Future Focus and COVID-19:
A rapid evidence review

Evidence review

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About the authors

Iain Clatcher and Pamela Searle are academics at the University of Leeds who MaPS commissioned to undertake this review.

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The wider context: Overview of the Agenda for Change

The goal of the Future Focus agenda for change is to increase the number of people who feel they have enough knowledge to make informed decisions for their retirement, and for those in retirement to feel confident in making decisions about their later life.

From the MaPS Adult Financial Wellbeing Survey, currently 45% of people between the ages of 18-64 feel themselves to be in this position, which is circa 23.6m people.[1] The goal is therefore to increase the number of people who feel confident to make these types of decisions by 5m to 28.6m by 2030.

There is a wealth of behavioural evidence that individuals focus on the present and are unable to associate with their future selves.[2] The consequence of this is an inability to make good financial decisions today the effects of which may not be felt for many years e.g. saving for a pension. While for those approaching retirement, having a good understanding of what their options are, and what would be best for them, are challenges given the complexity of what must be navigated. For those with any defined contribution pensions, this is also a decision that has been brought forward under Freedom and Choice. As such, a decision that would have started to crystalize for an individual in their early 60's is now a choice set that emerges in their early 50's.[3]

In making choices about pension products near or at retirement, and for those choices that are made in retirement, there are extremely complex and multiple factors concerning finance, health, life expectancy, and so on, all of which must be traded off. This is not easy; even for those who would be viewed as having expertise in these decisions. One potential consequence of the complexity of these decisions is that they are deferred or not made at all for fear of making a bad decision. As well as this, there are choices that may be uncomfortable e.g. writing a will or giving power of attorney. By doing these things we are acknowledging our mortality and it is human nature to avoid or delay such decisions. However, these decisions are critically important for people to make while they still have the cognitive capacity to do so. This applies not only for the person who writes the will or gives power of attorney, but for their dependents and loved ones who must try and navigate what may be extremely difficult circumstances if these documents are unwritten.

The MaPS Strategy is therefore to focus on those in need. While there are now significantly more people saving for a private pension due to automatic enrollment, many of these people, across a range of age and demographic cohorts, admit to not knowing enough to plan properly for their retirement:

- 66% of 18-24-year-olds;
- 64% of working-age women; and
- 48% of those approaching retirement age (55–64).

Those that are aged 65 and over are also faced with managing both their finances and choices about later life such as power of attorney. Currently, there are 12m in this group and it is the fastest-growing cohort given the ageing population, and within this group 5.4m are aged 75 and over.[4]

[1] For those 65 and above this is an inferred number due to lack of data. However, data will be generated subsequently to measure where people feel they are currently regarding their ability to make informed financial decisions about later life.

[2] Laibson, Golden eggs and hyperbolic discounting, Quarterly Journal of Economics, Vol. 112, 1997.

[3] There are layers of complexity regarding this given cash equivalent transfer values from a Defined Benefit pension, but the general point still holds, and Freedom and Choice is very much a policy for DC pensions.

[4] Numbers are taken from the MaPS UK Strategy for Financial Well-being.

In terms of the UK Strategy for Financial Wellbeing strategy,[5] the cohort in or near retirement (those aged between about 50 and 70) will be the initial focus as this cohort is faced with these decisions imminently. Longer term, the strategy aims to:

1) move people from passively saving into a pension to being confident in making active choices around retirement saving;

2) increase access to support for decision-making;

3) increase trust between consumers and the industry via better engagement with saving; and

4) increase confidence around later-life decision-making.

[5] The UK Strategy for Financial Wellbeing 2020-2030, Money and Pensions Service, 2020.

Stratification of the strategy and COVID-19

In looking at the broad Future Focus Agenda for Change, the aims focus on some of the key challenges in retirement savings and later life and are where significant improvements to outcomes can be achieved. The targets for the strategy are suitably ambitious.

In this context, the aim of this report is therefore to examine factors that will impact on the MaPS strategy due to COVID-19. Regardless of the pandemic, the behavioral factors that drive a lack of understanding and confidence around decision-making, accessing information, low levels of trust and engagement, persist and so in one sense the pandemic has not impacted this. However, many pension impacts of COVID-19 are long-term and hidden. The pension impacts on someone who is in their mid-40s who has been furloughed, and who has, as such had a year of reduced pensions saving will not emerge for over 20 years. Evidence shows that the level of engagement people have with their pension and the likelihood of seeking guidance and/or advice increases with the size of their pension pot.[6] Labour market effects today therefore have long-term impacts that exacerbate the challenges of knowing enough and knowing what to do.

There are also challenges that emerge when different groups are considered in more granular detail. Specifically, aspects such as gender, ethnicity, and disability, all present different challenges to improved pension outcomes. Moreover, some of these issues are more intractable than simply improving confidence and financial literacy, as they are rooted in labour market structures and cultural norms.

The impact of COVID-19 on the economy and the workforce has not been uniform. As such, the economic impacts of the pandemic on different groups e.g. men vs women, or those from minority ethnic groups needs to be examined and the potential impacts on pensions extrapolated from this. Pension impacts are largely hidden in all the current economic problems we see as pension impacts are not happening now and are unlikely to become visible in a significant way in the next few years.

