

“Put Your Feet Up” INTRODUCTION

This report presents the findings of a quantitative study carried out on behalf of Ark Life by Behaviour & Attitudes during late February and early March 2001.

The overall objectives of the research were:-

- To provide an updated estimate of the level of pension holding in the Irish Labour Force
- To assess the level of understanding of pension arrangements among current pension holders.
- To explore people’s perceptions of optimum pension arrangements, defined by age of retirement and percentage of current income provided within a pension plan.
- To measure awareness of upcoming changes in regulations governing pension plans and to provide a benchmark of people’s response to these proposed changes.

An agreed questionnaire was included in the Behaviour & Attitudes Barometer Survey. This survey normally covers a nationally representative sample of 1,200 adults, quota controlled in terms of sex, age, social class, region and area of residence to correctly reflect the known characteristics of the adult population of the Republic of Ireland.

Fieldwork on the survey was carried out between 23rd of February and the 4th of March 2001.

During fieldwork, an outbreak of foot and mouth disease in the United Kingdom resulted in limitations being imposed on travel in rural areas. As a consequence, it was not possible to complete all of the planned interviewing with farming respondents. By the time the ban had been imposed, 69 farming interviews had been completed out of the proposed total of 134.

In the analysis stage of the process, respondent numbers were grossed up to equate with the total adult population of the country in thousands. The shortfall in interviews in the farming sector was corrected for, at this point in the analysis

NOTE ON REPORT FORMAT

Following on from this introduction we present a brief resume of the key findings from the research (blue pages). This is then followed by a more detailed commentary supported by relevant charts. The report is then completed by a full set of tabular results and the following technical appendices.

- Appendix A = Analysis of sample
- Appendix B = Sampling points
- Appendix C = The Questionnaire

SUMMARY & CONCLUSIONS

The main findings of this study can be summarised as follows:-

Employment

- Approximately half of the total adult population claims to be working. 22% are confined to home duties, 14% are students, 11% are retired and 4% unemployed.
- Among the workforce, 1 in 4 claim to be self-employed. This proportion rises as one moves up the age scale.

Pension Plans

- Half of the people in employment at present claim to have a pension plan. Access to a pension plan peaks among 35-49 year olds (60%). Interestingly, it is significantly lower among those aged 50+ (49%): suggesting perhaps a lower priority on pension plan arrangements in the past.
- The biggest lift pension “sign ups” seems to occur among 25-34 year olds.
- There is relatively little difference in pension access as between self-employed and PAYE workers. Despite this there are major social class differences evident. Two-thirds of workers in middle-class occupations have a pension plan. Only a third of those in working class occupations do so.

- In the case of PAYE worker pensions, 80%+ are organised through their employers and a similar proportion have contributions (at least) from their employers.

Views on Pensions

- The majority opinion among the workforce is that pension arrangements are a mixture of state and personal responsibility. About a third believe that pensions should be looked after solely by the state while about 10% feel they should be looked after totally by the individual.
- There is a wide spread of views on the optimum retirement age nowadays. The largest single group (but not a majority of the population) opt for 60 but there is a sizeable spread spanning the five years on either side of that.
- The majority of people believe that they will need at least 70% of their current income to live comfortably in their retirement.
- Half the workforce are unsure of how much the State pension will provide against these needs but the bulk of those with a view, feel that the state pension will provide less than 40% of current income levels.
- People are not very knowledgeable about certain aspects of their current pension arrangements. This is particularly true of PAYE workers. They are least knowledgeable in regard to the company managing their pension funds or how well or badly that fund is performing at present.
- There is some considerable evidence of uncertainty relating to whether or not pension contributions qualify for tax relief. About half the workforce either don't know, or feel that pension payments do not qualify for tax relief. Almost two-thirds of workers who do not currently

have a pension fall into this category. (i.e. are unsure or believe payments do not qualify).

- Only 12% of workers are aware of the concept of ARF's

Upcoming Changes

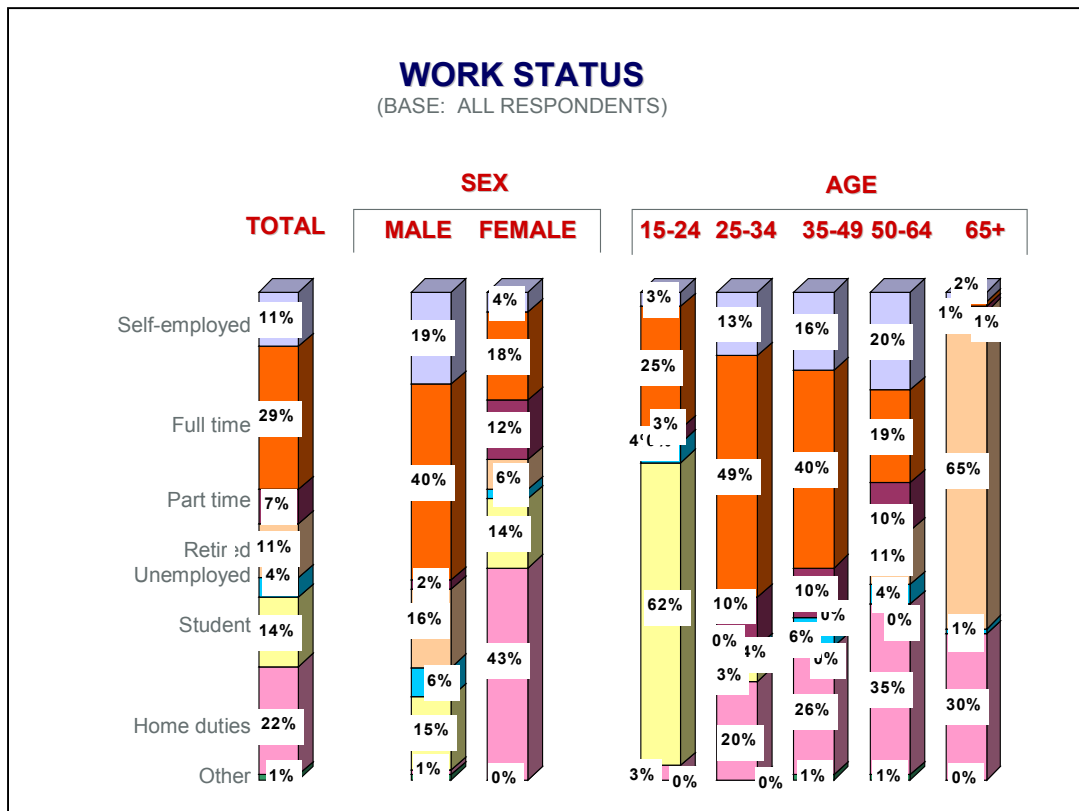
- Only 1 in 4 are aware of any impending changes in the rules and regulations relating to pension plans.
- Those who are aware of such changes tend to the view that the changes will be for the better. However the important point is that very few people are aware of what is likely to happen in the near future.

SECTION ONE EMPLOYMENT STATUS

In order to set the context for the interview, respondents were questioned early on about their current employment status. This opening section of the report covers findings in this regard

1.1 Almost half are working

The indicators from the current study suggest that just under half of the total adult population are currently working, either full-time or part-time. The full details are as follows:



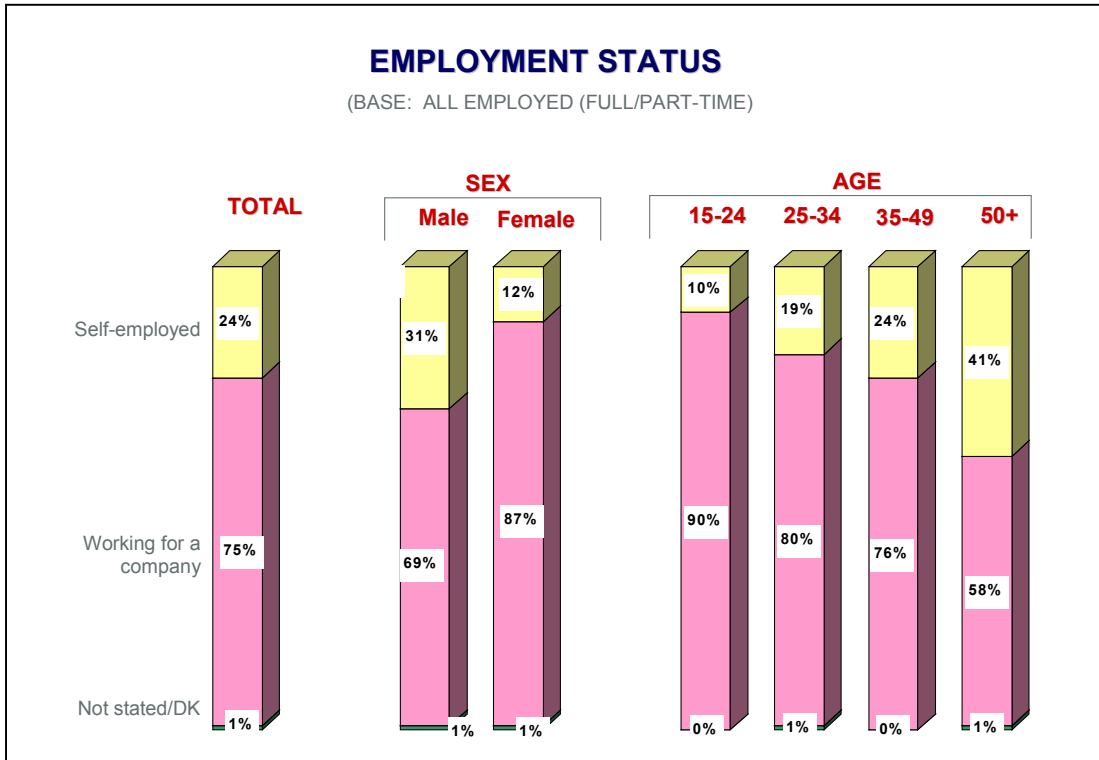
It can be seen from this analysis that just under a quarter of all adults are confined to home duties. This is, not surprisingly, more prevalent among females and among those at the older end of the age spectrum.

14% are students. Among under 25's, the majority fall into this category.
11% are retired: primarily focussed into the over 65 age group. However it is interesting to see that as many as 11% of 50-64 year olds report themselves as being retired.

4% of all adults classify themselves as unemployed.

1.2 One in four workers – self-employed

A surprisingly high proportion of workers classify themselves as self-employed, as is evident here:-



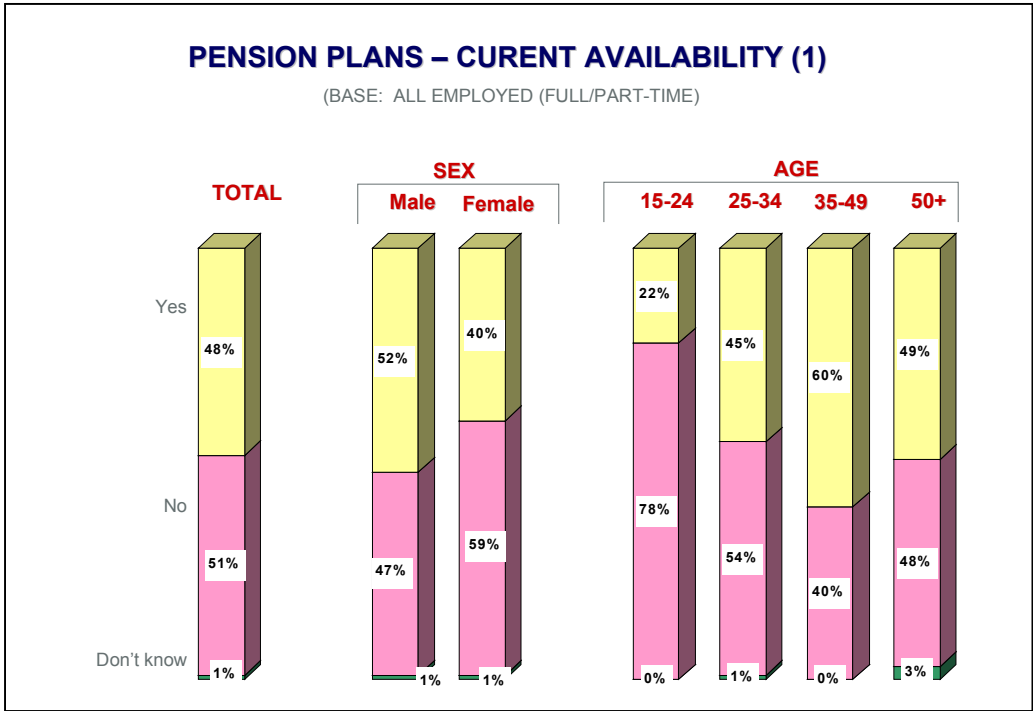
As can be seen from the chart, men are more likely than women to be self-employed and the further one moves up the age scale the more likely one is to encounter self-employed people.

SECTION TWO PENSION PLANS

In this section of the report we look at the current availability of pension plans among the workforce and examine details of how these are organised and funded.

2.1 Half of the workforce have a pension plan

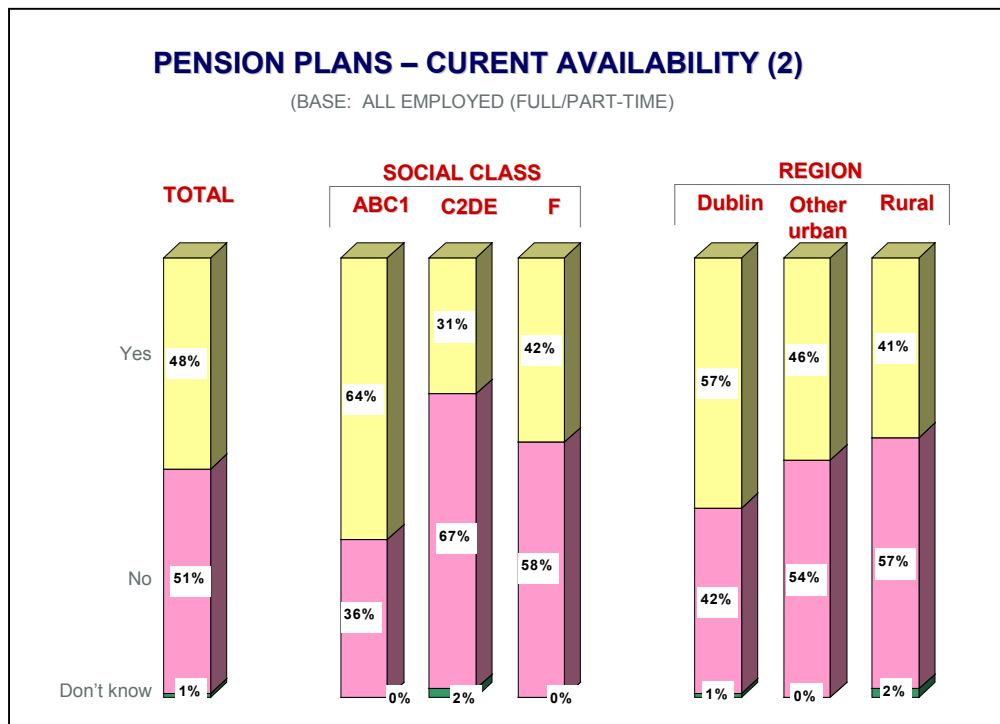
By the estimates of the current survey just under half of the current work-force have a pension plan in place at present. There are some differences evident between men and women but the really major difference arises between age groups as is evident here:



52% of male workers but only 40% of their female counterparts claim to have a pension plan available to them at present.

The differences by age group are sharper. 60% of those aged between 35 – 49 claim to have a pension plan: significantly higher than for workers aged 50+ or for those aged below 35. Among workers, aged under 25, less than one quarter have a pension plan in place at present.

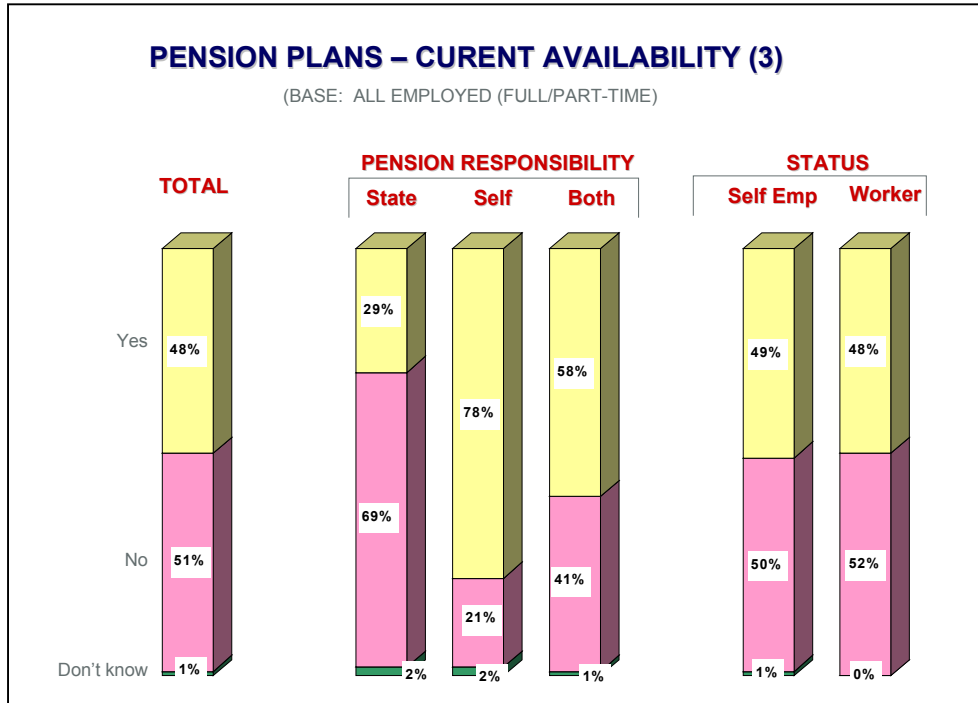
There are also significant differences evident by social class and by area of residence



Among those in middle class occupations, 2 out of 3 workers have a pension plan. Among their working class counterparts only 1 in 3, have one. The sample base for farming workers is very small so the figures here should be looked at with some caution.

