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**WILL OCCUPATIONAL PENSION SCHEMES
SURVIVE INTO THE 21st CENTURY?**

BY ORLA CECILIA MARY GOUGH

**SUBMITTED AS PART OF THE PHD DEGREE WITHIN THE
DEPARTMENT OF ACTUARIAL SCIENCE AND STATISTICS,
CITY UNIVERSITY, NORTHAMPTON SQUARE, LONDON
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ABSTRACT

The thesis attempts, within a multi-disciplinary framework, to ascertain the most likely structure and coverage of occupational pension schemes in the twenty-first century. One of the events that signalled that there might be a change in pension coverage was the Social Security Act 1986, which allowed employees the freedom not to join their company occupational schemes. The Act also created the personal pensions market by allowing employees to contribute into an individual personal pension plan that they could transfer from employer to employer throughout their working life. Another event was the issue of security of occupational pension schemes after the Maxwell case; the third event was the increasing awareness of the issue of equal pensions for men and women in employment. These events were set against the emerging flexibility in labour markets.

After discussing the development of the State Pension Scheme from the rationale behind the creation of the Old Age Pension Act 1908 to the Social Security Act 1986, the relationship between the origin and development of the Occupational Pension Scheme was examined, together with the role that tax legislation played in shaping Pension Schemes. One of the main differences in pension provision in the twentieth century is the change in the role of women from being regarded as financially dependent on men to their emergence in the labour markets.

In Part II of the thesis a survey was identified as the most appropriate research method. A stratified random sample was used, to the same weighting as GAD for reference purposes, of employees in companies with occupational pension schemes. The questionnaire ascertained employees' attitudes to their pension provision, retirement age, contribution levels and dependants' benefits. Responses were correlated by age, gender and employment status. Using SPSS (cluster analysis) respondents were analysed, grouping cases according to the degree of similarity exhibited.

Age of retirement emerged as a theme from the empirical research and was examined from an historical and social perspective. The relationship between the State Retirement Age and that used in Occupational Pension Schemes was considered. The results of the empirical research suggest that 'flexible retirement' age is overwhelmingly the most popular choice, i.e. the majority would like to be able to choose the age at which they retire. One of the other main findings was the high propensity of employees to join their company schemes.

ABBREVIATIONS

ADEA 1967	United States Age Discrimination in Employment Act 1967
AVC	additional voluntary contribution
CBI	Confederation of British Industry
COFSS	contracted-out final salary scheme
COMPS	contracted-out money purchase scheme
COPAS	Confederation of Occupational Pensioners Associations
COSR	Contracted-Out Schemes Regulations
CSO	Central Statistical Office
DEE	Department of Education and Employment
DSS	Department of Social Security
DTI	Department of Trade and Industry
ELUS	Employers' Labour Use Strategy (Department of Employment)
EOC	Equal Opportunities Commission
EP(C)A 78	Employment Protection (Consolidation) Act 1978
FES	Family Expenditure Survey
FSAVC	free-standing additional voluntary contribution
GHS	General Household Survey
GMC	guaranteed minimum contributions
GMP	guaranteed minimum pension
GPP	group personal pension
HRP	home responsibilities protection
IMS	Institute of Manpower Studies
IS	income support
LFS	Labour Force Survey
NAEI	national average earnings index
NAPF	National Association of Pension Funds
NCOA	National Council on Aging
NES	New Earnings Survey
NICs	national insurance contributions
NRA	normal retiring age
OPB	Occupational Pensions Board
OPCS	Office of Population Censuses and Surveys
OPRA	Occupational Pensions Regulatory Authority
PPP	personal pension plan
PRAG	Pension Research Accountants Group
PSO	Pension Scheme Office
RPI	retail price index
SERPS	state earnings-related pension scheme
SET	selective employment tax
SMP	statutory maternity pay
SPA	state pension age
SPSS	Statistical Package for Social Scientists
SSAS	small self-administered scheme
TUC	Trades Union Congress

INTRODUCTION

This research was set against a background of social and economic change in a period when four main interlocking forces for change are affecting pension provision within the UK. The first of these was the change in legislative basis of the pension system brought about by the 1986 Social Security Act, the main relevant provision of which was to make void any stipulation that membership of a pension scheme was a condition of service for employees. The Act also introduced a new system of personal pensions through which individuals could contract out of SERPS or their company scheme. The Conservative government's objective was to encourage individuals to take out personal pensions, and to this end they initially offered a premium of 2% of contributions, based on the individual's national insurance contributions, from April 1988 for the first five years of operation of the scheme, to be paid into the individual's personal pension scheme. These schemes received much attention in the media, encouraged by the life insurance companies which marketed personal pensions emphasising the 2% paid by the government. Thus company pension departments were put in the position of having to compete for membership against commercial personal pensions. Extensive media coverage was given to the claim that if personal pensions proved attractive to younger workers, occupational pension schemes could find their long-term future in doubt.

The second force for change was the issue of security within pension schemes prior to our fieldwork carried out in 1991. Occupational pensions were the subject of public debate as the initial implications of the Maxwell case emerged. The collapse of the late Robert Maxwell's business empire revealed that he had removed sums from pension funds associated with companies under his control. Public apprehension about the ease

with which this could be accomplished led to general public anxiety with the security of occupational pension schemes. The government reacted by setting up the Pension Law Review Committee in June 1992 under the Chairmanship of Professor Roy Goode. The committee was instructed to 'review the framework of law and regulations within which occupational pension schemes operate, taking into account the rights and interests of schemes' members, pensioners and employers' (Goode, 1993). It also examined, as seemed prudent in the wake of the Maxwell case, the status and ownership of occupational pension funds and the accountability and role of trustees, fund managers, auditors and pension scheme advisers.

The third force of change was linked to increasing awareness of the issue of equal pensions for men and women in employment. This principle is enshrined in European Union law. Under the Treaty of Rome (1957), on which the modern EU is founded, employers cannot discriminate between men and women in pay or benefits. Until 1990, however, employers thought pay did not include pensions. On 17 May of that year, in a case known as Barber v. Guardian Royal Exchange, the European Court of Justice ruled that pensions were part of pay and therefore the rights of equality applied. It concluded that employers could not offer members of one sex better conditions than members of the other. However, the pension industry remained unclear as to just how equality should be applied. One aspect of this question was not resolved until September 1994, when the European Court ruled that employers must admit part-time workers to pension schemes if barring them constituted an indirect form of discrimination. A second aspect of this issue was the implementation of equal state pension ages (SPAs). Prior to our fieldwork the government had already stated its objective of equalising pension ages for men and women at 65 - without this measure

the ratio of people of working age to those of pensionable age would fall from 3.3 to 1 in 1991 to only 2.2 to 1 in 2030 (GAD, 1991). The political imperative came from the European Court, which ruled in the Barber judgement of 1990 that pensions were part of pay and therefore that men and women had to be treated equally. This judgement had also served as a justification for the government's policy of attempting to switch the burden of pension provision from the public to the private sector (Dilnot, Disney, Johnson and Whitehouse, 1994).

The force for change involved the emerging flexibility in labour markets. With greater labour flexibility, long service and lifelong employment are no longer key characteristics of the employment relationship. In the 1980s much emphasis was placed on labour costs; it is sufficient here to note that at the time the fieldwork was conducted there was a heightened awareness in the literature of attempts to obtain a flexible labour force. These attempts were not just firm-led; many employees also claim to want flexible jobs (Neathey & Hurstfield, 1994). The concept of 'flexibility' is used to describe a variety of different forms of employment which do not conform to patterns of standard full-time salaried employment. The main types of flexible employment are part-time jobs, temporary jobs and self-employment with variations within each category. Dex and McCulloch's (1991) analysis of trends based upon Labour Force Survey (LFS) data from 1975, 1981 and 1986 showed a steady growth in the proportion of jobs with flexible working patterns during this period. The Employment Department has calculated that by the year 2001 full-time employment will have declined from 63.5% of total employment in 1990 to around 57% (Employment Gazette, April 1994). The increase in flexible forms of working has been associated with government measures to promote labour market deregulation and help

employers in the management and control of employees. Changing social economic trends have brought an increasing number of women into the labour markets and research (Dex & McCulloch, 1994; Neathey & Hurstfield, 1995) on labour data concluded that women comprised the majority of workers in all categories of flexible employment with the exception of the self-employed.

Sociology research findings (Land, 1988; Martin, 1981; Beechey, 1980; Ellis, 1982) suggested that in the 1980s women were at a disadvantage in terms of pensions in their own right, largely because the origins of the current occupational pension schemes lay in the motivation to provide for the old age of the traditional male employee, whose major financial responsibility was to maintain his wife and family. Moreover, the traditional philosophy behind the construction of company schemes was to reward the male worker who stayed with a single employer for most of his working life by giving his wife and children financial security. The movement from an ad hoc treatment of pension provision in the nineteenth century to a more structured provision in the twentieth century appeared to have little effect on this underlying ethos.

These four forces for change produced an environment in which employees were no longer compelled to join their company pension schemes; further legislative requirements were placed on schemes as a result of the principle of equal provision for men and women now buttressed by the European Court; and the 'flexible firm', which it could be argued no longer valued the qualities of long service, was emerging in increasing numbers. In this environment it could perhaps be assumed that employees, given the choice, would decline in significant numbers to join their company schemes. Company schemes could react to this lack of take-up by deciding to reduce their

commitment to occupational pension schemes on the grounds that fewer new employees were joining.

1.1 Objectives of the Research

The underlying objective of this thesis is to test the hypothesis that occupational pension schemes, as currently structured, will not survive into the twenty-first century. After giving an account of the pressures for change affecting pension scheme provision, such as the new legislative and labour market context, these will be now taken as the basis for the objectives of our research. The overall objective of this thesis is to test the hypothesis that occupational pension schemes, as currently structured, will not survive into the twenty-first century.

The primary hypothesis will be explored in terms of both the present stage of development of the Welfare State and current labour market conditions. These complementary objectives will be addressed with the following questions:

- a) **Are the rationale and philosophy behind the creation of pension schemes as relevant today as they were in the nineteenth century?**

The majority of workers in the last century entering the labour market could not expect to live to what is now accepted as the 'normal retiring age' of 60-65 (Hannah, 1986). Prior to the Old Age Pensions Act 1908 most old people, without savings or investments were left to their own resources, family help and reliance on the Poor Law when they were no longer able to work. There were few occupational pension schemes. The first recorded instance of what we might call an 'occupational pension' was given to Martin Horsham, a landwaiter in the Port of London on 10 March 1684

(Raphael, 1957). The reasons for the granting of this pension and others afterwards was that it was impossible for many officers in the Ports to save from their regular salary to provide for retirement. With no compulsory retiring age, the employer, as an efficiency exercise, wanted both to promote younger officers and to reward long service.

One of the first pieces of legislation that enshrined the occupational pension schemes provision was the Superannuation Act 1834 which set up a non-contributory scheme for male civil servants, providing a pension of two-thirds of final salary after 45 years service (Pilch & Wood, 1960). In the private sector most firms did not move beyond ex-gratia payments to reward long and faithful service until the mid-nineteenth century. The railway companies were among the earliest providers of pensions in the private sector. The most common justification for such schemes was based on efficiency: without them, employees might be retained after they had become incompetent, since to dismiss them might cause hardship.

- b) If we accept the findings of research that the employment patterns of men and women are changing, and in particular that they differ from those prevailing in the period when many pension schemes were established, what are the implications for pensions now and into the next century?**

There has been change throughout the UK labour market in recent years, brought about by a combination of the changing characteristics of the organisation, with employers seeking to secure or improve the flexibility of their workforces, and employees' demands for more flexible forms of employment. Coupled with the rise of the "flexible firm", the most striking change in today's labour market is the increase in female participation. These two developments are in part inter-dependent. The correction

becomes apparent when looking at the type of jobs that women hold. Women's share in 'atypical' forms of employment, such as part-time work and temporary work, is very high. It is therefore essential for the purposes of the thesis to analyse women's position with respect to pension provision, not only because they are becoming an increasingly sizeable sector of the workforce, but also because of the important role that they play in the 'flexible' labour market. As it will be discussed later on, this has important implications for women, as pension schemes set the criteria for membership on the basis of classification of work.

The first comprehensive survey of occupational pension schemes, conducted by the Ministry of Labour in 1936, found that of the 1.6 million people in occupational pension schemes 1.3 million were men and 0.33 million were women. These figure compared with 11 million people in occupational pension schemes in 1991, of whom 6.9 million were men and nearly 4 million were women. The working pattern of women has changed in this century. Women have always worked, but official statistics have not recorded the work of looking after the young and old as an 'economic activity' (Hunt, 1980). The percentage of women in paid work prior to the Second World War was about 10% (Hunt, 1980); it then rose steeply during the war to 50%, and dropped again in the late 1940s to less than 40%. The 1961 census was the first to report a pattern of many women returning to the labour force after the age of 35. Since then, labour participation has accelerated, (Martin & Robert, 1984; Elias & Main, 1983) with the proportion of women in the workforce rising to 42.5% in 1992 and projected to rise further to 45% in 2006 (Labour Market Trends, May 1996).

Women's career histories are different from those of men. In the 1960s they were typified as following a bimodal work pattern (Hakim, 1979), whereby women leave employment at the birth of their first child and return when their youngest child is of suitable age, with the second peak of activity generally occurring between the ages of 45 and 50. However, this pattern is changing, with the period of non-participation in the labour force becoming increasingly compressed. There are a variety of reasons for this trend, encompassing cultural, economic and legal factors. Evidence for the trend can be found in Daniel (1991). To summarise the body of research, over a period of less than 20 years the proportion of women who are economically active within eight to ten months of having a baby has increased from less than 10% to 60% (Daniel, 1991). The effect of this trend is heightened by the declining birth-rate, itself associated with the greater degree of choice made available to women by improved methods of contraception.

b.1) Does the female workforce have some requirements distinct from those of the male workforce in respect of pension provision?

At the time the early schemes were created the vast majority of women were financially dependent on their husbands. Social changes since then have resulted in a wider range of prevalent types of household, with rising rates of divorce and increasing numbers of people remaining single. Women are placing greater importance on increasing their level of financial independence. To address the issue set out above, the following topics were explored:

Is there a perceived difference in attitude towards pensions schemes between men and women? This question was aimed at finding out whether men and women

perceive their schemes as being egalitarian or whether they believe there are significant differences in terms of contribution levels, retirement age and security aspects between provisions for men and for women.

In the event of divorce, what expectations do members of schemes have about the allocation of funds between the two parties? This area of research explores the differences in attitude between the sexes in the event of a divorce, which has implications for pension provision.

Do pension scheme rules match expectations in the event of maternity leave? Do these expectations differ by gender? Published research suggests that childbirth has a large impact on the working lives of women (Daniel, 1991; Joshi, 1994). Our research findings will add another dimension to the debate on the pension implications of maternity leave. Do women, for example, expect to receive the same pension irrespective of whether they have paid less into a pension fund as a result of taking maternity leave? Is this view held by both sexes?

What are the scheme members' expectations of the provision for widows and widowers? By researching this question we hope to contribute additional evidence to the wider debate on whether women perceive themselves to be financially dependent on their husbands and whether men perceive themselves as financial providers.

What knowledge or expectations do members have of the age at which they will be able to retire on their pension? Towards the end of the nineteenth century, a fixed

retirement age of 65 was standard practice in the public service in the UK. Increasing numbers of large firms, such as the railways companies were also retiring their salaried staff at 65 (rarely 60), a development which seemed to reflect a popular belief that most people became unfit for regular efficient work at some point in their early sixties. According to Thane (1978) medical evidence offered some support for this belief. In the 1920s mass unemployment led to demands for that the pensionable age be lowered in order to release jobs for the younger unemployed. The government, through the Widows, Orphans and Old Age Pension Act 1925, reduced the pension age of men and women to 65 from 70, and introduced a contributory national insurance pension.

1.2. Methodology

A review was undertaken of the three main surveys in the area, conducted by the Government Actuary's Department, the National Association of Pension Funds and the Office of Population Censuses and Surveys. A literature review highlighted a PhD thesis which analysed the role of women in occupational pension schemes from a historical perspective, the researcher's methodology relying on historical data. There was also evidence that a few PhD theses, both completed and in progress, were examining the financing and financial returns of pensions in the United States. The main methodology used, particularly in these cases, was event study methodology, which involved estimating of the parameters of a chosen return-generating process. The most commonly employed process was the single index market. However, in 1991 academic research was being undertaken at Bradford University which addressed the issues of women's attitude towards their own pension provision using face-to-face interview as the methodology.

After this review, a survey seemed the most appropriate method for the present research. In this survey, the population element - members of occupational pension schemes - was found by locating the companies within which they are employed. The sampling unit is therefore companies with occupational pension schemes. Thus, a significant amount of the groundwork for this survey involved identifying and, more importantly, securing the co-operation of the sampling unit. To test this study's hypothesis, it is necessary first to measure the level of satisfaction with their pension scheme, experienced by employees; then to segment the sampled population and, within these segments, to assess the respective attitudes and levels of satisfaction of different commonly identified groups within the working population.

1.3 Structure of the Thesis

The thesis is divided into two parts. The first part, chapters 1-3, analyses the historical development of occupational pensions. It also attempts to investigate the changing social and economic issues which affect pension provision. The historical context of pension provision for women is considered in order to highlight the social and economic values on which provision has traditionally been determined ie. that it was for a man to provide for his wife and family. Current labour market trends are analysed and an attempt is made to highlight and emphasise the existing and emerging inadequacies in both state and occupational pension schemes.

Part two of the thesis, contained in chapters 4-7, examines the main findings of the research. After an initial overview and discussion of the findings, the detailed analysis is structured around various themes emerging from the findings. These themes range from the question of retirement age to the pension treatment of widows and widowers.

The analysis covers the actual and perceived contributions of members and employers to their pension schemes in the aftermath of the Maxwell case, and members' perceptions of the security of their pension funds. The perceptions and expectations of pension scheme members having been examined, cluster analysis is used to outline and describe the profile of those members who are most satisfied with their pension schemes.

1.3.1 An Overview of Pension Provision

Chapter 1 traces the development and growth of occupational pensions together with statutory pension provision for the elderly. We review the build-up to the 1908 Old Age Pensions Act, the requirements of the 1925 Act, and the development of occupational pension schemes up to and beyond the Beveridge Report of 1942. We examine the costing of the National Insurance Fund and attempt to analyse the reasons for the growth in pension schemes throughout the 1950s up to their peak coverage in the 1960s, exploring the rationale behind their growth, and their interdependence government legislation.

Chapter 2 reviews pension provision and coverage in the UK in the period prior to our field research, an examination which provides the framework for the analysis. We also examine design details of the main types of pension provision, ranging from contribution and salary defined schemes to additional voluntary contributions. We also look at the motivation for and structure of the creation of the personal pension market and analyse its impact on occupational pension schemes.

Chapter 3 focuses on the radical changes in women's participation too, and participation in, the labour force since the early 1980s (Atkinson & Meager, 1986). Largely, these are seen to be a result of pressures resulting from demographic, social, economic and cultural fluctuations and changes, including increases in women's levels of educational and professional qualification as well as fundamental shifts in attitudes towards female employment, particularly for married women. Changing patterns in female employment involve both supply and demand factors. Employers increasingly rely on a flexible workforce to meet fluctuations in demand for services and products, while women, as primary carers, are reliant on part-time employment in order to be able to reconcile their economic and child-care needs. Chapter 3 seeks to examine the nature and source of these changing patterns and to analyse their implications for access to and coverage of pension provision in the 1990s. This examination appears to indicate that if occupational pension schemes are to survive into the next century, the design and coverage criteria will have to accommodate an increasingly diverse and flexible workforce, in which women will no longer be for the most part confined to the periphery but will increasingly contribute to the highly educated, professional, high-earnings core segment.

1.3.2 Empirical Evidence: Emerging Themes

The overall response rate to the survey was 26%; of those who responded 480 (52.4%) were male and 436 (47.6%) female. The majority of respondents were full-time employees. Responses were then correlated with age, and with levels of satisfaction with occupational pension schemes according to gender, age and employment status. Where deemed appropriate, the analysis also considers respondents' marital status. We would expect marital status to be an important indicator of differences in attitudes and

perceptions between members - not least because members' marital status will give some insight into how their experiences affect the types of issues they value and the decisions they make with regard to occupational pension schemes.

One of the major themes that emerged was the effect of and attitudes about the different retirement ages for women and men. The fieldwork was completed in 1991-1992, prior to the announcement on the equalising of the pension age for the state pension scheme. There is no statutory definition of normal retiring age for occupational pension schemes, but national insurance defines it as the minimum statutory retiring age, which is 60 for women and 65 for men. Normal retiring age (NRA) can only be applied to occupational pension schemes as meaning 'normal' for that particular scheme. Chapter 5 examines this area together with the history of social administration policy that created and allowed this difference in retiring age. Practices outside Britain are also discussed for means of comparison. Contemporary thinking on retirement trends and demographic projections are then discussed in an attempt to add to the debate on the implications for occupational pension schemes of equalising the retirement age.

Occupational pension schemes are often considered solely in terms of the remuneration provided at the age of retirement, with other benefits accruing from a pension frequently regarded as of less importance. Chapter 6 focuses on the detail of the life assurance and ill-health in retirement elements of schemes. The wider issue of lump-sum payments to dependants, is investigated, along with other post-retirement provisions.

In the final chapter we analyse the actual and perceived contributions by both employers and employees to their schemes together with employees' perceptions of the security of their pensions. After examining the perceptions and expectations of pension scheme members, cluster analysis is used to outline and identify the profile of those members who are most satisfied with their occupational pension. Little research work has been done in this area, and this examination of expectations and profiling of satisfaction levels provides new and useful information. It offers the possibility of identifying a group with common variables who are very content with their pension scheme, or one that is severely dissatisfied with occupational pensions. This profiling may help to identify the future coverage of schemes.

In conclusion, the first half of the thesis is explanative in the main but sets the framework for the different types of pension schemes and coverage within the UK. It also comments on and evaluates the employment patterns of both full-time and part-time employees prior to the fieldwork. The second half of the thesis analyses the quantitative research findings and, after reviewing the main results, picks out themes running through the findings.

The conclusion, using the overall findings of the research, addresses the issues of whether occupational pension schemes are likely to survive into the next century; if so, what format will they take, and why is this format appropriate; if not, what the alternatives are to the present structure.

CHAPTER 1

CREATING THE STATE PENSION SCHEME

- 1.1 Provision Before the State Pension Scheme of 1908
 - 1.1.2 Early Development of Occupational Pension Schemes in the Public Sector
 - 1.1.3 The Nineteenth Century Poor Law
 - 1.1.4 The Question of Adequate Relief
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 - 1.1.6 Other Methods of Pension Scheme Provision
- 1.2 The Old Age Pensions Act 1908
- 1.3 Occupational Pension Schemes at the time of the 1908 Old Age Pensions Act
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- 1.6 The First Survey of Occupational Pension Schemes
- 1.7 Beveridge and Beyond
- 1.8 Further Shaping of Occupational Pension Schemes by Legislation
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- 1.10 Occupational Pension Scheme Growth in the 1960s
- 1.11 The State Earnings Related Pension Scheme

CHAPTER 1

CREATING THE STATE PENSION SCHEME

1.1 Provision Before the State Pension Scheme of 1908

This chapter traces the development and growth of occupational pension scheme. Prior to the Old Age Pensions Act 1908 most old people without savings or investments, had to rely on their own resources, family help and ultimately on the Poor Law when they were no longer able to work: occupational pensions were very rare. Compared with today, however, Victorian Britain was a much more youthful society. In 1841, just 4.4% of the total population were aged 65 and above (Hannah, 1986), and until the twentieth century the life expectancy of 20 year olds was less than to age 65. Thus the majority of workers entering the labour market in the last century could not expect to live to what is now accepted as the 'normal retirement age' of 60-65. At that time, too, it was the large numbers of dependent children, far more than older relatives, that most taxed the financial resources of families. In the twentieth century, the demographic transition to the small family reduced that burden, while increased longevity greatly added to the numbers of the older population. By the 1980s, 15% of the total population were aged 65 and above (Hannah, 1986). Throughout this century, these changes have made old people much more visible in society.

This chapter is arranged chronologically in order to show most clearly the interconnections in the historical development of various pension schemes. Two parallel threads run through the chapter: the evolution of statutory pension provision for the elderly, and the growth in occupational pension schemes (which developed hand in hand with changes in related tax legislation).

The legislative foundations of provision for the elderly date back to the Elizabethan Poor Law (generally referred to as the Act of 1601), which survived on the statute book for nearly 350 years. England was not the only country to make provision for its elderly: both France and Scotland adopted similar legislation in this period. Under the 1601 Act those who owned property paid a 'poor rate' for the support of services for the poor throughout the parish (Walley, 1972). For claimants, the service was not too dissimilar from the present-day practice of claiming supplementary benefit, except that those who had to deal with the claim would be local people to whom the person's circumstances would usually be well known. There is evidence those who paid the poor rate included increasing numbers of men who themselves had risen from the ranks of the workers. They prided themselves not on their birth, but on their own energy and foresight in securing independence from community assistance. As their wealth grew, they also began sometimes to assume that superior attitude which Eleanor Rathbone later identified as the 'Turk complex' (Walley, 1972).

The upheavals of the Civil War and Restoration period contributed to the development of a more fluid and geographically mobile society. To deal with this more mobile population, the Poor Law was modified by the 'Law of Settlement' just after the restoration of the monarchy in 1660. This modification gave the parish authority to send a worker and his family back to his place of 'settlement', not only if they became a charge on the poor rates in the place where they were living and working, but even if it looked as if they might become such a charge. The old, however, did not fare too badly under this system. In practice, it was those men and women with children who were most disadvantaged. The

possibility that the family might, later, become a charge on the local rate must always have been a fear of the Poor Law overseer, wherever a family tried to settle.

For the majority of people in the seventeenth and eighteenth centuries, financial provision for old age, if any, was made through their own savings. Occupational pension schemes, as we now understand them, were virtually non-existent (Ellison, 1979). The first recorded instance of what we might call 'an occupational pension' was given to Martin Horsham, a landwaiter in the Port of London, on 10 March 1684 (Raphael, 1957).

1.1.2 Early Development of Occupational Pension Schemes in the Public Sector

The Civil Service set up one of the earliest pension schemes in 1810, placing Civil Service employees in a privileged position relative to their counterparts in the private sector. The scheme established by the Lords of the Treasury became an important model for the clerical and executive ranks in other organisations offering, as it did, a particularly generous level of benefits (Rhodes, 1965). The legislation enacted in 1810 set up a non-contributory superannuation scheme for civil servants, although pensions were granted only to those employees who were incapable of work through physical or mental weakness. The amount of pension paid depended on the length of service (Rhodes, 1965). By 1821 the cost of superannuation was being investigated, with a consequent recommendation that the scheme be amended to require employee contributions. An Act of 1822 fixed the contributions at 2½% for salaries between £100 and £200 per annum, and 5% for those in excess of £200. It was intended that half the cost of the scheme would be met by employees' contributions.

Two years later, in 1824, as a result of opposition on the grounds of violation of original terms of employment, legislation was passed which not only abolished contributions but

required the return of those which had already been paid. As a result, the Superannuation Act 1834 set up a non-contributory scheme for male civil servants, providing a pension of two-thirds of final salary after 45 years service (Pilch & Wood, 1960). In 1859, 25 years afterwards, the entitlement was altered to one-sixtieth of final salary for each year of service, with a maximum of forty-sixtieths (Rhodes, 1965). This level of provision became the target for other groups in the public sector, and is still in operation today. By the end of the nineteenth century, some local government employees had also won pension rights by statute or by local government agreements. Local authority employers were, however, cautious about extending such schemes; the few early local ones involved contributions from the staff and provided lower levels of pension than the Civil Service scheme (Rhodes, 1965).

The most common justification for these schemes, which was also used in the private sector, was that of efficiency: without such provision, employees might be retained after they had become incompetent, since to dismiss them might cause hardship. The efficiency argument triumphed over the counsels of self-help, and by the middle of the nineteenth century a regular pension scheme had become established as part of the terms of employment for civil servants. The vast majority of British workers, however, did not have access to such schemes, and thus were forced to carry on working. Some were asked to leave physically demanding jobs and find lighter work, and some employers would keep on old, unproductive workers with long service for the sake of charity (Royal Commission, 1910). When work had to cease, however, and savings ran out or self-help failed, the major source of provision remained the Poor Law. Given its importance as the last resort of many in old age, the structure of the Poor Law in the nineteenth century calls for closer examination.

1.1.3 The Nineteenth Century Poor Law

The principle of the workhouse test for the aged in need was based on a belief in the effectiveness of deterrents. If the poor had only the workhouse to look forward to they would be induced to save in their earlier years. It was hoped that an 'offer of the house' to an individual would bring forward children, relatives and friends to provide for them. Crowther claims, however, that support for parents was not always forthcoming (Crowther, 1982). Old people wishing to live with their children and grandchildren were as likely then as now to encounter resistance and emotional strain. Similarly, poverty in old age was often blamed on the supposed long-run decline of filial piety (Hannah, 1986). Such reciprocity as existed between young and old in family life may have been developed in booming factory towns where women could gain employment and so welcomed a grandmother at home to care for the children (Hannah, 1986). For the old it was held that the conditions of workhouse life might be 'less onerous' than for the able-bodied, as it was considered a place where 'the old might enjoy their indulgences without torment from the boisterous' (Crowther, 1982).

Some Boards of Guardian (the bodies responsible for administering the Poor Law) allowed old people who did not wish to enter the workhouse to receive 'out-relief', which enabled them to remain in their own homes. Practice varied among boards. For example, the Paddington Union, a strict board, continued to grant out-relief to the aged providing they were deserving at the time of application, could produce evidence of thrift, had no relatives legally liable for their support, were unable to get charity and could adequately take care of themselves outside the workhouse (Hohman, 1933).

1.1.4 The Question of Adequate Relief

The findings of the various Poor Law Commissioners in the years 1810-95, led to the question of what constituted an adequate level of relief to be obtained through the boards. The commissioners all agreed upon the 'indiscriminate, insufficient, and unconditional' character of most out-relief. The situation was characterised thus by the Select Committee of 1888:

In the case of the aged and infirm who are of respectable character, it is very general practice to give out-door relief, which usually takes the form of small weekly doles, insufficient for the support of the pauper, and which, from the difficulty of ascertaining the true circumstances of the recipients, especially in large towns, are frequently granted to persons who are not really destitute. Such doles are eked out either by private charity, help from relatives, or by slender earnings. (Hohman, 1933)

The amounts of relief ranged from 1s 6d to 4s and in exceptional cases to even 5s 6d per person a week. 2s 6d seems to have been regarded as average. For couples the amounts were increased but not doubled. In some cases food supplies were also given (see Table 1.1).

Table 1.1 Weekly Amounts of Relief Given Under The Poor Law 1895

Union	Single Person		Couple	
	General	Exceptional	General	Exceptional
St Saviour's (London)	3s to 4s	4s 6d	5s, 6s	8s
Brighton	2s 6d to 4s		7s	
Edinburgh	3s 6d to 4s			
St Pancreas	2s 6d to 4s			
Birmingham	2s 6d to 3s			
Newark	1s 6d to 3s			
Nottingham	2s average	4s to 5s 6d		
Norfolk	1s 6d	2s (no flour)	2s + stone flour	
Poplar (London)	2s 6d	3s	5s	6s
Dorset	2s 6d + a loaf	3s	4s	6s

Source: Minutes of Evidence of the Royal Commission on the Aged Poor, Cmnd 7684, 1895

There was no clear policy on what amount should be given. When regional Relief Committees did formulate a policy on budgets it was usually set at 6s or 7s for a single individual, but evidence showed this was not always adhered to (Royal Commission on the Aged Poor, 1895). Thus the lot of the aged poor was the inadequate dole or the workhouse.

As a result of the investigation and recommendations of the Royal Commission on the Aged Poor (1895), the Local Government Board took steps to ensure a policy of adequate relief. Four years later, in 1899, a policy for 'deserving' aged paupers was stated in a Circular from the Central Authority, in which it was specifically stated that 'aged deserving

persons should not be urged to enter the Workhouse at all unless in need of institutional care, but that outdoor relief should be given for them to remain in their own homes' (House of Commons 1907).

The extent of the problem was also examined by the Royal Commission under Lord Rothschild's Chairmanship in 1892. The committee ascertained that there were in Britain two million people over the age of 65, two-thirds of whom were in need of aid. The committee made no specific recommendation, but the financial calculations for a proposed Act awarding non-contributory old age pensions were based on these figures. In 1900 a Government Committee was appointed under Sir Edward Hamilton which estimated the cost of such a measure to be £10,300,000.

In 1906, when the Royal Commission on the Poor Laws undertook its investigations, the general consensus of Poor Law inspectors and guardians was to the effect that things were much as they had been in 1888 and in 1895. Only the most sophisticated boards troubled themselves with matters of adequacy. Following tradition, the Central Authority left the application of the general policy in the hands of the local guardians. It hesitated to lay down, or even to indicate, except in the most general way, what the term 'adequacy' was intended to convey.

1.1.5 Private Occupational Pension Schemes

Most private firms did not move beyond ex-gratia payments to reward long and faithful service until the mid-nineteenth century. The cost of a systematic scheme was considered to be prohibitive. The railway companies were among the earlier providers of formal pensions in the private sector. The best documented of these schemes is that of the London

and Birmingham Railway which offered old age allowances in the 1840s of from 5s to 20s a week, financing these from the sale of lost luggage and newspapers (Bagwell, 1968).

Another example of provision within this industry was the Great Central Railway Mutual Provident Society and Old-Age Fund which became effective from July 1874 with 12,623 members. The objective was to provide relief in case of death or disablement arising from an accident while at work, and to offer a pension of 7s per week at 60 years of age if an employee was unable to work. Members contributed 2d per week: by 1898 the company had contributed a total of £7,486 6s 6d in comparison to the members total contributions of £53,595 12s 1d (Riebenack, 1905).

Another large scheme was that of the Great Western Railway, which was established in 1880 and had a membership of 15,500. Members who retired after age 55 years with at least 30 years' contributions were entitled to a pension of 10s per week. There was an additional allowance of 1s per week for every completed term of five years' membership beyond the first 30 years. The average age of retirement was 62½ years. Contributions varied according to age: at 19 the member contributed 4d while at 30 he contributed 7d. The employer contributed an annual amount equal to that of the members' contributions. An interesting point is that members had to make extraordinary payments when necessary to keep the total invested amount at a level of £40,000 (Riebenack, 1905).

Other large companies followed the trend of forming pension schemes, prompted by the growing trade union movement. The large gas companies, for instance, all had schemes by the turn of the century (Everard, 1949). Financial institutions also made some provision for

pensions, and, towards the end of the century well-defined schemes were in existence in a few banks (Sayers, 1957).

In other industrial sectors, schemes were few and far between, and companies largely resorted to ad hoc arrangements. Some pension schemes were set up by the prosperous benevolent employers, notably the East India Company, the West Indian Docks (started in 1852) and Colmans (set up in 1899), and later by companies such as Rowntree and Lever Brothers. It is clear that the smaller schemes tended to be much more varied in terms of both benefits and contributions than the larger. However, the principle of a 'funded' scheme was almost universal in the private sector: that is, a scheme in which benefits were met from a fund built up in advance from contribution and investment income.

1.1.6. Other Methods of Pension Scheme Provision

Many employers directly encouraged thrift among their workforce by sponsoring works savings banks, provident funds or friendly societies, often covering administrative expenses paying the interest (sometimes at privileged rates) on money deposited with the firm or declaring bonuses on pay and encouraging employees to deposit rather than spend them. The amounts typically accumulated in these funds were inadequate to buy a reasonable pension annuity in old age. Nonetheless, they did offer employees a convenient way of building up a nest egg for periods of unemployment and sickness, and such a lump sum provided some supplement to declining income from employment as old age or incapacity approached (Hannah, 1986).

The increasing number of friendly societies forming around the middle of the nineteenth century led to the appointment in 1848 of a registrar in an attempt to regularise their

policies. Friendly societies were typically concerned with a wide range of insurance needs, including sickness, accident, health and unemployment provision; their members showed little interest in extending this to include specific cover for old age retirement which was indeed less likely than the other eventualities to be experienced by the working classes of this period. Industrial assurance (defined in the Industrial Assurance Act 1923 as 'the business of effecting assurance upon human life, premiums in respect of which are received by means of collections and are payable at intervals not exceeding two months') had not yet penetrated the popular market for old age provision. For almost all of the working classes, working life continued until they were no longer able to work because of incapacity.

1.2 The Old Age Pensions Act 1908

The Old Age Pensions Act of 1908 proposed by Prime Minister Asquith in his budget speech of the same year established a non-contributory system of old age pensions throughout the United Kingdom. Pensions were to be granted, subject to a test of means and moral character, separately to both men and women, married or single, who had attained their seventieth year (Gilbert, 1966).

Social reformers, trade unionists and other prominent individuals had been arguing for such a measure for 30 years before Asquith's Act outraged by the harshness of the Poor Law. Joseph Chamberlain, Herbert Stead and many church leaders, among others, strongly believed that the wages of the lower classes were insufficient to allow them to save enough to provide for their old age, forcing them ultimately to live in poverty. Report of the Royal Commission on the Aged Poor under Lord Rothschild in 1895 had failed to recommend a system of state-aided pensions (Royal Commission on the Aged Poor 1895). Far too many of the commissioners had previously committed themselves to particular positions with

regard to old age pensions to make anything like a unanimous report possible. The two points upon which they had all agreed, however, was that the existing conditions under which relief was provided to the aged were untenable and that relief, if granted, should be 'adequate'. The majority report stated:

We desire to place on record in strong terms our conviction that where out-door relief is given an amount should be adequate to meet fully the extent of destitution, and that proper investigation and supervision should be insured in all cases in which application is made for relief. (Hohman, 1933)

Several schemes were considered. In 1899 the Select Committee of the House of Commons on the Aged and Deserving Poor proposed a scheme which would provide for a weekly pension of between 5s and 7s for persons over the age of 65 whose weekly income did not exceed 10s (House of Commons Report of the Select Committee, 1899). Eventually two catalysts prompted the 1908 legislation. First, some pension provision was being made outside the United Kingdom. In 1889, the German Empire adopted a system of contributory old age pensions. An Old Age Pensions Act establishing a non-contributory pension scheme was passed in New Zealand in 1898 and similar measures followed in Australia, and in Denmark. All of these affected the development of legislation within the United Kingdom. The second catalyst was the formation of the National Committee of Organised Labour on Old Age Pension, better known as the 'Pension Committee', which campaigned for the simple plan developed by Charles Booth for a universal non-contributory pension of 5s a week to be given to all persons over 70 (Stead, 1909).

The opportunity for the introduction of old age pensions finally came in 1905 when the Labour Party first appeared as a political force in Parliament. There was some division

among supporters of the principle as to whether national pensions should be contributory (like Bismarck's scheme in Germany) or financed from general taxation. Gradually, the supporters of state pensions gained ground. However, it was not until 1908 that Asquith outlined a scheme in his budget speech (Stead, 1909), and it was Lloyd George who finally steered the Bill through the House of Commons.

The Old Age Pension Bill was hotly debated in both the House of Commons and the House of Lords. The opposition was most strongly consolidated in the latter, coming chiefly from the ranks of the exponents of laissez-faire Liberals and Conservatives who viewed the measure as one 'which for good or bad, produces a social revolution' (Hansard, 1908). In spite of the strong opposition the Bill was passed for a non-contributory pension, but not without undergoing some fundamental modifications. Though many wanted retirement age to be 65, economics led to the age of 70. The Act was amended in 1911 to provide for 'flexible' non-contributory pensions on a downward sliding scale for persons (men and women, single or married) who had reached the age of 70 (See table 1.2) The highest weekly pension provided was to be 5s per week for a single person whose annual income did not exceed £21, or 5s per week each for married persons whose joint yearly income did not exceed £31.10s. Universality was lost, partly because it was estimated to cost £25 million per annum whereas the cost of the Bill of 1911 was estimated at £17 million (Stead, 1909).

Table 1.2 Rate of Old Age Pension for individuals over 70 covered in the 1911 Act

Amount of Yearly Income	Weekly Pension
Does not exceed £21	5s
Exceeds £21 but does not exceed £23 12s 6d	4s
Exceeds £21 12s 6d but does not exceed £26 5s 0d	3s
Exceeds £26 5s 0d but does not exceed £28 17s 6d	2s
Exceeds £28 17s 6d but does not exceed £31 10s 0d	1s
Exceeds £31 10s 0d	No pension

Source: Old Age Pensions Act 1911 (Stead, 1909)

To qualify for an old age pension, as well as earning no more than £31 10s a year, an individual had to have been a British subject, resident within the British Empire, for at least 20 years prior to claiming the pension, be able to give proof that he or she had not 'habitually failed to work'; not be an habitual drunkard; and not have been convicted of a criminal offence. A person who had been imprisoned was disqualified from receiving a pension for 10 years afterwards; also disqualified was anyone who had been in receipt of Poor Law relief, except when receiving certain specified medical and surgical assistance. Persons who were detained in an asylum as criminal or pauper lunatics were not allowed to receive state pensions.

By 1912, according to Lynch (1965), 60% of people who were 70 years or older were claiming pensions. In order to distinguish their provision from the Poor Law, pensions were distributed through the Post Office. The new pensions also enabled the Poor Law authorities to cut expenditure on the old substantially, and undoubtedly reduced the numbers forced into workhouses and other institutions. As a measure to facilitate secure retirement, however, the 1908 Act had severe limitations: many employees were worn out

and incapable of working well before reaching their seventieth year; and the majority of adults could not even expect to live until 70. For those who did, 5s was better than or equivalent to the normal Poor Law relief, but was still below what was generally regarded as the amount needed for subsistence. At about a fifth of the average wage, it was clearly insufficient to compensate for loss of earnings and, indeed, was expressly presented as being a supplement to income from casual earnings, charities, families, former employers, and the savings or friendly society benefits which the old were still expected to accumulate. During the First World War certain administrative concessions in the calculation of means were allowed, erring on the side of generosity, though these were admittedly wartime expedients.

1.3 Occupational Pension Schemes at the time of the 1908 Old Age Pensions Act

As noted above, very few companies had any form of pension scheme for their employees before the 1908 Act. Those that did have schemes in operation were for the most part very large companies and state sector employers; but in 1891 only 3% of the labour force worked for the state (Raphael, 1964).

The terms of trade union pension schemes, if they can be so called, were outlined in a report by Lord Rothschild's (Royal Commission on the Aged Poor, 1898). This report showed that the amount paid out in such pensions was based on the length of an individual's membership of the union, frequently starting at 5s per week at a certain age (usually 55 - 60). A pension was not always obtainable by the mere fact of old age, but could depend on other factors such as a vote of the society, or proved incapacity to earn the accepted full rate of wages.

In 1907 the Local Government Board was commissioned to undertake a survey of all occupational pension provision in preparation for the introduction of Lloyd George's state pension scheme in 1908 (House of Commons, 1907). There was not enough information available concerning occupational pension schemes for the board to ascertain how many schemes were in operation, other than those run by the public sector. The statistics that did exist showed that in 1905 70 trade unions were giving superannuation pay, which was received by 13,383 members. The total amount paid was £256,754, which on average worked out at £19 4s per annum per pensioner. To put this figure in perspective, the proposed state pension, at 5s per week came to £13 per annum. Insurance companies were also starting to make an impact on the provision of old age pensions. They were to prove more resilient as saving institutions than the trade unions and friendly societies in the changing conditions of the twentieth century.

1.4 How Tax Legislation Shaped Pension Schemes

Tax provisions were an important element in the growth of occupational pension schemes. In the early part of the twentieth century there was no legislation directed exclusively at the taxation of superannuation schemes; these were considered as trusts, whereby the contributions paid were assessed for tax on an individual basis. For example, was the employer's contribution a reasonable expense or was it a payment of a capital nature and therefore not exempt from tax? The decision arrived at depended on the facts of the individual case. Whatever decision was made, it was not of such vital importance as it is today, because income tax was low. Tax allowances were granted for premiums paid upon life assurance and similar policies.

The first reference to pension schemes in tax legislation was not made until 1916, when deferred annuity contracts were given relief if made in connection with 'any superannuation or bona fida pension scheme' (Sabine, 1966). Tax relief for pension schemes as opposed to individual arrangements was not granted until 1921. Tax relief was, however, allowed on life assurance as early as 1799, when William Pitt first introduced income tax to meet the needs of the Napoleonic Wars. Income tax was charged at 2s in the pound on all income in excess of £200; between £60 and £200 there was a graduated rate starting at 2d in the pound, with income below £60 exempt. Deductions were allowed for children and other relatives, and for annuities and life assurances. In 1853 income tax was reintroduced with relief on life assurances but restricted to a contribution of one-sixth of total income (Lynch, 1965).

In certain circumstances tax was allowed for employers on grounds of 'whether it was a reasonable expense for the employer' (Lynch, 1965). Only about 2 million employees paid income tax in 1920/1. The reliefs were becoming more and more costly to the Exchequer and assurances were tending to be effected solely in order to gain income tax relief. As a result, it became necessary to introduce restrictions both on the rate of relief allowable and on the amounts in respect of which it could be claimed.

With the growing number of pension schemes, three early pieces of legislation affecting the tax position of pension schemes emerged. The first was the Income Tax Act 1918 (section 32) (Hosking & Lane, 1948), the principal effect of which was to restrict the relief in respect of employee's contributions to half the standard rate of tax, although it also extended the relief to include schemes giving dependants' benefits. The second was the Finance Act 1921 which provided, inter alia, that the ordinary annual contributions of both

employees and employers qualified for full tax relief as allowable expenses, and that the investment income of the fund was freed from all liability to tax. In the following year, the Local Government and Other Officers' Superannuation Act 1922 was passed, enabling local authorities to provide for the superannuation of their employees.

After the passing of these three Acts there was a general tendency for schemes aimed at higher-paid staff to be approved under the Finance Act 1921, while those for lower-paid staff and works employees were established under the Income Tax Act 1918, under which no specific approval of the scheme itself was required. The reasons for this division are easily understood: the advantage of full tax relief on contributions was of much greater importance to those who were liable for the higher rates of tax, while to those who paid little or no tax the question of relief was of secondary importance.

When a member of a superannuation fund approved under the 1921 Act left employment and wanted a refund of contributions, tax was payable on the net amount of the refund at one-quarter (amended from one-third in the Finance Act 1930) of the current standard rate of income tax. This liability arose regardless of whether any relief from tax had in fact been enjoyed by the member in respect of contributions and even if the member's income had not been liable for tax.

In theory, there were a great many legal differences between a fund set up under the Finance Act 1921 and one established under the Income Tax Act 1918. In practice, however, exactly the same premium rates were charged for both types of scheme, the benefits provided were in general precisely the same, and the amount paid by the employer

in either case was normally an allowable charge in his accounts. Only the tax relief on the employee's contributions discussed above, differed.

Consumers' expenditure on life insurance rose from around 2% of their total outgoings in the late nineteenth century to nearly 4% by the late 1930s. While much of this increase in sales was accounted for by endowment policies designed for saving to provide for old age, the number of ordinary life policies in force rose from 2 million to over 6 million between 1900 and 1920. The industrial insurance companies, selling policies mainly to a working-class market who paid weekly premiums to a door-to-door collector, expanded rapidly. An increasing share of their business came to be in endowment policies, costing sixpence or more a week, which provided a lump sum in old age, rather than the penny-a-week policies covering burial expenses which had predominated earlier (Williams, 1962). The market for voluntary savings as a whole was steadily expanding at this time, and the increasing market share taken by these insurance companies is attributable to the tax concession offered by the 1921 Act.

One indicator of the growth of schemes during these years was the increased activity of the Association of Superannuation Funds, whose membership expanded from 55 at its foundation in 1919 to 254 a decade later. Pension scheme provision was one instrument of changing attitudes towards labour, as evidenced for example in the paternalistic policies practised by the Quaker owners of Cadburys, creating a stronger identity between workers and employers (Child, 1964). Other manifestations of changing labour policy were to be found in the areas of staff training and negotiated wage rates.

Although companies operated schemes for economic reasons, a sense of mutual interest, although vague, was interlinked with financial provision for a worker in retirement. Another reason for employers operating schemes, particularly schemes aimed at clerks who handled money in gas, bank and railway companies, was that they were a means of deferring part of the employee's pay as a sanction against fraud. More broadly, these schemes represented one method of obtaining loyalty from employees and encouraging them to behave in a way beneficial to the overall interest of the firm.

Many pension schemes had their origins in work-based thrift organisations and employees seemed willing to join schemes in which the employer would also make contributions. It was usual for members to withdraw their own contributions, often with interest when they left their employer; it was rare for the employers' contributions to be returned.

1.5 The Old Age Pensions Act 1925 and Beyond

By 1925 two parallel systems of pensions were developing: one for the poor, which consisted solely of the state old age pension scheme, and one for the better off, whereby they were also covered by independent savings or occupational pension schemes (Feinstein, Matthews, Obling & Smee, 1982). While the purpose of the original Act of 1908 had been to supplement income, rather than to provide full maintenance, in practice the pension was not infrequently the sole source of support. Criticism of the state pension to provide properly for the aged was often voiced, particularly because of the high inflation of the wartime and post-war years.

As a result of the growing pressure for change, a Departmental Committee on Old Age Pensions was appointed; it made its report in 1919 (Committee on Old Age Pensions). The

Labour members on the committee asked for full maintenance pensions, estimated at 15s to £1 a week (Committee on Old Age Pensions 6873). The committee finally recommended an increase to 10s as a figure which would re-establish the pre-war value of the 5s pension, adding: 'We hope that there will be gradually such a fall in prices that this 10s will ultimately represent a substantial increase in the value of the original pensions'. They recognised that this was still insufficient fully to support even the most meagre lifestyle, but they hesitated to take the step of recommending an adequate amount. Furthermore, despite pressure, the Act of 1919 did not repeal the means-testing element, nor did it make the pension universal, and the age of 70 for retirement was also maintained. The Poor Law disqualification was, however, withdrawn (Wilson & Mackay, 1941). (For details of the new benefits given to married individuals see table 1.3). After the deflation of the 1920s, however, the old age pension was restored to 21% of average wage earnings. This had helped to maintain parity with the working population after a large fall in living standards during wartime inflation.

Table 1.3 Amount of Old Age Pension For Married Individuals under the 1919 Act

Yearly Income	Rate of Pension Per Week
Joint income does not exceed £26 5s 0d	10s
Exceeds £26 5s 0d but does not exceed £31 10s 0d	8s
Exceeds £31 10s 0d but does not exceed £36 15s 0d	6s
Exceeds £36 15s 0d but does not exceed £42 10s 0d	4s
Exceeds £42 10s 0d but does not exceed £47 5s 0d	2s
Exceeds £47 5s 0d but does not exceed £49 17s 6d	1s
Exceeds £49 17s 6d	No pension

Source: Stead F H 1921 How Old Age Pensions Began To Be, Methuen, London, Appendix B

In 1925 Neville Chamberlain presented a Bill for the introduction of contributory pensions, making use of the argument that the Conservatives had used against Lloyd George's Bill in 1908 when Lord Robert Cecil had said: 'There was the principle that it was primarily the duty of everybody to provide for their own old age, and provide for himself generally' (Hansard, 1908b).

The 1925 Act changed the whole concept of provision for old age. Under the new measure, those who had contributed to national insurance were entitled at the new age of 65 (lowered following the mass unemployment of the 1920s, which prompted demands for jobs to be released for the young unemployed) to 10s per week, without a test of means (Rhodes, 1965). This Act enabled employed women to build up a pension in their own right, provided they had been working in an occupation covered by national insurance and were not earning a salary high enough to disqualify them. An upper limit was imposed on the income level an employed person could earn and remain eligible for membership of the scheme, excluding those who were considered well-paid. Married women were also entitled to a pension because of their husband's contribution record (Wilson & Mackay, 1941). This Act introduced the concept of 'insured dependency' in state pensions. It also encouraged employers to form occupational schemes, as those who did so could be exempted from the national insurance scheme. In the debates during the passage of the legislation, pension schemes were applauded as a positive means of providing for retirement. The spread of occupational pension schemes was encouraged by the setting of the state pension at the relatively low rate of 10s per week, thus encouraging thrift and personal saving towards retirement.

The date 1928 was the next landmark in the history of pension schemes, and this time the change came from outside - from the United States (Hannah, 1986 and Pilch & Wood, 1960). The Group Life and Pension Scheme, as it became known in the United Kingdom, was the first type of scheme specifically designed to solve the problems of providing pensions for a group of employees through the medium of insurance. Two separate contracts were involved, one providing a pension and the other providing life assurance benefits. The most important technical advance which this scheme represented was that benefits for a number of employees could now be secured under a single master policy issued by the insurance company to the employer, and not, as hitherto, by means of separate policies effected in the names of individual employees. This meant a substantial saving to the insurance company in the expense of setting up the scheme, thus enabling lower premium rates to be charged; it also meant a saving in time and trouble to the employer. These endowment assurance schemes, as they were called, were almost always non-contributory, primarily for tax reasons. The schemes could not qualify for relief under the Finance Act 1921 because the lump sum death benefit, an intrinsic part of the contract, was not permitted under the 1921 Act. Employees, therefore, were able to secure only the limited tax relief applicable to life assurance premiums on any contributions they might make. Employers, on the other hand, could obtain full tax relief on any premiums paid by themselves direct to the insurance company.

In the following decade, while occupational pension schemes grew, the state scheme was modified by two major pieces of legislation. First, the National Insurance Act 1929 extended the scope of contributory pensions to include wives between the ages of 65 and 70 whose husbands were receiving non-contributory pensions. At the same time, certain restrictions had also been relaxed, most significantly to allow people to draw pensions so

long as they remained within the British Empire. Uninsured unmarried women aged 65 - 70, however, remained outside the provisions of the Act. As a result in 1935 the National Spinsters' Pensions Association was founded with the main aim of obtaining contributory pensions for unmarried women. Secondly, the National Insurance Act of 1937 made provision for the first time for married women to make voluntary contributions to the state scheme. The Act also extended the scheme's coverage to include certain types of self-employed persons and those on small unearned incomes. Men and women were treated differently in relation to income limits. Men could contribute voluntarily if their income was not higher than £400, whereas the income limit for women was £200. However, married women were not eligible for any benefit on the basis of contributions made prior to marriage (Wilson & Mackay, 1941).

1.6 The First Survey of Occupational Pension Schemes

The first comprehensive survey of occupational pension schemes was conducted by the Ministry of Labour; in 1936, it reported in 1938 (see table 1.4). This first survey highlights the different treatment of men and women in pension schemes. While the minimum age for entry to occupational pension scheme membership was typically 18-21, a few schemes fixed a higher age for women. Exit from the scheme, however, was usually earlier for women than for men.

Around 1 million of the 1.6 million members of occupational schemes were employed in the public sector, including civil servants, teachers, members of the armed forces, police officers and firemen, together with some, but not all, local authority employees. Some 0.8 million members of the public sector schemes were men, and 0.2 million were women. Beyond these facts, the survey offers little detailed information about members of pension

schemes. The probability is that the majority of members were non-manual workers, given the nature of the fields of work listed above, and that this occupational bias accounted for the number of women covered, since women were more likely than men to occupy non-manual jobs in this sector. After 1937, when the local government pension scheme was extended, the proportion of manual members increased. There were 6,544 occupational pension schemes in the private sector, 79% of whose members were men and 21% women. Of these, some 803,000 were non-manual workers and 814,000 manual workers, almost a 50/50 split.

Table 1.4 Private Sector Occupational Pension Schemes in 1936 in Great Britain

Total	Schemes Operated By Individual Firms Or Undertakings	Group Schemes Each Covering a Number of Firms or Undertakings	Total
Number of firms with pension schemes	2,580	4,144	6,724
Non-Manual staff: Males 637,434 Females 165,201	597,099 145,632	40,335 19,569	802,635
Manual wage-earners: Males 644,591 Females 169,867	633,142 169,102	11,449 765	814,458
All employees: Males 1,282,025 Females 335,068	1,230,241 314,734	51,784 20,334	1,617,093

Source: 'Schemes Providing a Pension for Employees on Retirement from Work' Ministry of Labour Gazette Vol XXX No 5, May 1938

This differential treatment was also noted by other research; Owen (1935) cites a number of typical examples from the regulations for women in pension schemes. Oxo placed its female clerical workers in the same pension scheme as 'operatives', naming it the 'Manual

Workers and Female Clerical Workers' Scheme'; women's retirement age was 55 and men's 65; and the maximum pension was 17s 6d per week for a woman while it was £1 2s 6d for a man. The Manchester Electric Power Company had only one pension scheme, which, when introduced in 1930, permitted women staff who left to get married to be given a return of all their contributions, with 5% compound interest added on top. This was considered as a dowry.

1.7 Beveridge and Beyond

The Beveridge Report of 1942 was the next milestone in social policy. Beveridge mixed universal benefits with market provision in such a way as to protect and encourage the development of the market while at the same time providing, via the state, a limited level of benefit to all, depending on contributions.

The Inter-Departmental Committee on Social Insurance and Allied Services, with Sir William Beveridge as chairman, was appointed in June 1941. Its report, issued in November 1942, was signed by the chairman alone because of its political nature. The Beveridge Report's reputation owes an enormous amount to the publicity which the government finally decided it should be given, backed by one of Churchill's famous wartime broadcasts (Titmuss, 1958), and the ensuing press interest in it. Its membership comprised those civil servants who had been left in immediate charge of the various social security arrangements during the Second World War. The terms of reference of the committee suggested no more than a desire to remove anomalies in the organisation of social security (Beveridge, 1944).

Occupational pension schemes were sufficiently well established by 1941 for Beveridge to make an extensive survey of them. However, his report made little mention of them beyond the recommendation that: 'no special action by the State is called for except that of making its own development of compulsory insurance for retirement gradual, so as to give time for any necessary rearrangement of the occupational and voluntary schemes' (Harris, 1977).

The principle of subsistence, coupled with the tax advantages of occupational pension schemes, had paved the way for a further major growth of occupational pension schemes. It is this principle of subsistence on which much of the debate on pension scheme reform has been focused since Beveridge. Of Beveridge's six proposals on social insurance, two are relevant to this study of pensions: (a) the flat rate of subsistence benefit, and (b) the flat rate of contribution (Beveridge, 1942). The first of these, the principle of a flat rate of subsistence benefit, was closely tied to Beveridge's principle that pensions should provide a minimum level of subsistence. At the time, Beveridge's view of what constituted a subsistence income was based on Rowntree's Foundation 1938 figure plus 25% to allow for the calculated wartime increase in prices. Using 1938 prices, Rowntree's study had set the minimum need for a family of five at £2.90 per week. Beveridge used the figure of £2.65, dropping the costs of personal sundries such as travel and newspapers. This point is crucial because it has influenced social security benefit levels since 1945 (Townsend, 1979). When the Labour government actually introduced the social insurance scheme in 1946, it added 31% to the 1938 subsistence figure - but prices were already 45% above that level. The 1946 Act also stipulated a review of benefits every five years (George, 1968). The second relevant principle put forward by Beveridge was that social security entitlement

should be based on flat rate contributions. This principle did two things: it reaffirmed and consolidated the policy of paying for many social security benefits through a regressive tax; and (its main concern), it limited and diminished contributions from the exchequer and therefore from general taxation. The major principle of financing of social security and retirement pensions was that they should be self-financing through an agreed upon level of contributions from the exchequer and contributions from employers and employees. As well, there was a reserve fund established, left over from other state schemes. Beveridge envisioned the scheme to be an insurance scheme with an expanding reserve fund, and actuarial soundness. This was to be achieved by phasing in the scheme over a twenty-year period, thus allowing the accumulation of the reserve fund. This never came to pass as the 1946 Act allowed the claiming of full benefits right from the beginning of the scheme. Pensions and all the social security schemes became based on the principle of 'pay-as-you-go'. The role of the reserve fund became less and less important as a proportion of total social security expenditures. In the early years after the war, the contributions from the exchequer as a percentage of total receipts began to diminish.

The organised trade union movement generally endorsed Beveridge's report; Ernest Bevin's criticism was the exception (Bevin, 1944). The Trade Union Congress, in its submission to Beveridge, agreed with him on all aspects of pension provision. On reading the report one catches a glimpse of an overriding sense of hope for a better and more equal society, which may have accounted for its popularity. Indeed, the report was very popular with the public: a poll taken within two weeks of publication found that 88% of people approved of it (Addison, 1975).

The wartime coalition government under Churchill held back from taking any significant action on the Beveridge proposals. Churchill himself was cautious, concerned about the cost of social security and what such a large-scale commitment would mean in terms of post-war reconstruction. The Chancellor of the Exchequer, Kingsley Wood, warned Churchill in a memorandum of November 1942 that Beveridge's proposals involved an 'impractical financial commitment'. Nevertheless in 1944 there finally emerged a White Paper entitled Social Insurance (Beveridge, 1944).

The Beveridge Report not only provided the blueprint for the treatment of women in the post-war state pension scheme but influenced and reinforced existing attitudes held by providers of employers' pension schemes regarding the treatment of female employees. Beveridge accorded to single women the status of 'honorary men' in the sense that they were to be entitled to an equal, but earlier, 'personal' retirement pension for a lower flatrate contribution. Nevertheless, he perpetuated the image of women as housewives, despite the large number of women who were in paid work during the war.

Married women, however, were given a special national insurance status in the Beveridge Report, and in the subsequent National Insurance Act 1946. The Act presented them with a choice. A married woman in paid work could opt out of paying Class 1 contributions towards a retirement pension in her own right, as all married women with adequately insured surviving husbands would qualify for a 'dependent wife's pension', which was 60% of the then current single rate. In the event of her husband's death, she would be entitled to a widow's pension. If, on the other hand, she wanted to qualify for a pension on her own contributions, a married woman had to pass a 'half-test', which meant that she had to have paid contributions for half of her married life. If she did not succeed in doing this, she lost

all of the contributions she had paid. However, if she was successful, she could obtain a pension at the age of 60 instead of having to wait until her husband reached the age of 65. Further, married women who were working could also decide not to contribute at all, and although the employer had to contribute on their behalf, these women were assumed to share their husband's benefits.

The possibility of the woman being the primary breadwinner, or any notion of equality of roles, was not even contemplated by Beveridge. The majority of women decided not to pay Class 1 contributions, and the pattern for married women in this decade was to stay out of the labour market while raising a family.

The upshot of the 1946 rules was that a high proportion of economically active women also decided to opt out of national insurance contributions in their own right. According to Land (1983), 'society's social security provisions incorporated the values and assumptions which were part of the wider values of society'. This legislation must have encouraged employers to perceive women as a group who were not interested in pensions. The unwritten assumption was that all married women would be dependent on their husbands and that the husband would fulfil his obligation to maintain and support his wife and family.

1.8 Further Shaping of Occupational Pension Schemes by Legislation

At this time it did not make economic sense, for tax reasons, for senior executives and company directors to take out individual personal life assurance or endowment policies. The maximum income tax relief that they could secure was less than 20% of the premium. Clearly it was much more advantageous for such people to have their earnings reduced by a specified amount and for a premium of the same amount to be paid direct to an insurance

company by the employer, in order to secure a pension. This was the origin of the so called 'top hat scheme'. The Finance Act 1941 included provision to check exploitation of this loophole by 'top hat' scheme members and protect the Exchequer. This legislation did not extend any new tax relief to pension schemes, but it did lay down limitations on the amount and nature of pension scheme benefits by providing that, outside certain limits, employees would be taxed on any contributions made on their behalf.

