Pensions, financialisation, and the psychological contract - how do 'experts' make pension choices and whom do they trust to provide pension information?

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Abstract

Higher life expectancy and recent changes to legislation have brought the issue of occupational pensions to greater prominence. How people make pension choices, what information they use, and whom they trust when doing this are therefore important issues for individuals and society. This study aims to shed light on these questions. In doing so this thesis contributes to theory by using a combination of financialisation and the psychological contract to take a different view of the pension landscape in the UK and contributes to practice by considering the response of individuals to the complexity of pension decisions.

This DBA thesis uses a case study approach to explore the views and experiences in relation to pensions of a group of employees with considerable financial expertise at the Institute of Chartered Accountants of Scotland. The study is qualitative, inductive, and adopts an interpretivist perspective. Information was gathered from semi-structured interviews, which allowed for consistency, but also provided an opportunity for individual comment and feedback from participants. The data was analysed thematically and the themes that emerged were used to frame the resulting study.

The study's findings show that pension decisions are complex and many individuals, despite good intentions and expertise, put more immediate life events and priorities ahead of pension investment. They tend to focus on input factors, particularly their bottom-line salary, rather than the output from pension investment that will accrue in future. Fundamental to pension decisions are the high levels of trust of employers, pension providers, and the lack of trust in financial advisers. These findings mean

there is the potential that pensions will not meet the needs of employees in retirement.

The study makes a number of recommendations – that financial education (including pensions) is taught in schools, pension scheme members should have an informed choice of default fund, the default pension fund is monitored for performance and suitability, there is greater use of financial advice, and that communication from employers is improved. These recommendations will help to improve pensions for future generations of employees.

Dedication

For Alison, Joe, and Eleanor

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CHAPTER 1: INTRODUCTION

1.1 Introduction and context of research

The responsibility for the provision of pensions is shifting from the state to the individual. The Pensions Act 1908 introduced a state pension in the UK for the first time (Thurley, 2008), followed by the National Insurance Act of 1911, which introduced National Insurance as a means of providing unemployment insurance (The National Archives, 2022). The 1946 National Insurance Act set up broader state benefits, and the link between National Insurance and pension payments (National Archives, 2017). However, more recently, there has been a strategic shift in pension provision from the state to the individual. It is argued that this “has become inextricably linked with the broader policy agenda to reduce older people's call on public resources in order to manage the increasing proportions of older people in the British population” (Lloyd, et al., 2014, p. 322).

As part of this process, the UK Government introduced a number of significant changes to the legislation governing pensions. The most significant of these were auto-enrolment (Government Policy - Automatic Enrolment, 2015) and the ability for pensioners to access their pension pots from the age of 55 (Pension changes, 2015)

The BBC reported that, ‘Pensions Minister Steve Webb said it was people's ‘choice’ whether to buy Italian Lamborghini sports cars’. He said, "If people do get a Lamborghini, and end up on the state pension, the state is much less concerned about that, and that is their choice" (BBC News, 2014, no page given).

To be able to buy a Lamborghini in the first place retirees will have had to make the correct decisions to ensure their pension is sufficiently large. Part of the problem linked to this is that whilst increasing freedoms are granted to individuals in relation to their pension funds (or ‘pots’), many will lack the technical expertise to do this (Webb, Watson, Ring, & Bryce, 2014). Other factors combine to make the provision of pensions for individuals problematic – a ‘perfect storm’ of sorts. In short, these are:

- A lack of knowledge, interest, and information.
- Scepticism of pension fund managers (and fund managers in general) from investors.
- Low returns from investments, particularly fixed interest instruments.
- Rising house prices meaning people might invest in property rather than pensions.
- Saving for deposits on houses as mortgages are less available.
- The desire and/or need to consume in the present rather than the future.
- The belief that a combination of government and employer schemes (via auto-enrolment) will provide enough to live on in old age.

(Scottish Widows Investments Team Update, 2022; Foster, 2017)

It would appear obvious what people need to do – contribute often & early to a good investment fund – but in many case people are not doing this (Berry, 2011). In response to this, the focus of this study is to understand how employees make decisions regarding their workplace pensions, what information they use, and whom they trust to provide that information. To do this, a number of staff members from the Institute of Chartered Accountants of Scotland were interviewed. The cohort’s characteristics are described in more detail in section 3.6, but it is worth pointing out at this stage their level of qualification and expertise was much higher than the population at large.

The concept of sustainability is important here. The term ‘sustainable’ can be defined as “meeting the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987, p. 41). The concept of sustainability is also important in relation to pensions. If people spend more in their younger years (through either desire or necessity, due to low incomes and/or high costs), or spend money from their pension fund (as in the example of the Lamborghini earlier in this section), this may compromise their ability to retire with a satisfactory level of income – that is, one that enables them to maintain a similar standard of living (Curry, 2010; Berry, 2011). Macroeconomic factors should also be considered – for example, prices (as measured by the Consumer Prices Index including owner occupiers' housing costs) increased by 8.8% in the 12 months to July 2022 (ONS - Consumer Price Inflation, 2022). The state pension is uplifted each year to keep pace with inflation, rising in 2022-23 by 3.1% (UK Government - Pension Rates Confirmed, 2021). Some private sector schemes may not keep pace with inflation (Prosser, 2022) and wages have no index link, and therefore the ability of employees to contribute to their pension could be impacted by the erosion of their real wage by inflation.

If there are issues with the provision of pensions for future pensioners, there arguably needs to be some focus on how to resolve these issues. It is beyond the scope of this dissertation to solve the pension problems of the UK, but it nevertheless aims to shed some light on the issues of how individuals approach choosing pensions and how individual decisions, with a long-term impact, are made.

1.2 Motivations for this study

1.2.1 Previous experience

The motivation for this study began with the researcher's work experience and professional qualifications gained as a Chartered Accountant ('CA') and as a private client investment manager. Working towards the CA qualification provided a fundamental understanding of companies and their financial function and gaining membership of the Chartered Institute of Securities and Investment ('CISI') provided skills in understanding investments and investment management. Finally, experience at the Institute of Chartered Accountants of Scotland ('ICAS') as the Chair of the Pensions Governance Committee involved regular meetings to discuss the performance of the pension investments and reporting to the ICAS Directors on a regular basis to discuss the performance and recommend changes where necessary. This emphasised the human side of pension investment and drove an interest in understanding the decisions people made regarding their pension, and for these reasons, the researcher wanted to find out more about this. The aim and objectives in the next section will set out how this will be approached in this study.

1.2.2 Aim and objectives of the research

The overall aim of the DBA project is to understand how ‘expert’ individuals make pension choices and whom they trust to provide them with pension information to do this.

The following objectives will guide the study to achieve this aim:

- Understand the history of pensions in the UK and critically reflect on the present pension environment.
- Explain the concepts of financialisation and the psychological contract, and their impact on pensions.
- Investigate and explore the views of expert individuals on pensions using qualitative data collected from semi-structured interviews.
- Analyse the data collected thematically to understand the factors considered when making pension decisions, and how trust impacts this.

1.2.3 Contribution to knowledge

This DBA thesis adds to existing knowledge of pensions in a number of ways. From a review of the literature, the two main concepts that frame this study are financialisation and the psychological contract. Financialisation can be defined as “the increasing role of financial motives, financial markets, financial actors, and financial institutions in the operation of the domestic and international economies” (Epstein, 2005, p. 3). Trust and the potential for variance in the perceived roles of employees and employers were identified early in the process as key factors in pensions. The psychological contract, as developed by Rousseau et al (2018), was regarded as an appropriate lens through which to analyse the issues raised in this context. The psychological contract is the implicit assumption of the relationship between employees and employers, and the reciprocity involved (Rousseau, 1990). Because of the importance of this implicit relationship in the outcome of pensions, and the trust involved in this, the psychological contract is useful when analysing the employer/employee relationships for this thesis.

The context of the study is in an environment of profound change in pensions, due to the introduction of auto-enrolment, along with a number of significant pension reforms by the UK Government, which have significantly changed the pension landscape in the UK. The most fundamental of these changes are the automatic enrolment of most workers into a workplace pension (with an opt-out, rather than an opt-in) (ICAEW, 2022) and the removal of most restrictions on private pension at age 55, meaning that pension investors can, for example, withdraw their whole pension pot in cash, or leave it invested and draw down income from the investments at that time (UK Government, 2014). As a result of these changes, a much greater number of employees now make contributions to a pension, with the largest increase in the younger age groups (Foster, Wijeratne, & Mulligan, 2021). The levels of financial awareness of employees (especially the over-55s) will become increasingly important, and there is some anxiety that customers may adopt inappropriate investment strategies. If the knowledge of individuals is not adequate, their uninformed decisions might have detrimental effects, such as paying too much tax or losing out on benefits that would accrue from pension investments (FCA, 2017). Trust in others to make decisions on their behalf becomes very important in these circumstances.

Finally, the primary data for the thesis comes from a series of interviews with the employees of ICAS, and as such, the thesis is a case study of a pension scheme introduced ahead of the required date and with more generous pension options than the statutory minimum. The fact that the organisation whose employees were studied is a professional body, with a high proportion of employees who are professionally qualified in financial disciplines, means that the population of the interviewees is an unusual one, and their role as 'experts' provides an interesting angle in analysing their comments.

The literature review, in Chapter 2, will discuss these concepts in more detail, but from a review of the existing literature, this study adopts a unique perspective, and as such the outputs from the research will be informative to practitioners. Recommendations will be drawn together in chapter 5 of the thesis.

The findings arising from the research and their contribution to practice are summarised next.

1.2.4 Contribution to practice

The research contributes to practice by showing how employees make choices in relation to their pension funds in a climate of change in the pension environment, and at a time of great change in the global financial system. The complexity of decision making in relation to contemporary workplace pensions means that many individuals do not have the knowledge, and/or the willingness to take responsibility for those choices, and so will rely on others to do this for them, to a lesser or greater extent.

Whom they rely on to do this will depend on trust, and the degree to which employees will rely on stakeholders to do this, including employers, pension scheme managers and financial advisers. The means by which any future disputes about pension outcomes will be resolved is also worthy of consideration.

The twin themes of financialisation and the psychological contract will be used as lenses through which to view the pension environment and decision-making process. Using these two models in combination is a unique element of this study, and the responses of the interviewees will serve to highlight practical changes that can be made to improve outcomes for all concerned. Finally, the study highlights that better education and communication are seen as ways to improve pension outcomes in future.

Whilst the limitations of a case study are identified and acknowledged, the experiences of the individuals concerned can be used to inform decisions made by employers and employees in the context of pensions choice, particularly in terms of theoretical transferability (Flyvbjerg, 2006).

1.3 Thesis structure

The structure of the thesis is set out below, with the aim of providing an understandable and logical presentation of the research and the conclusions and recommendations that can be drawn from it.

Chapter 1 introduces the research and is overall subject matter. The aim and objectives of the study are expressed, along with the background to and the motivations of the researcher. An overview of the contribution to knowledge and practice made by the research has also been provided.

Chapter 2 provides a review of literature, beginning with the background to, and the history of, pension schemes and investment in the UK. It goes on to identify the reasons why pension investment is important, and highlights some of the motivations behind pension investment. The chapter concludes with a summary of gaps and issues arising from the review and key research questions raised for the study.

Chapter 3 considers the philosophical view adopted, and methodology of the study in relation to the overall aim and objectives. The case study approach is considered, along with the use of sampling. The pilot study is discussed, and the influence it had on the remainder of the study is considered. Finally, the characteristics of the population interviewed is reviewed.

Chapter 4 details the analysis of the data provided from the interviews and considers the themes that emerge from them. The themes identified are considered in relation to the findings from the literature review, and conclusions are drawn for each part.

Chapter 5 details the conclusions that can be drawn from this DBA study. The implications of this research for knowledge and practice are discussed, and recommendations are provided. Limitations of the study and recommendations for future research are also given.

Note that throughout the thesis, quotes from the literature are presented in standard font, whilst participant quotes (from interviews) are presented in italicized font.

CHAPTER 2: LITERATURE REVIEW

2.1 Chapter introduction

The purpose of this chapter is to set out a review of the literature produced by previous research into the topic of pensions that is relevant to this study. The chapter will begin by considering pensions and their history – specifically how and why pensions developed, the shift from defined benefit pension schemes to defined contribution pension schemes, and the significant recent changes in legislation and their impact. The main themes of financialisation and the psychological contract are then discussed. These will be linked closely to the results set out in Chapter 4.

The main disciplines that are relevant to this dissertation are:

- Finance - in the context of understanding pensions, what they are and how they work.
- Accounting - understanding the implications of accounting standards on pensions.
- Consumer choice - in terms of how pension scheme members, prospective members and non-members make decisions about whether to have a pension and if so what to invest in.
- Contracts - not only the formal employment contract but the psychological (implicit) contract that exists between employee and employer.

The literature itself is grouped in a number of different areas according to source. These sources are academic studies (from peer-reviewed journals), professional sources with an interest in pensions (including professional firms and trade & industry bodies) and the Government. These will be dealt with in turn below.

2.1.1 Academic studies

Academic studies are useful in that they provide a high quality, peer-reviewed source of information, and arguments for particular points. But as the pensions environment is fast moving and subject to substantial change (e.g., from new government legislation on auto-enrolment) the volume of academic texts available is somewhat limited in relation to the more recent developments in pensions.

2.1.2 Professional information

Professional information is produced by industry bodies (such as Pension and Lifetime Savings Association), and professional firms (who can be pension advisers, such as Aviva and Scottish Widows, or accounting firms, such as KPMG). These firms can have a vested interest in the information produced, and whilst it is not peer-reviewed, the quality of the information is high as it is subject to stringent internal review before publication. This information is also likely to be more up to date than academic sources.

2.1.3 Government information

According to its own official sources, the UK Government produces information for a number of reasons. These are to:

- Give citizens a view of society and the work and performance of government, allowing them to assess the impact of government policies and actions.
- Inform parliaments and political assemblies about the state of the nation, giving a window on the work and performance of governments, to assess their policies' impact.
- Allow government and its agencies to carry out their business, making informed decisions based on evidence.
- Give ministers a picture of the economy and society, so they can develop and evaluate economic and social policies.
- Provide businesses with information to help them run effectively and efficiently.
- Help analysts, researchers, scholars, and students with their work.
- Meet the needs of international bodies so people can compare data across countries.

(Office For National Statistics, 2018)

It is important, therefore, that this information is accurate and consistent.

2.2 Definition of terms used and debates and influential models

The intention is not to make this section read like a glossary of terms; rather the necessary terminology and its sources will be incorporated in the sections of the thesis that cover the main debates and models.

The thesis will firstly cover the history of pensions in the UK, to enable an understanding of the background to the current situation. The thesis will then examine some of the statistics around pensions, to enable an examination discussion of the fundamental issues with knowledge of their significance to the population and the economy as a whole. This chapter will finish by looking at the issues and challenges in the pension sector before examining the academic literature on pensions, covering the impact of changes, financialisation and the psychological contract.

2.2.1 The development of pensions in modern society

Pensions, in the modern sense, begin in the UK with 'Social Insurance and Allied Services', a report produced by William Beveridge in 1942. Beveridge identified five so-called 'giant evils' in society at that time:

- Disease.
- Want.
- Ignorance.
- Squalor.
- Idleness.

(Beveridge, 1942)

Beveridge saw that one of the problems was that the National Insurance system in the UK was operated by a number of different agencies (including charities as well as government departments) and as a result was not unified in the way it operated (National Archives, 2017).

Beveridge recommended that means testing, and other fragmented approaches to helping those in need, be replaced by one system. All workers would pay into a national insurance scheme run by the government instead of insurance companies. There would be a flat rate contribution, and everyone would be entitled to a flat rate pension benefit.

The National Insurance (NI) Act was passed in 1946. NI became compulsory for all workers except married women. Most people paid the (then) substantial sum of 4s 11d a week (almost as much as was received for each child in family allowance per week). In return, workers received benefits for 'interruption of earnings' because of illness, and for unemployment or old age. For the elderly, a state pension was paid when men reached sixty-five and women reached sixty. Older workers were encouraged to continue working and two thirds of men decided to continue rather than take up their pension (National Archives, 2017).

2.2.2 Phases of pension development

Richard Disney provided a useful summary of the history of pension schemes in the UK in the National Institute Economic Review. Professor Disney's article was chosen due to his experience at the London School of Economics, the World Bank and the UK

Treasury, among others. Professor Disney specialises in pensions and employment issues and picks up the history of pension provision in the UK in his article, which he divides into four sequential phases.

1. Social insurance (1940s) - Beveridge's aim was to eliminate poverty in old age. To achieve that objective a publicly run system of flat pension contributions was introduced that were used to make flat rate payments to individuals after they had reached a certain 'pensionable age'. This basic scheme was supplemented by privately run schemes (mostly run by employers) that provided an income higher than the minimum, as an earnings replacement.

2. Earnings replacement (1975) - State Earnings-Related Pension ('SERPS'), introduced to supplement the flat pension, and to provide income for wives who did not work and credits for those who had time out of paid work. It was possible to opt out of SERPS in return for reduced contributions, but the plans that replaced SERPS were required to provide benefits equivalent to those received under SERPS.

3. Tax Credits (2003) - A different approach was adopted by the Labour government of the time, replacing the basic means-tested pension with a system of tax credits to redistribute income. The effect of this was to make more pensioners subject to means testing. The pension credit increased in line with earnings as opposed to prices, whilst the basic state pension increased in line with prices.

4. Citizen’s pension (2014) - The basic state pension was replaced by a single tier pension, which returned to the original concept of Beveridge that the main state pension should be a flat-rate contributory benefit. The basic state pension was replaced by a single-tier pension and the additional second state pension with a flat-rate pension set above the basic level of means-tested support for people who have reached state pension age. The emphasis on tax reliefs was reduced, and the ‘triple lock’ was introduced to govern the annual increase in pension payments, with pensions rising at the greater of the rate of inflation, earnings, or 2½%.

Disney highlights the fact that in the period since the Second World War the UK government has, at varying times, used each of the four main types of possible public pension provision - a contributory insurance ‘floor’, earnings-replacement, a modified negative income tax (via tax credits), and a universal ‘citizen’s pension’. During this time, more than one of these pension types was in operation at any one time (Disney, 2016).

2.2.3 The introduction of auto-enrolment

Fundamental legislative change was introduced via auto-enrolment, which was introduced by the UK Government in stages from 2012 (ICAEW, 2022). Because of this, most employees automatically become members of an occupational pension scheme and have to opt out if they do not want to contribute.

Initially, the minimum contributions for employees were 3% of salary for employees and 2% of salary for employers (Money Advice Service, 2018). These rose in April 2019 to 5% and 3% respectively (UK Government - Workplace Pensions, 2022). This has increased the numbers who participate in schemes by more than 7.5 million people (Kyriakou, 2017), but this may induce a false sense of security amongst pension scheme members because it is the case that if members make contributions at the minimum level, it is unlikely that the resulting pension will be adequate for most people (White, 2017).

What were, according to the government, further pension ‘freedoms’ were then introduced alongside auto-enrolment, the most significant of which were the ability for pension scheme members to access their pension pot at age 55 and the removal of the requirement to purchase an annuity (to provide lifetime income) (UK Government, 2014). These freedoms gave individuals further choice, but people will have more complex portfolios of assets and will need to make more complex choices. Individuals will therefore need to have the correct investment advice if they are to make the right decisions about their pensions (Curry, 2010).

Disney outlined five rationales for state intervention in pension provision:

1. Market failure.
2. Paternalism.
3. Redistribution.
4. Revenue raising.
5. Administrative efficiency.

(Disney, 2016)

Disney argues that the alleviation of poverty by means of a minimum level of income should be the responsibility of government, and income replacement the responsibility of private markets. However, in attempting to achieve these multiple rationales, there is a risk that the combination of the component parts results in distortions and inefficiencies in the provision of pensions. However, Disney concludes by saying that the UK has achieved its overall objective of providing a reasonable living standard for the vast majority of pensioners (Disney, 2016).

Private pensions are used to provide income greater than the minimum level provided by the State pension. Disney identifies two basic types of private pension plan – defined benefit ('DB') and defined contribution ('DC'). A DB pension will pay a pre-determined level of pension to scheme members based on their level of earnings and tenure of service, with some schemes offering cost of living increases until the death of the pensioner. DC schemes have no such guarantees, with the level of pension being dependent on the level of contributions, the investment performance, and the administration cost of the fund. The risk locus of the schemes is also different, with employers bearing the risks in a DB environment, whereas the risks are borne by pension scheme members in a DC environment (Gerrans & Clark, 2014).

Disney argues that company DC schemes are better than individual DC schemes for three reasons:

1. Employer contribution.
2. Risk pooling.
3. Administrative savings through group purchase.

(Disney, 2016)

Disney highlights shrinkage in employer-provided pension schemes, starting in 1979, with a markedly higher increase in the decline of private sector scheme members. Nicholas Barr and Peter Diamond identified “a series of long-term & well-known trends” (Barr & Diamond, 2008, p. 3) in pensions that would result in an increase in pension costs:

- Declining mortality - people are living longer.
- Declining fertility - women are having fewer children.
- Declining labour force participation of older men.
- Increasing rights for women.

(Barr & Diamond, 2008)

As a result, company pension schemes, since the 1990’s, have seen a shift from DB to DC pension schemes. One of the main benefits of this, from the firm’s perspective, is the transfer of wealth from pension beneficiaries to the shareholders of the firm, thereby improving the credit rating of the firm and its equity returns (Atanasova & Hrazdil, 2010). The initial shift from DB to DC was regarded as being rational from the perspective of the companies given the economic and social backdrop of the times, with changes to accounting for pensions, stock market decline and changes to UK Government policy. However, there is evidence to suggest that as this process became more embedded, a ‘herd mentality’ took over, the decision making over the DB to DC shift was perceived as good practice and the justification for a move was needed less (Bridgen & Meyer, 2005).

Whatever the underlying rationale for the shift from DB to DC pension schemes, this trend was accelerated by the introduction of auto-enrolment. It is also important to consider the role that changes in the UK economy and population had, and this will be covered in the next section.

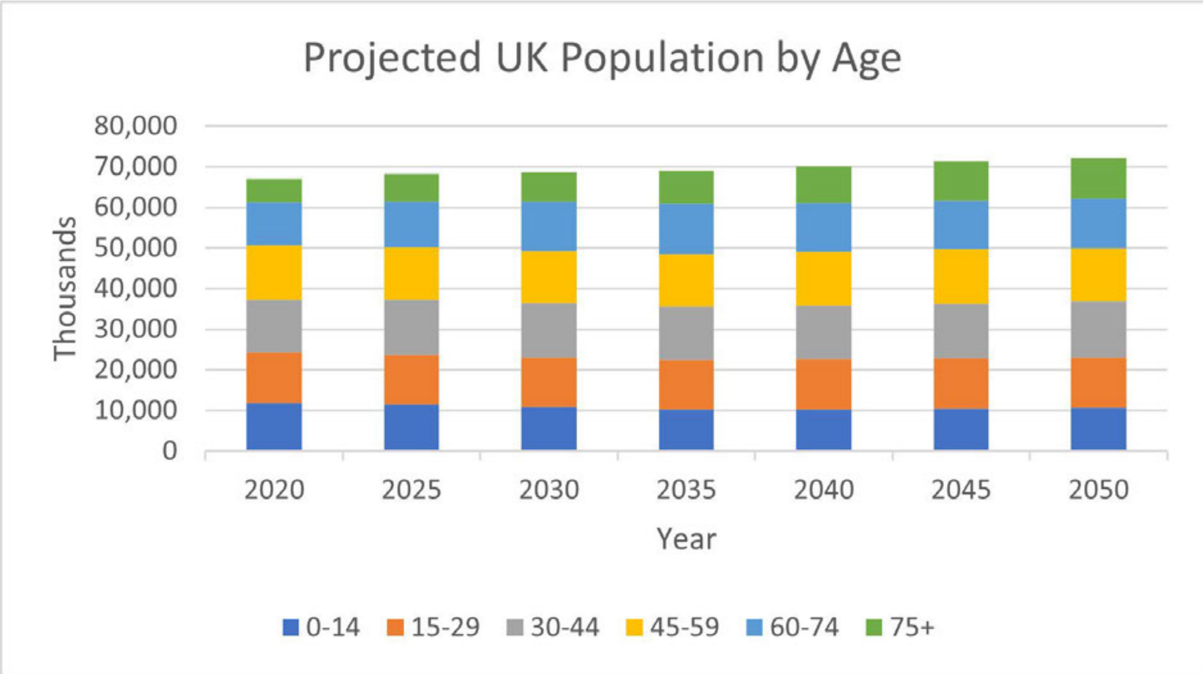
2.3 Population and economic changes

As well as examining the historical development of pensions, it is also necessary to consider the relevant changes in population and the economy and their influences on pensions. When trying to do this a statistical approach is needed to understand the population of the UK, both in terms of numbers of people and finances. One could argue that this is where the problems begin, as there is so much information that is available to do this, which makes it important to select information that is relevant. Some official statistics will be used to summarise and highlight the issues that arise.

2.3.1 UK population

The first factor to consider is the total population of the UK and how this is forecast to change in the future. Figure 1 below contains data from the 2021 census, showing the population of the UK in 2020, divided into a number of age ranges, and equivalent forecasts for the years through to 2050.

Figure 1 - UK population estimates and projections



(ONS, 2022)

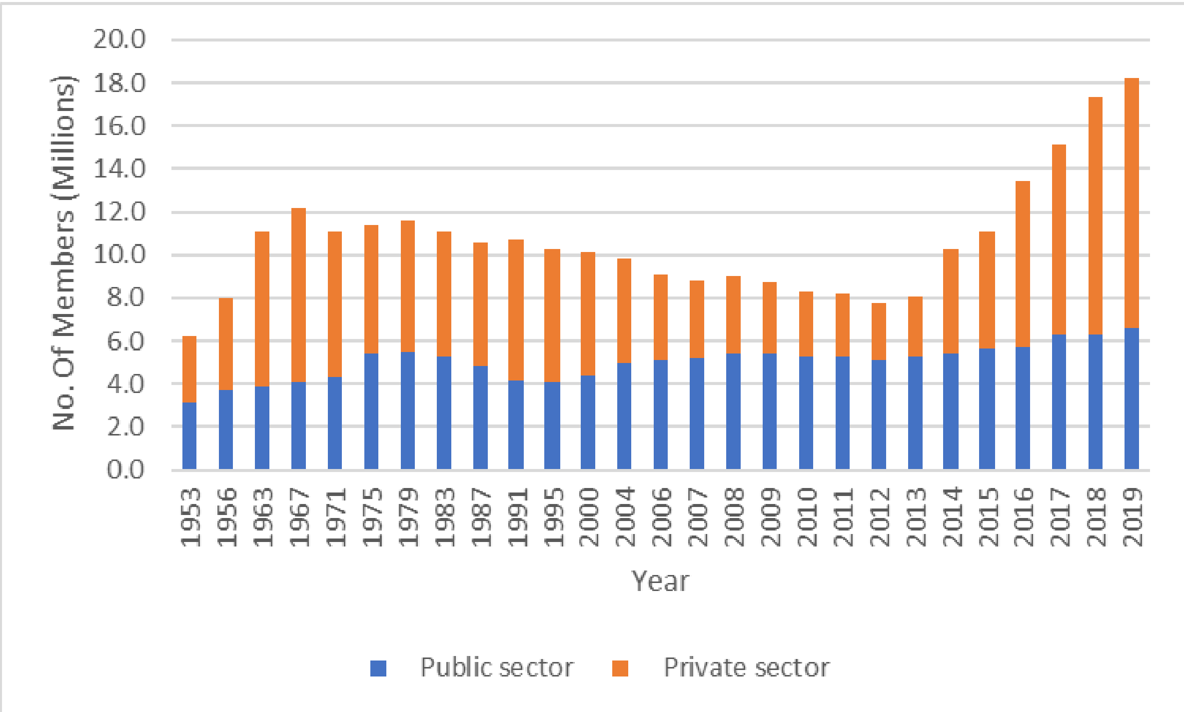
We can see from the graph that in the 30 years shown, from 2020 to 2050, the total population of the UK is forecast to rise to over 70 million. Using more precise data from Appendix D shows the overall population is forecast to rise from a little over 63 million in 2020 to more than 72 million in 2050, an increase of 7.7%. The equivalent figure for the population over 60 is an increase of more than 36%. So, whilst the UK population will increase, the population at pensionable age will increase both absolutely, and as a proportion of the population as a whole (ONS, 2022).

One of the obvious consequences of this will be an increase in the cost to society of pensions. Harper and Walport cite a projection by the Office for Budget Responsibility that total public spending excluding interest payments will rise from 33.6% to 37.8% of GDP between 2019/20 and 2064/65 (Harper & Walport, 2016). This reflects the increase in spending by the state, but as will become evident the individual will have an increasing role to play in funding the cost of old age and will also therefore see an increase in their costs as well. Indeed, the balance of funding by the state and the individual is a key factor in the development of pensions.

2.3.2 Changes in pension scheme membership and pension type

Alongside the increase in the number and proportion of older people in the population there have been changes in the numbers of pension scheme members and in the mix of membership between public and private pension schemes. Figure 2 below shows that this was a historic trend, as shown by the number of members of pensions in has increased significantly since the 1950's.

Figure 2 - Members of occupational pension schemes by sector



(ONS, 2022)

Figure 2 above shows that the total number of pension scheme members has risen, with an increase in the number of private scheme members being reflected here as well. This may be a function of the fact that an individual may have more than one pension, but what the chart also shows is that the balance between public and private pension schemes has changed, with a shift away from the state and towards the private sector - both the individual and business - in the provision of pensions.

The timetable for the introduction of auto-enrolment also had an influence on the chart above. Auto-enrolment was phased in based on company size, with larger firms beginning the process, followed by medium sized companies, and then smaller companies. The timetable followed is set out below in Table 1 below.

