short while only.

Brenda opted-out of her pension as a result of immediate financial needs, but also highlighted the complexities of opting back into the scheme:

> I did opt-out for about 2 or 3 months and I cashed in the pension since I needed to settle a credit card and that was the best way to do it without affecting my previous pension *years. Because I hadn't been in it for that long I was able to opt*-out. When I wanted to opt-in it was extremely difficult and took 6 months to transfer my pensions from *previous jobs into this one. It made me almost think I won't be bothered and it was that* much of an obstacle.

Priorities

When participants were questioned about how they decided whether or not to opt-out of their pension scheme, the most common response where participants had actively opted-out of schemes related to other financial priorities which were deemed more immediate. These included housing costs and student loan repayments. Trish, was concerned about the impact of auto-enrolment on low earners in particular:

> People still, in my experience, earn a minimum wage and live from hand to mouth and they need money now not later.

There was also a concern from one of the focus group participants, Megan, that once contributory requirements involved in auto-enrolment were increased from the current minimum, this might result in an increased number of people opting-out of the pension scheme as it becomes unaffordable. This led to a discussion about whether pensions are something to think about later.

Megan: I think pretty much everybody, is in auto-*enrolment but I think that's gonna change once they start having to pay more, at the moment it's just 1% of their wages, so when they start to see that it's not a couple of pence, because a lot of* them are on minimum wage, so the increase, I think people will start going ahh *it's not worth* it cos *they can't see the end result so, so that's what I think about pensions, is that people can't see the end goal really*.

Laura: I guess that leads on quite nicely on to me because for me, sort of early career, *I kind of think 'oh when I grow up and have a proper job' that's something* to think about.

Clara: I think we all think that! (Room laughs.)

Cassie: *...yeah, so any information I get about pensions kind of goes in that folder with student loan stuff and I think ah that's something I will deal* with later, really, *so I open it and have good intentions but I kind of don't really know what to do with it so I put away somewhere safe and think when I grow up I'll deal with it* then, probably.

While approximately half of the participants pointed to pensions being something to think proactively about later, it is worth noting that this did not mean they were not saving into a pension, especially since the introduction of auto-enrolment. Rather it was related to limited consideration of the amount they were contributing and whether the income it might provide in retirement was sufficient. It was evident that several participants (six) mentioned favoring a good standard of living today instead of saving for retirement via auto-enrolment and did not believe pensions to be a current priority. Cara said:

> *I actually don't have to pay anything at the moment, it's voluntary, I'm a hypocrite* because I know I sh*ould pay into it but my salary is quite low so I don't feel like I'm* able to at the moment but at some point, I will.

These was a sense that the length of time until retirement meant it was not something that was urgent. This was a factor in their decision to opt-out of their pension. Darina stated:

> *It is far in the distance, it's almost one of those things where you think 'ah I'll deal* with that next year but my dad keeps bashing on about pensions and I just glaze over, *I just don't think it's* something urgent, right now.

Ciara discussed pensions in relation to other priorities and said:

> *I've not actually been saving for a pension. It's very low down in my list of priorities.*

Other participants in the study such as Tara regarded pension saving as a high priority stating:

I would never opt-out since pension is a high priority and even if I was short for cash *it wouldn't be something that I'd consider cancelling.*

As such it is important that research does not make assumptions regarding all younger women and their views about pensions.

Knowledge

Participants were asked questions about their awareness of how auto-enrolment operates. It was apparent that the majority of the millennials interviewed had a limited knowledge of this with fewer than 10% of the participants confident in their knowledge and understanding of auto-enrolment. It was common for them to state that they either had limited engagement with pensions or had not understood the information provided by employers. A focus group discussion started with Chloe highlighting the limited information she had been provided about pensions and auto-enrolment affecting her knowledge and confidence. This led to further discussion by participants about how the lack of knowledge led to a fear of pensions:

Chloe: *I don't know anything about pensions*. I*t's not something that was ever covered* in school or I was never educated formally around, including pensions or *mortgages or anything …* if anyone tries to talk to me about it, *I panic and I'm not great with numbers so I'd find it quite hard to keep up*.

Ruth: *I'm the same, I 'm part of* a scheme but I know very little about it. I actually got a letter last week or the week before about some updates to our scheme ... and (sigh) just seeing it come through, I just, my mind ju*st went blank … I just* thought *I can't even take this in but then that worries me because I think I should* really, because this is important, I should have an understanding but I just, I just glaze over when I see pension stuff.