[6] Evaluation of the Retail Distribution Review and the Financial Advice Market Review, Financial Conduct Authority, December 2020.

The deep dive: Gender and pensions

Gender and pensions pre COVID-19

The gender gap in pensions is driven largely by women working less to look after family and women are more likely to have career breaks due to having a family or for the care of relatives.[7] In addition to this, there is a gender pay gap of around 18% on average between men and women.[8] As a result, over the working life of a woman, these could lead to pensions wealth near retirement being around 40% lower compared to a man.[9]

These labour market effects mean that:[10]

- 50% more women than men have no private pension savings as they approach retirement;
- 1.2 million women in their 50s have no private pension wealth; and
- As a result of having no private pension savings, these 1.2 million (around 5% of all women) will be reliant solely on the state pension and the pension of their partner in retirement.

The extent to which there is differential participation in the workforce is highlighted by the fact that just 20% of women aged 16-54 worked mostly full-time. For those not working full-time between the ages of 16-54, women were more likely to be a family carer (30%) or over their time in employment have combinations of caring for family and employment (34%).[11] In terms of pensions, this means that women have accrued less pension savings than men for all age brackets. For women, the median pension wealth gap is around £10,000 or 30% compared to men, and this increases to about £67,000 for women in their late 50s. While by their 60s, median pension wealth for women is £51,100, whilst pension wealth for men in their 60s is approximately £156,500.[12]

As with other cohorts discussed below, there are structural effects around things like the automatic enrolment threshold. When considering mothers who have dependent children but also work, 1.4 million mothers earn less than £10,000 and so do not meet the minimum earnings threshold to qualify for automatic enrolment contributions.[13] It is worth noting that a higher proportion of women work in the public sector relative to the private sector. Between the ages of 16-64, on average, just under 30% of women work in the public sector compared to 13% of men. However, the proportion of women working in the public sector varies significantly by age. Only around 7% of women aged 16-19 work in the public sector, and this increases steadily through time with 30-36% of women working in the public sector for all age cohorts over 30.[14] Women who work in the public sector will have access to a defined benefit pension, and for these women, this will help reduce their gender pension gap.[15] However, this is only applicable to a subset of women in employment and the structural labour market factors will still dominate for those not in these jobs.

7 Understanding the gender pensions gap, The Pensions Policy Institute, July 2019.

8 Gender pay gap in the UK, Office for National Statistics, October 2018; Data released by the Office for National Statistics in November 2020 shows a decline in the gender pay gap to 15.5%

9 Gender and Financial Wellbeing, Money and Pensions Service, March 2020.

10 Understanding the gender pensions gap, The Pensions Policy Institute, July 2019.

11 The Wellbeing, Health, Retirement and the Lifecourse Project, WHERL, June 2017.

12 Wealth and Assets Survey, Wave Five Cited in: Understanding the gender pensions gap, The Pensions Policy Institute, July 2019.

13 Understanding the gender pensions gap, The Pensions Policy Institute, July 2019.

14 Authors own calculations based of Labour Force Survey, Office for National Statistics, December 2018.

15 Labour Force Survey, Office for National Statistics, December 2018.

Gender and the labour market impacts impact of COVID-19

The gender impacts of COVID-19 on work are complicated and some of the evidence for this is coming from the earlier part of the pandemic and the first national lockdown. Women are more likely to work in a sector (e.g. food, hospitality, and retail) that has been affected by lockdown.[16]

In terms of maintaining employment over the pandemic, the ability to work from home is key. As such, women working in female dominated sectors such as teaching, whether through limited in-person teaching for the children of critical workers and vulnerable children, or remotely and online for all other students, have enabled women to avoid furlough.[17] Overall, outside of the sectors that are locked down, women are more likely to be able to work from home, with only 11% of jobs held by women being jobs where working from home is not possible, compared to 29% of jobs held by men, even taking account of jobs that are not directly affected by the lockdown e.g. construction.[18] However, women in the UK are nearly 5% more likely to have lost their jobs relative to men, since the pandemic began.[19] This is in contrast to previous recessions where men were more likely to lose their job.[20]

More recent evidence of the workplace impacts of the pandemic and the second national lockdown during November 2020 is starting to emerge. With industries such as construction now being able to operate in a COVID-secure way, some of the more engrained structural labour market factors are starting to emerge.