Table 1 - UK auto-enrolment timetable

Employer size	**Automatic Enrolment date**	
	From	**To**
250 or more members	1 October 2012	1 February 2014
50 to 249 members	1 April 2014	1 April 2015
30 to 49 members	1 August 2015	1 October 2015
Less than 30 members	1 January 2016	1 April 2017

(UK Government - Auto-Enrolment Timetable, 2012)

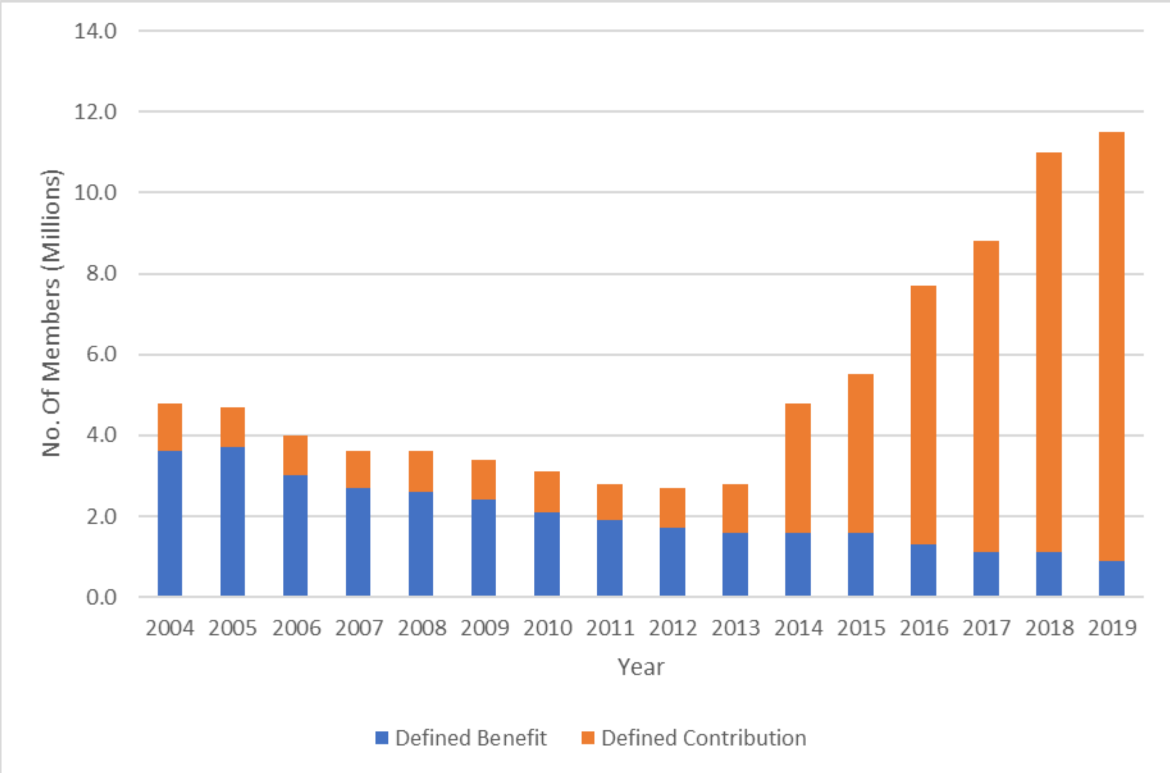
It is clear from the chart that from 2012 onwards - the introduction of auto-enrolment - the membership of private pension schemes increased considerably, whilst the membership of public schemes stayed relatively constant. Thus, auto-enrolment had a significant impact on the membership of pension schemes in the UK.

The increase in state pension spending highlighted above will be more than matched by an increase in the payments made as part of private pension provision. Figures show that the total liability of the UK pension system increased by £1tn in five years to £7.6tn at the end of 2015. Only one third of this is funded, and as such the burden of payment of these pensions in years to come will fall upon the future working population (Office For National Statistics, 2018).

2.3.3 Increase in private sector pensions

Whilst the number of pensions has risen, the proportion of private sector pensions has risen disproportionately. The method of providing these pensions in the private sector has also changed. This is shown in the graph below (figure 3).

Figure 3 - Active membership of private sector occupational pension schemes by benefit structure



(ONS, 2022)

The graph in figure 3 mirrors the increase in pension numbers shown in figure 2 above. It also shows a change in the type of pension scheme provided by employers. Historically the provision of pension was through a DB scheme, where an employee's pension payment was based on the level of salary and the number of years' service (Maer & Thurley, 2009). As such, the cost of paying the pension was borne by the employer, who also took on the risk of changes in circumstances that would cause issues in the cost, e.g., a stock market crash that would cause the value of investments held by the pension fund to fall. We can see a shift in the graph above away from DB schemes to DC schemes, where employers and employees invest a specified amount periodically in a fund for each employee, and their final pension is determined by the size of their pension fund at retirement. The size of the employee's pension is therefore determined by the level and timing of contributions, as well as the performance of the investments chosen. The risk, therefore, is borne by the individual and not the employer when a DC scheme is used, and the onus is on the individual to make important decisions on pensions in an increasingly complex financial environment (Curry, 2010).

One of the key factors in the rise of DC schemes is the increased visibility of the cost of pensions. This came about because of changes in accounting standards, specifically Financial Reporting Standard 17 (ASB, 2000) (superseded by FRS 102 (FRC, 2022)) and International Accounting Standard 19 (IFRS, 2001)) that made companies include the deficits of company pension schemes on their balance sheets. In the UK these deficits totalled some £200 billion pounds (PWC, 2018). This meant that the balance sheets of many companies suddenly became much less attractive for investors. One of the easiest ways to reduce any deficit was to change from a DB to a DC pension scheme. For example, BT closed its DB pension scheme in 2018 to remove the scheme deficit from its balance sheet and to reduce the funding required in future to pay pension benefits to employees (Williams, 2018).

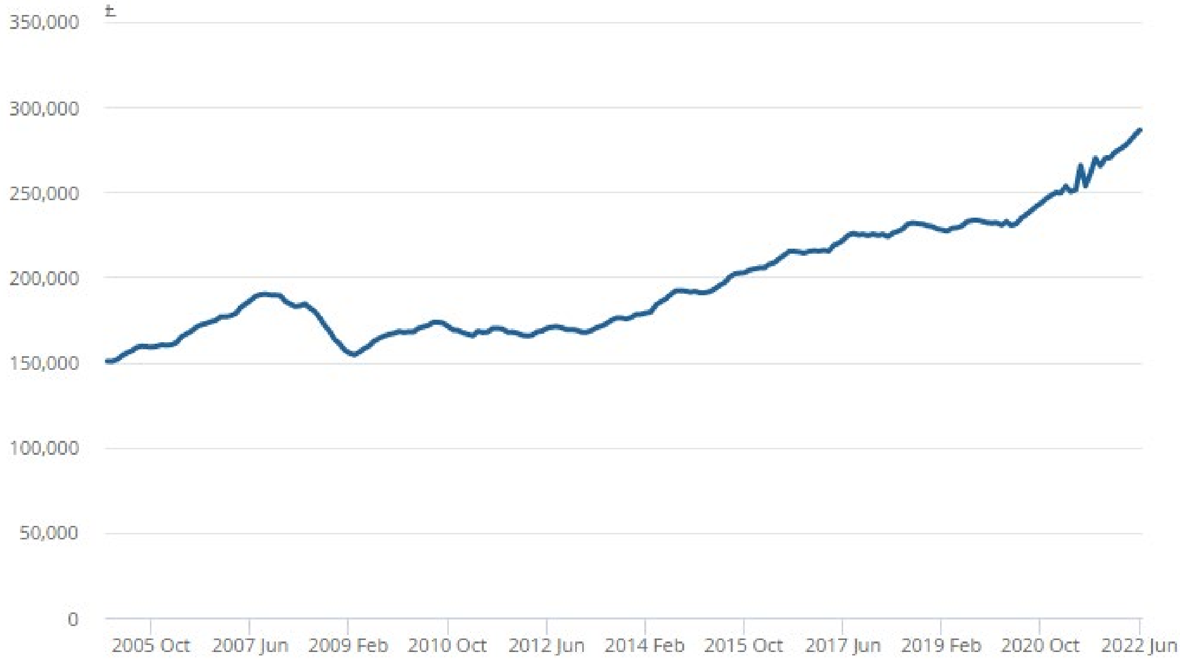
On an overall basis, it is clear from the above that the number and the proportion of people of pensionable age are increasing, and the responsibility for pension provision (and the associated risk) is shifting from the state to the individual. In the interviews, therefore, key questions and themes related to how people see the pension schemes and the responsibility for these aspects of the schemes. Specifically, these will be investigated using questions such as “how old are you?” and “whose responsibility is it to ensure your pension is adequate for your retirement?”.

2.4 Issues and challenges in the pension sector

In the face of this change, and the shift of responsibility towards the individual in pension provision, it is important to consider the challenges faced when making pension provision for the future, both for individuals and firms.

There are several factors which, when taken together, may influence investment (or not) in pensions. Firstly, investment returns have been affected by the ‘credit crunch’ of 2007. Research undertaken for the investment management firm Fidelity, calculated that those who retired in 2017 would have pension income that was potentially 46% lower than could have been expected had they retired immediately before the credit crunch. The reasons given for this included real terms fall in wages, lower investment returns (22.8% lower) and greatly reduced returns on annuities (generating a retirement income 46% lower in 2017 than in 2007) in the period since 2007 (Monk, 2017). Real incomes have continued to decrease, with the three months to June 2022 showing a fall of 3% in real wages as nominal wage rises have failed to keep pace with inflation (Giles, 2022). The cost of housing has also risen based on figures from the Office for National Statistics, with the average house price in the UK rising from around £150,000 in 2005 to £286,000 in 2022 as shown in figure 4 below. This represents a £20,000 increase from June 2021 to June 2022.

Figure 4 - Average UK house price, January 2005 to June 2022



(UK House Price Index, 2022)

In line with the increase in house prices above, total UK mortgage lending, by most measures, is rising. The value of all outstanding residential mortgages on 31 March 2022 was £1,630.5 billion, which was 4.4% higher than a year earlier. Gross mortgage advances in the first quarter of 2022 were £6.7 billion higher than the previous quarter at £76.9 billion, but 7.5% lower than in quarter 1 of 2021. Alongside this, lenders require larger percentage deposits. An indication of this is that in 2007 8.83% of funds advanced were for mortgages of more than 90% of the property value purchased. This figure fell to 3.76% in 2022 (FCA - Mortgage Lending Statistics, 2022). This means that borrowers have to save higher sums before being able to purchase property, which will make things more expensive for those who wish to use property investment as a means to provide an income in retirement (Curry, 2010). This is compounded by the decline in real income mentioned above. The overall effect is to reduce the amount that people have for other expenditure, one component of which is pensions.

Research by Old Mutual showed that 47% of 50–75 year-olds were either unaware of the pension freedoms mentioned above or did not know the impact of reforms on them, and that those retirees who took financial advice were £7,000 per annum better off than those who took no advice (Old Mutual Wealth, 2017).

The upshot of all of this is that the pressures on individuals are significant and real, and that it is easy for them to put pension provision on the periphery of their thinking and priorities, to delay making contributions to their pensions, and to make choices regarding their pensions due to a lack of understanding of financial matters. Sandu summarises this by saying “in the case of defined contributions employees are uniquely responsible for how their savings are invested. Aside from a lack of financial knowledge individuals are prone to behavioural biases that make them unaware of the amount necessary to save for retirement” (Sandu, 2012, p. 177).

2.5 Issues for pension managers

As well as the issues faced by individuals in relation to their pensions discussed above, there are issues for managers as well. For the purposes of this dissertation, ‘managers’ are defined as employers, and as such they are responsible for occupational pension schemes and those that are affected by them. In this context the employer is responsible for the governance of pension provision (in other words for the establishment and running of a pension scheme that will provide for employees in retirement) and consideration of the needs of other stakeholders who may have an interest in the pension arrangements of the firm. This brings with it several responsibilities, which will be explored in the coming paragraphs.

2.5.1 Accounting standards changes

The increasing awareness of company pension scheme deficits due to changes in the disclosure of company financial information via new accounting standards was mentioned above. The fundamental premise of the introduction of these revised accounting standards (Financial Reporting Standard 17 and International Accounting Standard 19) was that the pension surplus or deficit should be shown in the company's balance sheet so that investors and employees can see it, and management could use it to determine pension policies. In this manner, management could explain to those employees who are dependent on the company's pension whether the pension scheme will be able to meet its future obligations (Tweedie, 2003).

This change in accounting created greater transparency, but also created issues for the directors of firms who had to deal with the changes to the companies' balance sheets as a result. These included a substantial increase in liabilities, a decrease in shareholders' equity and a corresponding increase in debt/equity ratios (Lynch, 2006). So, as well as affecting the pension scheme members, the company's other stakeholders will be impacted by this. These may include shareholders (who will be concerned about the company's share price and the ability to pay dividends), creditors (who will be concerned that their debts will be repaid), regulators (who will wish to ensure that laws and regulations are being met) and governments (who are concerned for macroeconomic stability and the regulation of pension schemes themselves).

Companies have found themselves in difficulties because of pension deficits. Notable companies which collapsed, with pension deficits a partial cause, include BHS and Carillion (Jefferies, 2018).

It is also important to consider the stakeholders of company pension schemes; the more significant of whom (as well as the company itself) comprise the employees, the scheme members, the retirees and the state as regulator (Ebbinghaus & Wiß, 2011). The retirees will not be considered here, as this dissertation will cover choices made prior to retirement. All of the other groups will be considered.

2.5.2 Default pension strategies

Companies with auto-enrolment pension schemes for their employees must have a default pension investment strategy, which is designed to deal with the 'average' pension scheme member, so that if a pension scheme member does not want to engage with their pension at all they will have some kind of pension at retirement. However, this investment strategy may not be ideal for all pension scheme members and if a company uses one investment fund, then it may be impossible to meet the investment needs of these diverse investors.

Firms may well have a scheme that includes options that investors can use to personalise their investment strategy. Among these is a 'glidepath' to retirement, where in the 5 or 6 years immediately before retirement there is a gradual shift to a less risky investment portfolio, with the aim of reducing volatility. Pension scheme members may also be offered the option to make a choice of their investment fund(s).

This is not without its risks, as a poor investment strategy may result in a smaller pension pot at retirement.

At the heart of this is the issue that when employees reach retirement, they may find that their pension is not as they expected, and not adequate to meet their needs. There is a risk that the perception amongst this stakeholder group is that their workplace pension would be sufficient for their needs, as such schemes are set up by their employer and run under government legislation. This will be explored further when the psychological contract is examined in section 2.6.8.

Such was the concern surrounding the collapses of companies and their pension schemes that the UK Government introduced new legislation to protect pension funds when companies go into liquidation and to target the directors whose mismanagement caused the problems in the first place (UK Government - Pension Schemes Act, 2021). The response to these has been a shift from DB pension schemes to DC schemes, which are cheaper for employers to fund (Gough & Arkani, 2011). This returns to the original point of increasing responsibility passing to individuals who may not be able to take on this role due to a lack of skill, knowledge, or interest (or a combination of the three) (Barr & Diamond, 2008).

Whilst there appears to be relatively widespread agreement on the historical trends in terms of pensions, and the shift from DB to DC pension schemes, the opinion on the appropriate response to the so-called ‘pensions crisis’ is somewhat less coherent. One study into the thinking of young people and pensions (“Young People and Attitudes towards Pension Planning” by Liam Foster) has this to say by way of introduction; “There has been much concern about people not saving enough for retirement in the UK and how to encourage further saving. This has led to pension policy developments, including the introduction of auto-enrolment, a form of ‘soft’ compulsion, to ‘nudge’ people to save. Given that young working age cohorts have longest to contribute to pensions and have traditionally been least likely to save for retirement, it is important to investigate their attitudes and expectations in relation to pensions and the potential effects of auto-enrolment on their future retirement income.” (Foster, 2017, p. 65). The study interviewed thirty young people aged eighteen to thirty about their opportunities and attitudes towards pensions. It concluded, “If auto-enrolment is to succeed, people need to be reassured beyond doubt that it ‘pays to save’” (Foster, 2017, p. 65).

The Pension and Lifetime Savings Association (‘PLSA’) recommended that minimum pension contributions need to rise to at least 12% of salary (as opposed to the government target of 8%), as there is a situation where “many people are not on track to achieve an adequate retirement income” (PLSA - Retirement Income Adequacy, 2016, p. 4).

The issues of auto-enrolment, security and certainty in relation to pension payments in retirement, and trust in pension providers were explored in the interviews conducted for this study. Questions asked included, “What do you understand by the term ‘auto-enrolment’?”, “Who do you trust to provide you with information on your pension?”, and “How certain do you feel about the level of pension you will receive when you retire?” The questions asked are included in Appendices B and C.

2.6 Debates and discussions in the literature

It is important when discussing pensions to place their development in the context of the development of the world economy.

2.6.1 Financialisation

Gerald Epstein edited, and wrote the introduction to, one of the first books that directly addressed the subject of financialisation. Epstein's definition of financialisation ("the increasing role of financial motives, financial markets, financial actors, and financial institutions in the operation of the domestic and international economies" (Epstein, 2005, p. 3)) is widely used (e.g., by Dore (2008) and Berry (2016)), and has been cited more than 2,770 times (Google Scholar, 2022). Epstein (2005) highlighted three major changes in the thirty years prior to 2005:

1. The increase in the role of markets and the consequent decrease in the role of government.
2. The rise in economic transactions between economies.
3. The rise in the number of domestic and international financial transactions.

Epstein argues these changes are characterised by neoliberalism, globalisation and financialisation, and he argues that whilst the former two are well discussed and defined, financialisation is a much newer concept, and is less clearly defined and understood. Epstein defined financialisation, as "the increasing role of financial motives, financial markets, financial actors, and financial institutions in the operation of domestic and international markets" (Epstein, 2005, p. 3).

Further studies have considered the subsequent development of financialisation. Krippner defined financialisation as “a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production” (Krippner, 2005, p. 174), whilst Van der Zwan’s definition described financialisation as “the web of interrelated processes – economic, political, social, technological, cultural etc. – through which finance has extended its influence beyond the marketplace and into other realms of social life” (Van der Zwan, Making Sense of Financialization, 2014, p. 101). Both definitions highlight the more central role of financialisation and its increasingly pervasive influence on everyday life. The European Union (‘EU’) funded research into financialisation under the programme for Financialisation, Economy, Society and Sustainable Development (‘FESSUD’). The subsequent report discussed financialisation in the following terms:

- The large-scale expansion and proliferation of financial markets over the past thirty years.
- It is closely interwoven with deregulation of the financial system itself and the economy more generally.
- It has been associated with the birth of a whole range of financial institutions and markets.
- It has been located in terms of the dominance of finance over industry.
- It is strongly associated with market mechanism, and policies that have underpinned rising inequality of incomes and of inequality more generally.
- Consumption has often been sustained by the extension of credit, not least using capital gains in housing as collateral.

- It is not merely the expansion and proliferation of financial instruments and markets that are striking but also the penetration of such financing into a widening range of both economic and social reproduction— housing, pensions, and health, for example.
- It is associated with a particular culture which is to be interpreted broadly.

(FESSUD, 2016)

This report highlights some notable shifts in the impact of financialisation, as we have seen a shift towards what Sawyer refers to as 'fictional finance' – in other words, a break in the historic link between GDP and the level of deposits and loans, with much greater growth of assets and liabilities in relation to GDP. The period of financialisation (from around 1980 onwards) was also characterised by increasing deregulation, shifts from mutual ownership to private ownership, and the rise of household debt (Sawyer, 2013).

The FESSUD report took a forward look at the impact of these changes in financialisation, which included:

- A reduction in levels of real investment, and the benefit from it, as financial instruments and activities expand.
- Prioritisation of shareholder value over other value and goals (e.g., economic, social, and environmental).
- Recognition of the increased influence of market forces and commercialisation in all areas of economic and social life over economic and social policy.

- An increased risk of volatility from financial instability in the economy and social life from triggers within particular markets.

(FESSUD, 2016)

The discussion of the development of pensions earlier in this document is consistent with financialisation, particularly the increase in the importance of the private sector in pension provision (and the consequential decline in the importance of the state) and the increase in the importance of defined contribution pension schemes (where individuals each have private pension provision). Because of these changes, the role of private sector pension management and provision is much more significant in the pension provision of many individuals. As Van der Zwan put it, “through capital funded pension schemes…wage-earners increasingly rely on financial markets” (Van der Zwan, 2014, p. 118).

It is useful at this point to consider financialisation in relation to pensions. At an individual level, financialisation of pensions can be understood as being, “the notion that individuals take personal responsibility for their own long-term financial security and engage intimately with the financial services industry to do so” (Berry, 2016, p. 22). At a wider, more macroeconomic level, three factors emerge as significant in the financialisation of pension schemes – taking on risk at an individual level, the vulnerability of individuals to financial market downturns, and the fact that individuals regard themselves as investors, but in many cases, they have inadequate skills for this. Pension investments therefore become intermediaries between individuals and financial markets (Van der Zwan, 2014).

Berry argued that financialisation in the context of austerity and ageing comprises a number of parts:

- The increased importance of financial markets and financial institutions.
- Increased engagement between the financial services sector and individuals.
- The personalisation of financial risks.
- The perceived need for prudence in financial outlook and behaviour.

(Berry, 2016)

The way in which financialisation manifested itself in relation to pensions in the UK was discussed by Craig Berry, who argued that the sector has become more financialised as a result of recent changes in pensions. These changes were twofold – the introduction of auto-enrolment and the 'single tier' state pension. Berry argues that rather than being a radical departure from what happened in the past these were a continuation of policies introduced by the Labour administration of Prime Ministers Tony Blair and Gordon Brown (Berry, 2016). These changes are part of a broader, austerity-based agenda, where self-reliance and prudence extends to the state as well as the individual.

The overall changes in pension scheme architecture due to financialisation are summarised by Van der Zwan, as:

- The adoption of capital funding, with pension savings being invested in financial markets to produce investment returns that will cover future liabilities.
- The adoption of pension contracts which link investment performance with future benefit levels.
- A change in the allocation of pension assets which increases exposure to investment risk.
- The increasing importance of funded pension schemes.

(Van der Zwan, 2020)

This change is manifested in the shift away from DB pension schemes to DC schemes, which will be considered in the next section.

2.6.2 The shift from defined benefit to defined contribution pensions

The move from DB to DC pensions is associated with financialisation (Wiß, 2019). Although both DB and DC schemes were backed and funded by investment in capital markets (particularly equities), this was not visible to members of DB schemes, as their pensions were not dependent on stock market performance, and any risk of underperformance of investments was borne by the employers (Berry, 2016).The phenomenon of the shift from DB to DC schemes is echoed by de Thierry et al in their study of the consequences of DB pension decline for organisations and employees, which describes a 'fundamental shift' in power from employees to employers, and a shift of risk to employees from employers and the state. These findings are supported by other studies – Natali, for example, found that "OPs [Occupational Pension Schemes] have increasingly contributed to the individualization of risks through the shift from DB to DC schemes" (Natali, 2018, p. 459). This is manifested through the increased importance of DC schemes, and a preference for this type of scheme by employers, as the employer organisation has no obligation to pay costs other than the regular, fixed pension contributions (De Thierry, Lam, Harcourt, Flynn, & Wood, 2014).

In DC schemes, there is a direct link between the investment performance of individual pension investments and the size of the pension realised in retirement. Berry concludes that, "DC pensions therefore not only subject individuals to investment risks, but also involve making complex…financial decisions" (Berry, 2016, p. 8).

The issue of the choice of fund becomes important in this context. The types of investment fund available fall into two broad types – actively managed or passively managed funds. According to investment managers Blackrock, actively managed funds will try to exceed the returns achieved by the stock market index to which a fund related. The manager of each fund will try to beat the relevant index by picking stocks they think will outperform others in the index. A passively managed fund will track a particular stock market index as its benchmark by buying all the stocks in that index in the same proportion as the index (Blackrock, 2018).

By nature, though, a passive investment fund will not track its benchmark index with absolute accuracy. Passive investment funds will normally underperform the market index they track because of the fees they charge, taxes paid and because of errors in tracking the index itself (Blitz, Huij, & Swinkels, 2012). However, despite this, evidence suggests that actively managed investment funds cannot outperform the market in the longer term, nor can they achieve superior returns by timing investment purchases and sales well, and that pension funds would be best to invest in passively managed funds (Clare, Nitzsche, & Cuthbertson, 2009). A long-term study of pension investment in the USA, using data from the 2003-2012 period, found that returns could have been increased had funds been moved from actively managed portfolios to low-fee passively managed accounts (Walden, 2015). The debate on active versus passive management is considerable, and beyond the scope of this dissertation, but the overall performance of pension investments is important, as this will determine the final value of the pension in a DC pension fund. It is also important to stress, though, that there are many types of passive investment fund that pension schemes can invest in, with differing risk and return profiles.

The fundamental question appears to be asked by Chris Curry in the title of his 2010 study – will future pensioners have sufficient income to meet their needs? Whilst this study concludes that many future pensioners will have a variety of assets and income on which to draw in retirement, it also states that many will need to work longer, use their savings and/or contribute more to their pension during their working life in order to have an acceptable standard of living in retirement (Curry, 2010).

If we accept this conclusion, then people must ask fundamental questions about how long to work, how much to save when working and how much to draw from savings in retirement. Given the increased complexity of the decisions that need to be made (Curry, 2010) the fact that many of these decisions are irreversible (Berry, 2016), and that decisions involve a good deal of uncertainty, research has suggested that a key factor in overcoming this is trust, and more specifically trust in employers and pension providers (Webb, Watson, Ring, & Bryce, 2014). Trust will be considered in more detail in section 2.6.8 below.

2.6.3 Age

It has been suggested that the relationship between employee and employer is affected by other factors, age being one of the main ones. Taylor found that “awareness and appreciation of pension schemes generally increase with age” (Taylor, 2000, p. 254). This was echoed in other studies, which found that pensions are likely to be a more attractive part of remuneration for older employees than younger employees (De Thierry, Lam, Harcourt, Flynn, & Wood, 2014). Also important is the degree to which pension scheme members are educated, their employment status and the sector in which they are employed (with workers in the financial sector being less confused about pensions) (Webb, Watson, Ring, & Bryce, 2014).

The ultimate test in this process is the outcomes of the pension saving process itself, and the adequacy of people’s pensions resulting from DC schemes. There is some pessimism amongst writers about this. Curry sounded a cautionary note in terms of possible outcomes (Curry, 2010), whilst in another study Neuberger argues that “people place a much lower value on a pension than the cost of providing it” (Neuberger, 2005, p. 368). Webb et al. focus on the effect that less than satisfactory pension outcomes could impair the relationship between employees and employers, and the reputation of the pensions industry (Webb, Watson, Ring, & Bryce, 2014).

If the outcomes from pension saving are less than satisfactory, pensioners may wish to apportion blame. There is potential for legal action against the employer who set up and ran the pension scheme, and whilst this has not yet happened in the UK there is the possibility that it may in future (Lappin, 2020). It could also be argued that blame may also be directed towards pension fund managers and/or the Government, whose legislation was designed to deliver satisfactory retirement outcomes. This highlights a possible contradiction, in that auto-enrolment makes the need for pension knowledge unnecessary and responsibility for pensions is trusted to others as a result (Webb, Watson, Ring, & Bryce, 2014). However, one of the central purposes of the Government’s financialisation agenda is to give people control over, and personal responsibility for, their own financial decision making for retirement (Berry, 2016). This contradiction has not been fully explored in the literature, and consequently this is a useful theme to incorporate into this study.

2.6.4 Professional financial advice

A number of studies have considered the provision of, and use of, financial advice by investors. A US study, which considered issues of trust and financial advice, concluded that “Though financial advice…may be beneficial to households looking to make important financial decisions, financial advice usage is relatively low” (Burke & Hung, 2019, p. 9). The same study cited evidence that 40% of respondents surveyed believed financial advice was too expensive, and that 48% said they did not know which sources of financial advice to trust.

The question of the benefit provided by financial advisers is relevant in this situation, and there are varying views of this. One article summed up this by saying “There is, in fact, limited evidence in the literature to support [the] assertion” that “professional expertise and advice adds value to the lives of clients" (Grable & Chatterjee, 2014, p. 45).

Other studies point to a more valuable contribution from financial advice. A study by Brancati, Franklin, and Beach for the International Longevity Centre in the UK considered the effect of financial advice on two groups:

- The 'affluent' – a wealthier group of people, with a greater likelihood of university education, being part of a couple, and owning their own home.
- The 'just getting by' – a poorer group, with a lower standard of education, who are more likely to rent their property, and be single, divorced or widowed.

The value of financial advice in monetary terms was split between liquid financial assets and pension wealth. On an overall basis, the members of both groups who took financial advice were wealthier than those who did not. The 'affluent' group had on average £12,363 (or 17%) more in liquid assets than the equivalent group members who did not take advice. The equivalent figure for pension wealth was £30,882 (or 16%) more in pension wealth, a total of £43,245.

Interestingly the findings for those in the less affluent, 'just getting by' group, were similar. The average excess of liquid financial assets over their non-advised compatriots was £14,036 (or 39%), and the equivalent figure for pension wealth was £25,859 (or 21%), a total of £39,895.

The report also found that saving and equity investment was more likely for those who took financial advice, and that pension income was £880 higher per annum for the 'affluent' group and £719 per annum for the 'just getting by' group as a result of taking financial advice.

Based on these findings, the report made a number of recommendations, which include:

- A duty on employers to provide staff with pension advice and information.
- The provision of default advice should be mandatory for people who wish to access their pension savings.
- Using a pensions dashboard to help keep pension investors informed.