The evidence suggests some considerable difference in pension availability as between workers in the Dublin and those outside. In Dublin 57% of workers claim to have a pension plan as compared to 46% in other urban areas and only 41% in rural areas.

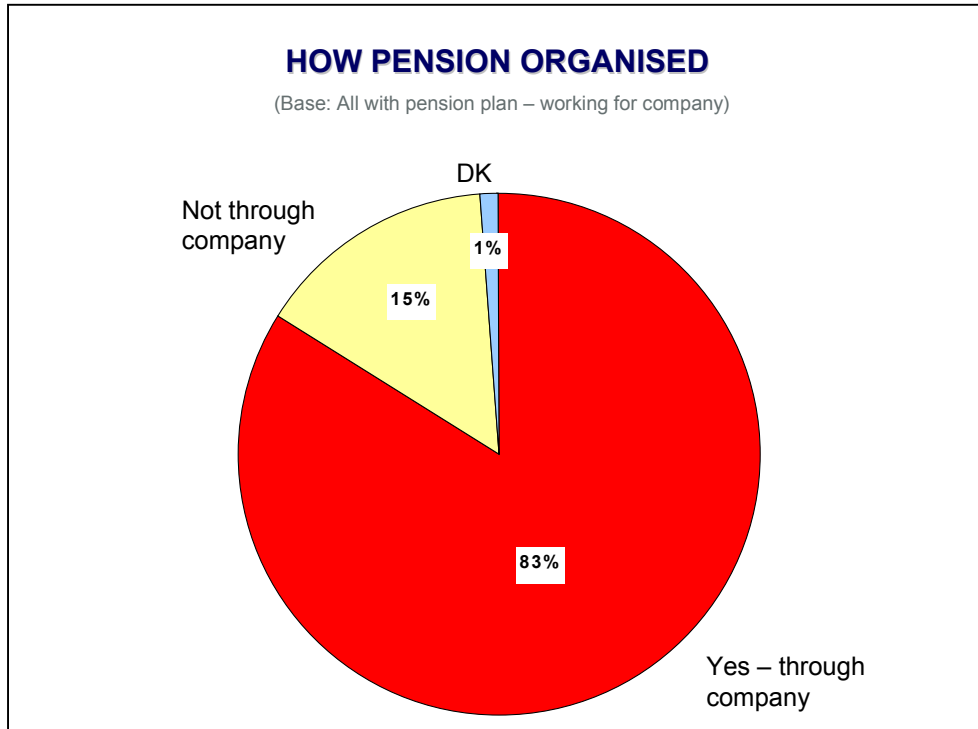
Perhaps surprisingly, there is very little evidence of any difference between self-employed people and PAYE workers, as is evident from the following chart



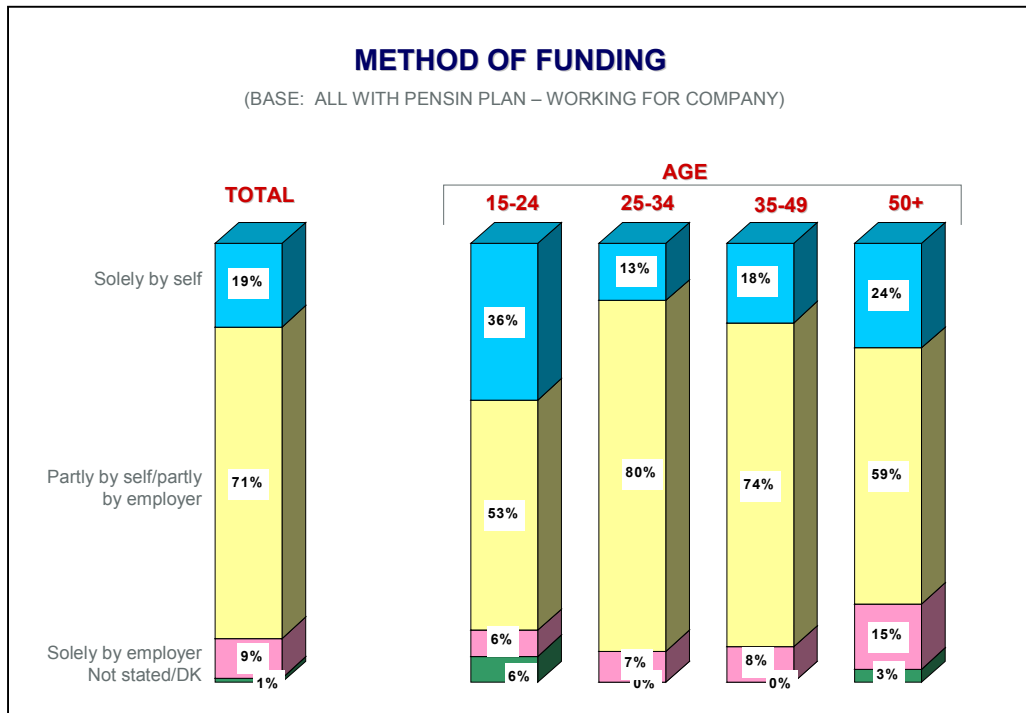
One interesting finding from this chart is the fact that people who see themselves as personally responsible for making their pension arrangements are far more likely to have put something in place than are people who believe that the State carries the responsibility for people’s pension arrangements. Almost 8 in 10 of those who believe they personally are responsible have put a plan in place. Less than 3 in 10 who see the issue as one of State responsibility have done so. Those who feel the responsibility is a shared one fall midway between these two extremes.

2.2 Current arrangements

The bulk of PAYE workers have their pension organised through their employers as is evident here:-



In the majority of cases payments to the pension fund on behalf of PAYE workers are made jointly by the worker and his/her employer as is evident here:



Joint payment (by worker and employer) is particularly prevalent among those in the middle age ranges.

SECTION THREE

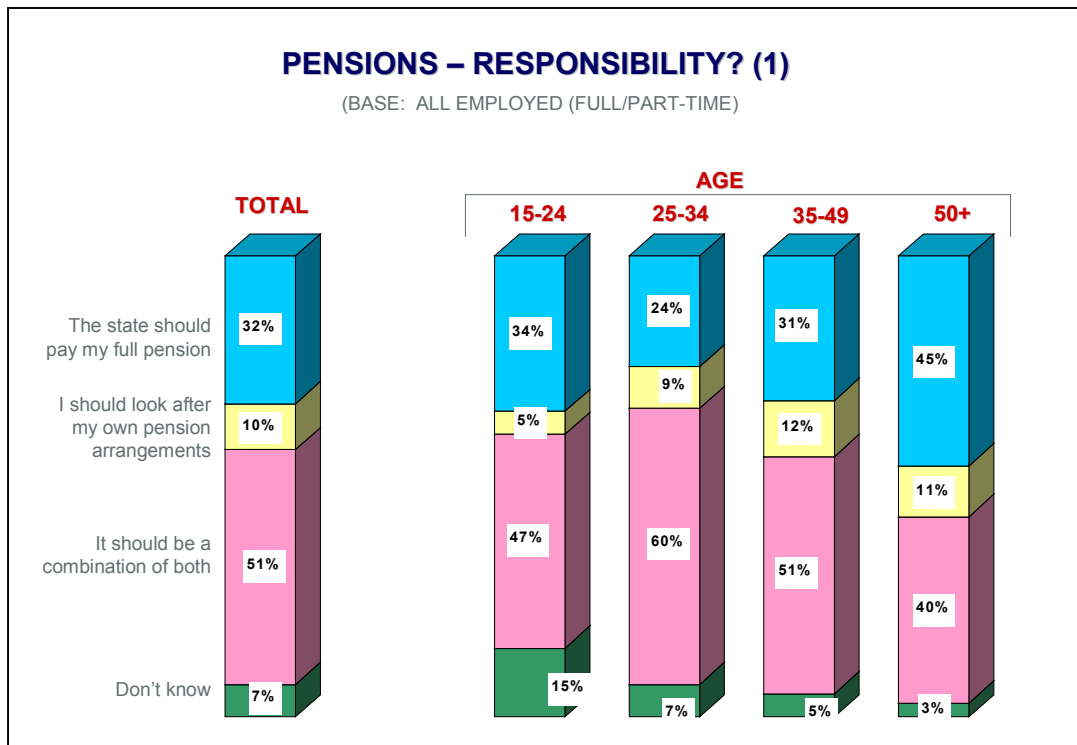
ATTITUDES TOWARDS PENSIONS

In this section of the report we examine people's attitudes towards pensions:-

- Who should be responsible for them?
- At what age should they come into effect?
- What scale of pension is required to live comfortably in retirement?
- How knowledgeable are people about current pension arrangements?