Following the Act, benefits were broadly limited to pensions equal to one-sixtieth of salary for each year of service, subject to a maximum of forty-sixtieths, with the proportion of the pension which could be commuted for a tax-free capital sum limited to one-quarter of the total. Two exceptions were made to this practice. First, if a member of a scheme was proven to be in serious ill-health at the actual time of retirement, so that life expectancy was materially impaired, the whole of the benefit could be paid as a lump sum. Secondly, if a pension was trivial, the whole of it could be commuted. However, there was growing pressure to limit the increased use of pension provision for purposes of tax avoidance and to introduce consistent treatment of both insured and self-administered funds for individuals within and outside occupational schemes.

The next appraisal of the tax treatment of pensions was carried out by a committee set up in August 1950 under the chairmanship of James Millard Tucker. Its report was published in February 1954. The first part made recommendations for the simplification and rationalisation of the conditions to govern Inland Revenue approval of all future schemes. The second part of the report dealt with the problems of controlling directors' schemes (the 'top hat' schemes mentioned above). The committee found themselves unable to agree on a solution to the problem. Apart from the Income Tax Act 1952, which consolidated and

re-enacted earlier legislation, the next important landmark was the Finance Act 1956, which implemented certain parts of the Millard Tucker recommendations, though by no means all of them. Controlling directors, proprietors, partners and the self-employed were allowed full tax relief on payment towards their schemes up to a certain percentage of their earnings.

1.9 Concern over the Costings of the National Insurance Fund

While these changes were taking place, deficits were developing in the statutory national insurance fund (Marwick, 1968). Between 1952 and 1958 there was a drop in the excess of receipts over payments in fund, and between 1959 and 1961 there was a deficit (House of Commons, 1954). The arguments used to explain this are still familiar in the 1990s notably the rapid growth in numbers of retired people receiving national assistance. Beveridge's principle of financing pensions from contributions was beginning to break down: in 1959, 1960 and 1961 respectively the Exchequer made additional contributions of £39 million, £46 million and £43.4 million. The major issue of pension provision in the 1950s concerned the expectation that the number of people eligible for retirement pensions would grow at a rate too rapid for those employed to pay for it. The question as to how the cost of these pensions would be met remains unanswered.

The level of the state retirement pension was intended by the post-war Labour government to be subject to review every five years but given that they only lasted 5 years in government, it was not actually undertaken. Under subsequent Conservative governments there was no clear policy on increases, which tended to be piecemeal and were not formally linked either to changes in prices or to the level of earnings of workers (Sked & Cook, 1979). Nevertheless, the first quinquennial review of the 1946 National Insurance Act was

prepared by the Government Actuary in 1954 during the early years of the period of Conservative government that lasted from 1951 to 1964 under the premierships of Churchill, Eden, Macmillan and Hume, (House of Commons, 1954a). The 'actuarial contribution' was much discussed, and it was retained. The Government Report defined it as follows: 'the evaluation of future benefits to the individual in terms of the weekly contribution which an entrant at the initial age would have to pay throughout his contributory lifetime in order to provide, on average, for the cost of benefits to which he and his dependents will become entitled.' The revenue in the National Insurance fund at this time outstripped costs, and total contributions were set at a higher rate than required to meet the defined actuarial contribution. There was, in fact, no actuarial basis for the scheme. Although the actuarial contribution was retained, its connection to individual workers' contributions was non-existent.

The government appointed the Phillips Committee in 1952 'to review the economic and financial problems involved in providing for old age, having regard to the prospective increase in the number of aged' (Phillips Committee, 1954). The committee argued that the method of financing was adequate in the short term as long as national productivity increased. It emphasized private pension schemes as an important means of providing for retirement, and one that should be encouraged and it expressed doubts over the concept of pensions being pitched at 'subsistence level'.

In 1957 the Labour Party published new proposals on superannuation and pension scheme reform, drafted by Abel-Smith, Titmuss and Townsend (Labour Party, 1957) and strongly promoted by Crossman (1975). The proposals marked a clear shift away from Beveridge's principle of flatrate benefits and contributions. The main proposal was the introduction of

a state superannuation scheme, coupled with an improvement in the conditions for retired workers. One of the main features was the decision to index pensions on an annual basis. Furthermore, the authors argued for 'proportionate contributions' instead of the previous flatrate contribution, with a link to earnings. This was contrasted with the Conservative Party's refusal to increase pensions substantially. The popular aspect of the Labour scheme was that it would make superannuation available to all employed and self-employed workers. On full implementation of the scheme, retired workers would receive at least half pay on retirement, with some low-paid workers receiving up to two-thirds of their pay.

Labour's concept of national superannuation can be categorised under three headings: benefits, funding, and relations between state and private occupational pension schemes. Benefits were divided into two parts. First, the basic rate benefits would continue, and would be increased from £2 to £3 per week except for those who were aged 70 and under and who had contributed to national insurance for under 10 years: they would receive only a proportion of the increase according to the number of years of contribution. Second, superannuation benefits, modelled on occupational pension schemes, would be paid in proportion to earning levels. The scheme incorporated an element of redistribution within the earnings-related framework. For example, a worker who earned on average £4 10s per week would receive a total pension of £3 7s 6d per week while a more highly paid worker who earned £24 per week would receive £11 per week.

The proposals included clear safeguards for both the flat rate and the earnings-related portion. Increases were to be based on a cost of living index specially tailored to the expenditure of the elderly. A complex formula was proposed whereby a special index would be established relating individual earnings to average national earnings. This figure

would be used as the basis to preserve the real value of pensions for which contributions would be paid.

Contribution conditions remained generally similar to those that had already been established. This was an attempt to copy insurance schemes. It was also recommended that occupational pension schemes would continue to be allowed to contract-out on the basis of certain criteria. Members would have to pay a modified flat rate contribution that would cover flat rate benefits. They would therefore be exempt from the wage-related contributions. Forcing occupational schemes on to the same level as the state plan meant that schemes offering inferior access and benefits to women employees were brought into line with that plan. As part of this strategy, Labour's plan promised women equal pension rights with men, by giving them the opportunity to pay earnings-related contributions, regardless of marital status and to get an equivalent pension. Women were promised a guaranteed minimum basic pension, in recognition of married women's characteristic period of absence from the labour market. The proposals were attacked by the Conservative opposition and the media, mainly because of the proposal to accumulate a fund which could be invested in equities. This was viewed by some as a back-door method of nationalisation, and the insurance sector was hostile (Hecló, 1974). The Labour Party lost the 1959 election; for the part that the issue of pensions played in that defeat, Crossman acknowledged 'that the scheme was too complicated to understand' (Hecló, 1974; Butler & Rose, 1960).

Despite Crossman's acknowledgement of the complexity of the scheme the Conservative superannuation scheme was similar in structure, though offering lower benefits; it became law in the 1959 National Insurance Act. Much influenced by the report of the Phillips

Committee, the scheme had two aims: to place the national insurance on a sound financial basis, and to preserve and encourage the development of occupational pension schemes (Ministry of Pension and National Insurance, 1958). The Conservative scheme retained the flat rate and wage-related components, but differed from Labour's plan in that the benefits were lower and not indexed to prices or earnings. The Economist wrote: 'The main feature of the scheme, indeed in some ways its whole essence is that it is expected to save the Exchequer £99 million in its first year of operation' (Hecllo, 1974). The next major pension scheme legislation did not emerge until 1975, despite two abortive attempts in the meantime, one each by a Labour and a Conservative government.

1.10 Occupational Pension Scheme Growth in the 1960s

In the late 1950s and 1960s the tax structure (already described as favouring occupational pension schemes), coupled with a buoyant economy, led to a steady growth in occupational pension scheme membership. In this period, nearly 4 million workers were brought into membership, as shown in Table 1.5. This was partly due to increasing recruitment in the public sector - which was far more established than the private sector in pension provision. Table 1.5 will be referred to at various points during the remainder of this chapter and thesis as it traces the growth of schemes membership from 1956 to 1991.

The 1956 survey by the Government Actuary had estimated membership of pension schemes at 8 million, or about 30% of the labour force. The Government Actuary's second survey, in 1963, found that there had been considerable growth in the membership of occupational schemes, which had now reached 11.1 million: 7.2 million in the private sector and 3.9 million in public employment.

By 1967, the Government Actuary reported in his third survey, there were 2.3 million women members and 9.9 million male members of such schemes representing 81% male and 19% female membership. This appears to mark the highest coverage of occupational pension schemes. Membership stabilised at below half the workforce, with a drop in membership in the late 1960s and early 1970s when government pension policy and economic circumstances created an atmosphere of uncertainty (Beeson, 1967). The loss in membership was only partially recovered in later years, to produce a membership of 11.1 million employees in 1983. There were also about 400,000 of the self-employed contributing to individual pension schemes at this time, but even if they are included, pension fund coverage remained at just under the half of the workforce.

A closer examination of the pattern of spread of pension schemes, and of the areas where the decline in membership has been concentrated, can help to point out some of the reasons for the reduced coverage of occupational pension schemes.

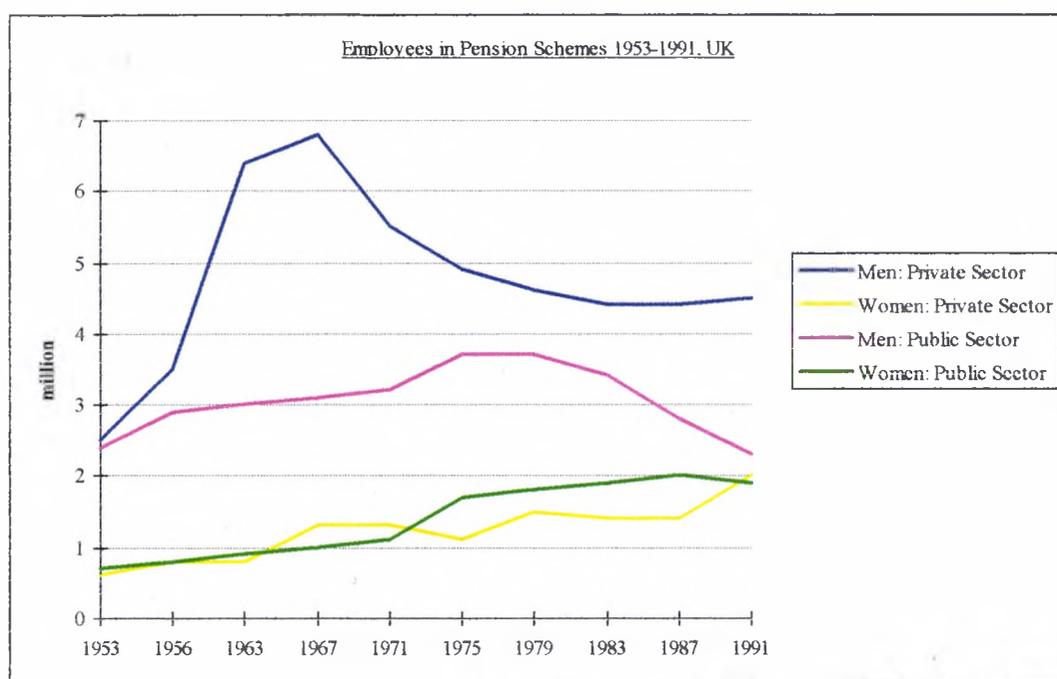
Table 1.5 Occupational Pension Scheme Membership in Great Britain, 1956-1991

(all figures in millions)

Year	Total All Schemes	Total Men	Total Women	Total Employed	Percentage Employed Who Are Members
1956	8.0	6.4	1.6	22.7	35%
1963	11.1	9.4	1.7	22.9	48%
1967	12.2	9.9	2.3	23.2	53%
1971	11.1	8.7	2.4	22.5	49%
1975	11.4	8.6	2.8	23.1	49%
1979	11.8	8.5	3.3	23.4	50%
1983	11.1	7.8	3.3	21.1	52%
1987	10.6	7.2	3.4	21.6	49%
1991	10.7	6.8	3.9	22.5	48%

Source: Government Actuary Occupational Pensions Schemes: A Survey 1958
Occupational Pension Schemes, Surveys 1966, 1968, 1972, 1978, 1981, 1986, 1990, 1994

Figure 1.1 Employees in Pension Schemes in the UK, 1953-1991



Source: Government Actuary Occupational Pensions Schemes: A Survey 1958
Occupational Pension Schemes, Surveys 1966, 1968, 1972, 1978, 1981, 1986, 1990, 1994

By 1967, the national insurance retirement pension was 20.1% of the male manual average gross wage for a single person and 33% for a married couple (Central Statistical Office, 1981). There was still a good deal of competition for labour in most (though not all) parts of the United Kingdom, and tax concessions remained unchanged: all in all, the conditions for expansion were favourable, with the unions beginning to join in the pressure for schemes, making them a prominent part of their negotiating strategy. The 1960s marked the end of rapid growth in occupational pension schemes; after this point, the 'pension market' expanded, with the mushrooming of specialisation in pensions advisers and fund managers. In the 1970s pension scheme membership continued to rise in the public sector; though private sector membership remained larger, at 6.2 million in 1979, the percentage

coverage was more limited, with only 50% of men and 25% of women belonging to occupational pension schemes.

Since the Second World War, women have become an increasing proportion of the workforce. In 1956 Durham surveyed the practices and plan designs of firms that had occupational pension schemes. He found that most accepted women into schemes, though usually at a later age than men (commonly 25 or 30, as against 21) for men. Some gave lower benefits to women for the same level of contributions (Durham, 1956), and it remained quite legal to exclude categories of employees on grounds of gender or the type of workers they were, with even quite large firms practising this form of discrimination. Part-time employees, a category which included a disproportionate number of women, were generally excluded. In the private sector, it was common to limit occupational pension scheme membership to employees over a certain age (typically 21) and having completed a minimum period of service. Many women employees were unable to join a pension scheme because they worked in categories excluded for non-gender reasons, such as part-time or casual workers, or because they were more likely to leave before reaching a qualifying age. Although it was formerly common practice for employers to exclude women explicitly, or at least to specify tighter conditions for their entry, such overt discrimination has been outlawed by social security legislation since 1978.

With the growth of schemes declining after 1970, employers preferred to delegate their pension scheme problems, at least for lower-paid workers, to the state. In 1956 the majority of members of occupational pension schemes had been weekly paid manual workers (though then, as now, the proportionate coverage for manual workers was less than for salaried staff), but by the 1970s these were clearly outnumbered by salaried staff.

Paradoxically, then, the state scheme has strengthened the tendency, criticised by Titmuss (1973), for there to be 'two nations' in the matter of pension rights. One, typically, the salaried worker receiving an occupational pension scheme, with the other, typically, a woman or unskilled worker having to rely on the State.

1.11 The State Earnings Related Pension Scheme

The State Earnings Related Pension Scheme (SERPS) came into operation in April 1978 as a result of the Social Security and Pensions Act 1975. This Act was the third attempt in six years to overhaul the Beveridge scheme introduced by the post-war Labour government in 1946. Although there was much general agreement in the 1960s both that the state pension had failed to prevent widespread poverty in old age, and that it was too costly to finance adequate pensions, there was less agreement on what to do about this.

The first of these three attempts was Crossman's scheme, announced in January 1969 (Department of Health and Social Security, 1969) which provided full earnings-related pensions in return for full earnings-related contributions. Under this plan, occupational pension schemes which provided satisfactory benefits would have been able partially to contract out of the state scheme. The Conservative Opposition opposed the Bill. Lord Balniel explained the different approach of the Conservatives in his speech to the House of Commons: 'The philosophy behind our approach is different from the Bill. It is that a prime task of the State is to provide a basic security in old age' (Hansard, 1970).

The scheme was incorporated in the National Superannuation and Social Insurance Bill 1969/70, but the Bill failed to complete its passage through Parliament before the June 1970 general election intervened.

The Conservatives were returned to power. In September 1971, Sir Keith Joseph presented proposals for a system of flat-rate state basic pensions financed by earnings-related contributions (Department of Health and Social Security, 1971). Additional earnings-related provision was to be made through recognised occupational pension schemes. Failing this, employees would fall back on a state reserve scheme. The Labour Party was opposed to this scheme because they thought the benefit levels too low to deal with the problem of poverty in old age (O'Malley, Hansard, 1972). Nevertheless, the proposals reached the statute book in the form of the Social Security Act 1973, due to come into force on 6 April 1975; but before this could happen, the Labour Party won the 1974 general election. The incoming government decided to scrap part of the 1973 Act, for the reasons given by Barbara Castle:

If the Act goes forward in its present form, millions of pensioners will have to supplement their pension by means-tested assistance well into the twenty-first century. Moreover, women in general will be left without adequate pension coverage ... This situation has caused the Government some difficulty. ... Accordingly, we propose to allow the basic pension provision of the Act to come into force on 6th April 1975 as planned, including the change to a fully earnings-related contribution system, and the winding up of the graduated pension scheme and the arrangements for exemption from it.

(Hansard, 1974)

Mrs. Castle produced a white paper, Better Pensions which she said, combined the best features of both the Crossman and Joseph plans and was designed to last into the twenty-first century: 'we wanted to produce a scheme that not only adequately met the needs of future generations of pensioners but also would command general acceptance and would stick' (House of Commons, 1975).

The social policies of the newly elected government were influenced by the Social Contract between government and the trades unions, and many aspects of the Castle plan were responses to demands from the TUC. The principles proposed by the TUC were that: national insurance retirement pensions should provide an adequate retirement income sufficient to live on without other means; that pension levels should be reviewed frequently and increases should be related to increases in average income and prices; and that pension levels in the future should be related to earnings, with a guaranteed minimum pension established. The TUC pushed for better provision for widows and the chronically sick and disabled, and for improved death grants. In terms of occupational pension schemes, they pursued simpler arrangements for the contracting out of good occupational schemes and joint management of these pensions. (TUC, 1975).

The Labour Party claimed that 25% of the 8 million retired people were forced to claim supplementary benefit for part of their income; 60% of all elderly widows were also receiving supplementary benefit, and an estimated 1 million others were eligible but were not claiming. There were gaps of coverage in occupational pension schemes, particularly for women and manual workers. These factors, together with the impact of inflation on pensions in payment, were considered important issues. The policy developed by the government was not designed to legislate occupational pension schemes into line, but rather to use state pensions as an example that should be followed (Better Pensions, 1974).

Despite reservations about the Bill, and a preference for their own scheme as embodied in the 1973 Act, the Conservative Opposition did not vote against the 1975 Bill, not wishing to prolong the uncertainty surrounding pension provision. However, Tory MPs Norman

Fowler and Kenneth Clarke were already raising doubts about the future cost of SERPS and again expressing a preference for private over state provision.

The final scheme, which became law under the Social Security and Pensions Act 1975, was based on two components, roughly equivalent to a basic and an earnings-related part. The earnings-related part was to be maintained in value by revaluing earnings in line with growth in earnings. Flat rate retirement pensions were to be revalued in line with increases in wages or prices, whichever index was the higher. The earnings component of the pension plan was to be calculated on the basis of an earnings band. The Social Security and Pensions Act 1975 also continued the requirement of a 'guaranteed minimum pension' whereby the members of all contracted-out occupational pension schemes were assured of an eventual pension of 'at least as much as the State scheme would have paid had the upper band of earnings been used to calculate the State pension for that period' (TUC, 1973).

The Labour government, after trying for nearly 20 years, had finally introduced a state earnings-related pension, and had done so in a severe economic climate following the oil crisis of 1971-4. Barbara Castle demonstrated that the government was willing to offer some help to the occupational pension schemes industry to enable it to meet the tough standards demanded by the contracting-out provisions. The 1975 Act offered the occupational pension scheme movement state insurance against some costs of contracting-out, and thus most employers found it both possible and worthwhile to contract their pension schemes out of Castle's scheme (GAD Sixth Survey).

Despite the concern over the cost of SERPS, then, the Social Security and Pensions Act was passed in 1975. Following heavy campaigning by the National Association of Pension

Funds, the majority of schemes 'contracted out' in the late 1970s. Pensions were not discussed again in the public arena until 1984, when Norman Fowler, the then Conservative Minister for Social Services, initiated an inquiry into the subject.

In conclusion, this Chapter has set out to build up the long-term picture of provision for retirement within the UK. The history of occupational pension schemes has developed as a consequence of changes in tax, social policy and the labour market. But from the earliest beginnings they were designed to reward long service by 'white-collar' employees who were predominantly male. Women were regarded as financially dependent on their husbands, with few women employees in occupational pension schemes in their own right.

The state pension provision underpinned this position. In the next chapter we examine the build-up to the Social Security Act 1986 and pension coverage prior to the fieldwork in 1991.

CHAPTER 2

PENSION PROVISION PRIOR TO THE SURVEY: THE CONTEMPORARY SITUATION

- 2.0 Introduction
- 2.1 Basic Pension Coverage
 - 2.1.1 Supplementary Pension Coverage
- 2.2 The Earnings Cap
- 2.3 Occupational Pension Schemes
 - 2.3.1 Contracted-Out Status
- 2.4 Defined Benefit ('Final Salary') Schemes
 - 2.4.1 Contributions
 - 2.4.2 Benefits
- 2.5 Defined Contribution ('Money Purchase') Schemes
- 2.6 COFSS and COMPS: Simplified Defined Benefit and Defined Contribution Schemes
- 2.7 The Coverage of Defined Benefit and Defined Contribution Schemes
- 2.8 Personal Pension Schemes
- 2.9 Alternative Means of Retirement Provision
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 - 2.9.2 Self-Employed and Partner's Pension Schemes
 - 2.9.3 Small Self-Administered Schemes
 - 2.9.4 Executive Pension Plans
 - 2.9.5 Unapproved Pension Schemes
- 2.10 Additional Voluntary Contributions (AVC)
- 2.11 Investment of Scheme Resources
- 2.12 Conclusion

2.0 Introduction

This chapter examines pension provision in the UK in 1991-2, the period immediately prior to the field research. This examination will provide the framework for the analysis and the basis for predictions of the likelihood of occupational pension schemes surviving into the twenty-first century, and sets out in detail the pension options available to respondents prior and during the fieldwork.

The bulk of this chapter describes the pension schemes not operated by the state. Initially, we examine the overall design characteristics of such pension schemes, then focus on the details of occupational pension schemes, and the alternatives to them. However, it is impossible to analyse private pension provision effectively without also analysing the provision made by the state. In practice, the benefit design of most occupational pension schemes in most countries is strongly influenced by the level of social security provision in the country concerned (Harrison, 1994). Where the social security replacement rate (which is equal to the percentage of final salary provided by social security in retirement) is low, as in the UK, the coverage of funded schemes is likely to be high: the two are to a certain degree inversely related. Davis (1994) demonstrates that this is generally the case throughout most industrialised countries (see table 2.1).

Table 2.1 Determinants of the Size of Funded Sector

	Social security replacement rate (1992), based on final salary of \$20,000 and \$50,000^(a)	Coverage of funded schemes
United Kingdom	50%; 26% ^(b)	50% voluntary
United States	65%; 40%	46% voluntary
Germany	70%; 59%	42% voluntary
Australia	28%; 11%	92% voluntary
Italy	77%; 73%	5% voluntary

(a) For a married man.

(b) Includes State Earnings Related Pension Scheme. For those contracted out, the ratios are 35% and 14%

Source: Davis, 1994.

As recorded in chapter 1, in Britain the government provides a universal basic pension. However, Johnson (1994) has noted the movement of the basic state pension towards a marginal position in the UK. During the 1970s the pension rose in line with earnings, but since 1980 it has risen only in line with prices. As a result, its real value has fallen from 20% of male average earnings in 1977-8 to about 15% by the early 1990s. If this policy continues, by the year 2020 the value of the state pension will have dropped to less than 9% of earnings, assuming real earnings growth of 2% per year.

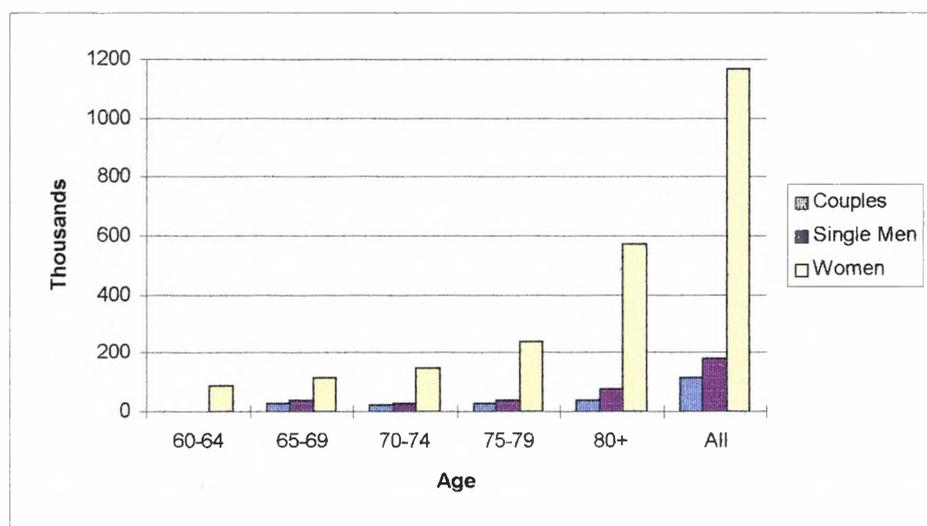
2.1 Basic Pension Coverage

The basic conditions of entitlement to both the flat rate and earnings-related elements of the state pension are contained in the consolidating social security legislation (principally the Social Security Contributions and Benefits Act 1992 and the Social Security Administration Act 1992). The main qualifying condition for the flat rate pension is to have made national insurance contributions (NICs) for nine-tenths of working life - 44 years for men and 39 for women at the current state pension age. The

severity of this condition is, however, reduced by a number of provisions: contributions are credited for periods in education or training, and periods of claiming some social security benefits. For those who withdraw from the labour market for a period in order to care for dependants, home responsibilities protection (HRP) also reduces the number of years of contributions necessary to obtain a full pension. On retirement, if contributions are inadequate to provide entitlement to the full pension, a reduced pension is paid which cannot be less than one-quarter of the full pension.

In May 1992, 1.5 million people over state pension age were in receipt of income support (IS). The great majority of these - nearly 1.2 million - were single women, and among these disproportionately the very elderly (see figure 2.1). Only a small proportion - numbering about 150,000 - had no retirement pension in addition to their income support.

Figure 2.1 Number of IS Recipients over State Pension Age, by Age and Sex, in May 1992



Source: HMSO, 1993

The state pension can be deferred when the individual reaches 60 years of age (women) or 65 (men) for extra increments. This deferment can only be for five years and may only be carried out once. If the individual has children, supports another adult or is over 80 years of age, an extra weekly payment will be made.

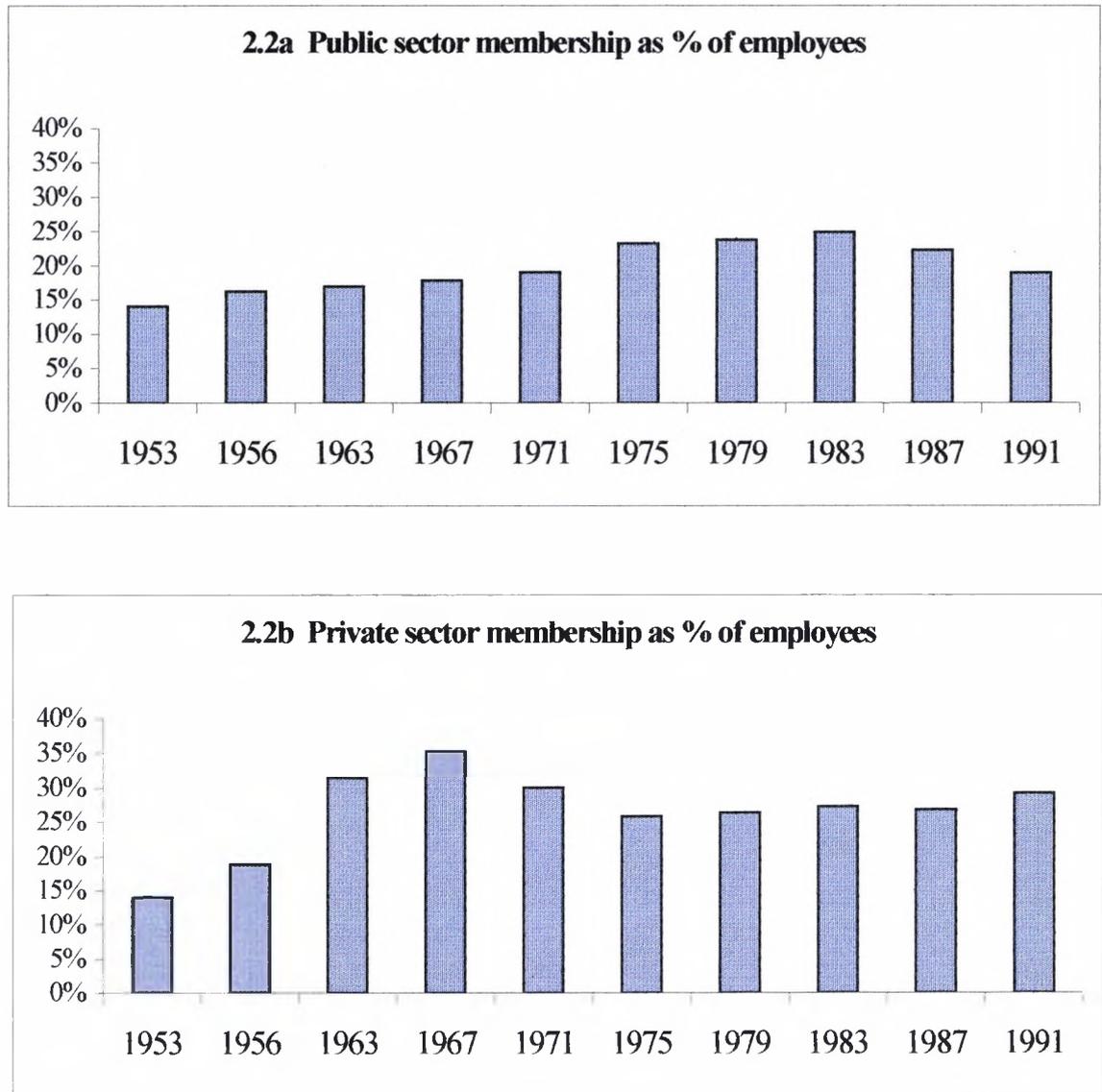
Employees who elect not to join a contracted-out company pension scheme or obtain an appropriate personal pension remain eligible for the State Earnings Related Pension Scheme as described in the previous chapter.

2.1.1 Supplementary Pension Coverage

Britain has one of the most developed private pension scheme sectors in the EU, covering about 50% of employees. Most of these employees (more than 11 million) are in occupational pension schemes approved by the Inland Revenue, with total funds in excess of £350 billion (*Financial Times*, 1993). Since 1988, membership of an occupational pension scheme has been voluntary, unless the scheme is only providing death-in-service benefits (Social Security Act 1986, s.15); before that date, an employer could stipulate that an employee join the company scheme as a condition of employment. However, even though employees may now opt out of company pension schemes, occupational pension coverage in the UK has not decreased dramatically since 1988: in 1991, employee coverage of schemes in the UK stood at 30% in the private sector and 19% in the public sector (GAD, 1994). Coverage has fluctuated slightly over the years, but the proportion of employees in active membership of occupational pension schemes has remained between 49% and 53% of total employees from 1963 to

1991. Coverage now seems to have stabilised at approximately 50% of all employees (figure 2.2).

Figure 2.2 Employees in Occupational Pension Schemes, 1953-1991



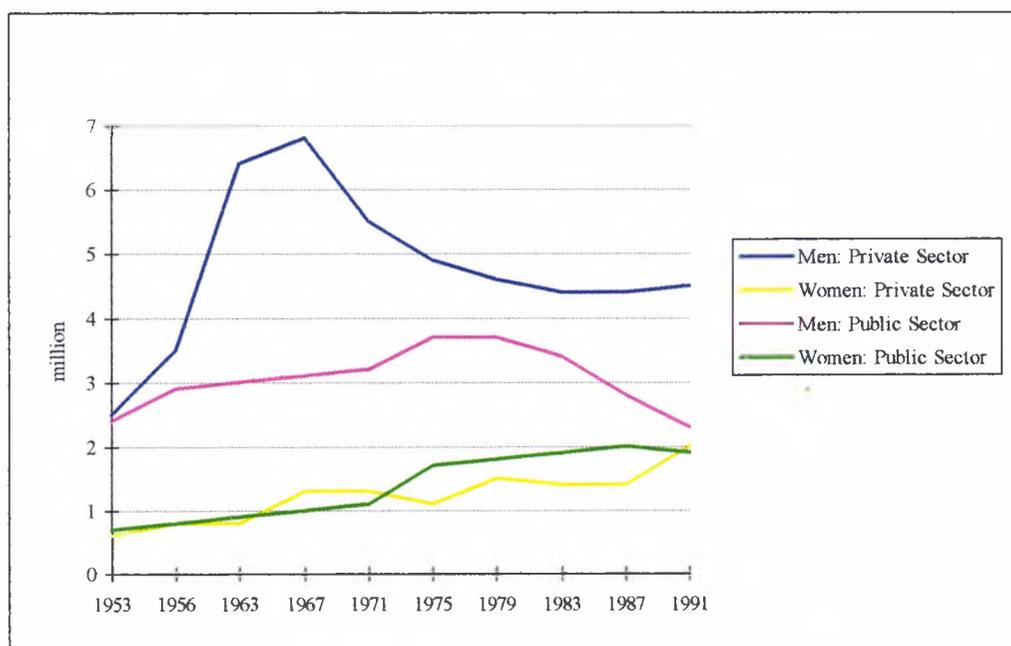
Source: GAD, 1994b.

One significant observation from figure 2.2 is the movement of membership between the public and the private sectors over the years. In 1975 the number of members in the public sector increased; this was a consequence of higher public spending which led to an increase in the number of staff in this sector. In 1987, however, there was a general

movement of companies from the public to the private sector, partly as a result of the wave of privatisations begun in the 1980s. Thus, growth in scheme membership in the private sector was counterbalanced by the contraction of employment in the public sector, so that overall coverage remained stable.

Another notable change in UK pension coverage (which we have discussed in Chapter 1), shown in figure 2.3, is the increase in the number of female members of occupational pension schemes: a consequence of the increasing numbers both of women in the labour market and of schemes offering equal access to female and male employees.

Figure 2.3 Employees in Occupational Pension Schemes, 1953–1991, UK



Source: HMSO, 1991.

2.2 The Earnings Cap

The 'earnings cap' was introduced in the 1989 budget to limit the contributions and therefore the pensions of high earners. After much debate, it was decided that the cap would rise annually, but only in line with inflation as measured by the Retail Price Index (RPI). The Finance Act 1989 therefore imposed an RPI-indexed limit on pensionable remuneration, to apply to all personal pension schemes approved by the Inland Revenue from the 1989/90 tax year. For tax years 1988/89 and 1989/90, the limit was set at £60,000; it took effect for new members of existing schemes joining after 1 June 1989, and for new schemes set up after 14 March 1989. As yet, therefore, relatively few people are affected by the cap; however, its full impact is likely to become apparent over the next decade. The indexation of the earnings cap according to the RPI, as opposed to the index of national average earnings, will in the long term steadily erode the value of the maximum earnings on which contributions may be paid, as historically the NAEI has outstripped the RPI. The resultant effective lowering of the cap will increase the number of individuals subject to its restrictions. In 1992, national average earnings rose by 2.25 percentage points more than the RPI. The then Chancellor of the Exchequer, Norman Lamont, declared that the earnings cap for the 1993/4 fiscal year was to be frozen at £75,000 and not allowed to rise to £77,400 as had been planned. The cap for the 1994/5 tax year was £76,800. The average 40-year-old high-flying executive will bump up against the earnings cap before reaching retirement age if the pay outstrips the RPI by 4% a year.

2.3 Occupational Pension Schemes

The term 'occupational pension scheme' is used in finance and social security legislation to describe an employer-sponsored scheme to provide pensions and other benefits for, or in respect of, employees on retirement, death or leaving service.

In addition to the basic state pension and SERPS, there are two principal models of pension scheme: those which offer benefits calculated by reference to an employee's salary (a defined benefit scheme), and those which offer benefits calculated by reference to the amount of contributions paid by, or on behalf of, the employee (a defined contribution scheme). The remainder of this chapter will focus on the schemes that have been most prevalent in the 1990s: defined benefit pension schemes, defined contribution pension schemes, and personal pension schemes. A brief discussion of alternative methods of pension provision will also be included.

2.3.1 Contracted-Out Status

One of the most important distinctions between occupational pension schemes is whether or not they are contracted out of the state earnings-related pension scheme (SERPS), which came into operation on 6 April 1978 and is paid for through national insurance contributions (NICs). Unless a company's pension scheme has been specifically contracted out of SERPS, employees will automatically be covered by SERPS, and both they and the employer will pay the full rate of NICs.

Under the Social Security and Pensions Act 1975 the Occupational Pensions Board (OPB) was empowered to permit occupational pension schemes to contract out of the earnings-related part of the state pension scheme. Contracted-out defined benefit schemes are required to offer a benefit known as a guaranteed minimum pension (GMP), which is intended to replace the benefit offered under SERPS. The accrual rate for a GMP (since SSA1986) is approximately one-hundredth of earnings per annum. The GMP must be paid at state pension age and, in addition, a contracted-out scheme must provide a pension to a member's surviving spouse equivalent to half the GMP (Social Security and Pensions Act 1975, s. 36).

In return for providing the GMP, a lower rate of employer's and employees' NICs is permitted; this reduction is referred to as the contracted-out rebate. In 1993 the contracted-out rebate was 1.8% of earnings for employees and 3% for employers, a combined rebate of 4.8%. The contracted-out rebate has been reduced over the years. When SERPS first started the rebate was 2.5% for employees and 4.5% for employers, a total rebate of 7%. In 1982 it was reduced to 2.15% for employees and 4.1% for employers, giving a total rebate of 6.25%, and in 1988 was reduced further to 2% for employees and 3.8% for employers, a total rebate of 5.8%.

Most defined benefit schemes, offering pensions on the basis of a proportion of final salary, are contracted out of SERPS. Of the 894 schemes in the National Association of Pension Funds (NAPF) 1992 survey, 85% of all schemes, representing 96% of members, were contracted out. According to Government Actuary figures, nearly 91% of schemes were contracted out in 1991 (GAD, 1994a). Defined contribution schemes were not able

to contract out until 1988 and, until this time, final salary schemes were particularly prevalent among companies starting their own schemes.

2.4 Defined Benefit ('Final Salary') Schemes

Defined benefit schemes (which are usually known as 'final salary schemes') are the dominant form of occupational pension provision within the UK, accounting for 90% of all pension schemes and covering 95% of members of occupational pension schemes (NAPF, 1990). Such schemes offer benefits fixed by reference to a formula, and the employer undertakes to fund those benefits. The formula is normally based on some reference to final, average, or best salary and length of service.

2.4.1 Contributions

A final salary scheme can be either contributory or non-contributory. According to the Government Actuary (Ninth Survey), over 85% of final salary pension schemes require members to contribute towards the cost of the benefits. Contributions into occupational schemes can differ between schemes, although there are Inland Revenue limits on the level of contributions that can be made to an occupational pension scheme for the purpose of attracting tax relief. For an employee below the age of 50, the maximum contribution is 15% of gross taxable remuneration. The maximum combined employee and employer contribution for an employee below the age of 50 is 17.5% of the gross taxable remuneration..

The trustees will appoint actuaries to determine the level of contributions necessary to keep the scheme solvent and what contribution level is necessary to fund the benefits of the scheme. Defined benefit schemes operate on a balance of cost basis, so that the employer will pay whatever sum in excess of employee contributions the scheme actuary considers necessary to ensure that the scheme has adequate assets to meet its liabilities. In the majority of such schemes (72%), members' contribution rates generally fall within the range of 5-7% of pensionable salary.

2.4.2 Benefits

The most common pension scheme that employers provide is one-sixtieth of final pensionable salary for each year of pensionable service, up to a maximum of 40 years' service. In addition to the pension, most final salary schemes provide extra benefits, for example, death-in-service benefits and early retirement benefits. In final salary schemes the burden of risk rests with the employer. The scheme rules will determine the pension to which an individual is entitled, and if upon actuarial advice the scheme is found to be under-funded, it will normally be the employer who will make additional contributions in order to achieve an adequate funding level. Under section 14 Sch 4 of the Social Security Act 1990, from 1 July 1992 if, on the winding-up of the scheme or the insolvency of the employer (whichever occurs first), there is a shortfall, this will be a debt due from the employer. This provision applies only to private sector final salary schemes. The scheme model is criticised for the 'blank cheque' element that exists: namely, the company scheme will not know with certainty the benefits to be paid to an employee until his or her retirement, hence creating an open-ended liability.

Inland Revenue Rules

There are certain features common to all defined pension schemes. It is generally not possible to take a pension before the age of 50, nor to delay taking a pension beyond the age of 75 (70 for women). In defined benefit schemes the pension to be paid at retirement is based on one of the two principal definitions of final salary permitted by the Inland Revenue. The final salary is the basic salary for any one of the five years preceding the normal retirement date plus an average over three or more years of any bonuses or commissions received; the chosen salary can be uprated by the increase in national average earnings to the date of retirement. Alternative average salary is the average of total remuneration over three or more consecutive years out of the ten years preceding normal retirement; again, the chosen salary can be indexed to the date of retirement.

The maximum pension allowed is two-thirds (that is, forty-sixtieths) of final remuneration, which after 40 years of work the employee accrues the maximum.

The maximum widow/er's pension is four-ninths of the member's salary at retirement. The widow/er's pension can start from the date of the member's death, and may continue for life, or cease or reduce on remarriage. Any pension paid to a dependent child must cease when the child reaches the age of 18 or finishes full-time education.

In the case of death in service, a maximum lump sum can be provided equal to four times the earnings of the member at the time of death, together with a refund of employee contributions, with or without interest.

The 1987 Finance Act introduced a maximum accrual rate of one-thirtieth of final remuneration for each year of service replacing what was previously allowed. This has had the effect of improving benefits for employees with less than six years' service, but reducing them for employees with longer service.

2.5 Defined Contribution ('Money Purchase') Schemes

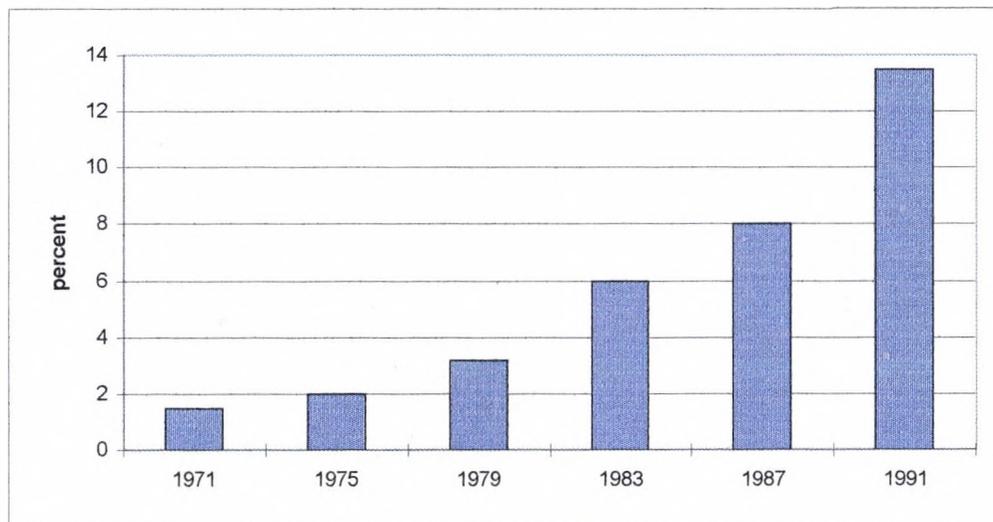
Under defined contribution (or money purchase) schemes, the employer gives a contribution promise as opposed to a final or average pay scheme which involves a defined benefit promise. The employer's commitment is less onerous and more predictable than under a defined benefit scheme. Every year each member has allocated to his or her 'account' a given employer contribution, the amount of which is prescribed in advance by a given formula. Nearly all money purchase schemes also provide for contributions at a prescribed rate to be deducted from the member's pay; this may be a fixed rate, or one that increases with age. The contributions are invested and at retirement the accumulated contributions are used to purchase an annuity.

If contribution rates are expressed as a percentage of pay, contributions will of course increase in line with earnings; however, this does not mean that the retirement pension will bear a direct relationship to an employee's final earnings, because as age increases the contributions buy less pension.

It is a requirement for contracting out that schemes pay a statutory minimum level of contributions to the fund. The amount of the minimum contribution is determined by the DSS and is equal to the saving in national insurance contributions made as a result of contracting-out.

Defined contribution schemes have increased markedly in popularity over the past two decades, as shown in figure 2.4, with the shift away from defined benefit schemes.

Figure 2.4 The Growing Role of Defined Contribution Schemes: Percentage of Private Sector Members of Occupational Pension Schemes with Defined Contribution Benefit Formulas



Sources: GAD, 1978, 1981, 1986, 1991; Pension Law Review Committee, 1993.

2.6 COFSS and COMPS: Simplified Defined Benefit and Defined Contribution Schemes

The Social Security Act 1986, as amended by the Finance Act 1987, introduced two new types of contracted-out occupational pension schemes: a simplified defined benefit scheme, known as a contracted-out final salary scheme (COFSS), and a simplified defined contribution scheme, known as a contracted-out money-purchase scheme (COMPS). Both are designed to offer 'no frills' pensions and to obtain Inland Revenue approval for tax relief on the basis of a simplified set of rules. Standardised documentation is provided by the Inland Revenue; if these documents are used, tax-relief approval is granted automatically. This contrasts with the complex set of rules that must be followed in order for tailor-made occupational pension schemes to qualify for tax relief. The simplified schemes are designed principally for small employers.

Certain conditions must be met in order for a scheme on either model to be approved, principally that scheme members cannot belong to any other occupational scheme; controlling directors (that is, those holding more than 20% of the equity in a firm) cannot be members of these schemes; and the schemes cannot be self-administered, that is, they can only invest with approved insurance companies, banks, building societies or unit trusts.

The COFSS offers pensions based on final salary at retirement, the maximum accrual rate being one-sixtieth of final salary for each year of service. However, it is possible for a COFSS to be established in such a way that individual members are given notional money purchase accounts, so that each member would get the larger

of the pension based on final salary and the pension based on the value of the assets in the money purchase account. The COMPS is a money purchase scheme with an overall limit on contributions of 17.5% of remuneration. Commutation rights and death benefits are the same as for personal pensions (see below).

With a COMPS, the employee and the employer pay the contracted-out rate of national insurance contributions, as in the case of contracted-out final salary schemes. The employer makes guaranteed minimum contributions (GMCs) to the COMPS equal to the contracted-out rebate on NICs, and can recoup the employee's share of this from the employee's salary. It is also possible to set up a COMPS providing a guaranteed minimum pension (GMP). With a GMC-COMPS contributions have to be invested monthly; with a GMP-COMPS, it is not necessary to ensure that contributions are invested monthly. However, a GMP-COMPS can be more expensive to operate because of this guarantee, especially if the scheme's members are old. It has been estimated that the additional cost can be as much as 2-3% of payroll (Blake, 1994).

The government has offered an incentive to companies to start up a COMPS in the form of an extra 2% national insurance rebate for the five fiscal years 1988/9 to 1992/3, falling to a 1% rebate for 1993/4 and 1995/6. This additional rebate is available only if the category of employment to which an individual belongs has not been included in the employer's contracted-out occupational scheme for a continuous period of two years or more ending in April 1988. So although an individual might have joined his firm's scheme less than two years before April

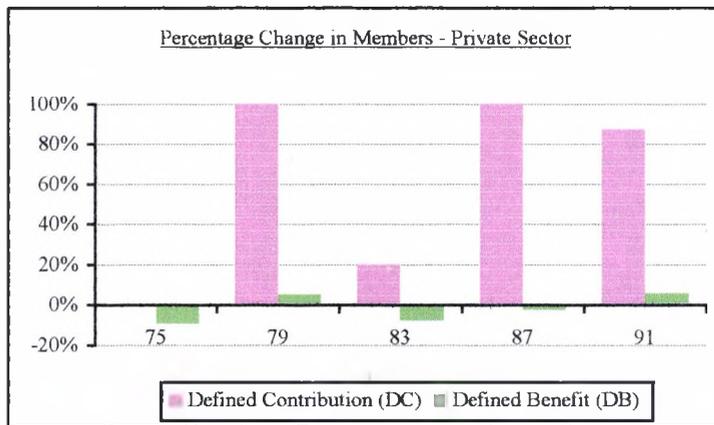
1988, if the position had been previously held by someone who was in a contracted-out scheme, then there was no additional rebate into a COMPS.

The above mentioned provisions of the Social Security Act 1990 relating to benefits under final salary schemes do not apply to money purchase schemes. There are, however, certain minimum requirements in relation to protected rights with which contracted-out money purchase pension schemes must comply. The value of benefits under a COMPS is dependent on the value of the employee's account and annuity rates. The value of a member's account is determined by the level of contributions to the scheme and the subsequent investment income and capital growth achieved.

2.7 The Coverage of Defined Benefit and Defined Contribution Schemes

There has been substantial growth in the coverage of defined contribution schemes in recent years. Figure 2.5 shows the scale of the increase in the proportion of newly established companies choosing this formula, and of companies changing to the defined contribution type of scheme. A significant change occurred when these schemes were permitted to contract out of SERPS in 1986, leading to a doubling in the proportion of members of pension schemes covered by a defined contribution scheme.

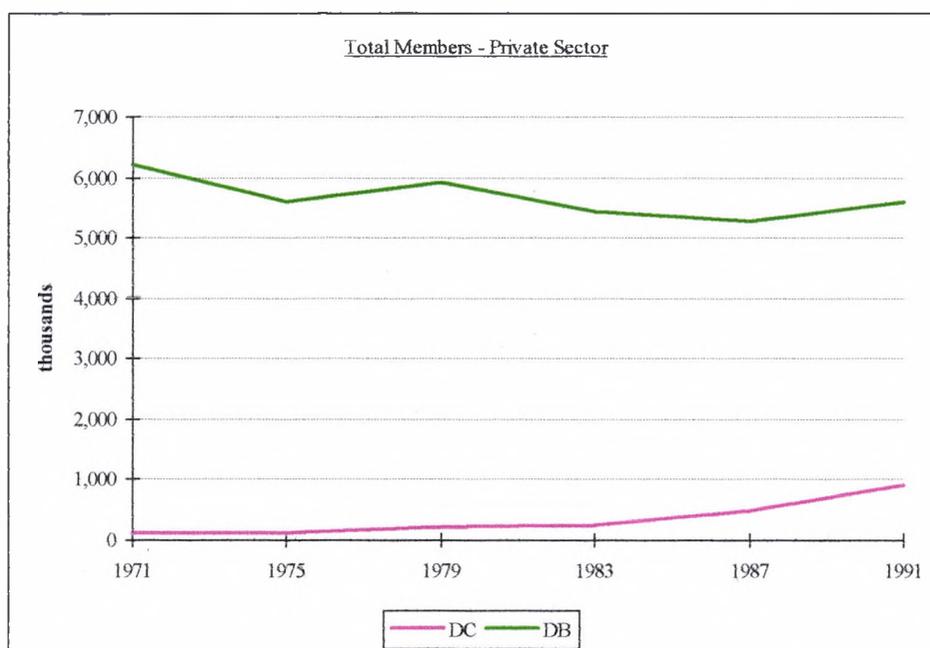
Figure 2.5 Percentage Change in Members of Defined Benefit and Defined Contribution Schemes (Private Sector)



Source: HMSO, 1991.

However, this increase should be considered in the context of the absolute number of members in defined contribution schemes. Figure 2.6 demonstrates that there is still an overwhelming preponderance of defined benefit schemes over defined contribution schemes.

Figure 2.6 Total Members of Private Sector Pension Schemes



Source: HMSO, 1991.

2.8 Personal Pension Schemes

An Inland Revenue approved personal pension plan regime has existed for many years in the form of the retirement annuity contract. Under these contracts, the self-employed and those not in pensionable employment have been able to make tax-effective private retirement provision against their qualifying earnings within the contribution limits applying under the legislation. Self-employed retirement annuities were first introduced by the Finance Act 1956, subsequently governed by the Income and Corporation Taxes Act 1970, ss. 226-8 when introduced, later incorporated in the Income and Corporation Taxes Act 1988, Chapter III. From 1 July 1988 these contracts were replaced by personal pension schemes, introduced by the Finance (no. 2) Act 1987 and subsequently incorporated into the Income and Corporation Taxes Act 1988, Chapter IV.

Personal pension plans enabled employees to contract out of SERPS for the first time on an individual basis; they also enabled employers to contribute directly to the pension, an opportunity that was not possible with the previous retirement annuity schemes. Some employers do make contributions to individual personal pension schemes, although they are not obliged to do so. Such employers are relatively few in number, with only 7% of all employers contributing to a personal pension scheme in 1993 (NAPF, 1993).

A personal pension scheme for the purpose of the tax legislation is a 'scheme whose sole purpose is the provision of annuities (i.e. pensions) or lump sums under arrangements made by individuals in accordance with the scheme' (Income and Corporation Taxes Act 1988, s. 630). More specifically, it is 'any scheme or arrangement which has or is capable of having effect so as to provide benefits in the form of pensions or otherwise, payable on death or retirement to or in respect of employed earners (for NIC purposes) who have made arrangements with the trustees or managers of the scheme for them to become members of the scheme' and which holds an appropriate scheme certificate from the Occupational Pension Board confirming that it meets the requirements for contracting out (Income and Corporation Taxes Act 1988, s. 630).

Any person is eligible to take out a PPS so long as he or she is in employment or self-employment and not already a member of a sponsored superannuation scheme in relation to that employment.

The following types of pensions provider are authorised by the tax and social security legislation to establish a PPS:

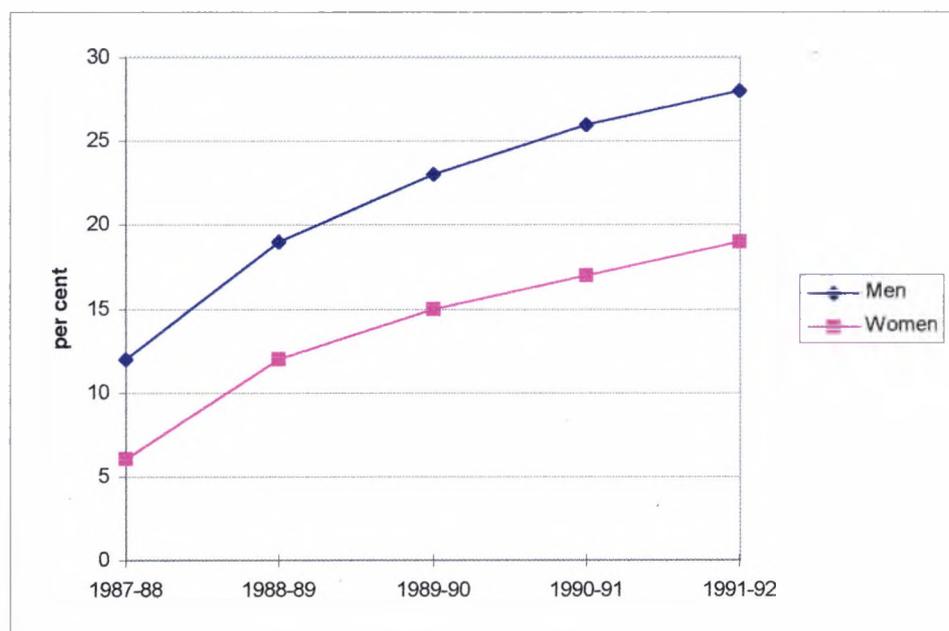
- (a) an insurance company authorised to carry on long-term insurance business or to manage authorised unit trusts;
- (b) a building society or an associate company of a building society within the meaning of the Building Societies (Designation of Qualifying Bodies) Order 1988;
- (c) any institution authorised under the Banking Act 1987 or a subsidiary of such a company; scheme funds must be invested either with the bank itself or with another institution authorised under the Banking Act 1987;
- (d) a friendly society appropriately authorised under the Financial Services Act 1986 and under the Friendly Societies (Long Term Insurance Business) Regulations 1987 to carry on long-term business;
- (e) any institution (other than an insurance company) which manages authorised unit trusts).

Most personal pension schemes have been set up using the Inland Revenue's model rules, since any scheme adopting these is automatically allowed to contract-out from SERPS. Under the model rules, the pension scheme can either be put in trust or formed using a deed poll.

The rules of a PPS will provide for a member's pension, and for a surviving spouse's pension. Provision will also commonly be made for dependants' pensions where there is no surviving spouse. A PPS may be unit-linked so that the funds contributed by the individual ('the member') will be used by the insurance company for the purchase of units in unitised managed funds, with the PPS holder being given the opportunity to select the type of managed fund in which his or her scheme funds are to be invested.

Retirement benefits from a personal scheme can be drawn at any time between the ages of 50 and 75. On retirement, once any tax-free cash sum has been taken, an annuity is purchased. The individual has some choice as to the type of annuity. In the November 1995 Budget the Chancellor announced advantageous changes to personal pension schemes, allowing greater flexibility at retirement. Legislation will permit those with personal pension schemes to take 25% of the pension as a lump sum at any time from the age of 50 and defer the purchase of an annuity to a later date, up to the age of 75. Until the actual purchase of the annuity, the plan holder will be able to draw down varying amounts of income, subject to certain limits.

Figure 2.7 Percentage of Employees who are Members of Contracted-Out Personal Pension Schemes



Source: Dilnot et al., 1994. (Not including self-employed)

Figure 2.7 shows the extent of the penetration of personal pension schemes in the labour market. By 1992, 28% of male and 19% of female employees had contracted out into

personal pension schemes, compared with 57% of male and 37% of female employees in occupational pension schemes in 1991 (GAD, 1991).

Towards the end of 1993 the Securities and Investments Board revealed that a significant number of people who had been members of occupational schemes had been wrongly advised to give up their membership of these schemes and take out personal pension schemes instead. Although the personal pension sector has experienced huge growth, it has also seen 25% of policy holders terminate their contracts in 1993, the first year after they bought them (*Pensions World*, June 1995, Tolley Publishing). Additional estimates indicate that one in every five people who take out personal pensions will abandon them within a year, and a further 18% are likely to leave after three years (*Observer*, September 9th 1995). The Securities and Investment Board investigated the irregularities of the selling of personal pension schemes after the fieldwork and analysis had been undertaken. Its deliberations are discussed in appendix II.

2.9 Alternative Means of Retirement Provision

2.9.1 Group Personal Pension Schemes

A group personal pension (GPP) represents a further option available to employers who wish to provide a pension arrangement but who are not prepared to assume the administrative and fiduciary responsibilities of an occupational pension scheme. Responsibility for administration and fulfilling information requirements lies with the pension provider, which is a life assurance company. Group pensions are designed for companies with fewer than 100 employees. In 1992 there were approximately half a

million such companies in the UK (National Association of Pension Funds, 1992), with about 6 million employees.

In practice, GPPs operate in the same way as individual plans, but allow the employee to benefit from lower charges as a result of economies of scale. The cost of a GPP to the employer may also be lower than with other occupational pension schemes because of the relative simplicity of administration.

There are, however, certain disadvantages in operating a group personal pension. First, the employee loses a degree of control over the pension arrangements since they are not purely personal. Secondly, the employee will receive benefit statements from the personal pension provider and is likely to view the plan as a portable personal pension rather than as a company scheme. Thirdly, if employees do not associate the scheme closely with the company, they may feel less affiliation and loyalty to their employer, compared with a self-administered defined benefit scheme. A GPP may therefore fail to meet one of the primary aims of occupational pension schemes - that of retaining skilled and valued staff.

2.9.2 Self-Employed and Partner's Pension Schemes

Self-employed individuals and partners in partnerships are not permitted to join SERPS and clearly cannot participate in a company's occupational pension scheme. They can provide for their retirement through the sale of their business, or by making provision for retirement in their partnership agreements, or by taking out their own personal pension schemes.

Personal pension schemes for partners and the self-employed are exactly like any other personal pension scheme, with retirement between 50 and 75, and contribution limits of 17.5% of net relevant earnings, which in this case means gross earnings less certain business expenses. They are also much more flexible than the types of retirement annuity contracts that were available to the self-employed and partners before the introduction of personal pension schemes. For example, previously it was not possible to take a transfer value from an occupational scheme to a self-employed scheme and vice versa. Now such transfers are possible. Similarly, whereas in the past a self-employed person who had several jobs had to keep his or her pension arrangements for each separate, it is now possible to have a single personal pension scheme in respect of all these several jobs. There were approximately 40,000 such schemes in the UK in 1993.

2.9.3 Small Self-Administered Pension Schemes

A small self-administered scheme (SSAPS; also known as a 'captive pension scheme' or 'small scheme') is established as a trust by a private company to provide for the directors' retirement and death benefits. It is subject to normal pension scheme legislation. An SSAPS enables the company to build up a fund out of pre-tax profits. This fund may be used in a tax-efficient manner to provide pensions for the directors; at the same time the use of the value of funds for company-related investment is permitted. For a scheme to be regulated under the Small Schemes Regulations, some or all of the income and other assets of the scheme must be invested other than in insurance policies.

An SSAPS must be operated as a common trust fund: each member can have a separate account representing a proportion of the total fund, but cannot have specifically earmarked assets. There were about 20,000 SSAPSs in the UK in 1990, managing the pension schemes of more than 40,000 directors and senior employees. Typical formation costs are between £2,000 and £2,500 per scheme. The principal attraction of an SSAPS is the wide investment powers that the directors of a company can exercise, in particular the powers of self-investment.

2.9.4 Executive Pension Plans

Senior executives often benefit from a lower than normal retirement age, an enhanced pension accrual rate, an enhanced tax-free lump sum, and higher levels of guaranteed increases on benefits in payment. In essence, such measures represent an augmentation of benefits within the main company pension scheme. However, in order to provide extra benefits to senior executives, the company could decide to establish a separate executive pension plan (EPP) for them. The investment strategy will depend largely on the level of security and pension required, and this, in turn, is a factor of age. For example, if the employee has only three years to retirement a non-profit insurance policy may be most appropriate; this policy would provide the employee with a guaranteed amount with which to purchase an annuity at retirement.

2.9.5 Unapproved Pension Schemes

The Income and Corporation Taxes Act 1988 provides for schemes to be both 'approved' and 'exempt approved'. An exempt approved scheme is simply an approved

scheme which has been set up under irrevocable trust, and is additionally eligible for full available tax relief on contributions. However, unapproved pension arrangements also exist.