Specifically, in relation to childcare:

- 71% of working mothers who asked for furlough to look after their children have been refused;
- 78% had not been offered furlough by their employer; and
- 40% did not know that furlough was available if they were unable to work due to a lack of childcare.[21]

The consequences of this and the increased pressure to juggle work, childcare, and homeschooling are considerable. A significant number of working mothers (48%) are concerned that having to manage work and childcare means that their employer will treat them negatively, while taking time off work would have a detrimental effect on their household finances (44%). As such, some working mothers are using their annual leave to help mitigate this (25%), however, some have reduced their working hours (18%), and some are taking unpaid leave (7%) to manage having to look after children and/or homeschool.[22]

Gender and pensions post COVID-19

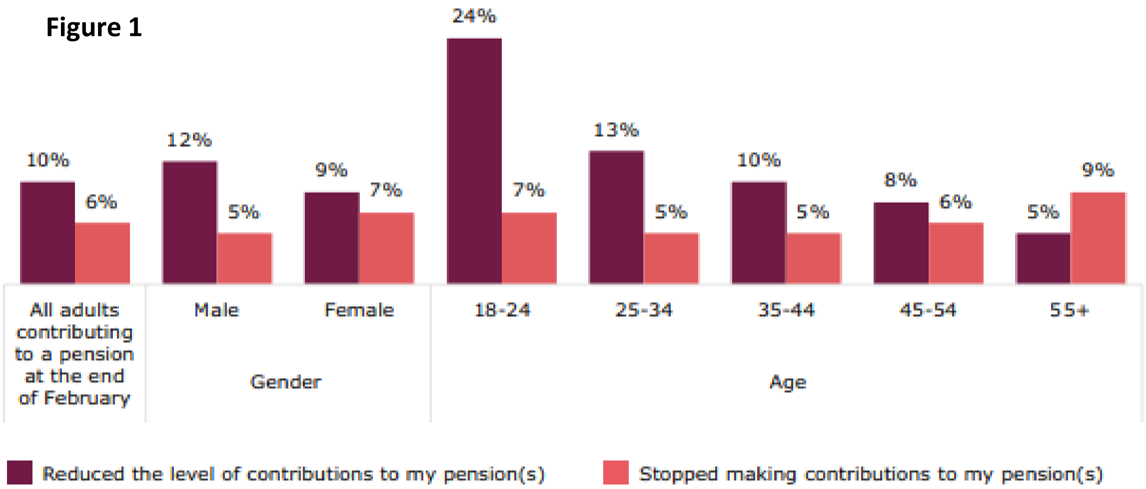
There were already significant challenges in improving the pension and retirement outcomes of women. There are often structural factors around family and caring that drive outcomes and resolving these in a meaningful and equitable way is something that has simply not been dealt with and remain in the 'too hard' box.

As with all pension effects around COVID-19, the real understanding of this will only emerge in the fullness of time. However, there are some things that can be said with a high degree of confidence.

First, the economy is largely on pause for the time being, with government support schemes such as furlough paying part of the wages of employees in shut down industries. However, anyone on furlough that is contributing to a pension is potentially doing so at a reduced rate unless their employer decides to make up any shortfall, but for higher earners, this could be considerable. Pension contributions will be getting made for qualifying earnings that exceed the threshold for automatic enrolment, but these will be at a lower level as furlough only covers 80% of earnings up to £2500 a month. Moreover, for automatic enrolment, if furlough pushes someone's income down below the £10,000 threshold, then they are unlikely to be contributing to their private pension at all. Since 1.4m million mothers were already earning below the £10,000 qualifying earnings for automatic enrolment, then this number will have increased. In looking at recent evidence, 9% of female

[16] Hupkau and Petrongolo, Work, care and gender during the Covid-19 crisis, Centre for Economic Performance, May 2020.
[17] Hupkau and Petrongolo, Work, care and gender during the Covid-19 crisis, Centre for Economic Performance, May 2020.
[18] *Ibid*.
[19] Adams-Prassl, Bonvea, Golin, and Rauh, Inequality in the impact of the coronavirus shock: evidence from real time surveys, Journal of Public Economics, Vol. 189, 2020.
[20] *Ibid*; For evidence on the impact of recession on male employment see, Hoynes, Miller, and Schaller, 2012, Who suffers during recessions? Journal of Economic Perspectives, Vol 26, No. (3), pp. 27–48.
[21] https://www.tuc.org.uk/news/tuc-poll-7-10-requests-furlough-turned-down-working-mums
[22] *Ibid*.

Figure 1



Source: *Covid-19 survey, Oct 2020* ***Base:*** *All UK adults who were contributing to a pension at end of February 2020 (Oct 2020: 9,368)* ***Question:*** *W16. You told us you were contributing to a pension in February (or your employer was contributing on your behalf). Since the end of February, have you made any changes to the amount you are contributing to your pension because of Covid-19?*

workers reduced their pension contributions and 6% stopped them due to the pandemic – see Figure 1.[23] This however seems to be an active choice to reduce or stop contributions, and may not include some who are on furlough, who may not be aware of the effects this has on their pension contributions.

Second, there is likely to be a split in the pension impacts of COVID-19 on women's pension savings. For women working in the public sector, they are more likely to be more insulated from the labour market effects of the pandemic. Employment through the pandemic is often a function of being able to work from home and so teachers for example, notwithstanding all the other homelife pressures that the pandemic brings, will be largely unaffected at least in employment and pension terms. However, for those women in shutdown industries, then they are much more likely to be on furlough receiving lower contributions, and for those that have lost their job, then there will be an increasing number of women who will also not be paying NI.