(Brancati, Franklin, & Beach, 2017)

A pensions dashboard is an online portal that will show all of an individual's pension information in one place. The Pensions Dashboards Programme ('PDP') was set up as a cross-government group in the UK to manage the introduction of the dashboard. The indicative timeline for this programme is for completion in 2024, but this would appear less than certain (Pension Dashboards Programme, 2022).

Other research has considered a wider view of the value of financial advice that takes in non-financial measures. Pagliaro and Utkus considered the value of advice based on three dimensions:

1. Portfolio Value – the optimal structure, based on risk & return.

2. Financial Value – the attainment of financial goals.
3. Emotional Value – the 'peace of mind' of the investor.

(Pagliaro & Utkus, 2019)

The authors argued that each of the dimensions above have been considered alone, but not in combination, and that taking a broader view will provide better value for consumers. Subsequent research looked to measure the emotional value component of financial advice. The authors considered both traditional advice (from human advisors) and robo-advice (using computer-based algorithms) and found that the emotional value component comprised around 40% of the incremental value of advice overall. When asked about the components of value, differences emerged depending on the type of advice received. Those receiving robo-advice valued transparency (incorporating visibility and trust), empowerment (an individual's feeling of control over their finances) and interaction with a service (including expert perspectives and a persona connection), whilst those receiving more traditional advice valued a relationship with a trusted adviser and service (including customised planning and maximising returns). Whilst differing in detail, the overarching need for trust is common to both types of advice (Madamba, Pagliaro, & Utkus, 2020).

There are clearly differing views of the financial benefit of professional advice, but there is some consensus on the value of financial advice from the perspective of understanding pension investments in the first place. A number of writers discuss the complexity of pension investments. As noted above, Berry talks about the fact that "DC pensions…not only subject individuals to investment risks, but also involve making complex (and usually irreversible) financial decisions" (Berry, 2016, p. 8).

Curry discusses advice in the context of the shift from DB to DC pensions, saying, "Many new and existing savers will need to make more complex choices regarding pension investments and retirement income than previous generations. People may have more complex combinations of income and assets to manage in future" and that "more people are likely to need some kind of information or advice to support them in making these complex financial decisions" (Curry, 2010, p. 273).

This is based on the assumption that investors are willing to take financial advice. Writing in 2005, Ring discussed the scepticism of investors in the expert knowledge of the financial services sector, and the response of individual investors to this. Ring asserted that if an individual does not trust the financial services sector to make decisions on their behalf, then by default they take on the complexity of the decision making themselves, and they must therefore find "functionally equivalent strategies for coping with the complexity, since…to avoid it altogether is not possible" (Ring, 2005, p. 62). This statement was applicable at the time of writing. However, the subsequent introduction of auto-enrolment, and the existence of a default pension fund, has made the avoidance of decision making in that respect possible.

The research by Webb et al. mentioned above concluded that, "myopic individuals may regard the placing of trust in individuals and institutions as a means of obviating the need, or inclination, to develop pension knowledge. This is significant in the context of auto-enrolment, which itself obviates the need for pension knowledge" (Webb, Watson, Ring, & Bryce, 2014, p. 610). Thus, individuals may substitute trust for knowledge when considering pension decisions.

Other research considered the relationship between the level of financial literacy and financial advice. Bucher-Koenen and Koenen found that pension investors with a higher level of expertise will consult advisers more frequently, tend to receive better advice, but are less prone to follow that advice when it is given (Bucher-Koenen & Koenen, 2012). Georgarakos and Inderst studied financial advice and stock market participation and found that financial capability is a significant determinant in the need to rely on financial advice. They found that trust in advisors is more important for investors who are less sophisticated, and that more educated investors tend to consider advice much less, with greater consideration of their legal rights as consumers, thereby ignoring the financial advice available (Georgarakos & Inderst, 2010). Thus, the level of knowledge of individual investors is a key component of the decision whether to take and follow expert financial advice.

2.6.5 Expertise and professional identity

Expertise and professional identity are key concepts that have significance for this study. The two concepts are intrinsically linked, and as such they will be discussed together in this section.

Johnson discussed professions and draws a distinction between a profession and ‘standard’ work, saying, “a profession is not…an occupation, but a means of controlling an occupation” (Johnson, 1972, p. 45). He continues by saying, “professionalism arises where the tensions inherent in the producer-consumer relationship are controlled by means of an institutional framework based on occupational authority” (Johnson, 1972, p. 51). Thus, a profession is a distinct and identifiable group that organises and controls work in a specific area.

Friedson (1999) builds on Johnson's work, expanding and formalising the principles Johnson set out. Friedson sets out the distinction between what he refers to as 'institutional constants', which define professionalism, and 'institutional variables', which define the ongoing process of professionalisation, as follows:

Constants:

1. Officially recognised body of knowledge and skill.
2. Occupationally negotiated division of labour.
3. Occupationally controlled labour market based on training credentials.
4. Occupationally controlled training programme that is associated with a university and segregated from the ordinary labour market.

Variables

1. Organisation and policy of state agencies.
2. Organisation of the occupation itself.
3. Dominant ideologies of the time & place.
4. The substance of particular bodies of knowledge and skill.

According to Friedson, a 'profession' is distinct from an 'occupation' due to a relatively higher standing in the classification of the labour force. Work undertaken by a 'profession' work is specialised and non-routine, as professionals need to use their knowledge and skill to adapt to the unique elements of each assignment to work successfully. In response to this, professionals need to have what Friedson describes as "an occupationally generated credential testifying to their competence" (Friedson, 1999, p. 120) can be employed to perform a particular set of tasks. The education is also distinct from vocational, on the job training, as it takes place outside of the labour market, with teaching provided by members of the profession.

The concept of specialism was formalised by Adam Smith in the 18th century (Smith, 1776), and given the nature of the work undertaken by members of a profession, and the education and training required, it would be reasonable to say that a professional must have to develop and demonstrate a high level of expertise in their specialist area. Friedson discusses this, saying that professionals "claim their work is of critical importance to the good of either the public at large or some important elite, and that it can be performed reliably and well only by those with a particular kind of training. They claim further that they deal with problems so complex and esoteric that lay people cannot be expected to make choices in their best interest: only certified members of the profession should be allowed to choose what is best for them. This is the basic ideology of expertise." (Friedson, 1999, pp. 126-127). As a result of this, trust in a profession must be created (Friedson, 1999), and this is discussed further in section 2.6.8.

Friedson and Johnson cite several types of occupations that may fall under the definition of a profession, including surgeons, lawyers, engineers, and, most significantly to this study, accountants. When considering accountants, it is possible to consider the professional identity issue from different angles. For example, Alvehus and Spicer looked at a Big Four accountancy firm and found that employees would structure their working lives around generating 'billable hours' (i.e., time that could be charged to a client), and that this 'investment' could generate future benefit for the employees concerned, by way of increases in status via promotion, with a resultant increase in remuneration. As such, the way that the employees of this firm are 'controlled' by the focus on billable hours as the one main metric of performance. This is not as simplistic as it might first appear, as there is a difference between 'clock time' and billable hours, and the ability to bill a client depends on more than just time spent (Alvehus & Spicer, 2012).

Guo looked at professional identity of accountants ahead of a proposed merger of three accounting professional bodies in Canada. Guo's assertion that "the hallmark of being a professional is arguably the special knowledge and skills that one holds or claims to hold in order to perform certain tasks in a professional field" (Guo, 2018, p. 22) is consistent with earlier studies (e.g., (Friedson, 1999; Johnson, 1972)). However, Guo found that the accountants' professional identity was driven by their wish for professional security, and that this security is about the 'social footing' of the accountant, rather than the jurisdiction of the accounting profession and its expertise (Guo, 2018). Stack and Malsch reviewed the literature in relation to the professional identities of auditors and noted that prior studies had similar findings to Guo, in that this is more closely related to economic generation of fee income and the ability to forge and maintain relationships with clients, rather than their core technical expertise. However, more recent studies suggested that in the audit field technical expertise was becoming more valued as the independent inspection of audit work has increased the need for, and the value given to, ensuring the correct decisions are made by partners, and that these can be defended when external inspection takes place (Stack & Malsch, 2022).

It is clear from this that to be part of a profession, a high level of expertise is required in a specific area. The consideration of professional identity for accountants, and the role of expertise in this, depends very much on the circumstances and situation of the individual concerned, and the firm they work for. The consideration of expertise and professional identity for this study is complicated by the fact that the organisation under consideration is a professional regulatory body rather than a private sector firm, and that the people interviewed were not all accountants. The research on the professional status of such bodies is limited. However, a recent study by Low, Davey and Davey into the professional identity of the New Zealand Institute of Chartered Accountants provides a useful insight into the way that professional bodies view themselves and their role. The authors state that, "professional bodies need to project a professional identity to their stakeholders in order to be recognized as credible" (Low, Davey, & Davey, 2012, p. 5). Central to the New Zealand Institute's role, and the public presentation of that role, are the concepts of expertise and integrity. This is emphasised by the inclusion of these words as part of the brand of the New Zealand Institute in the 2001 annual report (Low, Davey, & Davey, 2012). It follows that the corporate identity of ICAS, and therefore its employees, would be influenced by these values. This will be considered further in section 3.3.2.

2.6.6 The influence of family and friends

The literature has shown that whilst seeking financial advice may be a logical step in managing a DC pension, some may be reluctant to do this. If this is the case, others may be consulted, and family and friends may be seen as an obvious source of advice. In this context, the concept of 'socialisation' is relevant. Socialisation can be defined as "the process through which people learn how to act and interact within their society"

(Jorgensen & Savla, 2010, p. 467). The process of obtaining advice can therefore be thought of as a form of socialisation. Socialisation can also be considered in a financial context, and Danes defines this as “the process of acquiring and developing values, attitudes, standards, norms, knowledge, and behaviors that contribute to the financial viability and well-being of the individual” (Danes, 1994, p. 128). Socialisation is therefore applicable in the context of pensions.

Studies have shown that seeking general advice from family and friends is common. In 2021, research showed that 40% of the population spoke to family and friends about a financial problem, compared to 24% who spoke to a bank or other financial company (OpenMoney, 2021). Financial Adviser magazine reported that an Association of British Insurers survey in May 2012 found that 24% of respondents had sought advice from family and friends, compared to 10% who had used financial advisers (Shoffman, 2012). The ages of those seeking advice vary considerably. Heavey et al. found that those seeking financial advice for later life care in England preferred advice from family and friends as opposed to regulated financial advisers (Heavey, Baxter, & Birks, 2018).

A number of studies have examined the influence of parents on their children. Social learning theory determines the way this influence manifests itself. According to Jorgensen and Salva, “According to social learning theory, children have financial learning experiences through observations, positive or negative reinforcement, practice and participation and deliberate instruction by parents” (Jorgensen & Savla, 2010, p. 468). As such, parents can influence their children consciously and unconsciously, and in a positive or a negative way.

Conscious, deliberate education of children by their parents was studied by Danes, who argued that the timing of creating learning experiences for their children is important, and that understanding what can be taught and when will have a significant influence on children's learning (Danes, 1994). Tang found that "parents demonstrating responsible financial behavior are more likely to have children with good financial behavior" (Tang, 2017, p. 308). This was echoed by Ashby et al, who found that there was a direct linkage between socioeconomic circumstances in younger years to those in later years (Ashby, Schoon, & Webley, 2011). Parents are largely responsible for the socioeconomic circumstances in those early years. Finally, Drever et al. emphasised "the critical importance of parents in fostering financial well-being for youth of all ages" (Drever, et al., 2015, p. 32).

As the children grow up, they still rely on those close to them for investment advice. A poll showed that whilst 25% of respondents asked family and friends for financial advice, this figure rose to 37% for 18- to 24-year-olds (Shoffman, 2012). A further study showed that whilst 30% of 18 to 25 year-olds would speak to a financial adviser, 56% said they would speak to family and friends for financial advice (Cudby, 2016). The pattern of respondents relying less on family and friends for financial advice as they get older is confirmed by research from 2015 (Debbich, 2015).

Studies have shown a similar situation for pension-specific advice. Research showed that 23% of respondents would ask family and friends for pensions advice. This figure rose to 37% for the 18 to 24 age group (Quality in Ageing and Older Adults, 2013). Robertson-Rose found that the influence of parents lasts into adulthood, and "parents do act as behavioural models and as sources of retirement savings advice for their grownup children" (Robertson-Rose, 2020, p. 374).

The issues of family influence on financial behaviour and financial advice from family are comprehensively covered by academic research. However, there is little academic research on the influence of, and interaction with, friends in relation to financial advice. Although not peer reviewed, sources from the finance industry are drawn from a wealth of information. One such source is Fidelity Investments, the fund manager, who said on their website, "talking about money isn't always easy and there are many reasons why we avoid this conversation - we might think it's rude, we don't think we know enough about the subject, we don't want to be judged, or maybe we don't want to worry others" (Fidelity International, 2021). In research commissioned by Klarna, YouGov interviewed 2,055 adults in the UK to find the extent to which they talk to family and friends about financial matters. The research found that 21% of UK adults have not discussed money with friends or family. The most common reasons given for this are awkwardness, the invasion of privacy, the potential for judgment and the pressure of comparison against peers. With 44% of adults worrying regularly about money, clearly talking to someone about concerns would be a helpful thing to do (Klarna, 2022). Research into the factors impacting stock market participation – which could be viewed as a reasonable proxy for pension investment – found that "those with low literacy are more likely to rely on family and friends as their main source of financial advice" (Van Rooij, Lusardi, & Alessie, 2011, p. 450).

Research undertaken in France by Debbich showed that for a sample of the whole French population, around 30% took financial advice from family, and 23% took advice from friends. These figures are consistent with previous research. However, the same research found that more than 48% took advice from financial advisers, a rather higher percentage than was found in other research (Debbich, 2015). The same research also pointed out that "financially unsophisticated investors tend to turn more often to informal sources of information, such as family, friends or acquaintances rather than professional experts when they seek financial advice" (Debbich, 2015, p. 6).

Vickerstaff et al perhaps summarise this most usefully, saying, "individuals find it easier to trust those they have direct personal contact with over time and hence partners, families, friends and colleagues may be the most important sources of information and advice on pensions for many people" (Vickerstaff, Mcvarish, Taylor-Gooby, Loretto, & Harrison, 2012, p. 31).

Whilst the research in this area is not unanimous in its outcomes, there is a consistency across the research into this area, in that investors in general, and pension investors in particular, often turn to friends and family for financial advice.

2.6.7 Gender

A review of the literature on pensions reveals a disparity in pensions between men and women, with women having both lower rates of participation in private pension schemes (Foster & Smetherham, 2013) and lower levels of income from these private pensions (Basardi & Jenkins, 2010). What is also clear is that the reasons for this are numerous and it is difficult to separate each of them.

The overall differences can be ascribed to what Price refers to as "gendered differences in the life course" (Price, 2007, p. 562). These include:

- Lower earnings.
- More part-time employment.
- Interrupted histories of paid work.
- Lower financial literacy.

(Price, 2007)

I will deal with each of these in turn.

Recent figures from the Office for National Statistics show that for 2022 the gender pay gap (the difference in pay between women and men) was 8.3% for full-time employees, but among part-time employees the figure is negative 2.8%. For all employees the figure was 14.9%. The reason the gender pay gap is higher for all employees than for part-time employees is because more part-time jobs are taken by women, and these part-time jobs have a lower hourly median pay than full-time jobs. The gender gap has shown a downward trend over time and has fallen by approximately a quarter among all employees and full-time employees in the last decade (ONS, 2023). These lower levels of wages inevitably lead to lower levels of contribution to employer pension schemes (Foster & Smetherham, 2013), and whilst these schemes are beneficial to those who are members, they serve to amplify extant inequalities experienced by women in the UK labour market (Foster L. , 2010)

Women are far more likely than men to work part-time (Foster & Smetherham, 2013; Price, 2007). The reduced number of hours worked compared to men, coupled with the lower wages mentioned in the paragraph above, will mean that as a group women will form a disproportionate part of the cohort excluded from auto-enrolment. As pension contributions are calculated as a percentage of overall salary (UK Government - Workplace Pensions, 2022), this will result in a lower level of contribution overall. The fact that the salary threshold for automatic enrolment into an employer's pension scheme is £10,000 (The Pensions Regulator, 2023) also means that women are less likely to be automatically enrolled into an employer's pension scheme than their male counterparts.

The employment histories of female members of the workforce are also more likely to have breaks, largely due to having children. Bravo and Herce found that "women that have children and give up their job lose their own income, and if they decide to re-join the labour force, they frequently find themselves accepting lower wages and facing poor career development opportunities. Ultimately, they also face lower pension benefits but live longer on average" (Bravo & Herce, 2020, p. 195). The roles of men and women in the workplace also have an impact on pension provision. The 'traditional' roles are that men are the main earners in families, with women taking on more responsibility for childcare. This structure is still common, and as a consequence women will be less able to provide an adequate pension for themselves (Price, 2006). On an overall basis, Ginn concluded that "childcare…handicaps women in employment and private pension building" (Ginn, 2003, p. 507).

The final issue that emerges from the literature is financial literacy. Studies have shown a broad agreement that women have a lower level of financial knowledge than men (Fonesca, Mullen, Zamarro, & Zissimopoulos, 2012). A study of the financial literacy of the populations of 14 countries in 4 continents by the Organisation for Economic Co-operation and Development found that "women have lower levels of financial knowledge than men in almost every country studied" (Atkinson & Messy, 2012, p. 56). This has a direct impact on pensions, as those who are financially literate are more likely to plan for their retirement, and to contribute to a pension scheme and as such women will be disproportionately affected by this. Furthermore, more recent research has shown that issues of financial illiteracy are more prevalent among single women and widows, and that despite higher work participation and education levels, poor financial literacy is still present in younger women (Bucher-Koenen, Lusardi, Alessie, & Van Rooij, 2017). The shift from DB to DC pension schemes, and the consequent need for increased financial knowledge is likely, therefore, to have a major impact on the financial well-being of women in future (Jefferson, 2009).

The overall differences can be ascribed to what Price refers to as "gendered differences in the life course" (Price, 2007, p. 562). Bucher-Koenen et al summarise these issues well, saying, "The shift from defined benefit to defined contribution systems may have major consequences for women because of their lower levels of financial knowledge in addition to lower incomes during their working lives, interrupted employment histories and longer life expectancies. With pension reforms shifting responsibility to save from state pensions to occupational and private pensions, the link between labor market status and retirement income will become even stronger, potentially widening the gender gap in retirement income" (Bucher-Koenen, Lusardi, Alessie, & Van Rooij, 2017, p. 279).

2.6.8 Trust, blame, and the psychological contract

The financialisation agenda, covered in section 2.6.1 and the shift from DB to DC pension schemes, described in section 2.6.2 above, has precipitated a shift in risk and responsibility from the firm (as a DB pension provider) to the individual DC pension investor (Gerrans & Clark, 2014). However, as set out in section 2.5.2, in an auto-enrolment environment, a company is required to set up a 'default' pension option for its employees. If an employee chooses to make use of this fund, either consciously or unconsciously, they rely on their employer to choose a fund that is appropriate for the employees and that will perform well enough to provide an adequate pension – in short, the employee must trust the choices made on the employee's behalf.

To be able to analyse the nature and significance of trust, it would be useful to consider what is meant by trust in the context of this study. The Chambers Dictionary defines trust as "worthiness of being relied on: fidelity: confidence in the truth of anything: confident expectation: a resting on the integrity, friendship, etc., of another" (Kirkpatrick, 1983). Of these definitions, 'confident expectation' and 'resting on the integrity of another' seem the most valid here. From a sociological perspective, Giddens defined trust as "confidence in the reliability of a person or system, regarding a given set of outcomes or events, where that confidence expresses faith in … the correctness of abstract principles (technical knowledge)" (Giddens, 1990, p. 34). For the purposes of this study, it is important that we understand trust in the context of pensions, and what the literature says about it.

Considering definitions more directly related to pensions, Harrison examined trust in the context of customer relationships in the financial services sector, saying that, “trust is important because financial institutions have an implicit responsibility for the management of their customers’ funds and the nature of financial advice supplied, otherwise referred to as fiduciary responsibility” (Harrison, 2003, p. 206). She went on to define trust as “a generalised expectancy of how the financial institution will behave in the future. This generalised expectancy of behaviour can be derived from beliefs of acceptable behaviour or norms or can be based on previous experience of the financial institution” (Harrison, 2003, pp. 206-207).

Ring stratifies trust into two levels. The first of these is described as “the ‘faith’ of consumers in the competence of experts with whom they come into contact” and that “this is often established by individuals on the basis of a long-term acquaintanceship, where each has built up trustworthy ‘credentials’ with the other” (Ring, 2005, pp. 58-59). Ring terms this ‘personal trust’. He continues, saying, “at a second level, trust is founded on reliance on the authenticity, and general functioning, of the system of knowledge and expertise that makes up the financial services sector. This is ‘systemic’ or ‘impersonal’ trust [which is] a foundation for, and intimately connected with, personal trust.” (Ring, 2005, p. 59). Thus, trust is stratified, and the degree of trust depends to a large extent on proximity.

In 2009, the Department of Work and Pensions (‘DWP’) commissioned a review of literature to look at existing research and analysis on trust and confidence, specifically in relation to pensions. Trust in relation to pensions was subdivided into several areas:

Table 2 - Types of trust

Trust Type	Definition
Cognitive	Based on rational, instrumental judgement, alignment of incentives (or deterrence)
Affective	Relational, ethics, values generated through interaction, and empathy
Personal	Interpersonal trust – relations based on face-to-face encounters
Impersonal	Trust in systems, institutions, and expertise
Generalised	The idea that others will behave reasonably, in general
Category-based	The greater likelihood of trusting someone from a similar social category (based on race, gender, and/or social class)

The different types of trust are grouped into two dimensions – cognitive or affective, and the focus of the trust being either interpersonal or institutional (Vickerstaff, Mcvarish, Taylor-Gooby, Loretto, & Harrison, 2012).

When considering the overall sweep of these definitions, there seems to be a broad consistency that trust can be considered at two broad levels – that is, the trust in the individual and in the institution – and that the trust is based on personal experience from the past, and an expectation of future behaviour (which may well be based on past experience). This is perhaps best summed up by Vickerstaff et al, who state that, "Pensions are complex and difficult to understand, they demand a future planning orientation and financial capability that research suggests many people do not have. Trust is necessary to absorb complexity and allow the individual to feel secure in their actions but in the field of pensions the objects of trust are numerous: government, financial institutions and individual financial advisers, and we do not really understand how trust in different levels interacts to strengthen or confound each other." (Vickerstaff, Mcvarish, Taylor-Gooby, Loretto, & Harrison, 2012, p. 31)

When discussing trust in relation to pensions, it is important in this context to understand what factors will influence the degree of trust that pension savers have. Foster set out the factors that will influence the level of trust in pension schemes, as follows:

- The role of clear communication.
- The reduction of charges.
- People's capacity to make their own judgements, which is in turn affected by their occupational status (those with professional and managerial positions are more able to save for retirement).
- Age (the under-25 age group in particular is less likely to see a pension as necessary, or indeed saving for retirement).

(Foster, 2017).

Part of the issue in relation to trust relates to the nature of the relationship between employers and employees in the context of changes in pensions brought about by auto-enrolment. Research has suggested that whilst auto-enrolment may "have the effect of reinforcing the relation commitment between employers and employees…many employers could find that their employees regard them as having a much greater responsibility for pension out comes than those employers are willing to recognise or accept" (Webb, Watson, Ring, & Bryce, 2014, p. 609). Thus, there is potential for a fundamental difference in the perceived outcomes of employers and employees in terms of pensions, without an obvious means to resolve this situation.

The other relationships that change arise from financialisation. Berry points out that as a result of financialisation, individuals will feel a greater linkage between themselves and the private sector, and a greater sense of responsibility for their own money (Berry, 2016). Also important are the degree to which pension scheme members are educated, their employment status and the sector in which they are employed (with workers in the financial sector being less confused about pensions) (Webb, Watson, Ring, & Bryce, 2014).

In terms of pension decision making, research has shown that individuals are neither completely irrational (making decisions based on faith) nor rational (making decisions based on all relevant information). Rather, they sit somewhere in-between and use trust as a means to manage their uncertainty (Webb, Watson, Ring, & Bryce, 2014).

In terms of the differing levels of trust shown by individuals, research for the Department of Work and Pensions into the differing levels of trust shown by individuals in relation to pensions shows that individuals are less confident with regard to the ability of employers in general to provide a pension than with financial institutions or the government. However, when asked about their own employers, the view of individuals changed significantly, as they have more confidence in their own employer to provide pensions than the government or private sector financial institutions (Clery, Humphrey, & Bourne, 2010). This is supported by Vickerstaff et al, who conclude that, “advisers closer to the individual or household’s situation are valued more than generic advisers" (Vickerstaff, Mcvarish, Taylor-Gooby, Loretto, & Harrison, 2012, p. 15). Ennew refers to this as a hierarchy of trust among institutions within the financial services industry (Ennew, 2009).

Research by Robertson-Rose, based on interviews at a case study firm, found that the process of retirement saving was profoundly influenced by the working environment of the individuals concerned. Fixed-term employment had a negative impact on retirement saving. However, the reactiveness of the employer and the encouragement of staff had a positive effect on levels of scheme membership and contribution. The research also found that aspects of the culture within the company – job security, career progression and a concern for the wellbeing of employees – showed a level of benevolence, and enhanced trust as a result. Because of this, the level of trust of the employer was high, and that there was a willingness to accept the recommended contribution levels as a result (Robertson-Rose, 2019).

If the outcomes from pension saving are less than satisfactory, pensioners may wish to apportion blame. There is potential for legal action against the employer who set up and ran the pension scheme, and whilst this has not yet happened in the UK there is the possibility that it may in future (Lappin, 2020). It could also be argued that blame may also be directed towards pension fund managers and/or the Government, whose legislation was designed to deliver good retirement outcomes. This highlights a possible contradiction, in that auto-enrolment makes the need for pension knowledge unnecessary and responsibility for pensions is trusted to others as a result (Webb, Watson, Ring, & Bryce, 2014). However, one of the central purposes of the Government's financialisation agenda is to give people control over, and personal responsibility for, their own financial decision making for retirement (Berry, 2016). This contradiction reveals a gap in the current literature that would be a useful theme to incorporate into this study.

In a DC pension scheme, the direct pension relationship is with the employer's scheme via auto-enrolment. Richard Butcher, former Chair of the Pensions and Lifetime Savings Association, said of the relationship between employee and employer, "There is no direct legal liability through to an employer, but there is an implied duty of care to their employees. Certainly, in the US, there are starting to emerge class actions against employers where they have failed to exercise their duty of care properly", and "if an employer doesn't offer a good workplace pension scheme, then the employees or a group of employees could litigate against them. That said, we are not very class action-orientated in this country [the UK]" (Butcher, 2020, as cited in Lappin, 2020, no page given)

Lappin also quotes Sackers Partner and Head of DC Pensions Helen Ball, who says: "There is nothing at the moment in the law around pension schemes that says there is a direct line from a member to an employer. There is no case law where an employer has been challenged by an employee saying, 'why on earth have you put in that scheme, that is a rubbish choice'. However, there is always a potential for there to be a case in the future" (Ball, 2020, as cited in Lappin, 2020, no page given).

With auto-enrolment in its infancy, and with retirement some way off for employees who were auto-enrolled at a relatively young age, there have been no cases brought against employers to date. However, it is clear from the above that this is a distinct possibility in future, and that he dynamic nature of the relationship between employers in and employees could result in a significant change in the individual and collective employee-employer relationship. Consideration of the potential for change in the relationship between employers and employees is therefore worthy of further consideration. As a model that might give some insight into the way this relationship might change is the psychological contract. Rousseau played a significant part in the development of the psychological contract, and it can be defined as “individual beliefs in reciprocal obligations between employees and employers” (Rousseau, 1990, p. 389). These obligations are perceived, as the future behaviour of the employer is contingent on the reciprocal action of the employee – in other words, the “promise of reciprocity in exchange for some action is the basis for the contract” (Rousseau, 1990, p. 390). In later research, Rousseau built on and expanded the concept of the psychological contract, focussing on its dynamic nature, and set out the stages in the development of the relationship between employee and employer over time. Figure 5 below sets out Rousseau’s model of the psychological contract:

Figure 5 - The psychological contract

[redacted]

(Rousseau, Hansen, & Tomprou, 2018)

The creation phase occurs when an employee begins with an organisation, and the employee's pre-existing beliefs about their obligations and those of the employer are fine-tuned, based on their experience at the organisation. As the employee settles into their role at the organisation the need for fine-tuning diminishes as the psychological contract is relied upon more to guide the interaction with the organisation in exchange for reward from the organisation (e.g., in the form of development opportunity).

The maintenance phase endures until there is a disruption to it. Such a disruption might be positive, in which case the employee moves into the renegotiation phase, where the psychological contract is revised to enable the employee to attain their goals. A negative disruption exists when inducements fall short of employer obligations, as perceived by the employee. In this case, the employee moves to the repair phase, where employees encounter circumstances that conflict with their personal goals. During this phase, the employee will try to reduce the negative aspects of the psychological contract and to revise the contract so that it is consistent with their personal goals. If they can do this, they will return to the maintenance phase and a steady state. If they are unable to remedy the negative issues then they will exit the organisation and find alternative employment (Rousseau, Hansen, & Tomprou, 2018).

The psychological contract is a relevant theoretical model to be used to gain an understanding of the relationship between employee and employer in a DC pension, auto-enrolment environment. Because of the considerable uncertainty in the outcome of DC pensions, and the potential for variance in the perceived roles of employees and employers in workplace pension arrangements, the psychological contract provides a useful means to analyse this.