Occupational pension schemes and arrangements that fall outside the criteria for Inland Revenue approval first became more significant under the Finance Act 1989. Simultaneously, the 1989 Budget introduced the pensionable earnings cap on approved schemes, discussed in section 2.2 above. The intention was that pension provision in respect of earnings above the cap would be made on an unapproved basis. Employers may now provide benefits under schemes which are not approved by the Inland Revenue without prejudicing the tax-exempt status of an approved scheme covering some of the same employees.

2.10 Additional Voluntary Contributions

Only a very small proportion of employees will receive the maximum two-thirds of final salary that the Inland Revenue allows as pension benefits for the purposes of tax relief. Those who choose to change jobs regularly, wish to retire early, or take time out of paid employment because of caring responsibilities, are likely to be particularly far from this two-thirds limit. The most tax-efficient way to fill the gaps in pension provision is through payment of additional voluntary contributions (AVCs).

There are two types of AVCs. The first are those payable 'in-house' directly to the trustees within the terms of the scheme. Under section 12 of the Social Security Act 1986, effective from 6 April 1988, all occupational pension schemes must allow

members to make additional voluntary contributions within Inland Revenue limits. Although AVCs offer employees the advantage of having fuller pension contributions, according to the NAPF only 10% of scheme members made any such contributions in 1993.

The second type of AVC is the free-standing additional voluntary contribution (FSAVC). This is the individualised version of the AVC, introduced on 26 October 1987. The provision is 'free-standing' because the AVC contributions are paid not to the trustees of the scheme, but to an independent pensions provider of the member's choice. With this type of AVC, the employer will not contribute to the scheme and the FSAVC will generally provide benefits on a money purchase basis, in addition to those provided by an occupational scheme to which the employer is a contributor.

In many respects FSAVCs offers employees a more portable pension scheme than the AVC. However, they have also been criticised for their high administration costs.

2.11 Investment of Scheme Resources

Minimum payments represent the difference between the rate at which the employer must pay NIC on a contracted-out and on a contracted-in basis on earnings between the lower and the upper earnings limits of NIC. Once minimum payments are paid to the trustees of a pension scheme, they must be invested along with all other contributions to the scheme in accordance with certain limits set out in the Money Purchase Contracted-Out Schemes Regulations (COSR) 1987. These regulations also state that the investment

return on the minimum payments must be calculated on no less favourable a basis than the return on other contributions to the scheme.

Only certain categories of investment are permitted for this purpose. Essentially, these comprise insurance and friendly society policies; authorised unit trusts; listed securities (in the UK and other EU countries), including those traded on a second-tier market, like the Unlisted Securities Market in the UK; private company shares; gilt-edged securities and their EU equivalents; options and futures; and land. Within these asset classes, restrictions apply on the proportion of the resources of the scheme which may be invested in any one class of investment and on the permitted concentration of investment in the shares or securities of any one company or other issuer. The more risky the investment is perceived to be, the greater the restrictions which are imposed.

Some of the limits, for example those relating to self-investment in the employer, are cumulative. It is required that self-investment (by way of loan to the employer and any part of the resources of the scheme invested in the employer or in an associated employer, taken with the value of any investment in private company shares, unauthorised unit trusts and futures and options) must not exceed 5% of the value of the resources of the scheme.

A scheme cannot contract out of SERPS both on a money purchase basis and on a COSR basis at the same time. Where a scheme satisfies both sets of conditions at the same time, one or other contracting-out basis must be chosen. It has become increasingly common for final salary schemes to introduce a system of notional money purchase accounts for individual members, so that each is promised his or her final

salary pension based on either the scheme fraction of his or her final pensionable pay or the pension which his or her notional money purchase account will buy, whichever is the greater. Such a money purchase underpinned scheme would be contracted out on a COSR basis.

Some money purchase schemes have been contracted out using the guaranteed minimum pension (GMP) test. In terms of benefit design, this ensures that members would normally be well advised to join the scheme rather than remain in SERPS. In effect, a final salary underpinning has been added on to a money purchase scheme.

2.12 Conclusion

It is against the background of coverage and design of retirement provision within the UK described in this chapter that our fieldwork took place. The reforms effected in the Social Security Act 1986 dramatically changed the structure of non-state pension provision, as originally introduced in 1978. New pension scheme options were introduced and, for the first time, all individuals were offered a choice. In this new context, with employees gaining the right not to join their company schemes from 1988, and with a relative increase in defined contribution schemes, it became clear that occupational pension schemes would be forced to change in the long term in order to keep their share of membership. One of the main forces of change, as stated before, was the end of the compulsory status that occupational pensions enjoyed up to 1988.

One of the main objectives of our research was to determine employees' levels of satisfaction with their occupational pension schemes and whether they were likely to

change to another type of pension provision. Might there be one or two segments of the labour market where dissatisfaction with occupational pension schemes is more prevalent than in other segments? This chapter has examined the supply side of pensions provision; the next chapter examines a particular aspect of the demand side, looking particularly at how provision for women meets the requirements of their changing patterns of life and work.

CHAPTER 3
THE GENDER IMPLICATIONS OF PENSION PROVISION:
AN EMERGING CONTEXT

- 3.0 Introduction

- 3.1 The Historical Context of Pension Provision for Women:
 - 3.1.1 Coverage by Occupational Pension Schemes
 - 3.1.2 State Provision for Maternity Leave
 - 3.1.3 The Treatment of Divorce in the State Pension Scheme
 - 3.1.4 The Treatment of Divorce in Occupational Pension Schemes

- 3.2. The Emerging Context of Pension Provision for Women:
 - 3.2.1 Labour Market Trends and Women's Career Histories
 - 3.2.2 Labour Market Segmentation
 - 3.2.3 The Increasing Significance of Part-Time Work
 - 3.2.4 Changing Domestic Patterns
 - 3.2.5 The Evolving Legislative Framework

- 3.3 The Flexible Firm

- 3.4 Conclusion

3.0 Introduction

Socio-economic and legal developments during the 1980s and 1990s have required a closer analysis of the link between gender and pension provision. The overall aim of this chapter is to assess the implications of these recent developments. The gender inequalities of pension provision have been well documented in the literature. Ellis and Morrell (1982) found that there were still many differences between the treatment of men and of women in British occupational pension schemes despite equality legislation (Sex Discrimination Act 1975; Equal Pay Acts 1976 and 1982) and, moreover, noted a fundamental difference in perceptions of 'equality' with regard to occupational pension provision. Employers tend to think in terms of 'equality of cost' in providing for male and female scheme members; employees tend to think in terms of equality of access to pension benefits.

The repercussions of this basic disparity are arguably the focal issue in assessing whether occupational pension schemes have ever been a viable pension option for the majority of women in the UK, and whether they are ever likely to be a viable option if they remain in their current form. If occupational pension schemes are to survive into the twenty-first century they must clearly meet the challenges of an expanding, flexible, female workforce, changing domestic patterns and a rapidly evolving legal framework.

The objectives of this chapter are twofold:

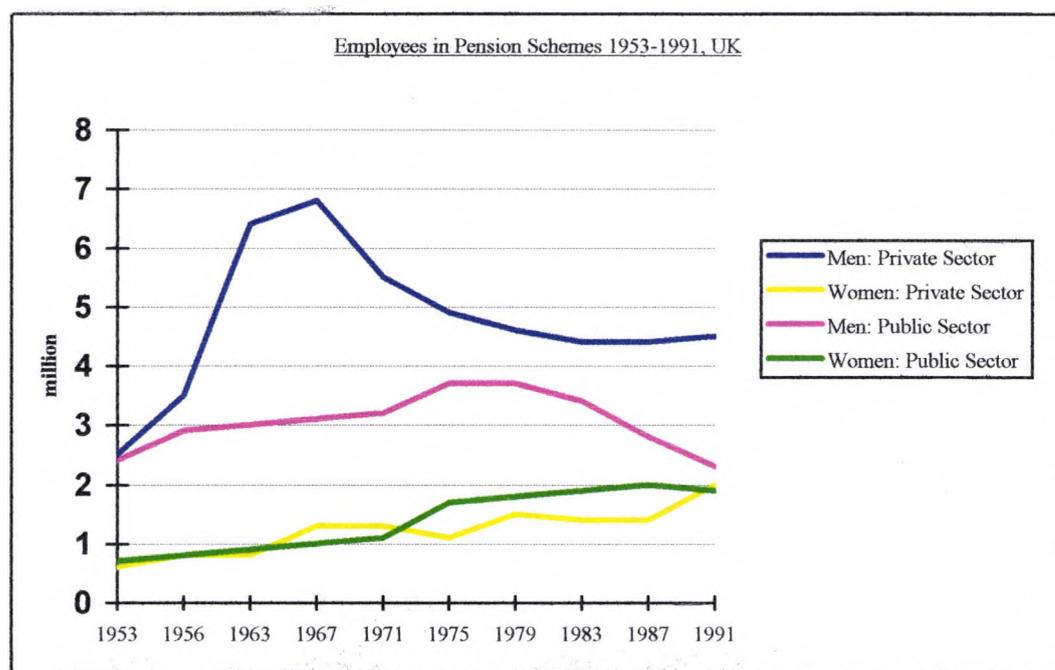
- 1 To consider the historical context of pension coverage for women in order to highlight the social and economic values on which provision has traditionally been based.
- 2 To discuss the emerging socio-economic context of pension provision for women through an analysis of current labour market trends, changing domestic patterns and relevant legal developments.

The focus of this analysis allows emphasis to be placed on the existing and emerging inadequacies in both state and occupational pension schemes.

3.1 The Historical Context of Pension Coverage for Women

To set the historical coverage in context, figure 3.1 illustrates employee membership of occupational pension schemes for the period 1953-91, which has been discussed in Chapter 1.

Figure 3.1 Employees in Pension Schemes 1953-1991



Source: Government Actuary 1994a

As Figure 3.1 shows, since 1963 nearly 11 million of the employed labour force have been in occupational pension schemes. However, prior to our fieldwork in 1991, women's pension coverage increased at a higher rate than men's, which according to the various surveys carried out by the Government Actuary's Department (GAD) has been on the decline.

The first GAD survey was completed at the request of the Phillips Committee in 1936. Since then, the department has completed eight further surveys of occupational pension schemes, at intervals of, on average, four years, which have determined the extent to which employees in the United Kingdom have been covered by occupational pension schemes.

Table 3.1 Private Sector Occupational Pension Schemes in 1936 in Great Britain

Men	Women	Total Members	% of Women Members	% of Men Members
1,282,025	335,025	1,617,050	20.7	79.3

Source: Ministry of Labour Gazette 'Schemes Providing Pensions for employees on Retirement from work', May 1938

As shown in table 3.1, the number of females in pension schemes in 1936 was 335,025 as compared to 1,282,025 men: women accounted for only 20% of total membership. By 1954, according to estimates by the Institute of Actuaries, total membership of schemes had increased to 6,261,000, but the percentage relationship between the genders remained the same, with 1,301,000 women members and 4,960,000 men. More than half of these women were employed in the public sector, the largest employer being the NHS (Elphinstone and Benjamin, 1954). In 1956, the second GAD survey reported 830,000 women members of private sector pension schemes, as compared with 3,470,000 men belonging to such schemes.

In a document of 1957 entitled *National Superannuation: Labour Party Policy for Security in Old Age*, drafted by Abel-Smith, Titmuss and Townsend, the Labour Party promised women pension rights equal to those enjoyed by men. Women were promised a guaranteed minimum basic pension, equivalent in value to the existing state retirement pension for a 'dependent wife', in recognition of married women's characteristic period of absence from the labour market. Despite this change, however, the trend identified above continued throughout the 1960s: women increasingly chose to become members of occupational pension schemes, more in the public than in the

private sector. However, they continued to be under-represented overall as members of pension schemes compared to men. Employers reacted to surveys highlighting poverty among elderly women (for example Townsend, 1967) by increasing the provision for widows in their schemes. This reinforced the image and role of women as 'dependants', rather than independent individuals needing replacement income in their old age.

The 1975 Government Actuary survey showed a net increase of 400,000 in female membership of occupational pension schemes since the previous survey, made up of a gain of 600,000 in the public sector but a drop of 200,000 in the private sector (GAD, 1978). This left female membership in private sector schemes at 1.1 million against a male membership of 5 million. The next GAD survey of all occupational pension schemes, in 1983, witnessed a jump to 7.8 million male members and 3.3 million female members, as shown in table 3.2; by the time of the 1987 survey the gap had narrowed further, with 7.2 million male members and 3.4 million female members (table 3.2).

3.1.1 Coverage by Occupational Pension Schemes

Table 3.2 Occupational Pension Scheme Coverage in Great Britain in 1983 and 1987 (millions)

Year	1983	1987	1983	1987
Sector	MALES Emps Mbrs	MALES Emps Mbrs	FEMALES Emps Mbrs	FEMALES Emps Mbrs
Civil Employment: Private Sector	8.5 4.4	8.9 4.4	5.8 1.4	6.3 1.4
Public Sector Corporations	1.4 1.3	0.8 0.8	0.3 0.2	0.2 0.1
Central Government	0.7 0.7	0.6 0.6	1.3 0.9	1.4 1.1
Local Authorities	1.2 1.1	1.4 1.1	1.6 0.8	1.7 0.8
Total Public Sector	3.3 3.1	2.8 2.5	3.3 1.9	3.3 2.0
Total Civilians	11.8 7.5	11.7 6.9	9.0 3.3	9.6 3.4
HM Forces: Central Government	0.3 0.3	0.3 0.3	- -	- -
TOTALS	12.1 7.8	12.0 7.2	9.0 3.3	9.6 3.4

Emps = no. in employment; Mbrs = no. of scheme members

Source: Government Actuary, 1986.

Women's increased participation in the labour market by 1987 was not matched by a proportionate increase in their coverage by occupational pension schemes: while the percentage of women in the workforce rose to 44% in 1987, only 35% of women workers were members of occupational pension schemes. By contrast, 60% of male workers belonged to such schemes. Women were greatly over-represented among those categories of employees excluded from scheme membership, with part-time or temporary employment being a major cause of such exclusion in both private and public sectors. This issue of exclusion on the basis of job classification is increasing in significance and is addressed further in section 3.2.3 below.

The gender divisions in occupational pension scheme coverage become yet more pronounced when the position of married women is considered. No details of pension entitlement among married women were given in the Government Actuary's surveys, but in Hunt's 1986 study only 5.6% of married women over 65 and living at home in England were in receipt of an employer's pension in their own right, as compared with 51% of married men (Hunt, 1986). The disparity between women's participation in the labour force and their membership of occupational pension schemes can be partially explained by two factors which are inextricably interlinked.

First, the effects of childbearing on women's careers, together with related social policy considerations, act to constrain women's economic activity and impact upon female pension scheme membership. Social policy is still framed around the assumption that women provide for childcare (Land, 1978).

It is argued that because women bear children, it follows that they should also rear them and that their sphere of activity should be home-based . . . the claims of women to higher education were denied on the basis that their reproductive systems would be irreparably harmed, their claim to the vote was rejected on grounds of biological inferiority and incapacity resulting from the need to attend to home duties, and their claim to equal job opportunities was declared incompatible with their primary role of motherhood. (Lewis, 1983, p3)

Whatever the reason, the reality is that women bear the greater part of the responsibility for the care of young children until they start school and thereafter outside school hours and during the holidays until the children become old enough to look after themselves. As a result, children, and in particular pre-school children, have an effect on the economic activity of many women. Women with dependent children are significantly less likely to be economically active than those with no dependent children, and there is some decline in economic activity with each additional dependent child. Moreover,

about half of all middle-aged housewives can expect at some time to be responsible for caring for a sick or elderly person. In Hunt's 1986 study of people caring for the elderly and infirm it was found that on average they had been providing care for more than six and a half years (Hunt, 1986). The effects of these factors, severally and together, help to explain women's typical career patterns.

Discontinuity of employment has major negative consequences, both direct and indirect, for the career trajectories and earning opportunities of women, which in turn impact on their ability to gain access to, and make contributions to, pension schemes. Evidence from the Women and Employment Survey (Martin and Roberts, 1984) suggests that 37% of all women returning to employment ten or more years after having their first child suffer downward occupational mobility. The corresponding proportion for those returning within one year of the first child's birth is lower, but nevertheless still substantial, at 22%.

If levels of personal earnings according to age are analysed, earnings of both sexes are similar up to the mid-twenties, but thereafter men's earnings greatly outstrip women's. Joshi (1985) has carried out macro analysis of women's direct earnings loss and subsequent limited access to the increasing pay opportunities which follow career progression. Joshi has estimated that the costs to a mother of taking responsibility for children are high: at least six to seven years' worth of average earnings. This does not include the effects of downward occupational mobility indicative of the move to part-time employment, the reduction in working hours and lower rates of pay resulting from the structural location of part-time work, or unequal access to pay-related opportunities such as pension schemes.

Secondly, the levels of female membership of pension schemes have been affected by the criteria determining access to the schemes. Prior to 1975 access to membership was based essentially on age and gender. Many schemes admitted women at a later age than men. Some gave lower benefits to women for the same level of contribution as men, on the grounds of their greater longevity and earlier retirement. The majority excluded women from death and disability benefits (Durham, 1956). The lack of flexibility of employers' schemes meant that many women, particularly younger women, were denied access to pension coverage.

Despite the 1975 Social Security Act, which made it illegal to set different ages of entrance to pension schemes for men and women, women have continued to be at a disadvantage. Schemes determine access to membership by reference to classification of work: full-time or part-time; casual, temporary or permanent; etc. (GAD 1991). Since women constitute the majority of part-time, casual and temporary employees, their access to occupational pension schemes remains limited. Thus, overt discrimination based on gender has been replaced by a more indirect form of discrimination.

3.1.2 State Provision for Maternity Leave

Britain has a national scheme for providing women with paid time off work for childbirth, a provision which was introduced as part of the Employment Protection Act 1975. This Act gave women the right to reinstatement on various conditions (modified by the Employment Act 1980), maternity pay and protection from unfair dismissal. This legislation set out the statutory minimum provisions for maternity leave; individual

employers can provide better schemes in agreement with their employees, and indeed, some private maternity leave schemes were in operation prior to this legislation. However, in 1984/5 only one in six of all women having babies qualified for maternity pay (Land and Ward, 1986).

Under the Social Security Act 1986, implemented in April 1987, maternity pay was replaced by statutory maternity pay (SMP). SMP, which is administered by the employer, is a flat rate payment with an additional earnings-related element for the first six weeks of leave for women with either two years' service with their employer if working full time, or five years' service if working part time. Women who satisfy the principal conditions for receipt of SMP but do not qualify for the earnings-related element receive the flat rate payment; for example, women who have been working for an employer continuously for at least six months but for less than two years. It is not necessary to intend to return to work with the same employer. To qualify for SMP, women have to pay class 1 or 2 national insurance contributions for at least 26 weeks in the 52 weeks preceding the 14th week before the expected week of the birth. Married women's and widow's reduced rate contributions do not qualify.

Land and Ward claim that under these contribution conditions, a quarter of all those eligible under the old rules, lost their entitlement to maternity pay. They suggest that the restructured maternity provisions offer more to highly paid women who work full time and return to work quickly after their confinements, and least to the most vulnerable mothers. The reforms did not, in any sense, 'offer adequate support as of right to all pregnant women and their babies' (Land and Ward, 1986). The inadequacies of the

maternity leave legislation serve to highlight the emphasis on voluntary action and parental responsibility embedded in state social policy.

In their comparison of maternity benefits throughout Europe, Cooper and Davidson (1983) suggest that Britain has lower pay and stricter conditions for eligibility than other European countries. The United States is notable for being the only major industrialised country in the world without a national insurance plan covering medical expenses for childbirth, and it is one of the few industrialised countries that do not provide any statutory cash benefits to women over the period of childbirth to compensate them for lost earnings.

Provision for maternity leave in the context of pension contributions varies among European countries. In Sweden, parents are allowed up to 210 days' paid leave at the time of birth. This allowance is payable to whichever parent stays at home to look after the child. In the white-collar occupational pension scheme a woman is entitled to six months' maternity leave without any effect on qualifying service for pension purposes, or on the amount of pension eventually received. Since the parents' allowance is payable for seven months, some employers also pay contributions for the extra month's leave. If the father stays at home his absence will count as a break in service, and his pension may be affected. The manual workers' scheme makes no specific provision for parental leave, but if a woman has taken seven months' leave and works full-time for the remaining five months of the year, her pension entitlement is not affected. The same is true for a man who takes a period of parental leave. The practice in other European countries is now moving towards the protection of women on return to work. In Germany, a mother's right not to be dismissed extends for two months after maternity

leave expires. Unpaid leave is accompanied by a guarantee of reinstatement and the rights linked to it, and sometimes by cash benefits.

In some countries, therefore, a paid extension of maternity leave is available, indicating that maternity leave is not determined solely by the physiological needs of pregnancy and confinement, but also by the need to rear and care for the child. In its report in 1976 the Occupational Pension Board recommended that 'where both maternity and paternity leave are available or where either parent can take leave to care for sick children or infants, men and women should be treated equally for pension purposes, regardless of their marital status' (OPB, 1976, p.143). In the UK several larger organisations, realising that the legal amount of maternity leave is limited, have expanded on this legal requirement. The banking sector in particular has created various expanded schemes: the National Westminster Bank, for example, has two in operation. The re-entry scheme is for those of high management potential whom the bank will guarantee to retraining and re-employ at the same grade within five years of resignation. Also within that time, anyone on the 'reservist' scheme (available for lower grades) can apply for suitable vacancies and will receive consideration. All re-entrants and reservists are required to do at least two weeks of paid work each year. IBM has a scheme which allows 20 women every year to work part-time for three years after the birth of their child. However, this is only a pilot scheme and is applied solely at the employer's discretion; the company reported that it was generally used for the graduate-entry employee whom the company had trained and wished to retain during her whole working life. The scheme may be under threat because of redundancies. The BBC offers women the chance to apply for posts before they are publicly advertised for up to five years after

resignation to bring up a family. The scheme is not intended solely for those who go on maternity leave but for employees who wish to leave for a range of domestic reasons.

However, none of these schemes involves paid leave, and the contract of employment is terminated: therefore, if the woman is covered by an occupational pension scheme with contributions deducted at source then payments may cease unless an arrangement is made between the employee and employer.

3.1.3 The Treatment of Divorce in the State Pension Scheme

The state pension scheme provides that a wife who is divorced before she reaches the age of 60 may use her husband's contributions record for the period before the termination of marriage. If the wife is 60 years of age or more at the date of the divorce, the husband's contribution record qualifies her for a retirement pension equal to the amount she would have received had he died at the date the marriage ended. A divorced woman can only use her former husband's contribution record to establish her right to the basic pension, and may only do so provided she contributed in her own right as soon as the marriage ended and did not remarry (unless she divorced over the age of 60). Her claims are not affected if he remarries, but if she cohabits or remarries she loses the right to a pension based on her former husband's contribution record.

The state scheme has consistently emphasised the dependency of women through marriage, despite the protestations of social pioneers such as Beveridge. Beveridge viewed the position of divorced women as a somewhat intractable problem, but one that at least needed further consideration. However, he made no suggestion as to how the

social insurance scheme would maintain an income for the divorced woman (Beveridge, 1942; Harris, 1977). Furthermore, Walley (1972) suggested 'that marriage should not, of itself, give a woman (any more than a man) exemption from the general obligation to pay contributions towards a pension. As in the case of income taxation, the basis for both the husband's and wife's liability would be their joint income (assumed to be equally divided) and would be enforceable.'

3.1.4 The Treatment of Divorce in Occupational Pension Schemes

The pension rights of the husband can represent a sizeable asset, often next in size only to the matrimonial home. However, these rights are an uncertain asset, vesting at an indeterminate date in the future and at an unquantifiable value when viewed at the time of the divorce. The current provisions of matrimonial property law, which deal with financial redistribution between husband and wife at divorce, do not deal adequately with the pension entitlement of either party, but have a greater adverse impact on women divorcees. (For recent legislative changes, see appendix II.)

For the younger divorcee with a full-time job the need for pension rights from her former husband may not be so necessary, but for the older woman who has not built up her own pension rights, hardship may result in her later years if she has no claim on her former husband's pension. A divorced wife loses the full rights to a prospective widow's state pension as she is no longer deemed to be her husband's prospective widow. A separated wife's rights are maintained, although there are restrictions. In most pension schemes providing widows' pension benefits, a separated wife would not lose her right to a pension but a divorced wife would. Some schemes may, however,

require a dependency test prior to granting a pension to a separated wife. In the case of a lump sum payment, where the trustees have some discretion, they may take the divorced wife into consideration.

Rights in occupational pension scheme funds are not negotiable assets. The court cannot bind managers of occupational pension schemes to treat ex-wives as beneficiaries before or after the member's death. Furthermore, the trustees of a pension fund are hampered in using their discretion when paying benefit to persons other than members by the requirement of the Inland Revenue that the beneficiaries satisfy a dependency criterion. If, for example, the ex-wife had not been receiving alimony, it is unlikely that the fund could pay her a survivor benefit even if the trustees wanted to. The discretion available to pension fund managers, in principle broad in scope, is also constrained by their reluctance to become involved with the private lives of scheme members. Therefore, in practice, whoever is the legal wife at the member's time of death usually receives the widow's pension. Members are strongly recommended to specify the individual they wish to receive benefits in the nomination form at the back of most pension scheme booklets.

Clearly, from the outset pension provision has been subject to many limitations on equality of access and coverage. In recent years, this has been exacerbated to the extent that women's requirements of and expectations for pension coverage are increasingly failing to be recognised. The following section considers the socio-economic changes which underlie this assertion and on which the question at the heart of this research focuses.

3.2 The Emerging Context of Pension Provision for Women

The broad socio-economic context against which pension provision for women has to be assessed in addressing the research question can be analysed under the following headings: labour market trends and women's career histories; labour market segmentation; the increasing significance of part-time work, changing domestic patterns; and the evolving legislative framework. Each of these will be examined in turn.

3.2.1 Labour Market Trends and Women's Career Histories

The pattern of labour has changed in the twentieth century. Women have always worked, but official statistics have not regarded the work of looking after the young and old as 'economic activity' (Hunt, 1980). Nor has work of this nature been financially rewarded. The statistics show how the pattern of women's paid work has changed. In the years before the Second World War, the percentage of women in paid work remained constant at about 10% (Hunt, 1980). It then rose sharply during the war to 50%, only to drop again in the late 1940s. The 1961 census was the first to record a pattern of many women returning to the labour force after the age of 35, generally as part-timers.

These changes are related to, and are chiefly accounted for by, the dramatic increase in the labour force through the participation of married women who have returned to the labour market after a break for child-rearing, and the expansion of the service sector, which is traditionally a major employer of female labour. During the late 1970s and 1980s this trend accelerated (Martin and Roberts, 1984; Elias and Main, 1983).

According to the General Household Survey, an 'economically active' person is someone who is working or registered unemployed in the reference week (OPCS, 1992); 'working age' is defined as 16 to 64 for men and 16 to 59 for women. Some of the figures generated by the General Household Survey are presented in tables 3.3 and 3.4 below.

Table 3.3 Economically Active Men aged 16 or over in Great Britain, 1973-1989, by age group (%)*

AGE	'73	'75	'79	'81	'83	'85	'87	'88	'89
16-17	63	55	56	47	40	65	69	69	72
18-24	91	89	91	89	89	91	92	92	91
25-34	98	98	98	97	97	97	97	97	97
35-44	99	98	98	98	97	98	97	97	96
45-54	98	98	96	95	94	93	94	93	92
55-59	94	94	88	90	85	82	84	83	82
60-64	85	84	75	73	63	53	55	54	54
65 or over	19	16	15	11	9	8	7	8	8
16-64	94	93	92	90	88	89	90	89	89
Total	82	81	79	77	75	76	76	75	75

* From 1985 full-time students were classified as 'working', 'unemployed' or 'inactive' according to their own reports of what they were doing in the reference week; in previous years they were all classified as 'inactive'. From 1985 people on YTS were classified as 'working' if they were with an employer for work experience in the reference week, or as 'inactive' if at college. From 1989 all those on schemes YTS, ET and JTS were classified as 'working'.

Table 3.4 Economically Active Women aged 16 or over in Great Britain, 1973-1989, by age group (%): (a) Non-Married Women; (b) Married Women; (c) All Women*

(a) NON-MARRIED WOMEN**

AGE	'73	'75	'79	'81	'83	'85	'87	'88	'89
16-17	57	52	53	40	41	66	61	67	70
18-24	84	82	79	83	81	81	81	79	79
25-34	82	76	76	76	69	74	78	71	76
35-44	76	75	70	75	70	78	70	70	77
45-54	74	77	72	74	67	73	73	74	72
55-59	69	62	61	61	53	51	55	48	51
60-64	34	34	23	23	17	16	15	19	21
65 or over	6	6	5	4	4	2	3	3	3
16-59	74	72	70	70	67	74	74	72	74
Total	45	42	42	44	41	45	45	44	46

(b) MARRIED WOMEN

AGE	'73	'75	'79	'81	'83	'85	'87	'88	'89
18-24	50	54	52	57	52	62	67	69	67
25-34	44	52	55	51	52	57	63	65	68
35-44	64	66	70	69	69	69	73	76	75
45-54	63	67	68	69	68	67	73	71	75
55-59	48	49	55	54	52	50	54	53	54
60-64	25	26	25	21	20	20	22	20	21
65 or over	8	6	6	5	4	4	4	4	4
16-59	55	59	62	61	60	62	68	69	70
Total	48	51	52	51	49	51	56	56	57

(c) ALL WOMEN

16-59	60	62	64	64	62	66	70	70	72
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Source: GHS, 1992.

In the GHS year 1990/91, 75% of men and 53% of women aged 16 or over were economically active; the equivalent figures for men and women of working age were 89% and 72% respectively. As table 3.3 shows, for men of working age the economic activity rate was fairly stable throughout the 1980s but at a slightly lower level than in the 1970s, being 92% in 1979 then staying within the range 88-90% thereafter. In contrast table 3.4 shows that the economic activity rate for women of working age, after dipping from 64% in 1979 and 1981 to 62% in 1983, rose continually thereafter, with most of the increase occurring between 1983 and 1987. The dip in 1983 marked the only break in a very long series of increases.

The overall figures for men conceal a marked fall in rate of economic activity among men aged 55 or over during this period, a change attributable to economic conditions and an increasing tendency towards early retirement. By contrast, increasing proportions of married women aged between 18 and 54 were economically active. The late twenties and early thirties are the peak childbearing and rearing years; this is reflected in the economic activity rate of 68% for married women aged 25 to 34. As women return to work after this period the rate rises, for example, to 75% in 1989 for married women aged 35 to 44. Thus, although men continue to constitute the majority of the workforce, the gap between male and female labour force participation is steadily narrowing.

Women's activity rates are not only different from men's in most age groups, but as table 3.4 makes clear also differ significantly according to marital status. Many theories have been advanced to explain this pattern of difference, but it is worth noting that according to Oakley (1974) and March and McKay (1993), working mothers are still responsible for the majority of the household chores and child care. Traditionally, women's career histories have been typified as a bimodal work pattern (Hakim, 1979) or displaying an M-shaped working profile (Elias and Main, 1983). This was a pattern established in the 1960s, whereby women leave employment at the birth of their first child and return when their youngest child is of suitable age, with the second peak of activity generally occurring between the ages of 45 and 50. Evidence from the Women and Employment Survey (Martin and Roberts, 1984) led to the conclusion that in Britain the dominant pattern of women's work histories was formed by their leaving the labour market in order to care for their children at home. Only a small proportion resumed employment (8% full-time and 9% part-time) within six months of the first birth.

An emerging contention, however, of considerable significance in terms of pension contributions and equality of access to pension provision, is that the patterns of women's career histories are themselves changing, with the period of non-participation in the labour force becoming increasingly compressed. Daniel and McRae (1991) have shown that over a period of less than 20 years the proportion of women who are economically active within eight to ten months of having a baby has increased from less than 10% to approximately two-thirds. Further evidence of the same trend is offered by a research report entitled *The Impact of Current Maternity Legislation*, jointly funded by the Equal Opportunities Commission and the Social Science Research Council,

which found that 41% of women were returning to work within 12 weeks and 76% within 26 weeks of birth (Rowland, 1981). There are a variety of reasons for this trend, encompassing cultural, economic and legal factors. Only 26% of mothers living in nuclear families with children under school age are in paid employment, the majority of them (20%) working part-time (Land and Ward, 1986).

This reduction in the time taken out of labour force participation to bear and rear children is not the only recent change in women's career patterns. Hunt (1986) highlights the increasing responsibilities facing women as 'carers', and emphasises the narrowing gap between the end of the period of family formation and the beginning of other caring obligations. The expanding elderly population and current public policy, which directs care into the community, can only serve to intensify this trend.

3.2.2 Labour Market Segmentation

Not only do women tend to have a discontinuous work pattern, but when they are in employment they tend to be concentrated in a narrow range of jobs, with relatively low pay - a range that has expanded only a little relative to the increased size of the female workforce. This is relevant for the question of the thesis given that the attractiveness of different pension schemes is in part determined by the pay rate a worker receives. Moreover, occupational concentration has important implications for women in terms of pension schemes' membership, as pension coverage differs across occupations and sectors of employment.

Using the 1971 Census, Joseph (1983) claimed that 84% of women were in occupations dominated by women - a proportion twice as great as that which would be expected if women were distributed across all occupations in the economy in the same way as all workers - and that 70% of the female workforce were in occupations in which 75% or more of the workers were women. This phenomenon is explained in part by the economists' 'reserve army of labour' assumption.

To illustrate this point, in the period between 1973 and 1980, the concentration of women in occupations dominated by women increased. In 1973, according to the New Earnings Survey (NES), at a time when women held only 37% of all jobs, some 60% of employees in the six lowest-paying occupations were women; by 1980 the proportion had risen to 64%. Indeed, there is good reason to believe that the second figure is an under-estimate, because of changes in the recording of part-time women workers which had taken place in the intervening period. The expansion of women's paid employment also took place in a sector of the labour market which was poorly unionised (Nickell, 1977).

According to Hakim (1979), the most significant change in labour market segmentation is the decline in manual relative to non-manual occupations among women. Thus there is both horizontal and vertical separation between men and women at work; and, according to the 1992 HMSO study *Women and Work*, little improvement in women's situation in this respect has occurred over the past 85 years. According to this study, the list of occupations in which women constitute 75% or more of the workforce includes typists, secretaries, maids, nurses, canteen workers, charwomen, office cleaners, sewing machinists, hairdressers, laundry workers, waiting staff and kitchen hands. In the 1981

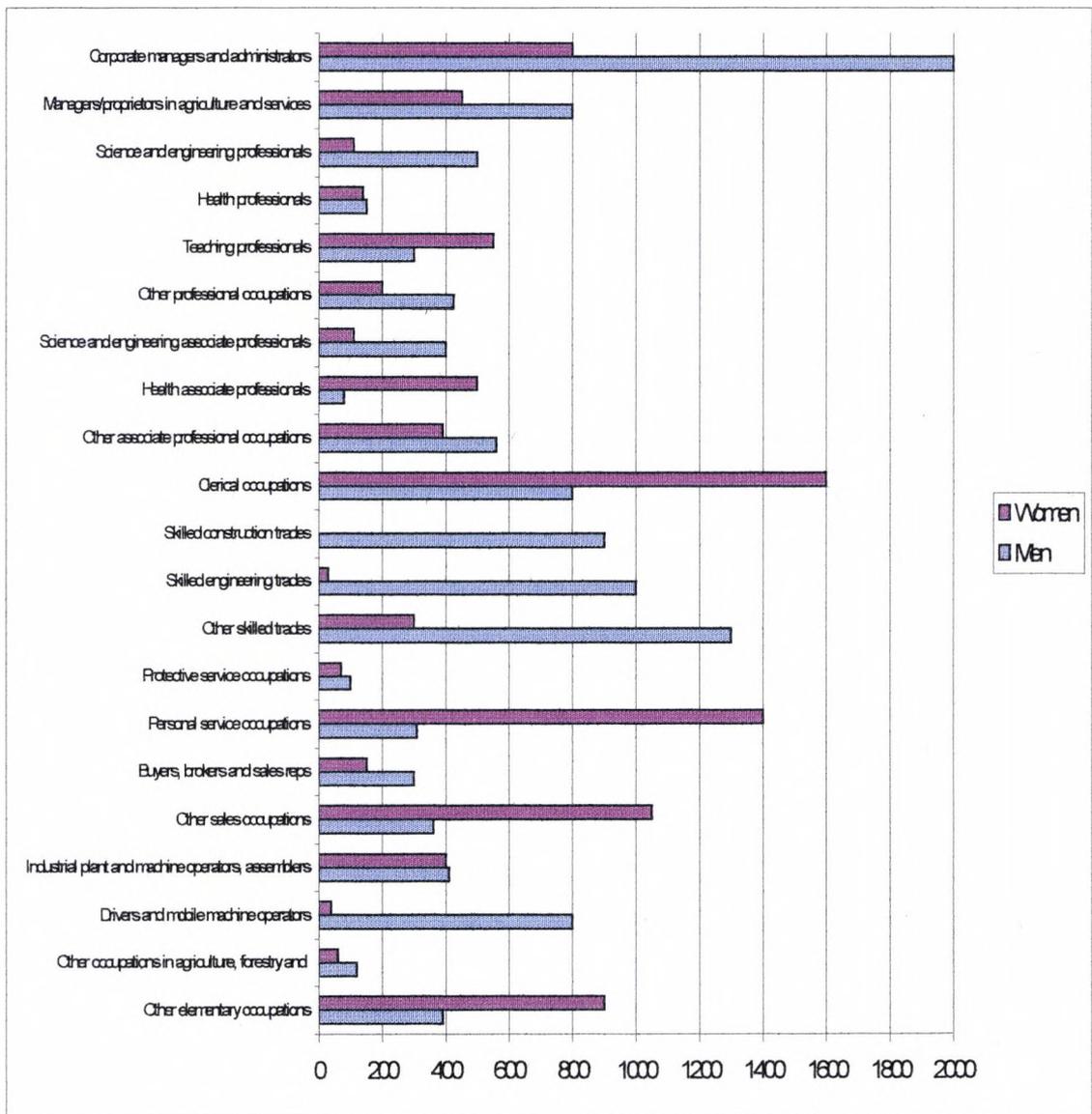
census, women constituted 70% of the labour force in clerical work and the above listed occupations. The occupational distributions of women over time show some important variations. Throughout this century female employment in domestic service has declined, as has employment in clothing and textiles, while clerical and retail work have grown in importance as occupations for women over the same period. While researchers into occupational segregation generally agree that the majority of jobs can be categorised as stereotypically female or stereotypically male, there are many operational definitions of how to measure the extent of actual occupational segregation (Hakim, 1979). The concept of occupational segregation has also been used in attempts to identify how far women's lower earnings are caused by being segregated in lower-paid occupations and how far by being paid less than men in the same occupations (Hakim, 1979).

Despite some improvements, occupational segregation remains widespread - even more so if intra-occupational segregation, as studied for example by Blau (1975), is also taken into account. Martin and Roberts (1984) found that while 63% of women were employed in jobs done only by women, the equivalent figure for men is as high as 80%, and also that women working in the higher-level occupations were less likely to be working only with other women.

Figure 3.2 shows the ratio of men to women in the main occupational groups. Men outnumbered women by 68 to one in the construction trades and 43 to one in skilled engineering trades; women outnumbered men by two to one in clerical occupations and by three to one among sales assistants, checkout operators and other sales workers. One of the latest surveys by the Equal Opportunities Commission (EOC 1993) reinforced the

evidence for pay and occupational differentials between men and women. For instance, in the academic world only 5% of professors in the UK are women. This pattern was still apparent in the Labour Force Survey of March 1996, although the gaps are narrowing. Women are still very poorly represented in traditionally male occupations such as engineering and technology (6%), computer analysts (18%) and skilled craft trades, especially construction and engineering (10%), as well as in protective organisations such as the police and fire services (12%). While women have made some progress in managerial and professional occupations they still represent only 32% of managers and administrators, 34% of health professionals and 27% of buyers, brokers and sales representatives.

Figure 3.2 Numbers of women and men of working age in employment by occupation: Great Britain, winter 1992-3 (not seasonally adjusted)



Source: Labour Force Survey, 1993.

3.2.3 The Increasing Significance of Part-Time Work

Literature analysing the structural location of part-time employment within the labour market further emphasises the indirect influences on the career and pay opportunities of women. Part-time jobs are predominantly concentrated in low-paid occupations with low status and limited opportunity for training and promotion. There has been a general

upward trend in the use of part-time labour, but the 1980s witnessed an unprecedented acceleration in this form of employment. More than 5 million Britons now work part-time, amounting to almost a quarter of the workforce (*The Times*, 1994: 2). The vast majority of these part-time workers are women.

Research suggests that both supply and demand considerations have contributed to the expansion of part-time employment, which must be seen in the context of the growth of the service sector and the concomitant decline of the manufacturing sector (Scott and Laslett, 1978). A number of explanations have been offered to account for the growth of the service sector in comparison to other sectors of employment. Bell (1974) suggested that services increase because people come to demand more personal service as they get richer, wanting an improvement in their lifestyle rather than simply wanting more goods. He identified this as a characteristic of the 'post-industrial society'. A neo-Marxist explanation suggests that an increase in services is generated in order to utilise the economic surplus which is, in turn, generated under the phase of monopoly or late capitalism (Baron and Sweezy, 1966). Rowbotham (1980) suggests that there has been a 'technological lag' in services which has made them more expensive in comparison with industrial products, and that this has caused the total expenditure and share of national expenditure apportioned to services to increase.

Mallier and Rosser (1980) concluded from changes in industrial structure, technology and methods of operation that the growth in part-time labour was largely demand-induced. In the 1970s the service sector met its need to recruit more workers while reducing labour costs, increasing productivity and relating working hours more closely to labour requirements by employing (in the main) married women to work part-time.

Part-time workers reduce labour costs by virtue of shorter working hours, low pay and their exclusion from a range of benefits such as paid holidays and provision for sick pay, maternity pay and occupational pension schemes. Exclusion from fringe benefits is a consequence of qualifying criteria such as length of continuous service and number of hours worked. The biggest saving for employers, on NI contributions, is made by keeping part-timers' earnings below the national insurance threshold. Costs are further reduced by deploying part-timers selectively to meet the demands of the service sector's peak periods and extended working weeks of up to 70 hours. Numerical flexibility - the ease with which the number of workers employed can be adjusted to meet fluctuations in the level of demand - has been well documented (Atkinson and Meager, 1986).

All these factors contribute to the element of increased demand in accounting for the growth of part-time employment. On the supply side, mothers returning to work part-time as a way of reconciling their domestic commitments and their need for paid work provide a ready and increasing pool of this type of labour.

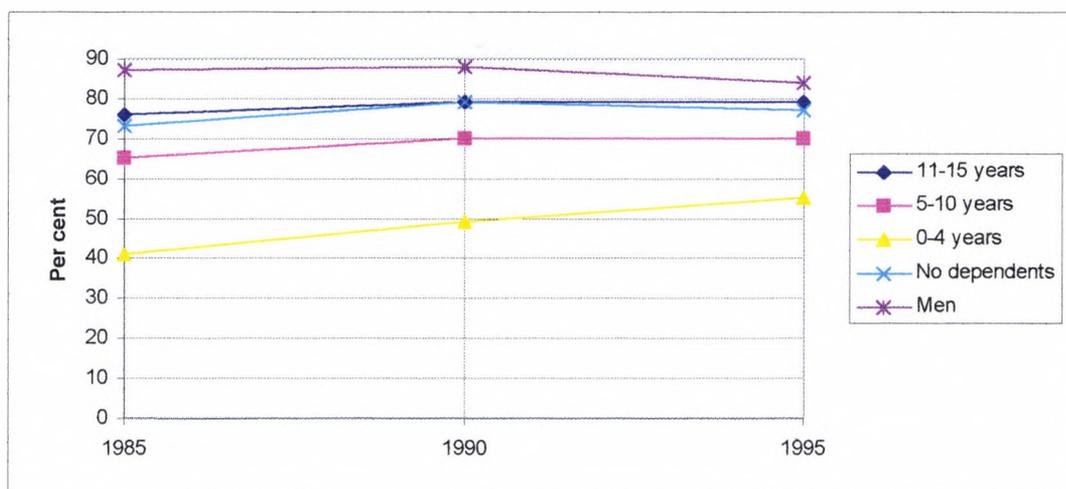
It is well documented that during the Second World War the higher demand for women's labour led to a massive increase in state nursery provision, which has since declined. A milestone in this decline was the 1980 Education Act, which removed the legal responsibility on local education authorities to provide nursery education for children aged between 3 and 5 years old. The effect of the contraction in provision was an increase in the burden on mothers of young children which often forced them out of the full-time labour market and into part-time work. For the most part, this also took them beyond the coverage of occupational pension schemes. This shift became more obvious when the governmental partner in child-care provision - the Department of

Social Security - stated categorically that child-care arrangements for both pre-school children and school-age children after the school day or in the holidays was not a state responsibility, but entirely one for parents.

Given the inadequate provision of pre-school care, the option of part-time work is a predominantly British solution to the problem of combining economic activity and parental responsibility (Dex and Shaw, 1986). In contrast, women in the USA rely more on formal and paid child care, and show a greater propensity to work full-time. American women also receive tax concessions on child-care arrangements. It seems unlikely that British women will be able to reduce their length of absence from the labour market further without parallel developments in formal child-care provision or some sort of tax provisions.

The conclusion can be drawn that lack of child-care provision has fundamental implications for women's ability to participate in economic activity. Evidence suggests that it is the age of the youngest child, rather than the number of children, that is the most significant factor in this respect. Economic activity rates for women by age of youngest dependent child are compared in figure 3.3. In 1995 40% of working-age women had dependent children under 16 years of age and their overall activity rate was 64% (compared with 71% for women without children under 16). Of those with pre-school children (0-4 years) only 52% were economically active; the rate rose to 71% for those with primary school age (5-10 years) children and further to 78% for those with only secondary school age children (11-15 years).

Figure 3.3 Economic activity rates of women aged 16-59 by age of youngest dependent child, 1985-1995; spring each year (not seasonally adjusted)



Several legislative factors have encouraged employers to recruit part-time workers. The abolition of the selective employment tax (SET), which had made it financially favourable for employers to restrict the number of workers on the payroll, removed one of the barriers to their employment. Before 1969, national insurance was not paid for people working less than eight hours a week; however, with a flat rate for all other workers, it was proportionately more expensive to employ part-timers working more than eight hours a week. The introduction in the 1975 National Insurance Act of a sliding scale of national insurance contributions made it more cost effective to employ part-timers by reducing the national insurance contributions payable for them. As mentioned above, keeping employees' earnings below the NI threshold results in significant savings for employers. The operation of the threshold can be seen as offering an incentive to employ two or more people below the threshold rather than one full-timer above it (Hurstfield, 1987). Unless an employee has worked for 16 hours or more a week for (in many instances) two years continuous service, he or she is not protected by the Employment Protection (Consolidation) Act 1978 (EP(C)A 78). It is

not known how many employees are excluded from rights under the Act but the proportion of these is known to be growing: the National Economic Statistics figures show a downward trend in the proportion of female part-timers working 16 hours or more between 1977 and 1986, and this therefore means that a greater proportion are falling outside the protection of the EP(C)A 78 (NES, 1988).

The effect of legislation on equal pay and conditions has been limited. The average weekly earnings of full-time and part-time women workers have remained disproportionately lower than men's earnings in both manual and non-manual occupations; although women's earnings did increase at a faster rate than men's between 1970 and 1976, largely as a result of legislation, since then the differential has widened again. This limited effect of legislation on pay differentials invalidates claims that equal pay for women and men has been achieved. According to Robinson and Wallace (1981) there is little point in comparing the average hourly rate of men's pay with the hourly female part-time rate as part-time work is concentrated in 'women's' jobs. Hurstfield compared the average weekly earnings of women part-time workers with those of full-time workers for 1976 and 1986 and found that their relative position had deteriorated during this time: 'the increase in average hourly earnings was 179.3% for women part-timers, compared with 194.7% for women working full-time and 192.1% for men working full-time' (Hurstfield, 1987).

Table 3.5 Average Hourly Earnings, Excluding Overtime: Male and Female Part-Time and Full-Time Workers, 1976 and 1986

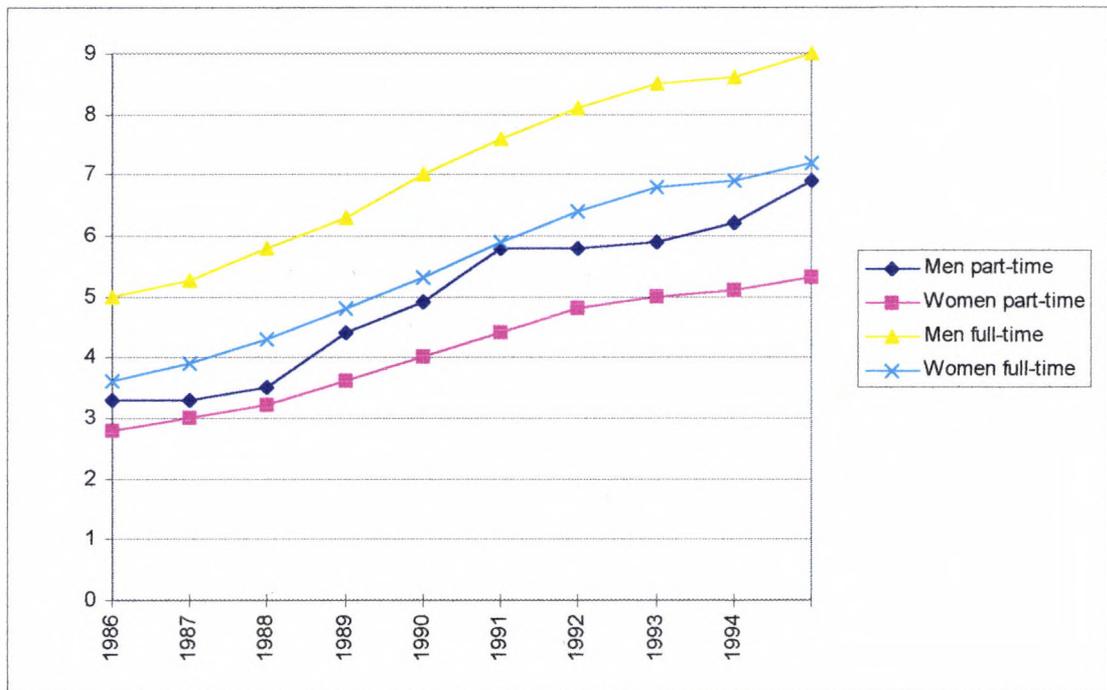
	Female p/t (£)	Female f/t (£)	Male f/t (£)	Female p/t as % of Female f/t earnings (%)	Female p/t as % of male f/t earnings (%)
1976	0.99	1.22	1.67	81	59.5
1986	2.77	3.61	4.87	76.8	56.9

Source: New Earnings Survey, Parts A and F, 1979, 1986

Key: p/t = part-time worker, f/t = full-time worker

Average part-time weekly earnings increased from £99.40 in April 1994 to £105.40 in April 1995: an increase of 6%. The Average Earnings Index measured the increase in average earnings as 3.8% for the same period; this statistic, however, makes no distinction between full- and part-time work, nor does it take into account the number of hours worked. It is purely an indication of the increase in average total earnings. The NES recorded a rise in the average total weekly earnings of full- and part-time workers combined of 3.6%.

Figure 3.4 Hourly earnings, 1986-1994



The Low Pay Unit has estimated that 80% of part-time workers are 'low-paid'. In 1986 the Unit's low pay threshold was £123.40 a week, with an hourly equivalent of £3.25 for part-time workers. In particular, the proportion of women part-timers receiving low pay was found to have increased between 1979, when 86% manual, 64% non-manual, and 76% of all female part-timers were low paid, and 1986, when the corresponding figures were 93.2% of manual, 68.3% of non-manual and 80.3% of all female part-timers (Hurstfield, 1987).

The failure of the relevant legislation to secure improvements in rates of pay for women, and for women part-timers in particular, can largely be explained by reference to inadequacies in the measures themselves. For example, the Trade Union and Labour Relations Act 1974 and the Health and Safety at Work Act 1974 did not make a distinction between part-time and full-time work. Similarly, in practice the anomalies in

the Sex Discrimination Act 1975 and the Equal Pay Act 1970 have resulted in few successful complaints being brought to the Employment Appeals Tribunal, because the different patterns of women's and men's relationships with the labour market, and the segmentation of women in certain classifications of work, make it very difficult to compare much work done by women with work mainly done by men. Some progress has been made via the EEC, under the influence of Article 119 of the Treaty of Rome, which prohibits the payment of lower than full-time rates to part-timers who work in jobs which are wholly or predominantly done by female workers (unless this can be justified on grounds which do not constitute sex discrimination). Rulings on individual cases taken to the European Court of Justice have resulted in more favourable subsequent decisions by British tribunals. (For recent changes in legislation, see appendix II.)

In the drive towards a more flexible workforce, the increasing resort by employers to part-time workers has been accompanied by a parallel increase in the use of casual and temporary labour. Evidence suggests that women occupy most jobs of this kind. The implications in terms of access to pension coverage are significant, since pension schemes can now set the criteria for membership on the basis of classification of work - that is, in terms of permanent, casual and temporary employment - rather than on the grounds of age and gender. Thus, while on the surface attempting to eradicate direct sex discrimination, i.e. exclusion explicitly on the basis of gender, the new criteria may still affect women disproportionately by excluding classes of work occupied mostly by women. This may constitute a form of indirect discrimination according to the Sex Discrimination Acts 1975 and 1986. The underlying trends of the labour economics of women is that they will continue to make up a significant percentage of the workforce

but will be more flexible in that part of their working lives are likely to be spent in some form of part-time work.

According to labour market trends (1994), economic activity rates for women between the ages of 25 and 54 are projected to increase by between 5 and 8 percentage points by 2006. For men, slight falls are projected, the largest being for 55-59 and 60-64-year-olds, of 4 and 2 percentage points respectively. Even after these changes, the rates will remain higher for men than for women (*Labour Force Survey*, 1995).

3.2.4 Changing Domestic Patterns

Patterns of domestic life are changing. In particular, divorce is more common now than ever before; the number of divorces almost tripled between 1964 and 1973, rising from 2.9 to 8.4 per 1,000 of the married population. In 1972 the figure reached 9.5 per 1,000 as the Divorce Reform Act 1969 came into effect (Registrar General, 1973). This growth has continued since and has now surpassed the rate of 1972, despite the expectations of commentators at the time. (OPB, 1976). It has been estimated that, at rates current in the 1980s, 37% of couples would eventually divorce (Haskey, 1989). The risk is higher the younger the partners are at the time of marriage, and also for a number of identifiable groups such as the remarried, the childless, couples starting childbearing early in marriage, people not in owner-occupied housing and couples in which the wife has the higher earning power (Murphy, 1985; Ermisch, 1989).

Most divorced people marry again. People divorcing in their twenties frequently remarry within a few years. Women divorcing at ages over 35, particularly those with

children, face lower prospects of remarriage than younger women. Projections of future trends in divorce among the population suggest that by the year 2006, the age group with the most divorced people is expected to be the band around the age of 50 (Haskey, 1988). It is still expected that there will be a higher proportion of divorced women who have stayed single compared to men, among them.

In the 1980s very few elderly people were divorced; they belonged to a generation in which divorce was rare. Now, however, the proportions of the elderly projected to be divorced are increasing for both sexes. By the year 2025, when the Government Actuary's projections stop, the peak age range for the proportion of women divorced is estimated to be 65-75, and one in seven of elderly women will be divorced - compared to one in 32 in 1985. These projections throw the problem of pension rights for divorced wives into sharp relief.

3.2.5 The Evolving Legislative Framework

In England and Wales the principal act governing divorce is the Matrimonial Causes Act 1973. Unlike the parallel Scottish Act, this has no definition of matrimonial property. Instead, the Act gives the courts powers to distribute almost all the assets of either party and to provide for periodic maintenance payments. Provisions introduced in 1984 favour a clean break approach wherever possible, and maintenance payments may often now be awarded for a limited time only. As with the Scottish Act, the Matrimonial Causes Act does not over-ride basic pensions or tax law and therefore the courts have no specific power to adjust the parties' pension rights. However, the court must consider, in particular, the value to each of the parties of any benefits which by

reason of the dissolution of the marriage that party will lose; and the loss of a pension in specifically referred to in the Act as an example of this type of benefit.

Historically, in practice, pension matters have not figured much in divorce cases (Eeklaar and Maclean, 1986). This evidence is also apparent, by default, in another survey of divorced people, carried out in 1984: half of the divorced men and one-fifth of the divorced women interviewed were members of occupational pension schemes, but of these only a small number, 7% and 2% respectively, reported that their former spouse retained any benefit from the scheme; where they did, this was usually from lump sums or death-in-service benefits (Gregory and Foster, 1990).

Edwards and Halpern (1990) report that it is rare for the courts to make pension-related financial provisions in divorce cases. Indeed, in only a minority of cases is the court active in settling financial arrangements at all, either of capital or of income: In the late 1980s there were about three times as many petitions for divorce filed as there were applications for either income or capital orders. Edwards and Halpern also comment that nobody knows what sorts of financial arrangements are being made by those couples who do not use the courts to reach a settlement. However, allowing for geographical variations, there has been an overall shift of the balance away from income orders and towards capital orders. Edwards and Halpern comment that these trends reflect a gradual move by the courts towards the clean break principle.

Sometimes, especially in cases of wealthier couples, an assessment of the sums represented by a pension is included in the balance when ordering a capital settlement. It is not uncommon for a wife's lawyer to claim a greater than half share of the home on

the grounds of lost pension rights: the so-called 'house for pension' argument (Joshi & Davis, 1991). There has also been a gradual move by the courts towards notions of equity and an increased awareness of the hardship that can result from marital break-up.

It is worth noting some of the well-known legal cases, and those aspects of them which impinged on pension rights, which have led to the current trends in pension provision.

In 1972, presiding over the case of *Mathias v. Mathias*, Lord Justice Stephenson claimed that wives, especially those in their middle to late years, need protection from 'losing . . . [the] financial security of being married and the chance of the benefits which a continuation of the married state would bring especially by way of the widows' pension rights of their husband'. The respondent in this case claimed hardship because she would lose her status as a prospective army widow: she was 32 years of age with a young child. Although the marriage had lasted for only three years, the couple had been separated for five. The respondent's case, however, was dismissed by the Court of Appeal. In the case of *Julian v. Julian*, also in 1972, the wife claimed that the prospective loss of a widow's pension under her husband's policy constituted grave financial hardship. She was 58 years of age and unable to work since she was in poor health. She was offered an increase in maintenance and an annuity was purchased. A third case worth noting here is that of *Brickell v. Brickell* in 1975, where the wife appealed against a decree granted to her husband, again pleading hardship arising from the loss of pension rights. In this case the court dismissed the appeal after taking into account the fact that the wife had deserted the husband, the history of the marriage, and the respective conduct of the parties.

The relationship between the pension scheme and the divorce settlement is constantly under scrutiny. In a recent case (May 1993) where the assets which would normally compensate a woman for the loss of pension rights, such as the proceeds from the sale of the matrimonial home, were reduced in value because of the fall in property prices, the court awarded pension rights to the wife from the husband's pension scheme. However, this case is being reviewed by the Court of Appeal.

The principle of splitting pension rights at the time of divorce was considered in a consultative document produced for the Labour Party by Michael Meacher MP (Meacher, 1990). It has also been advocated by Masson (1986) and by Freedman et al. (1988). All of these proposals are based on the notion of community of property within marriage, which has been written into Scottish law, but not formally into English law. According to this notion, if pension rights are assets, a couple's pension rights are a joint asset. This in turn implies that there is a settlement of pension rights to be made for each divorcing spouse, except in the case of those couples whose expected rights happen to be equal.

However in Britain the bulk of pension scheme wealth is held by a large number of occupational pension funds, and much of it is committed to providing pensions based on members' final salaries. These features complicate any pension-splitting proposal which registered each spouse's interest in the other's pension scheme while married. In the event of divorce both parties would essentially be treated as independent members of each scheme, with rights equivalent to half the transfer value of the pension earned up to that time. This assertion of joint 'ownership' of pension entitlement treats pensions as the couple's rather than the individual's deferred pay, and implies equal

shares in matrimonial property. In principle, interdependence within marriage would be followed by independence after divorce. In practice, arrangements may be augmented by spouse's maintenance, including further pension contributions.

The main objective of pension splitting is to establish equity between divorcing spouses; the prevention of hardship is a by-product in some cases. There is no guarantee that the procedure will always eliminate hardship after divorce; for example, the couple's combined resources may be inadequate to support both individuals. On the other hand, where both spouses had adequate but unequal pension entitlement, there would be a case on the grounds of equity for splitting the difference even though no hardship was involved.

If pension-splitting is seen as an issue of equity between partners, simple general rules are clearly appropriate and practical. Such rules would remove the need for couples to wrangle individually over a subject that in most cases seems remote and complex. If the reason for concern is primarily the prevention of hardship, it might seem more appropriate to allow the courts discretion in making a settlement. However, given the complex and unpredictable nature of the issues involved, one may wonder how effectively all cases of hardship would, in fact, be identified and prevented.

3.3 The Flexible Firm

So far in this chapter we have analysed the changing role of the supply side of the labour market, and in particular the changing working patterns of women in the marketplace. We have also noted that these changes have been fostered by the changing

characteristics of the organisation, as employers throughout Britain have sought to secure or improve the flexibility of their workforces throughout innovation in work organisation. The term that has come to be used to encapsulate these changes is that of the 'flexible firm'.

According to the model of the 'flexible firm', during the 1980s firms were increasingly demanding and achieving greater flexibility from their workforce. According to Atkinson and Meager (1986), there are three major objectives associated with this strategy: to improve a firm's ability to adapt to technological change and volatile, competitive markets; to enhance productivity growth; and to reduce employment costs, either by using cheaper labour or by using atypical forms of labour which allow quick, cheap adjustments to the level of employment.

Flexibility, it is proposed, can take three forms: numerical flexibility, functional flexibility and financial flexibility. Numerical flexibility is defined as the ability of firms to change the number of workers, or hours worked, in accordance with changes in workload or demand in a particular period. Functional flexibility is concerned with how firms adjust the use of employees and the contents of their jobs to meet changes in demand. In other words, functional flexibility reflects the ability of the firm to reorganise jobs to enable employees to use their skills over a wider range of tasks. The role of financial flexibility is to provide the firm with the means to achieve numerical and functional flexibility, and concerns the shift to new systems of remuneration such as performance-related pay.

Flexibility is implemented by reorganising the internal labour market into 'core' and 'peripheral' workers, seeking different types of flexibility from each (Atkinson and Gregory, 1986). Core employees would be expected to offer functional flexibility, that is, versatility and adaptability in the work they do and the way they do it. This, it is suggested, would enable firms to respond to technical change. In return for such flexibility on the part of these core workers, the firm can offer them stability of employment. The need for changes in output, on the other hand, would be met by the employment of peripheral workers, such as temporary staff, part-timers, groups with high levels of turnover and sub-contractors. Their employment would reflect moves to increase numerical flexibility and so their engagement, contractual status and employment conditions will reflect fluctuations in demand/output.