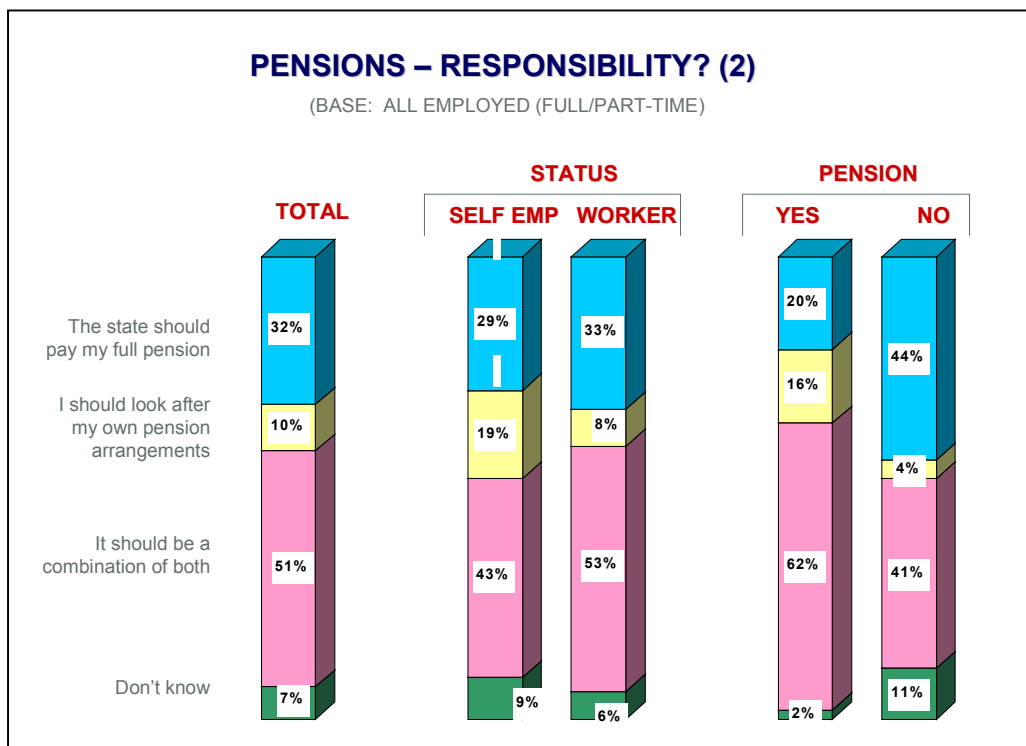
3.1 *On balance, perhaps more a State responsibility*

When they are asked *who* should be responsible for putting pension plans in place, just over half the workforce believes it should be the joint responsibility of the worker and the Government. Among those who would disagree with this viewpoint, there are more who see the matter as an area of State rather than a personal responsibility as is evident below



Perhaps not surprisingly, those aged over 50 are more likely to assign responsibility to the State.

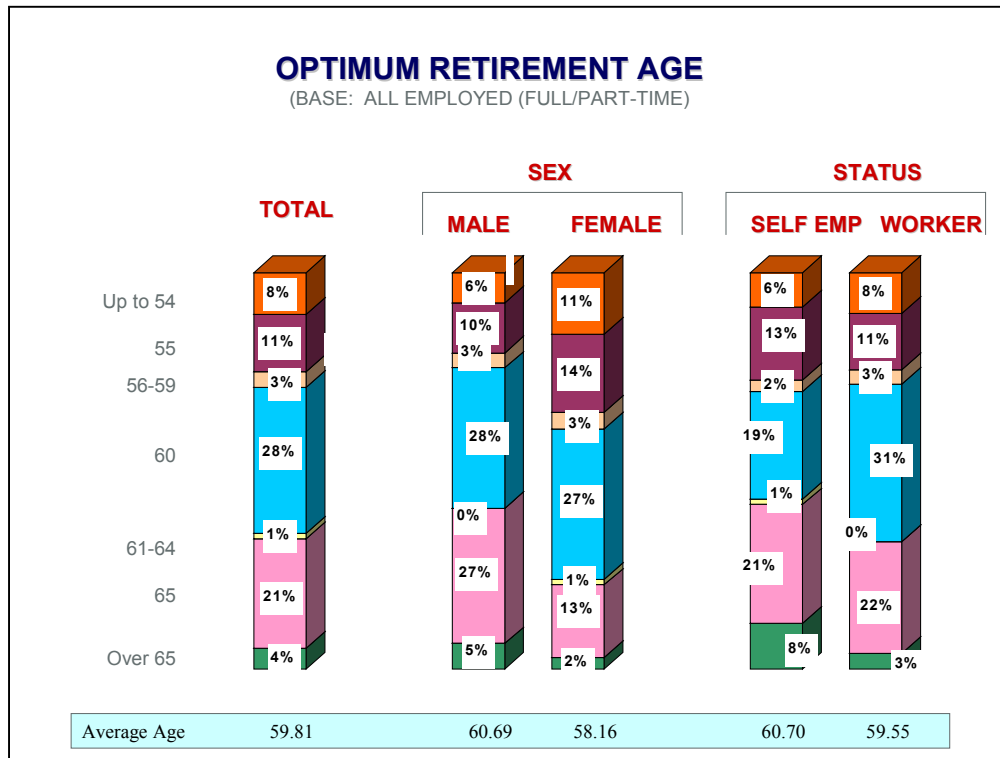
As one might expect, self-employed people are more likely than average to accept personal responsibility for pension arrangements but *even they* see the balance of responsibility as lying with the State. This is evident in the following chart



One final point of interest in this analysis is the fact that people who do not currently have a pension arrangement are most likely to see a role for State intervention in the matter.

3.2 Considerable Variability in Optimum Retirement Age

The following chart summarises people’s perceptions of the optimum age for retirement. It can be seen that there is quite a wide diversity of views



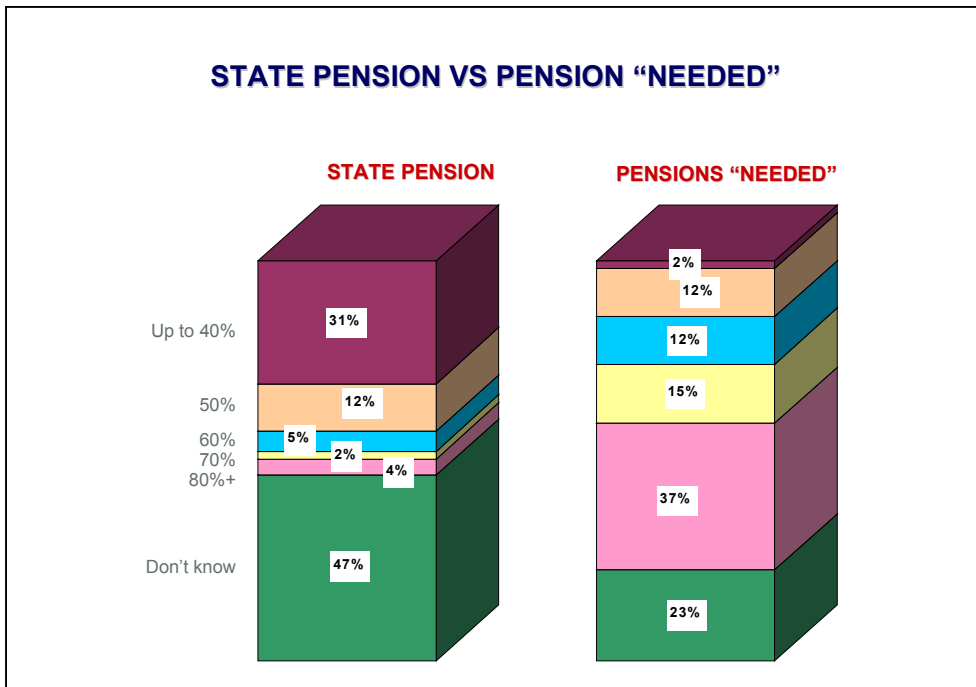
60 in the most common choice but there are large numbers on either side of this break point. By and large women are likely to opt for an earlier retirement age. So are PAYE workers. Self-employed people are likely to be drawn towards a later retirement age on average.