Third, there is also a concern for younger workers in general as they are more likely to be employed in shutdown sectors, and Figure 1 shows that nearly a third of those aged 18-24 have reduced or stopped their pensions contributions[24]. Given that "*time in the market*" is so important for those early contributions into any sort of DC pension, then the long-term effects on the retirement outcomes of younger women could be even more significant given the other structural effects around family and caring that may will have an impact in the next decade or so as well.

Unsurprisingly those who had lost their job or had their hours or pay cut due to the pandemic were most likely to have reduced or stopped making contributions.

[23] Financial Lives Survey 2020, Financial Conduct Authority, February 2021.

[24] *Ibid.*

The deep dive: Ethnicity and pensions

Ethnicity and pensions pre COVID-19

Prior to the pandemic there was emerging evidence of a pension ethnicity gap where those from a minority ethnic background receive a lower pension than those who are of White ethnicity.[25] The existence of this gap is in part due to labour market factors as well as structural reasons, such as the contributory nature of the state pension and the earnings threshold for automatic enrolment. This gap has been estimated to be on average 24.4% or £3,350 per annum. However, this gap becomes even more stark when the pension incomes of minority ethnic females is compared to that of white males, with the gap rising to 51.4% i.e. a minority ethnic female on average receives less than half of the pension of a white male.[26]

The labour market factors that drive some of this gap are challenging to resolve. For example, the general rate of employment and of self-employment varies considerably by ethnicity. Looking at those aged between 16 and 64 years old, employment rates for Bangladeshis are 54% compared to 75% for those who are classified as White British.[27] At the same time, only 15.2% of those who are from a White ethnic background are self-employed compared to 24.1% who are Pakistani or Bangladeshi. [28] It is worth noting that levels of self-employment are slightly lower for those from an Indian (12.8%) or Black (12.3%)[29] ethnicity, and although there is not a huge difference compared to those from a White ethnicity in terms of overall percentages, the sectors that different ethnicities are self-employed in may be very diverse, and therefore so might earnings.

Another factor here is the type of work that is undertaken. Workers from an ethnic minority background are over-represented in the gig economy workforce, with only 68% of gig economy workers identifying as White British[30] compared to around 86% of the UK population being White.[31] Consequently, these workers are much less likely to contribute to an occupational pension, with this difference being estimated at less than 1/3 of gig economy workers paying into a workplace pension compared to 57% of workers in more traditional sectors. However, a higher proportion of gig economy workers (16%) do save into a personal pension compared to the general workforce (5%).[32] Taken together, this means around 62% of those working in more traditional jobs are saving for retirement either through an employer or privately, compared to just 46% of gig economy workers.

The labour market effects of lower employment rates and ethnicity pay gaps due to the nature of the work undertaken will have a cumulative impact on the pension outcomes of those from a minority ethnic background. This is seen in the state pension and the differential levels of state pension received, with those from a minority ethnic background receiving on average £600 per annum less compared to someone coming from a White ethnic background.[33] Estimates from the DWP show that 98% of White ethnic households are in receipt of the state pension compared to 94% and 90% Black and Asian ethnic households, respectively.[34]

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[25] Closing the Pension Gap: Understanding Women's Attitudes to Pension Saving, the Fawcett Society, April 2016.
[26] Measuring the pensions ethnicity gap, A report by The Peoples Pension, May 2020.
[27] The Colour of Money, The Runnymede Trust, April 2020.
[28] Annual Population Survey, the Office for National Statistics, 2017.
[29] *Ibid*.
[30] To gig or not to gig? Chartered Institute of Personnel and Development, March 2017.
[31] www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/national-and-regional-populations/population-of-england-and-wales/latest
[32] To gig or not to gig? Chartered Institute of Personnel and Development, March 2017.
[33] Measuring the pensions ethnicity gap, A report by The Peoples Pension, May 2020.
[34] Pensioners' Incomes Series: Financial year 2017 to 2018, Department for Work and Pensions.

Ethnicity and the labour market impacts impact of COVID-19

Understanding financial vulnerability is complex. There are myriad factors that determine this and so ethnicity in and of itself is not a clear signal of this. For example, looking at ethnicity pay gaps, compared to employees who are White British, employees from mixed ethnicities have similar earnings, while those from every other ethnic group earn less on average.[35] As well as this, the type of work, level of savings and so on, all factor into financial vulnerability.

That said, many people from a minority ethnic background are more economically vulnerable due to a younger population profile meaning proportionately more people from a minority ethnic background are in work compared to retired, and are therefore more are impacted by policies such as lockdowns:[36]

- Due to the large number of Bangladeshi men working in the restaurant sector, Bangladeshi men are four times more likely to have jobs in shut-down industries compared to White British men;
- For Pakistani men, given the large number who work as taxi drivers, and the higher proportion of men who are self-employed, Pakistani men are subject to more variable and uncertain earnings;
- For Black African and Black Caribbean men both are 50% more likely than White British men to be in shut-down sectors.