Since firms are committed to their core workers they are likely to give them firm-specific training and retraining, to provide them with relevant skills which cannot be easily bought in, whereas peripheral workers would supply skills readily found in the external labour market. In addition, core workers are likely to be those who are most appropriately skilled for the firm's main activities (not necessarily just white-collar workers and top management).

A study completed by the National Economic Development Office in 1985 found that of 72 companies drawn from four industrial sectors, 64 (89%) had tried to increase numerical flexibility since 1980. Of these, 44% had increased their use of part-time workers, 42% had increased their use of temporary workers and 39% had increased their use of overtime and new shift patterns. In addition, 54% of the sample had attempted to increase their functional flexibility and 63% aimed at gaining more pay

flexibility (NEDO, 1986). The implication of the work done by Atkinson and others at the Institute of Manpower Studies (IMS) is that these trends were set to continue. Other studies have supported these findings generally, although all have been criticised as being unrepresentative and face problems in the definition and identification of functional flexibility. While levels of self-employment and part-time employment have risen, the proportion of people in temporary employment has remained relatively stable throughout the 1980s and 1990s.

Various criticisms have been aimed at this model of the flexible firm. First, the fact that there are relatively high levels of, for example, part-time workers does not of itself necessarily offer support to the theoretical model; it may be that changes in the pattern of employment have come about as a result of reactions to specific circumstances, such as high unemployment or reduced trade union power, which are beyond the control of managers, rather than any deliberate strategy on the part of managers to increase flexibility. This question was one of those investigated by the Department of Employment's Employers' Labour Use Strategy (ELUS) survey (Hunter and MacInnes, 1992). The survey consisted of interviews with 877 employers from all over the country, each of whom employed at least 25 workers, including at least one temporary/freelance worker. The conclusion reached was that only a minority of employers deliberately employ workers on different types of contracts for reasons such as increasing productivity, reducing wage and non-wage costs and the ability to respond to technological change, etc.; most gave more traditional reasons, such as requiring short-term cover, because some workers prefer these hours and to obtain specialist skills. Similarly, the survey did not find support for the idea that employers accept the model of a core-periphery labour force structure; only 10% of those surveyed took this view.

Furthermore, we might argue that in recent years the legal status of part-time workers has been brought more in line with that of full-time workers, to the point where we may not be able to think of them as 'peripheral' workers as suggested by the Institute of Manpower Studies. Moreover, the model assumes that firms allocate workers to core or peripheral groups, implying that employees have no choice in the matter; again, this can be disputed in that, for example, the majority of part-time workers (73%) work part-time because they do not want a full-time job (Naylor, 1994).

To sum up, the model of the flexible firm, proposed by Atkinson and others in the mid-1980s, has been the subject of controversy. Yet in a sense we do not need to make a distinction between the flexible firm and the flexible worker, since, by definition, if one exists so does the other. We have no way of knowing whether the pattern of flexible employment has emerged primarily because of changes in the demand side or in the supply side of the labour market, and it is likely to result from a combination of the two. Even if we could determine the origin of the impetus for change, it would be unlikely to affect our analysis, particularly since the model of the flexible firm is largely descriptive, enabling us to analyse changing work practices, rather than prescriptive. Bearing this in mind, we have simply outlined these changing patterns of employment and the trend towards labour market flexibility, identifying reasons why firms may want to hire flexible workers and why workers may opt for different forms of employment, highlighting the implications for occupational pension schemes.

3.4 Conclusion

This chapter has attempted to contextualise the development of occupational pension schemes and emphasise their original significance as credible alternatives to provisions extended by the state. It has also considered the reliance of pension provision in general on the concept of the male breadwinner as its criterion for access and content of coverage, even if indirectly by using criteria of length and nature of service. What has emerged from this examination is a picture of how gender manifests itself as an essential barrier to access and distribution of occupational pension schemes, marginalising women and further entrenching their dependence on men.

The impetus for this chapter, as for the research question itself, derives from the need to re-evaluate the construction of occupational pension schemes if they are to survive into the twenty-first century. The study of the emerging context of pension provision clearly shows changing patterns in women's career histories, largely as a result of significant labour market developments such as the growth in part-time employment and women's increasing role as primary or sole breadwinner. The period of women's non-participation in the labour market as a result of childbearing and rearing responsibilities is becoming increasingly compressed, and women's lifetime earnings are rising. The implications of these changes raise a number of important issues for employers and women employees alike. If occupational pension schemes are to continue into the twenty-first century, the test of survival will be whether the expectations of both parties can be reconciled.

Employers often use occupational pension schemes as a fringe benefit, an important instrument of their recruitment and retention policy. As women will continue to form a vital part of the labour market in both supply and demand terms, employers will be forced to ensure that the criteria and content of coverage apply equally to men and women. If they do not, they may find it difficult to recruit, and ultimately may lose valued employees to other, more proactive organisations.

The limitations of existing pension provision suggest that occupational pension schemes could offer women more appropriate and attractive arrangements, certainly since the evidence from the literature emphasises women's increased length of participation in the labour market and increased life-time earnings. However, until the ethos of the male breadwinner is tackled, the opportunity for access to, and coverage by, occupational pension schemes is likely to remain out of the reach of many women.

Having established the nature and significance of the emerging context for the survival of occupational pension schemes, it is necessary to consider how the points made in the course of this examination are supported by the empirical evidence. The survey of the emerging context of pension provision has revealed many significant differences between the working patterns of men and women, and these patterns are likely to give rise to different expectations and needs with regard to pension schemes. The following chapters examine our research findings in this light. We examine how expectations and needs differ according to gender and whether men are more satisfied than women with pension provision and if so, whether it is a consequence of their working patterns.

CHAPTER 4
RESEARCH FINDINGS

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4.0 Introduction

In this chapter we present the findings of our questionnaire survey and analyse them with regard to their relevance for the future of occupational pension schemes. Information on the sample and the general methodology can be found in appendix I.

Three variables were tested in the analysis: gender, age and employment status (part-time or full-time). Part-time is taken to mean those who work less than 30 hours a week, in line with Department for Education and Employment definitions. These variables form the framework of our analysis and will be examined in their relation to membership of occupational pension schemes; occupations and salary levels of respondents; attitudes towards pension criteria for retirement and divorce; the status of widows and widowers in occupational pension schemes; and general satisfaction with schemes. Where deemed appropriate, the analysis will also consider members' marital status; we would expect this to be an important indicator to differences in attitudes and perceptions between members, not least because marital status will give some insight into how their experiences affect the types of issues they consider important and the decisions they make with regard to occupational pension schemes.

4.1 Summary of Main Findings

The response rate to our questionnaire survey was 26% of the sample population. Of those who responded, 480 (52.4%) were male and 436 (47.6%) female. A large majority of them, 84.2% and 61.5% respectively, were members of occupational pension schemes; this reflects the skewed occupational distribution of the sample, with 64%

belonging to professional/related occupations and only 36.1% in clerical occupations. The findings show that there is a significant relationship between pension scheme membership and age: the older the respondent, the more likely he or she is to be a member. Full-time employees are far more likely to be members than are part-time workers. A large proportion of sampled members were married: 60.7%, compared to 22% single, 8.3% divorced, 3% widowed and 6% cohabiting. Of those who were married, 74% were men and only 26% women. A higher proportion of women members (55%) were divorced.

The majority of respondents (84.3%) were full-time employees: only 11.4% were part-timers and 4.4% worked in job-sharing arrangements. Most of the part-timers (82.2%) were married, with the remainder evenly distributed across the other categories. There was a marked difference in the salaries earned by members as compared to non-members, with members earning on average £12,000 per annum more than non-members. Membership was also unevenly distributed across occupations: managers and administrators were most likely to be members of a company pension scheme, while those in sales-related occupations are least likely to be members. The most common reason respondents gave for not being in an occupational pension scheme was that they had their own personal pension scheme.

When asked about equal treatment of the sexes on retirement, 50% of respondents overall answered that they thought men and women obtain equal proportions of their salaries when they retire, but more males than females were of this opinion. Almost half of respondents think full-time and part-time employees should get the same proportion of their salaries when retiring. Answers to the same questions broken down , by

Employment Status (%) show that 49.3% of full-timers as compared to 25% of part-timers thought they obtain the same proportion of earnings on retirement. About half of respondents in each group believe they should receive the same proportion. On average, part-timers believe they contribute a slightly greater proportion of their earnings to a pension scheme than do full-time employees. Where the amount which should be contributed is concerned, part-time employees feel they should contribute significantly more than they actually do, while full-time workers feel they should contribute less. Both part-time and full-time workers think their employers should contribute 9-10% of their gross pay to the pension scheme.

A third of both full and part-time employees were of the opinion that a woman who has taken unpaid maternity leave should receive the same pension benefit as a man who has taken no unpaid leave. The majority of the full-time workers and half of the part-time workers agreed that women should have the opportunity to pay towards their pension while on unpaid maternity leave. This would appear to be supported further by the results of analysing the responses by marital status. Those who are more likely to be sole providers for their future pension entitlement, and where periods of non-contribution have a greater impact, are more likely to agree with this statement. 60% of widowed members agreed with this statement, as did 35.7% of divorcees. As women form the greater proportion of these categories, it seems safe to assume that more women support this statement than do the number of men disagreeing.

Both full-timers and part-timers thought that their pension scheme paid the same benefits to widows and widowers. They also largely agreed on pension issues related to

divorce. The lump sum on retirement expected by full-time workers is considerably higher than that expected by part-timers.

As far as retirement age is concerned, part-timers think their pension scheme allows both men and women to retire at a later age than do full-timers. Both feel employees should have the opportunity to retire at any age between 50 and 65. Marital status appears to have little influence on the level of support for more flexibility in occupational pension schemes in respect of retirement age: 90% of those who are single supported a more flexible retirement age, as did 67.3% of married respondents, 81.6% of divorced members, 63.4% of widows/widowers and 92% of cohabitants.

The main difference between the responses of different age groups concerned levels of contribution: older members thought they should contribute more to their pension scheme than they actually did, while younger members wished to contribute less. As members get older, they wish their employers to contribute a larger proportion of salary to their schemes.

The majority in all age groups disagreed with the proposition that women who have taken unpaid maternity leave should receive the same pension as men; however, there was majority agreement that women should be allowed to contribute towards their pension while on unpaid maternity leave. Older respondents were more likely to agree that a divorced woman should have the right to a proportion of her ex-husband's pension, and also that a divorced man should receive a share of his former wife's pension. Those aged 41 to 50 were most likely to believe that the same benefits are paid to widows and widowers. There was agreement across the age spectrum concerning

issues that are related to retirement age, with all groups taking the view that the retirement age for both men and women should be lower than it currently is, and that pension schemes should provide greater flexibility regarding the age at which members are allowed to retire.

Finally, we examined respondents' level of satisfaction with their pension schemes, in terms of the safety of their invested contributions, and their attitudes towards inflation-linked pensions. Full-time workers tended to be more satisfied than part-timers, while those aged 31 to 40 appeared to be significantly more satisfied than respondents from the other age groups; those in the older age groups displayed a greater satisfaction than dissatisfaction with the safety of the money invested in their occupational pension schemes. However, there does not appear to be a correlation between gender and the levels of satisfaction in terms of the safety of money invested. The majority of both males and females expressed satisfaction with the safety of their money in company pension schemes. There was widespread agreement among both part-timers and full-timers, as well as across age groups, that pensions should be linked to the rate of inflation.

In the following sections of this chapter we present a detailed analysis of the research findings, first correlated to gender and employment status, then by age, before finally discussing respondents' levels of satisfaction with their schemes.

4.2 Gender, Employment and Pension Implications

The assertion that women's changing role within and outside the realm of paid employment will have significant implications for the survival of occupational pension schemes in their current form is borne out by the findings of the survey. This section considers in detail the various factors contributing to this conclusion, including issues relating to pension contributions, the effects of maternity leave, divorce and widowhood on pensions, and attitudes towards retirement age. Analysis by gender of responses on these aspects will enable us to make firm assertions as to where occupational pension schemes have failed to take account of the changing perceptions women have of their pensions. Analysis, by Employment Status (%) is also undertaken here, since most part-time workers are females; they are more likely to be disproportionately represented in lower-status occupations and will therefore present an interesting contrast to full-time female employees. However, it must be recognised that the small number of part-time respondents means that these results cannot be offered as representative.

4.2.1 Gender

The gender breakdown of our sample was 52.4% males and 47.6% females (table 4.1).

Table 4.1 Respondents by Gender

	Male	Female	Total
No.	480	436	912
%	52.4	47.6	100

Table 4.2 Pension Scheme Membership by Gender (%)

	Male	Female	Total
Members	84.2	61.5	73.4
Non-members	15.8	38.5	26.6

As shown in table 4.2, 84.2% of male workers in the sample were members of their occupational pension schemes, compared to 61.5% of females. However, even though the majority of female respondents contribute to pension schemes, their number is significantly lower than that for male employees. The main reason may be that most part-time respondents are women and, as table 4.7 below shows, part-timers are less likely to join pension schemes. Since their disposable income is less, it seems reasonable to assume that there is less incentive for part-time working women to join an occupational pension scheme (Joshi and Davies, 1991). A further explanation for the larger number of male scheme members is suggested by the figures in table 4.4, the majority of those who agree with the statement that “women expect their partners to provide for them on retirement” are men (71%).

Since we contacted the sample through their place of employment, and only companies which offer occupational pension schemes were selected, we would expect to find disproportionately high coverage overall.

The breakdown of respondents’ occupational grade by gender shown in table 4.3 reveals that the sample of respondents is heavily skewed towards the professional and managerial segments of the labour force, with 64.4% of respondents falling into these

job categories. As expected, women constitute a smaller proportion of these job classifications (36.1%), but are over-represented in the clerical and secretarial categories (71.6%).

Table 4.3 Respondents by Occupation and Gender (%)

	Male	Female	Row Total	Column Total
Managers and Administrators	75	25	100	33.1
Professional	66.7	33.3	100	14.5
Assistant Professionals	39.8	60.2	100	16.9
Clerical and secretarial	28.4	71.6	100	16.9
Craft Related	53.3	46.7	100	2.1
Personal and Protective	25.6	74.4	100	5.4
Sales	20.5	79.5	100	5.4
Other	6.3	93.7	100	6.3
				100.6

* Some respondents claim to have more than one category, hence the table adds up to more than 100.

The responses set out in table 4.4 show very strongly that women claim to be far less dependent on men, in the sense of expecting their partners to provide for them on retirement, than the traditional model of male breadwinner/female dependant would suggest: 61.7% of those who disagreed with the statement that women workers expect to be provided for on their retirement were women. There would appear to be a significant disparity between male and female perceptions of women's expectations of who should provide on retirement: women are more likely than men to disagree with the idea that women workers expect their partners to provide on retirement, whereas men are more inclined to believe that women workers do expect their partners to provide on

retirement. The former attitude is more pronounced among younger workers, with 44.5% of 21-30-year-olds disagreeing with the statement as opposed to only 21.4% of 51-60-year-olds (see table 4.33). It could also reflect women's changing attitudes towards wanting or having to be dependent on their partner following retirement. There is greater support for women's economic independence among those members who are single: 56.8% of single members disagree with the statement and believe women workers should not expect their partners to provide on retirement. Among those respondents who were widowed, 54% agreed or strongly agreed that women workers expect their partners to be responsible for the family income after retirement, compared to only 15.4% who disagreed. This response is likely to reflect the experience of the widowed and the position in which they find themselves.

Table 4.4 Responses to Statement: Women Workers Expect their Partners to Provide on Retirement (%)

	Male	Female	Row Total	Total of All Respondents
Agree	70.8	29.2	100	41.1
Neutral	67.3	32.7	100	29.2
Disagree	38.3	61.7	100	29.7
				100

Question 24(e)

4.2.2 Employment Status

'Employment status' for the purposes of this survey generally refers to the distinction between full-time and part-time workers. In the general context of membership we also

show the figures for job-sharing; however, since only five respondents fell into this category we later drop this subdivision and concentrate on the differences between part-timers and full-timers.

Table 4.5 Employment Status of Respondents by Gender (%)

	Male	Female	Row Total
Full-time	49.2	35.2	84.3
Part-time	1.2	7.9	9.1
Job-share	0.2	0.2	0.5
Other	1.2	4.9	6.1
			100

Table 4.6 Employment Status by Occupation (%)

	Full-time	Part-time	Row Total
Managers & Administrators	99.2	0.8	100
Professional	94.3	5.7	100
Assistant professional/ technical	88.6	11.4	100
Clerical and secretarial	67.5	32.5	100
Craft-related	86.7	13.3	100
Personal and protective	77.0	23.0	100
Sales	38.5	61.5	100
Other	7.4	92.6	100

Table 4.7 Employment Status by Pension Scheme Membership (%)

	Full-Time	Part-Time	Job Share	Total of All Respondents
Members	84.5	19.2	0	73.4
Non-members	15.5	80.8	100	26.6
Column Total	100	100	100	100

Table 4.7 shows that the majority of respondents who are members of occupational pension schemes are full-time employees (84.5%), while 19.2% of scheme members work part-time. This great difference between part-time and full-time employees contributing to pension schemes is statistically significant ($\chi^2 = 78.68; p < 0.0001$). As for the main reasons why the majority of part-time workers did not belong to pension schemes, 23% came into the category 'the scheme did not allow entry', 12.6% had personal pensions, and 15% claimed their partner had a pension.

Little work has been done on the attitude of women towards the question of making pension provision for themselves. The Goode Report (1994) undertook a qualitative piece of research with a sample size of only 11 women who did not join their occupational pension schemes, and found that the reasons could be summarised under two headings: lack of disposable income and alternative pension arrangements. Table 4.8 shows that part-time workers are more likely to expect their partners to provide on retirement. Since most part-timers are women (see table 4.5), and assuming that they are not the major breadwinners in their households, these may be among the minority of women who expect their partner to provide on retirement (see table 4.4).

The pattern for non-entry into pension schemes for job-sharers was similar to that for part-timers. Since job sharers essentially work similar hours to part-time employees, we would expect their orientation to a pension scheme to follow the same pattern. However, it may be that because the job share is a full-time post divided between two people, the earnings potential for each sharer is higher than for a single part-time worker, which may in turn mean more disposable income for the employee. However, given that, first,

we have only five job sharers in our sample, and secondly, job sharing is a relatively new initiative, it is not possible to make any valid assumptions about job-sharers' orientation to occupational pension schemes on the basis of this data.

We can also compare the findings in respect of employment status and occupation (table 4.6) with those for occupation and gender shown in table 4.3 above. While the numbers of respondents overall are skewed toward the professional and managerial occupations, women are disproportionately concentrated in the lower-paid, lower-status clerical and secretarial occupations, where there is also a greater proportion of part-time working.

Table 4.8 Responses to Statement: Women Workers Expect their Partners to Provide on Retirement (%)

	Full-time	Part-time	Total of All Respondents
Strongly agree	10.4	0.0	10.1
Agree	31.2	25.0	31.0
Neutral	29.2	25.0	29.2
Disagree	14.9	50.0	15.8
Strongly disagree	14.3	0.0	13.9
Column Total	100	100	100

Question 24(e)

Table 4.8 shows an apparent division between full-time and part-time workers on the issue of whether women workers expect their partners to be responsible for providing the family income on retirement. The differences are not, however, statistically significant ($\chi^2 = 4.08$; $p > 0.39$). At first sight this result seems surprising. On the assumption that full-timers are more career-minded than part-timers, we would expect full-timers to disagree with this proposition to a greater extent than part-timers.

4.2.3 Attitudes towards Pension Provision

Two main reasons were advanced by full-timers for not joining their occupational pension schemes: 35% stated that they had personal pensions, and 18% that they were considering leaving the organisation in which they were currently employed.

In this section we will analyse our results with regard to the relative amounts paid to part-time and full-time employees, percentage of salary expected on retirement, perceived and desired employee contributions to pension schemes, and attitudes towards inflation adjustment pensions. We examine the results first in relation to gender and then in relation to employment status. It will be seen that very little difference was apparent in men's and women's responses on these issues.

Table 4.9 Relative Proportions of Earnings on Retirement Believed to be Paid to Full-time and Part-time Workers, by Gender (%)

	Males	Females	Total of All Respondents
Equal Proportion	54.9	42.6	50.0
Different Proportion	7.7	8.2	7.9
Don't Know	37.4	49.2	42.1
Column Total	100	100	100

Question 14

Respondents were asked whether they thought their company pension scheme paid the same proportion of earnings to both full-time and part-time members. There was very little difference between men and women on this issue. A slightly larger number of men

believed the same proportion is paid, while a larger percentage of women reported that they did not know. The differences are not statistically significant ($\chi^2 = 2.33; p > 0.05$).

The large proportion of respondents answering 'don't know' requires explanation. Employees may only know about issues relevant to their own status. Thus a full-time employee may have little interest or knowledge of how part-timers are treated in his or her pension scheme. The higher proportion of women answering "Don't Know" might be partly explained by the relatively shorter period of time that they have been exposed to occupational pension schemes, compared to other groups of workers.

Having established the perceptions of male and female respondents regarding the actual relative treatment of full-time and part-time workers in their pension schemes, we now look at how they think these two groups should be treated relative to one another (table 4.10).

Table 4.10 Relative Proportions of Earnings on Retirement that Should be Paid to Full-time and Part-time Workers, by Gender (%)

	Males	Females	Total of All Respondents
Greater Proportion for Full-Timers	34.4	26.7	31.3
Equal Proportion	47.8	51.6	49.4
Don't Know	17.8	21.7	19.3
Column Total	100	100	100

Question 15

The majority of both male and female respondents believe to the same extent that part-time and full-time employees should obtain the same proportion of earnings on retirement. There is no statistically significant difference ($\chi^2 = 1.09; p > 0.05$).

The same responses to questions concerning the actual relative proportions of salary awarded to full-time and part-time workers, and what those proportions should be, were then analysed according to the respondents' own employment status. The results are shown in tables 4.11 and 4.12.

Table 4.11 Relative Proportions of Earnings on Retirement Believed to be Paid to Full-time and Part-time Workers, by Employment Status (%)

	Full-Time	Part-Time	Total of All Respondents*
Equal Proportion	49.3	25.0	48.7
Different Proportion	6.6	50.0	7.7
Don't Know	44.1	25.0	43.6
Column Total	100	100	100

Question 14

* Totals are different to those shown in Table 4.9, due to minor differences in the relevant samples. Not all subjects held information on employment status.

Part-time employees appear to be more likely to think their pension scheme does not pay the same proportion of earnings to both full-time and part-time workers. The differences are statistically significant ($\chi^2 = 10.39; p < .05$). 50% of part-timers think they obtain a different proportion of their salaries on retirement than full-timers. The high numbers of respondents answering 'don't know' on this issue may stem from the facts that most part-timers are not members of occupational pension schemes and therefore have no information regarding the question, and that full-time employees are not very concerned with the treatment of part-timers.

Table 4.12 summarises the attitudes of full-time and part-time employees towards the question whether full-timers should obtain a larger proportion of their earnings on retirement than part-timers.

Table 4.12 Relative Proportions of Earnings on Retirement that Should be Paid to Full-time and Part-time Workers, by Employment Status (%)

	Full-time	Part-time	Total of All Respondents
Greater Proportion for Full-Timers	31.5	25.0	31.3
Equal Proportion	49.3	50.0	49.3
Don't Know	19.2	25.0	19.4
Column Total	100	100	100

Question 15

On this issue, there is a similar distribution of responses between full-time and part-time employees. About half of both groups think they should be given the same proportion of earnings on retirement. Nonetheless, it is striking that 25% of part-time respondents take the view that full-timers should obtain a greater proportion, and that another 25% have no opinion on this issue. It seems then that some part-time workers recognise as a right of full-time workers to receive a greater proportion of earnings than part-timers.

Employees were then asked what percentage of their salary they expected to obtain on retirement. Table 4.13 displays the answers given by full- and part-timers. The distribution of responses was similar for both groups; the results are not statistically significant ($\chi^2 = 0.4; p > 0.97$).

Table 4.13 Percentage of Salary Expected on Retirement (%)

	Full-time	Part-time	Total of All Respondents
30% or less	19.3	20.0	19.4
40-50%	36.0	40.0	36.1
60-70%	14.7	20.0	14.8
80% or more	7.3	0.0	7.1
Don't Know	22.7	20.0	22.6
Column Total	100	100	100

Question 25

Up to this point we have analysed respondents' answers to fairly general questions on whether they think part-time and full-time employees receive the same treatment in occupational pension schemes. When asked what percentage of their salaries they expect to gain on retirement, respondents' answers somewhat confirm the findings given in table 4.11 above, namely that 50% of part-timers expected to obtain a proportion of their earnings which is different from that obtained by full-timers. Table 4.13 shows that both groups expect to receive very similar pensions as expressed in percentage of salary. This appears to be the case the higher the percentage of salary expected. Thus, the optimism of those who expect 60-70% or 80% or more of their salary is similar between full-time and part-time. It would seem that employment status has little bearing on optimism or knowledge of details as to what the occupational pension scheme delivers.

Nonetheless, the figure of 22.6% who answered 'don't know' seems quite large. In explaining this result for part-timers, it can be argued that part-time employees are more interested in their present disposable income than in future pensions. Thus, if they are members of an occupational pension scheme at all they may not be well informed about

it. It may be the case in general that employees join their company's scheme as a kind of automatic response without reflecting on it carefully.

We asked what employees think they actually contribute as percentage of salary (perception) and what they think they should contribute as percentage of salary (attitude). The responses are given in table 4.14.

Table 4.14 Perceptions and Attitudes towards Contributions, by Employment Status (mean %)

	Full-time	Part-time
Perception	5.89	6.25
Attitude	5.63	10.00

Questions 11 & 12

There is only a slight difference between what full- and part-time employees think they contribute to their pension schemes expressed as percentage of salary. Part-timers believe they contribute more, but this difference is not statistically significant ($F = 0.006$; $p = 0.936$). However, the difference between what full-timers and part-timers think they should contribute is statistically significant ($F = 3.92$; $p < 0.05$).

We thus obtain two interesting results from table 4.14. First, while both groups have similar perceptions regarding their actual contributions, there is a gap between their attitudes on what percentage of their salaries they should contribute. Secondly, while full-time respondents are relatively consistent concerning perceptions and attitudes, part-timers think they should contribute substantially more to their pension schemes than they think they actually do.

It should be added that we also asked respondents what they thought employers should contribute to pension schemes. There was no significant difference between the responses of full-timers and those of part-timers on this point: the mean percentage we obtained from full-time employees was 10.86, the one for part timers was 9.0.

A final issue in this section is whether pensions should be linked to the rate of inflation.

The responses to this question are presented in table 4.15.

Table 4.15 Response to Statement: Pensions Should Be Adjusted for Inflation (%)

	Full-time	Part-time	Total of All Respondents
Strongly agree	50.0	80.0	51.0
Agree	30.8	20.0	30.5
Neutral	16.4	0.0	15.9
Disagree	0.7	0.0	0.6
Strongly disagree	2.1	0.0	2.0
Column Total	100	100	100

Question 24(k)

There is widespread agreement among both full- and part-time employees that pension benefits should be linked to the rate of inflation. The differences are not statistically significant ($\chi^2 = 1.99; p > 0.73$).

4.2.4 Maternity Leave

In this section we assess the knowledge respondents have of their pension scheme regulations regarding maternity leave, and the attitudes of full-time and part-time workers on this issue. We assume that knowledge in this area is very limited, except

perhaps among women who have had maternity leave in the past, were on leave at the time of our survey or were planning to take maternity leave in the near future.

Table 4.16 The Anticipated Effect of Unpaid Maternity Leave on Women's Pensions, by Employment Status (%)

	Full-time	Part-time	Total of All Respondents
Increased Pension	2.6	0.0	2.6
Decreased Pension	49.3	0.0	48.4
No Effect	15.8	33.3	16.1
Don't Know	32.3	66.7	32.9
Column Total	100	100	100

Question 22

The table shows that part-timers and full-timers have different views on this issue. While full-time employees mostly think that a woman's pension will be decreased by her taking unpaid maternity leave, the majority of part-timers state that they do not know. However, the differences are not statistically significant ($\chi^2 = 3.18; p = 0.36$). As noted above, the relatively high number of respondents answering 'don't know' is not surprising given the low level of expected knowledge of these provisions.

Table 4.17 How Pension Should be Adjusted for Women with Unpaid Maternity Leave Compared with that of Men without Unpaid Leave, by Employment Status (%)

	Full-time	Part-time	Total of All Respondents
Equal Pension	30.3	33.3	30.3
Different Pension	44.7	0.0	43.9
Don't Know	25.0	66.7	25.8
Column Total	100	100	100

Question 23

On the question of women who take unpaid maternity leave, a third of both groups think there should be no difference in the proportion of earnings received on retirement. The differences between the groups are not statistically significant ($\chi^2 = 3.6$; $p > 0.30$). However, the belief that a woman who has taken unpaid maternity leave should receive the same pension as a man who has taken no period of unpaid leave is strongly dependent on marital status. Those who are widowed or divorced are more likely to agree with this assertion - 60% and 35% respectively - with 32.3% of married women also agreeing. The proportion of single women is lower at 29%. Thus, support for this statement is strongest among those respondents who are more likely to be in the older age range, female, and themselves to have taken unpaid maternity leave. Arguably, women who have taken unpaid maternity leave are less likely to agree that child rearing should necessarily be a barrier to the continuity of pension contributions, but more likely to think that women should have a choice. Those members who are single may be basing their judgements on the ability to make continuous contributions. Women may continue to pay into occupational pension schemes during certain periods of non-participation in the labour force, or may increase their contributions following return to work.

These assertions are supported when we consider whether or not women should have the opportunity to pay towards their pension while on unpaid maternity leave. There is strong support across all categories of marital status for women to have the opportunity to continue contributions. This support is arguably strongest where there is less certainty about pension allocation on retirement: namely, where there is a partner living, but the pension arrangements are not certain. Thus, divorced respondents in schemes strongly agreed (63%) with this statement, as did 53.3% of those members cohabiting. Although

50.2% of those who were single also strongly agreed with this statement, it may be assumed that they are likely to have greater control over and be more certain of their pension entitlements than those in whose arrangements another party remains involved to some extent.

Table 4.18 Response to Question: Should Women and Men Receive the Same Pension at the Cost of an Overall Reduction in Pensions?, by Employment Status (%)

	Full-time	Part-time	Total of All Respondents
Yes	63.6	100.0	64.4
No	31.9	0.0	31.1
Don't Know	4.5	0.0	4.5
Column Total	100	100	100

Question 23

The majority of both full- and part-time employees indicated that they would still want women who have taken unpaid maternity leave to receive the same pension as those employees who had not, even if this meant a reduction in benefits for all workers. There is no statistically significant difference ($\chi^2 = 0.56; p = 0.75$). This response does not follow the trend of table 4.17 where 30.3% of full-timers claim they should get equal pension.

Table 4.19 Response to Statement: Women Should Have the Opportunity to Make Pension Contributions while on Unpaid Maternity Leave, by Employment Status (%)

	Full-time	Part-time	Total of All Respondents
Strongly Agree	43.2	25.0	42.8
Agree	43.9	25.0	43.4
Neutral	9.7	50.0	10.7
Disagree	3.2	0.0	3.1
Column Total	100	100	100

Question 24(d)

The majority of full-time employees and half of all part-time employees think that women should have the opportunity to contribute towards their pension while on unpaid maternity leave. Any differences between the two groups are not statistically significant ($\chi^2 = 0.68$; $p > 0.08$). However, it has to be noted that 50% of part-timers have no opinion on this issue. They may be the ones who returned to work on a part-time basis after having taken maternity leave, or a longer break, and thus are not interested in this question any more. In addition we have to point out once again the small number of part-time respondents.

4.2.5 Divorce

In this section we assess respondents' views on pension matters concerning divorce. We first look at the response to the proposition that if a couple are divorced, a man should receive all his pension and decide for himself whether his ex-wife is to receive a proportion of it.

Table 4.20 Women's Pension Rights After Divorce: Man Decides Whether His Divorced Wife Receives Any Proportion of His Pension, by Employment Status (%)

	Full-time	Part-time	Total of All Respondents
Strongly Agree	12.3	40.0	13.2
Agree	25.3	20.0	25.2
Neutral	31.2	20.0	30.8
Disagree	23.4	0.0	22.6
Strongly Disagree	7.8	20.0	8.2
Column Total	100	100	100

Question 24(f)

Both full-time and part-time seem to agree to some extent with the above proposition. The differences between both groups are not statistically significant ($\chi^2 = 5.10$; $p > 0.27$).

One possible reason why a large number of employees agree or even strongly agree with the proposition could be a belief that control of the rights attached to an individual's pension should remain with that individual or that the contingent pension does not belong to the individual as such. Significantly, those respondents who agree or strongly agree are more likely to be currently married (58.3%), whereas those who disagree or strongly disagree are more likely to be divorced (42%). This is not surprising: those respondents who are divorced are more likely to support greater discretion in the proportion of pension awarded to former spouses following divorce. They may well have been on the receiving end of their partners' ultimate control of pension rights on divorce, and feel they have a right to a larger say as to how the pension is allocated.

It should be added that when the responses to this statement were analysed by gender, 41.1% of male respondents agreed with the proposition as compared to 34.4% of female respondents; only 27.4% of men but 35.9% of women disagreed, while the remaining respondents were neutral on this point. It seems logical that most men felt that they should decide how their pension was to be shared.

Table 4.21 Women's Pension Rights after Divorce: Woman has the Right to Demand a Proportion of her Divorced Husband's Pension, by Employment Status (%)

	Full-time	Part-time	Total of All Respondents
Strongly Agree	13.1	20.0	13.3
Agree	26.8	20.0	26.6
Neutral	26.1	40.0	26.5
Disagree	19.0	0.0	18.4
Strongly Disagree	15.0	20.0	15.2
Column Total	100	100	100

Question 24(h)

Fairly even numbers of full- and part-timers agreed with the proposition that a woman should have the right to demand a proportion of her ex-husband's pension. The differences are not statistically significant ($\chi^2 = 1.64; p > 0.80$).

Comparing these results with those shown in table 4.20, we can conclude that while 60% of part-timers agree with the proposition that a man should decide whether his ex-wife receives part of his pension, 40% agree on the issue that a woman should have the right to demand a proportion of her ex-husband's pension. Full-timers agree to a lesser extent with the first proposition (only 38% of them agree with it) and to the same extent than part-timers regarding the second proposition.

Further light is cast on the results given above by the strength of feeling among scheme members in respect of whether a man who remarries should be legally required to divide his pension between his present and former wives (table 4.22). The strongest support for this statement was found among divorced respondents, 50.6% of whom agreed that a

man in this position should be required to divide the pension between both wives. Widowed respondents were more likely to disagree with this proposition (37%).

Table 4.22 Pension Allocation in Case of Remarriage, by Employment Status (%)

	Full-time	Part-time	Total of All Respondents
Strongly Agree	2.0	20.0	2.6
Agree	31.3	40.0	31.6
Neutral	36.1	0	34.9
Disagree	15.6	0	15.1
Strongly Disagree	15.0	40.0	15.8
Column Total	100	100	100

Question 24(j)

Table 4.23 shows the results we obtained when asking whether a man should be entitled to a proportion of his ex-wife's pension.

Table 4.23 Men's Pension Rights After Divorce: Man Has the Right to Demand a Proportion of His Divorced Wife's Pension, by Employment Status (%)

	Full-time	Part-time	Total of All Respondents
Strongly Agree	14.3	20.0	14.5
Agree	27.9	0.0	27.0
Neutral	27.3	20.0	27.1
Disagree	18.8	40.0	19.5
Strongly Disagree	11.7	20.0	11.9
Column Total	100	100	100

Question 24(g)

While the majority of part-timers disagree with the proposition that a man should receive part of his ex-wife's pension, full-timers are divided in their views. The differences, however are not statistically significant ($\chi^2 = 2.99; p > 0.55$). The results

for full-timers on this issue are consistent with the findings from table 4.21, while part-timers think women and men should be treated differently.

Table 4.24 Lump Sum Should be Shared After Divorce, by Employment Status (%)

	Full-time	Part-time	Total of All Respondents
Strongly Agree	9.2	20.0	9.5
Agree	32.0	40.0	32.3
Neutral	31.3	40.0	31.6
Disagree	18.3	0.0	17.7
Strongly Disagree	9.2	0.0	8.9
Column Total	100	100	100

Question 24(i)

The results shown in table 4.24 are based on respondents' views on the proposition that if a couple are divorced and a man dies before retirement, his ex-wife should receive a proportion of the lump sum paid by the pension scheme. The majority of both full-time and part-time employees agreed with the proposition. The differences are not statistically significant ($\chi^2 = 2.18; p > 0.70$).

Here again, while the majority of respondents agreed with this proposition, support was strongest among those who are divorced, with widows/widowers the least likely to agree and most likely to disagree. Thus a consistent theme would seem to be that where the pension allocation is clearly defined, with little chance of interference from the other party, as for those who are widowed, there is little desire or expectation for greater individual control, but where the relationship between partners is less well defined and

offers greater control to one party over another, as for those who are divorced, there is a desire to regain some personal control over the pension as of right.

4.2.6 Widows and Widowers

We now look at respondents' views concerning the treatment of widows and widowers.

Table 4.25 Perceived Actual Benefits for Widows and Widowers on Retirement (%)

	Full-time	Part-time	Total of All Respondents
Equal Benefits	57.9	66.7	58.1
Different Benefits	7.2	33.3	7.7
Don't Know	34.9	0.0	34.2
Column Total	100	100	100

Question 20

Respondents were asked whether they thought occupational pension schemes paid the same benefits to widows and widowers. A third of part-timers believed widows and widowers were treated differently, while over a third of full-timers did not know. The differences are, however, not statistically significant ($\chi^2 = 3.67; p = 0.15$).

The discrepancy between the numbers of part- and full-time employees who think that different benefits are paid to widows and widowers may be due to the fact that part-timers, themselves experiencing discrimination in many respects, have a tendency to believe that there is a general pattern of unequal treatment in pension schemes.

This result fits in with the findings from the results presented in tables 4.21 and 4.23 above in so far as part-timers support differential treatment of men and women in pension-related questions in the case of divorce.

Table 4.26 Response to Statement: Widows and Widowers Should Not Receive the Same Pension Benefits, by Employment Status (%)

	Full-time	Part-time	Total of All Respondents
Strongly Agree	3.2	0.0	3.1
Agree	10.1	33.3	10.6
Neutral	13.3	33.3	13.7
Disagree	16.5	0.0	16.1
Strongly Disagree	57.0	33.3	56.5
Column Total	100	100	100

Question 24(b)

The majority of full-timers disagreed with the proposition that widows and widowers should not receive the same pension benefits. Part-timers, however, were evenly divided between agreement and disagreement. The differences are not statistically significant ($\chi^2 = 3.24$; $p > 0.51$).

Table 4.27 Extra Allowance for Widows and Widowers with Children under 18, by Employment Status (%)

	Full-time	Part-time	Total of All Respondents
Strongly Agree	24.8	0.0	24.2
Agree	40.5	75.0	41.4
Neutral	23.5	25.0	23.6
Disagree	7.2	0.0	7.0
Strongly Disagree	3.9	0.0	3.8
Column Total	100	100	100

Question 24(c)

The majority of both full- and part-time employees agreed that widows and widowers should receive an extra allowance in their pension if they are parents of children under 18 years of age. Differences are not statistically significant ($\chi^2 = 2.56; p > 0.63$).

4.2.7 Retirement Age

The last part of this section assesses respondents' knowledge and views on retirement age for men and women.

Table 4.28 Perceptions and Attitudes on Retirement Age for Men and Women, by Employment Status (mean age)

	Full-time	Part-time
Perceived Actual Retirement Age for Men	59.19	65.00
Perceived Actual Retirement Age for Women	57.88	60.00
Desired Retirement Age for Men	56.71	60.00
Desired Retirement Age for Women	56.39	55.00

Question 16 & 17

Part-timers think their pension schemes allow men and women to retire less early than full-timers assume. This difference is statistically significant in the case of retirement age for men ($F = 4.36; p < 0.05$) but not in the case of retirement age for women ($F = 0.72; p > 0.39$).

When asked at what age they think employees should be allowed to retire, full-timers gave a younger age than part-timers for men but an older age for women, even though the gap in the latter case is relatively small. In both cases the differences are not statistically significant (respectively, $F = 0.95$; $p < 0.33$; $F = 0.16$; $p = 0.68$).

Table 4.29 presents respondents' views on the proposition that pension schemes should offer flexibility of retirement at any age between 50 and 65.

Table 4.29 Flexibility of Retirement Age between 50 and 65

	Full-time	Part-time	Total of All Respondents
Strongly Agree	56.3	66.7	56.4
Agree	23.8	33.3	23.9
Neutral	15.0	0.0	14.7
Disagree	3.1	0.0	3.1
Strongly Disagree	1.8	0.0	1.8
Column Total	100	100	100

Question 24(a)

Support for more flexibility in retirement age in pension schemes was strong across all categories of marital status, but strongest among single (90%) and cohabiting (92%) respondents. It may be that those who are single or cohabiting fall into younger age groups and reflect changing attitudes towards retirement age, with increasing numbers of people wanting to, or being forced to, retire at an earlier age. For many, as we have demonstrated, 65 is no longer the expected retirement age.

The majority of full-time and all part-time employees believe their pension scheme should offer them the opportunity to retire at any age between 50 and 65. The differences are not statistically significant ($\chi^2 = 0.76; p = 0.94$).

4.3 Age Correlation

In this part of the chapter, we will present respondents' answers to the same issues as in the previous section, classified according to respondents' age. For this purpose we divided employees into six age groups; 20 or under, 21-30, 31-40, 41-50, 51-60, and 61 or over.

If we consider age in relation to marital status, it emerges that those who are single are more likely to be found in the younger age groups than are those who are married, divorced, cohabiting or widowed, who constitute a greater proportion of older age groups.

4.3.1 Gender

The age breakdown of respondents in our sample is shown in table 4.30 below.

Table 4.30 Respondents by Age (%)

	Males	Females	Row Total
20 or under	0	1.3	1.3
21-30	17	24	41
31-40	19	11.1	30.1
41-50	17	3	20.1
51-60	4.6	2	6.6
61 or over	0.9	0	0.9
			100

Table 4.31 Pension Scheme Membership by Age (%)

	Members	Non-members	Row Total	Total of All Respondents
20 or under	0.0	100.0	100	1.3
21-30	60.6	39.4	100	41.0
31-40	79.7	20.3	100	30.1
41-50	87.0	13.0	100	20.1
51-60	93.3	6.7	100	6.6
61 or over	100.0	0.0	100	0.9
				100

Table 4.31 shows that there is a statistically significant relationship between age and membership of an occupational pension scheme ($\chi^2 = 12.76$; $p < 0.001$).

As employees get older the likelihood that they will be members of a scheme rises. Thus, while only 61% of those aged between 21 and 30 were members of a scheme, 93% of the 51-60-year-olds contributed to a scheme.

We conclude from these findings that younger employees are not so concerned about financial security in their old age, that many of them may not have a family yet and thus feel no responsibility to provide the form of security for a family guaranteed by a pension scheme. They may also consider changing jobs and are afraid of any complications in switching company schemes. Another reason may be that some companies restrict entry to their scheme by means of length of service or minimum age criteria, so that employees may be eligible to join the scheme only after working for the company for a certain number of years.

The generally high number of employees contributing to occupational pension schemes can be explained by the fact that only companies which offer occupational pension schemes were surveyed. It was only possible in 53% of the respondents to ascertain the reason for not being a member; 35% claimed to have a personal pension and 18% were considering a “move” of job in the near future.

As table 4.30 shows, the majority of respondents to the survey fell into the age brackets 21-50, with fewer in the 51-60 age group and a small minority falling outside these categories at either end of the age scale. Table 4.32 shows that those respondents belonging to the managerial and professional occupational groups tend to be over-represented in the age bands above 30 years of age; conversely, those of assistant professional status fall predominantly into the younger age groups, with 28% in the 21-30 band. If we consider the age distribution for the lower-status occupations, such as the clerical and secretarial category, we find that these respondents are over-represented in the youngest age group, 20 or under. This is particularly significant for the present research since the majority of respondents in this job classification are women (71.6%; see table 4.3 above).

Table 4.32 Respondents' Occupation, by Age (%)

	20 or under	21-30	31-40	41-50	51-60	61 or over
Managers/ Administrator	0	24	43.5	43.8	43	66.6
Professional	0	5.3	15.5	22.6	45.4	33.4
Assistant Professional	0	28	14	8.8	6.0	0
Clerical/ Secretarial	44	23	14.6	14.6	6.0	0
Craft- related	0	2.5	3.4	2.2	0	0
Personal/ Protective	11	6	6.8	3.6	0	0
Sales	33	11	2.2	4.4	0	0
Other	12	0	0	0	0	0
Column Total	100	100	100	100	100	100
Total of All Respondents =	1.3	41	30.1	20.1	6.6	0.9

Table 4.33 Response to Statement: Women Workers Expect their Partners to Provide on Retirement, by Age (%)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Row Total
21-30	11.1	22.2	22.2	16.7	27.8	100
31-40	7.7	34.6	36.5	13.5	7.7	100
41-50	10.5	31.6	34.2	15.8	7.9	100
51-60	14.3	50.0	14.3	21.4	0.0	100

Question 24(e)

As might be expected, those women in the younger age groups felt most strongly that they should not or did not expect their partners to be responsible for the family income after retirement. This perhaps reflects the reality of younger women workers expecting to be major income providers and to stand in an equal position to men. Conversely, 64% of those aged over 51 agreed that their partners should be responsible for the family income after retirement.

4.3.2 Employment Status

Table 4.34 Employment Status by Age (%)

	Full-time	Part-time	Unknown	Row Total	Total of All Respondents*
20 or under	44.4	22.2	33.4	100	1.3
21-30	90.1	2.8	7.1	100	41.2
31-40	75.7	15.5	8.8	100	30.1
41-50	74.5	21.2	4.3	100	20.0
51-60	77.1	16.7	6.2	100	7.4
					100

* Totals are different because the samples are slightly different, not every subject has got information on all variables, hence age distribution varies.

Table 4.34 shows that those aged 20 or under and those aged 41-50 are more likely to work part-time than people from other age groups. This relative high incidence of part-time work among people aged 41 to 50 would support the historical pattern in women's employment of a period of part-time paid work during child rearing (Dex, 1984).

The proportion of people within the 41-50 age group working part-time is likely to understate the trend outlined in much of the literature because the numbers of part-time respondents were low in this study, possibly because the sample was skewed towards the professional and managerial occupations where part-time employment is not so readily accessible (for a discussion of the distribution of part-time employment see Crompton, 1986).

4.3.3 Attitudes towards Pension Provision

Table 4.35 Relative Proportions of Earnings on Retirement Actually Paid for Men and Women on Retirement, by Age (%)

	Equal Proportion	Different Proportion	Don't Know	Row Total
21-30	35.6	34.2	30.2	100
31-40	29.5	43.9	26.6	100
41-50	22.2	49.6	28.2	100
51-60	32.9	31.8	35.3	100

Question 15

Table 4.35 shows that there are only marginal differences across the age groups as to whether respondents perceived men and women as receiving equal proportions of their income on retirement. Those falling into the 21-30 age category are slightly more likely than older respondents to believe that men and women receive the same proportion of their income on retirement. Arguably of greater significance is the higher proportion of

respondents in the age group 41-50, nearly 50%, who believe that men and women do not receive the same proportion of their income on retirement.

Table 4.36 Relative Proportions of Earnings on Retirement Actually Paid on Retirement to Full- and Part-time Workers, by Age (%)

	Equal Proportion	Different Proportion	Don't Know	Row Total	Total of All Respondents*
21-30	44.2	1.9	53.8	100	33.3
31-40	49.0	9.8	41.2	100	32.7
41-50	63.2	10.5	26.3	100	24.4
51-60	30.8	7.7	61.5	100	8.3
61 or over	0.0	50.0	50.0	100	1.3
					100%

Question 14

* Totals are different because the samples are slightly different, not every subject has got information on all variables, hence age distribution varies.

Table 4.36 shows that there is a statistically significant difference between age groups on the issue of the proportions of earnings which pension scheme members believe are paid respectively to full- and part-time employees on retirement. While 44% of 21-30-year-olds believed the same proportion is paid to both full- and part-time employees, 49% of 31-40-year-olds and 63% of 41-50-year-olds think this is the case. By contrast, only 31% of those aged 51-60 believed this to be so. The difference between the age groups is statistically significant ($\chi^2 = 16.2$; $p < 0.05$).

Table 4.37 Views on Allocation of Pension according to Employment Status, by Age (%)

	Greater Proportion for Full-timers	Equal Proportions	Don't Know	Row Total	Total * of All Respondents
21-30	44.0	38.0	18.0	100	33.3
31-40	20.0	58.0	22.0	100	33.3
41-50	32.4	48.6	18.9	100	24.7
51-60	23.1	61.5	15.4	100	8.7
					100

Question 15

* Totals are different because the samples are slightly different, not every subject has got information on all variables, hence age distribution varies.

On the whole, table 4.37 suggests that there is a difference between the age groups on the issue of whether full- and part-time employees should be paid different proportions of earnings on retirement, with the majority in most groups feeling that full- and part-time workers should receive the same proportion. This egalitarian viewpoint appears to be most strongly felt by those aged 51 or over, perhaps because they are now suffering the consequences of a period of part-time employment at some stage during their working histories. Furthermore those aged 21-30 are more inclined to feel that full-time workers should receive a greater proportion of earnings on retirement. This disparity across the age categories could be due to the employment experiences of respondents in the various age groups. Those aged 21-30 are more likely to be working full-time, whereas those of 51 and over are more likely to have experienced part-time employment for a period during their work history.

Table 4.38 Percentage of Salary Expected on Retirement, by Age (%)

	21-30	31-40	41-50	51-60	Total of All Respondents
30% or less	20.8	12.0	20.5	38.5	19.4
40-50%	17.0	48.0	51.3	23.1	36.1
60-70%	15.1	14.0	12.8	23.1	14.8
80% or more	11.3	6.0	5.1	0	7.1
Don't Know	35.8	20.0	10.3	15.3	22.6
Column Total	100	100	100	100	100

Question 25

Table 4.38 shows the considerable differences between the age groups as to the percentage of salary pension scheme members expect to obtain on retirement. Those aged 21-30 were characterised by a lack of knowledge on this issue, with 36% indicating they don't know. Those aged between 31 and 50 more often indicated that they expected to receive between 40% and 50% of their earnings. Those aged 51 or over, however, most often believed they would receive 30% of their salary or less. These differences are statistically significant ($\chi^2 = 24.8; p < 0.05$).

Those in age group 21-30, who are more likely to be single, showed either increasing realism or scepticism about the percentage of salary they will receive on retirement: 20.8% believed they would receive 30% or less, with a high 11.3% expecting 80% or more. The relatively low percentage expected on retirement may explain the reluctance of those who are single to feel that they should have to relinquish any of the payment to divorced partners, or female partners, emphasising the social change towards greater individual responsibility for pension provision after retirement. If single members are more sceptical or realistic concerning the amount they are likely to receive, they are also more likely to be reluctant to share it, or to feel resentful that they have no individual

choice in the matter. The other argument regarding table 4.38 is that expectations appear to fall with age.

Table 4.39 Perceptions and Attitudes towards Contributions by Age (mean %)

	Perceived Contribution	Desired Contribution
21-30	6.95	5.68
31-40	5.13	4.81
41-50	6.30	7.02
51-60	5.31	6.30

Questions 11 & 12

Table 4.39 suggests that there is little difference in the proportion of salary the various age groups believe they contribute to their pensions. It is worth noting that the youngest group believed they contribute the most and the oldest group believed they contribute the least. Furthermore, there appears to be no statistically significant difference in the percentage of salary different age groups believe they should contribute ($F = 2.05$; $p > 0.05$). Those aged 41-50 believed they should contribute the most to their pension. By comparing the two parts of the table we can see that those aged under 40 generally felt they should contribute less than they actually did, while those over 40 felt they should be contributing more than they currently did.

The desire to contribute more towards their occupational pension fund as respondents increase in age was matched by a belief that employers should be contributing more to the pension scheme. The results on this point highlight marked differences in the proportions of salary which the various age groups felt their employers should be

contributing. Only 9.1% of those in the age group 21-30 felt that their employer should contribute more, while 14.75% of those aged over 51 felt this to be the case.

Table 4.40 Lump Sum Should be Shared After Divorce, by Age (%)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Row Total
21-30	9.3	31.5	25.9	18.5	14.8	100
31-40	9.8	25.5	43.1	13.7	7.8	100
41-50	10.3	38.5	25.6	20.5	5.1	100
51-60	7.1	42.9	28.6	21.4	0	100
Total of All Respondents	9.5	32.3	31.6	17.7	8.9	100

Question 24(i)

Respondents were asked about their opinions on the proposition that if a couple are divorced and the man dies before retirement, his ex-wife should receive a proportion of the lump sum paid by the pension scheme. The figures shown in table 4.40 confirms the finding noted earlier that this proposition is most likely to be supported by divorcees, who are more likely to belong to the older age groups, 41-50 and 51-60. Thus it would appear that age and marital status are strongly associated with attitudes towards lump sum payments on death prior to retirement.

Table 4.41 Response to Statement: Pensions Should Be Adjusted for Inflation (%)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Row Total
21-30	46.0	26.0	22.0	2.0	4.0	100
31-40	46.9	42.9	10.2	0.0	0.0	100
41-50	60.5	18.4	18.4	0.0	2.6	100
51-60	57.1	35.7	7.1	0	0	100
Total of All Respondents	51.0	30.5	15.8	0.7	2.0	100

Question 24 (k)

Table 4.41 demonstrates that there is very little difference between age groups on the issue of whether pensions paid on retirement should be linked to the rate of inflation. Indeed, the overwhelming majority of all age groups either agree or strongly agree with this proposition.

4.3.4 Maternity Leave

We will now look at the views of respondents from the different age groups on issues related to maternity leave, and how they think maternity leave may affect a woman's pension.

Table 4.42 Perceived Effect of Unpaid Maternity Leave on Women's Pensions (%)

	21-30	31-40	41-50	51-60	Total of All Respondents
Increased Pension	1.9	3.9	2.6	0	2.6
Decreased Pension	39.6	47.1	68.4	30.7	48.4
No Effect	18.9	17.6	7.9	23.1	16.1
Don't Know	39.6	31.4	21.1	46.2	32.9
Column Total	100	100	100	100	100

Question 22

Table 4.42 shows that there is some difference between age groups as to whether members believe a woman's pension is affected by her taking unpaid maternity leave. Only 30.8% of those aged over 51 thought a woman's pension would be decreased while 68.4% of those aged 41-50 believed this would be the case. For each age group there is also a fairly high incidence of 'don't know' responses.

Table 4.43 Should Women Who Take Unpaid Maternity Leave Receive the Same Proportion of Earnings as Men Who Do Not Take Unpaid Leave? (%)

	Equal Proportion	Different Proportion	Don't Know	Row Total
21-30	35.8	35.8	28.3	100
31-40	27.5	49.0	23.5	100
41-50	26.3	50.0	23.7	100
51-60	27.3	36.4	36.3	100
61 or over	50.0	50.0	0	100
Total of All Respondents	30.3	43.9	25.8	100

Question 23

Table 4.43 suggests that on the whole, the majority in most age groups do not think that a woman who takes unpaid maternity leave should receive the same pension on retirement as a man who has not taken any unpaid leave. The distribution of responses for each age group is fairly consistent and as a result there is no statistically significant difference between the groups ($\chi^2 = 4.02; p > 0.05$).

Table 4.44 Should Women and Men Receive Equal Pensions at the Cost of an Overall Reduction in Pensions? (%)

	Equal Proportion	Different Proportion	Don't Know	Row Total
21-30	63.2	31.6	5.2	100
31-40	69.2	23.1	7.7	100
41-50	55.6	44.4	0.0	100
51-60	75.0	25.0	0	100
Total of All Respondents	64.4	31.1	4.4	100

Question 23

Table 4.44 indicates that the majority in each age group who agree to the proposition that women who take unpaid maternity leave should receive the same pension as men on retirement still agree even if this results in a lower pension benefit for all. Results are fairly consistent for each age group, thus showing no statistically significant difference ($\chi^2 = 5.19; p > 0.05$).

Table 4.45 Should Women be Able to Make Contributions while on Unpaid Maternity Leave? (%)

	Strongly Agree	Agree	Neutral	Disagree	Row Total
21-30	40.7	48.1	7.4	3.7	100
31-40	49.1	34.0	13.1	3.8	100
41-50	34.2	52.6	10.5	2.6	100
51-60	50.0	35.7	14.3	0.0	100
Total of All Respondents	42.8	43.4	10.7	3.1	100

Question 24(c)

Table 4.45 shows that the vast majority of respondents in each age group agree that women should have the opportunity to pay towards their pension while on unpaid maternity leave. As there is a great deal of similarity between respondents, the differences are not statistically significant ($\chi^2 = 5.29; p > 0.05$).

The results from our data suggest that age itself is not a decisive variable in the views of respondents on issues related to maternity leave and how they think maternity leave may affect a women's pension. The combination of age and gender, however, may be more significant in relation to these issues.

4.3.5 Divorce

Respondents were asked the same questions regarding divorce as in section 4.2.5 above; here their answers are classified according to age.

Table 4.46 Women's Pension Rights After Divorce: Man Decides Whether His Divorced Wife Receives Any Proportion of His Pension (%)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Row Total
21-30	18.5	25.9	33.3	13.0	9.3	100
31-40	9.6	25.0	25.0	30.8	9.6	100
41-50	12.8	25.6	38.5	20.5	2.6	100
51-60	7.1	21.4	21.4	35.4	14.3	100
Total of All Respondents	13.2	25.2	30.8	22.6	8.2	100

Question 24(f)

The results presented in table 4.46 show that younger respondents have a slightly greater tendency to support the proposition that if a couple divorce a man should receive all his pension and decide for himself whether his ex-wife receives any of it, with 44% of 21-30 year olds agreeing compared to only 28% of those aged 51 or over. The difference is not statistically significant ($\chi^2 = 11.2; p > 0.05$).

We noted earlier that those respondents who are single are more likely to show greater strength of feeling in support of individual choice on the part of the pension holder; the analysis by age here shows that these respondents are likely to belong to the younger age groups. Thus, while it is not possible to say whether age or marital status is a determining factor in attitude, certainly both play a part. Table 4.44 similarly shows a stronger tendency to disagree that a man should be able to decide whether his divorced

wife receives any proportion of his pension among women, a tendency that is strongest in those members who are divorced - 42%. Again, this would support our claim that women want more control over their pension entitlement, particularly those women for whom time is running out, namely older divorcees.

Table 4.47 Women's Pension Rights After Divorce: Woman Has a Right to Demand a Proportion of Her Divorced Husband's Pension (%)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Row Total
21-30	14.8	20.4	20.4	18.5	25.9	100
31-40	15.4	23.1	30.8	21.2	9.5	100
41-50	10.5	34.2	36.8	10.5	7.9	100
51-60	7.1	42.9	7.1	28.6	14.3	100
Total of All Respondents	13.3	26.6	26.6	18.4	15.1	100

Question 24(h)

As table 4.47 shows, there is some difference between age groups on the issue of whether a woman should have the right to demand a proportion of her ex-husband's pension. While 50% of those aged over 51 agreed, only 35% of those aged 21-30 did so. This somewhat contradicts the findings shown in table 4.46, where respondents on the whole felt that men should have control over their pension following divorce.

Table 4.48 Men's Pension Rights after Divorce: Man has a Right to Demand a Proportion of His Divorced Wife's Pension (%)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Row Total
21-30	13.0	27.8	24.1	14.8	20.3	100
31-40	13.5	25.0	26.9	25.0	9.6	100
41-50	17.9	23.1	38.5	17.9	2.6	100
51-60	14.3	42.9	7.1	21.4	14.3	100
Total of All Respondents	14.5	27.0	27.0	19.5	11.9	100

Question 24(g)

As table 4.48 shows, as respondents get older they are more likely to agree to the proposition that a man should have the right to demand a proportion of his ex-wife's pension. While 41% of 21-30-year-olds agree, the proportion agreeing rises to 57% for those over 51. The difference, however, is not statistically significant ($\chi^2 = 14.04$; $p > 0.05$).

As we saw in table 4.40 above, there are slight differences in the proportions of each age group which agreed with the proposition that if a couple divorce and the husband dies before retirement age, his ex-wife should receive a proportion of the lump sum paid by the pension scheme. While over 40% of 21-30-year-olds agreed, 48% of those aged 41-50 and 50% of those 51 or over agreed. The results do not appear to be statistically significant ($\chi^2 = 9.8$; $p > 0.05$). Again, age and marital status seem to be understandable factors in respondents' attitudes, since stronger support for the proposition is likely to be felt among those respondents who are divorced, and they are more likely to be found in the older age brackets (41 and upwards).

Table 4.49 Pension Allocation in Case of Remarriage, by Age (%)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Row Total
21-30	1.9	21.2	36.5	15.4	25.0	100
31-40	4.1	34.7	34.7	12.2	14.3	100
41-50	2.6	36.8	39.5	13.2	7.9	100
51-60	0.0	45.5	18.2	27.2	9.1	100
Total of All Respondents	2.6	31.6	34.9	15.1	15.8	100

Question 24(j)

The results in table 4.49 show that as respondents get older they are more likely to agree with the proposition that a man who remarries should have to divide his pension between wives. The differences are not statistically significant ($\chi^2 = 13.9; p > 0.05$). The relevant variable is, in this case, the marital status. The greatest support for this proposition is shown by divorced members (50.6%) who are more likely to fall into the higher age brackets. This would appear to lend support to the idea that as divorcees have had little control or need for control over their pension until divorce, they feel they should have a greater proportion of the pension, or control over its allocation, upon divorce. This would seem plausible given that, unlike those who are single and younger, they have less time and disposable income to accrue contributions.

4.3.6 Widows and Widowers

In this section we assess respondents' knowledge and attitudes regarding the status of widows and widowers in occupational pension schemes. The results are again related to age.

Table 4.50 Perceived Actual Pensions for Widows and Widowers, by Age (%)

	Equal Proportion	Different Proportion	Don't Know	Row Total
21-30	47.2	0.0	52.8	100
31-40	56.9	11.8	31.3	100
41-50	73.7	15.8	10.5	100
51-60	61.5	0	38.5	100
Total of All Respondents	58.1	7.7	34.5	100

Question 20

As table 4.50 demonstrates, those aged 41-50 are most likely to believe that the same benefits are paid to widows as widowers. There is, however, also a high level of ignorance on this issue, with a large proportion of most age groups choosing the 'don't know' response.

Table 4.51 Response to Statement: Widows and Widowers Should Not Receive Equal Pension Treatment, by Age (%)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Row Total
21-30	1.8	12.7	10.9	14.6	60.0	100
31-40	5.8	17.3	15.4	23.1	38.4	100
41-50	2.6	0.0	12.8	10.3	74.3	100
51-60	0	6.7	20.0	13.3	60.0	100
Total of All Respondents	3.1	10.6	13.7	16.1	56.5	100

Question 24(b)

The differences in the various age groups' responses to the proposition that widows and widowers should not receive the same pension are not statistically significant. The majority of each group represented in table 4.51 tended either to disagree or to disagree strongly with this suggestion; the reaction was most marked among those aged 41-50, 84.7% of whom disagreed.