3.3 Pension needs vs. current State cover

Around about the midpoint in the interview respondents were asked two key questions:

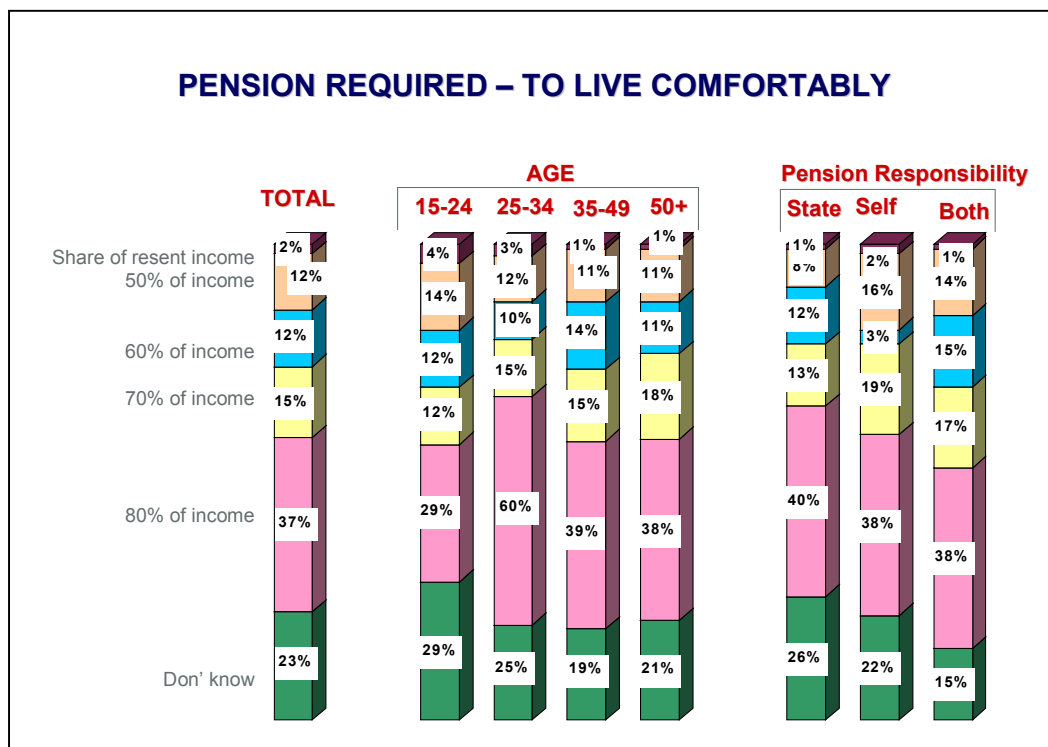
Q.8 SHOW CARD 'H' How much of a pension do you think you will need at that time, in order to live comfortably?	10% of present income	1
	20% of present income	2
	30% of present income	3
	40% of present income	4
	50% of present income	5
	60% of present income	6
	70% of present income	7
	80%+ of present income	8
	Don't know	9
SHOW CARD 'H' AGAIN Q.9 To the best of your knowledge, how big a pension is provided by the State at present to people who have already retired - that is in the State Pension Scheme	10% of present income	1
	20% of present income	2
	30% of present income	3
	40% of present income	4
	50% of present income	5
	60% of present income	6
	70% of present income	7
	80%+ of present income	8
	Don't know	9

As can be seen from the following chart, almost half the workforce are unsure as to what proportion of income would be provided by a current State pension.



Allowing for this it is quite clear that a majority of people feel that a State pension would fall significantly below the income they would need to live comfortably. More than half the workforce believes that they would need 70% or more of their current income in order to achieve this goal.

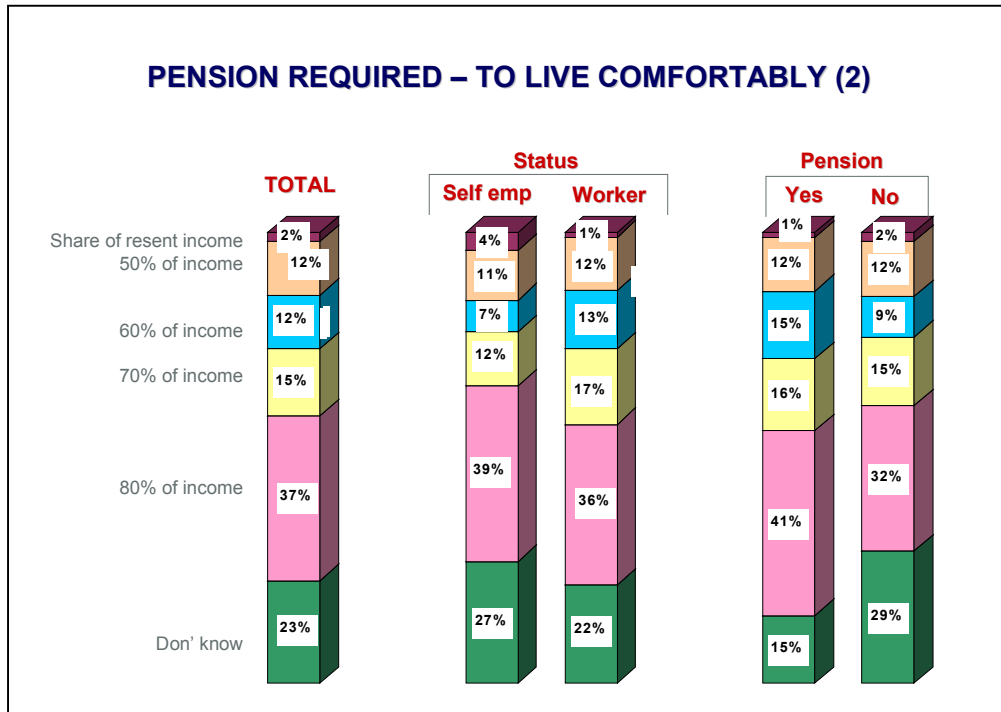
There are, as one might expect, some differences in people's perceptions of what might be needed by way of pension income.



25-34 year olds are the people with the highest anticipated level of pension requirement: perhaps reflecting the sharp rise in their living costs. This may explain why pension planning starts to emerge so strongly at this point in life.

There is no great difference between those seeing pensions as a State or personal responsibility in their judgement of what might be called for by way of future income.

The following chart presents a further analysis of these findings distinguishing between those who are self-employed and PAYE workers and those who currently do, and do not, have a pension plan in place



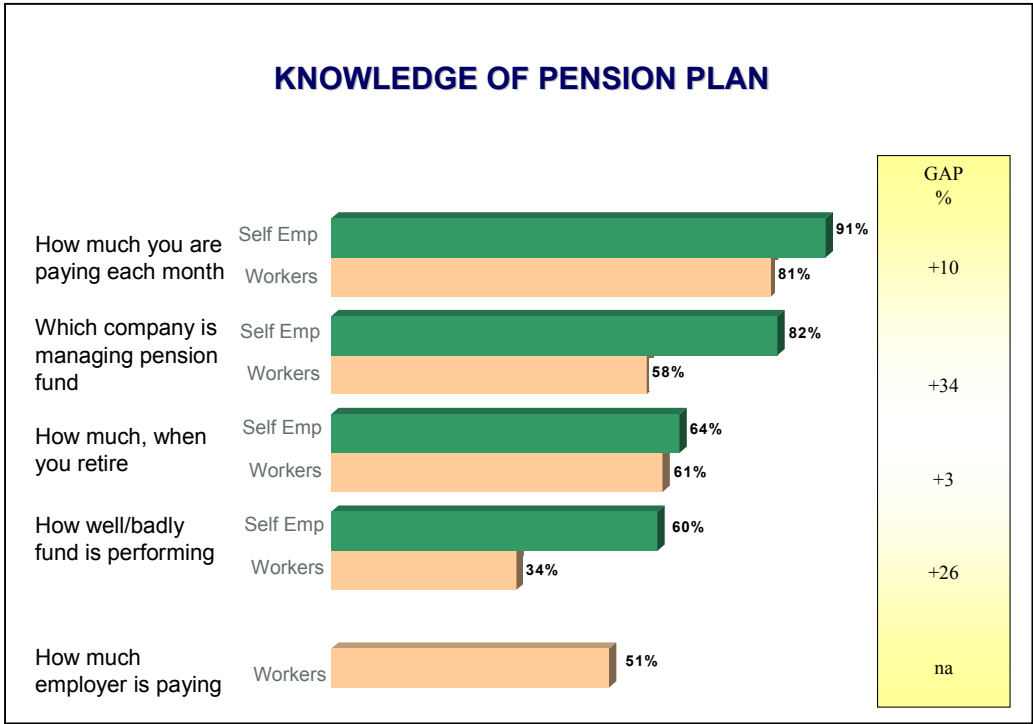
Interestingly, both self-employed and PAYE workers are broadly in agreement as to the share of income they would need in future to live comfortably. Those who have a pension plan in place are a little more decisive than those who don't, in judging what those requirements are likely to be.