Whilst the terms of the employment relationship will be set out in the employee's contract of employment, the understanding of the terms of the relationship may differ. Employees will have a perceived idea of the terms of their pension, and of its final value. If either or both of these change – in real or perceived terms – the employee can move into the renegotiation or repair phase of the psychological contract. It may be that specific events trigger renegotiation or repair – e.g., an increase in pension contributions by the employer would trigger a positive response, whilst a pension valuation that is lower than expected may trigger a negative response. A serious breach of the psychological contract in the context of pensions might be triggered by the replacement of a DB pension with a DC scheme, or a drastic reduction in employer contributions. There might be resistance to such a breach – for example, strike action by workers in response to pension changes, as happened in the UK University sector in early 2022 (Weale, 2022).

Luchak and Pohler looked specifically at pensions as psychological contracts, and concluded that, "the effectiveness of pension incentives…depends on maintaining the trust and obligations to reciprocate that are essential to the relational psychological contract". Further, they emphasised "the need for managers to be attentive to how incentives are communicated to employees" (Luchak & Pohler, 2010, p. 78). Thus, gaining trust of employees and making sure that they understand the pension provision of their employer can help to prevent the breaches occurring in the first place.

A key part of this is the psychological contract itself, and whether there is a difference between the perceived employer obligations and the actual pension provision. What is also significant is the fact that if an individual's negative response occurs after retirement, the question of how to pursue a remedy arises, and to whom any duty of care is due. This is an area that will develop in future as circumstances change and evolve, and one where further research would be beneficial.

Guest considered the Psychological Contract in the wider context of the employment relationship, as set out in figure 6 below:

Figure 6 - The psychological contract in a contextual framework

[redacted]

(Guest, 2004, p. 550)

Guest sought to show the psychological contract in the context of the wider employment relationship between employer and employee. This is useful for the analysis of pensions undertaken in this study, as it provides some indication of the background and inputs to the psychological contract, and the outputs from it. The different structural parts of the process are numbered above. The input factors, in part 1 above, relate to the characteristics of the employer and employee that are significant in developing the employment relationship. Certain aspects of the employee characteristics were highlighted in the literature as being relevant for pensions – i.e., age, education, hours worked, employment contract, tenure and income. The employer characteristics that are relevant here are sector, size, ownership and strategy, in the context of pensions.

This feeds into part 2, where human relations ('HR') policies on pensions, along with the participation of the staff, becomes important. Part 3 is where we see the psychological contract as described by Rousseau and illustrated in figure 6 above. This is the central, fundamental part of the employer/employee relationship. Part 4 shows the state of, or the outputs from, the psychological relationship – the trust between the employee and the employer – based on "delivery of the deal" and 'fairness" of both parties. Part 4 is the key element of this for the workplace pension scheme. It is important to note at this stage that the delivery and fairness emphasised above will be based on the inputs to the pension process at the time of the study, and in relation to the eventual pension will be perceived, as it is not possible to determine the actual outcome at the time of writing. Guest concludes that, "fairness and trust are closely implicated with the psychological contract" (Guest, 2004, p. 549). Part 5 shows the consequences of the process, both from the perspective of attitude and behaviour. Attitudinal consequences cover the mental aspects of the process, including the satisfaction of the employee, their commitment to the organisation and their motivation. The behavioural aspects are more tangible and can include attendance and job performance. Each of these can be either positive or negative.

A central part of Guest's analysis and placing the psychological contract in context comes from the changes highlighted in employment relations. It is significant that Guest identifies trends that form the central tenet of financialisation (as discussed in section 2.6.1) which is the rise in importance of the individual as opposed to the collective. Guest writes that "the context, the issues and the processes [of human resource management] have changed, resulting in a reduction in the role and relevance of collective systems, processes and deals", and that "traditional collective employment relations are being challenged by changing values among the workforce [and] by the growth of individualism and flexibility" (Guest, 2004, p. 544). Thus, the changes in, and the context of, the psychological contract mirror financialisation precisely.

There also appear to be a number of implicit assumptions built into the psychological contract that are shifting as a result of changes in employment practices, and which are the subject of recent research. The first of these is the fact that the employee-employer relationship will endure for some time, or that there will be an employer-employee relationship at all. Research by Gough and Arkani has highlighted that there has been a shift from a relational aspect of the psychological contract, which considers the long-term elements of the relationship between employers and employees, to the transactional elements the short-term aspects of the employer-employee relationship. The impact of this is that the emphasis in the employment relationship shifts from elements such as job security, loyalty and work satisfaction to a far more limited relationship based around payment made for work carried out (Gough & Arkani, 2011).

This is evident in the shift from DB to DC pension schemes. DB schemes can be seen as part of the relational aspects of the psychological contract, by providing employees with a pension based on a pre-defined percentage of their salary in future. In addition, the participation in a DB pension scheme by employees is a demonstration of their commitment to the employer. DC schemes, in comparison, can be viewed as transactional in their nature. Pensions from DC schemes are not based directly on the length of service or the salaries of employees, although employees with longer service and higher contributions – coming from higher salaries – are likely to have larger pensions than those with shorter service and lower salaries. Also, DC schemes are portable, in that the underlying investments in the employee's pension pot can, in theory, be moved from one employer to another. Gough and Arkani conclude that the shift from DB to DC pension schemes can have an impact on employee performance (Gough & Arkani, 2011).

The second factor focusses on the increased use of contract workers by firms, without a permanent or long-term contract of employment. There is limited research in this area, but the research that does exist suggests that the psychological contract has some relevance, in particular to the unique features of the relationship between the contractor and the firm. For example, this could include terms that are subject to specific negotiation, and the way in which the obligations between the parties are formed and shared (Lemmon, Wilson, Posig, & Glibkowski, 2016).

Studies that are more recent have taken forward the underlying concepts of the psychological contract and have analysed these in the context of recent societal and employment changes. These centre on the concept of 'psychologisation', which in the context of human resource management can be thought of as an "increasing application of a psychological frame to the understanding of the employment relationship" (Korczynski, 2022, p. 2).

Korczynski, in his 2022 study, "The Social Contract of Work: Moving Beyond the Psychological Contract", sets out four fundamental aspects of Rousseau's explanation of the psychological contract, as follows:

1. The analytical focus of the study is the individual worker.
2. The understanding from workers is in the form of 'beliefs.
3. The beliefs relate to the exchange agreement between employer and employee.
4. The beliefs of the individual worker are shaped by the organisation.

(Korczynski, 2022)

In his critique of Rousseau's work, Korczynski focuses on a number of aspects of the psychological contract. Whilst Rousseau placed individual workers at the centre of her analysis, Korczynski considers the group of workers, in a collective sense, as being the most appropriate unit of analysis, and that the understanding of this group is an implicit understanding of the bargain between the employee group and the employer. In the dynamic between employees and employer, Korczynski recognises that the employer power is greater than that of the employees, and consequently there is a tension between the potential to provide labour and the labour actually provided. This concept is described as an 'effort bargain', that reflects the imbalance in the employer/employee power relationship that the employer possesses. The key influence is based on the collective understandings of the employees as a group, and these are given meaning through social processes in the place of employment.

Based on this, the concept of the social contract of work is hypothesised, which is defined as the “workers’ collective, implicit and socially embedded understanding of the effort bargain at work” (Korczynski, 2022, p. 6). At the heart of this shift is the influence of the workforce as a collective, rather than as a group of individuals.

At first sight, this seems to fly in the face of the fundamental concept of financialisation, and the responsibility being pushed to individuals to make their own financial decisions. However, the legislation that set up auto-enrolment envisages the pension framework as employer-led, resulting in a collective ‘default’ scheme that will capture the bulk of employee participation in pensions.

Interestingly, Korczynski discusses situations where it would be appropriate to look at the understanding of individual workers in relation to the effort bargain, within the context of what he refers to as the “social construct of work” (Korczynski, 2022, p. 12).

Korczynski’s critique of the psychological contract therefore aligns with the emergence of the de facto ‘group’ pension, and the collective nature of the scheme. There is also the tension this creates when compared with the concept of individualism under financialisation, and the similarities with the social construct of work. The nature of these relationships has not fully emerged, as the auto-enrolment legislation is relatively recent, and it will be interesting to see how this develops in future.

In conclusion, the literature on pensions gives rise to a number of possible research questions, which are discussed in section 2.7.1 below.

2.7 Summary

Broadly speaking, the literature on pensions is consistent on the history of the development of pensions and the reasons for their existence, and the broad 'direction of travel' in terms of pension policy. Pensions emerged as a societal response to the need to provide for citizens in old age, as lifespans lengthened. The initial shift in the UK came after the Second World War, and the legislation by the Beveridge government that introduced National Insurance and the State Pension.

Since then, there has been a shift in emphasis in the relative importance of pension providers, in that the private sector's role in pension provision has increased in significance. The other fundamental shift is from DB to DC schemes, where risk and responsibility are transferred from the firm to the individual employee. This is consistent with the concept of financialisation, which can be thought of as the increasing importance of finance and financial firms in peoples' lives, and the shift of responsibility for financial decisions to the individual.

The recent introduction of pension freedoms and auto-enrolment in the UK, along with the shift from DB to DC pensions, have accelerated these trends, and has further changed the relationship between employer and employee. What is perceived in the literature to be the generally lower financial literacy of women compared to men is also a feature of research undertaken.

As outlined above, the psychological contract is a useful lens through which to view this relationship. The psychological contract is the implicit, unwritten arrangement of effort and reward between employer and employee, which considers obligations on both parties that are not specifically covered in a written employment contract. A key element of this is the relationship of trust between employer and employee, which can be a significant component in the pension arrangements that employers are required to establish for their employees. The psychological contract provides for the situation where there is a breach in the trust between the parties, and whether this can be resolved in a positive way.

In relation to pensions, the issue of whether the trust in an employer is misplaced – in other words, if the pension outcome is unsatisfactory for an employee – will not be known until sometime in the future. A number of writers ((Berry (2014), Foster (2017), Webb et al (2014), and Curry (2010)) have cast doubt on whether the aims of pension investors will be met. The fundamental issue is that the effects of the auto-enrolment legislation will not be fully known for decades, and any conclusions that are drawn are based on significant conjecture.   One interpretation of this view is that the writers who are doubtful about the success of auto-enrolment have good grounds to be pessimistic, and that a 'blame game' will take place in decades to come if pension outcomes are not satisfactory.

Recent analysis based on the psychological contract, by Gough & Arkani, and also Korczynski, has characterised the employer-employee relationship as more transactional than relational, with emphasis on the short-term elements of the relationship rather than the longer-term aspects. In the context of pensions, and auto-enrolment, this seems to weaken the linkages between employer and employee and makes the apportioning of blame more difficult. Arguably a key question is whether the level of trust between the parties can be maintained at a high level in a contemporary situation and over the longer term, as employees will have to wait at least until their retirement, which may well be in their mid to late 60s (depending on their own circumstances and the terms of their pension scheme). From the review of the literature, it is evident that the psychological contract is a relevant and useful way to analyse the employee/employer relationship in relation to pensions, and the dynamic nature of the psychological contract model will enable it to remain relevant in future.

Finally, research into financialisation (by Epstein (2005)) and the psychological contract (by Guest (2004)) showed that although the two models cover completely different disciplines of study, they are both based on the same societal change, which is the increasing importance of the individual, as opposed to the collective. This feeds directly into the pension changes that are highlighted in this section (e.g., by de Thierry et al., (2014)).

2.7.1 Research questions that arose from the review of literature

Several questions emerge from the literature surrounding pensions, as follows:

- How do employees make decisions in relation to their pension scheme, and what criteria influence those decisions?
- Whom do employees trust to provide them with information to make decisions on pensions?

- Who is to blame if pension outcomes are unsatisfactory, and what will the effect of this be?
- Has the introduction of auto-enrolment furthered the financialisation agenda, and led to an empowered, knowledgeable workforce, or has it created a cohort of employees who, rather than find out about the detail of their pensions, rely on others to make decisions for them?
- How does the psychological contract model help to explain behaviour in relation to pensions in the current employment environment?

These questions were considered and incorporated into a list of questions that would shape the discussions with each of the interviewees. The questions, and the primary literary sources can be found in appendices A, B and C. The responses to the questions are considered in chapter 4, which covers the Analysis and Discussion of the research findings.

2.8 Research gaps identified from the literature review

The literature review identified gaps in the literature in a number of areas. Whilst pensions and the psychological contract have been the subject of research in the past (e.g., by Gough & Arkani) this has not taken place in an auto-enrolment environment, nor have the two been combined. In addition, the literature showed the parallels between the psychological contract and financialisation, and the fact that their development has followed similar trends, driven by the same societal changes. This will be considered when analysing the interview responses.

In addition, the choice of ICAS as a case study provides a unique element to this research. This is considered further in section 3.2 below. As an employer, ICAS chose to introduce auto-enrolment ahead of the legislative deadline for doing so. ICAS is also a membership organisation, with a high proportion of financially qualified staff who work in an environment where governance is a fundamental part of what the organisation does. This is reflected in the way the pension scheme is run, and this will be reflected in the interview responses recorded as part of the primary research undertaken.

The next chapter, Chapter 3, discusses the research methods adopted for the study and the results of the pilot study that was undertaken ahead of the main primary research. The results of that research, and the themes that emerged, will be covered in chapter 4, before conclusions are drawn in chapter 5.

CHAPTER 3: RESEARCH METHODS

The aim of this research is to understand how individuals make pension choices and whom they trust to provide them with the information to do this. The study uses a case study approach (Yin, 2009), with data gathered by way of semi-structured interviews of employees from one organisation, the Institute of Chartered Accountants of Scotland (Dearnley, 2005). The rest of this chapter will consider the research methods, how they were decided upon and how they will ensure the aim of the study will be satisfied.

Section 3.1 considers the overall philosophical underpinning of the study and its influence on the methodology chosen for the study. Section 3.2 sets out the basis for taking a case study approach, section 3.3 considers sampling, with section 3.4 examining the pilot study, the ethical issues that arose from it, the analysis of the data gathered, and the reasons for choosing a different philosophical approach. Section 3.5 deals with the analysis of interviews from the main study, whilst section 3.6 considers the population interviewed. Finally, section 3.7 draws conclusions from the chapter and considers the implications for the overall analysis and discussion of the main study findings that follows in Chapter 4.

3.1 Philosophical stance

When deciding on a philosophical perspective to adopt when undertaking a thesis, the two main influences will be the views of the researcher and determining the philosophy that is best suited to the research topic selected. As Crotty puts this, “not too many of us embark on a piece of social research with epistemology as our starting point [saying] ‘I am a constructionist. Therefore, I will investigate…’. We typically start with a real-life issue that needs to be addressed, a problem that needs to be solved, a question that needs to be answered” (Crotty, 2003, p. 13).

The views, values, and interests of the researcher will have a fundamental impact on the choice of the real-life issue to be researched in the first place. This researcher is interested in pensions, and in particular the human aspect of pensions. Of particular interest is why, when there are clear and rational reasons to contribute to a pension scheme, people either do not contribute, or if they choose to contribute, why they might do so in a way that means it is unlikely that the outcomes of their participation in the pension scheme will meet their needs in retirement? This coincides with the aim of social science, which is “to build explanatory theory about people and their behaviour” (Punch, 2005, p. 8). The next section of this chapter will consider the appropriate research philosophy for such a study.

3.1.1 Identification and critical evaluation of the overall research philosophy

When undertaking a thesis, the choice of research philosophy will have a profound influence on the study itself. Saunders, Lewis and Thornhill state that “the research philosophy you adopt can be thought of as your assumptions about the way in which you view the world” (Saunders, Lewis, & Thornhill, 2012, p. 128). The choice of viewpoints can be thought of as being on a scale of some kind, with two extremes – positivism at one end and interpretivism or constructionism at the other. I will consider both viewpoints at this stage.

Positivism can be defined as a viewpoint in which social science procedures reflect those of the natural sciences where information is obtained using experimentation and statistics. A natural science approach will generally involve the development of a hypothesis and the testing of this, typically using structured samples of data collected using large samples. It is likely that this data will be quantitative, but qualitative data may also be used (Saunders, Lewis, & Thornhill, 2012). Also, using a positivist approach means that the “researcher should be objective and detached from the objects of research” (Blaxter, Hughes, & Tight, 2006, p. 60). When studying pensions, as in this study, using a positivist approach would involve large scale samples, using questionnaires to elicit responses on questions on subjects that are important, and then modelling the answers using statistical modelling. Therefore, a positivist researcher might ask, ‘Do you believe that the state pension and your workplace pension at default levels of contribution will be enough for your retirement?’. This is consistent with the overall aims of positivist research, which “are to offer explanations leading to control and predictability” in relation to the subject of the research undertaken (Blaxter, Hughes, & Tight, 2006, p. 60). Whilst this might be useful in determining what people think, this study is more concerned with why people think what they think, and in trying to capture this a researcher may gain valuable insight into why people behave in a particular way that would not have been elicited using questionnaires.

One of the other tenets of positivism is that the researcher should be detached from the subject of their research, so there is no interference, and the subject can be allowed to operate freely. Such a level of detachment is unlikely to result in any meaningful insight into the way people feel about pensions; nor will it capture the complexity and depth of people’s feelings about the subject. It is not that detachment is wrong in this context; rather it does not fit with the kind of research proposed for this dissertation.

Gill and Johnson summarise why a positivist approach is arguably not the most appropriate for this study, saying that positivism has a "tendency to reduce human action to the status of automatic responses excited by external stimuli", and that "this reduction was achieved…through ignoring the subjective dimensions of human action, that is the internal logic and interpretative processes by which action is created" (Gill & Johnson, 2002, p. 167). It is these external stimuli and the subjective dimensions of human action that need to be discovered and therefore a positivist approach would not work well for the proposed research.

Interpretivism takes a diametrically opposite view of the world from positivism, in that, "The social world of business and management is far too complex to lend itself to theorising by definite 'laws' in the same way as physical sciences" and that "rich insights into this complex world are lost if such complexity is reduced entirely to a series of law-like generalisations" (Saunders, Lewis, & Thornhill, 2012, p. 137). Rather than being detached from the subjects of research, an interpretivist researcher will conduct their research among their subjects, recognising that they are not independent of what they study. As a result, the interpretivist view of the world is that the roles of those within it are subjective and are subject to change over time – i.e., not generalisable – and that the knowledge of research participants is subjective, dependent on the view of the individuals concerned and their social situation. Views adopted will vary from individual to individual, based on their own experience, and may be irrational as a result. Knowledge is seen as contextual and interpretive, and meaning is given by the interaction of the individuals with others and organisations (Hatch & Yanow, 2008).

It can be argued that there are issues with both positivist and interpretivist viewpoints. The variable nature of the human response, whether determined by individual unpredictability or social pressures, can render a positivist approach less than useful, and it can be argued that the lack of aggregation of opinions under an interpretivist approach could make generalisability difficult. One potential solution to this would be to adopt a critical realist approach, which steers a middle course, bringing together elements of both approaches, where generalisation is possible, and synthesising the views of the respondents in the study. This means that it is possible to be flexible, using methods that are most suitable for the subject matter under consideration. It is also the only approach that recognises that reality is stratified and has multiple levels. Saunders, Lewis and Thornhill summarise this, saying “the critical realist…would recognise the importance of the multilevel study (e.g., at the level of the individual, the group and the organisation). Each of these levels has the capacity to change the researcher’s understanding of that which is being studied” (Saunders, Lewis, & Thornhill, 2012, pp. 136-137).

Easterby-Smith, Thorpe & Jackson point out that “critical realism makes a conscious compromise between the extreme positions” (Easterby-Smith, Thorpe, & Jackson, 2008, p. 62). In doing this, critical realism can adopt some of the central characteristics of positivism – that “there is a reality different from our description of it” and that “the natural and social sciences can and should adopt the same kinds of approach to the collection of data and to explanation” (Bryman & Bell, 2007, p. 18). This means that a critical researcher can direct their attention towards finding out about an external reality using the meticulousness and precision associated with scientific study. However, the critical realist researcher also recognises that reality is stratified, in that there are different levels of understanding and that as a result “scientific investigation attempts to penetrate behind or below the surface appearances of things to uncover their generative causes” (Benton & Craib, 2011, p. 126).

This research attempts to understand why people make particular choices. Adopting a critical realist perspective enables a move to the level of understanding that will enable an appropriate analysis of the subject matter to be undertaken. This ability to vary and flex the level of investigation and understanding is one of the main advantages of adopting a critical realist approach, as influences and generalisations can occur at each of the levels mentioned above, and the degree to which there is interaction between the levels may vary over time. There is recognition, however, that the degree to which the results of the research can be generalised may be limited – both in a theoretical context and from a practical perspective, as this thesis was based on a case study of one particular organisation (Bryman & Bell, 2007). Other research has argued against this – e.g., Flyvbjerg (2006) – and so it is for the readers of this study to determine the use that can be made from it.

The initial view of this researcher was that a critical realist view reflects the reality of studying pensions, as sub-optimal or irrational choices are being made, and to some extent this will be based on the responses of individuals to information that is available to them, but also to stimuli from society. This relates directly to the description of critical realism by Saunders, Lewis & Thornhill, that “phenomena create sensations which are open to misinterpretation" and there should be a "focus on explaining within a context or contexts" (Saunders, Lewis, & Thornhill, Research Methods For Business Students, 2012, p. 140).[1]

Because of the influence and importance of the views and feelings of the participants in the research, the reality of the pension situation is not absolute, but rather it is shaped and coloured by the views of the participants and the social views that condition their opinions and the decisions that result from them. From this perspective, it was deemed that a critical realist approach was appropriate at the beginning of the study.

3.2 Case study approach

In undertaking this study, it was important to use a form of social science research that was appropriate to the subject matter and the question being asked. The contention being made in this thesis is that using case study research (as opposed to other methods – surveys, histories, or statistical modelling, for example) is most appropriate for this study. Several texts were used in this section (in particular 'Understanding Case Study Research: Small-scale Research with Meaning' by Malcolm Tight (2017), on which this section draws).

3.2.1 The case study defined

Of the difficulties of case study research is that when dealing with case studies, each

[1] The view of the researcher moved towards an interpretivist view later in the study, as described in section 3.4.4. This shifts the emphasis towards the individual in decision making.

author has their own definition of what a case study is. As a result, there is no definitive view of what a case study represents. It is informative, therefore, to consider what the different definitions encompass, so that it is possible to understand the range of possibilities of what case study research could be.

To give a sample of the different views, Tight (2017, pp. 6-7) cites several definitions of 'case study', which include:

- "A case study, basically, is a depiction either of a phase or the totality of relevant experience of some selected datum" (Foreman, 1948, p. 408).
- "A case study is expected to catch the complexity of a single case… Case study is the study of the particularity and complexity of a single case, coming to understand its activity within important circumstances" (Stake, 1995, p. xi).
- "A 'case study'… is best defined as an intensive study of a single unit with an aim to generalize across a larger set of units" (Gerring, 2004, p. 341).
- "[T]he single most defining characteristic of case study research lies in delimiting the object of study, the case… If the phenomenon you are interested in studying is not intrinsically bounded, it is not a case" (Merriam, 1998, p. 27).
- "Case studies are analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems which are studied holistically by one or more methods. The case that is the subject of the inquiry will be an instance of a class of phenomena that provides an analytical frame – an object – within which the study is conducted and which the case illuminates and explicates" (Thomas, 2011, p. 23).
- "A research strategy that involves the empirical investigation of a phenomenon

within its real-life context, using multiple sources of evidence" (Saunders, Lewis, & Thornhill, 2019, p. 797).

Whilst there are differences in the detail of the definitions, there are common factors that can be drawn from these definitions, so it can be understood that a case study will involve the following characteristics:

1. The study of a particular case, or a number of cases.
2. That the case will be complex and bounded.
3. That it will be studied in its context.
4. That the analysis undertaken will seek to be holistic.

(Tight, 2017, p. 9)

It follows that if the characteristics above can be satisfied, this thesis can be considered as a case study. Looking at the first characteristic, this thesis considers a particular part of a single organisation – the pension scheme at ICAS. As such, the study is bounded with clear limits to the extent of the area of interest in the study, which satisfies one aspect of the second characteristic. The second part of that characteristic – that the case is complex – is satisfied by this. Curry describes DC pensions as being part of a complex financial environment (Curry, 2010), and as such the ICAS pension scheme can be similarly regarded.

When considering the third characteristic, in relation to context, the emphasis is on consideration of the subject in a 'real-life' manner (Saunders, Lewis, & Thornhill, 2019). The intention of this study is to examine real pension choices within a particular scheme, and as such the context is tangibly real. Finally, the nature of the study should be holistic. The 'Concise Oxford English Dictionary' defines holistic as "characterized by the belief that the parts of something are explicable only by reference to the whole" (Soanes & Stevenson, 2023). This study examines issues around trust and choice of individuals in the context of the ICAS pension scheme. The study can therefore be regarded as being 'holistic'.

Given that these four characteristics are satisfied it would be reasonable to consider this thesis to be a case study. Consideration will now be given to the unit of analysis in this study.

3.2.2 The unit of analysis

When considering whether this research is a case study it is necessary to understand exactly what is being studied. The definition of a case study definition above from Merriam is informative here. It reads, "[T]he single most defining characteristic of case study research lies in delimiting the object of study, the case… If the phenomenon you are interested in studying is not intrinsically bounded, it is not a case" (Merriam, 1998, p. 27). Also helpful in this context is the view of Bryman, who adds, "with a case study, the case is an object of interest in its own right, and the researcher aims to provide an in-depth elucidation of it" (Bryman, 2012, p. 69).

Closely associated with the notion of binding or defining the case is the issue of the unit of analysis. Again, this is a general concern in research, not just in a case study. The unit of analysis can be defined as, "what is studied, which could be an individual, family, community, organisation, a state or even a nation" (Gangeness & Yurkovich, 2006, p. 11). Given this definition, it would be possible to define the unit of analysis in one of two ways. It could be that the whole of the organisation – ICAS – is what is being studied, if the unit is taken together as a whole. Given that each interviewee is initially considered separately it could be considered that the study consists of multiple units of analyses. In this case, the research question considers how 'experts' make pension choices, and whom they trust to provide them with information, the study looks at the cohort. The cohort of interviewees is not restricted to pension scheme members and is therefore drawn from the whole of the group of staff at ICAS. Also, whilst the views of individuals are important, it is the combination of those views that drives the study and its findings. Given this, it follows that the unit of analysis is the employees of ICAS as a body.

3.2.3 The type of case study

When using the case study as a method (as this study does), it is informative to understand the type of case study being undertaken, as this will help the reader to analyse and comprehend the case itself. This can be difficult, as there are many classifications of case study types (Tight, 2017). For the purposes of this study, the analysis by Stake (1995) is informative, as it incorporates many of the ideas of other definitions. He identifies three types of case study, as follows:

1. Intrinsic – where the researcher is not interested in generalising, but that there is a particular need or desire to learn about a particular case.
2. Instrumental – where the researcher wants to acquire a wider understanding of a subject and that they might gain some insight into the research question through

examination of a particular case.

3. Collective – where a number of different subjects are studied simultaneously and together so as to learn about more a general condition or phenomenon.

(Stake, 1995)

The consideration of the type of case study to be undertaken helps to understand both why a case study was undertaken in the first place and how this method informs the research question to be answered. For this thesis, the researcher was interested in looking at the subject of pensions in some depth, rather than in a more shallow and superficial way. This would better answer the research question being answered (i.e., how 'experts' make pension choices and whom they trust to provide pension information). There was also an interest in providing information that might be useful for other pension stakeholders – whether employees, employers, pension fund managers and pension advisers. The philosophy is summarised by Flyvbjerg, who states, "it is often more important to clarify the deeper causes behind a given problem and how frequently they occur. Random samples emphasizing representativeness will seldom be able to produce this kind of insight: it is more appropriate to select some few cases chosen for their validity" (Flyvbjerg, 2006, p. 229). As such this study can be regarded as instrumental based on the categorisation above, as one employer was chosen, with multiple interviewees, to enrich the study and provide the necessary depth and understanding to enable serious conclusions to be drawn.

By necessity, case study research involves sampling, and it is therefore important to make sure that the sample chosen (the 'unit of analysis') is meaningful in the context of the case study question being answered. When choosing the subject for a case study (rather than selecting at random), Flyvbjerg describes the purpose of this is to "maximise the utility of information from small samples and single cases" (Flyvbjerg, 2006, p. 230). Four types of case are highlighted by Flyvbjerg:

- Extreme/deviant – those which are unusual; either problematic or especially good.
- Maximum variation – to obtain information from cases which vary significantly (e.g., in terms of size or budget).
- Critical – to analyse a case which is deemed to be a proxy for others.
- Paradigmatic – to highlight more general factors, with the case acting as a metaphor, or reference point by which to judge other similar units of analysis.

(Flyvbjerg, 2006)

It could be argued that the 'critical' and 'paradigmatic' types of study are less distinct than 'extreme/deviant' and 'maximum variation'. However, the crucial distinction here is that in a critical study the case is chosen specifically to provide an example that is representative of the population, whereas the paradigmatic case is one which has characteristics which are of interest to a researcher that will shed light on factors which may be considered by others but will be subject to interpretation on their part. This study therefore falls into the paradigmatic category. ICAS was chosen because it was an organisation that adopted the UK's pension legislation earlier and went further than was required. Also, as the organisation is populated by 'experts', their views and choices can be used as a useful reference point for others – the experience of 'experts', with additional knowledge and experience, will inform readers of the issues around pensions and the ability to make decisions.

3.2.4 The adoption of a case study approach

It has been established that this research is an instrumental and paradigmatic case study, with ICAS as the unit of analysis. Before proceeding further consideration should be given to the question of why a case study is appropriate for this study.

It was noted above that to answer the research question and gain a fundamental understanding of the nature of decision making and trust in relation to pensions, it was important that the associated research was undertaken in some depth. It was also important that a holistic view of the pension scheme at ICAS was adopted, as limiting the scope of the study would not serve the research question. As such, a case study is an ideal way of achieving these objectives.