Table 4.52 Response to Statement: Widows and Widowers with Children under 18 Years of Age Should Receive an Extra Allowance, by Age (%)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Row Total
21-30	24.1	42.6	22.2	9.3	1.8	100
31-40	19.6	41.2	31.4	2.0	5.8	100
41-50	34.2	44.7	10.5	5.3	5.3	100
51-60	14.3	28.6	35.7	21.4	0	100
Total of All Respondents	24.2	41.4	23.6	7.0	3.8	100

Question 24(c)

Table 4.52 indicates that the majority of all age groups either agree or strongly agree with the suggestion that widows/widowers should receive an extra allowance on their pension if they are parents of children under eighteen years old. There is no statistically significant difference across age groups ($\chi^2 = 16.66; p > 0.05$).

4.3.7 Retirement Age

Finally in this part of the chapter, we look at the views of respondents in different age groups concerning retirement age for men and women.

Table 4.53 Perceptions and Attitudes on Retirement Age for Men and Women by Age (mean age)

Mean Age	21-30	31-40	41-50	51-60
Retirement Age for Men	58.71	59.41	60.0	59.0
Retirement Age for Women	57.12	58.4	58.47	57.27
Desired Retirement Age for Men	56.02	56.22	57.22	56.64
Desired Retirement Age for Women	55.38	56.78	57.36	55.73

Question 16,17,18 & 19

As Table 4.53 indicates, all age groups believe their pension scheme will allow a man to retire at around the 58-60 age range. Similarly, all age groups agree that men and women should be able to retire sooner than they currently do or are allowed to do.

Table 4.54 Attitudes towards Flexible Retirement Age between 50 and 65 (%)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Row Total
21-30	65.5	21.8	12.7	0.0	0.0	100
31-40	48.1	27.8	16.7	5.6	1.9	100
41-50	59.0	23.1	10.3	5.1	2.6	100
51-60	46.7	20.0	26.7	0	6.7	100
Total of All Respondents	56.4	23.9	14.7	3.1	1.8	100

Question 24(a)

Table 4.54 reveals that the majority of all age groups either agree or strongly agree that there should be greater flexibility in retirement age. This appears to be particularly relevant to younger respondents, especially those aged 21-30, 87.3% of whom expressed agreement with this proposition, compared to only 76%, 82% and 67% amongst the rest of age groups respectively.

4.4 Levels of Satisfaction with Occupational Pension Schemes

We asked the sample how satisfied they were with their pension schemes in terms of the safety of the money they had invested. The answers given to this question are analysed below by gender, age and employment status.

4.4.1 Age

Table 4.55 Satisfaction Concerning Safety of Pension Fund, By Age (%)

	21-30	31-40	41-50	51-60	
Very Satisfied	5	12	11	0	
Satisfied	22.8	46.8	35.7	56	
Unsure	38	35	36.2	30.6	
Dissatisfied	21.2	1.4	12.4	13.4	
Very Dissatisfied	13	4.8	4.7	0	
Column Total	100	100	100	100	
Total of All Respondents	40	32	20.4	7.6	100

Question 26

As table 4.55 reveals, those respondents who are most satisfied with the safety of their pension investment fall into the age category 31-40. This is unsurprising since this is probably the age range in which most people take where serious decisions on pension contributions and choice of scheme. While members falling into the oldest age brackets do express satisfaction with the safety of their pension investment, greater numbers in these groups also express a degree of dissatisfaction.

4.4.2 Gender

Table 4.56 Satisfaction Concerning Safety of Pension Fund, by Gender (%)

	Male	Female	Total
Very Satisfied	11.0	12.7	11.7
Satisfied	40.7	44.4	42.2
Unsure	35.1	39.7	37.0
Dissatisfied	5.5	1.6	3.9
Very Dissatisfied	7.7	1.6	5.2
Total Column	100	100	100

Question 26

Table 4.56 suggests that the majority of both males and females are satisfied with the safety of their investment in the company pension scheme. There appears to be little disagreement between the sexes on this issue, and the difference is not statistically significant ($\chi^2 = 4.55$; $p > 0.05$).

4.4.3 Employment Status

Table 4.57 Satisfaction Concerning Safety of Pension Fund, by Employment Status (%)

	Full-time	Part-time	Total
Very Satisfied	11.0	20.0	11.3
Satisfied	43.8	20.0	43.0
Unsure	35.6	60.0	36.4
Dissatisfied	4.1	0.0	4.0
Very Dissatisfied	5.5	0.0	5.3
Total Column	100	100	100

Question 26

As table 4.57 indicates, full-time employees are more satisfied that their pension contributions are safe than are part-timers. The majority of part-time workers are unsure whether their money is safe. These differences are not, however, statistically significant ($\chi^2 = 2.25$; $p > 0.68$).

4.5 Conclusion

In this chapter we have presented the findings from our questionnaire survey and related them to the gender, employment status and age of respondents in order to assess respondents' knowledge of, and attitudes towards, several variables which affect their pensions. The issues we analysed were membership of occupational pension schemes; contributions by employers and employees to schemes, and the expected returns; the effect on pension benefits of maternity leave, divorce and death of husband or wife; retirement age; and employees' levels of satisfaction with the security of their pension schemes.

A summary of findings is given at the beginning of the chapter (section 4.1); therefore we confine ourselves here to a brief overview of the results.

Fewer women than men, and fewer younger than older employees, are members of occupational pension schemes. Nonetheless, the overall rate of membership is very high, with 73.4% of respondents contributing to company schemes. The majority of part-timers thought they were treated differently from full-timers by their schemes; for example, they believe that they obtained a different proportion of earnings on

retirement. Both groups agreed that there should be equal treatment of full-time and part-time employees. They also shared the view that pensions should be inflation-linked.

As far as the effects of maternity leave, divorce and widowhood on pensions are concerned, part-timers and full-timers agreed on some propositions but disagreed on others. Two points on which they shared the same views are that women should have the right to contribute to their pension scheme while on unpaid maternity leave, and that women who have taken unpaid maternity leave should receive the same proportion of earnings on retirement as men who have taken no unpaid leave, even if this results in an overall reduction of benefits for both sexes. There was also widespread agreement among respondents that widows and widowers should receive an extra allowance in their pension if they are parents of children under the age of 18. While both groups thought their pension scheme should offer a flexible retirement age between 50 and 65, they disagreed on the desired average retirement age. Full-timers opted for an age well below 60 for both men and women, while part-timers took the view that men should be allowed to retire at the age of 60 and women at 55. More full-timers than part-timers are satisfied that their money is safe in their occupational pension schemes

The classification of responses by age shows that the age of pension scheme members is an important factor in considering the potential for the survival of occupational pension schemes. The significance of age lies not so much in determining support for or opposition to the propositions offered in the questionnaire, but rather in reflecting certain changes in expectations of the coverage and content of occupational pension schemes. The younger age groups tended to express stronger feelings towards issues such as pensionable age, early and late retirement, and the future aspects of funding

schemes. On the question of contributions, older members tended to feel they should contribute more to their pension than they actually did, while younger members felt they should contribute less. This may reflect a certain lack of urgency or anxiety on the part of younger scheme members, to whom retirement seems a long way off, compared to older members for whom drawing a pension is a much less distant prospect. These two examples of the responses of different age groups arguably reflect the changing nature of employment and the effect that employment experiences have on the expectations of occupational pension schemes held by both existing and potential members.

Retirement at 65 is increasingly becoming less the perceived norm; younger members of schemes are unlikely to anticipate remaining in employment until they are 65. Those in the older age groups are more likely to have experienced part-time employment at some period of their working life in order to reconcile the need to earn with child care, and to feel a sense of injustice that they have not had the opportunity to recoup the contributions lost during this period and have had to accept the prospect of a lower pension on their retirement as a result. It is worth emphasising that while feeling on this issue was strongest among older members, all age groups supported the proposition that people in this position should not be so penalised.

Age has emerged as a particularly important indicator of respondents' attitudes, adding substance to the claim that there is a tendency among young workers, whether male or female, towards taking greater individual responsibility for pension provision. It is reasonable to conclude that younger people are now planning their pension provision for the future with a stronger belief in their own need for economic independence. This reflects society's changing attitudes towards the role of women both in the home and in

the labour market, and the concomitant increased expectations of women themselves. Awareness among younger women in this survey for the desire and need for greater economic independence in old age may also reflect the situation in which many of the older female survey respondents found themselves.

The relatively high rate of membership of occupational pension schemes indicates that there is clearly a demand for this kind of scheme. Nonetheless, analysis of respondents' views on the variety of topics covered in the survey make it equally clear that some changes are required if schemes are to meet employees' needs and expectations.

In the following three chapters we pick up some of the dominant themes and issues which emerged from the results of the survey. Particular attention is given in chapters 5 and 6 to further consideration of the issues highlighted by questions and statements about retirement age, provision for the widowed, and early or late retirement, as these matters appeared to provoke the strongest reactions among the survey respondents.

CHAPTER 5

THE QUESTION OF PENSION AGE FOR WOMEN

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- 5.1 History of Retirement Age
- 5.2 State Retirement Age: Practices Outside Britain
- 5.3 The '60/65' Debate in Britain
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5.0 Introduction

The fieldwork for this research was completed in 1992, prior to the government's announcement in December 1993 that the pensionable age for men and women under the state pension scheme was to be equalised. I have not altered the text of this chapter in response to that announcement as the findings relate to public policy within the earlier framework.

There is no statutory definition of normal retirement age (NRA) for occupational pension schemes, but the national insurance system defines the minimum statutory retirement age as 60 years of age for women and 65 for men. This is the age at which they become eligible to receive a basic pension and SERPS. The aspects of our survey relevant to the debate in this chapter range from ascertaining whether women belong to a pension scheme or not (question 9 of questionnaire, appendix I) to information on age and gender (questions 3 and 5 of questionnaire), respondents' attitude to retirement age (questions 16 to 19 of questionnaire) and their opinions on flexibility in retirement age (question 24(a)). The responses on these points are set against an examination of the historical development of retirement age, and an additional analysis of the respective advantages and disadvantages of different methods for the equalisation of male and female retirement ages.

The viewpoints of various political and pressure groups, together with the legal cases that have shaped the development of these issues, will be investigated. Pension age in other EU countries is also examined to provide a wider context for the examination and investigation.

5.1 History of Retirement Age

A fixed age of retirement is a comparatively recent notion, unknown in Britain or elsewhere until the early years of the nineteenth century. Its genesis lay in the setting-up of superannuation funds in the Civil Service in 1810. The Northcote-Trevelyan Report (1806) recommended fixed-age retirement for occupational pensions as a means of increasing the efficiency of the Civil Service by removing those thought to be too old for effective work. An alternative proposal to enable civil servants to retire at whatever age they were medically judged to be incapable of regular, efficient work was rejected as being administratively cumbersome and possibly invidious (Parker, 1982).

Pressure had been growing since the 1880s from philanthropic institutions and the trade union movement for a pension at the age of 65 (see chapter 1). However, when a means-tested, non-contributory state pension was introduced in 1908, it was payable on retirement at 70 (subject to certain conditions) for both sexes. In fact, there were few retired former employees over 70 years of age because so few survived their working lives (Hannah, 1986).

Although some of the pressure for pensionable retirement at a fixed age came from an awareness that a society now richer than ever before should improve its provision for the aged poor, the crucial motivation stemmed from the growing demands for greater labour efficiency and increased productivity. Trade unionists complained that these demands led to the redundancy of workers too old to work at the required pace (Thane, 1992). Employers both introduced occupational pension schemes and pressed for a state scheme to allow them to lay off older workers.

Towards the end of the nineteenth century, a fixed retirement age of 65 was standard practice in the public service in Britain, and also in some large British firms. In 1890 policemen were awarded a pension after 25 years of service, resulting in an early retirement age which was thought suitable given the rigours of the job. In 1892 primary school teachers received a pension at the age of 60, following acceptance of the argument that low salaries forced many of them to work long past the age at which they ceased to be efficient. By 1896, the retirement age for most non-manual public employees was set at 65 years.

Increasing numbers of large firms, such as railway companies, were also retiring their salaried, and sometimes manual, employees on pension. As Thane (1978) remarks, the choice of 65 (rarely 60) as a suitable age for retirement seems to have reflected a popular belief that most people became unfit for regular efficient work at some point in their early sixties. This belief had some foundation in fact, since evidence available to institutions providing pensions suggested that this was the age at which retirement most frequently became desirable on medical grounds (Thane, 1978). In the 1920s mass unemployment led to a demand that the pensionable age be lowered in order to release jobs for the younger unemployed. In the Widows, Orphans and Old Age Pension Act of 1925 the government reduced the pensionable age of men and women to 65, and introduced a contributory national insurance pension.

In its 1976 report the Occupational Pensions Board (OPB) noted a tendency for employers to assign lower 'normal' retirement ages to women in the 1930s, despite there being a common age (65) of entitlement to the contributory state old age pension (OPB, 1976). A 1936 government survey of private occupational pension schemes showed that 39.7% of female white-collar employees in such schemes were required to retire below the age of 60,

a rule not applied to white-collar male scheme members; 10.1% of female manual workers were subject to a similar requirement, while, again, none of the men were. Of the white-collar women workers, 37.2% (compared to 0.4% men) had a 'normal' retirement age of 55 or below, with only 33.2% having a 'normal' retirement age of 65 (compared to 52.4% of men).

The campaign conducted in the late 1930s to lower the 'pensionable age' to 55 for single women was opposed largely by male public servants and those in employers' pension schemes who feared a consequent lowering of their own 'normal' or compulsory retirement ages.

In 1940, the wartime National Government reduced the pension age for women to 60, both for women insured in their own right and for women married to pensioners and claiming on their husband's insurance if the husband was aged 65 or over. This decision was taken partly to forestall demands by the TUC for higher pensions, which, it was estimated at the time, would cost an additional £24 million a year, rising to £35 million after five years. However, the main grounds for the decision were said to be the need to alleviate the situation of dependent women who could not draw a pension until the age of 65, irrespective of the ages of their husbands (Wally, 1977). Undoubtedly, prior to 1940, hardship could be caused if a man on reaching the age of 65 could not draw a benefit for a younger wife. In addition, there was a strong lobby on behalf of single women for pensions to be payable at an earlier age, possibly in part because it was the traditional role of the unmarried daughter to care for elderly relatives. The cost of lowering the retirement age for women, without an increase in the amount of benefit, was estimated at under £10 million a year (Wally, 1977).

The terms and conditions attached to the basic state pension have stayed much the same since 1948. It is payable to all individuals who satisfy the entitlement conditions. There are four categories of state retirement pension: Categories A, B, C and D. Category A and B pensions comprise the contributory state retirement pension. Category A refers to a pension deriving from an individual's own contribution record, while Category B refers to a pension derived from the record of a husband, widower or widow. Category A and B pensions are made up of two distinct components: the basic state pension and the additional earnings-related component or SERPS.

Category C and D pensions are non-contributory and are payable in particular narrowly defined circumstances. Category C pensions are payable to men and women who were over state pension age on 5 July 1948 and also to the wives and widows of men who qualified. Category D pensions are payable to certain individuals aged over 80 who satisfy residence conditions and are entitled to no other category of state retirement pension or to one at a lower rate.

In order to qualify for the full Category A basic pension, national insurance contributions (class 1, 2 or 3) must have been paid or credited for 39 years in the case of women and 44 years for men. If the NIC record falls short of this requirement, a reduced rate basic state pension is payable provided there are enough NICs to qualify for at least 25% of the full basic state pension.

A woman who is or has been married is entitled to a Category B state retirement pension by virtue of her husband's contribution record under the following circumstances:

- (a) where the couple are married when the wife attains state pension age, her husband is entitled to a Category A state retirement pension and he satisfies the relevant contribution conditions;
- (b) where the woman marries after state pension age, and her husband is entitled to a Category A state retirement pension and satisfies the relevant contribution conditions;
- (c) where the woman's husband is dead and his death occurred after she had reached state pension age, the couple were married when the husband died and he satisfied the relevant contribution conditions;
- (d) where the woman's husband died before she reached state pension age, leaving her a widow before attaining state pension age and entitled to a widow's pension (or can be treated by the regulations as being so entitled) in consequence of her husband's death.

The retirement ages of the basic state pension also became the model for occupational pension schemes.

5.2 State Retirement Age: Practices Outside Britain

Denmark

Many countries have changed their retirement ages over the years, and Denmark offers an interesting example of this. The minimum pension age for men and women was at one time 60; it was then raised to 65 in 1922, lowered to 60 in 1937, raised again to 65 in 1946 (with exceptions for ill health and special working conditions), and again to 67 in 1956. In 1972 serious consideration was given to raising it to 68 or 69, though in the event this was not

done; in 1979 a final qualification was added when unemployed workers aged 60 or over were allowed to draw 'severance pay' (Parker, 1972).

USA

In America there is no fixed retirement age. The United States Age Discrimination in Employment Act (ADEA 1967), amended in April 1978, made involuntary retirement before the age of 70 illegal. The principal pressure group in this area, the National Council On Ageing (NCOA), is campaigning for the complete abolition of mandatory retirement.

Sweden

Sweden, in common with other Scandinavian countries, had a relatively high normal retirement age of 67 before 1976. In that year, with a few exceptions, this position was changed: retirement age was reduced to 65 for both men and women, with voluntary early retirement from age 63 onwards, when either a full or a half pension may be drawn. The Partial Pension Insurance Act 1975 provides for voluntary partial retirement from the age of 60 to 65 for employees who reduce their working hours. They can then draw a part pension equal to 65% of their lost earnings.

Federal Republic of Germany

The state pension age in Germany is 65 for both men and women. However, if 35 years' contributions have been paid it is possible to retire on an undiscounted pension at 63. Women have the further opportunity to retire at 60 with only 20 years' contributions, so that, in practice, pension ages for men and women may be treated as 63 and 60 respectively. The accrual rate is the same (1.5% a year) at any age of retirement. The federal government proposes to equalise retirement age at 65 for men and women, with a

reduced pension available from the age of 60. Since 1986, spouses' pensions have been paid equally to both sexes.

France

From April 1983 both sexes have been entitled to a full pension (at 50% of the revalued average of the previous ten years' earnings) at the age of 60 or, if later, as soon as 37.5 years' contributions have been paid. Previously, retirement at 60 had been possible, but the pension had been discounted by 5% of earnings for each year prior to the age of 65. Those who have three or more children receive a 10% increase in the level of their retirement pension. This provision may be motivated not merely by actual family need but also by the strongly pro-natalist policies followed by the French government, in order to try to halt the declining birth rate.

Survivors' benefits are not quite identical between the sexes. While widowers' pensions are available, a widower must establish dependency on the spouse if he is younger than 55, although he qualifies for the benefit automatically if he has children.

Italy

Italy has exceptionally low pension ages and, as in most Latin countries, pension provision here is heavily centralised. Apart from severance payments which companies have to meet, the majority of the benefits at retirement are provided by the INPS (equivalent to the DSS) or similar approved funds. Retirement age is 60 for men and 55 for women, or even earlier if a person has a full contribution record for 35 years. This is therefore a very costly system, with total employee and employer contributions exceeding 53% of earnings.

Aware that in 50 years' time, according to best estimates, half the adult population may be retired unless the present system is significantly changed, the INPS is now studying proposals to raise the averaging period for determination of benefits from 5 to 10 years and to raise the pension age gradually to 63 for both men and women, as well as increasing the period of contributions required to qualify for earlier retirement from 35 to 40 years. There has been strong growth in private provision for retirement, encouraged by tax concessions.

Japan

Japan has a retirement age of 60 for men and 58 for women. Nevertheless, many of Japan's elderly continue to work: 46% of men over 65 are still employed. At present, the Japanese elderly form a smaller proportion of the population than in most European countries; however, demographic changes are likely to be more severe, to the extent that the ratio of Japanese pensioners to the working population is expected to rise from its present level of 15% to 25% in 2025.

In 1991 the Japanese government therefore took the decision to raise the pension age from its then level of 55 for women by stages until equality at age 60 was reached by the year 2000. The incremental rises were to 56 in 1988; 57 in 1991; 58 in 1994; 59 in 1997; and 60 in 2000. As in a number of countries in Europe, widows will continue to receive more favourable treatment than widowers with respect to pension benefits.

To summarise the analysis of retirement age practices outside Britain, table 5.1 shows the state pension ages in selected countries across western Europe. Clearly, Britain is not the only country to operate different pension ages for men and women, and there is considerable variation in practice.

Table 5.1 State Pension Ages In Western Europe

Country	Male	Female
Denmark	67	67
Ireland	66	66
France	60	60
Finland	65	65
Germany	63	63
Netherlands	65	65
Norway	67	67
Spain	65	65
Sweden	65	65
Countries that have Different Pension Ages:		
Austria	65	60
Belgium	65	60
Greece	65	60
Italy	60	55
Portugal	65	62
Switzerland	65	62
UK	65	60

Source: US Department of Health and Human Services, 1990.

5.3 The '60/65' Debate in Britain

The Occupational Pensions Board considered the question of retirement ages in detail in its 1976 report and was unanimous in arriving at the following conclusion:

Equal status must mean equal pension ages. Any other arrangement can be based only on the assumed requirement of each sex, an approach which we consider to be

incompatible with equal status. Where pension ages differ for different groups of members in a scheme, pension ages should be the same for men and women in the same group. (OPB, 1976)

The age of retirement is crucial because of the assumptions and underlying philosophy of occupational pension schemes. The amounts of pensions paid in final salary schemes are calculated with reference to length of service, commonly being based on a fraction of 'final' salary multiplied by the total number of years' service to a maximum of 40 or 45 years. The lump sum payment can be calculated in relation to length of service. Therefore, someone who was required to retire at 60 had fewer years of service to count towards their occupational pension and other retirement benefits than her male counterpart, who was not required to retire until the age of 65. Also, the 60 year old would perhaps retire on a lower salary because of the missing opportunity of salary increases or job promotion for the five years between 60 and 65. Although a scheme's management can set their own retirement age - within Inland Revenue regulations - a majority of 64.7% use the state retirement ages of 60 and 65 for women and men respectively (GAD, 1987). This is a general problem but because of the different retirement ages it affects women more than men.

Partly as a consequence of these factors, women's pensions tend to be smaller than men's, as illustrated in table 5.2.

Table 5.2 Average Amount of Pensions for Former Employees, 1983 (£) per week

Sector	Men	Women
Private sector	30	15
Public sector	44	35

Source: GAD, 1987.

As table 5.2 shows, the disparity in pension earnings is great, particularly in the private sector. It is much wider than the earnings difference between men and women while in employment, and therefore cannot be explained simply by reference to this difference. This disparity is readily understandable if we consider the effects of differential retirement ages, however. As recently as 1987, a woman who was made to retire at the age of 60 was likely to be significantly short of the minimum 40 years' service necessary to receive a full pension, due to a variety of factors as discussed in chapter 3. Moreover, while, compulsory late entry of women to membership of schemes is now illegal, as discussed in chapter 1, the present generation of women coming to retirement age are still at a disadvantage because of these practices in the past.

The actuarial profession argues that women may end up with lower pensions on average than men, but this is because they have lower-paid jobs, not because they are treated unfairly in terms of their pension arrangements. Women's pensions have been more expensive to provide than men's, yet women have not had to pay extra towards them.

The EU directives on social security urge equal retirement ages, but leave it to individual member countries to implement the measures to bring this about. On 26 February 1986, the European Court ruled that the dismissal of Miss Helen Marshall by the Southampton Health Authority from her post as a dietician in the NHS, on the grounds that women were required to retire at 60 while men could continue to work until 65, was unfair and a breach of the EEC directive of 1976 on equal treatment (Bates, 1986). The ruling applied to the age at which state or occupational pensions become payable, and has implications for all aspects of retirement, including equal treatment for men and women, reduction in retirement ages generally, and the level of state and occupational pensions. The government

issued a consultative document entitled *Sex Discrimination and Retirement Age* (DHSS, 1988) which set out the proposals for legislative changes arising from the ruling; as a consequence, the Sex Discrimination Act was amended, with these changes effective from November 1987. It is now unlawful for an employer to discriminate against a woman by offering her employment on terms which specify a different compulsory retirement age from that which would apply to a man in similar circumstances. An employer cannot demote or dismiss a woman for reasons connected with retirement unless a comparable man would be treated in the same way.

5.4 Legislative Changes Affecting Women's Retirement Age

Since Britain joined the EEC in 1973, UK law has been subordinated to European law, as enshrined in the Treaty of Rome (1957) and as extended by directives subsequently agreed by the Council of Ministers on a range of economic and social matters.

The aim of harmonisation of economic conditions within the Community has been pursued in respect of issues of social security through a number of directives which seek to promote equality for men and women, although stopping short of promoting uniformity from state to state.

Article 119 of the Treaty of Rome requires 'equal pay for equal work' and defines pay as 'the ordinary basic or minimum wage or salary and any other consideration, whether in cash or in kind, which the worker receives, directly or indirectly, in respect of his employment from his employer'. One of the most significant test cases of the Article to date has been the *Bilka-Kaughaus* (1991) case, in which it was accepted that membership

of a pension scheme fell within the scope of Article 119 and that a part-time employee of Bilka-Kaughaus could not be denied membership of the scheme since most of the company's part-time employees were female. This was taken as confirmation of the indirect discrimination practised against by women.

However, the *Bilka-Kaughaus* judgement provided little guidance to employers on how to equalise the conditions associated with their pension schemes. It was unclear, for example, whether simply raising the age at which females could acquire benefits was legitimate; questions of backdating and the coverage of pension schemes also remained to be clarified. Numerous cases exploring the consequences of the Barber ruling of 1990 (see section 5.4.3 below) were brought by individuals and pension fund trustees. In September 1994 (after the fieldwork for the present research was completed) the European Court ruled on six important cases. The main features of these rulings are discussed in Appendix II.

Notwithstanding the progress of cases in the courts, the European Commission has also pursued several directives extending the principles of equal treatment in social security.

5.4.1 The Treaty of Rome

The European Community/Union and its legislation are based on the Treaty of Rome of 1957. The Treaty acts as a form of constitution, conferring on the citizens of the member states rights on a wide range of broadly economic and related social matters.

In the United Kingdom, the European Communities Act 1972, which led to Britain's accession the following 1 January, incorporated the Treaty of Rome into British law. Where British legislation is in contravention of the treaty, it is the treaty which prevails.

Provided an article of the treaty is precise, clear and unconditional, it may be directly enforced through the domestic courts, by one citizen against another. That is, it has 'horizontal effect'. A pension scheme member may thus cite the treaty in a case against his or her employer or the trustees of the pension scheme.

Two articles of the Treaty of Rome affect social security directly. The first, Article 118, specifically addresses social security but is of a general nature in its requirements, without itself providing clear and detailed conditions of practice. The second, Article 119, was described in the previous section.

The Commission of the European Communities, made up of individuals appointed by the member states, has the duty of preparing legislation. This takes the form of directives or regulations, which instruct the member states to enact their own measures to bring their domestic legislation into conformity with European law. Draft directives are discussed by the European Parliament and by national governments before coming before the Council of Ministers for approval. The Single European Act of 1987 allows for majority voting by the Council in many areas.

Whereas the Treaty of Rome has horizontal effect, as described above, directives are said to have 'vertical effect': that is, they are enforceable only against the member states, and not between private persons. A citizen is not able to rely on a directive itself but must wait for

the domestic legislation giving effect to it, which the Commission must ensure is in accordance with the directive.

Within the EU, although there are concerted moves towards harmonisation of taxes and duties, member states are entirely free to choose whatever pension and social security conditions they wish, notwithstanding that this gives rise to disparity between the costs of employment in different countries. Similarly, EU directives aim at equality in treatment between men and women, while stopping short of attempts to harmonise benefit systems in different states. This equality of treatment also applies in matters of social security ('social security' in this context includes all welfare provision, including rights to pensions under occupational pension schemes). The following paragraphs examine the main directive in this area and some of the important legal cases that have arisen from its provisions.

5.4.2 The Equal Treatment Directive

The 1976 Equal Treatment of Social Security Directive (7917/EEC) is the key piece of EU legislation concerned with, and impacting upon, pension provision and the equal treatment of men and women therein. The wider purpose of the directive is the progressive implementation of the principle of equal treatment for men and women in matters of social security, and it applies to the whole working population as well as retired or invalid workers. Equal treatment is taken to mean that there shall be no discrimination whatsoever on grounds of sex, either directly, or indirectly by reference to marital or family status. 'Social security' for the purposes of the directive covers social assistance schemes and statutory schemes providing protection in the event of sickness, invalidity, accidents at work, occupational diseases, unemployment and, of course, old age.

In practice, equal treatment with respect to pension schemes is intended to ensure that there shall be no discrimination on grounds of sex as concerns:

- the scope of the schemes and conditions of access thereto;
- the obligation to contribute and the calculation of contributions;
- the calculation of benefits, including increases due in respect of a spouse and for dependents, and the conditions governing the duration and retention of entitlement to benefits.

The principle of equal treatment must also be applied without prejudice to the provisions relating to the protection of women on the grounds of maternity.

In theory, member states must take measures to ensure that laws, regulations and provisions contrary to the directive are abolished, and that their legal systems are adapted to allow those who consider themselves wronged in relation to the principle of equal treatment to pursue their claims by judicial process. However, in Britain the Secretary of State for Social Services accepted an extremely narrow interpretation of this directive, construing that it must be applied to occupational benefits standing alone, without reference to the totality of benefit provision by the state and occupational schemes combined.

It was not until September 1994 that employers throughout Europe received from the European Court of Justice the definitive word on sex equality in pensions. (This is discussed in appendix II.) In May 1990, in the *Barber v. Guardian Royal Exchange (GRE)* case (discussed below), the court ruled that pensions are a form of deferred pay, but gave no

guidelines as to how employers were to implement its judgement. As a result, a series of cases were brought between 1990 and 1994 centring on the rights of women with respect to pension provision and early retirement. These cases, together with some key earlier decisions, are examined in more detail below, building on the general examination of the legal framework already carried out.

5.4.3 Important Legal Cases Relating to Retirement Age

The Marshall Case

In *Marshall v. Southampton and South-West Hampshire Area Health Authority* (1986), Helen Marshall cited the 1976 Equal Treatment Directive before the European Court. She argued that she had been compulsorily retired at an earlier age than men at her workplace, and claimed the right to be allowed to work until the later male retirement age. In her case, it was claimed that the directive had ‘vertical effect’ on her employer, since the health authority was an organ of the state and therefore directly bound by the directive itself.

The European Court agreed with this claim, and the right of employees of the state to equality in retirement age (but not pension age) was therefore established. In other words, because of this ‘vertical effect’ the directive actually gives state employees more immediate protection than others.

Since the *Marshall* case, the principle of ‘vertical effect’ has itself been confirmed and, in several separate cases, the UK courts have ruled that the directive would not apply in this way to employees of either private companies or nationalised industries, which were not to

be regarded as organs of the state. As a result of the *Marshall* case, the UK government introduced the Sex Discrimination Act 1986, which amended earlier legislation to give to women working in the private sector the same right to claim for unfair dismissal up to the age of 65, or the common retirement age if lower.

Burton v. British Railways Board

In contrast to the previous case, a different interpretation was placed by the European Court on a claim made by Mr Burton that his employer, the British Railways Board, should allow him voluntary redundancy at the same age as a woman. The rule that had been set by the Board was that voluntary redundancy was available if the employee was within five years of normal retirement age.

The European Court ruled, first, that the scheme was not covered by Article 119 as the voluntary redundancy scheme in question was not pay and, secondly, that it was not discriminatory under the 1976 equal treatment directive because its provisions were merely tied to the different national minimum pensionable ages.

Roberts v. Tate and Lyle Ltd

The firm in this case offered an early retirement pension to any member of its scheme over 55 years of age who was made redundant. Miss Roberts sought to have herself included in this provision at the age of 53 since this was within ten years of the normal female retirement age and a man would be included within ten years of his own normal retirement age.

The European Court of Justice rejected her claim, accepting that adoption of an equal age for men and women could not be held to be discriminatory, notwithstanding the legality of the difference in *Burton v. British Railways Board*, where it was related to basic state pensionable ages.

Barber v. Guardian Royal Exchange (GRE)

Mr Barber was 52 when he was made redundant by Guardian Royal Exchange. He was entitled only to a deferred pension, whereas a woman in the same position at the same age would have been able to receive an immediate early retirement pension. Mr Barber contested this decision, but the Employment Appeals Tribunal found against his claim in 1983; it was then referred to the European Court under Article 119. On 17 May 1990 the European Court of Justice confirmed in the *Barber* case that contracted-out occupational pension schemes were subject to the equal pay principle. But the Court limited its ruling to the future, save for prior claims by employees or those claiming under the employer or company. It was not until October 1994 that the European Court of Justice completed a series of decisions explaining the 1988 *Barber* ruling on sex discrimination in pensions. These are discussed in appendix II.

During the past two decades greater equality for women in the calculation of pension scheme benefits has been achieved, largely as a result of actions from the EC/EU, which has enforced equality with men with regard to pension provision. However, as will be seen, due to developments elsewhere, gender differences in access to labour markets and other factors, the overall result is not necessarily beneficial to women.

5.5 Contemporary Thinking

In the late 1970s and 1980s the British government was able to shelter behind the EC equal opportunities legislation. The European Court's 1988 *Barber v. Guardian Royal Exchange (GRE)* judgment changed this position, ruling aspects of a particular occupational pension scheme unlawful because they discriminated between men and women. Because the rules of such schemes necessarily reflect the contracting-out provisions of SERPS, where people in certain types of private pension scheme have been able to make lower payments towards the earnings-related component of national insurance contributions, the judgement cast doubt on the whole principle of different pension ages for men and women, whether in public or private schemes.

Although the government initially looked for ways in which the *status quo ante* could be restored, in June 1992 Tony Newton, then Secretary of State for Social Security, announced that the principle of state pension age (SPA) equalisation was now accepted, and in December 1991 a DSS discussion document, *Options for Equality in State Pension Age*, was published (DSS, 1991). However, the exact timing of equalisation and the precise form in which it will occur remain to be decided. The options are discussed in more detail below.

5.5.1 Retirement Trends and Demographic Projections

Recent years have seen a marked reduction in the economic activity rate for men in the 60-64 age group. In 1971 the activity rate was 82.9%; in 1987 it was 54.6%. For women in the same age group, the rate fell from 28.8% to 18.7% over the same time period. In contrast to these declining economic activity rates, the number of people aged 65 or over

expressed as a % age of those aged 15 to 64 is expected to rise from 23.6% in 1987 to 30.0% in 2025 (ONS, 1989).

Cost

According to official estimates, based on 1985-6 benefit rates, the net annual cost to public funds of bringing down the male pension age to 60 would be approximately £3 billion. CBI estimates suggest that the cost to occupational pension schemes could be as much, if not more (House of Commons, 1989). Subsequent developments, including the prospective abolition of the pensioners' earnings rule announced in the 1991 Budget, will have had some effect on these estimates, but are unlikely to have altered their order of magnitude.

Adequacy of Pension

A system of flexible retirement with a pension worth less at the age of 60 than the current state pension could result in many people retiring with inadequate resources, thus increasing the numbers obliged to rely on means-tested benefits.

The DSS document *Options for Equality in State Pension Age* (DSS, 1991) presents estimates of the financial consequences of equalising SPA at ages 60, 63 and 65, and examines a number of issues arising from proposals to offer a flexible pension age, where individuals choose to take their pensions at different ages depending on their circumstances and preferences.

Given the increasing tendency of men to leave the labour force before state pension age (in 1991 less than 60% of males aged 60-64 were economically active: ONS, 1991), a popular move would be to reduce men's SPA to 60, in line with that of women. Rising numbers of

elderly people (a consequence of the baby booms of the 1940s and 1960s), together with growing pension entitlements as a result of increased female participation in the labour force and the development of SERPS, will produce rapid growth in state pension expenditure in the next century. Given existing trends, and with no change in policy, retirement pension expenditure is expected to rise (in constant prices) from £23 billion in 1990-1 to £50 billion in 2030-1 (DSS, 1991). Over the same period, falling birth rates and projected changes in economic activity rates mean that the ratio of economically active adults to inactive adults is expected to fall from 1.8 to 1.4. In other words, the 'burden' of elderly dependency is already expected to increase significantly.

The Economics of Changing the SPA

Estimates of the financial consequences of changing the SPA were formerly based on what has been called the 'magic wand' principle: that is, by asking what the costs associated with a given SPA would be today if men and women were - and, implicitly, always had been - allowed to take their pensions at the same age? By contrast, the new estimates assume a particular starting date and a long phasing-in period, and attempt to project known demographic and economic trends into the future. These 'crystal ball' estimates model a slow phasing-in process beginning in the year 2010. The final effects take many years to work through; in table 5.3 estimates of costs and savings are provided for 2025 and 2035.

Table 5.3 Net Impact on the Exchequer (£bn, 1991 prices) of Equalising State Pension Age

SPA	Central Estimate 2025	Central Estimate 2035	'High' Estimate 2035*	'Low' Estimate 2035**
60	+4.4	+3.4	+5.4	+1.6
63	-0.8	-0.5	+0.1	-0.9
65	-3.5	-2.9	-3.4	-2.3

A + sign indicates costs; a - sign indicates savings.

* Based on 50% higher baseline economic activity, 3% p.a. growth in pensioner income from non-state sources, elasticity of demand = -1.

** Based on 50% lower baseline economic activity, 0% pensioner income growth, elasticity of demand = -0.5.

Source: DSS, 1991.

A change in state pension age would have both direct and indirect effects. Reducing the male SPA to 60 years of age, for example, would increase government expenditure on pensions, and reduce income from national insurance and tax payments in respect of older workers. But there would clearly also be savings to be offset against these additional costs. Many men aged 60-64 would have been on income support or other benefits, and there will be reductions in spending here. If pension age is increased, these effects are reversed. Although retirement pension expenditure falls and tax revenue increases (assuming the availability of employment), these savings have to be offset against increased payments of income support, invalidity benefits and so on.

These various effects of changing the SPA have been modelled many times before, though the precise and complex assumptions used in each model obviously differ slightly each

time. For example, the estimates presented in table 5.3 above incorporate indirect labour market effects of changing the SPA. Again, taking the example of equalisation at age 60, if older men retire early, some of the jobs they release may go to people otherwise unemployed, boosting tax revenue and reducing expenditure on unemployment and other benefits. To the extent that total labour supply is reduced, wages are bid up and more tax revenue generated: on reasonable assumptions concerning the elasticity of demand for labour, the total wage bill and revenue from income tax would increase despite falling total employment.

In practice, labour market effects seem to have little impact on overall costs or savings from SPA changes: the figures are dominated by the direct effects on pension expenditure. In table 5.3 'high' and 'low' variants, as well as central estimates, are shown for the year 2035 for each of the equalised SPAs under consideration - 60, 63 and 65 years of age. These figures are predicated on the assumption that the basic state pension is only uprated in line with prices. This is current Conservative Party policy, though the Labour Party is committed to increasing the state basic pension. Table 5.4 shows the effects of uprating pensions in line with real earnings growth of 1.5%. The table incorporates uprating with prices, but assumes a higher rate of earnings growth.

Table 5.4 Net Impact of SPA Equalisation on the Exchequer, with Prices Uprating and Alternative Earnings Growth Assumptions (£bn)

SPA	Earnings Growth (% p.a.)	
	1.5	2.25
60	+3.4	+3.5
63	-0.5	-0.6
65	-2.9	-3.0

A + sign indicates costs; a - sign indicates savings.

Source: DSS, 1991.

Although basic retirement pension does not change in real terms according to this estimate, consequent changes occur in SERPS entitlement, tax revenue, and income-related benefit expenditure.

There are no great surprises here. It is always been apparent that SPA equalisation at 60 would involve a substantial net cost, equalisation at 65 would produce significant net savings, and that there would be a 'break-even' age in between at which costs of earlier pensions for men would be compensated for by the savings from delaying women's retirement. However, allowing for this, it seems from the recent figures given in tables 5.3 and 5.4 that both the costs of earlier retirement and the savings from later retirement are expected to be less than was previously thought. Furthermore, equalisation at age 63, which was expected to involve a small net cost, is now expected to produce a small net saving.

The degree of significance that should be attached to these estimated costings is debatable. Clearly, equalisation at age 60 would mean diverting to the support of 'new' pensioners resources which could be used elsewhere. It also would entail higher national insurance

contributions to meet the cost. Moreover, if occupational pension schemes, which currently have higher normal retirement ages (for some indication of present practice, see table 5.5 below) fall into line with an altered SPA, there could be further costs. Employees would probably expect similar pension levels to those they would have obtained previously. On past experience, many might get them: 37% of pension schemes which have lowered the normal pension age have compensated scheme members for reductions in years of pensionable service (NAPF, 1990). This could act as a disincentive to employment and reduce UK competitiveness. The NAPF Survey report (NAPF, 1990) contains an inconclusive section comparing the UK with other developed economies, in which it is pointed out that several countries have raised, or plan to raise, their state pension age; we might infer, therefore, that Britain would be ill-advised to equalise downwards. However, the demographic projections for countries such as Japan and Germany, which are raising the SPA, suggest much more dramatic deteriorations in support ratios than that facing the UK. In the case of Germany, too, state retirement pensions are a good deal more generous than in Britain.

Even on conservative assumptions about future economic growth rates, the UK may be a much richer country by the third or fourth decade of the next century, and it may be that changes in pension costs will have a relatively small impact overall. The DSS document estimates under certain assumptions that equalisation at 60 would involve increasing retirement pension expenditure in 2035 as a proportion of GDP by only 0.3% (DSS, 1991). Though national output might fall slightly because there would be a smaller population of working age, this impact is expected to be marginal.

5.5.2 Flexible Retirement

Interest has been shown in schemes for a flexible state pension age (Tomkins, 1989). One much-discussed option is a 'decade of retirement', where men and women choose the age at which they take their pensions between upper and lower limits, say 60 and 70. The value of the pension would be reduced if taken before the 'pivotal' or actuarially neutral age, and increased if first taken above this age.

Such a scheme, attractive at first sight, does have its drawbacks. Although involving no additional cost to the national insurance fund, it could result in significant additional government expenditure on income-related benefits if poorer workers retired early on low state pensions and were then able to claim income support. Furthermore, in the absence of an earnings rule, it might well make financial sense for those continuing to work to take their state pensions at the earliest possible date. The rate of return on building society or other investments could be close to the implicit rate of return from deferring pensions, and recipients (or their estate) would have the certain use of the money rather than the uncertain prospect of future increments. While people might be perfectly entitled to do this legally, it could prove politically unacceptable for large numbers of high earners to be seen drawing state pensions while continuing to work. For these and other reasons, the DSS document *Options for Equality in State Pension Age* (DSS, 1991) remains uncommitted to the idea of the decade of retirement.

Two other possible ways to introduce greater flexibility are considered. One is a 'split retirement scheme'. The suggestion is that SERPS becomes payable at 60 for men and women, while payment of the basic retirement pension is deferred until 65. This approach

also has its attractions. It seems to offer to men in SERPS the opportunity, available in many occupational pension schemes, to retire before the age at which the basic state pension is payable. Large numbers of occupational schemes have normal pension ages below 65 (many also have provisions allowing reduced pensions payable earlier than the scheme retirement age), and as table 5.5 shows, this flexibility is a very popular concept in such schemes.

**Table 5.5 Normal Pension Age in UK Occupational Pension Schemes, 1990:
% of Schemes at Each Age**

Age	Men n = 830	Women n = 828
65	67	24
64	1	*
63	4	3
62	7	5
61	*	*
60	21	68

* % age insignificant.

Source: NAPF, 1991.

On the other hand, those dependent on SERPS for earnings-related pensions will have lower average entitlement than those in occupational schemes, and taking this pension component at age 60 may be of little help to those with no other resources. In any case, *all* women would be worse off in such a system, losing their current access to the basic state pension at 60. Many might be forced to work on for longer than at present.

A final alternative considered is a 'contribution test' scheme. This would base entitlement to both basic pension and SERPS on the number of 'qualifying years' for which national insurance contributions have been paid or credited. At the moment, men must contribute for 44 years and women for 39 years in order to receive a full basic pension. The simplest way to introduce this scheme would be to institute a common number of qualifying years for both men and women, and then allow them to take their pensions when this number of years had been achieved. For example, a common qualification of 42 years would mean that in principle both men and women could retire in their late fifties, although there could also be a minimum age at which pensions could be taken, even with a full contribution record.

The attractions of this scheme should be weighed against the fact that it would penalise those with gaps in their contributions record, who would need to work to a later age than colleagues of the same age in order to qualify for a pension. In addition, the Equal Opportunities Commission argues that women are far more dependent than men on the basic state pension. While 250,000 men are claiming income support because they have no income other than basic pension, more than 1 million women are in that position. EOC, *Women and Personal Pensions* 1992.

National Insurance

More generally, it must be questioned whether it makes sense to maintain the contributions system for the basic pension, let alone increase its significance, at a time when the national insurance principle is coming under increasing attack. Pensions expenditure accounts for a larger and larger proportion of national insurance fund outgoings as SERPS matures and

entitlement to unemployment benefit is gradually reduced. The future of national insurance and the pensions system are necessarily intertwined.

The NI principle constrains pension age reform in various ways. By tying basic retirement pension entitlement to contributions, it means that an earlier male SPA may involve reduced pensions for some workers. Because of this, the government feels compelled to have a very long lead-in period to any change (much longer than other countries which are planning new SPAs), in order that people can adjust their savings and retirement plans accordingly. Moreover, once a new SPA has been achieved, there must be a commitment to maintain it, as any further change would create comparable disruption. This precludes, for example, a policy of early equalisation at 60 followed by an increase in SPA in the next century when the demographic problem becomes more significant.

The need to balance the 'pay-as-you-go' NI fund also means that equalising at age 60 in the current system would require significantly higher NI contributions. The cost to the fund of an SPA set at 60 years of age would be markedly greater than the total exchequer cost, since, as noted above, there would be offsetting savings from changes in income-related benefits and tax revenue. The implication is that, without a change in policy, equalisation at age 60 would require higher NI contributions but allow cuts in income tax. This seems undesirable. *The Guardian* (1991) has called national insurance contributions 'a rotten, regressive tax', while Andrew Dilnot of the Institute for Fiscal Studies has described the system as 'a disgrace of which the government should be ashamed' (*Financial Times*, 1991).

5.6 Survey Findings on Retirement Age

In this section we add to the debate on pensionable retirement age by analysing the attitudes to retirement age of the survey respondents, by gender where appropriate. All the figures presented in the tables in this section are derived from the questionnaire (see appendix I for details).

Question 16 in the questionnaire aimed to assess respondents' knowledge of their company pension schemes by asking at what age they believed both men and women could retire. Having established their perceptions of the current actual situation, we asked them to state their preferred retirement age.

5.6.1 General Findings

Tables 5.6 and 5.7 tested respondents' knowledge of the retirement age of men in their pension scheme. In the case of large companies we correlated their responses with the actual members' scheme rules. Most respondents, both men and women, believed that their pension schemes would allow men to retire at either 60 or 65. The mean age selected was 59. It is interesting to note that 84 (61.8%) of the 136 who failed to respond did so because they did not know at what age their pension scheme would allow a man to retire.

Table 5.6 What is the Earliest Age at which the Pension Scheme will Allow a Man to Retire and Receive a Pension?

Age Selected	%
50	11.9
54	0.6
55	4.2
60	42.9
62	0.6
65	19.0
69	20.2
Total	100.0

Table 5.7 What is the Normal Retirement Age at Which the Pension Scheme Will Allow a Man to Retire and Receive a Pension?

Age Selected	%
48	0.6
50	11.9
54	0.6
55	4.2
60	32.9
62	10.6
65	19.0
Don't Know	20.2

According to the 1987 Government Actuary's survey, 75% of male members were in schemes with a pension age of 65, and 85% of females were in schemes with a pension age of 60, but our survey highlights clear aspirations towards lower pension ages..

To assess whether members' statements about retirement age were correct, we correlated the responses of members of the two large companies in the survey with the actual scheme conditions. It was only possible to do this in respect of these two organisations.

Table 5.8 Responses of Employees of the two companies on the Normal Retirement Age of Men (%)

Age Selected	Company A	Company B
50	9	11
53	0	6
55	6	10
60	12	18
62	54	0
65	9	49
67	0	0
Don't Know	10	6

In the case of Company A, the majority of respondents were correct in selecting 62 as the normal retirement age in the company scheme (it applies for both men and women); however, in the case of Company B, only 49% chose the correct age of 65 for men.

Table 5.9 concerns a question asking both men and women to identify the normal pension age at which women can retire in their company scheme. This table refers to question 18 in our questionnaire.

Table 5.9 What is the Normal Retirement Age at which the Pension Scheme Will Allow a Woman to Retire and Receive a Pension?

Age	%
48	0.6
50	14.9
55	4.2
57	0.6
60	44
62	12
65	3
Don't Know	20

Most members believed that their scheme allowed women to retire at either 50 or 60. The mean age selected was approximately 58 (a year lower than for men). Once again, the majority of those failing to respond were unaware at what age women could retire. In all, 84 (60%) of the 140 missing responses stated that they did not know the possible retirement age.

As before, it was only possible to confirm whether the respondents were correct or not in the case of the employees of the two companies, see table 5.10.

Table 5.10 Responses of Employees of the Two Companies on the Normal Retirement Age of Women (%)

Age Selected	Company A	Company B
48	0	--
50	9	6
55	8	11
60	22	50
62	54	3
65	7	30

The majority of Company A's respondents selected the correct age of 62. The majority of Company B's respondents correctly chose the age of 60.

We then asked for respondents' views on what the earliest age for women should be (question 17); the results are shown in table 5.11.

Table 5.11 At What Age Should a Woman Be Able to Retire and Receive a Pension?

Age Selected	%
50	25
55	10
58	1
60	43
62	2
65	3
No response	16

Among those respondents answering this question, 50, 55 and 60 were most frequently given as the age at which women should be able to retire and receive a pension. The mean age selected was 56. This is lower by two years than the age at which they believe women can actually retire (given in table 5.9) according to their knowledge of their company scheme. These results seem to indicate that respondents feel the retirement age should be lower than it currently is for women.

Table 5.12, which relates to question 18 in the survey, shows the views of both men and women on the age at which men should be able to retire.

Table 5.12 At What Age Should a Man Be Able to Retire and Receive a Pension?

Age	%
50	23.2
55	9
60	48
63	0.6
65	2.4
No response	16.1

As we might expect from the responses to question 18, pension scheme members felt on the whole that men should be able to retire earlier than they assume their present company scheme allows. Of those who answered this question, over a quarter felt that 50 was the appropriate age, while over half believed men should be able to retire at 60. The mean selected age was 56, four years earlier than the majority of schemes allow men to retire

(GAD, 1991), and three years earlier than the average age at which respondents believed men could retire (table 5.6).

Question 24(a) in the survey sought respondents' opinions on the concept of flexible retirement, as discussed in section 5.5.2 above. Their views are set out in table 5.13.

Table 5.13 Pension Schemes Should Offer Men and Women the Flexibility of Retirement at Any Age between 50 and 65 (%)

Strongly Agree	56
Agree	23
Neutral	14
Disagree	3
Strongly Disagree	2
No response	2

Of all those who answered the question, 524 (79%) were in favour of this kind of flexibility in pension schemes. There was a low missing response rate of just 2%. This important finding suggests that all members want flexibility over retirement age.

5.6.2 Findings Based On Gender

In this section we further analyse the responses to the key questions referring to retirement age, breaking down the responses by gender to find out how strong a gender bias exists in respondents' answers.

We first tested for any gender difference in the responses to question 16, on the age at which pension schemes allow men to retire. There was no difference between men and women on this question at all. The mean age at which both sexes believe men can retire is 59.

We then repeated the process on the respondents' answer to question 17, which asked for the age at which a man should be allowed to retire. The average age given for the whole sample was 56.76; for male respondents the mean age selected was 56.43, for women, 57.27. This difference is not statistically significant ($F = 1.07; p > 0.05$).

We then broke down by gender the respondents' beliefs as to the age at which their company pension allowed a woman to retire (question 18 in the survey). There appears to be little gender difference in the average age at which a woman is believed to be able to retire. The mean age for the whole sample was 57.93; it was 57.81 for men and 58.11 for women. This difference is not statistically significant ($F = 0.16; p > 0.05$).

The exercise was repeated for the answers to question 19, which asked at what age a woman should be able to retire. There appears to be no difference between the sexes on this point. Across the whole sample the average age given was 56.37; men gave an average age of 56.15 and women an average age of 56.72.

Table 5.14 gives the gender breakdown of responses to question 24(a), which asked whether both men and women should be allowed the opportunity of flexible retirement between the ages of 50 and 65.

Table 5.14 Pension Schemes Should Offer Possibility of Retiring at Any Age between 50 and 65, by Gender (%)

	Male	Female	Total
Q24a Agree	208 72%	524 83.9%	80.4%
Neutral	32 15.8%	96 12.9%	14.7%
Disagree	8 5.9%	32 3.2%	4.9%
Column Total	404 62.0%	248 38.0%	652 100%

There is little difference between the sexes on this issue, and it is not statistically significant ($\chi^2 = 0.09; p > 0.05$). It appears both men and women agree with this idea, with no gender bias either way.

5.7 Conclusion

The question of pension age is continually under debate. Since 1940 women have been entitled to take a state pension at 60 years of age, while men must wait until they are 65. Unequal state pension age has long been seen as anachronistic, given the changes in female economic activity, gender roles and household structure which have occurred in recent decades. Since the 1988 judgement of the European Court in *Barber v. Guardian Royal Exchange*, the government can no longer shelter behind exemptions from equal opportunities legislation. Because the rules of occupational pension schemes reflect the contracting-out provisions of SERPS, the judgement cast doubt on the whole principle of unequal pension ages, whether in public or private schemes.

The significant finding from our research on this issue is that a flexible retirement age is overwhelmingly the popular choice: the majority of the survey respondents would like to be able to choose the age they retire, within a framework of 50-65 years of age. This method is practised in other countries, for example the USA, and it is a popular feature of personal pension schemes. After a long delay, the government declared its decision to equalise the age of retirement for the purposes of the state pension at 65. This decision was announced on 9 December 1993 by the Chancellor in his Budget speech. This will not affect any women over 44 years of age. However, those now aged 39 will retire at the age of 64, those currently aged 40 at 63. The overall view gained from our survey is that both men and women would like to retire earlier than currently allowed.

CHAPTER 6
OTHER PENSION BENEFITS

- 6.0 Introduction

- 6.1 Treatment of Widows and Widowers in Schemes
 - 6.1.1 General Treatment
 - 6.1.2 Lump Sum

- 6.2 Dependants
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6.0 Introduction

Occupational pension schemes are often considered solely in terms of the pension provided at the age of retirement, other benefits paid by the pension scheme frequently being regarded as less important. In this chapter we seek to redress this imbalance by focusing in detail on a range of these other benefits, including widows' and widowers' pensions; death benefits; early and late retirement benefits; lump sum payments; and the treatment of dependants.

We will first discuss the existing literature and information in this area, before embarking on an analysis of the findings from our own survey. As these findings show, the 'other pension benefits' we examine form a key area in which gender differences and inequalities in pension provision exist. In particular, we examine the different responses by gender on the treatment of death in service. (The relevant questions on the questionnaire are 16 to 19; special reference is also made to questions 20, 24b and 24c. For details of the questionnaire see Appendix I.)

As we have already shown, women are treated less favourably than men in some aspects of occupational pensions policy. This situation is perhaps partially balanced by the fact that the vast majority of pension schemes give the widow a lump sum and, normally, half of the man's pension upon his death; but although in this respect women as a group do well, treatment remains unequal. However, the Social Security Act 1986 stipulated that from April 1989 contracted-out schemes must provide for widowers, albeit only in respect of service since April 1988. This legislation emerged from the EC directive on the implementation of the principle of the equal treatment of men and

women in occupational social security schemes (86/378/EEC). It also required equal contributions from male and female employees to defined contribution schemes from 1999, although it did allow for employers contributions to differ between male and female employees.

Finally, drawing on the results of our survey, we will show that the model of the financially dependent female on which pension policies are based, with its underlying assumption that if a man dies his widow would need the financial support of a pension, whereas if a woman dies the widower experiences no financial loss, is out of date.

6.1 Treatment of Widows and Widowers

The 'death in service' benefit can range from a return of contributions to the provision of an income and a lump sum of money for the surviving spouse and children. Some schemes also provide similar benefits if the member dies after retirement age, generally only pension allowed.

These benefits stem largely from the role of occupational pension schemes in attracting and retaining staff, reducing turnover and helping the company to recruit employees of the highest possible calibre. However, at the time of recruitment pension benefits may seem of relatively little importance to younger staff, because of the remoteness of retirement. The only potentially immediate benefit offered to such employees is the protection given to the member's family through death in service benefits.

6.1.1 General Treatment

Women receive better treatment than men in respect of the 'dependency' provisions incorporated into most pension schemes. There is a disparity in the treatment of male and female members of schemes related to the availability of survivors' pensions. While the vast majority of schemes will provide a pension for the widow of a male member, far fewer schemes will provide a pension for the widower of a female member. Even when the latter type of pension is awarded, it is frequently granted only in cases where it can be proved that the survivor is a dependant of the woman (see section 6.2 below).

In some schemes, restrictions are imposed on payments to a widow who is more than a fixed number of years younger than her deceased husband. In other cases, a widow's benefits will cease on her remarriage or cohabitation with a new partner, thus making women financially dependent upon whoever they are living with.

The Widows, Orphans and Old Age Pension Act of 1925 stated that a married woman of any age was entitled to a widow's pension from the state upon the death of her husband. Beveridge recommended that these widows' pensions should only be paid to women over the age of 60, taking the view that 'there is no reason why a childless widow should get a pension for life; if she is able to work she should work' (Beveridge, 1942: para. 153). He proposed that young widows should receive a 'training allowance', unless caring for dependent children, when the widowed mother's allowance would be applicable.

A woman widowed at 59 years of age or younger was supposed to rely, in retirement, on her own earnings or pension entitlement, or on 'social assistance'. The Insurance Act 1946 differed from Beveridge's proposals in that widows over the age of 50 who had been married for at least ten years were entitled to a life pension (provided they did not cohabit or remarry). This entitlement was in recognition of their likely difficulties in attempting to re-enter the labour market (George, 1968). In 1957 the period for which a woman had to be married under this provision was reduced from ten years to three years. However, a pension was still not payable to employed widows, and at 60 years of age the widow's pension was converted into a retirement pension. The woman's position in respect of her pension was therefore dependent both on the age at which she was widowed and on when she ceased to have responsibility for dependent children.

The Wilson government's scheme for national superannuation was published as a White Paper in 1969. According to these proposals, a woman widowed after the age of 60 would be allowed to take over her husband's retirement pension if this would be more favourable than a pension based on her own record. Divorced women were to be allowed to use their husbands' contributions before, as well as after, marriage towards entitlement to a basic flat rate pension. An earnings-related widow's pension would be granted to women widowed after the age of 50, with a reduced pension payable to widows aged between 40 and 49, on a scale rising with age.

Labour were not in power long enough to enshrine these proposals in legislation. The White Paper published in 1971 by the Heath Conservative government proposed that married women and widows should have a choice of whether or not to pay full contributions if employed. On the return of the Wilson Labour government in 1974,

Barbara Castle, then Minister for Social Security, issued a further White Paper which proposed that earnings-related widows' pensions be provided in full at the age of 50 under the basic scheme, with age-related reductions for women widowed between the ages of 40 and 49. If women were widowed after the age of 60 they could take over their husbands' contribution record, provided that their total basic pension did not exceed that payable to a single person. There was provision for men widowed after the age of 65 to have the same facility. Widows' pensions were to be payable under the State Additional Scheme, with similar provisions for elderly widowers. These proposals were made law in 1975.

Castle criticised the occupational pension industry for not providing better widows' pensions. The government's policy was not to legislate occupational pensions into line but to recommend the state scheme as a model. However, in the public sector it was usual practice for widows to receive an occupational pension based on their husbands' contributions. According to the Government Actuary's first survey (GAD, 1936), it was commonly found that in contributory schemes, the contributions were returned on death in service, whatever other benefits were provided. In the public sector, separate widows' pensions were provided for five out of six male members but in the private sector, particularly in the insured schemes, it was more common to provide a benefit by way of a lump sum. In 1971 the GAD reported that only 39% of pension schemes provided a widow's pension and in 1975 the figure was still only 54% (GAD, 1978). However, in response to the contracting-out requirements of the Social Security and Pensions Act 1975, the number of schemes offering widows' pensions increased to 89% by 1979, with the Occupational Pensions Board recommending some further steps towards equality for widowers and widows in 1976 (OPB, 1976).

The distribution of the various methods of calculating pensions for the widows of male pension scheme members is given in table 6.1 below. The 'Other Methods' group in the table includes schemes which offer to convert a lump sum into a widow's pension or to provide a widow's pension at the member's option (in exchange for a reduced prospective pension or a higher rate of contribution).

Table 6.1 Methods of Calculating Widow's Pension on Death in Service: Numbers of Male Pension Scheme Members Affected (thousands)

Mode of Calculation	Private Sector	Public Sector	Total
From member's salary and length of service	3,600	2,800	6,400
From member's salary only	180		180
Other methods	170		170
No widow's pensions	450		450
Totals	4,400	2,800	7,200

Source: GAD, 1991.

Table 6.2 shows the levels of benefits provided where the pension is widow's pension is calculated on the basis of the member's salary and length of service. The fractions applying in the private sector show continuing improvement, with 77% now covered for $\frac{1}{120}$ ths or better, compared with 60% in the equivalent 1983 survey. In private sector schemes two-thirds calculate the widow's pension using full potential service; this is the case for less than 10% of public sector scheme members, of whom about 75% have their pension calculated under arrangements whereby the actual service is enhanced, but not normally to the full potential service.

Table 6.2 Widow's Pension Fraction on Death in Service for Schemes Based on Salary and Length of Service: Numbers of Male Pension Scheme Members Affected (thousands)

Fraction per Year of Service	Private Sector	Public Sector	Total
100 th s or better	480	-	480
Between 100ths & 120th	150	140	290
120 th s	2,130	-	2,130
Between 120ths & 160ths	250	-	250
160ths	500	2,660	3,160
Less than 160ths	90	-	90
Totals	3,600	2,800	6,400

Source: GAD, 1991.

For comparison, table 6.3 below summarises the availability of widowers' pensions. According to GAD (1991), by 1987 nearly 67% of women in private sector schemes had provisions for a widower's pension, and a further 6.4% had provisions for dependent widowers only.

Table 6.3 Provision of Widower's Pension on Death in Service: Number of Female Members Covered (thousands)

Extent of Provision	Private Sector	Public Sector	Total
All widowers	930	410	1,240
Dependent widowers	90	30	120
None, or option only	380	1,560	1,940
Total	1,400	2,000	3,400

Source: GAD, 1991.

A distinction is often made between whether a member dies in employment or after retirement age. Normally, when a member dies before reaching retirement age, the widow (or widower) receives a pension plus a lump sum.

In determining the level of pension, occupational pension schemes do not usually examine a widow's age in isolation but frequently apply a reduction related to any age difference between husband and wife. The pension may also sometimes be paid to a person other than the legal widow, as defined by the Inland Revenue, even if she is not dependent. The payment of state widow's benefit is affected by whether or not the widow has children.