SECTION FOUR

PENSION PLAN HOLDERS

4.1 Considerable gaps in their knowledge

At this point in the interview, people claiming to have a pension plan were asked whether or not they knew certain details in relation to those plans. The following chart summarises the state of knowledge, on the key questions, for self-employed people and PAYE workers separately



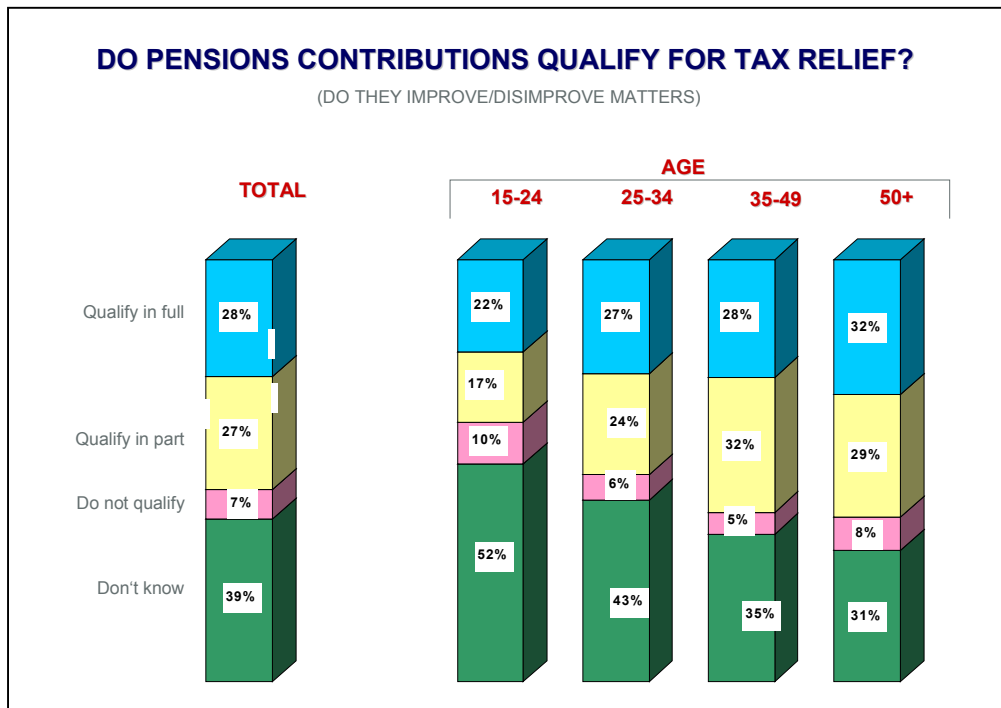
The majority of people, both PAYE workers and self-employed, are conscious of how much they are paying into their pension plans each month. However there are significant gaps in the remainder of their knowledge: particularly for PAYE workers. Only about 6 in 10 of these are even conscious of *which company* is managing their pension fund. A similar number claim to know how much their pension fund will provide as an income when they retire. Self-employed people are not much better informed on this latter question.

There is however a significant difference between the self-employed and PAYE workers in their knowledge of how well their pension fund is *performing* at present. 60% of self-employed people feel they have this information available to them at present. Only about one third of PAYE workers do.

Finally, 51% of PAYE workers know how much their *employer* is contributing to their pension scheme.

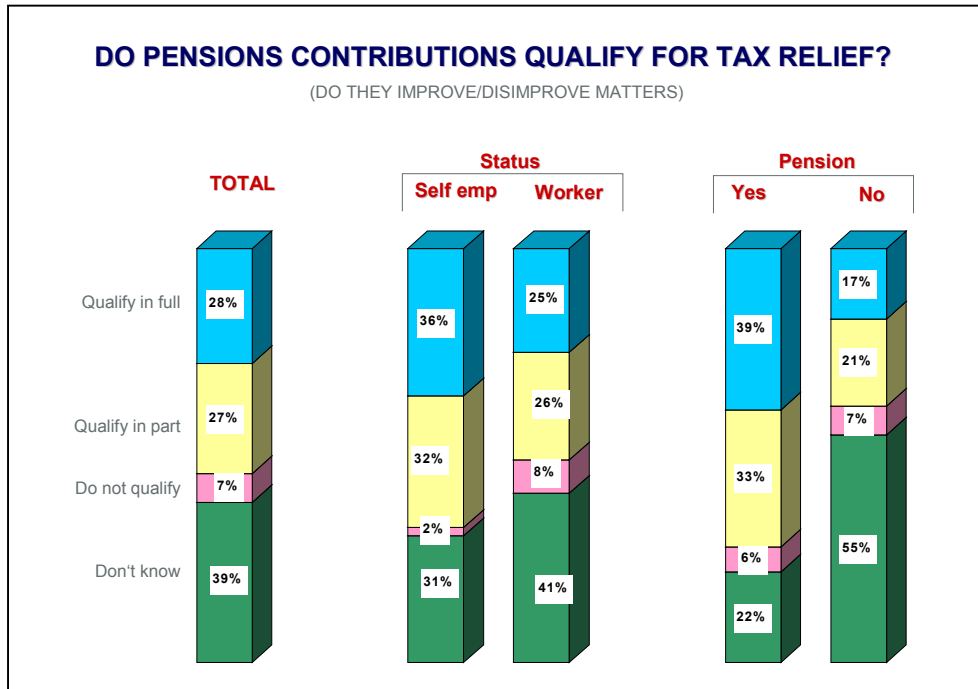
4.2 Uncertainty about tax relief

Almost half of all people in the workforce either believe that pension contributions do not qualify for tax relief (a minority – 7%) or are not sure on the issue (39%).



Younger people are far more uncertain on this point than their older counterparts.

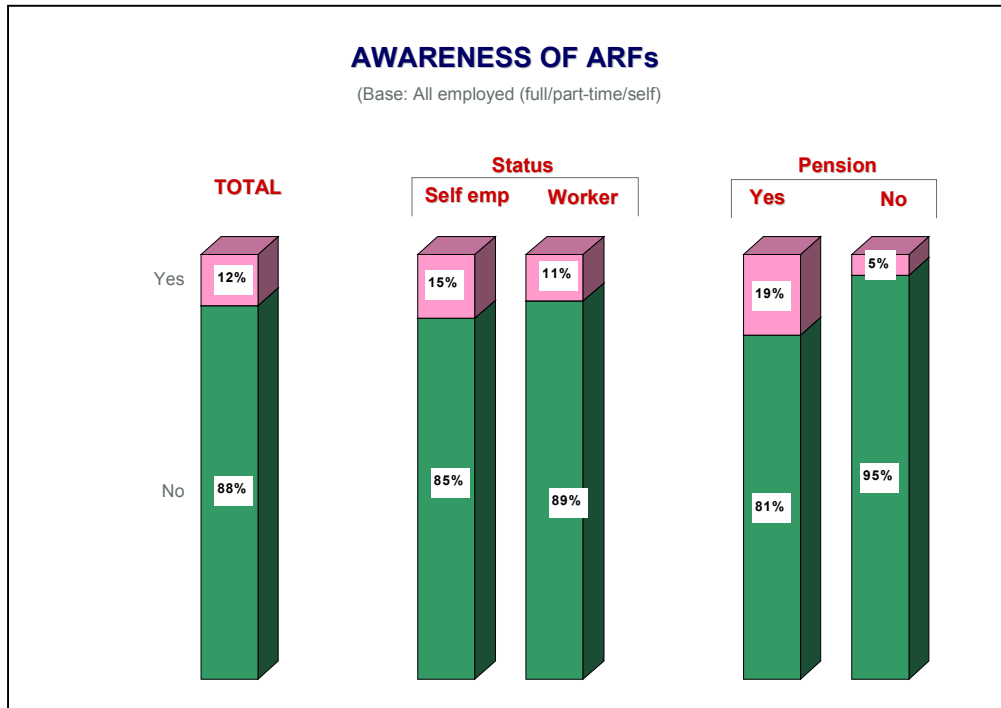
There are major differences between self-employed and PAYE workers and, most especially, between those who do and do not have pension arrangements at present, on this score:-



More than 6 in 10 of those with no pensions are uncertain or believe that pensions do not qualify for tax relief.