Another key aspect that will affect financial vulnerability is levels of household employment. For example, 29% of working-age Bangladeshi men work in an industry that is shut down and have a partner that is not in paid employment. This contrasts to only 1% of White British men in this situation. As well as this, those from minority ethnic groups have lower levels of savings that can be relied on to help cushion the negative impacts of reduced work or loss of work and income. For those from Bangladeshi, Black Caribbean, and Black African ethnicity, around just 30% of households have enough savings to meet one month of earned income compared to nearly 60% of the general population.

Ethnicity and pensions post COVID-19

Prior to the pandemic, the ethnicity pensions gap was considerable. Once gender was accounted for, the relative gap between the retirement income of a White male compared to a female from a minority ethnic background, was over 50%. The challenge of improving this is vast. Given there are arguably other factors that come into play here that extend beyond gender, the challenge is even more acute.

As with the gender, the labour market and pension impacts of COVID will simply amplify the problems that existed before the pandemic. For those coming from a minority ethnic background, they are more likely to work in a sector that is shutdown e.g. restaurants. Similarly, self-employment is much more prevalent and those from a minority ethnic background are over-represented in the gig economy. Coupled with lower levels of pension saving relative to the general population, for both men and women coming from a minority ethnic background, there are going to be similar effects to those suggested for gender.

First, it is likely that pension saving has stopped or been vastly reduced for many. For those in shutdown sectors, then they may be on furlough, but it is not clear how many people will have been pushed below the threshold for qualifying earnings as a result. Second, there is likely to be an increased number of people no longer paying NI as they have lost their job. Third, it is also wholly unclear what the employment picture will be for the restaurant and hospitality sectors in the coming years. If there is a collapse of the sector, the resultant mass unemployment will only serve to exacerbate the pensions problems that existed pre-COVID.

[35] Ethnicity pay gaps in Great Britain, Office for National Statistics, July 2019.

[36] Are some ethnic groups more vulnerable to COVID-19 than others? Lucinda Platt and Ross Warwick, IFS, May 2020.

The deep dive: Disability and pensions

Disability and pensions pre COVID-19

As with minority ethnic groups, those with disabilities have many of the employment characteristics that are related to lower pension incomes.[37] For example, disabled people are less likely to be in work with just 50% of working-age disabled people in work in 2008 compared to 80% for those without disabilities.[38] There has been a small increase in the number of working-age disabled people in work, with 2019 statistics showing 53% of working-age disabled people in work in 2019 compared to 81.7% for those who are not disabled.[39] Within these numbers there are large gender differences. For those with disabilities, the rate of employment is broadly comparable for men (53.9%) and women (53.5%). However, there are striking differences compared to employment for men (85%) and women (78.2%) without disabilities.[40]

Disabled people in work have lower earnings than non-disabled people and this gap has increased. In 2019, non-disabled workers on average earned £1.65 (15.5%) more per hour than disabled workers, and this gap has increased to £2.10 (19.6%) in 2020. On average, a disabled person will therefore earn £3,822 per annum less than a non-disabled person working a 35-hour week.[41] As well as earning less on average, a higher proportion of disabled people work part-time (34%) compared to those without disabilities (23%), and disabled people are much more likely to be economically inactive[42] (42.6%) compared to those who are not disabled (15.3%).[43]

Compared to 2008, there have been some improvements to the pension situation of disabled people via reforms to the state pension and automatic enrolment. However, factors such as the contributory nature of the state pension means that employment is the key driver of how much is received. Consequently, the lower levels of employment, the nature of this employment, and higher levels of economic inactivity all impact the amount of state pension received.

As well as impacting the level of state pension received, these employment factors will also affect the number of disabled workers that are saving into a private pension compared to non-disabled workers. Moreover, affordability is a major factor.[44] On average, disabled people face extra costs of £583 per month, even after disability benefits, to maintain the same quality of life as a non-disabled person, and for 20% of adults with disabilities, these costs can be over £1000 per month.[45] These costs come from a wide range of sources including, adapting vehicles and homes, equipment, therapies, and increased utility bills and insurance costs. As well as this, there is what can be described as hidden costs of employment such as increased use of taxis to enable travel to and from work e.g. taking a taxi to complete the last stage of a journey.[46] Saving into a workplace or private pension is therefore considerably more difficult when faced with a significantly higher cost of living.

Disability and the labour market impacts of COVID-19

Labour market impacts of COVID-19 on those with disability are more severe than for those without disability and it is pushing those with disability into a more financially precarious position.[47] The employment of disabled male workers (63%) and disabled female workers (67%) has been more severely affected due to the COVID-19 pandemic in

[37] The under-pensioned: disabled people and people from ethnic minorities, Equality and Human Rights Commission, Autumn 2008.
[38] *Ibid.*
[39] The employment of disabled people, Department for Work and Pensions, March 2020.
[40] Disabled people in employment, House of Commons Library, Briefing Paper Number 7540, August 2020.
[41] Disability pay and employment gaps, TUC, November 2020.
[42] Economically inactive is defined as not in work and not looking for work.
[43] Disabled people in employment, House of Commons Library, Briefing Paper Number 7540, August 2020.
[44] The under-pensioned: disabled people and people from ethnic minorities, Equality and Human Rights Commission, Autumn 2008.
[45] Disability price tag report, Scope, February (2019).
[46] *Ibid.*
[47] The financial impact of COVID-19 on disabled people and their carers, Joseph Rowntree Foundation, December 2020.