The most obvious and widely publicised form of gender discrimination in this area of pension coverage is the low number of schemes that give widowers a pension (table 6.3). In both the state scheme and many occupational schemes, while men and women pay the same percentage of salary in contribution, the man has the security that if he should die, his family will be provided for. Women workers do not usually have the same security. This position only began to change in April 1989 (see section 6.0 above).

Whether the widower is 'dependent' can be the deciding factor in whether a pension is awarded to him or not. The criteria on which this decision is made are found in the scheme's trust deed and rules and this is in many cases one of the areas where the trustees may use their discretion. The main criterion used by public sector schemes is physical dependency, normally meaning a physical handicap or disability, as for example in the NHS and the teachers' superannuation scheme. 'Financial dependency' for the previous three years is a more common criterion in the private sector.

Practices in Europe vary from one country to another. In Germany there is a dependency test for widowers which is not applied to widows, while in the Netherlands pensions for widowers have become more common since the mid-1980s. In Sweden there is no provision for a widower's pension in the state scheme, although in occupation schemes widowers' pensions are paid on the same basis as for widows. In France the state scheme provides both widows' and widowers' pensions subject to conditions relating to age, state of health, length of marriage and income, but occupational schemes do not commonly provide for widowers' pensions (William Mercer International, 1990).

6.1.2 Lump Sum Benefits

There are three forms of death in service benefits as defined by the Inland Revenue: lump sum benefits, awarded as a multiple of final remuneration; members' contributions, returned from contributory schemes; and pensions for spouses and other dependants. In this section we will discuss the first of these, namely lump sum benefits.

Although most practices in occupational pensions follow the example set by the state scheme, this is not the case for the provision of lump sum benefits. Until the late 1980s, the state provided a universal death grant of £30. Under the Social Security Act 1986, the younger widow's allowance was replaced by a tax-free lump sum of £1,000 and the universal funeral grant was replaced by a means-tested loan from the Social Security Fund (DHSS, 1985).

The Inland Revenue states that upon death in service before normal retirement date, a lump sum may be provided not exceeding four times the deceased employee's final

remuneration. Account must also be taken of death in service benefits derived from earlier employments, death benefits receivable under retirement annuity contracts with the current or an earlier employer, or previous periods of self-employment, but excluding those relating to a concurrent occupation. A refund of contributions with or without interest may be paid in addition to the lump sum. The lump sum is tax-free if the benefit is payable at the discretion of the trustees. It is not necessary to limit nomination or distribution of this benefit to dependants, but it should be restricted to individuals and not extended to bodies such as charities, societies or clubs.

The money may continue to be held under the rules of the scheme for a period not exceeding two years in order for the administrator to determine exactly who is to benefit. The member has no legal power to dispose of the benefit, that is, to determine its destination as a right. Therefore it is not classed as part of the estate. Nevertheless, most schemes ask the members to nominate an individual as potential recipient and subsequently comply with that wish, although it is not binding. Most pension scheme rules have a clause stating that the ultimate beneficiary, if such individuals cannot be found once the trustees have taken all reasonable steps to find a relative or dependant, is the pension fund itself.

In the majority of cases, the calculation of the lump sum is identical for both men and women. However, in a minority of cases the amount will be calculated to normal retirement age (as defined by the individual scheme) - which, generally, would have been five years earlier for women than for men. However, this is no longer permissible since the European Court ruling in *Barber v. Guardian Royal Exchange*.

According to the Government Actuary's eighth survey (GAD, 1991), 94% of male members of pension schemes were covered by provision for a lump sum (other than a refund of the member's own contributions) to be paid on the death in service of a married man. In the private sector, lump sums paid on death in service are usually defined as a multiple of salary. For almost 90% of private sector scheme members and for more or less all public sector scheme members, the lump sum death benefit payable does not vary according to the marital status of the deceased member. For about 10% of private sector members the benefit is lower for unmarried people and for about 2% it is higher for unmarried people. The difference in these cases is usually one or two times annual salary. A common provision is that a refund of contributions is made only if no continuing pension is payable (GAD, 1991).

6.2 Dependants

In the previous sections of this chapter we have highlighted several problems in the area of dependency relating, in particular, to the treatment of widows in pension schemes. We will now briefly survey other aspects of dependency, covering children and elderly, sick or handicapped persons who are financially dependant on the deceased. 'Dependant' as defined by the Inland Revenue means 'a person who is financially dependant on the employee or who was so dependent at the time of the employee's death' (Tolleys, 1990).

6.2.1 Child Dependants

The provision of benefits for child dependants is another of the areas where practices vary widely, from schemes making no arrangements for children, to others providing automatic provision of 25% of the spouse's pension. Between these two extremes many schemes offer provision for the children of male members automatically, but do so only on a discretionary basis for those of female members.

The first legislation affecting child dependants was introduced by Baldwin's Conservative government in the form of the Widows, Orphans and Old-Age Pension Act 1925. Prior to this legislation being enacted, much discussion was centred on whether such schemes should be contributory or non-contributory, but the main objective was to provide for orphans and for widows who had to look after young children. The main framework of the Widows, Orphans and Old Age Pension Act 1925 was consistent with the National Insurance Act 1911. For employers who wished to provide for the widows and orphans of members, such schemes were approved by the Finance Acts of 1921 and 1930. The trustees of an approved widows' and orphans' fund would have to make a return giving particulars of contributions made to the fund by the employer and employees, and the names and addresses of every person in receipt of a pension.

Children under the age of 18, or over 18 but still in full-time education, are regarded as 'dependent', as are children who are dependent on the employee due to disability. Beyond this, the definition of 'children' varies; but, in the main, illegitimate children of members of either sex are included, as well as step-children, adopted children and

children of other relatives who are financially dependent on the member. Financial dependence is therefore the main determining criterion.

A significant minority of schemes treat single members differently, making automatic provision for children of single men but discretionary provision for single women. In a few schemes, provision is made for the children of single men and women but not for those of married women.

6.2.2 Other Dependants

Persons other than children in the categories discussed above are generally not eligible for a death benefit pension even though the deceased may have wished to provide for them. Similarly, depending on the rules of the schemes, a financially independent cohabitee is not eligible for a dependant's pension. This is in contrast to lump sum benefits, which anyone may be eligible to receive (see section 6.1.2 above). However, homosexual partners, the elderly, sick or handicapped people may also be in a dependent position. Although, in practice, it is very rare for anyone but a child or spouse to receive a dependant's pension, members can theoretically nominate anyone via the 'nomination forms', assuming they fall inside the Inland Revenue definition. In its evidence to the Royal Commission in 1976, the Women's Liberal Federation expressed concern at not being able to provide for dependants other than children by means of pension arrangements. The argument the CBI have put forward with regard to dependants such as elderly parents is that they could only receive benefit at the discretion of the trustees, in order to keep costs down (OPB, 1976).

6.3 Retirement

In chapter 5 we examined the issues and debate surrounding the question of different male and female retirement ages and their possible equalisation. We also drew upon the results of our survey to examine the range of gendered perceptions of the various aspects of retirement age. Linking these two areas of concern together, we now focus on the provisions made in the case of a member's early or late retirement, as well as death after retirement.

6.3.1 Early Retirement

It is possible to identify three main reasons for early retirement: ill-health; redundancy; and the employee's own desire to retire before reaching the normal retirement age.

Where the employee requests early retirement it is customary for the early retirement pension to be calculated by reference to the pension accrued to the actual date of retirement and then reduced to take into consideration the earlier commencement date. The reduction is calculated by application of what is called the early retirement factor, recommended by the scheme actuary. For example, suppose an employee wishes to retire at age 55, having completed 25 years' contributory membership of a scheme in which the normal retirement age is 62. The employee's pensionable salary is £16,000 assuming the scheme has an accrual rate of $\frac{1}{60}$ ths. Assuming the recommended early retirement factor reduces this by 24%, the calculation is made as follows:

Early retirement pension:	$25 \times 1.6666\% \times \text{£}16,000$	= $\text{£}6,666.66$ p.a.
Reduction in pension	24% for payment at age 55	
	= $\text{£}6,666.66 \times 24\%$	= $\text{£}1,600.00$ p.a.
Early retirement pension payable	$\text{£}6,666.66 - \text{£}1,600.00$	= $\text{£}5,066.66$ p.a. or $\text{£}422.22$ p.m.

It is not uncommon to find that the early retirement pension is based on the accrued pension entitlement either without any actuarial reduction or with the application of a more generous early retirement factor.

Defined benefit schemes can be flexible when dealing with the question of early retirement. The position under money purchase schemes is, however, different. In the event of early retirement. It is the case that the pension which the scheme provides is based directly on the contributions paid up to the actual date of retirement including the investment performance achieved and the annuity rates available at the time to purchase the pension. Under many insured money purchase schemes, only a surrender value is paid on early retirement, and this may reduce the fund available to secure the pension. A member of a money purchase scheme may thus find that the early retirement pension which the scheme provides is far from adequate for his or her needs.

Turning now to the first of the three main reasons for early retirement, there is no one definition of 'ill-health' that is universally accepted by all pension schemes. The Inland Revenue definition is a 'physical or mental deterioration which is bad enough to prevent an individual from following his normal employment, or which seriously impairs his

earning capacity . . . not to mean simply a decline in energy or ability' (Inland Revenue, 1984). In the majority of schemes, retirement due to ill-health is at the discretion of the trustees who can insist on an examination by the company's doctor or by an independent medical authority (in sickness insurance schemes, it can be the insurer who appoints the doctor). Several schemes will re-examine the retired worker at various intervals throughout his or her retirement to establish the fact that the illness or incapacity still prevails.

Of the three reasons for early retirement, the Inland Revenue is generally most generous in the case of ill-health. Their rules can allow for a higher lump sum, and for schemes to calculate the pension on the basis of notional years of service.

The norm in the public sector is that if an employee retires early due to ill-health, credit is given on a sliding scale for extra years of notional service. The employee must have served a minimum number of years (normally five) before qualifying. A typical example, below, is taken from the universities' superannuation scheme. Provided the member has completed five years' pensionable service, a pension is payable at the rate of one-eightieth of pensionable salary for each year of service (public sector schemes normally have an accrual rate of $\frac{1}{80}$ ths while in the private sector $\frac{1}{60}$ ths is more common). In the University Superannuation Scheme, the sliding scale works as follows:

- (i) If pensionable service exceeds 20 years it is increased to the notional number of years of pensionable service the member could have completed by his or her normal retirement age; or by $6\frac{2}{3}$ years, whichever is smaller.

- (ii) If pensionable service is less than 20 years but more than 10 years it is increased to 20 years, or by $6\frac{2}{3}$ years, whichever is the smaller, subject to a maximum equal to the notional number of years of pensionable service the member could have completed by his or her normal retirement age.
- (iii) If pensionable service is less than 10 years but more than 5 years it is doubled subject to a maximum equal to the notional number of years of pensionable service the member could have completed by his or her normal retirement age.
- (iv) If ill-health occurs after less than 5 years' pensionable service have been completed, the member is only entitled to benefits as if he or she had withdrawn from service.

This area of early retirement due to ill-health is one where the private sector has lagged behind the public sector in level of payments and in flexibility of conditions, although there has been some improvement in recent years. To summarise, in most public sector schemes the full accrued pension to the time of retirement is paid and is enhanced to cover part or all of the period of service that would have occurred if ill-health had not intervened (up to the maximum of 20 years).

In the private sector, according to the Government Actuary's eighth survey, carried out in 1987 (GAD, 1991), nearly all schemes include provision to pay a pension commencing immediately on premature retirement on grounds of ill-health; in fact, many schemes in the private sector (covering 32% of members in 1987, as compared with 20% in 1983) are now providing ill-health pensions of the same amount as would have been paid at the normal retirement age, i.e. based on full potential service and without reduction for early payment. On the other hand, about 30% of members of

private sector schemes would, upon retiring on the grounds of ill-health, receive a pension calculated on the basis of their accrued service only, i.e. the actual service completed before retirement, and thus taking no account of service which would subsequently have earned pension had ill-health not intervened. In almost 60% of these cases (i.e. 17% of total membership) the pension would be further reduced because it was being paid from an earlier age than for normal retirement; this reduction can be as much as one-half.

As table 6.4 shows, there has been some improvement between 1983 and 1987 in the provision of ill-health retirement benefits within the private sector. In particular, there has been a significant rise in the number of people for whom a separate permanent health insurance scheme is in force and a fall in the number only receiving the accrued pension.

Table 6.4 Retirement on Grounds of Ill-health in Private Sector Schemes: Numbers Members Subject to Various Bases of Provision (millions)

Basis of Pension	1983	1987	1991
Better than accrued pension	2.6	2.7	3.5
Accrued pension only	1.25	0.75	0.4
Less than accrued pension	1.65	1.35	0.9
Separate permanent health insurance	0.3	0.8	1.0
Money purchase scheme benefits	0.1	0.2	0.7
Totals	5.8	5.8	6.5

Source: GAD, 1991, 1994

6.3.2 Late Retirement

The major consequence for any woman retiring at the age of 60 is low income. This applies particularly to women who, after having a break in their working lives to have children, re-enter the labour market, only to be retired at the age of 60 with the financial disadvantages that this brings. While some women obviously want to retire at 60 years of age, others would like to work until 65 to increase their pension and draw a salary for a further five years.

If retirement is deferred beyond normal retirement age, the member's pension is usually also deferred until he or she actually retires. In the private sector (and also in the nationalised industries) no further contributions are made after the normal retirement age, and this additional period of service is usually not included in the pension calculation (although it is for nearly 10 per cent of schemes). However, the pension, when it is eventually paid, is generally enhanced to allow for both the amount of normal pension forgone and the interest earned on this amount (usually by about 6 per cent for each year's deferment). In 7 per cent of private sector schemes the member receives a pension at the age of normal retirement despite continuing service. In the public sector the periods of service before and after normal retirement are not distinguished, and so the total amount of service is included in the pension calculation and contributions by both employee and employer are made up to the time of actual retirement. Most public sector schemes allow for pensions to be paid up to the Inland Revenue maximum, which is equivalent to forty-five years' eligible service (GAD, 1986).

Under the 1989 Finance Act anyone with 20 years' pensionable service can retire from the age of 50 and still receive a pension of two-thirds of final salary. The maximum tax-free lump sum is calculated as the larger of 225 per cent of the annual pension or $\frac{3}{80}$ ths of final salary for each year of service up to the age of 50.

The Government Actuary did not specifically cover late retirement in the two most recent surveys (GAD, 1991, 1994), but noted that there was a substantial fall between 1971 and 1975 in the number of private sector schemes which offered no provision for the deferment of retirement. However, the GAD did report that

the normal practice in both the public and private sectors is for payment of pension to be withheld if a member continues in service after normal retirement age and for an increased pension to be put into payment on eventual retirement. In the public sector no distinction is commonly made between service before and after the normal retiring age, both periods ranking for the retirement benefits in the usual way, but with a maximum of 40 to 45 years which may count. (GAD, 1991)

The National Association of Pension Funds annual survey does not cover this area.

The economic circumstances of the company in question are a major consideration in deciding whether to grant late retirement, which is, in the main, at the discretion of the management. The number of members whose requests have been rejected is not quantified by any survey, but when pension managers were interviewed on this issue as part of the preliminary research (see appendix I) the response by all interviewees was that it 'depended on the individual circumstances of the case'. When three managers were further pursued on this issue, one said that generally permission was granted while the other two stated that the information was confidential. In some schemes, it is an explicit 'condition of service' that members should retire at the stated age.

6.3.3 Death after Retirement

Most occupational pension schemes provide for payments to be made not only on the death of the member while in service, as discussed above, but also on death after retirement. This benefit takes various forms, the most usual being a continuing, but usually smaller, widow's or widower's pension.

There is a degree of consistency across final salary schemes so far as benefits on death after retirement are concerned. The usual practice is to provide a pension for the surviving spouse based on the member's own pension at retirement (up to a limit of two-thirds) and including the pension, if any, surrendered by the member when opting for a tax-free cash sum at retirement, together with any post-retirement increases.

When death occurs within the first five years after retirement, a lump sum may be paid, or the spouse may continue to receive the higher level of the member's pension until the end of the five-year period. Then, the lower level of spouse's pension is paid, awarded under the rules discussed above. When a lump sum is paid, the amount is based on the balance of the pension the member would have received for the remainder of the five-year period. It must be paid automatically either to the member's estate or to the member's spouse, and the spouse's pension would normally be payable immediately.

Some schemes promise a dependant's pension in cases where no spouse's pension is paid upon death after retirement: a number of schemes provide pensions to dependent children in this way. Other key features of benefits on death after retirement are:

- (i) A remarriage clause: some schemes include a clause whereby the event of remarriage stops or reduces the pension. For schemes which are contracted out of SERPS, this clause does not apply to the guaranteed minimum pension (GMP).
- (ii) Most schemes will permit a member to surrender part of his or her pension at retirement to provide either
 - (a) an increase in the spouse's pension promised under the rules, or
 - (b) a pension for a dependant starting after the member's death. For example, a member could choose this option in order to provide a pension for a former spouse as part of a divorce settlement.
- (iii) The total pension payable under the scheme to all dependants must not exceed the amount of the pension payable to the member, according to the Inland Revenue.

Under a money purchase scheme, the member decides at the time of retirement what benefits will be payable upon his or her death. In selecting the annuity at retirement, the member can choose whether or not to provide a dependant's pension and, if so, at what level. The larger the dependant's contingent pension, the lower the immediate retirement pension will be. There is also the choice as to whether or not the pension should be guaranteed for five years. Where the guaranteed period exceeds five years, the dependant's pension may not begin until the end of that period.

These factors, conditions and issues form the backdrop against which our survey was conducted. In the next section, we investigate in more detail the knowledge and

attitudes of those surveyed in relation to the treatment of widows and widowers in schemes, the awarding of lump sums, and the treatment of 'other' dependants.

6.4 Survey Findings

6.4.1 Widows and Widowers

The majority of those responding believes that their pension scheme did offer the same benefits to widows and widowers (see table 6.5). It is interesting to note that over a third of respondents did not know whether their scheme did so or not, which adds to the evidence that a significant number of employees do not know the benefits that their scheme offers.

Table 6.5 Does Your Pension Scheme Offer the Same Benefits for Widowers and Widows? (%)

Yes	58.1
No	7.7
Don't Know	34.2
Total	100

Table 6.6 Same Benefits For Widowers And Widows: Responses by Gender (%)

	Male	Female	Total
Yes	67.0	44.3	58.1
No	6.4	9.8	7.7
Don't Know	26.6	45.9	34.2
Total	60.6	39.4	100

Table 6.6 refers to the same question as the previous table, but breaks down the responses by gender. It shows that a greater proportion of men believed that their pension scheme gives the same benefits to widows and widowers while a greater proportion of women did not know. These differences between sexes are statistically significant ($p < 0.05$). It could be argued that men are more likely to believe that schemes offer equal benefits whereas women are less confident of this.

Table 6.7 Does Your Pension Scheme Offer the Same Benefit for Widows and Widowers? (Members of Large Pension Schemes, %*)

Yes, they receive the same benefits	65
No, they don't receive the same benefits	21
Don't know	14
Total	100

*Base: Members of two large pension schemes who responded to question 20, 'Does your pension scheme offer the same benefits to widows and widowers?'

The majority of respondents in this section (65%) were correct in stating that the company offered the same benefit. (Both companies offer the same benefit to widows and widowers.) However, 21% claimed that they believed the company offered different benefits to widows and widowers. This contrasts markedly with the wider sample,

where only 7.7% answered 'no' to question 20 (see table 6.5). The reason may be that both schemes changed their rules in the 1980s. Also, only 14% - a drop of 20% from the level in the wider sample - opted for the 'don't know' response. It seems to be a reasonable assumption that a larger company has better means of communicating with its pension scheme members, for example through information booklets detailing their pension benefits.

Table 6.8 Response to Statement: Widows and Widowers of Employees Should Not Receive the Same Pension (%)

Strongly Agree	3.1
Agree	10.6
Neutral	13.7
Disagree	16.1
Strongly Disagree	56.5
Total	100

Asked whether widowers and widows of employees should not receive the same pension (question 24b), 468 (72.6%) of respondents disagreed with this. It is interesting to note, from table 6.9, that there is little gender difference in members' response to this question ($\chi^2 = 0.9; p > 0.5$), most respondents, male and female, believing that widows and widowers should receive the same pension.

Table 6.9 Unequal Treatment of Widows and Widowers: Responses by Gender (%)

	Male	Female	Total
Agree	13.1	14.5	13.7
Neutral	14.1	12.9	13.7
Disagree	72.7	72.6	72.7
	61.5	38.5	100

This broadly equivalent male/female response to the issue of equal treatment for widows and widowers backs up one of the central thrusts of this thesis: that men and women should receive the same pension benefits. The response outlined in table 6.9, if at all representative, demonstrates that men, too, desire equality of benefits.

6.4.2 Lump Sum Benefits

Table 6.10 shows that, according to the 1991 Government Actuary's survey (GAD, 1994), over 80% of the spouses of male members of private sector schemes would receive a lump sum death benefit calculated as a multiple of the member's salary. In the public sector, the level of lump sum usually depends on both salary and length of service; length of service for this purpose is often enhanced, though some public sector schemes now provide lump sums on the basis of multiples of salary alone. There is a small proportion of cases in the private sector where the multiple is not constant, but varies over broad ranges of age or length of service.

Table 6.10 Lump Sum Benefits: Mode of Calculation and Prevalence of Refund of Contributions in Public and Private Sector (thousands of male scheme members)

Mode of Calculation of Lump Sum	Private Sector		Public Sector		Total
	Without Cont. Refund	With Cont. Refund	Without Cont. Refund	With Cont. Refund	
Multiple of Salary	2,740	810	800	40	4,390
Fraction of Salary (times service)	170	50	1,790	-	2,010
Flat Amount	30	-	-	-	30
Other Method	300	50	-	-	350
No Lump Sum or Only Cont Return	200	50	170	-	420
Totals	3,440	960	2,760	40	7,200

Source: GAD, 1991.

In this light, we will now look at the response to question 21 in the survey questionnaire: 'If a pension scheme member were to die tomorrow, how much of a lump sum payment would their next of kin receive?' Over half of the 672 pension scheme members provided a figure for this question. Many of those who failed to respond did so because they had no idea of how much they would receive. The average death in service benefit recorded was £130,013.46. This high figure probably represents the fact that the sample is skewed towards high earners.

To examine this response further, we investigated whether there was a gender difference in the lump sums expected by company pension scheme members. We found that there was indeed a considerable difference between males and females in relation to this issue. While the mean expected sum for the whole sample is £130,013.46, men gave an

average figure of £163,351.76 and women an average of £59,035.15. This difference is statistically significant ($F = 2.01$; $p < 0.05$). There are several reasons for this result. In particular, women have lower salaries on average, thus the multiple will be lower than that for men; and, knowing that their salaries are lower, women will form their expectations accordingly.

6.4.3 Dependants

In this section we test the assumption that the pension provision provided by the company will fulfil the role of financial protection for dependants, which in this context we take to mean children. Results are presented in table 6.11, which shows that 65.6% of respondents agreed, or strongly agreed, that an additional allowance should be given to widows and widowers if they have children under 18. Only 11% of respondents disagreed.

Table 6.11 Response to Statement: Widows and Widowers Should Receive an Extra Allowance in Their Pension if They Are Parents of Children under 18 Years Old (%)

Strongly Agree	24.2
Agree	41.4
Neutral	23.6
Disagree	7.0
Strongly Disagree	3.8

As the results in table 6.11 show, the granting of extra financial provision to widows and widowers with young children would be likely to aid the continuance and growth of schemes incorporating such provisions by meeting the needs and wishes of employees.

Again, to investigate responses to this issue further, we broke the responses down by gender to see whether there was a difference of opinion between the sexes. In fact, the responses of the sexes are very similar on this issue: the majority (approximately $\frac{2}{3}$ in each case) of both men and women are of the opinion that widows and widowers with young children should receive an extra allowance (table 6.12).

Table 6.12 Extra Allowance for Widows and Widowers if they are Parents of Children Under 18 Years of Age: Responses by Gender (%)

	Male	Female	Total
Agree	66.3	64.5	65.6
Neutral	22.1	25.8	23.6
Disagree	11.6	9.7	10.8
Totals	60.5	39.5	100

6.5 Conclusion

The vast majority of pension schemes provide some benefit on the death of the member. In many cases, it will depend on the gender of the recipient as to exactly what benefit he or she receives. If a member dies in service, the survivor could receive a return of contributions with or without interest; no benefit; a pension only; a lump sum only; or, in the majority of cases, a lump sum and pension. In the treatment of widows and widowers, women as a whole do well financially not on their own merits, but as dependants of men. However, even this income cannot always be relied upon by women in practice because of restrictions on payments connected to divorce or remarriage.

Only approximately one-third of pension schemes pay a widower's pension, and if they do, it was often only after a dependency test prior to the 1988 legislation. This, translated into individual cases, can mean that for two workers paying equal contributions, one member has protection for his family, the other has no such protection for hers, purely as a result of discrimination by gender.

The majority of those responding to our questionnaire thought, however, that widowers and widows were treated equally in pension schemes, and in the case of personal pensions there is no distinction on grounds of gender. However, when the responses were analysed by gender, it became apparent that a greater proportion of men believed that their pension scheme gave the same benefit to widows and widowers, while a greater proportion of women answered that they did not know.

Generally, in both state and occupational schemes, while men and women pay the same contributions to the scheme, men have the security that if they die suddenly, their families will be financially supported. The majority of women do not have this guarantee.

Men and women alike among our respondents believed that both widowers and widows should receive a higher pension if they have children under 18 years old. Following this line, it would seem that practice and policy in both state and occupational pension schemes are out of date. The family model of a male breadwinner with a dependent wife upon which pension policy and practice are based no longer reflects the actual norm. This model gives rise to the assumption that if a man dies, his widow will need the

financial support of a pension whereas if a woman dies, her family will suffer no financial loss.

CHAPTER 7
FUNDING AND SECURITY

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7.0 Introduction

This chapter analyses respondents' views on contributions of both members and employers to their pension schemes. In the aftermath of the Maxwell case, it also examines members' perceptions of the security of their pension funds, as well as defining the possible alternatives to occupational pension schemes.

Having examined the perceptions and expectations of pension scheme members, cluster analysis is used to outline and describe the profile of those members who are most satisfied with their occupational pension schemes. Little research work has been done in this area, and this examination of expectations and profiling of satisfaction levels provides new and useful further information. Finally, we discuss company attitudes towards new joiners of occupational pension schemes.

Pension contributions, and how they are invested, have changed significantly since the creation of occupational schemes, from the early days referred to in chapter 1 where pensions were simple ex-gratia payments, through the First World War period when pensions appeared as liabilities on the company balance sheet, to the present day when, according to the 1993 National Association of Pension Funds Survey, pension funds under management account for over £300 billion.

Throughout the 1970s, arguments put forward - in the main by the trade union movement - stressed that employers' contributions were considered to be 'deferred pay', particularly under conditions of wage control. However, during the late 1980s the discussion shifted and became centred on the pension scheme surpluses and employer's contribution 'holidays'.

Then, in the early 1990s, pension fraud allegations, highlighted by the Maxwell case, became a deep concern alongside the issue of adequate contribution levels for personal pensions; and in 1993-4 the sales and marketing of personal pensions came under the scrutiny of the Audit Office.

Against this backdrop, this chapter focuses on the responses to questions 11 to 13 of our questionnaire, which covered aspects of contribution levels and security of schemes. These questions were, respectively: 'What percentage of your annual salary do you currently contribute to your pension?'; 'What percentage of your annual salary do you think you should contribute to your company pension scheme?'; and 'What percentage of your annual salary should your employer contribute to your pension?' (For the full questionnaire, see Appendix I.)

7.1 Contributions to Schemes

The vast majority of schemes covered by the survey were contributory. According to the Government Actuary's second survey (GAD, 1958), 65% of all schemes were contributory and 35% non-contributory; in the public sector, 79% were contributory, in the private sector, 44%. However, by the 1980s the balance had shifted dramatically, largely because of the legislation of the 1970s, with just over 80% contributory. The 1983 Government Actuary's survey showed that 10.8% of pension schemes were non-contributory, 2.7% in the public sector and 8.1% in the private sector (GAD, 1986). This area was not covered in the Government Actuary's eighth survey (GAD, 1991).

7.1.1 Actual and Perceived Contributions

According to GAD (1991), as shown in table 7.1, the most common rate of contribution to pension schemes in the private sector is 5% of salary. Previous GAD surveys show that this has been the case for many years. In contrast, in the public sector the most common level of contribution is 6% of salary.

Table 7.1 Contributions Paid by Members of Private Sector Pension Schemes, as % of Salary (millions of members)

% of Salary	1975	1979	1983	1987
Under 2%	0.1	0.1	0.1	0.1
2% and under 3%	0.6	0.3	0.3	0.3
3% and under 4%	0.5	0.4	0.6	0.4
4% and under 5%	0.5	0.6	0.5	0.6
5% and under 6%	1.6	2.2	1.8	1.8
6% and under 7%	0.7	0.8	1.1	1.2
7% and over	0.1	0.1	0.2	0.2
Total Paying Percentages	4.1	4.6	4.6	4.6
Non-Contributory or Other Basis	1.8	1.5	1.2	1.2
Totals	5.9	6.1	5.8	5.8

Source: GAD Eighth Survey (1991) In compiling these figures, GAD take the higher or highest rate of contribution where contribution rates vary within the same scheme (e.g. due to job classification)

Table 7.2 Percentage of Annual Salary Believed by Scheme Members to be Contributed to their Company Pension

% of Salary	% of Members
0	10.1
0.6	0.6
1	2.4
2	3.0
2.50	2.4
3	3.0
3.30	0.6
3.50	0.6
4	3.0
5	9.5
6	16.1
7	18.5
8	1.2
10	4.2
11	0.6
12	0.6
15	1.2
17	0.6
Don't Know	22
Total	100

As shown in Table 7.2 above, over half the company pension scheme members who responded to the question believed that they contributed between 5% and 7% of their annual salary into the company pension scheme. There were, however, 56 respondents who believed they paid 8% or more of their salary into their company pension schemes. This perception was not always accurate. In 20 of these cases, we ascertained that the

respondents' claim to 8% contributions was incorrect: in reality they only paid between 5% and 6%. This seems to indicate a lack of knowledge concerning contributions and levels of pension.

There is a slight difference between the percentages which men and women reported as believing they contributed to their pension scheme. While the mean percentage for the whole sample was 5.9% of salary, men on average believed that they contributed 5.2%, women 7%. This difference, however, is not statistically significant ($F = 1.44$; $p > 0.05$). Similarly, when examining the gender difference in the percentage of salary which pension scheme members think they *should* contribute to their pension schemes, while the overall average response was that 5.75% is an appropriate contribution, men on average felt that they should give 5.4% and women 6.3%. Again, this difference between genders is not statistically significant ($F = 1.39$; $p > 0.05$). However, while these gender differences may not be statistically significant taken separately, together they do seem to suggest a trend whereby women feel both that they contribute a higher proportion of salary to their pension scheme, and also that they *should* do so. We will return to this finding later in the light of further results.

As a whole, these findings are consistent with the personal pension industry's claim that people are not prepared to pay adequate levels of funding for their pension requirements. However, it must be remembered that the levels given in tables 7.1 and 7.2 do not include the additional employers' contributions.

When we compared the actual percentage of salary contributed by 122 respondents with the level they said they contributed in the questionnaire, 67% employees in one company

claimed the correct amount of 6%. Women employees were more likely to be correct, with 76% stating the correct percentage. Employees from a second company were not as accurate, with 51% stating the correct level of 6% of their salary. Again women were more likely to be aware of the correct amount, with 61% stating the correct percentage.

Turning now to Table 7.3 below, the figure most frequently mentioned by respondents as an appropriate contribution from their employers was 10% of annual salary. About one-fifth of respondents believed that employers should give more than 10%.

Table 7.3 Proportion of Annual Salary Company Pension Scheme Members Feel Their Employers Should Contribute

% of Member's Salary	% of Respondents
1	0.6
2.50	0.6
3	1.2
3.50	1.2
4	2.4
5	4.2
6	4.8
6.50	0.6
7	3.0
7.50	0.6
8	1.2
10	23.2
11	0.6
12	1.8
12.50	0.6
14	3.6
15	4.8
16	0.6
17.50	0.6
20	6.5
25	1.2
30	0.6
No answer	35.7
Total	100.0

The above responses were broken down by gender to identify the percentages which male and female company pension scheme members respectively believed their employers should contribute to their pensions. While the average for the whole sample is 10.8%, males feel that employers should contribute 11.4% and females 9.9%. This difference is not

statistically significant ($F = 1.88$; $p > 0.05$). When the responses were analysed by age, there were no significant differences, but younger employees had higher expectations of employers' contributions.

The survey has therefore provided some interesting results concerning employee and employer contribution rates to pension schemes and gender differences therein. But these contribution rates cannot be looked at in isolation: it is necessary to also consider the method of contribution. Broadly speaking, there are three types of contribution: flat rate; varying with and dependent on salary range; and percentage of salary. The flat rate method of contribution has been rapidly declining since the 1960s. The reason behind this decline is the obvious tax advantage available via pay-related schemes. The second, and formerly the most common, method of contribution is termed 'dependent on salary range'. With this method, the workforce is divided into different salary bands, and the rate of contribution increases along with the salary range. This method applies mainly to insured schemes and is also in decline. The third form of contribution which is becoming increasingly popular, is that in which contributions are expressed as a percentage of salary. As salaries increase, members' contributions and their eligibility to any benefits also increase.

7.2 Methods of Calculating Contributions

In most large occupational pension schemes, pensions are calculated on a final salary basis, that is, based on salary at retirement or averaged over the final years or months of service. As described in earlier chapters, the other major type of scheme is money purchase. In this section we will analyse each of these types of scheme in terms of contribution and provision.

7.2.1 Final Salary Schemes

The usual approach in this type of scheme is to calculate the pension as a fraction of final salary multiplied by the length of the member's service. According to the 1991 NAPF survey, 69% of respondent schemes had an accrual rate of $\frac{N}{60}$ ths, 20% had an accrual rate greater than $\frac{N}{60}$ ths and 11% a rate lower than $\frac{N}{60}$ ths.

Due to restrictions on accelerated accrual introduced in 1987, the maximum permitted rate of pension build-up will depend on the date at which the member joined the scheme and the date at which the scheme was established. For members who joined their occupational scheme before 17 March 1987, pensions will be calculated in accordance with the factors given in table 7.4 below.

Table 7.4 The Maximum Rate of Pension Build-Up for Members Joining Schemes before 17 March 1987

Years of Service Completed Before Normal Retirement Date	Maximum Pension Fraction of Final Remuneration
1-5	$\frac{1}{60}$ th for each year
6	$\frac{8}{60}$ ths
7	$\frac{16}{60}$ ths
8	$\frac{24}{60}$ ths
9	$\frac{32}{60}$ ths
10 or more	$\frac{40}{60}$ ths

The pension levels referred to in the table are before any commutation and must include (a) the pension equivalent of any separate lump sum entitlement and (b) any pension which derives from additional voluntary contributions.

A pension of two-thirds of final pensionable salary can, accordingly, be provided at normal retirement date after a minimum of ten years completed pensionable service for a scheme member who joined before 17 March 1987. For such members, immediate pension benefits may be taken on or after normal retiring date even where the member remains in service, but, generally, scheme rules will require pensions to be taken not later than the age of 75.

For members who joined in an occupational scheme on or after 17 March 1987, the maximum rate of pension build-up is $\frac{1}{30}$ th of final remuneration for each year of pensionable service, up to a maximum of 20 years. Accordingly, a pension of two-thirds of final remuneration can only be built up over 20 years, as opposed to 10 years under the pre-17 March 1987 framework. This rule overrides any contrary provision in the regulations of the scheme.

Some employers also arrange for the company to provide non-monetary benefits such as cars, petrol, membership of private medical schemes and, perhaps, telephones. These benefits are subject to tax under Schedule E. Consequently the Pension Scheme Office (PSO) will allow them to be considered as fluctuating emoluments for pension purposes, with their value averaged over three or more years.

7.2.2 Money Purchase Schemes

In contrast, under defined contribution (or money purchase) schemes, the employer gives a contribution promise, rather than a defined benefit promise as in a final or average pay scheme. According to the NAPF (1992), this method accounts for 10% of occupational pension schemes but only 5% of members.

Such an approach allows a fixed contribution rate to be determined which can then be specifically allocated to each member. The resultant pension is that which can be purchased by the accumulated value of the allocated employer's (and employee's, if any) contributions. The contribution rates may be expressed as a percentage of pay from time to time. Hence, future (but not, of course, past) contributions increase in line with earnings.

7.3 Funding Strategy and Security

We now turn from the various methods of calculating contributions to the funding implications for pension schemes. However, before addressing the question of future funding implications for both employees and employers, we examine relevant current aspects of funding, their advantages and their limitations.

7.3.1 Contributions by Employers and Employees

To recap on the overall structure of contributions, the majority of UK pension schemes, according to the GAD, are funded schemes; that is to say, contributions are paid by the employer and the employees during their working life in order to build up a fund out of

which their pension benefits will be paid. Most such funds are held in trusts which exist separately from the funds of the employers and are administered by trustees. If a pension scheme is self-administered, the fund will consist of investments such as Stock Exchange securities and cash deposits, while if the scheme is an insured scheme, the assets will consist instead of insurance policies and there may, therefore, be no fund of money as such. Nevertheless, in either case the scheme is termed a funded scheme, and the word 'fund' is used to denote the total assets, whether these be cash, investments, Stock Exchange securities or insurance policies.

7.3.2 Security Provisions of Funding Schemes

From the point of view of both providers and those provided for, and according to pensions literature, the generally agreed rationale for funding is, first, to provide security for current and future beneficiaries and to increase the probability that the benefits will be paid in accordance with expectations; secondly, to spread the costs of providing benefits in an orderly and rational way according with other objectives of the pension scheme; and thirdly, to reduce the net cost of provision through the exploitation of investment opportunities or features of the taxation system.

The security which it provides for members is a vital feature of a pension scheme. This sense of security remained firm until Robert Maxwell's death in 1991, after which it emerged that £440 million was missing from his company's pension fund. This was the biggest alleged UK pension fraud to date and has affected thousands of his former employees. By June 1994, the trustees had recovered less than £30m, largely because of disputes with banks and financial advisers over who owns which assets. It seems likely that

the bulk of the money will never be returned. As a consequence of this affair the Goode Committee was set up (see appendix II); it has since commented that no amount of regulation could rule out the possibility of another large-scale pension fraud, although it believes that reform along the lines of its proposals would make this far less likely. A spokesman for the Maxwell pensioners added: 'The report proves Maxwell was a disaster waiting to happen' (*Financial Times*, September 16 1992).

In the absence of a secure funded scheme, if a company is wound up and is subsequently unable to meet pension payments, its employees may find that their pension rights have become worthless. If employees then make a claim against the company, they may find that their claim ranks behind a long list of other creditors and that there will be nothing left for them. Similar problems could arise if the employer's business is taken over, particularly if the employees are offered re-employment under new contracts. If no funds have been set aside to meet the pension liabilities, the new employer could, subject to any sale and purchase agreement, repudiate the pension terms agreed under the old contracts of employment. In this situation, as on the winding-up of a company, the real worth of the pension rights of the employees is determined by the assets in the trust fund rather than by the amount of benefits which they have been promised.

In this light, the survey addressed the vital aspect of pension 'safety' in question number 26 on the questionnaire (see appendix I). The results appear in Table 7.5 below.

Table 7.5 Satisfaction of Pension Scheme Members with the Safety of their Money Invested

Response	%
Very Satisfied	10.7
Satisfied	38.7
Unsure	33.9
Dissatisfied	3.6
Very Dissatisfied	4.8
	8.3
Total	100.0

As table 7.5 shows, on the whole pension scheme members are satisfied with the safety of their investment. It is apparent, however, that over one-third of members are unsure on this issue. This seems to underline, once again, the lack of knowledge that members tend to have about their pension schemes, and may also reflect the undermining effect of the press coverage of the Maxwell case.

Table 7.6 Satisfaction of Pension Scheme Members with the Safety of their Money Invested, by Gender (%)

Response	Male	Female	Total
Very Satisfied	11.0	12.7	11.7
Satisfied	40.7	44.4	42.2
Unsure	35.2	39.7	37.0
Dissatisfied	5.5	1.6	3.9
Very Dissatisfied	7.7	1.6	5.2
Total	59.1	40.9	100.0

Analysing the findings on perceptions of pension security by gender, we can see that the majority of both males and females are overall satisfied with the safety of their money in the company pension scheme. There is a slight difference between the sexes, with 35.2% of males and 39.7% of females unsure about the security of their pensions. However, while a greater proportion of females are unsure about pension security, a larger proportion of males are dissatisfied or very dissatisfied (13.2% of males versus 3.2% of females). And, in contrast, 57.1% of females are satisfied or very satisfied with their pension scheme's security compared with 51.7% of males. It is difficult to draw conclusions as to why there is a gender difference on the perceived security of pensions.

7.4 Funding Assumptions

The operation of a funded scheme involves the choice of a funding plan, the calculation of contributions required to meet that funded plan, and the monitoring of the progress of the fund with respect to the plan. These tasks fall within the province of an actuary.

7.4.1 General Implications

If the pension scheme provides benefits which are related to the pay levels of its members, and especially if, like the majority of schemes, it is of the final salary type, the actuary will normally allow for expected future salary increases. Typically, the allowance made for future salary increases will be between 1½% and 4% per annum (Tolley, 1993) This allowance is then subtracted from the valuation rate of interest to arrive at what is sometimes referred to as the 'assumed real rate of return'. It is considered from past

experience and general economic reasoning that pension funds are more likely than not to achieve a real rate of return in the future.

Common modifications to the funding assumptions regarding salary increases should be mentioned. The first is that allowance is sometimes made for salary increases on account of promotions and other reasons, especially for staff employees. Such an allowance would be calculated on an age-related scale and would be additional to the general allowance for salary inflation.

7.4.2 The Actuarial Valuation

The main purpose of the actuarial valuation is to review the progress of the funding of the scheme. Within this review, the actuary will also report on the solvency position in relation to any liabilities of the scheme due to being contracted-out under the Social Security and Pensions Act 1975. The information and understanding collected by the actuary during the valuation process will assist in forming other advice he or she may give on the scheme. This includes the calculation of pension expenses for the purpose of company accounts, the cost of benefit improvements, providing answers to general queries on the scheme and signing actuarial statements for the purposes of the annual report under the disclosure regulations.

The procedures in completing an actuarial valuation are reasonably standard and will not be covered here; further details are provided by Lee (1986). It is worth noting that it is now common for the actuary to have a pre-valuation discussion with the fund trustees and the company on its priorities and main interests regarding the valuation result. Questions

addressed by this discussion would include: Is the company under financial pressure? If the valuation were to show a surplus, would the company prefer a contribution reduction rather than benefit improvements, or vice versa? The trust deed and rules of the scheme may lay down what action may be permissible upon a valuation surplus or deficiency being shown. Subject to any restrictions, the main alternatives are as follows.

(a) Changes in the Contribution Rate

Any valuation deficiency or surplus could be eliminated by a review of the level of the company's contributions. Exceptionally, a change may also be made in the level of members' contributions. A change in the level of contributions does not involve an employer in any long term commitment such as might be implied if there were a change in the level of benefits promised in a scheme where the employer was meeting the balance of the cost of those benefits.

(b) Change in Benefit Levels

Benefit levels may be improved or, exceptionally, decreased to correct a surplus/deficiency position. Some benefit improvements involve a change in the level of benefits for both past and future service. If the benefits are being changed for future service, the employer will be entering into a long-term commitment. If the surplus or deficiency is primarily related to past service and the employer does not want to change the long-term cost of the scheme, a change in benefits solely in respect of past service may be more suitable. Examples of such changes would be a one-off discretionary increase in the levels of pensions currently in payment, or a change in the pension fraction for past service only. Although such a change

may create an expectation, it would not involve the employer in any long-term contractual commitment.

(c) Refund of Surplus

Exceptionally, if the surplus is very large, the employer may consider taking a refund of surplus if the rules permit. In the 1970s, many schemes had deficits as earnings inflation exceeded the levels assumed in the calculation of funding rates, and scheme investments performed badly. In the recession of the early 1980s, the sponsoring companies of many pension schemes became insolvent, leaving the schemes in deficit. The problem that arose then was how to deal with such deficits. By contrast, during the later 1980s large surpluses became common. There were a number of reasons for this on both the assets and the liabilities side of the calculation. On the one hand, the costs of providing benefits fell, with large-scale redundancies reducing both the membership of schemes and benefits prospectively payable; the deferred benefits to which early leavers became entitled under conventional rules were based on current earnings, whereas schemes had been funded to take account of earnings increases until normal retirement ages. Redundancies therefore gave rise to considerable excess funding. At the same time earnings inflation was falling. On the other hand, investments prospered as dividend levels rose and the stock exchange enjoyed a prolonged bull market.

7.5 Personal Pension Plans: Are They a Real Alternative?

Having focused hitherto on occupational pension schemes, we now turn to examine the main alternative to these forms of scheme.

7.5.1 The Introduction and Spread of the Personal Pension Plan

The main factor with the potential to change the shape of occupational schemes in the twenty-first century must be the creation of the 'personal pension' by the Social Security Act 1986, and its strong promotion by the Conservative government in the years 1986-93. Our research findings did not show a significant shift to personal pensions from the company schemes under examination, but their availability must be examined to ascertain their likely influence in the future.

Prior to the launch of personal pensions there was much speculation as to the likely market for the product. In their first year (the 12 months to 30 June 1989), sales figures for personal pensions amounted to 3.5 million contracts. In November 1989, 16 months after the launch of personal pensions, most personal pension policyholders fell into social groupings C1 (28.6%) and C2 (28.9%), although a significant 25.7% fell into the AB category (Hodges, 1989). Breaking down the policyholders by age revealed that 21.3% were aged between 45 and 54, 38.6% between 35 and 44 group, and 28.1% between 25 and 34 (Hodges, 1989).

Although these figures indicate that most personal pension plan holders in the early stages belonged to social groups C1 and C2, they do not state the levels of contributions that were made by the respective groups. Most employees who fall into those categories would not realistically be able to contribute sufficient percentages of their income to generate an adequate pension without severely cutting back on their living standards.

A significant socio-economic change occurred from the middle of the entrepreneurial 1980s, a decade in which investment habits changed. Government policy stimulated

individual private investment in a number of products, notably shares in privatised companies, personal equity plans (PEPs) and personal pension plans (*Financial Times*, April 4 1993). In 1991, a higher proportion of those in the age range 25-34 years than in the general population had personal pension plans (table 7.7). Also, nearly half of those in SERPS were single, compared with a third of those in personal pension plans. These figures suggest that the majority of those with personal pension plans fall within the 25-23 age bracket. This age group is also numerically larger than the other two groups shown in the table, due to its encapsulation of the 'baby-boom' generation. This generation benefited greatly from the 'entrepreneurial 1980s', building a savings base for the future, and thus generating the demand for retirement provisions and the dramatic rise in personal pension holders in this age group.

The figure of 29% personal pension plan holders for the age group 15-24 is particularly interesting. This relatively high proportion may reflect the effect of Conservative values in the form of a less state-dependent attitude towards provision for retirement, which would naturally lead to the acquisition of personal pension plans.

Table 7.7 Comparison of Pension Groups with 1991 Census (%)

Age Group	SERPS	Occupational Schemes	Personal Pension Plans	GB Popn (1991 Census)
16 - 24	43	20	29	30
25 - 34	31	41	44	36
35- 44	26	39	27	33

Source: DSS, 1993.

Table 7.8, derived from Department of Social Security figures, shows that 63% of personal pension plan holders are men and only 36% women. However, there seems to be no significant difference in PPP holders' occupations.

Table 7.8 Pension Scheme Holder Breakdown (%)

	SERPS	Occupational Schemes	Personal Pension Plans	GB Popn estimates, 16-44 Age Group
<u>Gender</u>				
Male	38	59	63	49
Female	62	41	36	51
<u>Marital Status</u>				
Married/Separated	48	67	61	60
Divorced/Widowed	7	5	6	5
Single	45	27	34	34
<u>Occupation</u>				
Professional	8	23	24	19
Other Non-Manual	42	42	23	37
Skilled Manual	17	17	28	19
Semi-Skilled Manual	25	14	20	20
Unskilled Manual	6	3	4	5
Unclassified	3	1	1	2

Source: DSS, 1993.

7.5.2 Reasons Stated for Taking out a Personal Pension

Although our research suggests that the majority of members are satisfied with their respective company schemes, numbers of PPP holders are growing and we must therefore examine the reasons why these individuals have decided to take out a personal pension. It is worth summarising here that the main reason given in our sample for not joining the

company occupational scheme was non-eligibility. Table 7.9 examines the reasons for taking out PPPs that emerged from the research carried out by the DSS.

Table 7.9 Reasons for Taking Out a PPP, by Age and Gender (%)

	AGE			GENDER	
	16-24	25-34	35-44	Male	Female
<u>Influenced by others</u>					
Advised by a third party	49	41	36	41	43
Fashionable	36	33	34	36	32
<u>Features of PPP</u>					
Better pension	36	33	34	36	32
More secure pension	16	19	14	16	18
Flexibility	10	11	13	13	8
Portability	3	8	4	5	5
Other	-	1	1	1	-
<u>Factors Against Alternatives</u>					
Eligibility for others	5	5	11	5	10
SERPS is unreliable	4	8	2	6	5
SERPS is too low	3	6	4	5	4
OCC scheme not good enough	2	2	2	2	2

Source: DSS, 1993.

The two most commonly stated reasons for having taken out a PPP, each mentioned by about a third of plan holders were to gain a better pension (34%), and because it was 'fashionable' (colleagues and friends were doing it, etc.: 34%).

The reasoning centres on the policyholder's perception of the merits of a personal pension.

The two primary factors behind the motives of those taking out such plans were:

- (1) the media portrayal of personal pension plans, which since their inception has been generally bullish (*Financial Times*, June 23 1993): the media are the major initial link between prospective policyholders and personal pension schemes, with newspapers, television and radio all featuring personal finance items which have helped to influence the general public's perception that a personal pension is better for them than any other form of retirement provision;
- (2) word of mouth, which is vital because, as personal finance issues became more important to many people during the 1980s, those with personal pensions recommended them to their friends, colleagues and family.

A personal pension plan does offer flexibility in a number of ways, allowing the older to make adjustments in response to changes in personal circumstances, specifically, changing job and changing ability to pay premiums. These factors, and an improved personal financial position, were the driving motives behind the take-up of these plans (DSS, 1993).

7.5.3 The Quality of Advice on Personal Pensions

Following the slowdown in sales of personal pensions after 1989, providers and advisers launched a campaign offering PPPs as an aid to job mobility and maintain flexibility of individual retirement provision. In 1991, new business for individual single-premium pensions was valued at £4 billion - an increase of over 100% on the 1989 figures, most of which is accounted for by transfer plan sales. By 1992, single-premium sales had risen to almost £5.3 billion.

The high numbers involved in opting for personal pensions raise questions concerning whether individual advice is being given, and whether it is always the 'best advice' for the client. In fact, the advice given often seems to be almost formulaic, lacking the required consideration of individual circumstances and needs. Initiatives to attract nurses and miners out of occupational schemes were just two examples criticised by the Audit Office in May 1994. Also, the practice of pension salespeople recruiting the newly redundant to sell to their colleagues does little to enhance the image of the pension market.

Women, in particular, have been targeted as potential PPP customers because of their need for flexibility within a pension, primarily when having to stop work and take contribution breaks due to maternity leave or to look after young children or other dependent relatives (Ward, 1992). PPP marketing has leapt to fill this niche and provide opportunities for women in part-time work to make their own pension provision (Spicer, 1991). As we have already noted, existing pension providers are not as flexible as they could be, especially in their treatment of women. For example, many providers will not allow an individual to take a contribution break of more than 12 months without the plan being paid up.

Before analysing the giving of 'suspect advice', we must first define what constitutes 'good advice'. Good advice involves matching an individual's financial resources and desired standard of living with his or her retirement provision, and both current and future contributions. Also, the financial advice must maximise the financial gain for the client, not for the financial adviser. If the balance of financial gain leans towards the adviser then the advice is deemed 'suspect'.

Research into 'suspect advice' given by sales agents has shown some alarming patterns of sales behaviour. It is alleged that the pensions market is rife with sales agents routinely failing to give good advice and with customers commonly given suspect advice (Smith, 1993). There was almost uniform failure to comply satisfactorily with regulatory requirements before the self-regulating organisations issued their members with guidance.

7.6 Pension Expectations

Little research work has been done on expectations of and attitudes towards pension provision on the part of men and women, except by some life companies for marketing support purposes. Davies and Ward (1981) have contributed to this debate, but there is as yet no quantitative research. In this section, we analyse the expectations of respondents to our survey concerning the amount of pension they will receive in retirement. We also examine whether expectations differ according to gender. As is shown in table 7.11, which summarises responses to question 25 in the questionnaire, 33.5% of respondents believe that they will receive between 40% and 50% of their current salary, although the substantial proportion answering 'don't know' suggests a limited knowledge of the benefits offered by pension schemes. Of those who did provide a figure, only 13.9% thought they would receive between 60% and 70% of their salary, and 6% believed they would get between 80% and 100% of their current salary in retirement. Generally, our survey confirms the widely held belief that people expect a drop of income in retirement.

Table 7.10 Percentage of Present Salary Company Pension Scheme Members Expect to Receive on Retirement

% of Salary	% of Responses
20	3.4
30	12.3
40	10.6
50	19.1
60	8.9
70	3.4
80	1.7
90	0.8
100	4.2
Don't Know	24.6
No response	11.0
Total	100.0

Table 7.11 below presents responses to this question broken down by gender.

Table 7.11 Percentage of Salary Which Pension Scheme Members Expect to Obtain on Retirement, by Gender (%)

	Male	Female	Total
30% or less	29.0	20.9	25.7
40-50%	32.0	35.8	33.5
60-70%	14.0	13.4	13.9
80% or more	8.0	3.0	6.0
Don't Know	17.0	26.9	21.0
Total	59.9	40.1	100.0

As table 7.11 indicates, both sexes responded to this question in a similar way ($\chi^2=4.76$: $p > 0.05$). For both groups, the single most frequently mentioned percentage expected is 40-50%. The conclusion drawn from these results, that women do not have higher or lower expectations than men of final pension provision, runs contrary to popular belief. M. Carr at Bradford University, who interviewed women on personal pension planning, suggested that women were not fully aware of the features that made up personal planning, and as a result their expectations were either too high or too low. In contrast, our findings suggest that there is little difference between the expectations of men and women.

It has been argued that the designers of occupational pension schemes have historically assumed, to a lesser or greater extent, that within the family unit men have the main responsibility for income after retirement. However, when we specifically questioned respondents on who in a partnership should be responsible for income the response was inconclusive, as table 7.12 shows: 38.7% agreed or strongly agreed with the statement, 29.7% disagreed and 29.1% remained neutral. The difference is more pronounced when analysed by gender, with 61% of women but only 41% of men agreeing or strongly agreeing with the statement.

Table 7.12 Response to Statement: Women Workers Expect Their Partners to be Responsible for the Family Income After Retirement (%)

Strongly Agree	9.5
Agree	29.2
Neutral	27.4
Disagree	14.9
Strongly Disagree	13.1
No Response	6.0
Total	100.0

7.6.1 Segmentation by Behaviour

In this section we use the Statistical Package for Social Sciences (SPSS) computer package to perform a series of cluster analyses on the survey data (discussed in methodology Appendix 1) to ascertain if there is an attitudinal difference within the sample and if so does this have an impact on their expectations of pension schemes. Our starting point is obviously the unclassified data. The first step in most techniques of cluster analysis is to convert the raw data into a similarity or (dissimilarity) or distance matrix. To do this we have to choose the variables used to describe the individuals. Since the objective is to examine the characteristics of people with similar attitudes about their occupational pension schemes it was decided to categorise individuals on the basis of their responses along the Likert scale to questions 22, 23, 24 (a-k) and 26. The attitudinal variables (question 24) particularly lend themselves to use in cluster analysis because they have been measured on an ordinal scale (Everitt and Dunn, 1991). The technique is also appropriate for use with our survey since the number of respondents exceeds the number of variables (Everitt and Dunn, 1991).

By performing this analysis we hoped to identify the key characteristics of different segments, enabling us to profile the different groups and to predict the likelihood of certain groups being more 'dissatisfied' with their occupational pension schemes than others. We therefore did not impose an initial segmentation variable, but tried instead to segment the respondents by behaviour into identifiable groups. Initially, we aggregated respondents who were closely related by virtue of their measuring similarly against the same underlying phenomenon. We tested the underlying factors from all parts of questions 24 (a-k) and questions 22, 23 and 26 (see questionnaire, appendix I), using the factor analysis called principal component analysis.

Good practice in the first stage of data reduction is to apply principal component analysis on the original variables. This involves transforming the original data into a new set of derived variables by orthogonalizing the scores on the original variables and replacing them with principal component scores. Most of the original variables were inter-correlated whereas the derived variables, which are linear combinations of the original variables, were uncorrelated with each other and represented as much of the common variance of the original data as possible. In other words, by replacing the original variables with the first few principal components there should be no overall loss of information but we should have fewer variables.

The primary purpose of this process, however, is to enable the researcher to use a simple distance-based cluster similarity measure. It can be considered an efficient first step because otherwise classification may be largely driven by the use of many variables which essentially say the same thing. The principal component analysis is simply a data transformation exercise and we made no attempt to interpret the principal components.

Cluster analysis is an agglomerative hierarchical clustering procedure, based on the number of clusters requested by the operator. There are three broad stages of the agglomerative process. First, initial cluster centres are selected, where each centre is an estimate of the average value of each clustering variable for the cases in a cluster. The second step involves updating the values of the initial cluster centres, to derive the classification cluster centres. Each case is assigned to the nearest cluster centre, measured by the squared Euclidean distance, which weights all clustering variables equally. Standardised Euclidean distance is one of the most common measures of dissimilarity. As each case joins a cluster, the procedure updates the centre of the cluster to the mean of the cases already in the cluster. Consequently, as the procedure continues, the centres of the clusters migrate to concentrations of observations. The final step reassigns each case to the nearest of the updated cluster centres, generating the final clusters. Thus the final cluster centres derive from the variable means of the cases in the final clusters.

In order to explore and select the relevant clusters, we adopted a visual approach. If observations had been taken on only two variables, the simplest and best way of finding any natural groupings is to plot the data on a scatter diagram and examine the graph visually. With more than two variables, as in this case, a two-dimensional representation of the data can be used to find clusters visually. Principal component analysis was used for this purpose. As the first two components explained a large proportion of the total variance, we plot the scores on these two components for each individual so that we could look for clusters visually. We can then look for groups or 'clusters' of individuals. The procedure of using component scores to produce a 'map' of the individuals is sometimes called principal co-ordinates analysis on classical scaling.

We initially selected two segments, but since these were too large, a further breakdown was applied. One problem with cluster analysis is deciding on the appropriate number of clusters to use. A review of the literature suggests that there is no generally accepted rule on this point, and ultimately the decision is likely to be a subjective one (Everitt, 1980). In this case further analysis using SPSS led to the emergence of six distinct segments. However, the sixth segment consisted of only four respondents, and since it was not visually distinctive (see Figure 7.1), it was abandoned.

Finally, it was decided to use five segments, on the grounds that they appeared the most meaningful analytically, and could be clearly identified and distinguished from one another (see Figure 7.2). The segments also passed a range of stability and significance tests: stability and degree of movement between segments was confirmed by testing the significance of the frequency of response, using the Mann Whitney, Pillars and Hotellings test. There were 48 respondents in segment 1, 240 in segment 2, 182 in segment 3, 18 in segment 4 and 120 in segment 5, as shown in table 7.13.

The objective of this procedure was to develop profiles of each segment, in the hope of gaining a clearer understanding of the characteristics of the groups of people who form clusters in the population we surveyed.

Figure 7.1 Value of the first two components for each individual in Clusters 1 & 2 & 3 & 4 & 5 & 6

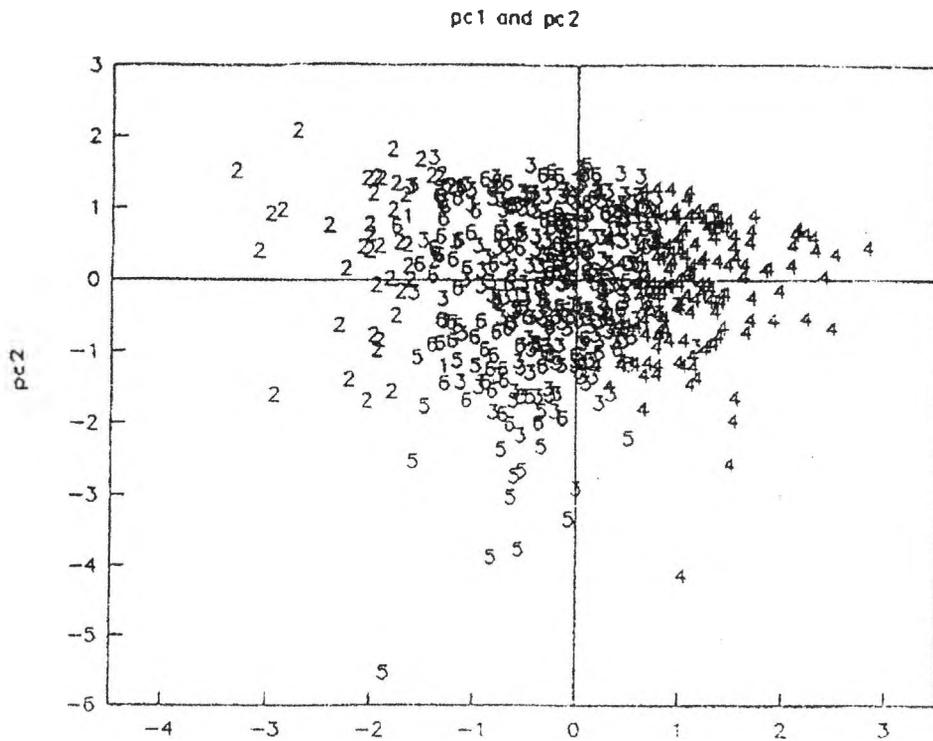


Figure 7.2 Values of the first two components for each individual in Clusters 1 & 2 & 3 & 4 & 5

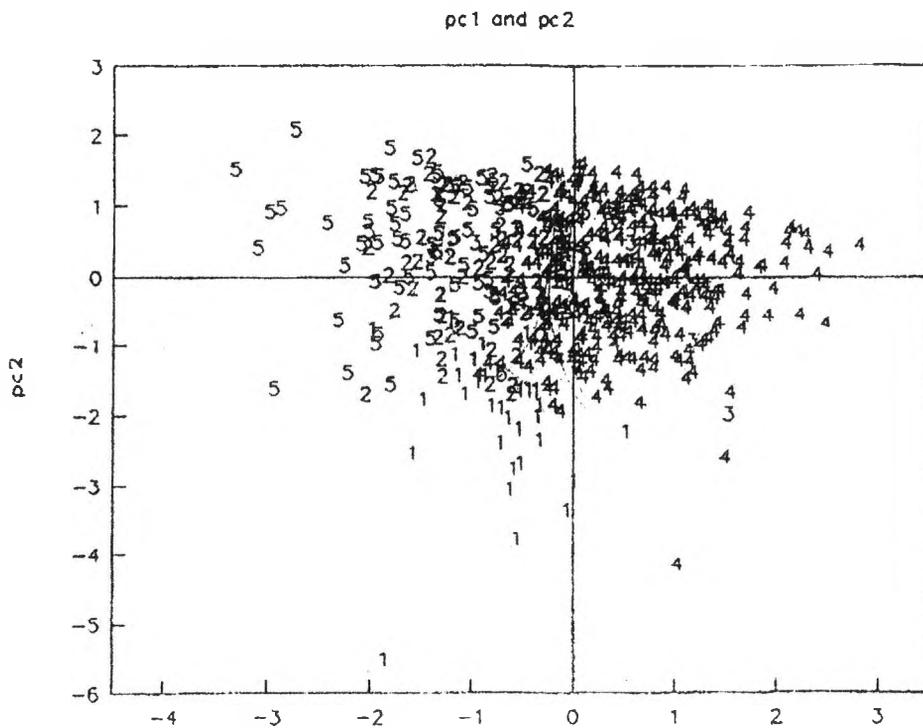


Table 7.13 Segments by Number of Respondents in Each

Segment	Respondents
1	48
2	240
3	182
4	18
5	120
Total	608

Segment 1 (n = 48)

Overall, members of this group scored high with a mean of 1.7. They are inclined to express the desire to retire early. There is also a higher preference than the norm for flexibility in retirement age. They have a higher propensity to believe that on divorce the man should receive all of his pension and decide for himself whether his ex-wife receives any of it. Likewise, there is a higher percentage in this segment who feel that the man should have the right to demand a proportion of his ex-wife's pension. On average they expected to receive 65% of their present salary on retirement. Overall this cluster had the second highest mean score after cluster 3.