Jude: *I'm probably the same, I work for an insurance company as well and* really, I *should know but I don't (Room laughs) … I just don't find it interesting.*

Trish attempted to engage with pensions but found it problematic and Rachel identified the language employed in relation to pensions as problematic:

Trish: I know a little bit about pensions and auto-enrolment, and I have been to a *pensions workshop but to be honest I didn't really understand it.*

Rachel: *There's either way too much jargon or basically it's too basic and wishy*-washy, *you can get a really basic answer that doesn't really answer your question or you just don't understand it.*

The complexities surrounding pensions can act as a deterrent to pension planning and ultimately lead to inactivity. At the same time auto-enrolment was well-received by many participants with limited knowledge of pensions, as it did not require them to actively decide to contribute to a pension scheme. For instance, Darina said:

> There should be auto-*enrolment because it makes it easier for people like me who don't* really have a clue about a pension.

And Ann-Marie stated:

Auto-*enrolment is a good idea because a lot of people, our age don't think about* pensions and they need to.

Clara felt positive about making some provision through auto-enrolment but expressed her lack of confidence.

It feels good to get it done and to *know that I'm setting things up for future and I've got things in place but I'm definitely not confident with pensions.*

Sarah was an exception to the rule in that she felt she had a good understanding of pensions and auto-enrolment:

I think I have quite good knowledge of pensions, because I am quite aware of my pension, how much I pay, how much goes into it, working age, how many years I have to work until I can actually access it, also I understand the state pension system, because I helped my nan and granddad with their finances sometimes.

Some participants were understandably worried their pension plan might change again while they were enrolled in the scheme. The recent history of pension provision, which has been littered with changes, makes this an understandable concern. Darina stated:

I'm sure they will change it again throughout my career and I know that if they did change they will send out all the information to inform me. I will have to get my dad to explain and, he will advise me.

Advice and guidance

Participants were questioned about the availability of information regarding pensions and auto-enrolment and whether they felt this assisted them to make informed decisions. Kate felt she would have benefitted from additional information. She stated:

> I only got a very brief introduction in terms of other options, because it was the scheme *that we've got in the company they said I can either opt*-into it or unless I opt-out they will auto-*enrol me at a later time, but I didn't* get any information about other options.

When participants were asked about the provision of pensions advice regarding auto-enrolment and contributions, there was a mixed response to whether people would be prepared to pay for it, with less than half stating they would be prepared to pay. Darina said:

> *No, I don't really think I should need to pay*.

But others such as Ciara and Klara stated that they would. For instance, Ciara said:

> I would, if I knew they were a reputable provider.

Other participants emphasized the need to promote pensions awareness, especially from an early age. A focus group participant, Ann-Marie, advocated the use of various sources of information to expand pensions knowledge, including the role of the education system. This was favorably received by other focus group members. For instance, Jo stated that there:

> needs to be more information so more people are aware of pensions and information should be targeted at the right people – maybe some information in schools, whatever, university too.

A focus group member, Jessie, emphasized that despite the auto-enrolment television campaigns, more could be done to raise pension awareness, especially at a younger age:

> A campaign would be nice. Like when we started to talk about 5 a day, and before that there was no idea that you had to have 5 vegetables or fruits a day. So a campaign of *some sort that will promote the idea of thinking about pensions when you're younger* should be ideal.

It was apparent that most (over three quarters) of the women in the study felt ill-equipped in relation to where to seek additional advice in relation to pensions and auto-enrolment.

Discussion

This study has shown that auto-enrolment is having an effect on attitudes towards pensions and subsequent pension behavior. For many of the women in the study it was seen as an important way of combating under-saving and encouraging saving. In accordance with nudge principles (Thaler & Sunstein, 1998), auto-enrolment and its soft-compulsion was perceived as a valuable way of limiting inactivity. This is because auto-enrolment enables people to remain inactive while still making pension contributions, harnessing their natural inertia. This was deemed to be important given that women in the study tended to have limited knowledge in relation to pensions, where to locate advice and information, in addition to a tendency to focus on other priorities.

Other priorities were identified in the study as the main reason women in the study opted out of auto-enrolment, in particular financial reasons such as housing costs and student loan repayments. These factors are identified elsewhere as significant financial priorities, especially for younger generations (Berry, 2016; Foster, 2017). Perhaps understandably given lower average wages, Prabhaker (2017) found that women were more likely than men to cite lack of affordability as a reason for opting out of auto-enrolment. Women also pay more attention than men to childcare costs in decisions to opt-out (Foster & Heneghan, 2018). Furthermore, in this study one participant identified that opting-out may become more prevalent as contribution rates are increased, a concern raised by the PPI (2018a). As such the decision to opt-out may be a rational and informed one, influenced by more immediate priorities. In these interviews a participant highlighted the need to pay-off a credit card debt as an example, but in some cases, it may be the need to prioritize purchasing food for family members. In accordance with existing literature (Foster, 2012; MacLeod et al., 2012), there was a tendency among some younger women to consider retirement to be too far in the future to warrant consideration (or, in some cases, contributions), with more immediate priorities emphasized.

