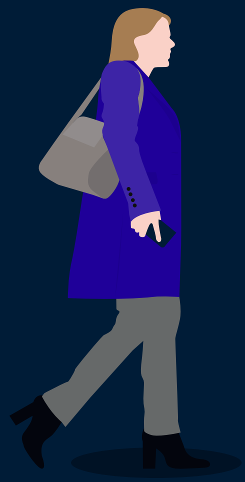
Chapter 1:
Multiple job holders and the self-employed



1.Multiple job holders

Earning less, Saving less

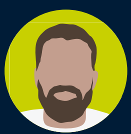
The total private pension wealth for people with multiple jobs who are nearing or in retirement (aged 55 to 69) and earn less than £10,000 in each role is £12,400. This represents just 6.1% of the average man's pension of £203,200.

This is principally because multiple job-holders earn 39% less than the average population (£16,750 in comparison to the average of £27,380) and are often ineligible for auto-enrolment. When the State Pension and other benefits are taken into account, multiple job holders still have 46% less than the average population's pension income – just £210 a week compared with £390.

While many people with multiple jobs are excluded from auto-enrolment due to their low earnings, even those who earn more than the £10,000 threshold and are enrolled still miss out on potentially significant contributions from each job because of the Qualifying Earnings Limit[2]. This means instead of saving 8% into a pension, people who earn £10,000 are only able to contribute 3.8% of that total figure.

Case study: multiple job holder

Mike, 33, from Leeds, is married with one child and has another on the way. He said:



"

Pre-covid, I worked multiple jobs – a delivery driver for local businesses and a part-time job bar-tending. My wife does occasional cleaning work but as she goes further into her pregnancy this is becoming less of an option.

"Before Covid-19, as a family we'd made enough money to live, but not to save. I was more focused on providing for the day-to-day and, while I occasionally thought about a rainy-day fund, I not only didn't think about pensions but wasn't aware that they were something I had to concern myself with. I assumed that when I reached a certain age a State Pension would be enough to see me through my old age.

"Covid-19 has changed my working life and consequently my perspective on savings and pensions. My second job, bar tending, is no longer there to give me an income stream, meaning I've had to search for more full-time driving jobs. It's made me realise how precarious my finances were and that I needed to start planning to ensure that I could provide for my family, both now and in the future.

"

[2] The first £6,240 is deducted from any pension contribution in auto-enrolment, meaning that their total contributions (employer and employee) are 8% of the remaining £3,860 – in effect 3.8%.

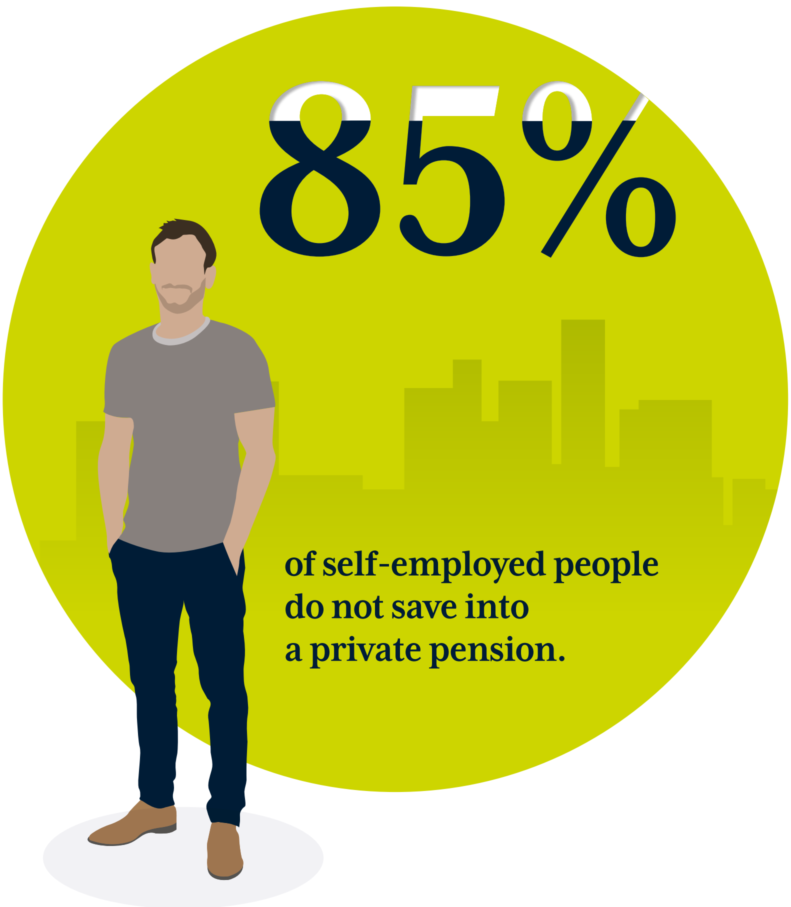
2. The self-employed

Self-employment is up, but pension savings are down

In contrast to people who are employed in traditional roles, the self-employed are cutting back on their pension saving.

Five million people in the UK are self-employed, contributing an estimated £305bn to the UK economy[3] and most of these individuals are men. Among those who have been self-employed for two years, 65% are male, rising to 71% of those who have been self-employed for 20 years.

85% of self-employed people do not save into a private pension, an increase from 73% in 2008/09. The remaining 15% who do manage to save into a pension only have a median pension wealth of £121,200, which is 55% of the median population average of £217,490 and just 40% of the men's median of £302,500.



Their situation, like every other group mentioned in this report, will be made worse by the Covid-19 pandemic and the continuing economic uncertainty associated with it.

The self-employed have lower incomes than full-time employees.

Average annual full-time earnings for the self-employed are £19,560, almost one third (29%) less than the average population (£27,380), although earnings typically increase the longer that someone is self-employed.

Low participation rates remain a problem, even among those closest to retirement.

Neither the level of income nor the closer you are to retirement have a material impact on the likelihood of being a member of a pension scheme. Less than one quarter (23%) of self-employed 60-64 year-olds are members of a pension scheme, and even among the highest-paid self-employed, pension participation rates are only around one in five (19%).

Ultimately, lower than average incomes, together with the need for financial flexibility, make it difficult for these groups to save consistently into a pension.

The self-employed are excluded from the benefits of automatic enrolment because they don't have an employer who can automatically enrol them and make contributions.
The changes to the automatic enrolment framework unfortunately won't assist them.

[3] The Self-Employed Landscape Report, IPSE 2019

Expert opinion

Andy Chamberlain, Director of Policy at the Association of Independent Professionals and the Self-Employed (IPSE), said:

“

This research is both valuable and concerning, chiming with our own past findings about the lack of pension saving among the self-employed. The reality is that the fluctuating incomes of the self-employed (particularly amid the financial turmoil of the pandemic) mean that rigid pension schemes such as the auto-enrolment programme simply do not work for them.

The self-employed need flexible pension plans that allow them to draw down on their savings when they need them. For both the self-employed and workers holding multiple part-time jobs – and anyone else whose style of work is not suited to rigid pension plans – it’s important that more flexible, accessible savings options are made available.

”

Policy proposals to close the gap

1. **Removal of the £10,000 trigger would get 106,000 multiple job-holders into auto-enrolment.**

2. **Pension contributions from the first £1 would increase pension wealth by 175%.**