The demographics of this segment show a higher proportion of men; a higher proportion of respondents aged between 21-40 and a higher proportion in professional occupations.

Segment 2 (n = 240)

This segment behaves like the norm of the total set of responses, with a mean score of 2.49.

There is very little to comment on with this group as there is not a higher or lower

proportion in any demographic group. The only main area in which they stand out is that they strongly disagree with the statement that if a man re-marries he should be required by law to divide his pension benefit between both his ex-wife and present wife on the basis of the number of years in each marriage. They express a stronger inclination that pensions should be linked to the rate of inflation. This cluster was closest to the mean score of the total population.

The distribution of this group is evenly spread through the age category with a corresponding salary and gender bread-down reflecting our total population.

Segment 3 (n = 182)

The respondents in this segment have a tendency to be high scorers with a mean of 1.5 compared with the norm. They have a tendency to think that widows and widowers are offered the same benefit, and to have higher expectations of the level of lump sum that would be paid if the member died. Likewise, they feel more strongly than other segments that widows/widowers should receive an extra allowance in their pension if they are parents of children who are under 18 years old. There was also a higher expectation of salary received on retirement. This cluster had the highest mean score.

The distribution of this group is towards higher salary respondents and younger respondents (aged 31-40). There is also an over-representation in managerial-type occupations. There were, however, no gender differences.

Segment 4 (n = 18)

The mean score of this group was 2.7. They expressed a higher level of dissatisfaction with their company pension schemes than the norm. They strongly disagree that if a couple are divorced and the man dies before retirement age, his ex-wife should receive a proportion of the lump paid by the pension scheme. This cluster had marginally below the mean score.

The distribution of this group is towards a higher proportion of men, both in the younger and older age groups. Because of the low number in this group, it is difficult to draw firm conclusions, however.

Segment 5 (n= 120)

The mean score of this group was 3.8. They had a tendency to take the view that employers should contribute a higher percentage of salary towards their pension scheme. Their choice of age at which women were allowed to retire was lower than other segments. Likewise, they felt that their schemes did not offer the same benefits to widows and widowers. There was a tendency to think that women workers expected their partners to be responsible for the family income after retirement. They also expressed an 'unsure' attitude regarding the safety of their money invested in the pension schemes, and were concerned about inflation of their pension. This cluster had the lowest mean score.

The demographics of this group suggest a higher propensity to be both married and older (in the 41-60 range). There was no real difference by gender.

Of the five segments, no one segment displays the characteristic of being so dissatisfied with their occupational schemes that it would be possible to forecast a particular type of member who would be unlikely to join the scheme. However, segment 5 expressed the

highest level of dissatisfaction. This group shows no gender bias but has a higher tendency to be older and married than the norm.

Table 7.14 Mean of Variables by Cluster

Segments	Mean of variables Q22, 23, 24, 26 *
1	1.7
2	2.49
3	1.5
4	2.7
5	3.8

* Where 1 is strongly agree and 5 is strongly disagree.

7.6.2 Companies' Attitudes Towards New Joiners

In this section we will examine companies' attitudes towards new joiners and the implications these attitudes have for pension schemes.

Research now being published shows that new members, particularly in the younger age groups, are opting out of occupational pension schemes to take up personal pensions, with sales of PPPs reaching 5 million in 1994 (NAPF, 1994). Some occupational schemes have reacted by either 'marketing' their scheme or automatically including new employees, who have to opt out if they would rather join a different scheme. According to the NAPF, 44% of pension schemes automatically enter new employees, as shown in table 7.14.

Table 7.15 Proportion of Employers Automatically Entering New Employees into Pension Scheme (%)

	Private	Public	All Schemes
New employees automatically entered	43	31	44
New employees not automatically entered	57	69	58
Sample Size	640	61	701

Source: NAPF, 1991.

Also, as shown in table 7.15, 92% of pension schemes actively encourage new employees to join their pension schemes.

Table 7.16 Proportion of Employers Who Actively Encourage New Employees to Join Pension Scheme Where New Members Are Not Automatically Entered (%)

	Private	Public	All Schemes
Actively encourage new employees	93	76	92
Do not actively encourage new employees	7	24	8
Sample Size	351	41	392

Source: NAPF, 1991.

In our interviews with pension managers (see appendix 1), conducted before survey questionnaires were sent out, we found that their main concern was that not enough new

employees of their companies would voluntarily join their pension schemes. Many expressed concerns about the marketing of their schemes.

Employer attitudes towards pension provision have a direct impact on schemes, as it is generally the employer that will decide which scheme is most appropriate for the company. A survey by the CBI (1994) analysed the attitudes of senior executives responsible for pension provision concerning the future of pension funds in the UK. The survey accounted for one-third of total pension scheme membership. When senior executives were asked how they would proceed if they were starting their company scheme from scratch in 1994, only 26% of respondents said that they would still offer a defined benefit scheme; 70% would choose some form of defined contribution scheme. By the year 2010, 32% of respondents intended to have a defined benefit scheme. The only type of pension scheme that employers expected to increase over the next 15 years was the hybrid scheme.

Casey (1993) supports the view of the CBI that changes in occupational pensions will involve a move towards defined contribution schemes. However, the report highlights that such a move is often as an 'add-on' to, rather than a substitute for, final salary schemes.

7.7 Conclusion

This chapter has covered contribution levels and expectations of pensions. It had also examined scheme members' attitudes towards fund security in the light of the Maxwell case and company strategies in respect of potential new pension scheme members.

Our findings were consistent with other surveys in identifying the amount of money members felt that they should contribute to their pension schemes: the GAD set this at an average of 5%, and in our survey half the respondents reported contributions of between 5% and 7% of their salary. However, if an employee decides to take out a personal pension and contributes only 5-7% of his or her salary, the pension paid in retirement will not match their expectations. This supports the widely held assumption that individuals generally do not contribute enough to their own personal pensions, of whatever type these are. The deficit is likely to be more pronounced with personal pension plans since they, unlike occupational pension schemes, generally receive no contribution from the employer.

There was found to be no specific gender difference in attitudes as to the contribution levels of employees or employers. Despite the publicity given to the Maxwell case, and the subsequent concern expressed over different funds covered in the media, notably in the BBC *Panorama* programme (BBC, 1991), on the whole members are satisfied with the security of their schemes. However, one-third recorded a 'don't know' response to this question.

No gender difference was recorded in expectations of pension level, with the majority anticipating 30-50% of salary. However, because the average male salary is higher than the average female the absolute figure will not be the same. Our survey also showed a good deal of support for index-linking pensions, with over 81.5% agreeing that the pension should be linked to the rate of inflation.

By undertaking segmentation by behaviour it was hoped to profile the segments to such an extent as to make it possible to identify a segment that was overtly dissatisfied with their

provision. This segmentation did not naturally fall into gender groups. Although some segments expressed a higher level of dissatisfaction than others, the groups were more readily distinguishable by age than by gender. Older, married people do seem to have a tendency to be more dissatisfied than others with their pension provision.

CHAPTER 8

CONCLUSION

- 8.0 Introduction

- 8.1 Key Issues Emerging from the Findings
 - 8.1.1 Equal Access

- 8.2 Why Occupational Pension Schemes Will Survive into the Next Century
 - 8.2.1 Size of Investment
 - 8.2.2 The Changing Work Profile of Women Workers
 - 8.2.3 A New Demand
 - 8.2.4 Legislative Changes and State Policy
 - 8.2.5 Personal Pensions: No Threat to Occupational Schemes

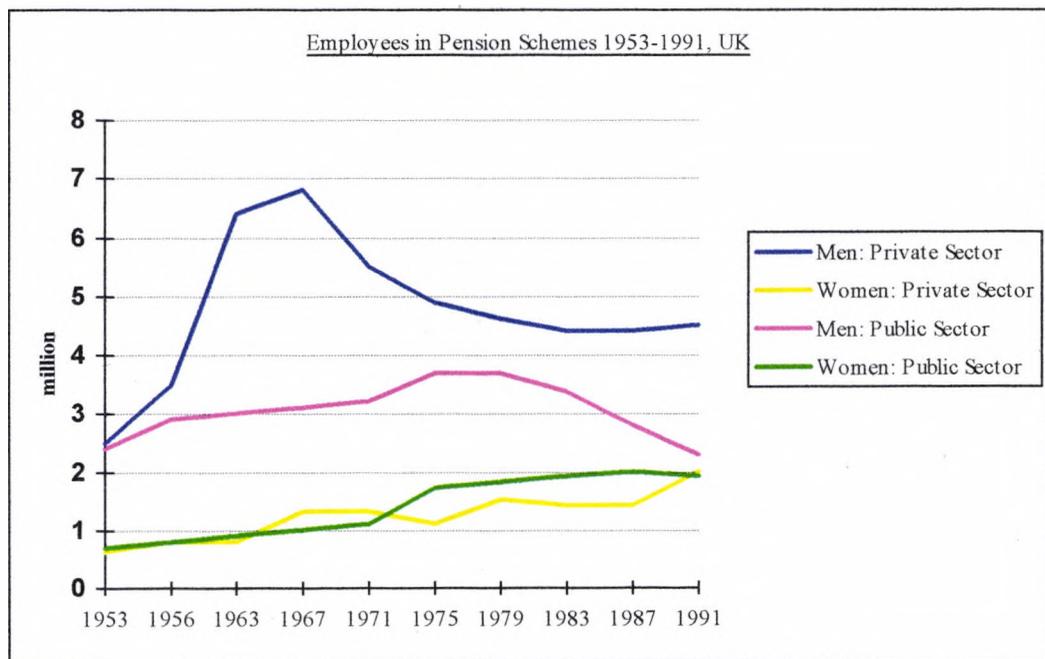
- 8.3 The Long-Term Future of Occupational Pension Schemes

8.0 Introduction

The main objective of this thesis is to ascertain whether occupational pension schemes have sufficient support to survive into the twenty-first century, and if so, in what form and with what coverage.

Occupational pension schemes began to spread in the early twentieth century and reached maximum coverage in the 1960s; membership peaked in 1965 with a total of nearly 11 million people in schemes out of a workforce of just over 23 million. Membership numbers then fell away from this high point until the rise in the total number of people employed between 1983 and 1991 was accompanied by a lower than proportionate rise in the number of scheme members (see figure 8.1).

Figure 8.1 Employees in Pension Schemes in the UK, 1953-1991



If these figures are broken down by gender, it becomes apparent that the proportion of men in occupational pension schemes has fallen since 1987, while the proportion of women members has increased, reversing the effect of a fall between 1983 and 1987. The level of scheme membership remains lower among women than men, because, in general, a much higher proportion of women than men work part-time and, as we saw in chapter 3, levels of scheme membership are generally much lower for part-time workers than for full-time workers. Since women account for virtually all the 0.9 million increase in the number of employees since 1987 mostly part-time and temporary, one would expect a concomitant increase in the number of women members of occupational pension schemes, but in fact female membership as a percentage of all members has declined since 1987. Thus, the significant differences between the working patterns of men and of women give rise to different trends in needs and expectations with regard to pension provision.

Two important developments gave concern to those operating occupational pension schemes during the 1980s, prior to the period of research. The first of these was the introduction of the personal pension, following the Financial Services Act 1986 (effective from April 1988), which made it possible for employees to opt out from companies' pension schemes. It was felt that the membership of schemes would decrease as a consequence, putting financial pressure on occupational pension schemes. The second was the suggested emergence of the 'flexible firm', a kind of organisation that no longer put a high value on long service and lifelong employment for their employees, with obvious implications for pension providers and recipients alike. A good deal of attention was paid in the 1980s to the issue of 'resource use strategies', much of it focusing on the Institute of Manpower Studies (IMS) core-periphery model

which depicted the so-called flexible firm adopting financial, functional and numerical forms of flexibility (Atkinson & Meager, 1986). Notwithstanding the critical responses to this model, it was increasingly evident in the 1980s that organisations were adopting more 'flexible' or non-standard forms of labour contract (for example: part-time and casual work, temporary contracts, teleworking, agency labour and subcontracting to self-employed service providers) as compared with the traditional full-time employment contract with no specified duration. If labour became more mobile between employers as a consequence, this would mean that occupational pension schemes could no longer be assured of continuous contributions from employers and employees.

A dichotomy of interest between employers and employees with regard to occupational pensions appeared to materialise. Employers increasingly felt that they were providing expensive pension schemes which might not be taken up by new recruits (PRAG, 1991). Initial research (NAPF, 1989) indicated that where employers did not automatically include new employees in their pension schemes, but left it up to the individual to take the initiative to join, the take-up rate among new employees was lower than for those companies who automatically included new employees in their schemes. On the other hand, some new employees with their own personal pension plans had expectations that the company would make employer contributions to their personal pensions rather than insisting on their joining the company scheme. Thus, some companies were beginning to reassess the role of the occupational pension scheme and question whether alternatives such as personal pensions would be a more viable option in the social and economic context of the late 1980s.

In this concluding chapter we will first provide an analytical summary of the main findings of the research before discussing some of the strengths and weaknesses of occupational pension schemes as they currently exist. On the basis of this discussion we will then outline the arguments for their survival and offer comment on where and how they could be modified.

This thesis has shown how the foundations of current occupational schemes were based firmly on the premise of the male breadwinner who had the main financial responsibility for the maintenance of his wife and family. Pension provision developed from an ad hoc treatment of retirement in the nineteenth century to a more structured approach in the twentieth century, with state encouragement in the form of tax concessions (see chapter 1). The majority of the early schemes were primarily for managerial and white-collar employees, the main motivation for their construction being to reward the male white-collar employee who stayed with one employer for most of his working life. After his death, his wife and children would be given financial security, but only as dependants and sometimes only at the discretion of the trustees.

Schemes designed to meet the interests of long-serving male employees have not always been in the best interests of other categories of employees, notably women. Women have not been seen as employees offering lifelong loyalty but rather as a pool of inexpensive, short-term labour made up of individuals who in their twenties would leave work to get married (Hunt, 1986; Dex, 1986). When in employment, they were often engaged in occupations or types of employment which were excluded from occupational scheme membership. Most large organisations operated a marriage bar until the 1960s. On marriage, women had to leave their employment, often with a

marriage gratuity consisting of the return of the employee's and employer's contributions to the occupational pension scheme (Groves, 1988). In the late 1960s and 1970s many women returned to work after marriage, very often on a part-time basis. This suited the employers, who viewed women as low-cost labour well suited to routine and easily learnt skills. Not only was this work low-paid, but it also offered less access to training and promotion opportunities, as well as reduced access to pension provision.

Within this context, the main areas of concern in the research included the philosophy behind the creation of pension schemes and its relevance in the twenty-first century. The research posed four central questions. First, is there a difference in perceptions of and attitudes towards pension schemes between men and women? Secondly, in the event of divorce and maternity leave, do women have different expectations of pension schemes from men? Thirdly, what knowledge and expectations do members have of the age at which they will be able to retire? Finally, do women perceive themselves to be financially dependent on their partners, and do men perceive themselves as financial providers for their partners in retirement? The research concentrated on three variables for analysis with regard to the above themes: gender, age and employment status. Each variable was examined to ascertain its significance in affecting members' knowledge and expectations of, and satisfaction with, their occupational pension schemes.

The justification for concentrating on these variables centres on a number of key factors discussed in chapter 4. In summary, on gender, GAD surveys have repeatedly highlighted the different patterns of coverage for men and women in pension schemes. Numerous similar pieces of research have also highlighted the different working patterns of women as compared to men (Dex, 1986; Joshi, 1986). And, as noted above,

the basic design features of pensions were created for the male worker with a family in mind (Rhodes, 1965; Hannah, 1986). Similarly, according to literature such as Rhodes (1965), Abel-Smith (1983) and Fogarty (1980), there is a strong correlation between age and knowledge of pension scheme details. This correlation is underpinned by the Inland Revenue's offering more generous tax allowances for pension provision the closer one is to retirement age. This makes the assumption that expectations of retirement will change with age. In respect of employment status, the GAD surveys highlight the fact that many firms of all sizes give larger pension benefits to senior executives and may have pensions schemes for their managers only. Indeed, few employers offer membership of their occupational pension schemes to all employees as a matter of course; entry conditions are predominantly based on employment status, and temporary employees or those working part-time are frequently excluded.

Due to the timing of the fieldwork, one possible outcome of the research was that respondents' expectations of pension schemes would diverge markedly from the actual provision of schemes, and that a high percentage of respondents would thus like to find alternatives to their occupational pension schemes. Therefore the respondents to the questionnaire were analysed using the Statistical Package for Social Scientists (SPSS), and a cluster analysis was also conducted, with the objective of determining whether a particular group or groups of respondents had a positive or negative experience of their schemes. Following this analysis, it would be possible to highlight which group of current members, if any, would be most likely to opt out of their pension schemes in the future.

The research is therefore centrally located in a wider framework which encompasses a number of key social and economic changes which have affected the environment and the context in which occupational pension schemes operate.

8.1 Key Issues Emerging from the Findings

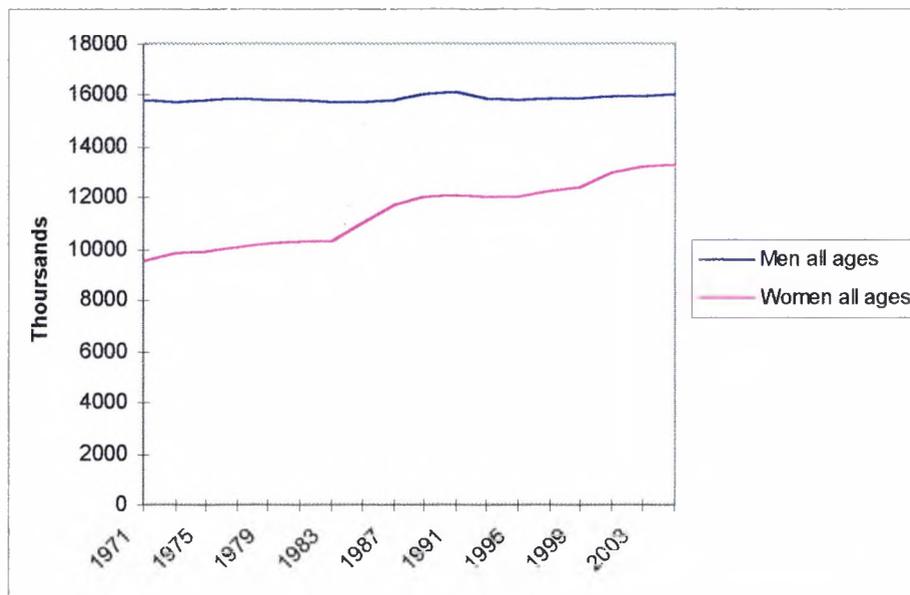
Results showed that the majority of respondents were satisfied with their company scheme inasmuch as that they had found no alternative to it, i.e. the majority of respondents were members of their company pension scheme. The findings also showed that there is a significant relationship between membership and age, and between membership and employment status. The older the respondent, the more likely he or she is to be a member of the pension scheme. Full-time employees are far more likely to be members than are part-time workers. Membership is also occupation-linked; managers and administrators are most likely to be members of a company pension scheme, while those in sales-related occupations are least likely to be members. There is also a marked difference in the salaries earned by members as compared to non-members.

Although the majority of respondents are satisfied with their schemes, there are reservations. Here, too, there is a correlation with age: as the member gets older he or she expects the employer's contribution to amount to a higher percentage of salary. When we consider age as a significant variable in respect of the future coverage of pension schemes, we see that the younger age groups tended to express stronger feelings on issues such as pensionable age, early and late retirement and the future funding of schemes. For example, younger respondents tended to agree that there should be greater flexibility in retirement age.

Full-time employees felt that they should contribute less than they do at present to their pension scheme. However, part-time employees felt they should contribute more; it can be assumed that they are anxious over their pension entitlements because of their work history.

Prior to analysing the results more fully it is worth reiterating that gender was a highly significant factor determining membership of occupational pension schemes. There are a number of ways in which gender employment patterns impact on occupational pension providers and scheme members. As we have described, changing social and economic trends have seen an increasing number of women entering the labour market, with the percentage of women among new recruits to organisations rising. Evidence of this movement of women into the labour market is documented in chapter 3, which highlights the increasing presence of women in managerial and professional occupations as well as their continued predominance in the part-time and flexible working sector (see figure 8.2).

Figure 8.2 Estimates and projections of the civilian labour force in Great Britain



Source: *Employment Gazette*, 1995.

This increased participation of women in the labour market can be linked to the changing role of women in society and their own higher expectations associated with this shift. Increasingly, women are gaining greater significance as economic providers for themselves and for families. There is strong evidence throughout the analysis of our results that women both wish to, and are increasingly expected to, provide for their own pensions.

This would suggest that women themselves see their role changing towards self-support on retirement: as more women are now in paid employment and providing for themselves, they anticipate this process continuing into their retirement, and do not always expect their male partners to provide for them. However, a large proportion of men, particularly in the older age groups, still believe their partners expect to be

provided for. Younger men tend more to the view that women should provide for their own pensions on retirement, a finding that links in with the increased penetration of women in the labour markets.

In terms of employment status, the majority of part-timers surveyed perceive that they are differently treated from full-timers by their scheme: they are convinced, for example, that they obtain a different proportion of earnings on retirement. The implication is that they believe they receive inferior treatment to full-time employees. Both groups agree that there should be equal treatment of full-time and part-time employees.

On the issue of maternity, the majority of respondents expressed the view that schemes should allow for women to make contributions while on maternity leave. Moreover, there is strong agreement between female full- and part-time workers that women who have taken unpaid maternity leave should receive the same benefit as those who have not, even if this means a reduction in benefits for all workers. This is not surprising since most - in this study, all - part-timers are women. On the issue of whether treatment of all workers should be the same, a third of both full- and part-time respondents believe that a woman who has taken unpaid maternity leave should receive the same pension benefit as a man who has taken no unpaid leave. Overall, gender was seen to have a stronger influence on attitudes to pensions and pension rights than employment status.

8.1.1 Equal Access

This thesis has concentrated on whether there are relative disadvantages to women in the current structure of occupational pension schemes. However, it should also be recognised that other groups might also find the current situation unsatisfactory and have similar interests in changing the system. For example, many workers, both male and female, change jobs several times during their career, either on their own initiative or by force of circumstance (for example: through redundancy, dismissal or the need to care for children). Such job changes involve a hidden cost compared with the position of colleagues who are both willing and able to remain with one employer throughout their career, though it may be argued that such considerations simply have to figure among the costs and benefits of any life changes which are generally under the individual's direct control.

Our results show that the main reasons for not being a member of an occupational pension scheme are that the employer has no scheme or that employees are prevented from joining their company's scheme because they do not meet the eligibility requirements (chapter 4). Therefore, as already mentioned, new criteria to determine eligibility need to be developed. This means reviewing the outdated model of a male breadwinner and a dependent wife, and adopting a new model that is flexible enough to accommodate changing working and social patterns. If the system of job classification is to be retained, eligibility criteria on the basis of type of employment need to be broadened to incorporate an increasingly diverse workforce in terms of gender, qualifications, employment status and length of service. Evidence to date suggests that if schemes do not do this on their own initiative, legislative changes will. For example,

in September 1994 the European Court of Justice ruled that under certain circumstances part-timers could claim pensions retrospectively if they had been excluded from company schemes.

8.2 Why Occupational Pension Schemes Will Survive into the Next Century

At the outset of the research we were concerned that employees might be dissatisfied with the provisions of their occupational pension schemes to such an extent that they would require radical alternatives. Contrary to this, the research findings suggest a high overall level of satisfaction among individual members.

This section will take forward the key issues emerging from the empirical findings summarised above and examine how they relate to the central question of the survival of occupational pension schemes in the UK into the next century.

8.2.1 Size of Investment

One of the main reasons why occupational pension schemes will survive that emerged from the literature and data is the extent of the existing financial investment in pensions. Schemes are so well established in the largest 500 companies in the UK (by capitalisation) that to dismantle them would demand a radical rethinking, or an extraordinary set of external circumstances, neither of which is likely to occur in the near future. Another point in their favour is that they have become so financially significant partly as a result of years of economic prudence and commitment on the part of both employees and employers. Our findings support this view in that the majority of

respondents have not chosen to leave their schemes despite not being wholly satisfied with them

Employers claim to continue with their pension schemes for reasons such as competitiveness in the labour market, a paternalistic approach to benefit provision and the desire to maintain the image of a good employer. Such a scheme also enables the company to retire employees on reasonable pensions at its own convenience should this be necessary (CBI, 1993).

Occupational pension schemes must be viewed in their proper context (see chapter 1), principally against the background of state pension provision. Table 8.1 shows the relative importance of occupational pensions in terms of overall income in retirement, with the gradual erosion in the value of the state pension.

Table 8.1 Average incomes of recently retired pensioner groups (£ per week)*

Source	Income
State Benefit	96.80
Occupational Pensions	58.10
Investment Income	36.80
Earnings	28.70
Other Income	00.90
Gross Income	221.30

*Single women aged 60-64; single men aged 65-69; couples where the husband is aged 65-69.

Source: DSS, 1993.

In other words, for those who have recently retired, occupational pensions represent more than one-quarter of the average income received from all sources, even though these statistics include the third of all recent retirees who have no occupational pension.

It emerged throughout our research that, given the choice, employees prefer to join occupational pension schemes; this applies even for younger workers. This result is reinforced by the finding that employees also believed that the employer's contribution should be higher as a percentage of salary (see chapter 4, sections 4.2.3 and 4.3.3).

The results of the cluster analysis (chapter 7) showed that no significant segment of the sample population had sufficiently different expectations of pensions schemes as to trigger large-scale withdrawal. This may be because employers' marketing strategies for encouraging employees to join their schemes have succeeded, or because personal pension plans are not seen as a sufficiently attractive alternative.

Moreover, despite the negative headlines surrounding the Maxwell case prior to the fieldwork, employees still think that their contributions are more secure with a company scheme than with a personal pension plan. Even with the huge marketing campaign for personal pensions in 1988-9, personal pensions attracted a higher proportion of individuals from SERPS than from company pension schemes (*Pensions World*, 1995). Despite popular opinion, employers in the main did not contribute to personal pensions, since it made better economic sense from their point of view to protect and maintain their own pension schemes. The majority of employers also acted on their apprehensions that the majority of new employees, particularly younger ones, would be attracted by the enticing offers encouraged by the Conservative government

and would choose personal pensions in preference to their company pension schemes, thereby either improving their marketing or automatically including new employees in their company pension scheme (NAPF, 1991; Spill, personal communication).

However, the providers of the schemes themselves - the employing companies - are not always favoured by the current system of occupational pensions. First, they must bear the cost of administering the schemes. Secondly, both the cost of administration and the cost of the contributions themselves add to labour costs, which are generally the largest single element in the cost of production. It could be argued that it would be better to distribute these sums among the workforce, leaving it to the employees - including part-time employees - to decide individually on the consumption or saving of their earnings. However this would have long-term implications for the government if employees decide not to increase their ratio of savings to expenditure.

From the early days of occupational pension schemes, companies were motivated by paternalist aspirations and the wish to gain an image as a good employer which would make them more competitive in the labour market, and the present position to some extent reflects these motivations. However, occupational schemes can also help employers wishing to reduce their workforce by enabling them to implement an early retirement policy, which would be much more difficult in the absence of a pension fund that can amass surpluses.

It can be argued that the tax advantages of long-term saving through occupational pension schemes are an element in government calculations in balancing revenues against expenditure. In so far as tax concessions to pension schemes reduce tax revenue,

individuals not enjoying those concessions are relatively disadvantaged; that is to say, the current structure of occupational pension schemes is unfair to those outside the schemes.

8.2.2 The Changing Work Profile of Women Workers

We have noted above how the traditional occupational pension scheme, designed to serve the interests of particular types of members, is not always satisfactory in making suitable provision for others. Women, whose careers are very likely to be interrupted by childbirth and the care of children and the aged, and who form the bulk of the part-time workforce, have been shown to be particularly badly served. The majority of occupational pension schemes offer benefits in the form of a percentage of final salary payable from the onset of pensionable age (GAD, 1994). The two main variables which determine the pension payable are thus length of service and pensionable final salary. These determining factors are not always appropriate for women's career patterns, which are more likely to be interrupted because of family life. As noted earlier, women tend to have a 'flatter lifetime earnings pattern' than professional male workers (Ward et al., 1991; Dex, 1991).

As a consequence, women have tended to receive a lower pension on retirement than men (GAD, 1987, 1991). They tend to have a relatively lower standard of living throughout their retirement period because women have a longer life expectancy. This can become relatively acute in very old age, when the woman's lower starting pension is reduced continuously in real terms by the effects of inflation, in the majority of non-index-linked pension schemes (GAD, 1991). This has not been a serious concern in the

last decade with relatively low inflation rates, but was an issue in the 1970s when older women were the poorest segment of society (Abel-Smith, 1983). There is an argument that occupational pension scheme provisions project the inequalities of the workplace into old age. Our research highlighted that both men and women were in favour of equal treatment for the genders in occupational pension schemes; evidence of this was shown in table 6.8 and 6.9 in regard to equal pension rights for widows and widowers.

There are instances of women who are the major breadwinners in otherwise traditional family units. Here, the absence from work during the period of child-rearing (and its effect on final salary levels) will leave such families less well provided for in retirement than similar families in which the breadwinner happens to be male. There are also increasing numbers of divorced or single women raising families. In such cases, it is generally very difficult for a divorced woman to lay any claim to a proportion of her ex-husband's pension rights, despite having sacrificed her own pension entitlements during her absence from work in order to rear their children. Although such considerations may be taken into account in the provision of a divorce settlement, this increasingly common instance is not well catered for within the current structure of occupational schemes, despite legislative changes.

Another category of employees poorly served by occupational pension system is part-time workers, the vast majority of whom are women. Part-time work is often the only feasible way of working for mothers with young children. The fact that many part-time workers are not given the opportunity to join the occupational schemes available to their full-time colleagues at first sight represents an obvious disadvantage of such work. It also seems a problem hard to remedy, given that many part-time workers will be

earning relatively small amounts at a time when the demands of children are perhaps raising the level of income they need to a lifetime peak. In such circumstances, the prospect of diverting a proportion of current pay into occupational pension contributions (especially if the proportion is enforced inflexibly, as is the case in most schemes) may prove very unpopular with the majority of women part-timers. However, where the current lack of arrangements for part-timers is most unfair is in the case of slightly older female workers (who, for example, have past the peak-cost period of child-rearing) who do want to make provision for retirement. In their case, the absence of the tax advantage of saving through occupational pension schemes places them at a grave disadvantage when compared with their full-time colleagues.

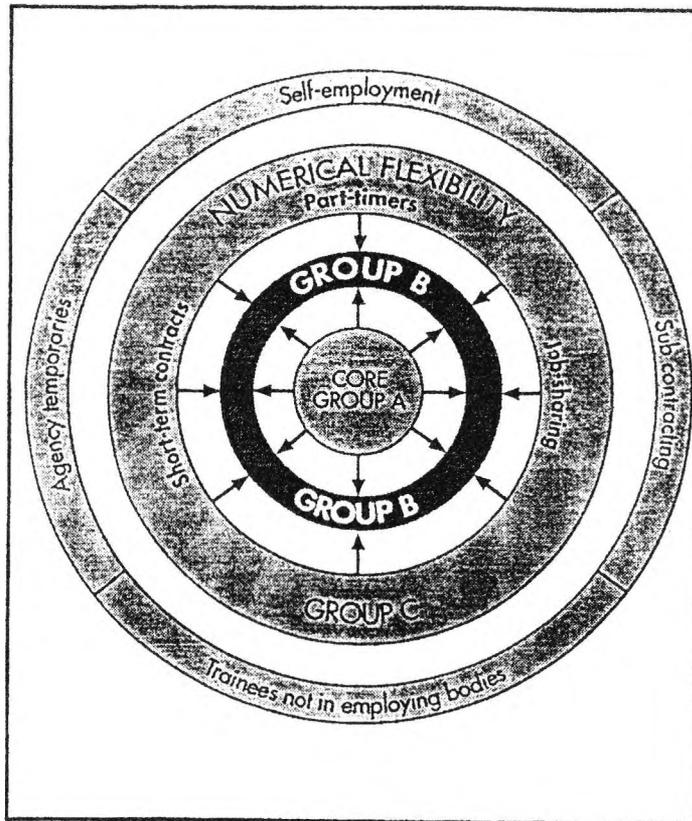
Women are more active in the labour market than ever before in this century (*Employment Gazette*, 1995). They have higher qualifications, which make them more valuable to their employers, get better-paid jobs and are often no longer earning necessary supplements to the family income but are the major income earners. In addition, there is a growing number of single women. In summary, female employees will be more active in the labour market for a longer period of time, despite entering the labour market later because of prolonged education. Furthermore, changes in legislation concerning maternity leave, unpaid leave, career breaks and equal pension ages for men and women will make it difficult for many more employers to exclude women from pension schemes. Pension provision will have to become more flexible to adapt to these general pressures.

8.2.3 A New Demand

Eligibility for pension scheme membership is normally judged on the basis of job classification, the types of jobs that normally do not qualify for membership, such as temporary, seasonal and part-time work, are the categories already discussed with higher proportions of female workers. Our research shows that (non-)availability is one of the main reasons why women are not in their companies' occupational pension schemes. Employees want employers to operate pension schemes: the survey showed that of those who responded, the majority - 84.2% of men and 79.8% of women - are members of their occupational pension schemes, and a majority of both men and women expressed an overall level of satisfaction with the safety of their pension funds (see chapter 4, section 4.4.2). On the evidence of the relatively high rate of membership of occupational pension schemes, we can conclude that there is a strong demand for these schemes. Nonetheless, analysis of the survey results showed clearly that some changes are required in order for schemes to meet their employees needs and wishes.

Today's workforce is a more mobile one than formerly, and one in which women are playing an increasingly important role. Our research shows that employees want to remain within occupational pension schemes, but in a way that takes account of their role in a changed and constantly changing work environment. By the same token, acknowledgement of the demands of these employees and adjustment of occupational pension schemes to accommodate them could give occupational pensions a major role in attracting key staff to companies.

Figure 8.3 Occupational Pension Schemes in the Flexible Firm



Author's analysis adapted from: Atkinson J. and Meager N. "The Flexible Firm", IMS Report 121, 1986.

Figure 8.3 presents a schematic overview of the 'flexible firm'. The inner core, 'A', consisting traditionally of a small number of highly qualified, professional employees, constitutes a firm's key workers. The next circle, 'B', represents the growing number of highly qualified employees. Women have historically constituted the significant majority in segment 'C', consisting of so-called 'peripheral' workers; as a result of the economic trends previously described this segment is likely to increase in size. We showed in chapter 3 that segments 'A' and 'B' as well as segment 'C' will be populated increasingly by women as rising numbers of women gain marketable qualifications (Crompton, 1990).

The edge of the inner circle 'B' covers a number of well-qualified women who are a potential pool of recruitment, bearing in mind wider social changes such as women's desire and need for greater financial independence. However, core group 'A', characterised by full-time protected earnings and job security, is likely to reduce in size overall, despite gaining an increased proportion of women. The boundaries between these segments are likely to become less distinct as movement within the labour market becomes more fluid. As the flexibility of the workforce increases, employers may find it advisable to open up pension access to part-time workers to remain competitive in the labour market. Moreover, employers may need to modify their schemes in order to attract temporary workers, both men and women, who are increasingly likely to possess the skills that the labour market demands.

8.2.4 Legislative Changes and State Policy

Several events have had an influence on legislation and state policy in the provision of occupational pensions. Two in particular had repercussions lasting throughout the period of research, in the form of the government's interpretation of the European Court ruling on the treatment of equal retirement age and the aftermath of the Maxwell case.

Until 1990, employers assumed that pay did not include pensions. On 17 May 1990, in the *Barber v. Guardian Royal Exchange* case (see chapter 5), the European Court ruled that pensions were part of pay and therefore must be equal for men and women. But the court gave no guidance on how employers were to implement its judgement, and as a result a series of further cases came before it seeking clarification of the ruling that the

barring of part-time workers from pension scheme membership could amount to indirect discrimination against women.

The Maxwell scandal led to the setting up of the Pension Law Review Committee, chaired by Professor Roy Goode, in June 1992. Professor Goode and his committee were given twelve months to 'review the framework of law and regulation within which occupational pension schemes operate, taking into account the rights and interests of scheme members, pensions and employers'. The recommendations of the committee, contained in its report of September 1993, formed the foundation for the government's White Paper on occupational pensions, published in June 1994, the title of which stressed 'security, equality and choice'. It is beyond the remit of this research to discuss the implications of the 1995 Pensions Bill which followed; a postscript which discusses these issues appears in appendix II.

The attitudes of part-time respondents as revealed in our survey show that on most issues they agree with full-time workers and feel that part-time and full-time employees should be treated equally with respect to occupational pensions rights. Not only may the use of working hours as a criterion for eligibility indirectly discriminate against women, it could be economically inefficient for employers to ignore these groups of employees. The European Court ruled that companies can be guilty of indirect sex discrimination by excluding predominantly female part-time workers from occupational pension schemes, and that claims against employers could be backdated to 1976. However, in October 1994 it ruled that national governments could set an appropriate cut-off date for claims. The UK government indicated that it would prefer backdating for only two years, subject to the employee lodging her claim within six months of leaving her job.

8.2.5 Personal Pensions: No Threat to Occupational Schemes

A tax-approved personal pension plan regime has existed for many years in the form of the retirement annuity contract. Under these contracts, the self-employed and those not in pensionable employment have been able, tax-effectively, to make private provision for retirement against their qualifying earnings within the contribution limits applying under the legislation. From 1 April 1988 these contracts were replaced by personal pension schemes (PPS).

Many commentators claimed that if personal pensions proved attractive to younger workers occupational pension schemes could find their long-term future in doubt, especially because in April 1988 the Department of Social Security offered the extra incentive of 2% of band earnings for personal pensions, initially for five years (see chapter 2), and also because the structure of benefits in occupational pension schemes could be argued to disproportionately reward older workers of long service.

According to Dilnot et al. (1994), by 1992, 28% of male and 19% of female employees had purchased personal pensions. Towards the end of 1993, the Securities and Investments Board revealed that a significant number of people who had been members of occupational schemes had been wrongly advised to switch to personal pensions. Although the personal pension sector has witnessed growth, it has also seen 25% of policyholders terminate their contracts in 1993 in the first year after they had bought them (GAD, 1994b)

As our research demonstrates, employees are basically satisfied with occupational pension provision. Employees in the main have not left their company pension schemes

since the liberation of the market in 1988. One of the main reasons for staying within the company scheme must be the economic benefit of receiving the employer's contributions, with only 7% of all employers contributing to personal pensions in 1993 (NAPF, 1993), and the sense of security they expressed with their schemes.

When considering the effect of personal pensions on occupational schemes it should be noted that their relationship with SERPS is of greater importance. Of the 5 million people who have opted for personal pensions, at least 2 million did so to opt out of SERPS (DSS, 1993). However one could argue that, as the personal pension market matures and individuals become more aware of their role in pension provision, there may be a further slight shift to personal pensions, particularly on the part of younger workers.

The indications are also that the state pension scheme will have a smaller presence in the future. The government aims to 'persuade people that . . . the responsibility for ensuring an adequate retirement is theirs' so as 'to lessen the dependence on state benefits' (GAD, 1993). Partly in a response to a call in 1993 from the Secretary of State for Social Security, Peter Lilley, for a national debate on the future of the social security system, the NAPF proposed a new private national pension scheme to replace SERPS and existing personal pension arrangements. The scheme would be compulsory for all employees not in occupational pension schemes and for all self-employed people. The state would establish, but not run, the legislative framework, and all providers would use a standardised contract. However, leaving it to the worker to insure him- or herself opens up the possibility of greater poverty among the elderly and a consequent strain on social benefits. Employees would run a higher risk of experiencing a sharp decline in

living standards after retirement; the state would have to pay large sums in benefits, and these would probably have to be financed by higher taxes. Inevitably this would place a burden on the whole of the working population.

It is possible to conclude that occupational pension schemes will survive into the twenty-first century, but with modifications. Given the existing size and importance of pension funds, dismantling them would be too costly and difficult to administer. Employees perceive pension benefits as important - the majority of people we sampled choose to stay in their scheme, even though different types of employees wanted different benefits from them - and see no real alternative to occupational pension schemes.

8.3 The Long-Term Future of Occupational Pension Schemes

The key to modifying occupational pension schemes is to acknowledge that a changing workforce needs more flexible pension arrangements. The transformation of the legal and economic climates, and the projections which are being made of demographic developments, have almost certainly encouraged employers to start examining their pension policies in this light.

As discussed in chapter 1, employers found pensions attractive as a form of deferred pay in order to reduce personnel turnover and its associated costs, especially when a long period of training was undertaken by the employee at a cost to the employer. Such arrangements were therefore regarded as forming part of an implicit long-term contract. The attraction of schemes to employees depended on their preferences in respect of

length of service, their attitudes towards the reputations of firms for fulfilling such long-term agreements, and the regulations governing pension portability.

The enduring popularity of pensions calculated on a final salary basis continues to incorporate an element of 'cross-subsidy', whereby those who receive a high salary in the last few years of employment will receive, in general, a disproportionately high level of pension at the expense of those who have a flat earnings profile. A flat earnings profile is more common among women employees than men (see chapter 3).

Despite the attention drawn to the responsibilities of employers in defined benefit schemes, the statistics show that the shift from defined benefit to defined contribution schemes among NAPF members is barely perceptible. The Government Actuary found that around 50,000 members had seen their schemes change to a defined contribution basis between 1987 and 1991, accounting for just 10 per cent of the total increase in numbers (Pension Law Review Committee, 1993). Similarly, the NAPF (1994) survey found that just 1 per cent of members had shifted to a defined contribution formula. The shift arises from new firms setting up defined contribution schemes rather than from changes to existing schemes. However, according to the NAPF (1994) survey, many firms with defined benefit schemes claim 'they would consider switching to a defined contribution formula'. The life companies confirm this trend in reporting that almost 'no new final salary schemes are being launched in this part of the market' (*Financial Advisor*, 1994).

In smaller companies, a shift from final salary to money purchase schemes is more likely, for several reasons: the need to attract the 'new worker'; the fact that the costs of

underwriting the pension commitments implicit in final salary schemes are too great in an uncertain and volatile investment climate; and control of costs generally. It is fair to say that the issue of a change of structure is still under discussion in the light of possible changes in economic conditions and government policy.

To summarise, a multi-disciplinary approach combining pension theory with the sociology of gender and work has facilitated a wider analysis of the implications and future structure and coverage of occupational pension schemes in the UK. We would argue that despite the changes in the structure of labour markets and work organisations throughout the 1980s and 1990s, occupational pension schemes will survive. Employees sense that their retirement income is best catered for by the provision of the employer's occupational scheme, through contributions from both employee and employer. The schemes are adequate for all employees.

The most significant observations were a gender divide on certain aspects of the structure and content of occupational pension schemes. The results of the research pinpointed areas where women felt that schemes did not cater for their economic needs. With respect to maternity policy there is strong agreement among women respondents that women who take unpaid maternity leave should receive the same benefit as those who take paid maternity leave, even if this means a reduction in benefits for all employees. Overall analysis highlights that women are inclined to believe that schemes do not reflect their needs as economic providers to the same extent as their male counterparts. There is still an implicit bias in the basis of the schemes towards the male breadwinner.

Clearly this is a 'live debate' in today's economic climate. Given the current pension scheme structure and some women's observations that occupational pension schemes cater more for certain male employees, research should be undertaken as to the pension needs of women employees as a group using qualitative methodology. This issue is likely to become more important if the current trend of reducing state pension and expanding non-state pension continues in a flexible labour market economy.

APPENDIX I

METHODOLOGY

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AI.0 Introduction

In order to define the scope of the survey and refine its methodology, a preliminary phase of development work took place. This consisted of investigating the major topic areas that the survey was intended to cover, namely retiring age, dependants' benefits, membership of schemes, maternity pay and membership coverage. This phase assisted in defining not only the framework of the research but precisely what method of survey would be appropriate. During this phase of the work, a total of 23 interviews took place. These interviews were conducted with both employed (full- and part-time) and retired people, between the ages of 16 and 70, and sought to elicit their descriptions of how they viewed their pension provisions. Of the 23 interviewed, 14 were retired, 5 were in part-time employment, 4 in full-time; 3 had personal pensions; 2 were in SERPS. The gender split was 13 women, 11 men; the average age was 42.4 years. The interviews were unstructured, with open-ended questions, the aim being to encourage people to talk in their own terms about their employers' pension schemes and the factors affecting their attitude towards retirement. Throughout these interviews we tried to access interviewees knowledge of pension schemes. We also explored the language used to define features of the pension scheme in order to ensure that the appropriate language was then used in the questionnaire. Most of the sample was recruited by advertising in a shop window in North London. A small financial incentive was offered to participants of £25 each.

In addition, nine interviews were conducted with pensions managers of occupational schemes or company finance directors. These were selected randomly from company administered occupational schemes registered with the National Association of Pension

Funds. No interviews were held with managers of insurance companies or independently managed schemes. These interviews attempted to ascertain any 'hidden' rules of schemes, and how the trustees interpreted their areas of discretion; the administrative procedures when members retired or died in service were also discussed. In addition, an understanding was sought in each case of the manager's philosophy underlying policies on the enforcement of certain scheme rules and regulations, in particular in the area of discretion on death benefits for dependants. In two cases, interviews took place with the finance director and pension manager of the same company to gauge any difference in practice between the two departments of the same organisation. Finance directors were reluctant to indicate long-term company policy on their occupational pension schemes, but to ensure participation and a willingness to discuss matters openly, confidentiality was guaranteed to respondents and their organisations. Interviews also took place with the National Association of Pension Funds and the Government Actuary's Department regarding the construction and analysis of their surveys.

AI.1 Research Review

AI.1.1 Summary of Survey Activity

The first survey of occupational pension schemes was conducted in 1936 by the government. Currently the three main regular surveys in this area are conducted by (a) the Government Actuary's Department (GAD); (b) the National Association of Pension Funds (NAPF); and (c) the Office of Population Censuses and Surveys (OPCS). In the

NAPF and GAD surveys, information is gathered via postal questionnaire; the OPCS conduct interviews.

Other miscellaneous surveys are carried out from time to time, most commonly by individual occupational pensions consultants, but these tend to examine the investment performance or specific practices of schemes.

A Ph.D. thesis which analysed the role of women in occupational pension schemes from a historical perspective, focusing on the development of and access to membership of schemes as experienced by women in a few areas of employment, was completed by Dulcie Groves of King's College, London University, in April 1986. There are currently several other Ph.D.s in progress in this area of study. The research most similar to my own is being carried out by Maggie Carr at Bradford University and focuses on the attitudes of women towards the question of making pension provision for themselves.

AI.1.2 Government Actuary's Department

The Government's first survey in the area of pension provision took place in 1936, when the Ministry of Labour undertook an inquiry in order to obtain information on the extent to which employers had voluntarily adopted schemes which provided for the payment of pensions to their employees on retirement from work. It found that there were approximately 6,500 schemes covering about 1,600,000 employees.

The next major investigation was undertaken by the Phillips Committee (Committee on the Economic and Financial Problems of the Provision for Old Age), which was requested to prepare a survey on the design and coverage of occupational pension schemes, as the information available remained insufficient for the purposes of deciding policy in the field of provision for old age. The committee, which reported in 1954, pointed out that 'the information ordinarily available about occupational pension schemes is inadequate for the determination of national policy' and recommended that the necessary statistics be collected and published. One indication of the need for the survey had been shown by the error of the Watkinson Committee (1921), which had estimated that the growth in membership of pension schemes amounted to an additional 500,000 members per annum, whereas it later transpired that the true figure was actually half that.

The first full report on membership of pension schemes was carried out by the Government Actuary's Department in 1956. It showed that about 4.3 million people were covered by private occupational pension schemes, with another 3.8 million in nationalised industry and public service schemes. The information provided by this survey was limited, however, and in 1963 a further survey was commissioned. This indicated that the number of employees covered by private occupational pension schemes had risen to 7.2 million, with the addition of public sector employees making a total of 11.1 million. The GAD has since produced nine surveys, one being published generally every four to five years. The last published survey referred to in this research is the 1991 survey, which was published in 1994. The methodology for this survey was based initially on answers given by about 10,000 employees in the General Household Survey. If they were members of pension schemes, questionnaires were also distributed

to their respective pension managers. To increase the coverage of the survey further, questionnaires were also sent to pension managers of selected large companies with pension schemes.

AI.1.3 General Household Survey

The General Household Survey (GHS) is a continuous, multi-purpose survey carried out by the Office of Population Censuses and Surveys (OPCS) and is based on a voluntary random sample of the general population resident in private households in Great Britain. Thus, in 1989, interviews were sought with all adult members of about 12,000 private households in Great Britain. Annual response rates have fluctuated between 81% and 85% over the period 1971-89 (as measured by the proportion of eligible households from which all or nearly all of the required information has been obtained). The survey aims to provide a means of examining relationships between the most significant variables with which social policy is concerned and, in particular, a means of considering changes in these relationships over time.

The GHS has included questions about membership of pension schemes run by current employers in 1971, 1973, 1975, 1976, 1979, 1983, 1985, 1987 and 1991. The results enable trends to be monitored in the proportions of employees who are covered by occupational pension schemes and in the characteristics of members and non-members. This survey gives information on the proportions of employees in pension schemes according to sex, marital status, age, working hours, occupation, economic sector and industry earnings, preserved pensions etc., and amounts of contributions and pensions.

AI.1.4 Family Expenditure Survey

The Family Expenditure Survey (FES) was introduced in 1957. It is a continuous inquiry into the expenditure and income of domestic households in Great Britain. The main purpose of the survey is to provide a source of the weighting pattern on the retail price index, but it is also designed to meet other needs. The survey deals with household characteristics, and the income and employment section includes data on pensions such as estimates of household expenditure on life insurance and pensions contributions for the latest year. The FES refers to one-person and two-person 'pensioner' households. Data are also analysed for 'other retired households': these are households more than a quarter of whose income derives from occupational retirement pensions and/or income from investments, annuities and so on.

However, the household-based analysis provided by FES obscures individual data. For example, if an analysis was required to show the number of people in receipt of a pension from various sources, two people in the same household in receipt of a public sector pension would be counted once only. Conversely, a person in receipt of pension income from more than one source (public, private, annuity) would be counted as a household in each of the three analyses. FES is, however, of particular use in ascertaining the significance of pensions in payment relative to total income for those in retirement.

The responsibility for the running of the FES is divided between the Social Security Division of the OPCS and the former Department of Employment, now the Department for Education and Employment (DEE); the overall design and content are kept under

review by an interdepartmental committee under the chairmanship of the Central Statistical Office (CSO).

AI.1.5 Financial Statistics

The Department of Trade and Industry (DTI) conducts two regular surveys covering the financial assets of all self-administered pension funds, in both the private and the public sectors (until 1983 the public sector was dealt with by the CSO). The first is a quarterly inquiry into transactions relating to the funds' assets; the second is an annual inquiry into the asset holdings of the funds. The information collected is used primarily to provide input for the national financial accounts; the results are published in *Business Monitor MQ5*, which is published quarterly and gives details of net investment by insurance companies and pensions funds, and in the monthly publication *Financial Statistics*. Similar considerations apply to the two surveys and so they may be dealt with together. Insured schemes are excluded from the inquiries into pension funds as in most cases it is difficult, if not impossible, to separate the value of assets attributable to the pension funds from that of assets attributable to other insurance contracts written by the insurance company; on an individual fund basis, a pension fund manager would certainly not know how to put a value on an insurance policy. Transactions in assets and liabilities are reported in 'cash values'; holdings for the calendar year ends are reported at 'market value' or, failing that, 'written down book value'.

The surveys were entirely voluntary until 1992, but are now a statutory requirement. They use a sample based on the known pension funds. The problem occurs in the word 'known', as there is not, at present, an official list of private self-administered funds.

There is a strong tendency to cover the larger schemes but there is doubt as to whether the sample provides adequate coverage of the smaller schemes. The statistics collected on private, self-administered pension funds are intended for use in the 'flow of funds' accounts published in *Financial Statistics* and the *Bank of England Quarterly Bulletin*. As part of these statistics, estimates are made of the 'total money' flowing from pension funds.

AI.1.6 Other Surveys and Studies

The polling organisation NOP was commissioned by the Department of Social Security (DSS) to carry out a one-off Financial Research Survey between October 1989 and March 1990. Surveys were conducted in 540 parliamentary constituencies, drawn as a systematic random sample from a stratified list of all constituencies in Great Britain. Within each constituency, a systematic random sample of electors, supplemented by a sample of non-electors, was used. The mean weekly sample comprised 1,500 adults (aged 16 and over) who completed the financial section of the survey questionnaire. Questions on pensions in this section were very general in nature.

Studies with an emphasis on the benefits for women in occupational schemes have been commissioned by the Equal Opportunities Commission (EOC). In 1985 the EOC commissioned a group of actuaries to put a cost on the implications of the EC directive on equal treatment for men and women in occupational social security schemes. This research, published under the title *Paying for Equalisation: A Survey of Pension Age Preferences and Their Cost*, was based on the financial implications of the directive for pension schemes. The Joseph Rowntree Memorial Trust also sponsored a study on

equalisation of pension ages and benefits by Peter Tompkins (1991); and British Telecommunications PLC conducted a survey in 1990 assessing employee attitudes primarily on retiring age. The Pension Research Accountants Group (PRAG) continually reviews areas of interest, and at any one time usually has several working parties in operation, made up of practitioners and academics. The group's publications range from *Investment Performance Measurement for UK Pension Funds* to *The Implications of SSAP 24*.

An interesting piece of research was conducted by Ann McGoldrick (1984) in *Equal Treatment in Occupational Pension Schemes: A Research Report*, which was commissioned by the EOC. Goldrick's methodology consisted of telephone interviews with the pension administrators of several company pension schemes, and the analysis of other schemes on paper. In total, she examined the discriminatory practices in evidence from a sample of 100 company schemes based in the north of England. The main finding was that the primary group of workers discriminated against were part-time employees - who are predominantly women.

A review of the existing surveys on pension schemes revealed that none covered our exact terms of reference in trying to assess the degree of satisfaction of employed people with their current pension arrangements. Nor do they enable analysis of gender differences in attitudes to pension schemes. In trying to compare our findings against the 'norm', we used GAD's fundings as a reference point, where appropriate, as the most established and comprehensive pension survey.

AI.2 The Sample

AI.2.1 Defining the Population

We first decided on a population, and as this is a national study the geographical location of the population had to be determined. A decision was taken as to whether 'national' meant that attention was to be concentrated on England; England, Wales and Scotland; Great Britain; or the United Kingdom. For the purposes of the thesis, the United Kingdom was taken as the appropriate geographical area. The rationale for this lies in trying to correlate the findings as far as possible with the Government Actuary's survey of occupational pension schemes

It was then possible to take the tentative step of defining the population for this survey as:

'all members of occupational pension schemes in the commercial private sector in the United Kingdom during 1992'.

AI.2.2 The Sampling Frame

Taking the above definition of the survey population, it was then important to transform it into an operational definition which took into account the sampling frame. A sampling frame is essentially a means of representing the elements of the population. According to the 1987 GAD survey, there existed 5.8 million members of occupational schemes in the private sector. We hoped for a response rate of 1,500 employees, representing a sample of 0.03% of the population. We therefore set a frame of 3,500

respondents, hoping for a high response rate of 43%. The first stage of our sampling plan involved selecting a number of companies with occupational pension schemes. We then used similar categories as the GAD in its size classification of organisations. The GAD breaks down establishments by number of employees into five categories: (i) those with 1 or 2 employees; (ii) those with between 3 and 24 employees; (iii) those with 25-99 employees; (iv) those with 100-999 employees; and (v) those with 1,000 or more employees. We decided to merge the first three categories for reasons of efficiency, leaving us with three categories: (i) between 1 and 99 employees; (ii) 100-999 employees; and (iii) 1,000 or more employees.

The size of firms was the most important factor in stratifying the sample. According to the GAD, the distribution of employees in occupational pension schemes is such that 11.8% are in companies which have fewer than 100 employees; 17.8% are in companies with between 100 and 999; and 70.3% work for companies with 1,000 or more employees.

For this survey, as explained, we aimed at a sample size of at least 3,500 respondents. Bearing this in mind, the number surveyed in each size of company should correspond to the proportion of pension scheme members in each category. By using this method, we believed that a realistic and representative sample would be gained. Table AI.1 demonstrates the number of respondents to be selected from each size of firm.

Table AI. 1 Number of Respondents

Size of Firm (No. of Employees)	Proportion of Pension Scheme Members (%)	No. of Respondents Surveyed
1-99	11.9	417
100-999	17.8	623
1000 +	70.3	2,460
TOTAL	100.0	3,500

It is important to note that where the estimation of sample size is concerned, traditional techniques for calculating it were considered inappropriate. The traditional statistical method for calculating sample sizes relies on having reliable estimates of the standard errors for each of the variables used in the survey. As a general rule, the greater the standard error, the larger the sample size will need to be. Hence, the sample size is usually determined by the variable with the greatest standard error.

This poses a problem where this survey is concerned. As this study is the first of its kind to be undertaken, it follows that there are no standard errors from previous similar studies which may be used. Consequently, the sample size has instead been determined according to the requirement of a minimum number of cases being present in the cells of each variable.

AI.2.3 The Sampling Method

The sampling method can be defined simply as the means by which the sample units are selected. For the survey, we operated a stratified multi-stage sample. It consisted of two clear stages:

Stage 1

At the first stage, a number of companies with occupational pension schemes were chosen from the sampling frames. Approximately 200 companies were chosen for inclusion in the study, from the population of over 400,000 private and public companies in the United Kingdom, according to Keynote Publications.

The distribution of pension schemes among the various sizes of firms was such that 88.5% of pension schemes were in the small size group, 10% in the medium size, and only 1.5% of pension schemes in the large size group. To emulate this distribution of pension schemes, the selection of sampling units contained the same proportions. Hence, of our 200 companies chosen at the first stage, 177 employed between 1 and 99 workers, 20 between 100 and 999 workers, and 3 more than 1,000.

By selecting these sampling units it was hoped to represent the population of employees belonging to occupational pension schemes in 200 'clusters'. By clustering our sample in this way rather than taking a simple random sample, a great deal of effort would be saved in identifying and gaining access to the population elements.

Stage 2

At the second stage of the sample procedure, a number of pension scheme members were randomly chosen from each company. It follows that the number surveyed in each size of company should correspond to the proportion of pension scheme members in each. Table AI.2 shows the number of respondents to be selected from each size of firm.

Table AI.2 Sampling by Firm Size

Size of Firm (No. of Employees)	Proportion of Pension Scheme Members (%)	No. of Respondents Surveyed	No. per Sampling Unit	Sampling Unit (No. of Companies)
1-99	11.9	417	2.3	177
100-999	17.8	623	31	20
1,000 +	70.3	2,460	820	3
TOTAL	100.0	3,500	----	200

As table AI.2 shows, 820 respondents were to be selected from each of the three firms with over 1,000 employees. Likewise, three respondents were expected from each of the 177 smaller companies. Again, by using this method, it was believed that a realistic and representative sample would be gained.

AI.2.4 The Response Rate

It was decided to operate a stratified random sample of 1 in 20 of the small companies, both private and public, with a workforce between 1-99 people, as listed in Keynote Publications. Although 177 companies were contacted, our response rate was initially disappointing; after two follow-up letters we received 142 responses from the smaller companies. This represented a response rate of 33.9%. We adopted the same sampling methodology for the medium-sized public and private companies listed, again from Keynote Publications. We contacted 20 companies initially by telephone to establish the identity of the correct member of staff to send the 31 questionnaires to. There was also a follow-up call to confirm delivery. The decision on how to distribute the questionnaires was made by the company member, on the basis of some guidance provided. After several follow up calls we received 175 responses. This was only 28% of our original number of 623 respondents.

Table A1.3 Response Rate by Firm Size

Size of Firm (No. of Employees)	Theoretical Proportion of Pension Scheme Members (%)	Actual Proportion of Pension Scheme Members (%)	No. of Respondents Surveyed
1-99	11.9	15.5	142
100-999	17.8	19.0	175
1,000 +	70.3	65.5	599
TOTAL	100.0	100.0	916

With the larger company group we adopted a different approach, given the mechanics of questionnaire distribution to an expected 820 respondents per company. We tried personal contact with companies with the requisite sized workforce. It was difficult to

get permission to carry out the survey. In many cases agreement was given by the finance director but difficulties emerged subsequently in obtaining approval from the pension department or personnel department, with concerns expressed over confidentiality.

Selection of respondents within a company in the small and medium-sized groups was made by the pension manager/finance manager, and as a consequence there was a higher tendency for respondents to come from middle management levels. In the larger companies, a stratified random sample of 820 employees was made; in one company the questionnaire was enclosed with their salary/wage slips, while in the other company questionnaires were distributed and collected at random in the rest room/restaurant over the lunchtime period on a few occasions. We experienced access problems with the third company. Again, however, we did not reach our response target. We received 599 completed questionnaires, which represented 24.3% of our intended target of 2,460 respondents.

In summary, our response rate for small companies was 33.8%, for medium-sized companies 28%, and for large companies 24.3%. This gave us an overall response rate of 26%. Although this was lower than initially hoped for, we went ahead with this response rate.