The complexities surrounding pensions have long been highlighted as a deterrent to pension planning and understanding (Pensions Commission, 2006). It is evident from these findings and elsewhere, that many individuals struggled to engage with their pensions, possessed limited knowledge and lacked interest. This lack of engagement is evident among men and women of all ages, but has been identified as most frequent among younger women (Scottish Widows, 2014). The majority of women in the study identified their knowledge of pensions and auto-enrolment as limited and stated they lacked confidence in relation to making pension decisions. Previous research has shown that a lack of confidence in one's ability to make informed pension decisions often leads to pension inactivity (Pettigrew et al., 2007).

Despite limited pension knowledge, it was evident that nudge principles evident in auto-enrolment were encouraging pension participation (PPI, 2018a). However, it was apparent from the interviews that participants were largely making uninformed decisions about whether it pays to save into their workplace pension, without an understanding of how it operates and the potential outcomes they may expect.

In addition to having limited knowledge, many of the millennial women showed a lack of awareness of where to locate appropriate advice and guidance in relation to pensions and auto-enrolment. It is worth noting that the current systems of pension guidance or advice are underused and lack personalized detail (Jacobs-Lawson et al., 2004; Lloyd, 2011). There was also some resistance to the notion of paying for tailored advice among interviewees. This indicates the need for further impartial information tailored to individual requirements explained in clear language. This is particularly important given the challenges participants identified understanding pension systems. This should be focused on whole-of-life planning, especially for young people, given the context of a complex pension environment and auto-enrolment (Waine 2009). At a minimum, it needs to include examples of how longevity risk could affect financial wellbeing, as well as the tax implications of taking money from a pension (Pensions World, 2016). In addition to face-to-face advice, typically favored by women (PPI, 2016; Foster, 2017), attention needs to be given to the potential use of digital channels of communication (Shaw & Waite, 2015). Interview participants also discussed further ways of raising awareness of pensions and auto-enrolment, such as its use in schools. While pensions and savings have recently been introduced into the national curriculum (in 2014), it is important to evaluate the effectiveness of these developments and whether this teaching is equally accessible to females (Foster & Heneghan, 2018).

It was evident from the interviews that inertia and a lack of knowledge in relation to pensions provides some justification for nudge principles and auto-enrolment. However, Thaler

& Sunstein (2008) state that the inertia that rationalizes why automatic enrolment has the effect of increasing participation rates, can also lead to low saving rates for those who do participate. This is because once workers are enrolled into a scheme they tend to stick to the same savings rate and do not look to increase their contributions or undertake additional saving. As a result, there is a concern that savings habits will not be sufficiently resilient, and that opportunities to encourage individuals to save above the minimum rates will be lost (DWP, 2017). This is particularly problematic among women who are more likely to be disproportionately represented among those with a lower income and have time out of paid labor (Grady, 2015). The PPI (2017b) conducted an international comparison of auto-enrolment schemes and found that UK employment contributions lag far behind those of our European partners. In particular, there is a concern that the contribution rate of 8% is too low (Pensions World, 2015). Furthermore, the default auto-enrolment option, NEST, operates in a way that there is no guarantee the fund at retirement will exceed the value of contributions.

The DWP (2017) states that encouraging better engagement with pensions can assist the default approach underpinning automatic enrolment by reinforcing individuals' saving behavior, especially where a choice exists to opt-out, cease saving or save more. However, it is apparent from the interviews that many of the barriers to engagement with workplace pension saving that led to the introduction of auto-enrolment remain (including immediate financial needs). For instance, millennial women may be engaged with pensions, but not in a position to contribute if they are not in paid employment but undertaking caring responsibilities, or if their wages dictate they are ineligible to be auto-enrolled (Foster, 2012).

Studying public opinion is important for understanding the reasons behind pensions behavior and the nudge principles associated with auto-enrolment (Madrian & Shea, 2001). This is particularly important in relation to millennials given they are likely to experience a much more uncertain pension status than previous generations, given the move to more individualized pensions dependent on market performance (PPI, 2018). These uncertainties are particularly prevalent for female millennials given the tendency for women to have disrupted career trajectories (Ginn & Macintyre, 2013). Whilst the introduction of auto-enrolment has led to an increasing number of female millennials contributing to workplace pensions it is too soon to hail it an overwhelming success. This research helps to explain why nudge principles have an important role to play in encouraging more young people to save. However, it has also shown that there is a need for further research which explores ways of increasing pensions awareness, as well as policy measures to extend its coverage (Webb, 2016). This needs to examine how to make auto-enrolment and pension policies less gendered.

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