

Trust and confidence in pensions and pension providers

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Background

The Government is committed to increasing pension saving and recognises the importance of ensuring that people are confident that a pension is a good way to provide for retirement, and that people trust the organisations providing them. Consequently, the Department for Work and Pensions (DWP) placed a module of questions on BMRB Limited's face-to-face omnibus survey in May 2007 to provide information on current levels of confidence and trust.

Methodology

Interviews were conducted with approximately 1,500 adults aged 16 or over living in Great Britain who were not retired. The age and sex structure of the sample was representative of the general population.

Key findings

- Half of respondents agreed that putting money into a pension is the most secure way of saving for your retirement, unchanged from summer 2006.
- We asked how much respondents trusted or distrusted four types of organisation, when thinking about pensions they had or might have in the future.
- Employers were the most trusted organisation, followed by a non-profit independent organisation, then the financial services industry, with the Government being least trusted.

- The pattern of responses for the four organisations we asked about was similar when respondents were asked about trust 'to act in your best interests' and trust 'to make the most of your money'.
- Recent news stories about pensions were the biggest influence on both trust and distrust.

Confidence in pensions

We asked respondents how much they agreed or disagreed with the statement 'putting money into a pension is the most secure way of saving for your retirement'.

Half of respondents agreed, a quarter disagreed, and the remaining quarter were not sure. These findings have not changed significantly since this question was asked in summer 2006 as part of the Attitudes to Pensions survey.¹

The youngest respondents (aged 16-24) were most likely to agree that a pension is the most secure way of saving for retirement; 60 per cent of this group agreed. The proportion agreeing decreased in each subsequent age group, falling to 40 per cent amongst 55-64 year-olds.

There were no significant differences in responses by sex, pension membership, or income.

Trust in different organisations

We asked respondents how much they trusted different organisations to 'act in their best

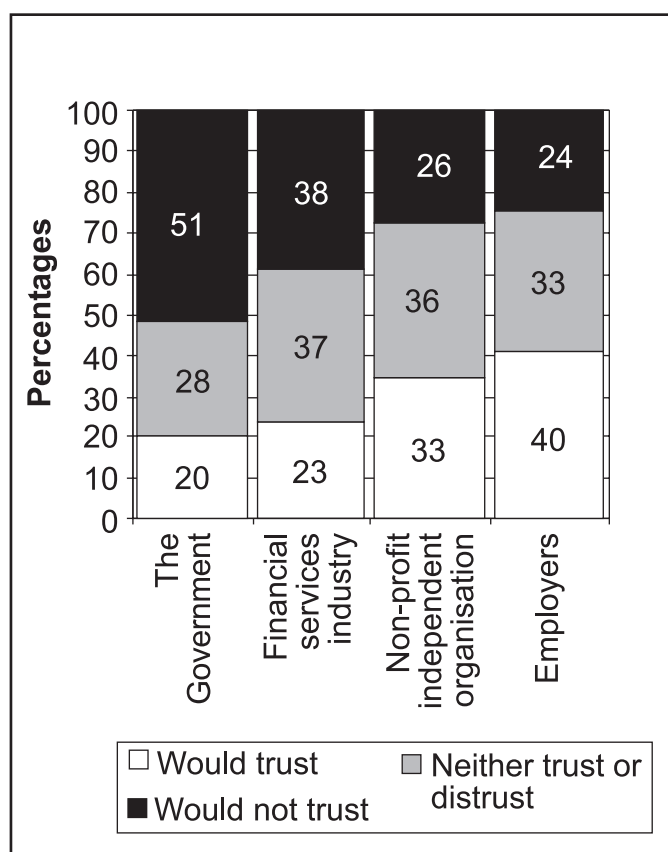
¹ Clery E, McKay S, Phillips M & Robinson C (2007) Attitudes to Pensions: The 2006 survey, DWP Research Report 434.

interests', when thinking about any pensions they had or might have in the future. The four organisations we asked about were employers, the financial services industry, the Government, and a non-profit independent organisation. Given the questions asked in the survey prior to this one, it is possible that respondents may have had private pensions in mind when answering.

It is worth noting that a significant proportion of respondents were uncertain when asked about their trust in the four organisations; for each one, about a third said that they would neither trust nor distrust them.

The findings are below in Figure 1.

Figure 1 Proportions trusting different organisations to 'act in your best interests'



Employers were the most trusted organisation, followed by a non-profit independent organisation, then the financial services industry, with the Government being least trusted.

Contributing to a pension appeared to make little difference to whom people trusted, with one exception – trust in employers. Perhaps unsurprisingly, respondents who were contributing to an employer pension were more likely to trust employers to act in their best interests; 54 per cent of this group trusted them, compared to 33 per cent amongst those who were not contributing to a pension.

Respondents who did not think a pension was the most secure way of saving for retirement were less likely to trust all four organisations we asked about than other respondents. However, they still trusted employers and a non-profit independent organisation most, and the financial services industry and the Government least.

In addition, respondents who were confident that they would have sufficient income for their retirement, based on their current arrangements, were significantly less likely to say that they did not trust the Government and the financial services industry. Forty-eight per cent of those who were confident said they would not trust the Government, compared to fifty-eight per cent of those who were not confident. The percentages for the financial services industry were thirty-five per cent and forty-three per cent respectively.

This group of respondents were also significantly more likely to trust employers, and less likely to distrust them.

There were no significant differences when the findings were analysed by sex, age, working status, or income.

We also asked respondents how much they trusted each of the four organisations to 'make the most of your money'. The results were very similar to those above for 'acting in your best interests'.

Influences on trust and distrust in pensions

We asked respondents which of a range of options had most influenced whom they trusted and distrusted, when thinking about any pensions they had or might have in the future. The choices we gave respondents were:

- recent news stories about pensions;
- a personal experience with pensions;
- a personal experience with another savings product;
- an experience a friend or relative had with pensions; and
- an experience a friend or relative had with another savings product.

Influences on trust

Twenty-eight per cent of respondents said that recent news stories about pensions had most influenced whom they trusted. An experience a friend or relative had with pensions was also an important influence on trust (chosen by 26 per cent), followed by a personal experience with pensions (chosen by 17 per cent).

Personal experiences with pensions, or those of a friend or relative, were significantly more likely to generate trust, rather than distrust.

The youngest group of respondents, aged 16-24, were more likely than other age groups to say that an experience a friend or relative had with pensions had most influenced whom they trusted; 38 per cent chose this option, compared to 26 per cent of all respondents.

Members of a pension scheme were more likely than non-members to say that their trust in pensions had been most influenced by a personal experience with pensions; 22 per cent of members and 12 per cent of non-members chose this option.

Nine per cent of respondents did not know what had most influenced them, and six per cent chose an 'other' factor which was not on the list of options provided.

There were no significant differences in responses by sex, working status or income.

Influences on distrust

Recent news stories about pensions were the biggest influence on distrust (chosen by 31 per cent). The remainder of the responses on distrust were more evenly divided amongst the following options:

- a personal experience with pensions (chosen by 10 per cent);
- a personal experience with another savings product (chosen by 11 per cent);
- an experience a friend or relative had with pensions (chosen by 12 per cent); and
- an experience a friend or relative had with another savings product (chosen by 12 per cent).

Thirteen per cent of respondents did not know what had most influenced them, and a further 13 per cent said that a factor that was not on the list of options provided had most influenced them.

There were no significant differences in responses by sex, age, pension membership, working status or income.

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