Refusal, where confirmed and explained, was based on several grounds. First, some companies stated that they had no immediate plans for improvements in their pension scheme, and they perceived that the employees might, by the very fact of stating their 'discontent' in the questionnaire, expect some change in the scheme. Secondly,

although most pension managers expressed the view that they ran a 'very good pension scheme', they did not want to be included in any league tables, despite many reassurances that confidentiality would be maintained. Thirdly, some expressed concern that most employees do not understand the difficulties of providing a pension scheme, and hence felt that their employees were not knowledgeable enough to complete a survey on the subject.

It was often said that pensions were 'going through' so many changes that it was too early to test the implications. Many pension managers informed us that because they had employee representation on the trustee board, a 'vehicle' for change or exchange of information was already established.

We should be aware of the fact that the decision of some companies of not allowing the survey might have biased the sample to a certain extent. The final sample might include only workers who are employed in firms that provide good pension schemes, or in companies where managers know about their employees' satisfaction with the company's scheme. In this case, the results should be interpreted as giving a relatively more positive account of the real situation. However, we should not reject the alternative hypothesis, i.e. that managers' reasons were legitimate and not related to the quality of their pension schemes.

A1.3 The Questionnaire

The questionnaire underwent a number of redrafts as a result of several meetings with the PRAG, GAD and NAPF. Attempts were made to adhere as far as possible to the

original research outline, and the final questionnaire reflects the range of issues identified as requiring investigation.

During the redrafting process, careful attention was paid to producing measures which were as unloaded and neutral as possible in order to reduce response bias to a minimum. In so doing, a number of questions were reformulated.

In consultation with NAPF, major changes were made to the layout of the questionnaire. Although many of these changes were cosmetic, they served to make the questions as easy as possible for respondents to answer.

The draft questionnaire was informally piloted with 20 employees. Their overall response was pleasing, the only main criticism being that the quality of the print made it difficult to read at times. This problem was eventually overcome by acquiring desk-top publishing equipment to produce the final copy. Changes in wording were also made in several questions to aid clarity, and some further adjustments were made to the layout and positioning of questions.

It must be noted, however, that the group used in the pilot were a fairly homogeneous set. In terms of their socio-economic class, they all fell into the CI/C2 categories. Furthermore, only 8 out of 20 were women. Considering the fact that one key emphasis of the research was on the effects on women, this number, with hindsight, should have been increased. We estimated that the questionnaire took between 10 and 12 minutes to complete.

In the remainder of this appendix each question is examined in turn; an explanation is given of why each question has been posed in the format in which it appears, and the type of analysis for which it can be used. The questionnaire itself follows at the end of the appendix.

Question 1 (a) Please state your job title;
(b) What are your main duties in this position?

The aim of these two linked questions is to gain an accurate description of the work undertaken by the respondent. When seeking such information, it is insufficient merely to ask what a person's job title is. This is because employees performing the same tasks in different organisations may not have identical job titles, and because not all job titles are precisely descriptive of the actual functions carried out. For example, in one corporation someone working in an accounts department may be called an 'accounts clerk', while someone undertaking similar tasks in another workplace may be called a 'general office clerk'. While it is relatively clear what the former's job consists of, the same cannot be said of the latter. Thus, we cannot intuitively tell from these job titles that the work they in fact involve is very similar.

This brings us on to a second reason for asking what the respondent's main duties are. While in some cases the job title may give an accurate description of the work undertaken, in others the title may be unhelpful or even positively misleading. This may lead to erroneous judgements being made as to the kind of work done by holders of a specific job title. A fine example of this was put forward by Payne (1951: 185), who enquired about a respondent describing his position as 'Bank Director' only to discover that this man's job consisted of directing customers to the correct bank clerk.

These two questions are posed in an open-ended form. This is the most appropriate, as without prior knowledge of all the job titles in the population under investigation it would be impossible (and impractical) to draw up a comparable list of closed answers to encompass all forms of work.

Question 2 How long have you worked for your current organisation?

This question, asking the respondent to state the number of years and/or months s/he has been employed by the present organisation, has also been set in an open form. This was felt to be the most efficient format for this question, as to give a closed question with a number of answers from which to choose from would take up a great deal more space on the questionnaire. Furthermore, the answers gained would be more precise than those derived by, say, asking for one box to be ticked from a selection of four or five (Moser and Kalton, 1989).

To illustrate this point we can hypothesise a closed response format where the first two possibilities were: (a) less than 1 year; (b) 1-10 years. On undertaking a survey of employees we would probably find a high proportion of the responding workforce falling into the second category, (b). However, there is obviously a great deal of difference between 1 year and 10 years of service with an organisation and consequently there may be a great range of knowledge of and attitudes towards pensions within this group. With closed responses it would prove impossible to distinguish such differences within the overall range, whereas with an open response the differences can be examined.

Another, more general reason for providing questions with open response formats at this point in the questionnaire is that many researchers feel that to start a questionnaire with a number of open questions helps respondents feel at ease by giving them a sense that they have some control over the answers they can give.

The length of time the respondent has been with a firm may well influence his or her opinions considerably. This variable may therefore be related to any of the questions from 10 onwards, as length of service may have some bearing on the answers given to questions relating to other variables. This goes not only for variables which test knowledge as in, for example, questions 10 and 12, but also for attitude/opinion variables.

Another reason for the inclusion of this question is to examine whether the employee is eligible for all the benefits which a pension scheme may provide.

At the analysis stage we had the opportunity to collapse the responses into a number of broad categories (the designation of which depends on the distribution of the lengths of service). With these categories, a variable will now have an ordinal level of measurement, with the respondents in one category being placed above those in another by virtue of having worked longer for their present employer.

Such a variable may then be related to other ordinal or nominal level variables using contingency table analysis. In relating this variable to other ordinal variables, we can use Kendalls Tau (b) (Bryman and Cramer, 1991), if the number of categories in both variables are the same, or Kendalls Tau (c) if there are more categories in one variable

than in the other. These statistics will provide us with both the strength of association between the two variables and the direction of that association. Such statistics give a value between -1 and 1, with -1 indicating a perfect negative relationship, 1 a perfect positive relationship and 0 no relationship at all.

Alternatively, if we take the answer to a certain ordinal variable as dependent on the length of service with an organisation, we can use the Somers D statistics (Norusis, 1988) to assess both the strength and the direction of the association when one variable is dependent on another.

The questions which may be classed as ordinal within this survey are 19a-k, and 17. With nominal variables (for example 'Yes/No/Don't Know' response formats) categories cannot be ordered and therefore the direction of the association cannot be calculated. With such variables the strength of the association between question 2 and others can be measured using Cramers V. This gives a value between 0 and 1, with 1 indicating a perfect relationship and 0 no relationship at all. Nominal variables with which question 2 can be related are sought by questions 11, 12, 16 and 18.

Question 3 Your age?

It was decided to put this question in a closed format. The reason for this was the recognition that respondents will often understate their age (Payne, 1951). By asking respondents to choose one of several broad categories we were therefore likely to have fewer respondents misclassified in terms of their actual age. It is recognised, however, that the demerit of such a question format is that the variable will not be sensitive

enough to pick up small differences in the opinions and knowledge of respondents which result from their age. For example, although we can analyse the differences in responses between age groups, for example between those aged 21-30 and those aged 31-40, it would be impossible to compare the responses given at specific ages, for example the responses of those aged 25 with the responses of those aged 35.

This variable may be compared to any question from 10 onwards, in order to discover if the age of the employee has any effect on the answers he or she gives. For example, we may expect to find that those respondents who fall into an older age band will have different attitudes from younger respondents.

An important category in this variable is the 51-60 age range. This age range will pick up those who are nearing retirement age (especially women) and who will therefore soon be reaping the benefits of a pension. By selecting out this group of respondents, percentage calculations can be used to compare their answers to other age groups.

The level of measurement for this variable is ordinal since it consists of a number of categories with an inherent ordering to them. Thus, if we wish to examine the strength of the relationship between age and another variable, Kendalls Tau, Somers D or Cramers V may be used, depending on the level of measurement and whether responses on the chosen variable are deemed to be dependent on age.

Question 4 Your marital status?

Respondents were asked to choose one of six categories which among them should account for any possible marital position. If we wish to examine the strength of the association between this variable and another, it would be best to treat both as having a normal level of measurement and hence Cramers V should be used.

Question 5 Your sex?

The format for this question has been kept to its simplest form, with the actual question consisting of two words, and with the possibility of two responses. This is all that is necessary for such a question, and nothing would be gained by making it more complicated. Although it is such a simple question, this variable is probably the most important in the questionnaire as far as this survey is concerned. Indeed, the potential difference in the responses of the sexes may be said to lay at the core of this whole study. Being able to classify responses according to gender enables us to identify areas where there is a clear gender divide. Each question (from 10 onwards) may be used to explore possible significant differences in the knowledge and opinions between males and females.

The ability to select out all females is essential in analysing responses to those questions which are specifically targeted at women. These questions include 17, 18 and 19d, which deal with the effects on a woman's pension of her taking unpaid maternity leave. The targeting of women could have been achieved at the data collection stage by incorporating complicated routing into the questionnaire, whereby we ask women only to answer certain questions. There are several reasons for not following this complicated procedure. First, a questionnaire can look very confusing if it has a great

number of instructions telling the respondent to answer a particular question only if they meet certain criteria (such as being female). Such a format could well depress the response rate; a questionnaire should be easy to follow, or respondents may well feel it too complicated to complete. Secondly, if both males and females answer all the questions, then we at least have the option to analyse responses given by men to questions aimed at women. Indeed, we may find that there are significant differences in the responses of the two sexes, which may in turn lead to a greater understanding on a particular subject. Obviously, such an analysis would not be possible if we did not ask all respondents to complete the question in the first place.

The type of analysis which may be possible with this variable (as with all the key variables on the front page of the questionnaire) are many and varied. Here, however, we shall again concentrate on the strength of the association. As this variable is dichotomous, it can be considered to have a nominal level of measurement. Hence, Cramers V would be appropriate for testing the existence of a relationship between sex and another categorical variable.

Question 6 Does your employer class you as a full-time, part-time, or job-share worker?

This variable is a very important one for the purposes of this survey. It is apparent that there is a wide disparity in the treatment of full-time and part-time employees with respect to pensions. Part-time employees will not be eligible for membership of some company pension schemes because of the limited number of hours they work. Part-time workers who are ineligible for membership of their company pension scheme will be

identified by a combination of questions 6 and 8. This question will also allow analysis of employees who job-share, a relatively new and growing method of working.

It was discussed whether just part-time employees should be selected out in the questionnaire. However, it was felt that to ask if a person was part-time or not would send a signal to full-time employees, indicating that their responses were not really required. This would in turn affect the response rate for the survey. The question chosen does not indicate that the responses of either group are preferred.

This variable will be used mainly for dividing workers into full- and part-time employees in order to analyse their respective responses to questions about pension schemes. This will be of greatest use for questions 11 and 12 which deal with pension payments pro rata for both full and part-time employees.

Question 7 How many hours do you work per week?

The response format for this variable was left open so that we could find out the exact number of hours per week worked by each respondent. This enabled us to establish whether each employee was eligible to join the company pension scheme, by referring back to the policy documents for the relevant scheme (some schemes do not allow membership to some categories of workers who work a limited number of hours). It also enabled us to check with employers to see whether the number of hours worked constituted part-time or full-time work within the context of the particular organisation.

This variable is therefore a good test of reliability for questions 6 and 9. We can check the employee's view of whether s/he is a full or part-time worker (question 6) against the number of hours worked which the employer classes as full-/part-time employment; and we can test to see if any respondents who said they are not in the company pension scheme (question 9) are in fact eligible by virtue of the number of hours they work per week.

Question 8 How much do you currently earn per annum (exclusive of overtime)?

This variable is important in order to analyse the responses relating to the respondents' salaries. It was also effective in clarification of the responses to question 1(b), 'What are your main duties?'

Question 9 Are you a member of the company pension scheme?

There are two mutually exclusive potential answers to this question, enabling us to distinguish those who are presently in their company pension schemes from those who are not. If this measure was not incorporated into the survey, we would not be sure that everyone who responded to the questionnaire was in fact a member of his or her company pension scheme.

At this stage in the questionnaire two options are available. Respondents could be asked to complete the remainder of the questionnaire only if they are indeed members of the company pension scheme; or all respondents could be asked to complete the questionnaire regardless of whether or not they are members of their company scheme.

In this survey the second option was chosen: all respondents were asked to answer all questions. The reasons for this are similar to those given under question 5 above; in particular, responses given to questions on pensions by employees not in the pension scheme may prove to be very enlightening.

As with some of the other key variables, the main purpose of question 9 is to select from the sample the sub group we are most interested in analysing.

Question 10 If 'No', for what reason are you not a member?

In order to allow for the possibility of analysing the responses of non-members of company pension schemes in greater detail, it was decided to include a follow-up to the previous question asking why non-members do not belong to the company pension scheme. This question was designed in an open format, recognising that not all possible answers could be offered for selection in the limited space available. Furthermore, without carrying out extensive pilot work, we could not hope to design a closed answer format which would encapsulate all possible responses.

Questions 11, 12, 13 These three questions request information on contribution levels, on the part of both employer and employee.

Question 14 On retirement, is the same proportion of earnings paid to both full- and part-time employees?

The format for this question is a closed one, with respondents being required to answer either 'Yes', 'No,' or 'Don't Know'. This was felt to be the simplest way to gain the

information required. The inclusion of the 'Don't Know' category was felt to be prudent because with factual questions of this kind, the respondent may not know the answer (Payne, 1951); thus, a straight choice between 'Yes' and 'No' could force some respondents to give an inappropriate answer. The 'Don't Know' box prevents the respondent from being forced to answer erroneously.

This question has been included in order to find out whether members of pension schemes perceive their schemes as being egalitarian in terms of the proportion of earnings paid to part-time and full-time workers respectively. It may well be interesting to examine the responses to this question given by certain sub-groups. For example, do part-time workers have a different view from full-time, or males a different view from females, etc.? This variable can therefore be used in conjunction with the key variables established on the front page of the questionnaire to discover what percentage of a sub-group choose a particular response.

Question 15 On retirement, who should receive a greater proportion of their earnings from a pension scheme?

Once again, a closed format has been chosen for this question for its ease to answer. The responses offered cover every eventuality, including the possibility that the respondent will not hazard a guess with the provision of a 'Don't Know' box. Unlike the previous question, which tested the respondent's knowledge, this question tackles the respondent's views on the equality of pension payments in an ideal world. We are therefore examining the way the respondent would like the pension scheme to work.

Questions 14 and 15 are closely related. When analysing the responses, it will be of particular interest to compare the answers of those who correctly identify their pension scheme as not giving equal benefits (question 14) to the same respondents' answers to question 11, which requested information on contribution levels.

Analysis may also be made by selecting out sub-groups from the sample (using the key variables). It is recommended that in order to analyse this question one simply uses descriptive statistics such as percentages.

Questions 16/18 What is the earliest age at which your pension scheme will allow a man/woman to retire and receive a pension?

Questions 16 and 18 will be examined together here as they are essentially the same, the only difference being that a different sex is considered in each one.

It was decided that an open format would be best for these questions. The rationale behind this was that some pension schemes allow people to retire as early as 50. One would, therefore, need a large number of categories for a closed format. The format chosen is both economical in terms of space and free from the bias which might arise if only a limited number of ages from which to choose were provided in a closed format.

These variables have been included to measure the knowledge of company pension scheme members in respect of the age at which they believe their pension scheme will allow them to retire. An obvious use for this measure is to compare respondents' answers to the actual company pension policy to discover what percentage identified the correct retirement age. This percentage may then be stratified by sex in order to

discover if certain groups have a more accurate perception of the age at which they may retire.

The difference between sexes seems to be of most interest in the context of this study. It was therefore important to examine the accuracy with which respondents classified the retirement age of their own sex as well as that of the opposite sex.

Another important use of these measures is to examine the relationship between the age at which respondents perceive they may retire to the age at which they believe they should be allowed to retire.

Questions 17/19 At what age should a man/woman retire and receive a pension?

As with questions 16/18, these are essentially asking the same question but about different sexes. These questions have been left open in recognition that the responses may have a distribution too wide to classify into separate categories in a closed format.

In asking these questions, we elicit sensitive measures of the age at which respondents feel men and women should ideally be allowed to retire.

With both pairs of questions, 16/18 and 17/19, we have interval levels of measurement as all responses will be directly relative to others. The benefit of this is that we can use Pearson's product moment correlation to examine the strength of the relationship between the age at which respondents believe they can retire and the age at which they feel they should be allowed to retire. The Pearson product moment correlation

coefficient is recognised as the standard statistical test for measuring the strength of the association between two variables with an interval level of measurement (Bryman and Cramer, 1991). The closer the correlation coefficient is to zero, the greater will be the mismatch between the two variables. This will provide us with a measure of satisfaction with the perceived retirement age for each sex.

Question 20 Does your pension scheme offer the same benefits to widows as widowers?

In this question we revert to the dichotomous closed answer response, with the added 'safety valve' for those willing to admit they 'Don't Know'. This format was felt to be ample for gaining the information required for this study.

Once again, we have a measure which is asking the respondents for their knowledge of the company pension scheme. In this case, the question deals with the equality of benefits between widows and widowers.

An obvious use for this information is to compare the answers given to this question to the actual provisions of the pension schemes. We can thus calculate the percentages who were right and wrong in their answers.

This variable may then be compared to responses to question 20(b) to discover whether it was felt that widows and widowers should receive the same pension. For this purpose it is suggested that basic descriptive statistics in the form of percentages be used to examine the proportions of those agreeing/disagreeing with the statement in question 19(b) who answered 'Yes' or 'No' to this question.

Question 21 If you were to die tomorrow, how much of a lump sum payment would you expect your next of kin to receive?

This was an open-ended question testing respondents' knowledge of their schemes' rules and regulations.

Question 22 In your pension scheme, how do you think a woman's pension is affected by her taking unpaid maternity leave, during which time she makes no pension contributions?

For this question, it was deemed important to provide the range of answers for possible effects on pensions as a result of unpaid maternity leave, asking respondents to tick one of four boxes. This is because the question is fairly long and required some thought. To leave it open would therefore risk respondents either misunderstanding the essence of the question or missing it out altogether.

This question enables us to gain an insight into how respondents feel women's pensions will be affected by taking unpaid leave and provides a measure of knowledge of an aspect of pension schemes. Once again, the responses may be compared to the actual situation to yield the percentage of 'correct' answers.

This issue is essentially one for women, as it is their pensions which will be affected by taking unpaid maternity leave. Using question 5, it would therefore be useful to select out women and examine what percentage selected each of the four options provided in question 22. These results may also be compared to actual pension scheme policy.

Another useful analysis will be to compare the results of males with those of females to discover:

- (a) whose views are most optimistic; and
- (b) whose responses are more accurate.

It is hypothesised that the responses of women will be both more pessimistic and more accurate.

Responses to this question may be compared with responses to questions 18 and 19(d) to discover the relationship between the way respondents feel their pension schemes work and the way they feel the pension schemes should work in relation to unpaid maternity leave.

Question 23 **If a woman takes unpaid maternity leave (during which time she makes no pension contributions), should she later receive the same pension as a man who has taken no periods of unpaid leave?**

With this question we have the familiar closed answer format with the possible responses 'Yes', 'No' and 'Don't Know'. Once again, it is felt such a format adequately serves our purposes. Attempts were made to simplify this question, but with a complicated concept such as this, it was felt that little improvement could be made.

This measure provides us with a further dimension to the debate on pension payments for women who have taken unpaid maternity leave. Here again we are examining respondents views' on the way things should be. In this context, we are examining whether it is felt men and women should receive the same pension even though a woman may have paid less into a pension fund as a result of taking maternity leave. Considering the fact that pensions are often decreased as a result of unpaid maternity

leave (examined by question 22), question 23 measures views on whether this situation is felt to be just.

Thus, by selecting out those respondents who answered 'Decreased' in question 22, we can check to see if this group would like men and women to receive the same pension benefits regardless of maternity leave.

The views of women are of prime importance here. If a large proportion perceive their pension rights as being reduced by unpaid maternity leave, but at the same time feel this to be unjust and believe both males and females should receive the same pension, it follows that there is considerable desire for change in the present constitution of schemes.

A second part to question 23 tests the convictions of those who support equality in payments for men and women by asking if they are willing to have all pensions reduced as a result. If a large proportion of women who answer 'yes' to the first part also answer 'yes' to the second part, this reinforces the perceptions of women on this issue.

It may well be of interest to contrast the answers given by females to those of males. Male respondents have most to lose from both men and women receiving the same pensions and thus we may expect negative answers to both parts of question 23 from many of them. However, if we find that a large proportion of men also desire equality in payments and are willing to pay the necessary price, we have added weight behind the call for reform in this aspect of pensions.

AI.3.1 The Likert Scale Items

The following eleven questions have been designed with a Likert scale format. Each question has five possible responses, ranging from '1 - strongly agree', to '5 - strongly disagree'. A respondent must circle one of these answers for each question, depending on his or her own degree of agreement with the statement given on the left-hand side of the page. Although some of the statements are closely related to other questions on the questionnaire, it was felt beneficial to place all the Likert scale questions together. This helps the flow of the form by moving away from questions which require a box to be ticked to those requiring a number to be circled. Scaling questions in this way is a common feature of sound questionnaire design.

This format is of particular use where attitudes are concerned, and was developed in recognition that people's attitudes can vary in degree or extent. For example, a person may have a positive attitude towards a whole range of issues, but attitudes on some issues may be stronger than to others. The five-item Likert scale attempts to measure not only the positive or negative nature of a person's attitude, but also the extent of that attitude (see Oppenheim, 1978).

The eleven questions in this section may generally be described as attitude statements. They are useful not only for gaining an insight into views on specific aspects of pensions, but in that by aggregating the responses to the scores, we may get an overall view of attitudes towards pensions. We shall examine this point further below.

Question 24a Pension schemes should offer men and women the flexibility of retiring at any age between 50 and 65

With this measure we are examining attitudes towards a flexible retirement age. With such a variable, we can calculate the percentages of respondents who agree with and oppose the statement. An interesting analysis will be to compare the percentages of agreement in different age bands. For example, how do those in the 51-60 age range answer? As this group would be directly affected by the introduction of a flexible retirement age, it follows that their views may be of most significance. If a large percentage agree with the statement, then it follows that there is some weight behind the argument for the introduction of such a policy.

A further use for this attitude measure is in conjunction with questions 17 and 19. For example, we may test the hypothesis that those who posit an ideal retirement age at well below 50 are likely to welcome the introduction of a flexible retiring age between 50 and 65. Conversely, those who give high ideal retiring ages are likely to disagree with the attitude statement we are dealing with in question 24a.

Question 24b Widows and widowers of employees should not receive the same pensions

It is immediately obvious from this attitude statement that, unlike the other statements, this one is phrased negatively. With Likert scale items we have a continuum of agreement from 'strongly agree' to 'strongly disagree'. Such a response format can be extremely useful when it comes to analysing negatively phrased statements. To explain this further, it is worth noting that agreement with a statement such as: 'Widows and widowers of employers should not receive the same pension' is the same as

disagreement with the statement: 'Widows and widowers of employees should receive the same pension'. By examining the responses to this question we can gain the same results as if the question had been worded in its opposite form.

There is an important reason for providing such a statement in its negative form, however. To explain this we can examine the responses which may be given by a progressive/liberal respondent. S/he may agree with many of the statements (each of which deals with a particular aspect of the reformation of pension schemes), thus giving answers of either 1 or 2. As a respondent moves down the questions s/he may realise that s/he agrees with them all and may thus not take care in answering the remaining items. By placing a statement with which they will disagree at the beginning of the Likert scale items, we are signalling a warning to the respondent to take care in reading all the statements as their answers may not all take the same form.

A further use of this question is to compare the answers given to the statement with those given to question 20. For example, what proportion of those who believe their pension scheme does not offer the same benefits to widows as widowers feel that widows and widowers should receive the same benefits? In question 24(b) we thus have a measure of the demand for equality in widows' and widowers' pensions.

Question 24c Widows/widowers should receive an extra allowance in their pensions if they are parents of children who are under 18 years old

With this attitude statement we are addressing the debate on whether widows/widowers should receive a higher pension if they have dependent children to support. It is a moot point as to whether a child in this context should be defined as a person under 16 or

under 18. For example, the 1991 Census defined dependent children as never-married children, in families, who are aged under 16, or in full-time education aged 16-18. However, it was felt that a question that included all these possibilities would be too complicated; hence 18 years was taken as the age at which, under any circumstances, an individual can no longer be classified as a child.

Once again, the analysis will take the form of the frequency with which each one of the five responses is chosen, using percentages.

Question 24d Women should have the opportunity to pay towards their pension while on unpaid maternity leave

With this statement we are adding another dimension to the debate on pension payments to women who have taken unpaid maternity leave. The responses may therefore be directly related to those to questions 22 and 23.

Various analyses are possible with this variable. For example, we can examine what proportion of males and females respectively falls into each of the five categories. It is of particular importance to assess the level of demand among females for such a policy. Question 24(d) may also be related to question 23. For instance, we may select out females who believe that men and women should receive the same pension and who also agree that they should have the opportunity to pay into their pension scheme while on maternity leave. If such a group constitutes a large proportion of all females then we obviously have demand for greater equality between sexes in both the payments into a scheme and the benefits from a scheme. And if men are largely in accord too, the demand is even greater.

Question 24e Women workers expect their partner to be responsible for the family income after retirement

With this statement we examine respondents' opinions on the commonly held belief that women workers expect their partners to provide the pension after retirement. Once again, the response of women to this question will be of prime importance. It is important to note, however, that this attitude item will not give us a measure of whether the respondent herself relies on her partner to be wholly responsible for the income after retirement. On the contrary, it will only tell us whether women workers as a whole are *thought* to expect their partners to provide a pension. Thus, while a female respondent may well expect her partner to do this, she may disagree that women as a whole think as she does.

Although this question is useful to gain an overview of the beliefs held by respondents on this issue, it is recognised that the data gained will tell us little about individuals' expectations.

Question 24f If a couple are divorced, the man should receive all his pension and decide for himself whether his ex-wife receives any of it

With the following five statements we move on to attitudes concerned with how pensions should be divided after a divorce. In this first statement we are dealing with the scenario in which a couple are divorced and the man receives a pension. We are measuring whether a respondent agrees that in such a position the man should be able to decide for himself whether his former wife receives any of it.

From such a statement we may expect a division between males and females in their level of agreement. This polarisation is likely to be most acute when we compare divorced males to divorced females, and it is therefore interesting to compare the differences between single, married and divorced respondents and explore any pattern among groups with different marital status.

Question 24g A man should have the right to demand a proportion of his ex-wife's pension

A common way to consider pensions in the context of divorce is to explore the ex-wife's rights to a proportion of the ex-husband's pension. To some extent, this is covered by the previous question, as to disagree with this statement is to infer that an ex-wife has a right to the husband's pension. However, this is fully examined in question 24h.

In the statement given in 24g we turn this situation on its head and examine whether an ex-husband has a right to his ex-wife's pension. With more and more women following careers, it follows that there will be an increasing number of women with valuable pension benefits accruing to them. The question is whether an ex-husband has a right to these.

Several useful analyses may be undertaken on this variable. At the simplest level, we can find out what proportion of all respondents fall into each of the five response categories. Taking this one step forward, we can stratify these responses by sex and marital status and compare the differences in responses between groups. Another analysis is to compare the responses on this variable to those given in question 24f. We

may examine, for example, whether those who disagree that the ex-husband should have complete control of his pension also disagree that an ex-wife should give part of her pension to her ex-husband. We may expect progressively minded respondents to disagree with 24f but agree with 24g.

Question 24h A woman should have the right to demand a proportion of her ex-husband's pension

In terms of the gender distribution of pensions, this question is perhaps more relevant than the previous one because, on the whole, it tends to be the men who have the pensions and the women who do not. This question will therefore tap into the attitude of respondents to a problem which is prevalent today. Similar analyses may be conducted as in respect of question 24g, and we may examine the number of progressively minded people who agree with statements 24h and 24g but disagree with 24f.

Question 24i If a couple are divorced and the man dies before retirement age, his ex-wife should receive a proportion of the lump sum paid by the pension scheme

Here we are dealing with the death in service benefit which forms an integral part of many pension schemes. This question examines the situation - which is becoming increasingly frequent - where a divorced man with a pension dies and therefore leaves his death in service benefit to his next of kin. The argument here is whether a woman who has previously lived with that man is entitled to some of that money, especially if during that time she had no pension fund of her own.

Question 24j If a man remarries, he should be required by law to divide his pension benefit between both wives on the basis of the number of years spent in each marriage

In this attitude measure, we are adding another dimension to the pensions and divorce debate. Here, a man has remarried and therefore has two possible beneficiaries from his pension. With this variable we are measuring how acceptable it would be for both wives to have a claim on a man's pension in accordance with the number of years each has been married to him.

With this question, as with the previous four, we are moving away from matters to do with changes in individual company pension schemes to wider issues to do with pensions as a whole and their response to changes in the wider social structure (in this instance, increased rates of divorce).

We might expect to witness a clear divide in the answers given by divorced men and divorced women. However, it would be interesting to explore the responses of other groups, such as married and single respondents, males and females, different age groups and so on.

Question 24k On retirement your pension should be linked to the rate of inflation

In this statement we are testing to see whether respondents would ideally like their pension to be indexed to the rate of inflation. By using the five-category response format we are able to calculate not only the percentage who would like an index-linked pension, but also the extent of that demand. For example, would such a policy be desired (response 2) or strongly desired (response 1)? By relating this variable to whether the company pension is in fact linked to the rate of inflation we can gain some idea of the extent to which the reality falls short of the ideal.

This question marks the last of the Likert scale items on the questionnaire. It is therefore appropriate at this point to explain the type of statistical analysis which is possible with such variables.

The variables from 24a to 24k each have an ordinal level of measurement. We may therefore assess the strength and direction of the relationship between any two of the variables using Kendalls Tau (b). For example, we may test the strength of the association between 24b and 24c. We may predict that such a relationship (if indeed there is one) will be negative. This is because agreement with 24b (which deals with treating widows and widowers unequally) is perhaps unlikely to be followed by agreement with 24c (which offers extra payments to both widows and widowers with dependent children).

If we wished to test the relationship between responses to a Likert scale item and a question with a Yes/No/Don't Know response, it would be normal practice to treat each as nominal. In such a case, Cramers V would be the chosen statistical tool.

Question 25 What percentage of your present salary do you expect to get on retirement?

It was felt important to phrase this question in terms of the present salary so that the respondent can estimate how much they would need to retire on present rates rather than having to project their earnings and the cost of living into the future.

The closed format was chosen to make the question easier to answer, offering respondents a range of options (10%, 20%, etc.). As we are dealing with percentages,

we have effectively reduced the possible responses from 100 to 10. The response format also provides a 'Don't Know' option. In an open-ended format the respondent would be likely to make a guess if they did not know. Although our format does not prevent respondents from guessing the answer, it was hoped that the provision of the 'Don't Know' category would reduce such response errors.

With this question we are once again testing the knowledge of those completing the questionnaire. We can therefore examine the proportion of respondents who correctly identify the percentage they will receive and the proportion who underestimate and overestimate the amount they believe they will receive.

The top value 100% of current salary prevented respondents to answer in terms of prices in year of retirement. In nominal terms, members might expect to get more than 100% of current salary when they retire. The available percentages indicated an hypothesis situation of "If you retired today...".

Question 26 How satisfied are you with the safety of your money invested in the company pension scheme?

This question has a Likert scale format, with five possible responses ranging from "very satisfied" to "very dissatisfied". This format allows not only for either satisfaction/dissatisfaction, but also for different degrees of these feelings.

This question complements those on company pension provision, as not only the characteristics of pension schemes are relevant. Regardless of the quality of this provision, workers have expectations about the schemes, that if not met, lead to

dissatisfaction. Hence the answers to this question might not only reflect the actual provision but workers' expectations as well. This will be interesting to examine by gender and other relevant variables. It is usually more important to providers to look at whether their workers are satisfied or not, as this will often be the trigger for changes in pension policies.

Question 27 Can you suggest any improvements that you would like to see made to your pension scheme?

This question is included out of courtesy to allow respondents to air any grievances they may have with their present scheme. Arguably, the end of the questionnaire is an ideal point at which to ask such a question. The respondent's mind having been focused on pensions, s/he may be likely to think of ways in which pension schemes could be improved. Such information can be extracted in this question. The responses may then be examined in a qualitative way to discover if there are any recurrent themes.

AI.4 Analysis of the Data

AI.4.1 Producing Indices from our Variables

Some of the most interesting work which can be carried out with the variables in this questionnaire involves combining certain items together to form indices. An examination of the questionnaire led to the identification of at least two possible indices. These are an attitude index and a knowledge index.

The Attitude Index

As stated above, there are a number of variables on the questionnaire which may be considered as representing certain attitudes towards pensions. These have been grouped together towards the end of the questionnaire in the questions numbered from 24a to 24k.

To form an index we could simply add up the scores on these nine questions, giving us a score between 11 and 55 for each respondent. Alternatively, we could find the mean of the eleven variables, thus gaining an average score between 1 and 5 for each respondent. The problem with combining items in this way is that as some of the items are very different from others, it may be wrong to aggregate them as they have little in common. The ideal situation would be to aggregate only those items which are closely related, since they measure the same underlying phenomenon.

To test how many underlying factors (and hence how many different indices) there are, we can use a form of factor analysis called principal components analysis. This is an exploratory form of analysis which identifies how many underlying factors the variables contain, and which variables are measures of which factors. We may, for example, discover three underlying factors, each of which contains three variables. Hence, from our eleven variables, we could produce three indices, each of which measures a different aspect of attitudes towards pensions.

The Knowledge Index

We also noted earlier that certain questions are measures of the respondents' knowledge of their pension schemes. These responses may be compared to the actual provisions of

pension schemes to see if the respondent was correct. If, for each of these questions, we give the responses a binary code (where a correct answer is coded 1 and an incorrect answer is coded 0) we can put all five such questions into the same unit of measurement. These five responses can then be combined to form an index of the level of knowledge about pension schemes. This index will have a range between 0 (completely incorrect knowledge) and 1 (completely correct knowledge). This technique was used only with the respondents from the larger companies of over 1,000 employees, because of the difficulty of obtaining the necessary pension rules and regulations for all the schemes.

Analysis of the Indices

As with individual variables, these composite variables (formed by amalgamating a number of variables) may be used to show differences between different sub-groups in the sample, for example between the sexes, or between different age groups.

Although the levels of measurement in the attitude indices will be ordinal, it is common practice to treat them as interval for the sake of analysis. The analysis presented here will follow this practice. The knowledge index, on the other hand, may be considered as truly interval.

As we are treating all indices as interval we can take one at a time and carry out multiple regression analysis upon them. This will enable us to examine the effects of certain factors (such as age, sex etc.) on each of the composite variables. In so doing we will be able to estimate what proportion of the variance in the composite variable is a

result of the personal attributes of the respondent. Thus, for example, we can highlight what proportion of the variance in responses in the knowledge index is a result of the respondent's age or sex.

AI.4.2 Cluster Analysis

The respondents to the questionnaire were analysed using cluster analysis, a method that groups variables according to the degree of similarity exhibited among the variables. The intention was to separate the items of interest - in this case people - into a small number of homogeneous groups, or clusters, which may or may not be mutually exclusive. This encompasses a number of data analysis methods which are essentially 'exploratory' in nature, all of which enable the researcher to identify groups of respondents which exhibit relatively highly correlated characteristics among themselves and relatively low correlations with respondents in other groups.

However, it is clear from the literature that there is no formal definition of a cluster. Grengrelli (1963) defines a cluster as 'an aggregate of points in the test space such that the distance between any two points in the cluster is less than the distance between any point in the cluster and any point not in it'. Most definitions less formally refer to clusters as being sets of respondents that are similar, while respondents from different clusters are not alike. Everitt (1990) describes a natural cluster as a 'continuous region ... containing a relatively high density of points, separated from other such regions by regions containing a relatively low density of points'. Alternatively, it has been said that a cluster is simply defined by the value judgement of the researcher (Bonner, 1964).

Regardless of the precise definition of a cluster, the analysis should at least provide a convenient summary of often complex, multivariate data, and may have 'important theoretical or practical implications' (Everitt and Dunn, 1991). For example, clustering may enable the researcher to generate and test hypotheses, make predictions about other people on the basis of the current sample's characteristics, fit models and generally condense large amounts of data into manageable units, without any undue loss of information (Everitt, 1980).

For our purposes this entailed attempting to segment respondents into groups such that people within groups are similar to one another in terms of their satisfaction with their occupational pension schemes but not similar to people in other groups (where this similarity is based on the level of correlation between variables). This allowed us to identify the characteristics of individuals who are broadly similar in their attitudes towards their pension schemes. In particular, we were interested in the significance of gender in determining attitudes. In other words, we wanted to assess whether or not men and women appeared in different clusters of attitudes.

We applied cluster analysis, using the SPSS computer package. Although various clustering techniques exist, we do not attempt to assess the merits of different approaches, since the issues have been discussed comprehensively in various texts (for example Cormack, 1971; Everitt, 1980; and Everitt and Dunn, 1991). Openshaw and Wymer (1995) stress that different methods may produce different (potentially quite substantially different) results and state that the 'choice of clustering method is just another in a long series of highly arbitrary operational decisions'. Since for our purposes clustering is essentially a descriptive tool (rather than being used to test any

specific hypotheses), and given that there is no universally recognised 'best' technique, we do not attempt to investigate the complete range of methods available.

AI.5 Conclusion

This appendix has set out the underlying rationale for the nature of the research methodology, its design, data analysis and presentation. The researcher is confident that this shows that the conclusions reached are founded on valid and representative data resulting in an appropriately balanced research study. Included in the following pages is a copy of the questionnaire - not in the exact presentation format as it was printed professionally in A3 format.

APPENDIX II

POSTSCRIPT

AII.1 Introduction

AII.2 The Goode Report

AII.3 The 1994 White Paper

AII.3.1 Security

AII.3.2 Equality

AII.4 European Court of Justice Rulings

AII.5 The Pensions Bill 1994

AII.6 The Pensions Act 1995

AII.6.1 Security

AII.6.2 Equality

AII.6.3 Choice

AII.7 What the 1995 Act Did Not Cover

AII.7.1 The Mis-selling of Personal Pensions

AII.7.2 Part-Time Workers

AII.7.3 European Directives

AII.7.4 The Future of SERPS

AII.7.5 Divorce

AII.8 Conclusion: Unfinished Business

AII.1 Introduction

The research undertaken for this thesis highlighted the need for legislative change in pension provision to accommodate the changing employment patterns within the UK, specifically those of women. For reasons of clarity, it was decided to write up the findings within the legal framework applying at the time of the fieldwork and to defer the examination of subsequent legislation. In this appendix, an attempt is made to examine the legislative changes that have taken place since the completion of the fieldwork in 1991-2.

The main piece of legislation to have been enacted since the fieldwork was completed is the Pensions Act 1995. This measure attempted to deal with a number of problems. One is the need for greater security of occupational pensions in the aftermath of the Maxwell affair. The collapse of the late Robert Maxwell's business empire revealed that he had removed pension funds associated with companies under his control. Public apprehension about the ease with which this could be accomplished led to the establishment of the Pension Law Review Committee (the Goode Committee) in June 1992. It reported on 30 September 1993 (Goode, 1993), making over 200 recommendations. Many of these recommendations were incorporated in modified form in a White Paper, *Security, Equality, Choice: The Future for Pensions* (DSS, 1994) which was published in 1994 and preceded the 1995 legislation .

A second feature of the Act is the implementation of equal state pension ages (SPAs). This overdue reform had been announced at the end of 1993; the intention was to equalise pension age for men and women at 65, with a period of phasing-in from 2010

to 2020 (Equality in State Pension Age, Cm 2420). This change had knock-on effects on the regulations relating to contracted-out occupational and personal pension schemes.

The political imperative to equalise state pensions came from the European Court, which ruled in the *Barber* judgement in 1990 that pensions were part of pay and therefore men and women had to be treated equally. Further ramifications of this judgement were spelt out by the Court in September 1994: its rulings also influenced the course of the Pensions Bill that became the Pensions Act 1995.

A11.2 The Goode Report

The Pension Law Review Committee was instructed to 'review the framework of law and regulation within which occupational pension schemes operate, taking into account the rights and interests of scheme members, pensioners and employers'. It also examined, as seemed prudent in the wake of the Maxwell case, the status and ownership of occupational pension funds and the accountability and role of trustees, fund managers, auditors and pension scheme advisers.

The committee produced a consultative document which outlined the main issues and, in a move designed to help those from whom it sought information, posed the questions it felt needed addressing. The questions posed by the committee included:

- Is the existing pensions law rigorously enforced? If not, can anything be done to improve this?

- If a fund is in surplus, who owns the surplus and who should dictate how it is deployed?
- Is there a case for moving away from trust law for administering pension funds towards more formal contractual arrangements?
- What should be the role and powers of trustees, and should all funds have an independent trustee with a power of veto?
- Are there ways of ensuring more watertight segregation of pension fund assets from those of the company, and should greater restrictions be placed on self-investment?
- If all else fails and pensioners lose out, should there be a compensation scheme and, if so, who should fund it?

Responses to these questions were received from a large number of institutions and individuals. In addition, research was undertaken on the committee's behalf by Social and Community Planning Research to investigate the public's perceptions of occupational pension schemes and to highlight ways in which such schemes failed to match up to the expectations of contributing members, those with retained rights, and pensioners. In 1991 there were 10.7 million people contributing to occupational pension schemes, another 3 million with a preserved pension from a former employer, and around 6.5 million retired people receiving at least one occupational pension.

Among the committee's most interesting findings related to the probability of employees joining company pension schemes. As table AII.1 shows, women were most strongly inclined to join such schemes between the ages of 25 and 44.

Table AII.1 Likelihood of Joining an Occupational Pension Scheme

All Non-retired Persons	Age	If Changing Jobs or Starting a New Job, % 'Very' or 'Fairly' Likely to Join Employer's Scheme ¹	Base = 100%
All		69	4,344
Men	16-24	67	411
	25-34	69	484
	35-44	74	456
	45-54	74	437
	55+	52	308
Women	16-24	68	379
	25-34	77	598
	35-44	75	522
	45-54	69	476
	55+	43	236
Scheme Membership		86	1,276
Current Member ²		62	924
Never a Member		62	2,144

Notes: 1. 'Don't Know' responses are not included in the bases. 2. 'Current Member' also includes current members who also previously belonged to a scheme with an earlier employer.

Source: Goode, 1993, vol. II: 56.

In order to help maintain the popularity of occupational pension schemes into the twenty-first century, the Pension Law Review Committee called for a new Occupational Pension Schemes Act. It argued that existing law had a number of deficiencies. For example, employers and trustees had too much discretion and the interests of scheme members were insufficiently protected. There was no form of compensation to cover loss through asset misappropriation, and there was no regulatory body with overall jurisdiction and ability to monitor and enforce proper administrative standards.

The Goode proposals therefore included the appointment of a regulator to carry out random checks and detailed investigations even where no complaint has been made. Improved performance and accountability of trustees were to be sought not through the

institution of independent professional trustees but by a requirement that scheme members appoint at least a third of all trustees (with a minimum of two to be chosen from the workforce). It was recommended that employers should not be able to veto the members' choices - including third parties such as trade union representatives. It was also recommended that trustees have the sole right of deciding whom to appoint as the scheme's actuary, accountants and fund managers.

Goode further recommended that there should be an independent Pension Compensation Board to administer a compensation scheme in cases of theft, fraud or other misappropriation relating to all types of company schemes. The committee recommended that compensation be financed by means of a levy on all occupational pensions. Further, the committee advised that pension schemes should meet minimum solvency standards. Employers would be allowed to seek a contributions holiday so long as the scheme met these standards. However, if they wanted to take cash back out of the scheme, they would need specific permission from the regulator. Every scheme should have a formal complaints procedure; the role of the Occupational Pensions Advisory Service and the Pensions Ombudsman should be strengthened, and the Ombudsman should have power to compensate members for distress and delay, as well as financial loss.

AII.3 The 1994 White Paper

In June 1994 the government published its response to the Goode Committee's report in a White Paper (DSS, 1994) whose title - *Security, Equality and Choice* - stressed what it perceived to be the three core elements of the necessary reform.

AII.3.1 Security

An important element that the White Paper took over from the Goode Report was the minimum solvency requirement. This was intended not only to reinforce confidence that accrued rights will be protected, but also to provide a basis on which a schedule of contributions could be set to maintain an appropriate funding level, thus providing a key measure for trustees in maintaining and managing the scheme, and for members in giving clear information on the health of the scheme. The minimum solvency requirement was to apply to all defined benefit schemes, apart from those that were not approved for tax purposes (this applies mainly to schemes for highly paid executives, whose pensions offer benefits above Inland Revenue limits) and those that were backed by protection at least as good as that provided by the minimum solvency requirement (for example, unfunded public service schemes and local authority schemes).

Other proposals in the White Paper intended to increase pension security included a requirement that occupational schemes be permitted to invest only 5% of their assets in the parent company and prohibited from offering loans and other financial assistance to the sponsoring employer. Proposals were also made with the aim of improving transfer values when individuals leave schemes, specifying the circumstances in which

employers could take surplus funds out of a scheme, and providing limited indexation of deferred pensions and pensions in payment. It was further proposed that occupational pension schemes should provide some protection against inflation, reflected by the requirement for annual increases in line with retail price index inflation up to a maximum of 5% per annum.

The role of trustees in pension schemes was reaffirmed and their relationship with the scheme professionals who advise them was spelt out in detail. For the first time it was made clear that the actuary, auditor, legal adviser, fund manager and administrator all take their instructions from, report to, and are responsible to the trustees and not to the employer. Therefore they are obliged to inform the trustees of any concerns they have about the scheme. Trustees should be responsible for the investment policy of their scheme. They should use as their standard what could be expected of a prudent person. Trustees of salary-related schemes, where the employer is obliged to make good any shortfall in the fund, should be required to consult the sponsoring employer about the scheme's investment strategy. They should also be allowed to delegate decision-making to authorized fund managers, who would continue to be authorised under the Financial Services Act.

The White Paper recommended that members have the right, in all schemes, to select at least one-third of the trustees. The minimum number of such trustees would be two (except in very small schemes where one might suffice). Employers would be required to allow member trustees time off with pay for training and to attend trustees' meetings.

The White Paper also proposed that schemes be required to provide information explaining rules and benefits. Members should therefore be able to request annual benefit statements and other information, such as annual reports and accounts, written in a user-friendly way. As a matter of good practice, schemes should also be encouraged to consolidate their trust deed or rules into a single document, at least once every five years.

The government also proposed to appoint an occupational pensions regulator to whom members, trustees and pensions professionals would have access. Scheme actuaries and auditors were to be required to act as 'whistleblowers', reporting suspected malpractice by employers or their professional advisers to the regulator. The original Goode proposals saw the regulator as having a larger, more proactive role, but the White Paper argued that these proposals were expensive and over-bureaucratic.

Finally, the White Paper accepted the Goode proposal of a compensation scheme, to be administered by the Pensions Ombudsman and financed by an annual levy on occupational pension schemes.

AII.3.2 Equality

In accepting the principle of equality of treatment for men and women in occupational schemes, the White Paper recognised that a number of problems had to be resolved. One of the most important was the link between such schemes and SERPS. Under existing legislation, salary-related occupational schemes which contract out of SERPS have to provide benefits no lower than the guaranteed minimum pension (GMP). Because

current state pension ages differ between the sexes, GMPs for men and women have different accrual rates and are paid at different ages. Full equalisation of state pensions is not planned to be completed until 2020, and this would mean a very long period in which occupational pensions were in transition between the old and new arrangements. The White Paper proposed to continue to calculate GMPs (and protect them in payment) in the current manner until April 1997, but then to break the link with SERPS. From 1997 onwards the test for allowing a scheme to contract out from SERPS would be based upon the overall quality of total benefits (the 'requisite benefits' test), rather than a requirement to replicate aspects of those benefits which would have accrued under the state scheme.

AII.4 European Court of Justice Rulings

Recent changes in UK pensions law have taken place against the background of important rulings from the European Court. The main features of these rulings are outlined below.

The *Barber* judgement of 1990 provided little guidance to employers on how to adjust the conditions associated with their pension schemes to apply equally to men and women. It was unclear, for example, whether simply raising the age at which females could acquire benefits was legitimate; questions of backdating and the coverage of pension schemes also remained to be clarified. Numerous cases exploring the consequences of the *Barber* ruling were brought by individuals and pension fund trustees. In September 1994 the European Court ruled on six important cases (see table AII.2). The first four of these concerned the pension rights of full-time employees, their

dependants and successors in claims against pension scheme trustees. The remaining two cases related to the right of access to schemes of married women and part-time workers.

For UK employers, the combined effect of these rulings was to establish the legitimacy of raising the age at which women receive occupational pensions - 'levelling downwards' as it has been described. As a side-effect of the *Coloroll* judgement, it was also confirmed that gender-based actuarial factors are permitted (Grant, 1994). Both of these verdicts imply that pension age equalisation need not be costly for schemes. On the other hand, for many employers, the decision on part-timers has very different implications.

The UK has long had a large female part-time workforce, and although some part-time workers have been enrolled in occupational pension schemes, they have been very much in a minority. The European Court ruled in the *Fischer and Beaune* cases that barring part-time workers from pension scheme membership could amount to indirect discrimination against women, because the majority of part-time workers are female. Moreover, it judged that employers should have realised this in 1976 following a previous ruling; the Court argued that because that decision was ignored, part-time workers should have the right to claim benefits for past service dating back to 1976.

The UK Government Actuary calculated that the ruling on part-time workers could cost British industry £7 billion (*Financial Times*, 24 September 1994). There is reason to suppose that this exaggerates the likely repercussions, however. In an earlier judgement (*Bilka-Kaufhaus*, 1986) the Court set out legitimate justifications for excluding part-

timers from schemes. These are likely to cover such factors as excessive administration costs where labour turnover is high. This means that the bulk of part-timers seeking retrospective benefits would have to find large sums to cover unpaid contributions and this is likely to act as a severe deterrent to claims (Kelly and Evans, 1994).

Despite these qualifications, however, the effects of the European Court judgements are likely to be significant, and could act as a deterrent to employers considering setting up new schemes.

Table AII.2 European Court Rulings

Case	Circumstances	Ruling
<i>Coloroll</i>	Collapsed home furnishings group unable to wind up scheme because of uncertainty of <i>Barber</i> . European Court was asked for clarification.	<ul style="list-style-type: none"> • Trustees are bound to apply equal treatment rules where pensions are received as a lump sum funded by contributions from employer and worker and are used to buy an annuity. • In equalising pensions, trustees are allowed to equalise downwards the benefits of men and women. They have to improve benefits for men accruing between May 1990 and the date the company took action to implement equal pension rights. • In men-only schemes, trustees were told that men could not claim the improved benefits they might have expected as a result of the <i>Barber</i> judgement if there had been women members.
<i>Smith v. Advel Systems</i>	Test case brought by five women, backed by Equal Opportunities Commission. In total, there were 78 claims from women claiming that they were worse off by the raising of their retirement age from 60 to 65 following the <i>Barber</i> ruling.	<ul style="list-style-type: none"> • The Court ruled that for periods of service after implementation of equal pension rights, employers may raise the retirement age of women to that of men, worsening their pension provision. This may not be softened by ancillary measures designed to minimise the adverse consequences.
<i>ABP v. Berune</i>	A question of whether the Dutch civil service's occupational pension scheme was covered by the equal treatment rules.	<ul style="list-style-type: none"> • The Court confirmed that it is not permissible for such a scheme to discriminate against married men. • It was ruled that between the <i>Barber</i> judgement and the equalisation of pension ages on 1 July 1990, pension rights of men in the scheme had to be calculated on the same retirement age as those for women. For benefits accruing before May 1990, there was no requirement to ensure equal treatment. For periods after the equalisation date, Article 119 did not preclude measures which achieved equal treatment by reducing the advantages of the class previously favoured.
<i>Van Den Akker v. Shell</i>	In 1985, Shell equalised retirement ages at 65, but said it would protect pension rights of existing women scheme members by allowing them to continue to enjoy better benefits than men by allowing them to keep a pensionable age of 60.	<ul style="list-style-type: none"> • The Court ruled that for periods between the <i>Barber</i> judgement and equalisation, conditions for male workers would have to be improved. This is a consequence of the transition to equalisation.
<i>Vroege v. NCIV</i>	Case about rights of access to schemes by part-time workers.	<ul style="list-style-type: none"> • Confirmed that the right is not time-limited by the <i>Barber</i> judgement and stretches back to April 1976.
<i>Fischer versus Voorhuis Hengelo</i>	Asked whether equal pay rules apply to a pension scheme which excluded married women.	<ul style="list-style-type: none"> • If a worker wishes to join scheme retroactively, she must pay contributions covering that period. (This case does not have great implications for the UK because married women are allowed into schemes.)

AII.5 The Pensions Bill 1994

The Pensions Bill was published on 16 December 1994. Largely based on the principles outlined in the White Paper, its principal innovations concerned the detail of the Occupational Pensions Regulatory Authority (which replaces the Occupational Pensions Board) and a new Office of the Pensions Registry.

The Bill received a cautious welcome from most interested parties. A survey of occupational schemes suggested widespread support for the main features of the government's proposals (Davis, 1995), although the NAPF was concerned about a continuing bias it detected in favour of personal pensions. Five organisations representing pensioners and scheme members - the TUC, the Consumers' Association, the Confederation of Occupational Pensioners' Associations (COPAS), Help the Aged and Age Concern - issued a joint press release welcoming the legislation in principle. However, COPAS's chairman, Roy Hutchins, insisted that it was necessary to get the practical details right. He argued for increasing the proportion of trustees elected by the members from the one-third proposed in the Bill to one-half, and he felt that the occupational pensions regulator needed greater powers.

Opposition politicians, while recognising that much of the Bill was uncontroversial, nevertheless saw considerable grounds for improvement. In the second reading of the Bill in the House of Lords on 25 January 1995, Baroness Hollis, leading for Labour, thought that the regulator's proposed role was too limited; it was very much watered down from that proposed by Goode. Baroness Sear, for the Liberal Democrats, also thought that the reliance on 'whistleblowers' to alert the regulator to potential

malpractice was inadequate. She also promised Liberal Democrat amendments to provide for 50% elected trustees, including pensioner members.

As the Bill moved through the Lords, the government suffered a number of significant defeats. One was on a cross-party proposal to restore pensions to war widows whose second marriages end in divorce or the husband's death. Another, potentially much more significant in the long run, was on a proposal to compel divorce courts to take pensions into account when dividing assets. It has been estimated that this could affect more than 200,000 couples per year, and could lose the government revenue of up to £300 million per year as a result of reduced taxation payable.

On 24 April 1995 the Secretary of State for Social Security, Peter Lilley, accepted both of these amendments, which seemed to be popular with the public. He pledged to resist a number of further amendments, for instance one which would have altered the basis of SERPS awards by taking a longer period for estimating entitlements and, according to Mr Lilley, would have cost over £2.5 billion by the middle of the twenty-first century (*The Times*, 25 April 1995).

AII.6 The Pensions Act 1995

After a long and tortuous journey through Parliament, the Bill received Royal Assent in July 1995 and was scheduled to come into force on 6 April 1997. How far does the enacted legislation meet the White Paper's objectives of providing security, equality and choice?

AII.6.1 Security

The Act requires only one-third of the trustees (in most cases) to be scheme members. It gives trustees new responsibilities to appoint professional advisers, determine contribution levels, sanction the payment of pension surpluses to employers, create procedures for dispute resolution and comply with new regulations on information disclosure. Legal duties are therefore onerous. The Act also establishes the new regulator (the Occupational Pensions Regulatory Authority) and a compensation fund to cover the loss of pension fund assets.

The primary defence against conflicts of interest is disclosure. However, the Act still contains no statutory requirement to place on open file with the regulator such basic information as the annual report or actuarial valuations. Moreover, the regulator has neither the powers nor the funds to monitor schemes regularly, send in inspection teams or routinely examine annual reports and accounts. Instead, the regulator will have to wait for trustees, auditors or other advisers to blow the whistle before intervening.

The compensation scheme provides a degree of security for members whose employer commits fraud or misappropriates pension funds, leaving the scheme insolvent. The Pensions Compensation Board will pay up to 90% of missing assets or 90% of the amount needed to make the scheme solvent. It should be noted, however, that the compensation scheme can only be invoked in the event of insolvency - something which did not occur in the case of the Mirror Group, whose problems prompted the establishment of the Goode Committee in the first place!

The original proposals of the Goode Committee on minimum solvency requirements for schemes were significantly watered down during the Bill's passage, the government accepting an amendment changing 'minimum solvency' to 'minimum funding'. How did this occur? First, a solvent fund was defined as one which meets the 'cash equivalent' of benefits, valued with reference to the interest on long-term gilt-edged securities. This, however, would not purchase an insured annuity, the only true definition of solvency. So a scheme which met this requirement would not necessarily be solvent. Second, the requirement was further weakened by permitting very large schemes to allow up to 5% of pensioner liabilities to be met with equity assets. This, the Institute and Faculty of Actuaries argued (*Financial Times*, 27 April 1995), rendered the concept of minimum solvency almost meaningless as it implied the existence of a safety net of assets which would not, in the event, be there. Third, asset values could be smoothed over defined periods, further lowering the cash equivalence. Fourth, Lord Mackay of Ardbrecknish, the Social Security Minister, proposed that large schemes 'would be able to be run on a closed fund, delivering pension benefits as they fall due - reliably and cost-efficiently' (*Observer*, 14 May 1995). Finally, since by now the 'solvency' requirement had little to do with solvency as understood by professionals, the government renamed it the 'minimum funding' requirement.

The security measures were designed to 'increase funded pension provision, make choice more affordable, and provide greater security, equality and choice for pension holders' (Pensions Minister James Arbuthnot, quoted in the *Guardian*, 5 April 1995). However, as one commentator observed, 'the safeguards in occupational pensions, though better than they were, still look dangerously rickety' (*Financial Times*, 14 June 1995). Concerns have also been expressed by the NAPF that the government, by not

insisting that fund assets be held by a totally independent regulated custodian, had failed to address the issue which was at the heart of the Maxwell affair. Further NAPF speculation came from its investment committee chairman, Geoff Lindey, who said: 'There is not very much in the pension bill which would prevent another Maxwell scandal from occurring. Indeed, Maxwell funds would have met many of the requirements of this legislation' (*The Times*, 24 June 1995).

AII.6.2 Equality

Section 126 of the Act formalised the phased implementation of pension age equalisation from April 2010. Equalisation at 65 remains a controversial matter. A recent report has suggested that raising of the state pension age will, given the likely projected pattern of women's involvement in the workforce, decrease the state pension income of women in the future (Arber, 1995).

AII.6.3 Choice

The legislation confirmed the earlier proposal to allow personal pension holders to defer buying an annuity until the age of 75, thus increasing flexibility. The Act also requires that information be provided concerning members' rights to guaranteed cash equivalents. A written statement will offer members of occupational schemes more information concerning transfer values and subsequently more choice over pension provision.

AII.7 What the 1995 Act Did Not Cover

The government clearly hoped that successful passage of the Pensions Act would dispose of the problems which have been hanging over pensions provision for several years. There are, however, any number of reasons why this hope is likely to prove illusory. The Act does not, for example, adequately address the following important issues.

AII.7.1 The Mis-selling of Personal Pensions

It is now widely accepted that there was widespread mis-selling of personal pensions after 1987; hundreds of thousands of individuals are believed to have been wrongly advised (see Short, 1995; Cicutti, 1995). The government, despite the role it played in creating the climate in which this problem emerged, including incentives to providers of such schemes, steered clear of involvement in dealing with its aftermath. The Act does not deal with the issue, and it was left to the regulators, the Securities and Investments Board and the Personal Investment Authority, to come up with solutions. They ordered insurance companies to determine which of their investors had suffered from bad advice and then to make redress by helping to reinstate individuals in the occupational schemes from which they had ill-advisedly opted out, or adding additional benefits to their personal pensions. The cost of this compensation has been put at anywhere between £2 billion and £3 billion. Not surprisingly, many of the firms facing these massive compensation bills objected to this. They argued that they were abiding by the regulatory system operating at the time, and that the Personal Investment Authority might be exceeding its powers in mandating compensation on this scale.

AII.7.2 Part-Time Workers

The European Court ruling that companies can be guilty of indirect sex discrimination by excluding predominantly female part-time workers from occupational pension schemes continues to give rise to problems. The Court ruled that claims against employers could be backdated to 1976. However, in October 1994 it ruled that national governments could set an appropriate cut-off date for claims. The UK government indicated that it would prefer backdating for only two years, subject to the employee lodging her claim within six months of leaving her job. The Pensions Act, however, did not take the opportunity to provide a clear legal basis for such action, and in consequence industrial tribunals were swamped by over 45,000 claims.

AII.7.3 European Directives

The European Union has two draft directives in the pipeline which will impact on pension provision in the UK. One concerns the issue of the time limitations of equal treatment within occupational pension schemes; the second addresses the question of enabling the free movement of people around Europe without loss of pension rights, covering treatment of early leavers and the avoidance of double taxation. Neither of these questions has been dealt with by the government.

AII.7.4 The Future of SERPS

A longer-term issue which is not addressed in the 1995 legislation is the future of SERPS. The uncoupling of the state scheme from private pensions by the ending of

guaranteed minimum pensions suggests a further step in the direction of privatisation of pension provision. The Chairman of the NAPF, Tom Ross, is only one of many to argue that 'We don't think that SERPS is a business that the Government should be in' (quoted in Miller, 1995). The NAPF is currently arguing for the replacement of SERPS by compulsory membership of a new private pension scheme. Similar arguments have been developed by the Adam Smith Institute and the Institute of Economic Affairs in the past and would be likely to have considerable appeal to re-elected Conservative administration. They might also have some appeal to the Labour Party: a variant of the NAPF scheme was discussed in the Report of the Commission on Social Justice, and a Labour MP, Frank Field, has developed the argument further.

AII.7.5 Divorce

During the passage of the Pensions Bill, the government accepted a House of Lords proposal to compel divorce courts to take pensions into account when dividing a couple's assets. However, the issue was not thoroughly dealt with in the legislation and it has already returned to haunt the government. In March 1996, Conservative peers joined with Labour to insert the principle of 'pension splitting' on divorce into the Family Law Bill. This was a serious defeat for the government, which, given its precarious position in the House of Commons at this time, was forced to accept the principle. It has considerable implications for tax revenue, and it is believed that implementation of split pensions may require amendments to 30 or more pieces of legislation. It will raise again fundamental questions about pension rights which the government would have hoped to have buried with the passing of the Pensions Act.

AII.8 Conclusion: Unfinished Business

Mis-selling, the position of part-time workers (who are mainly women) and the poor, European rulings, the future of SERPS, and the division of pensions after divorce are only the most obvious of a number of pensions-related issues which are likely to continue to confront the government over the next few years. Others include early retirement provisions, flexible retirement ages (still Labour policy) and support for spouses where a pensioner is in residential care. Despite the immense time and effort expended on the 1995 Pensions Act, further legislation is inevitable before very long.

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