In terms of the scope of the research, it was not the intention of this study to be universally applicable to all pension schemes and their members. As such, the nature of this research – an instrumental and paradigmatic case study - allows for an understanding of the specifics of the unit of analysis and the degree to which the findings can be generalised to be clearly understood and delineated.

A final consideration is that the research undertaken to answer the research question is feasible for the researcher. There is therefore a balance to be struck between the usefulness and meaning of the research, and the volume of work that the researcher can actually undertake. The nature of case study research is that it is bounded, which renders it ideal from a pragmatic perspective (Tight, 2017).

3.2.5 The importance of the case in this study

To summarise this section, the work presented in this thesis is a paradigmatic case study. The desire of the researcher was to identify the reasons for decisions made and who is trusted to provide information when making those decisions, and this requires research with some depth. This would be best achieved by looking at one organisation in some detail, and therefore the case study approach was deemed to be the most appropriate for this thesis. This led to the unit of analysis being the organisation (ICAS), and the research question built on the specific characteristics of ICAS, the expertise of the participants in the research.

3.3 Sampling

Before considering the analysis of the interviews that form the primary research for this study, it would be useful to consider the process used to obtain the sample of employees to interview.

3.3.1 The use of sampling

When undertaking research case study research, the complete group of possible interviewees can be referred to as the population. To canvas the views of this group, the ideal approach would be to interview the entire population (Sharma, 2017). However, in many cases, it is not practical or possible to interview the entire population, and so a subgroup of the population must be chosen to represent the group. The technique chosen should aim to minimise error and bias, and to maximise representativeness, so consideration of the sampling technique is an important part of the research methodology (Brendt, 2020).

Sampling methods fall into two broad categories – probability and non-probability sampling. With probability sampling, the chance of selecting each member of the target population is known (and is normally equal), and as such probability sampling is normally chosen when statistical inferences need to be made from the sample about the whole population. To use probability sampling, the sample will be chosen at random from a sampling frame (i.e., a complete list of the whole population from which a sample can be drawn) (Saunders, Lewis, & Thornhill, 2019). This was not possible for this research, and so it was not possible to use probability sampling for this study. Therefore, non-probability sampling was used.

Non-probability sampling comprises four broad methods, which are summarised in table 3 below:

Table 3 - Sampling methods - advantages and disadvantages

[redacted]

Adapted from (Brendt, 2020)

3.3.2 Sampling method choice

Of the methods above, snowball sampling was excluded quickly, as it was clear that the possible participants were not difficult to find, and the researcher was confident there would be a response sufficient to allow the research to proceed (which was proved correct). Quota sampling was also discounted at an early stage, as the unit of analysis was the workforce at ICAS, and it was not therefore necessary (nor was it possible) to identify groups within the whole population with similar characteristics.

Self-selection sampling, at first glance, appeared a useful means of sample selection. However, in its purest form this method does not allow the researcher discretion over who is interviewed. As a result, the researcher decided that invitations would be sent to the employees of ICAS, and that once responses were received these would be reviewed to ascertain whether the sample obtained would be likely to provide data that would allow the research objective to be met. In other words, a purposive sample selection method was adopted. This approach is supported by research from Campbell et al, who concluded that, "the reason for purposive sampling is the better matching of the sample to the aims and objectives of the research, thus improving the rigour of the study and trustworthiness of the data and results" (Campbell, et al., 2020, p. 652).

Further reading showed that this approach was consistent with contemporary qualitative research, as confirmed by van Rijnsoever, who said, "most qualitative researchers…do not rely on probability sampling. Rather, the sampling procedure is purposive. It aims to select information rich cases whose study will illuminate the questions under study. The researcher decides which cases to include in the sample based on prior information like theory or insights gained during the data collection." (van Rijnsoever, 2017, p. 2).

3.3.3 Saturation

Unlike probability sampling, the number of items included in a sample is ambiguous – there are no rules, and the sample size is determined to a large extent by the type of study that is to be undertaken, which is driven in turn by the research question asked (Saunders, Lewis, & Thornhill, 2019). Linked to the question of sample size is the concept of saturation, which is defined as "the point at which no new information or themes are observed in the data" (Guest, Bunce, & Johnson, 2006, p. 59). The saturation point can be thought of as a threshold, above which additional research provides no tangible benefit, but below which the research can be thought of as deficient. Understanding where the saturation point occurs is therefore an important part of any study where non-probability sampling is used. This is considered by Morse, who said, "estimating the number of participants in a study required to reach saturation depends on a number of factors, including the quality of data, the scope of the study, the nature of the topic, the amount of useful information obtained from each participant, the number of interviews per participant, the use of shadowed data and the qualitative method and study design used" (Morse, Determining Sample Size, 2000, p. 3).

Considering each of these, good quality interviews from informed and articulate participants will result in fewer interviews. In terms of scope, the broader the study, the higher will be the saturation point. Fewer interviews are needed if the subject of the research is clearly defined, and useful information from the interviewees is obtained easily. ‘Shadowed data’ describes the situation where interviewees describe the experience of others, comparing and contrasting this to their own views. The presence of such data reduces the number of interviews required (Morse, 2000).

Despite the ambiguity of the definition of saturation, researchers have attempted to quantify how many interviews are required to reach saturation point. Morse concluded in 1994 that 15 to 20 interviews were needed (Morse, 1994), but in later research determined that six interviews were sufficient (Morse, 2000). Guest et al concluded that between six and twelve interviews is sufficient (Guest, Bunce, & Johnson, 2006). Earlier research by Kuzel concluded that between 15 and 20 interviews were needed (Kuzel, 1992).

As a result of this, the researcher’s initial view was that somewhere between 12 and 20 interviews would be needed. This would be reconsidered once the analysis of the interview transcripts was complete.

3.4 The pilot study

Before undertaking a final study, it is useful to undertake a pilot study not only to ensure that the questions to be asked work well, but also to check at a higher level that the primary research will achieve its overall purpose (Bryman & Bell, 2007). A pilot study can be thought of as “the conduct of the main study but in miniature” (Morin, 2013, p. 547), and is useful because “it should identify major issues that could influence the outcome of the larger study” (Morin, 2013, p. 548). With this in mind, a pilot study was undertaken ahead of the final interviews for this study, to allow the researcher to test that the questions were understood and that the answers elicited would enable the achievement of the study's aim and objectives. Two individuals were interviewed for the pilot study.

The basis for this study is to understand the decisions people make in relation to pensions and how they come to make those decisions, but in the context of the relatively recent changes to legislation that introduced auto-enrolment (and a different type of pension scheme as a result). As such it can be thought of as an explanatory study, one that will look for new insights into pensions viewed within the context of the environment created by auto-enrolment (Saunders, Lewis, & Thornhill, Research Methods For Business Students, 2012).

The design of the research was also influenced by the fact that a case study approach was adopted for the study. Employees of one organisation, ICAS, were interviewed, so there were multiple participants in the study in terms of interviewees. There was recognition, however, that the degree to which the results of the research can be generalised will be limited – both in a theoretical context and from a practical perspective – as the results can potentially only be used by third parties whose characteristics are similar to those of the case study group. This will leave scope for further research to be undertaken either in different types of organisations, or on a larger scale, which may be useful where this study does not apply.

Data for this study were collected via semi-structured interviews, which allowed "all participants to be asked the same questions within a flexible framework" (Dearnley, 2005, p. 22). This allowed a list of themes and follow-up questions to be varied between interviews. This was important, as some of the questions asked earlier in the interview determined how questions were asked later in the interviews, and the extent to which certain issues were probed and explored. For example, if an individual has taken independent financial advice on their pension, this could influence whom they trusted to provide information, which will in turn influence the discussion in this area.

A series of questions was written ahead of the pilot study to form the basis for the interviews to be undertaken. The initial questions were designed to elicit information about the individuals and their characteristics and were taken from the literature. Guest's diagram at figure 6 details the importance of many of these factors in the employment relationship (Guest, 2004). The later questions, which asked more detailed questions on pensions, were based on themes drawn from the literature review. These themes, and their sources, are set out in Appendix A, with the questions themselves set out in Appendix B.

3.4.1 Ethics

Ethical approval was required for the study to proceed. This was obtained by submitting an Ethical Approval Form to the Ethics Committee at Napier University, along with a copy of the questions to be asked. Ethical approval was given prior to the pilot study.

The ethical approval acknowledged that the main researcher needed to explain:

- The nature of the study.
- The types of questions that will be asked.
- The ability of interviewees to terminate the interview at any time without explanation, and to withdraw from the process if desired.
- What the data will be used for.
- The fact that the dissertation will include data that is anonymous.

From an ethical perspective, the main potential risk identified is that an individual who is questioned about their pension comes to realise that their pension is inadequate for their needs. To mitigate this risk the research questions did not cover the value of pension contributions and benefits, and interviewees will not be required to discuss these. If further information is required by the interviewees, ICAS will answer any queries they may have (without the interviewees having to disclose the fact that they have participated in any interview).

Ahead of the pilot study and the final study, approval was sought from the University's Research Integrity Committee of the Business School. The Research Integrity Committee of the Business School granted ethical approval. In line with Edinburgh Napier University procedures, before each interview was undertaken, the process was described to the interviewees, and two copies of a Research Consent Form was signed by the participant and the researcher. One copy was retained by the interviewee, and the other by the researcher. The participants were given assurances that the content of the interviews would remain confidential (Ferreira & Serpa, 2018). The interviews for the pilot study were recorded using an audio recording device and transcribed by the researcher. Access to the computerised audio files was restricted to the researcher and the names of the participants were not included in the transcriptions, and the list of names of participants held separately from the final transcriptions. The recordings and the transcriptions were stored on the University's central server, which was password-protected, and the data held on it was encrypted. The original audio recordings and the details of the participants will be held until the completion of the study. The anonymity of the participants was carefully guarded, and none of the interviewees is identifiable individually (Coffelt, 2017).

3.4.2 Analysis of data

The analysis of the data collected involved a detailed review of the transcriptions of the interviews themselves. To enable good practice to be followed in this exercise, the researcher used a number of texts to develop a means of doing this. The main texts used were Braun and Clarke (2006), Miles and Huberman (1994), and Gioia, Corley and Hamilton (2012). Other texts used are referred to below.

The overall approach was to identify themes from the interview transcripts. Thematic analysis is described as "a method for identifying, analysing and reporting patterns (themes) within data" (Braun & Clarke, 2006, p. 79), and "identifying and describing both implicit and explicit ideas within the data, that is, themes" (Guest, MacQueen, & Namey, 2012, p. 9).

Miles and Huberman, in 1994, set out the process of analysing qualitative data by breaking it down into iterative sections, these being preparation and reduction, the creation of displays and narratives, and writing up (Miles & Huberman, 1994). Braun and Clarke built on the work of Miles and Huberman, breaking down the process of analysing the data into smaller, more detailed steps. The initial aim was to identify themes within the data. In describing this, Braun and Clarke said, “A theme captures something important about the data in relation to the research question and represents some level of *patterned* response or meaning within the data set” (Braun & Clarke, 2006, p. 82). It is interesting to note that this definition links the analysis back to the research question – the aim of the study – and that the themes should be based around this. The interpretation of these methods used in the analysis undertaken for this study was that the aim and research question was developed following a thorough review of the literature, and therefore the points raised from the literature (set out in section 2.6) were used as the starting point for the analysis. From that perspective, to use Braun and Clarke’s terminology, the initial analysis undertaken was a theoretical thematic analysis, coding for specific questions. However, whilst coding, the researcher was alert to the existence of other themes that might emerge, and in this respect, an element of inductive thematic analysis was undertaken (Braun & Clarke, 2006). This process will be illustrated with reference to one of the themes – financial advice.

The methodology followed largely mirrored the phases of thematic analysis set out by Braun and Clarke and were undertaken as follows. Firstly, the researcher became familiar with the data. In the case of the pilot study this began with transcribing the data, and then checking the transcription back to the original audio recording, making sure that the transcription reflects the nature of the interview. By doing so it was possible to examine the data at an overall level, but also to consider the granular aspects of it.

Using the financial advice example, the literature discussed the importance of financial advice, and as such the researcher was alert to this whilst reviewing the transcripts for the first time. It was clear there was consideration of financial advice in the interviews, but the nature of the financial advice was less formal and more informal in nature. This initial impression was noted ahead of the second stage, the generation of initial codes, which is discussed below.

The next step of the analysis was to generate initial codes. This was carried out using the themes developed from the literature at a high level and using these as a framework to develop ideas. The transcripts were printed out, and the answers to the questions from each of the interviewees were compared and contrasted, and then coded using coloured highlighters to identify similarities and differences. At this point some themes were becoming clearer, but some had not emerged fully, and it was not until the third stage that the search for the final themes began in earnest.

Financial advice was discussed by both interviewees, but one had taken no advice, and the other had relied heavily on internet research and speaking to friends. This highlighted potential sub-themes emerging.

The third stage of the analysis involved the search for final themes and sub-themes. Part of this analysis involved looking at the aspects of the interview discussions that did not fit neatly into the areas identified from the literature. An example of this would be the interviewees using internet research, which was identified as a sub-theme that developed from the areas of professional financial advice and the influence of family and friends.

The fourth phase of analysis was reviewing the themes identified, firstly at an individual level, where the supporting data for each proposed theme was reviewed to ensure that it came together to form a coherent whole. The second level was to review the themes on an overall basis to make sure that they reflected the data as a whole. This is where the time spent on the transcription and checking became invaluable, as this provided a sense of the ‘big picture’. The final, and fifth level, involved the identification and naming of the themes found, effectively formalising the thinking into an overall analytical framework.

Using the financial advice example, it was clear at this point that whilst the literature had emphasised formal financial advice, the actual experience of the interviewees was that whilst formal advice was something taken for specific matters (mortgages in these cases), it was not taken on an overall basis, or for pensions in particular. This is not to say that the individuals concerned would not take formal advice on pensions in future, and, separately, that future interviewees would discuss formal advice. It was clear, though, that informal financial advice should become a sub-theme, and that financial advice, rather than professional financial advice would be a more appropriate theme.

3.4.3 Results of the pilot study

Once the transcripts were analysed, the results of the pilot study were then subject to a ‘writing up’ process and were submitted as a pilot study report as part of the DBA process. It was important, though, to reflect on the pilot study, and use the experience to inform the main phase of primary research.

The interview process for the pilot study worked well. Both interviews lasted around 43 minutes and it was evident from an analysis of the transcripts that the discussion of the issues concerned was full and thorough, and that the quality of the answers, rather than their length or duration, was the crucial issue.

A number of other items were identified as being relevant for the final study, and a number of changes are proposed, as follows. When discussing the themes of ‘Decision Making’ and ‘Trust and Responsibility’ it became evident during both interviews that financial advice was an issue, both in terms of the sources of information used, and in terms of who would be trusted to provide information. The significance of financial advice for outcomes was included in the literature review, as research by Old Mutual showed that those retirees who took financial advice were £7,000 per annum better off than those who took no advice (Old Mutual Wealth, 2017). The issue was raised by both interviewees in the context of who could be trusted to provide information to help in decision-making.

Financial advice was mentioned by both interviewees, and any external advice received by interviewees may link into the maintenance and disruption phases of the psychological contract. The information obtained and the advice given may well be used to either maintain the relationship with an employer, or to resolve any differences that might occur.

There was a perceived lack of understanding on the part of the interviewees of the question asked in relation to the certainty of pension that will be received. The question read 'How secure do you think your pension is?', and the respondents were not completely clear what was meant by this. The thrust of the question again related to the psychological contract, and the degree to which interviewees felt the pension amount they would receive in retirement was certain. For future interviews, this question was re-written and expanded to make sure it was clear what was being asked.

Finally, it seemed relevant to discuss the pension investments of individuals in the context of other investments and financial products held – for example, mortgages, individual savings accounts (ISAs) and school fees planning products. A question asking about these was included in the early part of the research interviews. This was used to give some idea of the familiarity of the individual with financial products. This aligns with the section of the literature review that dealt with the concept of financialisation set out by Epstein and Berry (Epstein, 2005; Berry, 2016).

As there were few changes to the questions because of the pilot, it was decided that the interview transcriptions from the pilot study of two people would be included in the main study analysis.

Figure 7 below shows the themes that were derived as a result of the analysis of the pilot interviews. These themes align with the debates and discussions set out in the literature and summarised in section 2.6 above. These tie in with the overall, 'big picture' view of the data set out by Braun and Clarke. The sub-themes identified allowed the researcher to capture the themes from the data at a more granular level, which was consistent with a more inductive approach (Braun & Clarke, 2006). Financial advice was sub-divided into formal and informal advice. Finally, the components of responsibility and trust were the main aspects that were discussed in relation to the psychological contract, and so these were used as first order themes here.

Figure 7 - Thematic analysis of the pilot study interviews

After Gioia, Corley and Hamilton (2012)

The results of this analysis, as set out in the diagram above, was used by the researcher to inform the subsequent interview process.

3.4.4 Evolution of philosophical stance

As the analysis of the interviews from the pilot study progressed, it became clear that the views adopted by the interviewees, and their decision-making, were very different. This became evident as it emerged that although the two individuals interviewed in the pilot study had the same information available to them, they chose to take different courses of action based on that information, and as a result it was not clear that there is a causal mechanism at play (as would be expected under a critical realism approach).

The other fact that came from the interviews was that the decision-making process of individuals in the context of pensions cannot always be viewed as entirely rational, and it cannot therefore be assumed that people will always come to the most logical option. However, both individuals had good reasons for the choices they made and were content with their decisions. It became evident that if this is the case, individuals can be seen to interpret the information given to them, and/or trust those who can make choices on their behalf. This provoked more thinking and reading (particularly 'Critical Reading and Writing for Postgraduates' by Wallace and Wray (2016), on which this section draws) which shaped the response to the pilot study.

As a result of this, the overall ontological position of the research shifted, and whilst the researcher was still convinced of the subjectivity of the social meanings of the individuals involved in the research, there was less certainty in relation to the objectivity of the social entities around pensions. The overall view therefore changed to a position where there was recognition that there are multiple realities that are constructed by the social actors involved in pensions (in this case the interviewees), each of which is built by the individuals themselves, each rational and sensible to them, but in a state of evolution based on the information the individuals receive and the way in which it is processed.

The researcher's epistemological position also shifted because of the pilot study. The nature of this study is very much inductive, as the research is trying to gain an understanding of the meanings that the participants attach to events in relation to pensions. The study is also interpretive, in that the approach is to understand the differences between the participants in terms of the decisions they make, the information they use and whom they trust to provide that information (Saunders, Lewis, & Thornhill, 2012). The actions and perceptions of the interviewees are given context not only by the pension factors at play, but their own circumstances and beliefs, and the interpretation of them. The implication of this is that the findings may not be generalisable, and that multiple outcomes are possible based on the same inputs, knowledge, and information.

Finally, as an insider conducting interviews either with people known to the researcher (as in the pilot study) or people who work for an organisation the researcher used to work for, the axiological position is much less one where the researcher is looking for some kind of mechanism of explanation. Rather, it is one where it is possible to make observations and value judgements based on a study in which the researcher has an integral role to play in terms of the interview process, which is qualitative, and value driven.

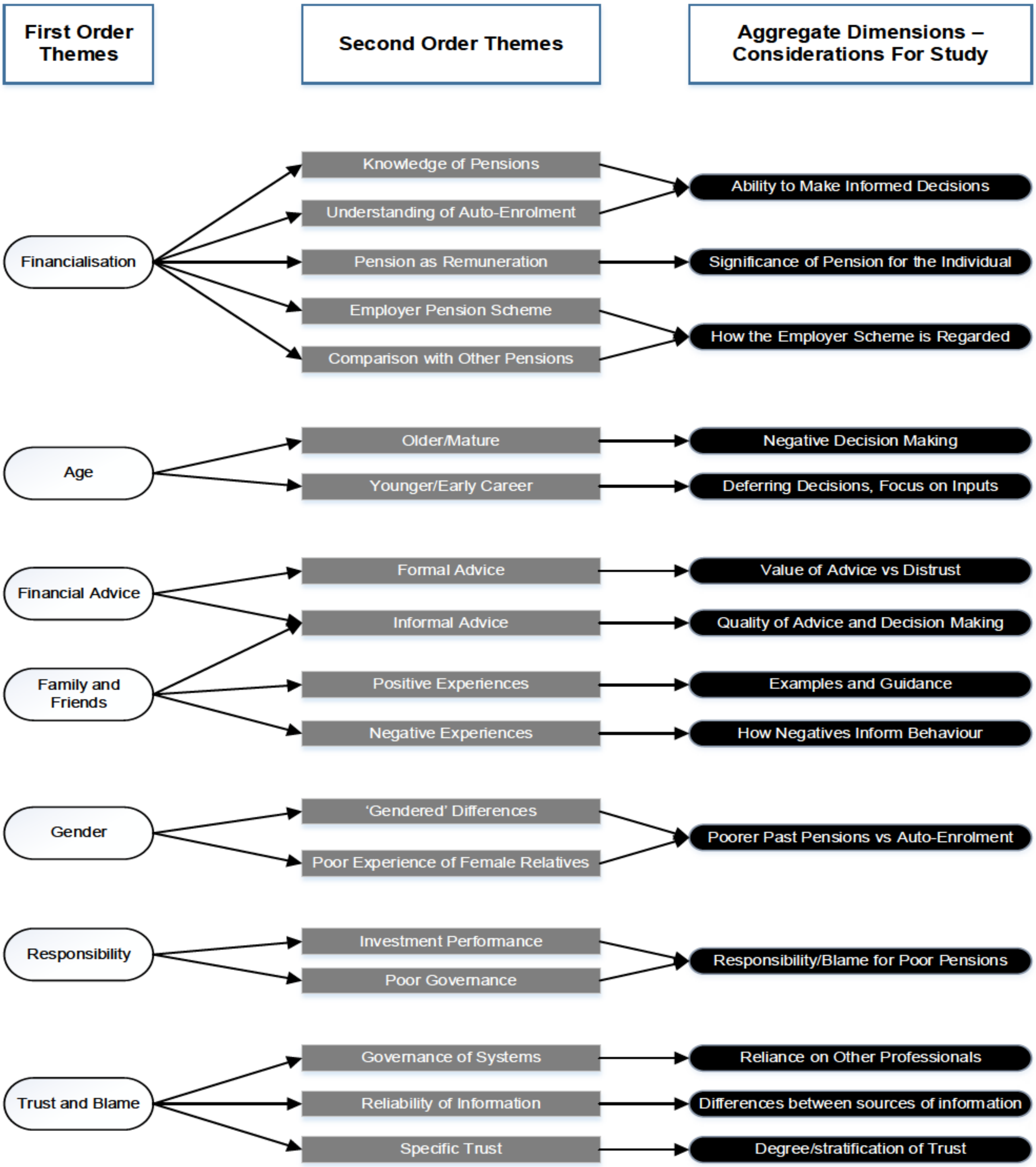
This resulted in an evolution of the position of the researcher in terms of ontology, epistemology and axiology shifted, and an interpretivist viewpoint appears to be the most appropriate philosophical stance for this study.

3.5 Analysis of interviews from the main study

When analysing the data from the 16 interviews undertaken as part of the main study, the same methods were used as in the analysis undertaken for the pilot study – that is using a theoretical thematic analysis, coding for specific questions (see section 3.4.2). As part of this process, the researcher paid particular attention to the emergence of other themes, which replicated the inductive thematic analysis undertaken for the pilot study (Braun & Clarke, 2006). Two additional themes – the influence of family and friends and gender – emerged. The process did not result in significant changes to the pre-existing themes – rather, it both confirmed and refined the analysis of sub-themes within the data.

The thematic analysis was updated using a similar diagram to figure 7 above to reflect these changes, and this is shown below in figure 8.

Figure 8 - Thematic analysis of all the study interviews



After Gioia, Corley and Hamilton (2012)

Figure 8 above shows the final themes that were used in the analysis of the data from all the interviews. The analysis is set out fully in chapter 4 below.

3.5.1 Saturation – are there enough interviews?

At this point in the research, a decision had to be taken as to whether there were enough interviews to satisfy the research objective. It became clear once all the interviews were read and coded that no new codes were emerging from the data. It was concluded at this point that saturation had been reached, and there was sufficient data to undertake the research and answer the research question. The number of interviewees is also sufficient, as per section 3.3.3, and it was therefore decided that no more interviews were necessary.

3.6 Characteristics of the population interviewed

To understand the population interviewed, it is useful to consider the characteristics of the population interviewed as part of this research, and how these aspects compare with the population as a whole.

All employees at ICAS were sent an email by the organisation's Human Resources Department, asking whether they would like to participate in research into pension choices. The email was written by the researcher and replies to it were sent directly to him. Eighteen individuals responded to this invitation, and interviews were arranged at a time convenient to them. At this point, the researcher reviewed the interviewees to determine whether it was likely that the respondents would provide information that would allow the research objective to be met, and that the respondents reasonably represented the population as a whole. This was a judgemental exercise, consistent with the purposive sampling technique discussed in section 3.3.2 above. It was also considered at this point it was likely that 18 interviewees would provide sufficient data to reach saturation point (Morse, 1994; Morse, 2000; Guest, Bunce, & Johnson, 2006; Kuzel, 1992).

The interviews themselves took place in private meeting rooms in the ICAS offices, with no-one else present. The researcher did not tell anyone at ICAS who the interviewees were, nor what was discussed. This was important in terms of preserving the anonymity of the participants, and confidentiality in terms of what was discussed (Coffelt, 2017).

The first consideration is the age distribution of the interviewees, compared to the population as a whole. This is shown in table 4 below:

Table 4 - Age distribution of the interviewees and the UK population

Age	No. of interviewees	% Interviewees	% UK Population
20-29	2	11	24*
30-39	9	50	20
40-49	4	22	22
50-69	3	17	34
Total	18		
Average age	40.4 years		

Note * - the figure for 24% of the UK population is for the 18-29 age group.

(UK Government - Age Groups, 2020)

The figures for the UK population as a whole are calculated using Office of National Statistics figures to cover the population groupings shown above. The figures show that the 30-39 age group is significantly over-represented, and all other age groups under-represented, except for 40-49, which is exactly in line.

Other characteristics about the population interviewed are shown below.

Pension scheme membership – 17 of 18, or 94.4%, were members of the ICAS pension scheme. This compares to a national figure of 77% of workers who are members of a workplace pension scheme (Employee workplace pensions in the UK, 2020). One would expect those who are members of a pension scheme to have more knowledge of pensions specifically, and perhaps finance more generally. This will be analysed in further detail in the results section in chapter 4.

Default fund – of the 17 interviewees who are pension fund members, 16, or 94.1%, are invested exclusively in the default pension fund. One member has split their contribution between the default fund (90%) and a higher risk fund (10%).

Sex – 7 of the interviewees, or 39%, were male and 11, or 61%, female, compared to national totals of 49% male and 51% female (UK Government - Male and Female Populations, 2020). Whilst the literature in relation to gender (reviewed in section 2.6.6) has argued that in general women were less financially literate than men, it is argued that the difference is not as significant when considered in the findings here. Research by Martenson compared men and women's investment planning for retirement, and whilst the research found that women were at a disadvantage on an overall basis, when 'expert' men and women were compared there was little difference. She concluded that "knowledgeable and motivated women think, feel, and act as knowledgeable and motivated men" (Martenson, 2008, p. 80). The interviewees in this cohort could all be considered to be knowledgeable and motivated, with a good deal of expertise, and therefore the different proportions of male and female interviewees are not considered to be a significant issue in this thesis. The expert nature of the interviewees is considered in section 3.6.1 which follows this.

Married/Long-term partner – Seventeen of 18 interviewees (94.4%) were married or had a long-term partner. The most up-to-date Office of National Statistics data for the date of publication for England and Wales show that in 2018 the proportion of the population who were married was 50.5%, and those living with a partner was 10.4%, giving a total 60.9% (ONS, 2019).

Homeowners – Seventeen of 18 interviewees (94.4%) were homeowners, either singly or jointly. Figures for England show that 63% of households owned their own homes in the 2 years from 2016 to 2018 (UK Government - Home Ownership, 2020). Whilst not precise, there is some relationship between home ownership and financial understanding (van Ooijen & van Rooij, 2016).

Qualifications – All of the interviewees had post-school qualifications. One interviewee was educated to HND level, whilst the other 17 (or 94.4%) were educated to degree level. 14 of 18 (77.8%) have a financial qualification, with a further three having no financial qualification but financial experience. 11 (61.1%) of the interviewees have a professional qualification. Figures for Scotland as a whole show that 26.1% of people aged 16 or over had a professional qualification or a university degree. The council area with the most qualified residents was the City of Edinburgh, with 41.4% having a degree or a professional qualification (Scotland's Census - Education, 2021).

Tenure – The length of service ranged from 0.5 to 16 years, with an average of 8.1 years. The average length of service in the UK was 8.6 years ((Employment - Average Tenure, 2022). The figures for the population interviewed and the population as a whole are broadly in line.

Financial advice – Of the 18 interviewees, two (11%) took regular financial advice. Another five have taken limited or specific financial advice, while the remaining 11 have taken no formal financial advice. In the 2019-21 period, 7% of the UK population paid for financial advice, compared to 10% in the 2018-20 period (OpenMoney, 2021).

Future improvements in pensions – Interviewees were asked if there was anything that would improve pensions for the future. Respondents were unanimous in their suggestion – that education on pensions and other financial matters be introduced at school level. Many suggested that this education should begin at primary school level (i.e., for pupils under the age of 11).

In summary, the population interviewed for this study is similar to the population as a whole in terms of the tenure of service of the interviewees. In all other respects there are differences from the average. The interviewees are over-represented in the 30-39 age group and under-represented in each of the others. In comparison to the population as a whole, the interviewees are more likely to be female, homeowners, married or in a long-term partnership and members of an occupational pension scheme. Whilst it would appear that the take up of financial advice, at 11% is low, it is actually higher than the population as a whole. Finally, the interviewees are significantly more qualified than average. In this context they could be referred to as 'experts', and the significance of this will be discussed in the next section.