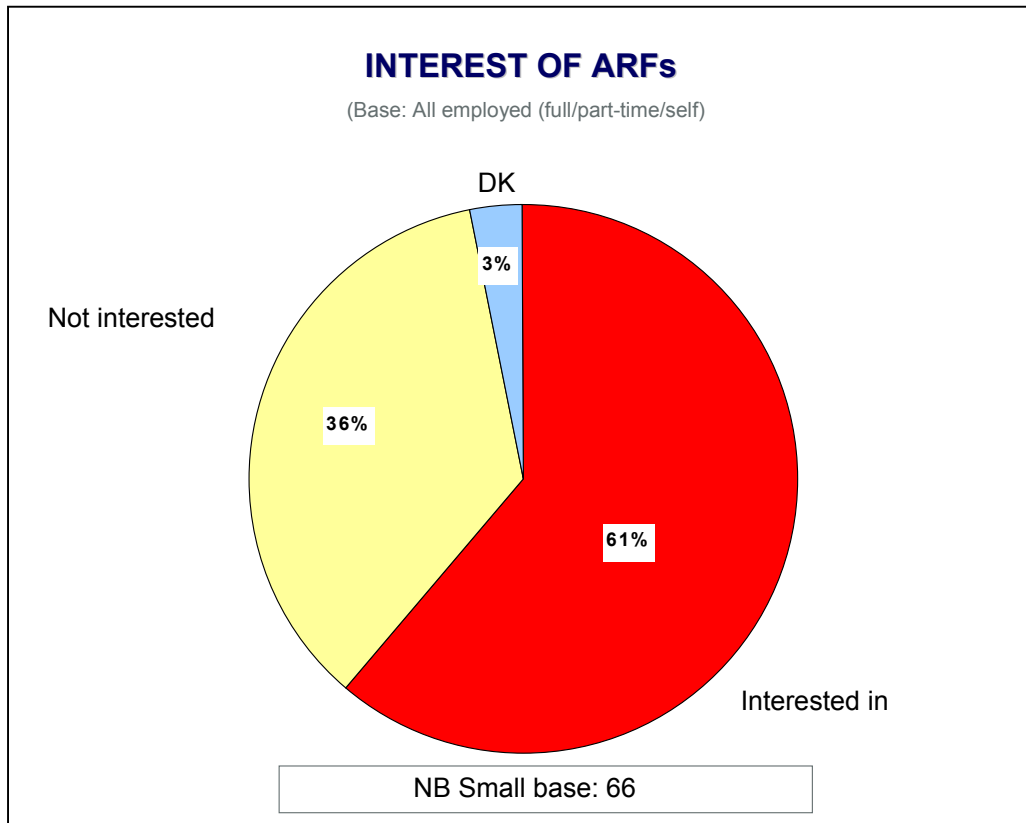
4.3 *Minority awareness of ARF's*

Only 1 in 8 people in the workforce are aware of the concept of ARF's.



Awareness is only slightly higher among self-employed people than among PAYE workers. Even among people with a pension plan in place at present, only 1 in 5 are aware of this concept.

About 6 in 10 of those who are aware of ARF's are interested in them

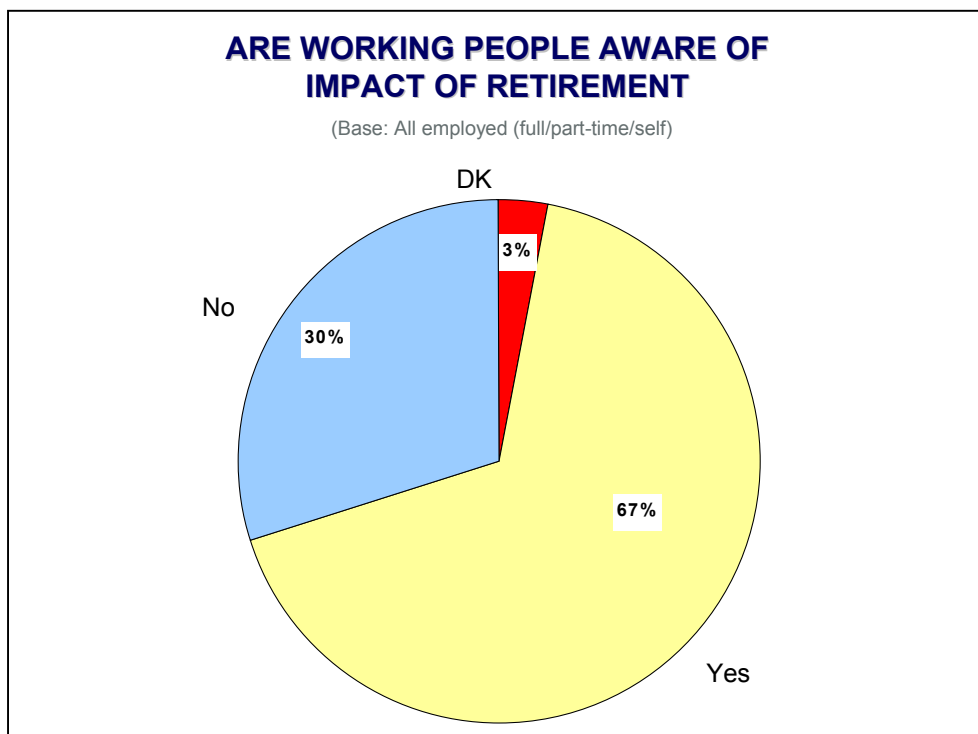


4.4 A perceived lack of sufficient information

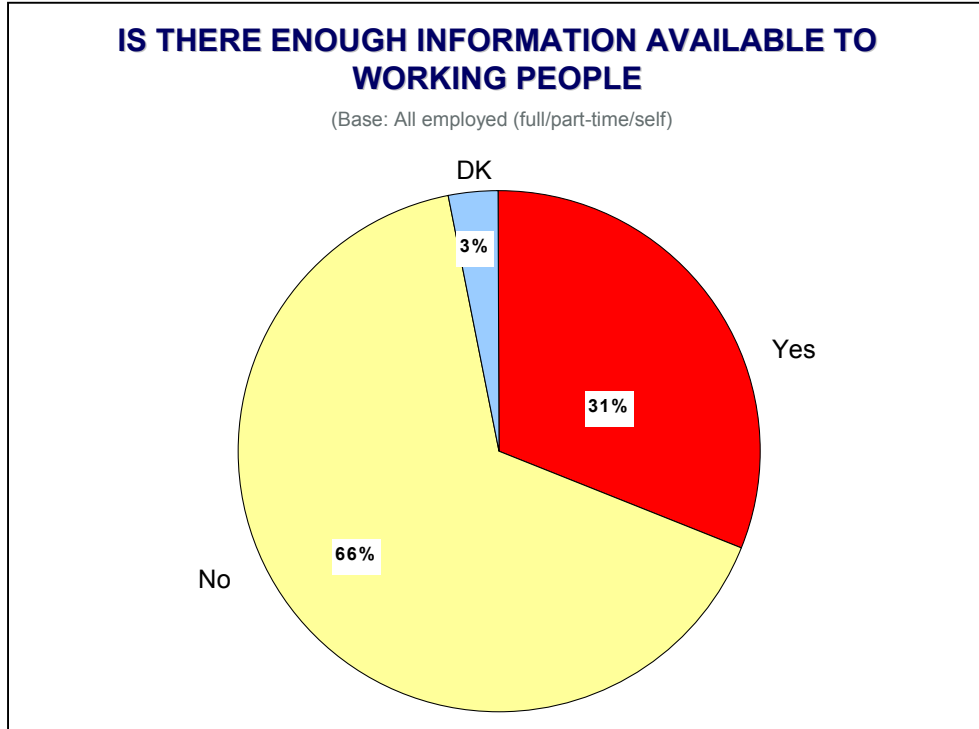
Late in the interview, retired people were asked two important questions on this topic:

ASK ALL RETIRED PEOPLE (Q.1) - OTHERS GO TO Q17		
Q.15 Do you think that people who are working at present are fully aware of the impact retirement will have on their income or not?	Yes	1
	No	2
Q.16 Do you think there is enough information available to working people to help them for retirement or not?	Yes	1
	No	2

As can be seen from the following chart, two-thirds of retired people believe that working people are *unaware* of the impact that retirement is likely to have on their lives



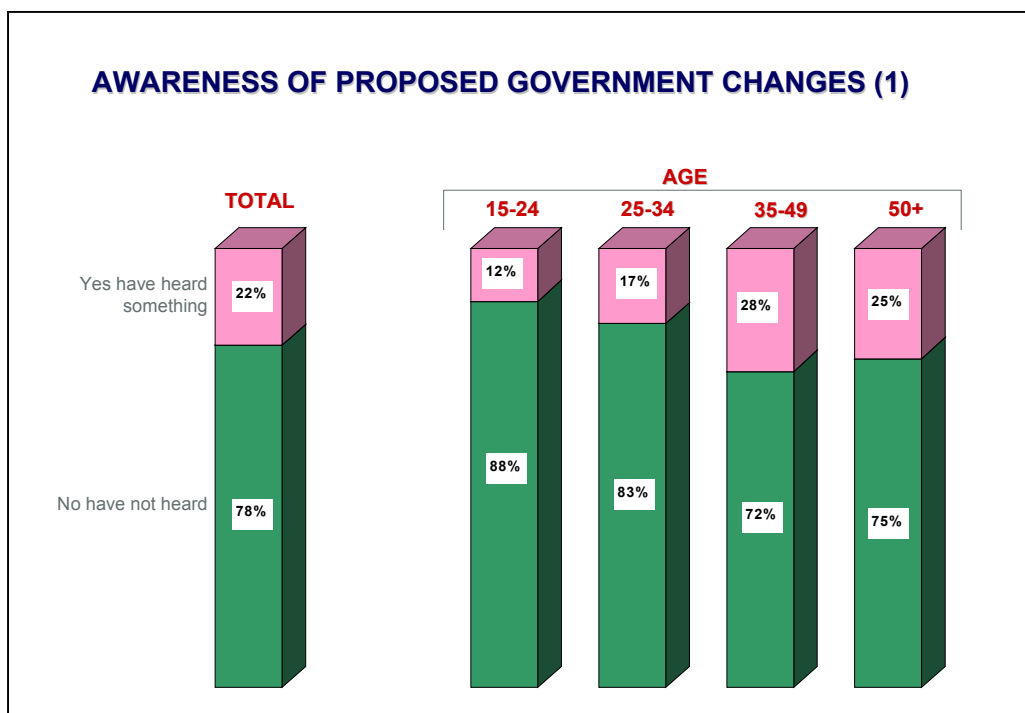
Almost an identical number believe that there is insufficient information available to working people on this matter at present



SECTION FIVE UPCOMING CHANGES

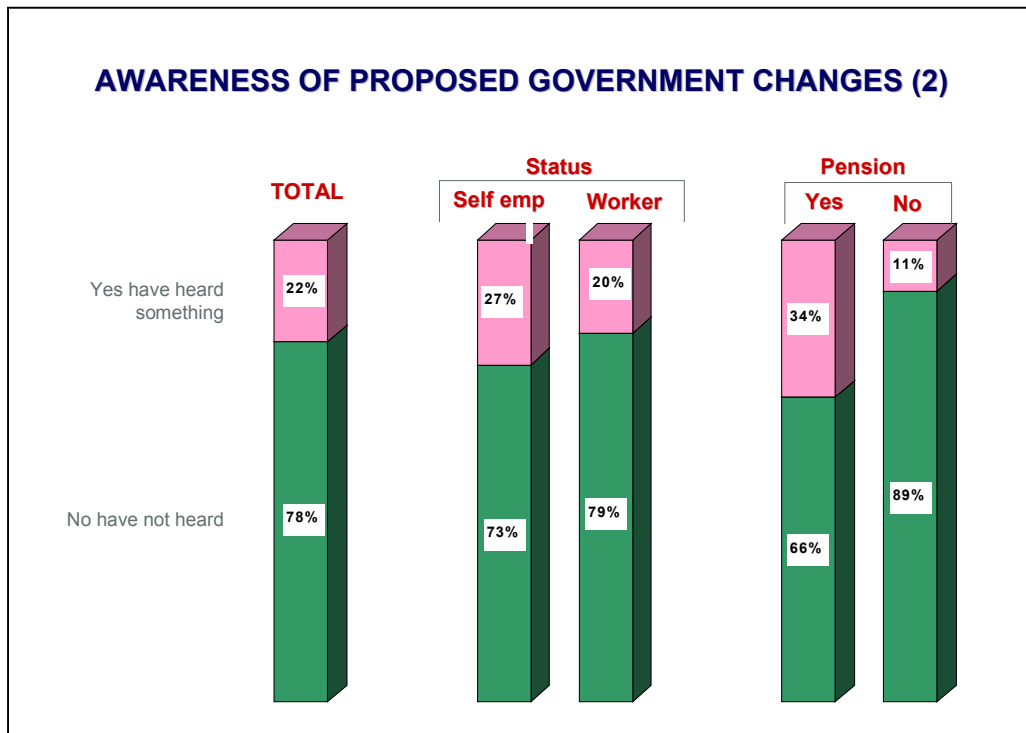
5.1 Awareness

Just under 1 in 4 workers are aware of some upcoming changes to the rules and regulations relating to pension schemes.



As can be seen from the chart, those aged over 35 are somewhat *more* aware of the matter than their younger counterparts. However even among this group the majority are unaware of impending changes.

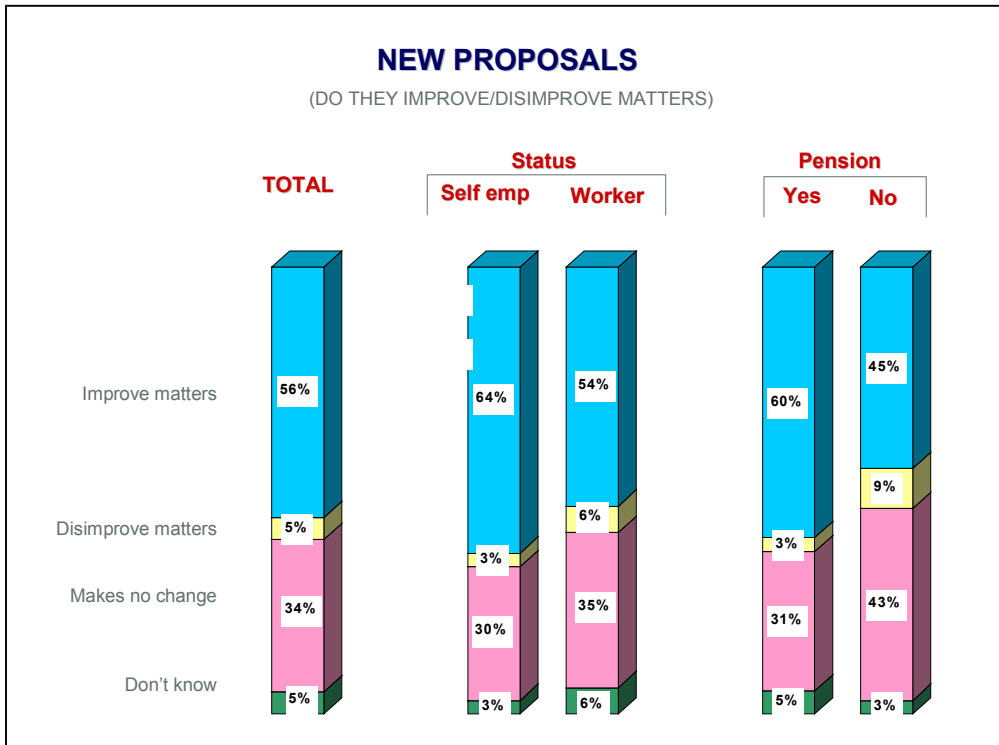
That pattern applies equally to self-employed people and PAYE workers and, even to those who currently have pension arrangements, as is evident here



Even among those with pensions in place, two-thirds say they are unaware of any impending changes.

5.2 Primarily a positive disposition

Among the minority group who are aware of any pending changes, people are inclined to assume that the proposed changes will improve matters as is evident here:-



While it is encouraging to see this evidence of a positive outlook, it must nevertheless be borne in mind that the key factor is that *only a minority are aware* of the impending changes.