contrast to male (43%) and (female) 50% workers that are non-disabled.[48] Some of this is likely due to increased risk and mortality[49] from contracting COVID-19 as well as the benefits regime and the digital divide.[50] Recent evidence shows that during the pandemic those with disability are more likely to have difficulty meeting household bills (22.1%) compared to those that are not disabled (15.5%). As well as this, those with disability are less financially resilient and less likely to be able to be able to meet a significant emergency bill (43.7% for those with disability vs 29.7% for those without disability).[51]

In looking at those who said their finances were impacted by the pandemic, a higher number of disabled people reported having less money to spend on food (24.6%) compared to non-disabled people (12.2%). In addition to current financial pressures, a higher proportion of disabled people (35.6%) thought their financial position would deteriorate in the next year compared to non-disabled people (28.8%).[52]

The negative outlook for the coming 12 months is also substantiated with disabled workers being more likely to face redundancy (27%) than non-disabled workers (17%). These figures become even more stark when people living with a severe disability are considered (37% at risk of redundancy) and for those who are classified as 'extremely medically vulnerable' to COVID-19 (48% at risk of redundancy) the numbers are worst of all.[53]

In looking at the impact of COVID-19 on the working lives of those with disability, there is another aspect that must be examined; the impact on those who are carers. Prior to the pandemic, around 25% of informal carers lived in poverty and almost 50% of all individuals in poverty lived in a household where someone is disabled.[54] The impact of the pandemic has also increased caring responsibilities for around 25% of carers due to the closure of day centres and respite care and needing to provide more support due to social distancing and modified travel.[55] The consequence of this is that 11% of carers have reduced their working hours with 9% completely giving up paid work.[56]

Disability and pensions pre COVID-19

In looking at the pension outcomes of those with disabilities pre-COVID, as with gender and ethnicity there are structural factors that in-part drive pension outcomes. One being the contributory nature of the state pension, and the second being the threshold for automatic enrollment. As well as this, there is the hidden costs of disability, and these are significant, making it all the harder to save. In line with what has been said about gender and ethnicity pensions gaps, the disability pensions gap was already a major challenge prior to the pandemic and several aspects of the pandemic have simply magnified this.

First, for those with disability that have been furloughed, the same impacts apply. Current income has been reduced, and pension contributions with this. Given the greater prevalence of part-time work for those in work with a disability, then there is an increased chance of falling below the £10,000 threshold for AE, and so private pensions savings will have simply stopped for these people. Second, in looking at the precarity felt by employees with a disability with regards to job security, then if these fears materialize i.e. they lose their job, then their pension savings positions are worse due to the loss of NI and any private pension savings. Third, the impact on carers in all of this is largely overlooked at a policy level. The poverty statistics for carers are stark. Coupled with the job market impacts that are driven by COVID and lockdown e.g. closure of respite facilities resulting in reduced working hours of giving up work, then the pension impacts are again significant with reduced contributions to private savings, falling below the AE threshold, or even losing out on NI.

[48] Two thirds of disabled workers affected by coronavirus, Turn2Us, July 2020.
[49] Updated estimates of coronavirus (COVID-19) related deaths by disability status, Office for National Statistics, February 2021.
[50] Two thirds of disabled workers affected by coronavirus, Turn2Us, July 2020.
[51] Coronavirus and the social impact on disabled people in Great Britain, Office for National Statistics, September 2020.
[52] *Ibid.*
[53] An unequal crisis: why workers need better enforcement of their rights, Citizens Advice, August 2020.
[54] UK Poverty 2019/20, Joseph Rowntree Foundation, February 2020.
[55] University of Essex, Institute for Social and Economic Research, 2020, Understanding society: COVID-19 study, data collection, 4th Edition. UK Data Service, SN: 8644, http://doi.org/10.5255/UKDA-SN-8644-4 *Cited in*: The financial impact of COVID-19 on disabled people and their carers, Joseph Rowntree Foundation, December 2020.
[56] Caring behind closed doors: six months on, Carers UK, October 2020.

The deep dive: Near or in retirement and COVID-19

More broadly, the pandemic is already impacting the retired lives and retirement plans of those aged 50 and over, with 13% of workers now going to change their retirement plans as a result:[57]

- 8% of older workers are now planning to retire later;
- 5% of older workers are now going to retire earlier; and
- around one third of older workers saying that the pandemic has impacted them financially.

The picture for this is not one which is easy to unpick as there are some competing factors that may be at play in these headline figures. For example, of the 8% of workers that are planning to retire later, for some this is about making up any shortfall in pension wealth via increased contributions or working longer to pay into a pension for longer. However, within this group it may also be about changes to household finances e.g. another earner in the household lost their job, and so this is not driven solely by individual impacts. For others, this may be due to an ability to work effectively for longer given the wholesale move to remote working, with a full return to office-based unlikely in the near term. Of the 5% that are accelerating their retirement plans, this is most common in older workers that are better off and those on furlough.