3.6.1 Expert interviews

Each of these factors introduces the potential for some kind of bias in responses – or, put another way, this gives the population a unique composition.

As this is a study about pensions, it would seem appropriate to focus on the fact that the population interviewed is more qualified than would be expected in the population as a whole, and whether this causes any issues for the study. All of the interviewees have a post-school qualification, with 17 having a degree or higher. 14 have a financial qualification, with another 3 having financial experience. This is significant in the context of this study, as the answers given will not be the same as the population as a whole.

The book “Interviewing Experts”, edited by Bogner, Littig and Menz, is useful in this context, and the following section draws upon parts of the book to consider the significance of the knowledge of the population interviewed for this study. Littig considered interviewing ‘experts’ in a chapter of the book and cites a definition of an expert as “people with specialized professional or occupational knowledge” (Littig, 2009, p. 106), and in that context of that definition the interviewees for this study clearly qualify as experts in financial matters. Elsewhere in the book Bogner and Menz expand on this, saying, “an expert has technical, process and interpretive knowledge that refers to a specific field of action, by virtue of the fact that the expert acts in a relevant way” and that “as the expert’s knowledge has an effect on practice, it structures the conditions of action of other actors in the expert’s field in a relevant way” (Bogner & Menz, 2009, p. 54). What is implied here is that the expert knowledge itself has an element of social construction to it, and that not only is the view of the expert influenced by those around them, but the same expert can also exert influence over others around them. The role of the researcher is of interest here. As well as being an insider, the researcher can also be considered an expert in this context, and this will impact the interview process.

The process itself is discussed by Littig, who says that in an interview, "the expert knowledge is not simply neatly packaged up waiting to be collected, it is an externalization of different levels of knowledge that is only formed in the course of the interview" (Littig, 2009, p. 102). Littig continues by saying that an expert interview cannot be neutral, as the effects of interaction are "a constituent part of an [expert] interview" (Littig, 2009, p. 102). What is evident is that the concept of the expert interview is entirely consistent with the interpretivist philosophy expounded in section 3.1.1 – that the views of the interviewees are given context by their own circumstances and beliefs, and the interpretation of them, and that the researcher has an integral role to play in terms of the interview process, which is qualitative, and value driven. And whilst under an interpretivist philosophy, the opinions and values of each individual have legitimacy, one cannot help but feel that the views of an expert are more likely to be based on an objective reality and an understanding of the fundamental knowledge that forms that reality. It is also worth re-emphasizing the views of Bucher-Koenen and Koenen (2012) and Georgarakos and Inderst (2010) that more knowledgeable individuals (who could be referred to as 'experts') are more likely to ignore advice given.

3.6.2 Expert organisation

The employer in this study (ICAS) and the impact of its status as a professional regulatory organisation should also be considered as a part of the study. The research by Low, Davey and Davey, showing that expertise is central to the role and professional identity of the New Zealand Institute of Chartered Accountants (Low, Davey, & Davey, 2012). In a similar vein, ICAS presents itself as an organisation with similar qualities. The most recent ICAS Corporate Plan highlights that ICAS has "an abundance of expertise" (ICAS, 2020, p. 1), and emphasises the role of ICAS in terms of the knowledge and integrity of the accountancy profession. It would seem reasonable to extend this quality to the members of staff at ICAS, given their status as employees.

3.7 Chapter conclusion

The Research Methods chapter has discussed the development of the philosophical stance adopted by the researcher when undertaking this study, and why an interpretivist approach was ultimately adopted. The development of questions from the literature was mentioned, and ethical issues around the study were considered and addressed. The pilot study was conducted successfully, and way this informed the development of the questions and methods used for the final study was discussed. Finally, the characteristics of the interviewees were considered, and in relation to many factors the group selected was not a standard cross-section of the population. Whilst this could be viewed as a negative aspect of the study, the differences in characteristics, particularly those in relation to the concept of the expert, can be a useful lens through which to view the findings of the interviews. These will be considered in the next chapter, Chapter 4, which will deal with the analysis and discussion of the research findings before Chapter 5 draws conclusions for the study.

CHAPTER 4: ANALYSIS AND DISCUSSION OF RESEARCH FINDINGS

4.1 Introduction

When thinking about pensions it may seem obvious for scheme members to consider the factors that will directly affect their eventual pension, such as the type of pension scheme (defined benefit or defined contribution), the level of contribution, the investment funds the pension scheme invests in and the track record of the fund manager. However, many other factors could potentially influence the choices that individuals make, and it is the balance of these different influences that form the basis of this study.

In trying to understand the factors that influence the choices made when people are considering their workplace pension, 18 ICAS employees were interviewed using a semi-structured interview approach. The questions asked were drawn from the literature (see Appendix A) and were asked in the same way and in the same order for each interviewee. There was, however, considerable scope during the interviews for additional comment, and each interviewee took time to do this.

The process of analysis began with the transcription of the interviews (Bird, 2005). Ten of the interviews were transcribed by the researcher, with the remaining six transcribed by a professional typist at Edinburgh Napier University. All of the transcriptions were then checked to the audio recordings by the researcher. The transcriptions were then analysed thematically (using NVIVO software) using the methodologies discussed in section 3.2.2, and the detail set out in figure 7. As a result of the analysis undertaken, it was found that the themes and sub-themes identified were appropriate for use in the analysis of the primary data from the interviews, but that the emphasis placed on the different themes would vary from the pilot study.

The findings of this review revealed that the factors influencing pension choices are myriad and complex, and many of these are more important to pension scheme members than the factors that might traditionally be associated with investing in an equity-based investment portfolio.

The issues identified tie back to issues raised in the original literature review (that took place ahead of the interviews), as shown in Appendix A, which includes the type of questions asked and the supporting source(s) in the literature. The influence of family and friends, and gender, were areas whose importance was identified in the analysis of the interviews undertaken for the pilot study, and was included as a sub-theme in the overall analysis (see figure 8 and the discussion at section 3.5)

The themes identified are dealt with in the following sections:

4.2 Financialisation and decision making.

4.3 Age.

4.4 Financial advice.

4.5 Family and friends.

4.6 Gender

4.7 Responsibility.

4.8 Trust, blame, and the psychological contract.

For each of the identified themes, the key results based on the views of the interviewees are summarised and presented to show both the breadth of comments and the predominant views expressed. The quotations used are attributed to individual interviewees, whose age and gender are shown in appendix E. These views are subsequently analysed in each thematic section through comparison and contrast with the literature to show where they are similar or different to preceding research. Finally, in a separate and final section, all the results are discussed in line with the overall aim of the dissertation, to consider and identify the factors that individuals use to make pension choices and whom they trust to provide them with the information to do this.

4.2 Theme 1 – Financialisation and decision making

One of the key features of the shift from defined benefit ('DB') to defined contribution ('DC') pension scheme is "that individuals must take personal responsibility for their own long-term financial security" (Berry, 2016, p. 2). In a DB scheme, individuals join their employer's pension scheme, and all investment decisions are taken by the trustees of the scheme. The final pension is determined by salary and length of service, and all risks associated with this are borne by the employer. The introduction of DC schemes resulted in a transfer of responsibility from employers to employees, which means that "individuals now shoulder the risks and uncertainties associated with longevity, investments and annuity rates, all affecting the level of benefits eventually provided in retirement under a DC arrangement" (Webb, Watson, Ring, & Bryce, 2014, p. 596).

This is part of the larger financialisation agenda (Epstein, 2005), and as people become more responsible for their own financial wellbeing, they must choose whether to invest in a workplace pension. If they do invest in a pension, this means that people may have to make more complex decisions around management of income and assets in future (Curry, 2010). They may also decide to allow others to assist in making decisions to a lesser or greater extent, and this is therefore linked to the concept of trust as a major factor in the operation of pension schemes. (Rousseau, Hansen, & Tomprou, 2018; Webb, Watson, Ring, & Bryce, 2014). These issues will be explored in greater depth in the remainder of this section.

4.2.1 Key results - Financialisation and decision making

The shift from DB to DC pension schemes necessitates a shift in responsibility and decision making from the employer to the employee (as a pension scheme member). This is consistent with the theme of financialisation (Berry, 2016), and the perceived need for pension investors to make choices that are more complex (Curry, 2010). With the increased importance of these choices, the factors that people consider when making them becomes more significant in relation to the eventual outcome of their pension investment. This issue was specifically discussed with the interviewees, and a summary of their responses will be discussed below.

The striking feature of the interviewees' responses to the question of which factors were considered when making pension choices was that many considered the input factors (the level of take-home pay being the most frequently cited) and few considered the outputs (the level of pension), which one interviewee described as *"the 'cover your eyes and throw money into a box' attitude, as opposed to the 'I'm aiming* *to get this particular amount out when I retire' attitude"*. (1)

A typical comment in relation to this was that "*the only bottom-line figure to me has always been, if I increase that what does it mean my next salary is going to be? I use my net salary for financial planning, so that's the bottom-line figure that I base things around or any future things that I'm saving up for"*. (9) There were several variants of the same ethos from other interviewees. Three other statements from other interviewees were, "*I'm just kind of putting away as much as I can and just not thinking about it" (13)*, *"I felt I wanted to have more cash to be able to save up for spending now in the short term rather than going towards a pension" (3)*, and *"financially I just don't think I felt like I could give up too much more of my salary at this point" (3)*.

For others there was a slightly more nuanced approach. One said, *"I know you can't pay too much into your pension, but it's also good to make sure you keep up your mortgage payments, to make sure that you never have credit card debt and all these things" (2)*. Another member expressed similar views, saying that they *"chose the default…because it seemed reasonable. To go the next step would have been, for me, a little bit too much out of my monthly pay than I was willing to do at the time" (1)*.

Less typical, though, is the experience of one interviewee, who, *"having done the research in terms of the income that I want to have for my pension, I felt I wanted to contribute more, to make sure that I'll have a comfortable retirement" (4)*, raised their contribution to almost a fifth of their salary. This was the only interviewee who explicitly discussed looking at forecasts and considering the forecasted pension amount when considering pension decisions.

Pension scheme members often have other life priorities, and rather than abdicating responsibility for their pensions, some members can be classed as being time poor, having more immediate financial priorities or both. I will consider each of these issues below.

One respondent discussed life pressures and other priorities – *"Two kids and lots of family dramas" (5)* – as being the reason for inaction and adopting the default position. They said, *"Unless it's doing anything really scary and, you know, red lights are flashing everywhere, it's just not the focus right now" (5)*. The interviewee indicated a desire to pay more attention to their pension saying, *"At a point where I have more time, absolutely, I probably do want to have a look at it. But it just hasn't come yet" (5)*.

Another respondent had similar considerations, with a wedding to pay for, having a baby and moving house as more important financial considerations. They said, *"I felt I wanted to have more cash to be able to save up for spending now, in the short term, rather than going towards a pension" (3)*. They also intended to increase their pension contributions in future, saying, *"I've kind of got on my radar that at some point I am going to up that contribution" (3)*.

Another interviewee wished to pursue an alternative career that had no guarantee of success, and made decisions on the basis that, *"The number of years that I will be alive after retirement will be fewer than the years I am alive before retirement. Therefore, I should make the most of the years before retirement and spend less time* *and less energy worrying about the time after retirement" (12)*. This individual decided to contribute to the pension scheme at the minimum, default level, and understood this may not be enough to maintain a standard of living. They said, *"If I get to retirement age and I regret the fact that I didn't save properly and I'm living in poverty, well the years that I have to live in poverty will be way fewer than the years I lived fulfilling my dreams" (12)*. This was not a typical response but is an interesting and informed view of pension saving.

Other assets can be used as part of the pension investments for individuals. Indeed, some pension scheme members mentioned that their pension savings were part of a larger portfolio of investments, and as such their decisions were based around the whole portfolio. One interviewee mentioned smaller pension pots held with other providers that have been consolidated and transferred to a specialist online pension investor, Pension Bee. Funds held there are monitored approximately every six months. Action will only be taken *"where it's been performing really badly on a consistent basis" (13)*. Two other interviewees mentioned holdings in property that were considered part of a larger portfolio of investments held for retirement.

The existence of a default option means that people do not need to think about making individual decisions when setting up their pension, or in running it on an ongoing basis. As was set out in section 3.6 above, all ICAS pension scheme members were invested in the default fund. Only one interviewee changed from this, putting 10% of their pension contributions into another fund. One scheme member summed up their options in relation to investment by saying, *"I suppose the only choices are whether to stay in the default fund or whether to make my own selection" (16)*. They continued, saying, *"I wasn't willing to make my own selections, and I think partly is, I don't feel I've got the knowledge of investments that I would need to do that" (16)*.

Another expressed similar views, saying, *"The people that are managing the funds, they would do better than I would or would do it better than I would through some other investment" (1)*. A deference to the 'experts' in this situation appears a rational response to the difficulties and time pressures involved in managing complex investments.

One of the issues arising from the existence of the default fund is what would make pension fund members change their pension arrangements. The overall mood was picked up by one interviewee, who, when asked what would make them consider changing their arrangements, said, *"At the moment, nothing unless there were major concerns flagged up to me about the funds, or the investment management" (9)*. This response emphasises the passive nature of many of the interviewees, in that the concerns would have to be *"flagged up"* (9) to them before any changes were made.

Of those who gave factors that would influence them to change there were a number of responses given. The first is the choice of the default investment fund which was seen as a major issue. A number of interviewees commented on this, mentioning *"if they [ICAS] made a disastrous choice of a default fund…or pension provider at some point in the future"* (16) and *"if I heard…that something, perhaps wasn't performing great, something that gave me a flight to kind of get off my backside and come and have a look at it at bit more" (5)*. This again reflects the passive nature of the investment in pension funds.

Other factors mentioned by interviewees included changes to the level of employer pension contribution, and changes in the level of income, both of which would influence members. The other main point related to the composition of the pension fund investments in relation to ethical concerns, with comments coming from two interviewees on this. The first said, *"I think I would like to see where our money, where that money sits, with which companies or certainly sectors, and if it was somewhere I disagreed with that would make me change" (7)*. The other had a similar view, saying if *"there was a very secure pot that I could move my investment to, rather than the group plan, that was incredibly ethical and, in all respects, the same, no oil, no arms, then maybe I would consider changing the pot" (12)*. This statement was qualified, though, with the interviewee saying, *"But I haven't really got the energy to log into the Aegon site and make that call, because I currently trust the group [the Pensions Governance Committee]" (12)*. This can be classed as ethical to a certain extent – considering the benefits of ethical investment, but not actually taking action to determine whether funds are invested ethically or to change investments as a result.

One interviewee took a different view, saying, *"I don't think anything would make me change what I do or my arrangements because I see whatever I get here [ICAS] as an extra. My kind of core pension comes from my state pension and from what we've saved at home and anything I get on the workplace pension is an extra" (18)*. This was not a commonly held view, but is interesting, nonetheless.

Other sources of information were mentioned by some interviewees. Comments from one member confirmed that the internet is a source used by many – *"I've done a lot of* *research online" (2)*. Others mentioned that there is an online portal that is run by the pension fund manager, Aegon, which allows users to log on to get personal information about their pension, including its value and the composition of funds invested. However, it was not cited by many as a source of information for decision making. One interviewee said, *"I haven't personally done much with that. It is in, sort of, my overall life admin. List, at some point I need to consider that in more detail" (3)*.

Interviewees mentioned the possibility of discussing their pension with other people, and there were conflicting views from the interviewees about whether the subject of pensions is something that could be discussed in this way. One respondent said, *"It's not really something you can chat to many people about. Like, excuse me, have you had a nice weekend? How much exactly do you have in your pension pot right now?" (2).* Another respondent (who was not a member of the ICAS scheme at the time of the conversation) took a rather different view, saying that they *"had a few friends…and my partner who are definitely on top of their finances…and having more conversations with them around the fact that I didn't have a pension and being looked at, upon, as well, why would you not have a pension, what are you going to do when you retire?" (7).* In deciding to join the ICAS pension scheme, the same interviewee also said, *"The factors [considered] would be a mix of speaking to people who have more knowledge and definitely reading up more in the press" (7)*. Others simply said that they made their own choices, independently of any specific information – as one member put it, *"broadly speaking it's my own prejudices that have informed everything I have done to date" (18)*. The experience of family and friends is also a factor to consider, and this is discussed in section 4.5 below.

Even when respondents had thought about and considered the options, some had responded by deferring to research, whilst others had used their own knowledge. One such respondent (a qualified Chartered Accountant), said they would invest up to 10% of their portfolio in riskier elements based on their own knowledge, and *"would consider up to about 25%, a slightly riskier element*" (10). Another qualified individual *"read somewhere that…the percentage [of salary] you should put into your pension is your age divided by 2, to make sure that you've got enough for retirement" (2)*. When asked about where this came from, the interviewee said that they could not remember where this came from, or whether this came from more than one source. However, they had also read from somewhere else that 15% was about right for someone their age. This was the figure they used for their contribution percentage.

Another interviewee devised a strategy based on the fact they had a seven-year gap in pension contributions and wanted to contribute a higher proportion of their salary to make up for this. The same individual also invested incremental salary increases wholly into their pension, partly to make up for the lower contributions earlier, but partly to pursue a strategy to *"live within your means, always have an option as a get-out" (8)* – in other words, not tying themselves to a particular job because of its salary. One of the main reasons for choosing pension as a vehicle for investment, this individual said, *"I like the discipline of pension contributions. I like the fact that it's locked away" (8)*.

Others had different factors to take into consideration. One interviewee said, *"Maybe I'm going to have to be supporting other people in my life…with my pension" (2)*, which would add another layer of complexity to the decision-making process.

One of the parts of the UK pension legislation requires employers to provide a ‘default’ option for employees. This means that every pension scheme member will invest in the same fund unless they make a conscious choice not to. There is no guarantee that the default fund will be appropriate for the needs of everyone. One interviewee commented on this in terms of making choices, saying, *“When you are in your twenties you should be investing more adventurously” (15)* and that *“we [the pension scheme members] shouldn’t all be treated the same and pretend as if the default scheme is the answer to everybody’s problems, because it is not” (15)*. In a situation when a pension scheme member should ideally be choosing an investment route that is suitable for them (and therefore tailored to their own needs) they are often getting a ‘one size fits all’ type of solution. Clearly, having a pension is better than none, but one could argue that providing them with some kind of choice of default fund would enable each member to at least have some say in what their outcomes are.

The second consequence of the existence of the default scheme is that, according to the same interviewee, *“I’m struggling to track down all the different options that I need to make my own decision as to whether that’s best invested [for me]” (15)*. So, if the information is opaque to this scheme member (who is well qualified to be able to understand investments) then it will be rather more difficult for a less qualified and less experienced pension scheme member to be able to access and understand the information to enable them to make an appropriate choice for their needs.

4.2.2 Analysis - Financialisation and decision making

The responses of the interviewees in some sense align with the theme of financialisation. Berry identifies aspects of financialisation pertinent to this study as a "more intimate degree of contact between individuals and financial services" and that "the personalisation of financial risks as collectivised financial mechanisms are dismantled, intensifying the need for 'prudent' financial behaviour at the individual level" (Berry, 2016, p. 5). Van der Swan highlights that citizens regard themselves as being investors, but on many occasions do not have the necessary skills to understand the workings of financial markets (Van der Zwan, 2014). Curry echoes this, saying that "many new and existing savers will need to make more complex choices regarding pension investments and retirement income than previous generations. People may have more complex combinations of income and assets to manage in future" (Curry, 2010, p. 273). He goes on to highlight the fact that "more people are likely to need some kind of information or advice to support them in making these complex financial decisions" (Curry, 2010, p. 273). This study seems to contradict this research, as the interviews showed that many have not made decisions at all, in that they have chosen the default option available to them, and that the information and advice available has not been used.

The experience of the interviewees is more aligned with the research of Webb et al (2014), which suggested that individuals are neither completely irrational (making decisions based on faith) nor rational (making decisions based on all relevant information) when making pension decisions. Rather, they sit somewhere in between and use trust as a means to manage their uncertainty (Webb, Watson, Ring, & Bryce, 2014). Trust will be considered in section 4.8 below, but ahead of that section, the experience of many of the interviewees in this study is that other life issues have interfered with this process. These issues include the focus on contributions rather than the eventual pension payment, other life priorities that are more immediate than pensions (children, family, and weddings were mentioned), using other information (from online research, for example), 'rules of thumb' and alternative strategies. Whilst these strategies might seem sensible to the individuals concerned, they will not necessarily result in optimal pension outcomes.

These all suggest a fundamental divergence from the assumptions made in the literature, and a reality in terms of decision making that is a long way from the optimal ideal set out in the literature. This could have significant implications for the future.

4.2.3 Discussion - Financialisation and decision making

The irony of financialisation, which transfers the risk to individual and in theory pushes the responsibility for decision making to the pension scheme member, is that a pension scheme member can work through to retirement without making any positive choices at all. As such, there is not guarantee that their pension will be adequate for their needs at retirement (Webb, Watson, Ring, & Bryce, 2014).

The experience of investors in making investment choices – where they were neither completely rational nor completely irrational – is that they have made the choices that they see as being the best in the circumstances they are faced with. They also recognise, in many cases, that their choices are sub-optimal, and they intend to make changes in the future. This is a position that they can sustain logically, it would appear, for some time. This thinking might result in a pension that will be lower than it otherwise might be, and this has implications for the individuals concerned. This will be taken up again in the discussion on trust in section 4.8.

The other important factor in this is that there appears to be an inherent contradiction. In an environment where financialisation, and the personalisation of investment and risk, has driven policy and practice in the recent past, the legislation for auto-enrolment introduced a default fund, which all the pension fund members interviewed invested in. Only one of the interviewees invested in anything else but the default fund, and then chose to put 10% of their contributions into another, higher risk, fund. In a time where the trend has been towards the individual, and financialisation, the Government's auto-enrolment legislation has actually resulted in what is essentially a collective pension scheme for most members. It is not clear whether this was an intentional change by the Government, which amounts to a reversal of the trend towards financialisation, and a shift away from individualism towards a more collective solution, or whether this occurred as an unintended consequence of the auto-enrolment legislation. This is an area that has not been researched and would be a useful topic to consider in future.

In summary, whilst in theory individuals have a considerable choice and responsibility for their own pensions, this study suggests that many are not making absolutely rational choices and are either deferring decisions to later times or using sub-optimal information to make choices now. For those who have not consciously chosen anything, the issue of choice might be one they have not considered. Having an explanation of the pension options available – even if the choice is to select the default option – should be compulsory for pension scheme members, so that they have the implications of choice set out for them.

4.3 Theme 2 - Age

Age is cited as a significant factor that influences attitudes towards pensions, with differences showing across different age groups. Studies found that pensions are likely to be a more attractive part of remuneration for older employees than younger employees (De Thierry, Lam, Harcourt, Flynn, & Wood, 2014), but that the under-25 age group in particular is less likely to see a pension as necessary, or indeed saving for retirement (Foster, 2017).

4.3.1 Key Results - Age

The only question asked which specifically mentioned age was 'how old are you'? The ages of the interviewees are as follows:

Table 5 - Age of interviewees

Age	No. of interviewees
20-29	2
30-39	9
40-49	4
50-69	3
Total	18

Beyond the basic information on age, some interviewees made comments about the influence of age on their view of pensions, and it would be useful to reflect of the views expressed. When asked about the importance of pension as part of their remuneration, several interviewees commented on age as part of their answer. One said, *"As time goes by, yes, it becomes more and more important. But, yeah, it's not something you tend to, necessarily, think about" (13)*. Another, older member of staff observed the difficulties faced by employees in building up pension investments, saying, *"The irony of it is, in a way…to build up that pension pot you have to start very early, but it's in the early years when people are not so able to do so" (17)*.

The attitudes shown by younger people (or people talking about their younger selves) shows a difference in views based on age. Views in relation to pensions were typified by the following comments: *"It's not visible, you don't see it just now and you're not thinking about your pension, it's a bore"*; *"I think at the time I would have seen the salary as being more important than the pension contribution" (17); a*nd *"I didn't want to put any of [my salary] in the pension, so when you're younger you worry about it another day" (18)*. The general perception of younger employees was that pensions are dull; money now is more important than pension later and issues of income in later life can wait for another day.

Over time, pensions have changed, with the introduction of auto-enrolment being the most recent shift, and as employees have aged their views have also changed. An experienced, professionally qualified, employee said, *"That changes over time, doesn't it?" and "the pensions landscape has changed…because in those days when you trained you couldn't join the company pension scheme 'til you qualified" (18)*. Another spoke of their first job, saying, *"I was a lot younger, and I was aware of what pensions were, and that I should probably have one. My old employer said, 'if you want to set one up, we'll pay some of your salary into it'. But it was that case of, well, how do I set one up, so I never did it" (8)*. A third interviewee echoed these comments saying, *"Maybe I just am thinking more about the future than I was previously. I don't know what exactly triggered that, but yes, I consider retirement more than I have done before even though I'm not very close to it and it may never happen for me" (6)*.

The role of a pension as part of the overall remuneration package was also mentioned. Reflecting on joining a pension scheme, one respondent said, *"I don't think at the time I appreciated that it was a valuable part of my remuneration" (17)*. Another said, *"Occasionally I've looked to kind of what other [positions] are out in the market there, one of the first things that I've checked is what the pension contribution is because…I am thinking much more about what that will mean" (9)*. The more personal nature of pensions, and their visibility, in terms of both attention and the deductions from salary, have acted to make them more visible to many employees.

The importance of pensions over time was also discussed. The experience of one respondent, a younger member of staff at ICAS, illustrates the way views of pension schemes can shift over time. When auto-enrolment was first introduced at ICAS, the employee was enrolled into the pension scheme, but decided to opt out. Their testimony here is important in illustrating the change that took place in their thinking, so I will reproduce it all here. When opting out of the pension scheme they said, *"The reason I came out of the scheme the first time was because I perceived I would be giving too much of my salary in a month to something that I wouldn't see, something non-tangible, and I wanted the money in my bank account effectively to spend on something I wanted to spend it on, very much [a] short-term view, and I couldn't see the benefit of that money then being taken away to a pension fund for in the future when I was old and who even knows what's going to happen then and I didn't take it* *seriously" (7)*.

Under auto-enrolment, employees who opt out are re-enrolled three years later. They are, of course, able to opt out again at that point, but the individual in question had adopted a *"different mindset, [I] was probably more aware of the future, more aware of financial planning and the importance of financial planning. I think by then we'd started, I had started to see more online, in the press about the importance of pensions and why pensions were important and why you should consider your future. It was also around the time when I was looking at becoming a homeowner and realising my finances probably weren't in as strong a position as they could be. Then I started to take it a bit more seriously and realised pensions were, are, important" (7)*.

This individual is educated to degree level but does not have a financial qualification. From their experience, getting older was a factor in the change described above. As well as age, the exposure to material in the media (whether that be the press or online sources) and life changes that compel individuals to consider their own, personal financial situation can have an impact on the way pension investment is regarded.

Following on from the previous example, other interviewees discussed growing older, and the type of life changes that come with that. Whilst these are not strictly related to 'age', they do link directly to the passage of time and the 'growing up' of the individuals concerned. These types of life changes are important for this study as they encouraged the interviewees to think about their pensions. Some of these events caused people to act in a positive way with regard to pensions. In the previous quotation, the individual cited becoming a homeowner as being important. Another said, *"I would say that it wasn't [important] a few years ago, but now, I think post having a child it is important, absolutely" (6)*. On the other hand, another said, *"I had my older girl, my first one 9 months after starting [in a job], so we were skint, and I just took all the money" (18)*. Another response to having a child was *"once [he] is a wee bit older, to increase what I pay" (9)*. What is significant here is that these events change thinking on pensions, but these thoughts do not necessarily result in action on the part of the pension scheme member.

Most interviewees who expressed views on age and the aging process seemed to become more aware of pensions and more willing to act on them as they grew older. One interviewee specifically mentioned auto-enrolment, saying, *"[It] is a very good thing" (8)* and *"there'll be millions of people that are not working in accountancy that would never even think of getting a pension. People now, at least, will be forced into it. So, I think it's a good thing" (8)*. The increasing importance of pensions was a commonly held view.

Others considered changes to their pension portfolios as they became older. One interviewee discussed what they would do, saying, *"I would move those more risky funds into something that was a lot safer, the default fund. And I think the default fund actually does, gradually, ramp it down into gilts and cash, the closer you are to retirement. So there isn't any risk of losing money on those things. But that's not something at the moment. Maybe in 5 to 10 years I'll start moving it into a…more safe zone, but not yet" (14).* Another reflected on changes that the fund managers will make to their investments as they grew closer to retirement, saying, *"As I get older and older, they'll move more of my investments into the risk averse column"* and that this *“feeds into your research as well. I think, well, I didn’t decide to do that, but they must know what they’re doing” (2)*.

Another interviewee, though, aired a note of caution, saying, *“I would imagine as I get older, I will become more interested in this. But I don’t know” (11)*. It does not therefore seem enough to rely on pensions becoming more important for people as they get older, and that the importance of highlighting pensions, their importance, and keeping the pensions issue in the forefront of people’s minds and priorities, is an important part of future policy, for individuals, employers, and governments.

4.3.2 Analysis - Age

The overriding view in the literature is that age is a significant factor in the importance attached to pensions, and the knowledge and interest of employees in pensions is limited in younger years and increases as time goes on.

Foster found that the general perception of younger employees was that pensions are dull; money now is more important than pension later and issues of income in later life can wait for another day (Foster, 2017). Berry observed that young people are ‘living for now’, with a higher percentage of income being spent than is seen in other age groups (Berry, 2011). This was a sentiment that was strongly echoed in the interviews undertaken for this study.

