**Pensions and saving toward retirement**

Under saving toward retirement is a significant problem facing workers across Europe. People are overestimating their wealth as they leave work and underestimating how long they will live. Additionally, both state and occupational pension systems are changing as governments and employers seek to reduce the financial costs of ageing populations. Consequently, there is a significant pension gap across most parts of Europe.

Under saving varies across Europe. According to a studied carried out by Aviva and Deloittes (2016), the average Spanish worker should be saving about €7080 more a year in order to have a sufficient pension. Government has introduced a supplementary pension scheme to enable workers to top up their state pension, but there has been low take-up. The average British worker has a pension gap of almost twice that of their Spanish equivalent at €12,400. The UK government has sought to increase savings toward retirement through the introduction of a defined contribution (but non-redistributive) savings trust known as the Workplace Pension. However, autoenrollment only started being rolled out in 2012, so the current cohort of older workers will not see a benefit from the current scheme.

Some groups of workers are more affected by under savings than others. Women receive significantly lower pensions than men across Europe. In Poland, the average female pensioner receives a pension three-quarters the size of her male equivalent, while in Spain and Italy, it is two thirds. In the UK, women on average receive a pension 60% the size of that of men. There are many reasons for the gender pension gap (Bettio, Tinios, & Betti, 2013). First, it is a reflection of the gender *income* gap, especially in countries where pension entitlements are linked directly or indirectly to earnings. Second, many women in the current generation on the cusp of retirement had either forfeited or been denied access to occupational pensions when they left work in order raise families. In the UK, for example, up until the 1970’s female civil servants were required to resign their posts upon getting married and cash in their occupational pensions. They may have expected to be able to live off their husband’s pensions, but family turning points like a divorce can have a major impact on retirement plans. Third, women are much more likely than men to be pushed into retirement because of a caring responsibility. Consequently, many women leave work without planning for how they can finance their retirements.

Under saving also affects low income people more than those with high incomes, especially in countries like the UK in which occupational pensions and personal savings make up the majority of retirement savings. According to a recent study, a third of British pensioners only have the State pension to rely upon, with no additional sources of wealth or income (FCA, 2018). The British State pension is about 40% below the absolute poverty line and therefore cannot by itself provide for a sustainable retirement. A recently study found that low income older people are planning to address the problem of under saving toward retirement by retiring later. However, this may not be sustainable for people in physically demanding or stressful jobs.

**How can social dialogue help?**

The issue of pension entitlements is highly contested area of collective bargaining and social dialogue. Dialogue regarding what a fair retirement age should be, early retirement routes and and pension rights for people who delay retirement beyond normal retirement age are certainly issues in which there is robust and often conflictual dialogue between social partners usually at the national and/or organisational levels. However, workplace level social partners can work together on issues where there is common ground:

1. Pre-retirement financial information and advice can play a constructive role in helping older workers plan for retirement. In a recent survey of British older workers, 43% of workers between the ages of 45 and 65 said they are only vaguely or not at all aware of what their finances will be once they retire. Pensions are highly complex and fluid. Understanding what one’s pension is can often be a huge challenge but essential for ensuring that when and how the transition out of work occurs. In the same survey, 59% said that they would like pre-retirement financial planning, but only 23% receive it (Davies, Van der Heijden, & Flynn, 2017).
2. Workplace level social partners can investigate jointly retirement plans of older workers. Finding out what help employees think would help them plan for sustainable retirements can help both unions and employers provide resources such as information, pre-retirement planning and financial advice from regulated advisors. Some social partners are surveying workers on the support for retirement planning covering topics like how older worker plan to finance their retirements, concerns which they have about the affordability of retirement, their level of understanding about their pensions and ways in which they may want to supplement their pensions like occasional or part-time work.
3. Supporting workers through individual pre-retirement advice can help employees make better choices over their retirement choices. Pre-retirement advice does not need to exclusively cover pensions and savings, but also what activities workers would like to be involved in in retirement, the timing of leaving work to ensure a sustainable retirement, ways to maintain social networks after retirement and preventing social isolation.
4. Some unions are using their retirement member associations to enable people in retirement to support those who are in work and planning their retirements. People who have retired can share their experiences and give advice to colleagues about making a successful transition out of work.
5. Ensuring that employees have clear pathways into retirement such as when to inform their employers about their retirement plans, discussions of retirement transitions and alternatives like phased retirement options.

**Questions to consider**

1. How aware of employees of their pensions and retirement savings? Are older workers are well prepared for retirement?
2. Do you have a sense of the kind of support which older workers can benefit from in terms of planning for retirement?
3. What resources are available to older workers as they plan their retirements?
4. Are there ways in which social partners can help connect workers with people who can advise them on a successful retirement like financial advisers, life planners, and people who have already transitioned to retirement.

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