Work from the FCA shows that almost three in five (58%) of those who retired between March and October 2020 did so because of COVID-19 (i.e. they had not always planned to retire during this time), nearly a quarter of those retired because they had lost their job, were made redundant or could not find work.[58] The work also highlights that 82% of adults aged 50 and over have not changed their plans for retirement.

Early evidence on the first lockdown and shutdown sectors, such as non-essential retail, passenger transport, and hospitality, had the biggest effect on those aged 25 under. However, the second most affected group was those aged 65 and over.[59] Where older workers lose their jobs, their ability to re-enter the workforce is also challenging. Over-50s account for nearly one quarter of the unemployed (24%). Of those over 50 who are unemployed, around 33% have been unemployed for at least one year and 20% for at least two years. While for those under 50 this is 20% for at least one year of unemployment and only 8% for two or more years.[60]

While the general perception of older workers is often that they are well off with assets and income, this is not actually the case, and some are financially vulnerable. Of those older workers whose income has reduced during the pandemic, around a quarter (23%) have net financial wealth of less than £500 per household member. As well as this, some had drawn on their pension (5%), borrowed from friends or family (5%), or borrowed from a bank (4%) to help manage their finances.[61]

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[57] Coronavirus alters the retirement plans of one in eight older workers, with one in three reporting a worse financial situation, Institute for Fiscal Studies, September 2020.
[58] Financial Conduct Authority, Financial Lives 2020 survey: the impact of coronavirus, February 2021
[59] Sector shutdowns during the coronavirus crisis: which workers are most exposed?', Institute for Fiscal Studies, April 2020.
[60] Data comes from the Office for National Statistics: *Cited in*, Over-50s who lose jobs much more likely to stay unemployed, study finds, The Guardian, January 2021.
[61] Coronavirus alters the retirement plans of one in eight older workers, with one in three reporting a worse financial situation, Institute for Fiscal Studies, September 2020.

The Future Focus Agenda for Change and COVID-19

From the evidence above, there are several factors that will impact the delivery of the Future Focus agenda for change.

Reaching those in their 50s and in retirement

The initial strategic focus is on those in their 50s and above as they approach retirement, with the ambition of getting people to proactively engage with their pensions and feel confident about making decisions that will affect their retired life. However, given the recent economic experience of this cohort over the pandemic and the economic outlook, this is going to be a significant challenge.

In looking at this group, there are likely going to be two distinct groups; those nearer retirement in work that have a larger amount of defined benefit pension, and those nearer retirement in work that have little or no defined benefit and rely almost wholly if not exclusively on defined contribution. However, having a defined benefit pension does not insulate people in the same way as it used to as this is unlikely to be a full career defined benefit pension.

For those with defined contribution pensions approaching 55 and those above 55, freedom and choice becomes a major factor to consider. The evidence of the Retirement Outcomes Review of the Financial Conduct Authority identified a range of behavioural biases that lead people to access their pension before retirement, including present bias, anchoring (on tax free cash), myopic decision-making, as well as a general mistrust of pensions. [62]

More recent evidence on freedom and choice shows that these behavioural biases remain as entrenched as ever.[63] One factor worth noting from the 2017 evidence is that an urgent need for cash, while a driver for some, was not a major determinant of many people. Given the financial pressures that we see on those in their 50s as presented above, and some initial evidence that suggests people have accessed their retirement savings, this is a trend that may increase in the coming 12 months and beyond.

For those with defined benefit pensions then access to a defined benefit pension is more complex. However, with cash equivalent transfer values, for those in the private sector it is possible to convert a defined benefit pension to a defined contribution pension. As such, some of the issues that are observed around freedom and choice may also start to emerge here.

However, given the precarious state of the economy, one of the most concerning issues is that of scams. Over the first nine months of the pandemic corporate insolvencies were at their lowest level in four years due to the huge interventions by the government to support business.[64] Looking forward over 2021, there is a real concern that there will be a wave of insolvencies with around 557,000 companies moving towards significant distress in Q3 of 2020.[65] With this, people will be losing their jobs and the ensuing turmoil comes the opportunity to defraud and scam people.

One of the most high-profile examples of recent times of potential insolvency leading to fraud and theft of defined benefit pensions was British Steel. As well as a raft of independent financial advisers giving bad advice to scheme members, fraudsters contacted scheme members pretending to be from the FCA.[66] In

[62] Retirement Outcomes Review: Interim Report: Annex 3 Qualitative consumer research for assessing the non-advised journey, Financial Conduct Authority, March 2017.

[63] The evolution of consumer decision making and behaviours under pension freedom and choice 5 years on, Ignition House, State Street Global Advisors, and The People's Pension, January 2021.

[64] Corporate insolvencies at lowest level in four years, KPMG, July 2020.

[65] Corporate insolvency 'wave' likely to hit in 2021, UK Liquidators.org, December 2020.