At the other end of the age scale, previous studies have shown that pensions become more important as people get older (De Thierry, Lam, Harcourt, Flynn, & Wood, 2014). This was echoed by Gough and Hick, who found that “the respondent’s age was clearly an important variable with respect to their attitudes to pensions. Younger respondents expressed less interest in and appeared to place less importance on their occupational pensions than older respondents" (Gough & Hick, 2008, p. 163). Studies that focused particularly on young people also supported this view (Foster, 2017). Berry states that "it is normal to expect young people to be less concerned about retirement planning and accumulating assets for later life" (Berry, 2011, p. 27).

These views are entirely consistent with the views expressed by the interviewees in this study.

4.3.3 Discussion - Age

Projected changes in the UK population (discussed in section 2.3.1 and shown in figure 1 will result in an increased proportion of people of pensionable age in future. This will place considerable financial pressure on the state, but also on individuals. Rising life expectancy will also add to this pressure (Berry, 2011). As a result, pension provision will become more important for society, firms and individuals in future.

Most interviewees who expressed views on age and the aging process seemed to become more aware of pensions and more willing to act on them, as they grew older. The increasing importance of pensions with age was a commonly held view (Taylor, 2000).

Another interviewee, though, aired a note of caution, saying, *"I would imagine as I get older, I will become more interested in this. But I don't know" (11)*. It does not therefore seem enough to rely on pensions becoming more important for people as they get older, and that the importance of highlighting pensions, their importance, and keeping the pensions issue in the forefront of people's minds and priorities, is an important part of future policy, for individuals, employers, and governments.

This study suggests that the effectiveness of pension incentives to elicit desired behaviours depends on maintaining the trust and obligations to reciprocate that are essential to the relational psychological contract

Luchak & Pohler highlighted that creating and retaining employee trust has a key role in communication around pensions (Luchak & Pohler, 2010), and if the communication and trust are maintained over a period of time this will serve to strengthen the relationship between employer and employee as an employee ages. This is echoed by Gough & Hick who looked into employee evaluations of occupational pensions and found "the retention function of an occupational pension to be stronger than its recruitment function" (Gough & Hick, 2008, p. 165).

If those in employment do not pay enough into their pension in earlier years, they will need to 'catch up' on those contributions in later life. People are also more likely to have more complex combinations of investments and sources of income in future – from the state pension, a number of different DC pensions from different employers, along with other assets and savings (property and Individual Savings Accounts ('ISAs'), for example). This will make decision making more complex, and the provision of advice more important (Curry, 2010). Financial advice will be covered in the next section, 4.4.

One respondent, in their thirties, summed things up well, saying, *"It'll become more useful to me as I get older, I think. But at this point in time, I'm still three decades away from retiring. So, it's just making sure I keep up with it, I think. With things like this, it's just making sure you keep up with it" (2).*

4.4 Theme 3 - Financial advice

As a result of the changing pension landscape and financialisation (Epstein, 2005), with the introduction of more defined contribution pension schemes and the pension freedoms created by legislative changes, there has been an increase in the number of those with private pension savings. Whilst the design of pension schemes in theory gives scheme members more choice over their own investments, individuals may be uncertain and unsure of what investments to choose (Webb, Watson, Ring, & Bryce, 2014) and taking advice from an expert adviser could be a solution to this.

4.4.1 Key results - Financial advice

Part of the conversation with interviewees revolved around who individuals would consult to provide them with information to help them make choices, and several interviewees mentioned the role of advice in their decision making. The advice taken can be classed as formal, with a role taken by someone who is a professional financial adviser, and informal, where advice is sought and/or provided by someone who is not a professional adviser, or is a professional of some kind, but who is acting in a personal capacity rather than as a paid adviser.

In terms of formal financial advice, the experience of the interviewees is as follows:

Table 6 - Financial advice taken

Form of advice taken	Number	%
No formal financial advice	11	61
Limited/specific advice	5	28
Regular financial advice	2	11

One of the interviewees discussed the role of a financial adviser, suggesting that it as well as enhancing their investment outcomes, it can also take some of the administrative burden away from the pension scheme member. They said, *"If you have somebody who is a professional and takes that role of advising an individual on how to achieve, and how to manage a certain pension fund return, that can take an awful lot of effort off an individual's shoulders, whether you are financially illiterate or financially literate" (15)*.

Many of the interviewees have chosen not to take on the services of a financial adviser. One said, *"I have considered using them but I feel, from talking to other people, that I would be recommended products [to buy] so I probably don't have a high level of trust in financial advisers" (6).* This seems to represent a fundamental irony, in that the whole point of having a financial adviser is for them to recommend products, but the level of mistrust seems so high that the interviewee would not rely on those recommendations.

This reluctance to use financial advisers was echoed in the responses of many other interviewees. One said, *"I've never felt I've had enough money, capital, assets, to* *warrant it, to be honest"*, and, *"I just don't think I've felt like I'm at that point. I don't feel I've got very much to sit down and discuss with somebody" (7)*. Only one interviewee said they had consulted a financial adviser in relation to their pension, saying they would make selections based on *"my financial adviser saying, yes, that's a good idea" (17)*. That individual had a long-standing relationship with the financial adviser concerned, who provided financial advice in relation to all their activities. Whilst others had not consulted a financial adviser over their pensions, they had in relation to other, specific areas, such as mortgage advice. Interestingly, even though these people were happy with the advice provided in these specific areas, they have not used the advisers in relation to their pensions.

When financial advice was discussed, on several occasions the conversation shifted to what would make someone consider taking financial advice. The consensus here was that it would take a specific event or situation for that to happen. One said they would not take financial advice *"unless I was either concerned about the status quo or looking to change away from the status quo" (5)*. Another said they would do so *"if I started to get worried about the future"* but *"at this stage I'm kind of not thinking about it as much, I'm thinking a lot more about what's presently happening" (3)*. A third echoed these comments, saying, *"I think if I wanted to change something about my pension…I would probably seek independent financial advice at that point" (12)*.

Far more common in the discussions that took place were the references to either research by the pension scheme members themselves, or less formal consultation with others. The starting point for one individual in any situation is that they *"probably would just sit down one day with a blank sheet of paper and just start Googling and* *see where I got to" (5)*. The issue with this, though, was highlighted by another interviewee, who said, *"I think there are some websites that I think are pretty reliable in terms of advice, and, I think there are some websites that I, I think are pretty, pretty reliable in terms of advice but I'm quite sceptical about some of the articles I read, actually" (6)*.

One said if there was an issue *"I'll tend to research it myself"* and if that didn't produce the answer *"I might have informal discussions with people I know that know about the subject" (15)*. This can progress further when looking into financial matters, and pensions in particular. As one person put it, *"I've talked to friends and family about these things. Obviously, I've talked to my wife about it a lot. But I've never…instructed an independent financial adviser or anything like that" (1)*.

Whilst some have taken formal financial advice, most have not, and whilst some have cited specific circumstances in which they will seek formal advice, there is no guarantee this will happen. Informal advice is far more common, and this may well be linked to the fact that it is easy, cheap, quick, and gives the user a sense of control. As one person put it, when asked if they would take informal financial advice, *"yes, but I would ultimately make the final decision" (14)*.

4.4.2 Analysis - Financial advice

The financialisation agenda sets out the increasing need for the individual to take responsibility for their financial decisions, including their pensions. Linking in with this are the legislative changes that brought increased freedoms over the pension investments of individuals, which meant that the choices of what to do were passed to the investors themselves (Berry, 2016).

The message from much of the literature is that those who choose to take some control over their pension investments face a good deal of complexity in the choices they must make. Because of this, “more people are likely to need some kind of information or advice to support them in making these complex financial decisions” (Curry, 2010, p. 273).

The literature strongly suggests that taking financial advice will result in a better financial outcome than not taking advice. Research by Old Mutual showed that retirees who took financial advice were £7,000 per annum better off than those who took no advice (Old Mutual Wealth, 2017), and the International Longevity Centre UK, found that those who took advice were more affluent than those who did not seek financial advice (Brancati, Franklin, & Beach, 2017).

Despite the research above showing the logic of taking advice, and the financial benefits of doing so, the data from the interviewees in this study showed that 61% had taken no financial advice, with another 28% taking only limited financial advice. Only two interviewees, one of whom is not a member of the ICAS pension scheme, took regular financial advice. This seems to contradict the research above but is consistent with Bucher-Koenen and Koenen (2012) and Georgarakos and Inderst (2010), who found that more sophisticated investors either did not take, or did not follow, financial advice. The high levels of financial expertise of the interviewees (discussed in section 3.6) would therefore go some way to explaining the lack of advice taken.

Trust was highlighted as a key factor in the emotional value of financial advice (Pagliaro & Utkus, 2019; Madamba, Pagliaro, & Utkus, 2020), and as such the lack of trust in advisers can also be seen as a contributory factor for the low numbers of interviewees not taking advice.

4.4.3 Discussion - Financial advice

Whilst the research shows that there are positive benefits to taking financial advice, most in this study had chosen not to do this. Many cited a wish to do their own research, in spite of the fact that they were aware of the variability of the quality of online information. Their level of financial knowledge was also shown to be a key factor in the lack of advice taken. Other possible reasons for this are explored in later sections of this dissertation – these are the influence of family and friends in section 4.5, responsibility in section 4.7 and the level of trust in others in section 4.8.

The danger of not taking financial advice is that individuals will not achieve the level of income they need or desire in retirement. If they do realise this until later in life, it may be too late for them to make substantive changes to their pension contributions in time to make a difference (Brancati, Franklin, & Beach, 2017). As was mentioned in section 4.3.3 above, the increasingly complex combinations of assets and income sources in retirement will also increase the need for, and the value of, financial advice (Curry, 2010). If individuals are reluctant to pursue financial advice, their wealth in retirement is likely to suffer.

One interviewee stressed the importance of financial advice, saying, *"I think there needs to be some respect, a bit more respect for a financial adviser and the level of* *competence that they need to achieve, to advise in that [pension] space"* and *"it's a responsible job and we need to have responsible, trustworthy individuals filling that space for the whole market" (15)*. This was, however, a solitary exception to the views of the remaining interviewees. The level of trust in advisers is particularly low, (which is interesting given that these people are also experts) and this is explored specifically in section 4.8. Research has shown that improving this level of trust, and communicating the positive benefits of advice, can help existing and new pension contributors to access advice to ensure that they maximise the benefits available to them (Burke & Hung, 2019).

4.5 Theme 4 - Family and friends

During the interview process, the interviewees were asked the same, specific questions, but in the process of answering those questions, other issues emerged. One issue that interviewees raised on a regular basis was the influence of family on the process of investing in pensions. The fact that individuals will look to those closest to them to influence and help on financial matters follows on naturally and logically from the concept of trust developed in earlier parts of this study, and the comments made by interviewees in this study broadly support the earlier research referred to above.

4.5.1 Key Results - Family and friends

The responses themselves fell into one of two broad categories. Firstly, there was the positive aspect of this, where parents and family taught their children and younger relatives about finance – including pocket money, the value of saving, and taxation –

and where they demonstrated good financial practice and effectively led by example. The other side of this was the negative experience and example, where younger family members were encouraged to learn from the mistakes and misfortunes of their older relatives. This is summarised by the comments of one interviewee who said, *"I would trust people I know, especially family. I would trust them on their experiences that they've had" (1).*

The positive influence of parents is demonstrated by one interviewee, who said their dad *"taught me about income tax and how that works. He taught me that pensions are incredibly important" (12)*. Another said, *"My dad is very financially savvy. I think I've soaked up a lot of that from him" (2)*. Much of this 'savviness' is demonstrated by way of doing fundamental things well, such as keeping up with credit card payments and making sure that mortgages were paid off as well. One said, *"My parents were always quite against, you know, getting into debt. So, I never really used a credit card that has been accruing balances" (11)*.

Some sought advice from their parents. One spoke of conversations with their father, saying, *"I would normally consult with him before making any sort of large scale change, and talk about some financial matters with him" (10)*. Others would also speak to friends as well. One said*, "Even if you don't have access to a financial adviser, because it can be quite costly, speaking to family, friends, other people, to get their knowledge, is a way to just, kind of, try and check the information that's being provided" (4)*. Some caution was expressed about taking advice from parents, though. As one said, *"They're probably wedded to their idea of what a pension was 30 years ago" (11)*.

Others, however, drew distinctions between family and friends. An interviewee who would speak to family also spoke of a difference in relation to speaking to friends, saying, *"I do talk to some…of my closer friends, and it's odd, but it's normally the ones that are in a similar wage bracket [to me]" (10)*. They followed on by saying that they would not speak to people who they suspected were in *"a significantly different wage bracket from me, and I don't think that's particularly fair. Just a kind of sensitivity thing" (10)*. Another said, *"You can speak to friends, but you always take what they say with a pinch of salt because, you know, everyone's got their own opinions about things" (11)*.

When considering the balance of views on this topic, most comments relate to negative experiences, and people were chastened by the experiences of their family and were often encouraged to learn from their experience.

Others expressed their concern about those who do not have a great deal of financial knowledge, which in turn may lead to a less affluent retirement, saying, *"I worry about other people in my life that haven't done research, like me, into pensions. And I worry about my boyfriend who has the auto-enrolment [pension] and nothing else. I worry about my Mum that doesn't have a pension at all." (2)*. There is a real conflict here between enjoying the benefits of careful planning and looking after those close relatives and partners who have not provided for themselves as well.

The theme of a lack of awareness of financial issues came through in one interviewee's description of their mother, who had a lump sum to invest, but had a huge distrust of finance professionals and investment generally. Her son (a financially qualified person) explained, *"I said to her [his mother] 'what you want to do with that [money] is to pay it into your pension pot, you know your £10,000 becomes £12,500. She hated the idea of cheating the system, and I said to her 'it's not cheating the system' but to her mind it was" (8).* Her view of this was *"that'll be the finance guys at it" (8)*, rather than accepting the advice from her son, who knew exactly what he was talking about.

However, this experience was not universal. One interviewee had an older relative whose mother's investments were all in equities, and who suffered considerable losses in the stock market crash of 1929. The impact of that was that *"her view of life was that you need to have quite a wide portfolio" (18)* including different types of shares and property.

The issue of investment loss affected the parents of another interviewee, whose father was a senior director of two different companies and lost his pension investments from both of them. They said, "*He'd been through it a couple of times, the whole Robert Maxwell thing. He went through this twice in his life where money that's invested has gone" (9).* This had a profound impact on this individual and their investment, saying, *"That has kind of made me think more about financial planning" (9).* Considering this, one of the things that the interviewee mentioned in relation to the ICAS scheme was *"there's always kind of that question here about where a pension fund is, that's why I kind of like the fact that it's in that separate company, it's not going through just our own private scheme" (9).* It is situations such as these that inform the responses to losses of the individuals interviewed, which will have a significant influence on their outlook towards pensions, and investments more generally.

The issue of concern for relatives and other people close to you who do not have pensions was also a concern for some. One interviewee was torn, saying, *"I do worry about other people in my life that haven't done research, like me, into pensions" (2).* This concern was combined with the fact that they would have to use their pension to support them, saying, *"Selfishly, a little bit of me worries about whether I'm going to have to…prop up other people in my life with my pension" (2)*.

The experience of another interviewee is indicative of the situation that occurred. This individual's father was self-employed, and *"he didn't' start saving into his pension until really late, and he never built up a decent pension" (17).* This had a real impact on the interviewee's mother, and her situation was described by saying, *"My mother's now widowed, and I wouldn't say she's struggling, but I know she's got very little money and no pension from him" (17).* The experience informed the planning of the interviewee and their father *"said to us 'whatever you do, start saving for your pension early'" (17).* There is clearly a conflict there between care and concern for others, and for the fact that they might be 'punished' for being prudent and sensible with their own money when others were not so careful and forward thinking.

4.5.2 Analysis - Family and friends

It is interesting to note that many of the comments around family and friends relate to people reacting to the direct or reported experience of their families rather than taking advice from them. The influence of family and friends is therefore based on family experience and the family story as much as immediate financial advice from living family members.

This is largely consistent with the literature that covers this area, and the concept of the influence of family and friends is one that has considered by others in their research. A number of studies confirmed the positive effect of parental experience on younger people. Tang and Peter found that "financial education, financial experience, and parents' financial experience all exert a positive impact on young adults' financial knowledge" (Tang & Peter, 2015, p. 119). This was echoed by Drever et al., who discussed the "critical importance of parents in fostering financial well-being for youth of all ages" (Drever, et al., 2015, p. 32) and Jorgensen and Salva, who found that "perceived parental influence had a direct and moderately significant influence on financial attitude" (Jorgensen & Savla, 2010, p. 465). Research that is more recent also suggests that the positive influence of parents and family on pension saving (referred to by the author as "family financial socialisation") extends into adulthood (Robertson-Rose, 2020, p. 372).

The instances where interviewees' families have experienced significant financial loss provide a powerful reminder of the influence of negative experience on the actions of other family members. This is consistent with Jorgensen and Salva, who stated that financial learning can come from both positive and negative reinforcement (Jorgensen & Savla, 2010).

A small number of respondents spoke of the influence of friends on their financial planning. The lack of discussion of talking to friends, and the reticence to do so when this was discussed, is consistent with the findings of research by Fidelity and Klarna (set out in paragraph 2.6.6). The lack of comment from interviewees with regard to advice from family and friends is also consistent with the comment by Van Rooij et al., that those with less financial knowledge will rely more on family and friends for advice (Van Rooij, Lusardi, & Alessie, 2011). The converse of this is true in this study, but as shown in section 3.6, the financial literacy of the interviewees is high, and this is therefore what would be expected.

4.5.3 Discussion - Family and friends

The influence of family, and to a lesser extent, friends is clearly shown by both the research and the literature. The concern over pension outcomes – summed up by one interviewee asking, *"Are we going to end up with this big, massive issue in the future?" (3)* – has led many to seek and take advice from those closest to them as a realistic option. One interviewee summarised this by saying, *"Even if you don't have access to a financial adviser, because it can be expensive, then speaking to family, friends, other people, to get their knowledge is a good way to just, kind of, try and check the information that's being provided" (4).* However, one of the earlier themes to emerge from the literature, and to a lesser extent from the interviews, is the complexity of the decisions that can be taken in relation to pensions, and whether the decisions taken will provide for an adequate income in retirement, as discussed by Curry (2010).

The interviews give an insight into the significant effect the negative experience of family members can have on individuals and the decisions they make. The profound personal losses discussed by the interviewees who experienced this provides testimony of the way in which such events can influence decision making for many years afterwards.

Also relevant when considering this issue is the previously mentioned issue of the value of financial advice, and the research which showed that retirees who took financial advice were better off than those who did not (Old Mutual Wealth, 2017; Brancati, Franklin, & Beach, 2017). The quality of the advice given by family and friends may not be of the same quality as that given by professionals, which may result in a lower income in retirement than would otherwise have been the case. This is beyond the scope of this study but is something other researchers can and should investigate.

4.6 Theme 5 - Gender

The literature is consistent in relation to gender – the general view is that women are less financially literate than men (Fonesca, Mullen, Zamarro, & Zissimopoulos, 2012; Atkinson & Messy, 2012). The result of this is lower levels of pension for women (James, 2021).

The overall differences can be ascribed to what Price refers to as “gendered differences in the life course” (Price, 2007, p. 562). There include:

- Lower earnings.
- More part-time employment.
- Interrupted histories of paid work.
- Lower financial literacy.

(Price, 2007; Bucher-Koenen, Lusardi, Alessie, & Van Rooij, 2017)

Before discussing the experiences of the interviewees in relation to gender, it would be useful to consider the individuals in relation to the ‘gendered differences’ identified in the literature.

The literature cited lower female earnings when compared to their male counterparts. Using the data obtained in the interviews for this study, the average male earnings were £58,725 compared to average female earnings of £48,627. In percentage terms this made male earnings were 20.7% higher than female earnings.

One of the factors that should be considered in conjunction with the difference in earnings is the instance of part-time working. Of the 18 interviewees, three worked part-time (4 days each), all of whom were female, which would have an impact on the wage levels of the overall female group.

There was no information from this cohort on breaks in employment. However, financial literacy in relation to pensions was covered in one of the questions asked in all the interviews, which was “how knowledgeable do you feel about pensions?”. The answers in each case reflected the individual’s perception of their own knowledge, and were rated low, medium, or high. The results were as follows:

Table 7 - Financial knowledge by gender

Knowledge	Male	Female
Low	3	4
Medium	4	6
High	0	1

The answers show an interesting pattern. 43% of male respondents rated their knowledge as 'low', with an equivalent figure of 36% for females. However, 57% of male respondents rated their knowledge as 'medium', with 55% of female respondents classing their knowledge at this level. Only one respondent, a female interviewee, rated their knowledge as 'high'. On an overall basis, therefore, the female interviewees in this cohort had a higher regard for their pension knowledge than their male counterparts, which is contrary to the findings of the literature. This may be linked to the above average level of qualification discussed in section 3.3. The table below shows the qualifications split by gender.

Table 8 - Qualifications by gender

Knowledge	Male No.	Male %	Female No.	Female %
Total	7	100	11	100
Post-school qualification	7	100	11	100
Degree	6	86	11	100
Financial qualification	5	71	9	82

The table above shows that the female interviewees are more qualified generally than their male counterparts and are also more financially qualified. This may go some way to explain the higher assessment of financial knowledge of the female interviewees.

In addition, as discussed in section 3.3, Martenson found that when ‘expert’ men and women were compared there was little difference in terms of knowledge (Martenson, 2008), which differentiates this cohort further from the population in general.

In summary, when considering the ‘gendered differences’ mentioned above, the female cohort of interviewees has lower earnings and more part-time work than their male counterparts. There is no specific information related to the interrupted histories of paid work, but the female interviewees emerge as being more financially literate than their male counterparts. The group can therefore be regarded as typical in some respects, but atypical in others.

4.6.1 Key Results - Gender

The only question asked which specifically considered gender was ‘what is your sex?’. The results of that are considered above. However, in answering other questions, several interviewees discussed issues in relation to gender, both from their own experience and from the experience of others. The discussion here will be structured in a similar manner.

One female respondent discussed the information they used when considering pension decisions. They said, *“speaking to friends, and I would say information that was online, whether that's in the media, the Guardian or the BBC, had started to do a* *lot more coverage and also I read a lot of blogs and I read a lot of websites that would be information based but outside of traditional media, probably more female focused, more focused towards people who are looking at having, perhaps, own business in the future, wanting to be freelance, which is something that I've considered" (7).*

The information that this individual was seeking was something more specific, coming from 'somebody like them', and in a less formal form. Online information was seen as particularly important, and the interviewee said that *"the advice that I've read certainly in blogs has all come from somebody who's maybe been a female business owner or not just female at all actually but somebody who's maybe like a young business owner, somebody who's maybe my kind of place in life in terms of age, in terms of career, in terms of first homeowner" (7).*

So, whilst they were not looking for an exclusively female perspective on pensions, what they said indicated that a female angle was important to them. One particular source was mentioned as part of the discussion, as follows: *"There's a website called the Everygirl - obviously very female focussed - but in there they have a lot of information on health, on wellbeing and on financials, the importance of financial planning, the importance of a pension. Some of it's a bit more US, American driven but I think a lot of it, the information is relevant really to the UK as well, and I get their blogs through a lot and I consumed that and a lot of the information in there is just very plain speaking, it's like two people having a chat it's just 'here's why you should have a pension, here's the reasons behind it, here's why you should think about your future' instead of having a lot of technical, dry, dull, information that really nobody pays attention to and probably of a certain age bracket, it would be safe to say, I don't know."*

(7)

The previous comment comes from one interviewee who discussed their own experience. The other discussions that covered gender related issues were in relation to relatives of the interviewees, and contained some very personal, powerful testimonials that serve to illustrate the different experience and knowledge of women in the financial sphere.

One interviewee related his experience as follows: *"I was helping my mum with pensions recently. She had never made pension contributions, hadn't worked in any job for, really, long enough, but had received a pay into a pot based on her divorce, and then had other lump sums of cash, which I said to her… You know, she's in her 50s now. I said to her, 'what you want to do with that is pay it into your pension pot, you know, your £10,000 becomes £12,500, etc.' She hated the idea of the financial jiggery pokery and cheating the system, and I said to her, 'it's not cheating the system'. But to her mind… it was like, so why should the Government be paying her basic rate tax on money she's putting into a pension, I said 'because that's what the rules are'." (8).* They continued to relate to their mother's lack of more general financial knowledge, saying she "*had money sitting in a current account, again, through divorce, and it had been sitting there for years, earning no interest. So, I put it in an interest paying account for her and a year later, came to speak to her about it and she couldn't find the account because, you know, she had put £20,000 in the account and she had no accounts with £20,000 in it anymore, because there was interest in it. She was like, "that can't be the same account. This is not the one I put the money into last year, there's more money in that". I was like, 'well, no, it is, this is how it works'. (8)*

This testimony is consistent with several of the issues discussed in the literature in relation to women – the lack of financial knowledge (Bucher-Koenen, Lusardi, Alessie, & Van Rooij, 2017) and breaks in work history (Bravo & Herce, 2020) in particular – and the disadvantages that women can face as a result (Price, 2007). The clear impact here is that the woman involved here – the interviewee's mother – would be financially disadvantaged had she not been able to rely on her son to help her.

Another interviewee spoke of the experience of her parents. Her father *"didn't start saving into his pension until really late, and he never built up a decent pension. My mother's now widowed and I wouldn't say she's struggling, but I know she's got, you know, very, very little money and no pension from him in stock. They decided that they would use the money while he was alive and go travelling, and that there would be enough to keep her going in the house for a few years, and then she's got a property she can sell on." (17).*

This interviewee also discussed her sister's situation, saying, *"she's of the ilk, 'I can't afford to…, I've got 2 children and, you know, I need to think about them, I don't have any money to put in my pension'. But you know that she could."* She continued, saying that through her employment *"I think she must have built up a decent pension. She has no idea, absolutely no idea what she'll get. Her attitude is, I'm going to end up working until I'm 65 because I won't be able to afford to retire. And I have a feeling that she's going to be on quite a decent pension." (17).* This generally aligns with the notions stated in the literature of a noticeable lack of financial literacy among women in the workforce.

The experience of relatives was also discussed by another interviewee, who also spoke of her mother, but firstly of her sister. She spoke about her sister, saying, *"because she works part time, because she doesn't have, you know, the most financially illustrious job in the world, her contributions are minimal."* Her employer is a jeweller, who "*is not going to say to my sister, come and work [here], we'll give you 6% to your pension. That's not going to interest my sister. So, they can almost get away with inadequate pension provisions for my sister because, for lack of a better phrase, she just isn't as informed as me, as an Accountant, I think." (2).*

This again resonates with much of the literature, and specifically to the detrimental impact of lack of financial expertise, part-time work, and lower wages. The interviewee even questioned the wisdom of auto-enrolment for her sister, saying, *"I think my sister just puts in such a teeny amount, and I don't think it's going to be really helpful at all. And I wonder whether the people, like my sister, who earns money per hour, works 3 days a week, or whatever, whether it might just be better for her to have that little bit extra money given to her, so that she can, you know, pay off her bills, or whatever. Or maybe the contributions need to be bigger, because I think, at the moment, the auto-enrolment contributions are like 1½%, or something, something pretty teeny tiny." (2)*. This comment was interesting, as it was perhaps the only dissenting voice when discussing auto-enrolment and would be a good example of a situation where quality independent financial advice would be helpful for the individual concerned. The literature suggests that financial advice for individuals in this situation would be beneficial – in particular Brancati et al (2017).

The interviewee also spoke about their mother, saying, *"the place that she works is just a little place, like a little childcare place where there's only 5 or 6 members of staff.*

She's the most senior person there, or whatever. So, I don't think they have any sort of, you know, employer contributions, and so she wouldn't have had much information about that kind of stuff in the past. She's been a childminder in the past and had time off when my sister was born and, you know, things like that. So, I think maybe, I don't know, maybe that generation was more the husband will take care of the money, the wife will look after the kids, or whatever, and it'll be the husband's contributions that will give a pension which is, which is going to support the both of them, which, I wonder now, from my generation, whether that'll be enough." (2)

This is consistent with many of the points raised in the literature highlighted above, with the addition of breaks in employment, and the impact they had. One interviewee related the experience of their mother, as follows:

"Maybe just, to me there's something about a lack of knowledge and a lack of understanding by some people about pensions in the future. I'll give you a personal example. My Mum doesn't have a pension. So, she was kind of self-employedish, she worked for my Nana and, so anyway, I think she's got a very small pension from the days where she worked in the Civil Service, but she didn't work there long, so that's not a huge amount. What happens when she is no longer getting paid any other money?" (3).

The interviewee continued, saying, "*I'd say my Mum is fairly well educated, you know. You probably wouldn't class her as a professional, if we're going to categorise people, you know she's fairly clever. I still think she's overall had a lack of understanding and awareness about the real importance of it." (3).*

4.6.2 Analysis - Gender

The overriding view in the extant literature is that women generally have poorer pensions than their male counterparts, and the main reasons for this are lower earnings, more part-time employment, interrupted work histories and lower financial literacy. All of these factors were discussed by the interviewees in this study to some extent, largely in relation to their relatives. These personal testimonies provide powerful and compelling narratives that back up and tend to support the points made from the literature. The only dissenting voice was from one interviewee, who questioned whether auto-enrolment was suitable for a relative who worked part-time for a relatively lower wage.

What is less clear from the discussion here is the personal experience of the interviewees themselves, and this is something that could usefully form part of future research.

4.6.3 Discussion - Gender

Whilst auto-enrolment has increased the proportion of workers who are members of a pension scheme, it is not clear that the benefits of this are equally shared by male and female employees (Foster, 2017).