[66] Fraud warning issued to former clients of steel pensions adviser, BBC News Online, September 2018.

these circumstances, where people are faced with losing their job and are being told that they are going to lose their pension and be given vastly reduced Pension Protection Fund benefits, it is the perfect opportunity to commit fraud as people are in a stressful situation and in a heightened state of anxiety. To date, the Financial Services Compensation Scheme has upheld eighty-eight claims paying out £3m in relation to the advice of just four firms regarding the British Steel Pension Fund.[67] Scams are therefore a major concern given their economic impact on the individual.

In looking at the reporting of pension fraud, in 2017 there were 253 victims reported to Action Fraud.[68] While in 2019 there were 662 reports of pension fraud with 394 pension scam reports passed by Action Fraud to the police for investigation.[69] There seems to have been a significant increase over the pandemic in fraud complaints being sent on to the police with 637 reports of pension scams in 2020, of which 545 were passed onto the police.[70] As well as this, the National Fraud Intelligence Bureau received over 2,000 reports of coronavirus-related fraud between the start or the pandemic and late June 2020, over £7 million being lost to fraud.[71] The Financial Conduct Authority also reports that over a fifth of adults say they have definitely received more unsolicited approaches about investments, pensions and retirement planning since the end of February 2020 than they did before COVID-19. A further 22% said they think this may be the case[72].

There have also been some initial indications that people's confidence has been impacted by the pandemic. Research has shown that 46% of adults aged between 45-54 are lacking in confidence about their financial situation compared to 38% across all age groups.[73] More broadly, the pandemic has had an impact on individuals' confidence in their ability to manage money with 28% of adults having low levels of confidence in managing their money in October 2020, this compared to 22% in February 2020. Further, there has been a negative effect on individuals' confidence, with 55% of those whose finances have deteriorated because of the pandemic, and that are now categorized as having low financial resilience, reporting a decline in confidence between February and October 2020.[74]

For the second part of the UK Strategy for Financial Wellbeing initial strategic focus of enabling people to make positive decisions about later life, the evidence for this is much patchier. In the early part of the pandemic, there was a 75% increase in enquiries about wills.[75] At the same time, there was a significant increase in the demand for estate administration and probate in the year to April 2020 rising from 44,003 in 2019 to 88,049 in April 2020.[76] Sadly, for many it will have presented them with a stark picture of their own mortality. However, the lasting effect of the pandemic and its potential impacts on those in older age groups may be something that can be used to illustrate the need to make these arrangements.

While there has been an increase in activity concerning wills, power of attorney registrations declined significantly in the early part of the pandemic, with year-on-year figures to April 2020 being 37% down from 67,773 to 42,882. What is not clear is whether this is due to challenges in completing the appropriate paperwork and registration or a fall in demand.[77]

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[67] FSCS pays £3m to steelworker claims against 4 firms, FT Advisor, February 2020.
[68] https://www.actionfraud.police.uk/news/victims-of-pension-fraudsters-lost-an-average-91k
[69] https://www.pensionsage.com/pa/Action-Fraud-receives-166-pension-scam-reports-since-beginning-of-lockdown.php
[70] https://www.pensionsage.com/pa/Action-Fraud-receives-637-reports-of-pension-scams-in-2020.php
[71] How to spot a scam during coronavirus, Royal London, June 2020.
[72] Financial Conduct Authority, Financial Lives 2020 survey: the impact of coronavirus, February 2021
[73] 37% of savers have taken action relating to their pension in lockdown, Aviva, July 2020.
[74] Financial Lives Survey 2020, Financial Conduct Authority, February 2021.
[75] Will enquiries in the UK have increased by 75 per cent, The Gazette, April 2020.
[76] Impact of covid-19 on legal services data bulletin, Legal Services Board, June 2020.
[77] *Ibid.*

Reaching those under 50

The second strategic focus of the MaPS strategy is about empowering people who are below 50 to make good decisions today that will have a significant impact on their retirement. However, general labour market conditions are going to make this harder, and especially for those that are under pensioned.

In looking at the three under pensioned groups considered above, while the causes for being under pensioned can vary e.g., for women caring responsibilities dominate, while for men from minority ethnic groups it is the industry and type of work, there are some common issues.

First, is the contributory nature of the state pension. Receipt of the state pension is a function of the number of years worked. As such, periods of unemployment, taking time out of the workforce, or being economically inactive, all reduce the amount of state pension that an individual is eligible for regardless of ethnicity, disability, or gender. Given the disproportionate impact that the pandemic has had so far on these groups, and the likely impact on employment and work in the coming 12 months, this impact could be considerable.

Second, for those saving into a private pension via automatic enrolment, the qualifying earnings threshold excludes those on incomes below £10,000. For many people who work part-time, have more uncertain incomes, or undertake work while raising a family, they are often excluded from saving into a private pension. The policy impact of changing this situation would be considerable. Were the earnings trigger to be reduced to the level of the Lower Earnings Limit for National Insurance in 2020-21, an additional 1.2 million employees would be brought into automatic enrolment, 15% of whom would be from minority ethnic groups.[78]

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[78] Measuring the pensions ethnicity gap, A report by The Peoples Pension, May 2020.