One of the interviewees discussed the possible outcomes of pension investment, saying, *"I definitely think there are huge chunks of people in society that just aren't understanding the importance of it and therefore are we going to end up with this big* *massive issue in the future or that we're currently kind of in, people just don't have the money, like how are we funding everything". (3).* One of the obvious parts of the 'chunks of people' discussed would be the female population, who are disadvantaged in the current pension environment, and who face real costs as a result (Jefferson, 2009).

Given the relatively small number of interviewees mentioning issues in relation to gender, it is difficult to draw conclusions from the cohort generally, nevertheless, the data here do tend to suggest a broad consistency with the literature. Further research in this area would be useful, as it would provide assistance for female pension scheme members in making optimal choices and thereby maximising their pension in retirement. It would also be worth considering the significance of the 'expert' nature of the interviewees in this study.

4.7 Theme 6 - Responsibility

For many of the questions asked as part of this study there was a range of responses given by interviewees. When asked 'Whose responsibility do you think it is to ensure that your pension is adequate for your requirement", though, the universal response was that it was the responsibility of the individual pension scheme member. In terms of pension decision making, taking this answer to its logical conclusion, any deficiency in pension outcomes is the responsibility of the pensioner and no-one else. This is consistent with the theme of financialisation, discussed by Epstein (2005), Berry (2011), and Webb et al (2014), which involves either empowerment of individuals or transfer of risk & responsibilities from employer to employees, depending on your perspective – or perhaps both.

This responsibility is important, as the outcomes of pension investment will be crucial to the well-being of scheme members in later life, and if those outcomes are not as scheme members would wish, in theory blame cannot be attributed to anyone else. In spite of this, though, there were differing opinions about the role of the other stakeholders in the pension scheme, which includes the employer, the Government, the pension fund manager.

4.7.1 Key Results - Responsibility

Many of the respondents discussed their perception of the role of the employer as an important stakeholder in this process. The main responsibility of the employer is perceived to be is the selection of an appropriate investment fund. Views on this were expressed by a number of interviewees, two of whom said, *"ICAS would have the responsibility to pick a decent pension scheme" (5)* and *"there is a responsibility on your employer to provide a pension option…and ideally that the default fund is relatively safe and performing well" (10)*.

Some felt that the employer role is greater than this in relation to pensions, with one respondent saying, *"I think an employer should have some responsibility to make me aware that it's an important thing that I need to be thinking about" (3)*. Some, though, went further still, saying that *"maybe there is a moral responsibility on the employer rather than a legal one" (16).* This view was expanded on by another respondent, who said, *"I think a good employer should, whatever, be making sure that the scheme they have invested in and are offering for their employees, they should be keeping a close eye on it. And it should be getting professionals to do that" (15).* They went further, saying, *"There is the same outcome required on the DC scheme [as a DB scheme], it's just the employer's shifted it on to the individual, but you've still got the same level of interest, advice and return, effectively, on average, to achieve" (15)*. However, the possibility that the level of return is not as expected was taken up by one respondent, who said, *"We're not far enough into auto -enrolment for that to really have emerged as a risk, but that that's something that I kind of sense might be an issue, especially if people are…putting in the minimum contributions and then find they can't retire. That becomes a problem for the employer and the individual" (16)*. So, in the event of sub-optimal outcomes the employer could be seen to have a responsibility for this.

The relationship of trust and obligation between employer and employee becomes more difficult to define over the longer term as individuals move between jobs, and as one interviewee put it, *"when you leave a job your employer no longer has responsibility over you" (2)*. The employer's role is also considered by one employee, who said, *"I can't expect ICAS to understand what my plans are for my retirement are, and to understand that for each employee and tailor a pension scheme for them" (5)*. This is coming back to the financialisation concept of the individuals being responsible for their own pension.

The Government is mentioned by several other respondents as having some responsibility for pension outcomes. One viewpoint was that *"there's also a level of collective responsibility via Government, I guess, as a society, to make sure that everyone is set up in a way that they aren't struggling once they stop working" (1)*. Another took a different view, saying *"The Government does have a role…I think they actually need to take more accountability for delivering the right, accurate information* *to individuals, that is independent of any employer or any business"* and that *"the Government should work more collaboratively with companies like that" (4)*. It would be fair to conclude that there is an ambivalence about the role of Government among the interviewees.

4.7.2 Analysis - Responsibility

The overall tenor of the response in this section – the personal responsibility taken on by individuals – is entirely consistent with the overall financialisation agenda set out by Epstein (2005) and Berry, who said that this means that "individuals must take personal responsibility for their own long-term financial security" (Berry, 2016, p. 1). In more specific pension terms, the shift in risk and responsibility from the employer to employee aligns with the characteristics of DC pension schemes (Webb, Watson, Ring, & Bryce, 2014; Curry, 2010) and the views of the interviewees in this study.

The literature shows a divergence between the views of employees and employers. The perception of employers that costs are fixed and that the company's obligations are limited to making regular pension contributions (Bodie, 1990). However, the view of employees is rather different, as they are more inclined to view pension arrangements as an implicit contract between them and their employer (De Thierry, Lam, Harcourt, Flynn, & Wood, 2014). The employee perception of the role of their employer could be greater than the employer will recognise or accept under a DC scheme rather than a DB scheme, and that if the outcomes from auto-enrolment are not considered satisfactory, the employer could be blamed for this by their employees (Webb, Watson, Ring, & Bryce, 2014). Whilst the employer view was not examined as part of this study, the employee view from the study seems to show a more limited view of the employer's role than is demonstrated in the literature.

The literature does discuss the relationship between Government and pension scheme members, but largely defines this as an 'arms-length' arrangement that is conducted with pension providers acting almost as a buffer or 'middleman' between the two groups. This emphasises the reliance placed on the pension providers by Government to deliver good outcomes for pensioners, and that "this could present significant challenges for both the pension industry and government if auto-enrolment reforms fail to deliver what savers consider to be adequate retirement incomes" (Webb, Watson, Ring, & Bryce, 2014, p. 610). There is partial agreement with this view from the interviewees, but there is little reflection of the larger societal responsibility mentioned above.

4.7.3 Discussion - Responsibility

In terms of pension responsibility, taking the views of the interviewees that they alone are responsible for their pensions leads to a logical conclusion that any deficiency in pension outcomes is the responsibility of the pensioner and no one else. However, a more nuanced view emerges as the question is discussed further, and other stakeholders – employers and the Government – seem to have some kind of responsibility.

It is difficult to draw a single conclusion from this, as there seem to be two views on responsibility in relation to pensions, summed up by two interviewees. The first said, *"Ultimately you need to be in control of making sure that you've done your research, you have enough information in terms of what's required for the future, and you actively* *take steps to make sure that you are going to have an adequate pension pot when you retire. So, yea, I think it, ultimately, falls at yourself to take control over that" (4).*

However, another member added that, *"I think the problem is if it's your responsibility there's a lot of drive for that and you're given the tools to do it, probably you just don't get a lot of knowledge on how to use these tools. That's the big problem" (9).*

It is clear from this that although individuals have been given control over their pensions, they have not been given the skills and knowledge to use that control to maximise their pensions. This links back to the reticence to seek financial advice, discussed in section 4.4. Further advice and education would appear to be the solutions here, and these are discussed in chapter 5.

4.8 Theme 7 - Trust, blame and the psychological contract

The concept of trust was identified in the literature review as a major factor in the operation of pension schemes (Rousseau, Hansen, & Tomprou, 2018; Webb, Watson, Ring, & Bryce, 2014) One of the main reasons for this is the shift away from defined benefit ('DB') pension schemes to defined contribution ('DC') schemes (Berry, 2016). The increased prevalence of DC schemes, and a preference for this type of scheme by employers, means that employers have no obligation to pay costs other than the regular, fixed pension contributions (De Thierry, Lam, Harcourt, Flynn, & Wood, 2014). In a DC pension scheme, individuals are more responsible for their pension choices, and trust in the parties in this relationship (particularly employers and pension providers) is an important factor (Webb, Watson, Ring, & Bryce, 2014).

4.8.1 Key Results - Trust, blame and the psychological contract

This section reviews the responses from the interviewees in relation to trust, considering the differences in the level of trust of different groups. It will then consider how the results of the research compare to the findings from the literature in relation to trust, before concluding on what trust means in the context of the pension scheme reviewed here and the aims of the thesis.

When examining the interview information there appears to be a hierarchy of trust among different sources of information, with the employer being the most reliable and trustworthy. When asked about trust, the vast majority of respondents trusted ICAS. Typical comments were *“I have no doubt about ICAS” (6)* and *“I would trust my employers, I would trust ICAS” (3)*.

One member of staff did introduce an element of caution into this positive view, with a general view that if information is coming from an employer, it should be *“taken with a pinch of salt” (8)* because the employer has a dual role in providing a benefit to employees, but not wanting to pay excessively for this. The findings reveal that this was the only comment that had any negative connotations, which indicates the high level of trust in ICAS.

Key to that trust is the Pension Governance Committee, whose role is to advise the ICAS Directors in relation to the DC pension scheme. The Committee comprises ICAS staff members and is independent of management. It meets quarterly and the members consult with ICAS’ external pension adviser in doing this. The general view of the Committee in terms of trust is summed up by one person’s comment that *“I* *would trust the Pension Committee" (9)*, and another said, *"having that Committee is helpful because it means that there's somebody who's…batting for me" (2)*.

The other important relationship is with the pension provider, Aegon. The ICAS Directors chose Aegon as the pension provider, and there is general support for the choice ICAS made here. A typical view was that *"I trust that ICAS has chosen a reputable provider for our pension" (7)*. The reputation of large organisations (including Aegon) was also identified as a factor in the level of trust. One interviewee commented that Aegon is a *"blue-chip kind of provider. I feel a bit more comfortable, I suppose, being with Aegon and being with that brand than I might be with some kind of smaller operation" (16)*. Thus, the size and stature of Aegon is seen as a positive aspect.

The view of Aegon's trustworthiness, though, is more subtly nuanced than the view of ICAS. Some people's view was very definite. One said, *"I would trust my pension provider" (3)*. Others, though, made a distinction between factual information and information that is opinion or advice based. One commented, *"If it was quite factual information, then I would assume that it was entirely correct" (11)*. The view of the provision of opinion and advice-based information from Aegon is less than black and white. The view expressed was that *"if they [Aegon] said, this is…what is in your best interest…then I would probably think…that's just one possible option, that there's other options" (11)*. It many ways this is correct, and this is the very nature of advice.

A more sceptical view was that *"where I've read something that is clearly written by a pension provider there's always a little spark of 'there's probably a sales pitch in here'* *so I'm always going to be a little bit more wary of the information they would provide" (7)*. This suggests that there is, therefore, a greater perceived element of self-interest in more opinion and advice-based information from the pension provider, and a degree of scepticism arises because of this.

The next step down the hierarchy is financial advisers, who are not trusted by many of the respondents. A typical view is that *"financial advisers I would be quite wary of…because I always assume…they have something that they want to sell you for a specific reason" (7)*. Their lack of independence is regarded as a key factor, which influences the advice given. A common view was that *"their advice is not free from some form of self-interest or bias" (7)*. The price paid for advice is also questioned, as people *"assume there would be a cost towards it" (7)*. One respondent, though, had a negative experience with a financial adviser, who sold them a mortgage and life insurance. The adviser *"wasn't up front and honest about the financial advice and commission that he was getting"* and said, *"That's the only time I've ever taken financial advice and I will not do so again…because I don't trust anybody anymore after that experience" (14)*. Conversely, another respondent had a long-standing professional relationship with their financial adviser, saying, *"I trust him implicitly" (17)*.

The majority of comments in relation to financial advisers were negative, though, and there was a general mistrust of their advice and the information they provide. This is perhaps summarised by a statement from one respondent, who said, *"I don't feel there's a high trust and easily identifiable high trust source for pensions advice" (6)*, and the fact that the majority of the respondents had not taken any formal financial advice. This is part of a wider problem of mistrust in financial advisers generally, and to fully comprehend this issue there needs to be an understanding of the emotional value component of financial advice (Pagliaro & Utkus, 2019; Madamba, Pagliaro, & Utkus, 2020), and the differences between trust in the general financial advice system and the trust in individual advisers (Vickerstaff, Mcvarish, Taylor-Gooby, Loretto, & Harrison, 2012). Detailed consideration of these aspects is beyond the scope of this study, but such research may have an impact on pension choices of individuals in future.

Interviewees identified several other providers of information during the interview process. When asked whom they would trust to provide information, one respondent said, *"The UK or Scottish Government" (6)*. Another said that they "*would trust people I know, especially family" (1)*, but added an interesting nuance, saying that they *"prefer to absorb that experience they've had and then not the advice because I then make my own decisions based on that experience*" (1).

Beyond sources of information, two other elements were evident in terms of trust. The first is the trust in governance systems and other professionals. The role of the internal ICAS Pension Governance Committee and its role has already been discussed. The Financial Conduct Authority, in its role as a regulator, was also mentioned by one of the professionally qualified interviewees, who said, *"You've got to put some trust in the regulatory framework" (9)* and *"if I can't trust it as someone in the profession…it's quite a hard thing" (9)*. Others mention that the pension manager, Aegon, has *"their independent governance committee" (16)*, but that they *"don't know how effective these are" (16).* The fact that the pension funds of the individual employees are held by a third party – Aegon – rather than ICAS is also seen as important. *"I trust that* *separation" (12)*, they said.

The second builds on that trust in professionals and is probably best described as a 'herd mentality' in relation to the pension scheme, in that a level of reassurance is taken from the fact that people are doing what many other pension scheme members are doing. One respondent said, *"I do kind of trust that everyone else knows what they're doing [and] as long as I'm making my contributions based on what I think I should be putting in, the rest will kind of take care of itself, I think" (2)*. Another said, *"I sit in a room full of accountants…very financially savvy people, and I feel like a lot of them…look at pension stuff and track the performance much more closely than I do. So, I do sort of trust their opinion*" *(5)*. Finally, one said, *"If everybody else is in that [the pension scheme] then there's a lot of people who will know a lot more than me, who I assume are part of it, that would trust it" (2)*.

This trust is applicable if the 'others' people are relying on to monitor the pension scheme are doing so. If they are not, then the trust is misplaced. This is not to say there is anything fundamentally wrong with the scheme – rather, it refers to the way in which the members view it.

4.8.2 Analysis - Trust and the psychological contract

The major change that has taken place in relation to pensions is the shift away from DB pension schemes to DC schemes (Berry, 2016). This shift is a worldwide phenomenon, which was confirmed by a PWC study of 114 worldwide multinational companies, which "confirmed that DB arrangements are a thing of the past and DC plans are widely accepted as the preferred alternative" (Hommel, Jones, McHale, &

Mack, 2014, p. 2). This is echoed by de Thierry et al in their study of the consequences of DB pension decline for organisations and employees, which describes a 'fundamental shift' in power from employees to employers, and a shift of risk to employees from employers and the state. The increased prevalence of DC schemes, and a preference for this type of scheme by employers, means the organisation has no obligation to pay costs other than the regular, fixed pension contributions (De Thierry, Lam, Harcourt, Flynn, & Wood, 2014).

With the emergence of DC schemes, there is a direct link between the investment performance of individual pension investments and the size of the pension realised in retirement. Berry concludes, "DC pensions therefore not only subject individuals to investment risks, but also involve making complex…financial decisions" (Berry, 2016, p. 8).

The fundamental question in relation to pensions is asked by Chris Curry in the title of his 2010 study – "Will Future Pensioners Have Sufficient Income to Meet Their Needs?" This study concludes that many will need to work longer, use their savings and/or contribute more to their pension during their working life to have an acceptable standard of living in retirement (Curry, 2010).

If we accept this conclusion, then people must ask fundamental questions about how long to work, how much to save when working and how much to draw from savings in retirement. Given the increased complexity of the decisions that need to be made (Curry, 2010), the fact that many of these decisions are irreversible (Berry, 2016), and that decisions involve a good deal of uncertainty, a key factor in overcoming these issues is trust, and more specifically trust in employers and pension providers (Webb, Watson, Ring, & Bryce, 2014).

Webb et al (2014) identify an interesting distinction in the trust of employers. Their research found that individuals are likely to have less confidence in employers in general than in the government or financial companies. However, when they were asked about their own employer, individuals said they are likely to have more trust in their own employer to provide pensions than pension providers or the government (Webb, Watson, Ring, & Bryce, 2014). Research into the confidence of investors in different organisations showed that 38% of respondents would not trust the financial services industry in relation to their pension (Kelly, 2007). This is supported by research by Vickerstaff et al (2012), who found that financial advice has what is referred to as a hierarchy of trust, and that trusting in someone is easier where a relationship is built up over time, rather than with an adviser or institution, who may be more distant (Vickerstaff, Mcvarish, Taylor-Gooby, Loretto, & Harrison, 2012), and also by Ennew (2009).

Ring discussed the situation in a pre-auto-enrolment environment, where if an investor chose not to trust the financial services sector to make a decision for them, then the decision fell to them, and that they had to find a way to cope with the complexity of the decision making themselves (Ring, 2005). The introduction of auto-enrolment, and the existence of a default fund, has removed the necessity for an individual to trust the financial services sector directly. In an auto-enrolment environment the locus of that trust has shifted to the employer, who will select a fund for their employees which they deem suitable. If an employer does this in an appropriate manner, that trust will be well placed. In the case of ICAS, the fund is selected based on professional investment advice, and the choice is reviewed and overseen by an independent governance committee before a recommendation is made to the directors.

The stratification of trust is found among the respondents in this study, where the employer (ICAS) was seen to be most trustworthy, followed by the pension provider (Aegon), and the financial advisers being the least trustworthy. This is entirely consistent with the research, particularly that of Webb et al. and Vickerstaff et al. (Webb, Watson, Ring, & Bryce, 2014; Vickerstaff, Mcvarish, Taylor-Gooby, Loretto, & Harrison, 2012).

Whilst the existence of this overall hierarchy is consistent with previous research, there is a significant difference in the level of trust in the pension provider from previous studies. Whilst some respondents in this study expressed some caution in their trust of Aegon (the pension provider), most thought they were trustworthy overall, especially when providing factual information as opposed to advice. This level of trust, with a remote organisation, is much higher than would be expected. However, the level of trust in financial advisers encountered was much lower than suggested in other research. In this study most interviewees had not taken financial advice and most of those who expressed an opinion on financial advisers were not positive. There was an indication from some respondents who felt that financial advisers had a degree of self-interest in recommending a particular course of action, as well as there being a mistrust in financial advisers due to past mis-selling of pensions. Vickerstaff et al (2012) found that "the general sense of turbulence, unreliability and possibly dishonesty in the financial services industry is regularly rehearsed and repeated in popular public discourse" (Vickerstaff, Mcvarish, Taylor-Gooby, Loretto, & Harrison, 2012, p. 18).

It is also important in this context to understand what factors will influence the degree of trust that pension savers have. Foster examined trust among young people, and their research suggests that factors that will influence the level of trust will be the role of clear communication, the reduction of charges, people's capacity to make their own judgements, which is in turn affected by their occupational status (those with professional and managerial positions are more able to save for retirement) and their age (the under-25 age group in particular is less likely to see a pension as necessary, or indeed saving for retirement) (Foster, 2017).

It is interesting to note that there was little or no mention for most of the conditions highlighted by Foster as those that will influence trust. The reduction of charges was not mentioned by any of the respondents. Perhaps this is not seen as a factor they can change. The occupational status of interviewees was also not mentioned by any respondents. This may well be because all interviewees were permanent, full-time employees. All interviewees were aware they were able to choose their own investments, rather than opt for the default pension fund investment, but most have chosen not to do so. The vast majority of those who were interviewed (17 out of 18) were members of the ICAS pension scheme, so the sample of employees did not capture the views of those who chose not to be part of the scheme.

Another possible explanation for the mention of the conditions highlighted by Foster is that the level of trust in the employer is so high that the conditions highlighted are seen as having little relevance by the interviewees (Foster, 2017). As such they are happy to continue on the path they are already on with little or no questioning of the scheme, the investments and the contribution levels. This is fine as long as the outcomes match the expectations of the pension scheme members, but if they do not then the psychological contract elements that relate to disruption will become relevant.

The other relationships that change arise from financialisation. Berry (2014) said that under financialisation "individuals must take personal responsibility for their own long-term security and engage intimately with the financial services industry to do so" (Berry, 2016, p. 2). Berry argued that more recent changes in pensions have increased the 'financialisation' of the pensions sector that comprises several parts, namely:

- The increased importance of financial markets and financial institutions.
- Increased engagement between the financial services sector and individuals.
- The personalisation of financial risks.
- The perceived need for prudence in financial outlook and behaviour.

These changes are part of a broader, austerity-based agenda that emerged (particularly in the UK) in the wake of the financial crisis of 2008, where self-reliance and prudence extends to the state as well as the individual. Berry points out that individuals will feel a greater linkage between individuals and the private sector, and a greater sense of responsibility for their own money (Berry, 2016). This is reflected in the study, as all respondents said that they were responsible for their pensions, rather than anyone else.

The final issue is one of communication. Whilst information is available from the Aegon portal (the Retiready platform), scheme members need to log on to this system to access information, and it was clear that many of the respondents either had not done this at all or had not do so on a regular basis. Interestingly, several respondents highlighted that they would prefer more communication from ICAS, which may indicate a preference to information that is 'pushed' out to scheme members, rather than 'pulled' in by them.

4.8.3 Discussion - Trust and the psychological contract

In summary, the trust that pension scheme members have in their employer and their scheme provider is high, and as such, there has been a low take-up of investment choice and/or financial advice by members. The interviewees all said that they were responsible for their pension and its ultimate value. However, it would appear that the high level of trust in others has contributed to the fact that they are not actively monitoring their own pension fund to ensure it will meet their own objectives for retirement, as evidenced by the lack of use of the monitoring tools available to members. Perhaps it would be prudent for scheme members to take a closer interest in ensuring that their pension is on track for meeting their retirement needs by monitoring its value more actively.

This becomes more relevant in the light of earlier comments by Curry (2010) about the complexity of pension investment and Berry's (2016) comments regarding the irreversible nature of many of the decisions taken, which indicate that scheme members may be unaware of issues they are facing and how to ensure they meet their outcomes. It may also be the case that individuals do not have the knowledge, or the willingness, to manage their own investments (Barr & Diamond, 2008). This is perhaps where the lack of trust in financial advisers will have its greatest impact, and where access to high quality independent financial advice would be most valuable.

Webb et al (2014) state that "if auto-enrolment does not deliver what are considered to be satisfactory pension outcomes…it could place significant strain on the relationship of trust between employers and employees, as blame is apportioned for any perceived failure of these pension arrangements to deliver" (Webb, Watson, Ring, & Bryce, 2014, p. 609). Any such unsatisfactory outcome would also have "significant implications for the reputation of a pensions industry" (Webb, Watson, Ring, & Bryce, 2014, p. 609).

The irony in this seems to be that there is a considerable distrust of financial advisers, but that their input may well be a critical factor in ensuring that the outcomes are satisfactory. Indeed, research by Brancati et al (2017) concluded that there was a high level of trust for people who took financial advice, but also that the same group "are more likely to accumulate more financial and pension wealth" (Brancati, Franklin, & Beach, 2017, p. 33).

In a sense the fundamental need for trust arises from the fact that scheme members more than often do not deviate from the default set-up, and even those that do make changes still rely on their employer to some extent. One interviewee sums this up as follows*: "Everybody's trusting the employer, and I don't think the employer should, necessarily, be trusted with all these decisions because in the past if they had a DB* *scheme you can understand that they would take a close interest. But with a DC scheme the risk lies with us, with individuals, and most individuals do not have the knowledge and expertise to challenge the investment process of the Fund Manager, and there is now a gap because I don't think that many employers will do that robustly on behalf of scheme members." (15).*

It is important at this stage to revisit the concept of the psychological contract, as discussed in the Literature Review at section 2.6.8. The psychological contract, as set out by Rousseau, relates to the beliefs of individuals about the perceived, reciprocal obligations between employer and employee. (Rousseau, 1990) The dynamic nature of the psychological contract is emphasised and can be thought of as having a number of stages in the way the employer-employee relationship develops over time. The diagram below sets out the different component parts:

Figure 9 - The psychological contract

[redacted]

Note. Dashed lines reflect known relationships between: Creation Phase and Exit (e.g., Wanous, 1980), Repair Phase and Exit (e.g., Zhao et al., 2007).

(Rousseau, Hansen, & Tomprou, 2018)

Most significant in the development of the responsibilities of the different parties is the creation phase - when an employee begins with an organisation, and the employee's pre-existing beliefs about their obligations and those of the employer are fine-tuned, based on their experience at the organisation. As the employee settles into their role at the organisation the need for fine-tuning diminishes as the psychological contract is relied upon more to guide the interaction with the organisation in exchange for reward from the organisation (e.g., in the form of development opportunity). It is during this time, as the employee and employer learn more about each other that the trust develops between the employer and employee, and the relationship moves to the maintenance phase.

Any issues with trust between the employer and the employee are likely to arise in relation to differences between the perceived pension to which the employee is 'entitled' and the actual amount pension amount provided when the employee retires. It could be argued that the outcome of an employee's pension investment will not be known with any certainty until they retire, but it could also be said that the investment performance of an individual's fund can be monitored on an ongoing basis using the reporting tools provided by the pension provider (Aegon's Retiready platform) to see whether scheme members are 'on target' to meet their retirement objectives. The access to this information means members are 'information rich', but due to the complexity of pensions, individuals will have different abilities to access and understand this information (Vickerstaff, Mcvarish, Taylor-Gooby, Loretto, & Harrison, 2012). As was highlighted in section 4.8.2, the Retiready platform is not widely used, and as a result if the level of pension is significantly lower than is envisaged, this may come as a surprise to the employee, which will in turn have a negative impact on the relationship between the two which cannot be resolved based on the mechanism set out in the psychological contract above.

Also of relevance here is the more recent work of Gough and Arkani, who emphasised the shift in the employer-employee relationship from relational (long-term) to transactional (more short-term), and the consequent potential for sub-optimal employment performance (Gough & Arkani, 2011) The weakening of the employer-employee bond, however, may also have the effect of reducing the level of blame an employee may apportion on their employer, especially in the environment where financialisation is paramount, and where the employees interviewed as part of this study all said they were responsible for their own pensions.

If there is a great deal of trust in the employer (as we see at ICAS) there may never be a 'disruption' to the psychological contract, as employees believe that their pension will be sufficient to meet their needs. The danger, however, comes as a result of the fact that the 'disruption' may only happen when they retire, when there is no formal, contractual arrangement between themselves and the employer. At that point there will be no mechanism for recourse by the employee if the pension is not as high as its perceived level.

If there is more detailed monitoring by employees and employers, the disruption may occur earlier, but at this earlier stage the ability to do something about it is much greater and is much more likely to result in a positive disruption, where the employee moves into the renegotiation phase, which results in a revision of the psychological contract where the employee can attain their goals. This is preferable to a negative disruption occurring when inducements fall short of employer obligations, as perceived by the employee. In this case, the employee moves to the repair phase, where employees encounter circumstances that conflict with their personal goal.

Under the theory of the psychological contract, if an employee is unable to remedy the negative issues, then one option for them would be to exit the organisation and find alternative employment, if they feel the issue is significant enough. If they can remedy the situation, they will return to the maintenance phase and a steady state. The evidence gained in response to questions about whether pensions were an influence in moving jobs suggests that pensions were not a significant influence for many in the past. However, this is not consistent over the working life of an employee, as this study and wider literature support the assertion that that as employees get older the more consideration is given to pensions (Webb, Watson, Ring, & Bryce, 2014). What is less clear is whether an employee would employee would actually leave their job because of an adverse change in pension arrangements – perhaps because this has not happened to anyone at ICAS.

Webb et al (2014) "suggest that, in the context of uncertainty and the need for trust, myopic individuals may regard the placing of trust in individuals or institutions as a means of obviating the need, or inclination, to develop pension knowledge. This is significant in the context of auto-enrolment, which itself obviates the need for pension knowledge" (Webb, Watson, Ring, & Bryce, 2014, p. 610).

Perhaps this is an area where a high level of trust in the employer could be advantageous to a good employer, where financial advisers approved by the employer could be recommended, and perhaps a subsidized service provided, to help ensure employees meet their objectives. This would strengthen the links between employer and employees, whilst reinforcing the fact that the individual is responsible for their own pension investment and influence whether the pension value will be perceived as being the employer's 'fault'. This would also be consistent with the research by Robertson-Rose, who discussed the importance of a company's culture. The research specifically cited concern for the wellbeing of employees as a factor that showed a level of benevolence by the employer, and enhanced trust as a result (Robertson-Rose, 2019).

Finally, the recent developments in the psychological contract appear to mirror the changes in financialisation highlighted in section 4.2 above. Korczynski's 2022 research introduced the concept of the social contract of work (as opposed to the psychological contract) which emphasised the importance of the workforce as a collective, rather than as a group of individuals (Korczynski, 2022). This is consistent with the shift in the provision of pensions under auto-enrolment, which either by accident or by design has resulted in an employer-led, collective, 'default' scheme that will capture the bulk of employee participation in pensions.

4.9 Analysis and discussion - Conclusions

This chapter sets out the key results, analysis, and discussion of the research study, based on a thematic analysis of the interviews conducted.

Section 4.2 considered financialisation and decision making that arose because of the shift of responsibility for pensions to the individual. It was clear that the factors that contribute to individual decision making are complex. These include a focus on inputs, particularly salary, rather than outputs and other life priorities, such as children, weddings, and house purchase. Many use a mix of informal sources when making decisions. The existence of a default fund is good in some ways, in that it is better for a person to be invested in something rather than nothing but is also sub-optimal in that it is impossible for one fund to satisfy the individual investment needs of all pension scheme members. The existence of the default fund has also had the result of the provision of pension under auto-enrolment becoming what is effectively a collective pension scheme, which flies in the face of the trend of financialisation, and the individual nature of investment.

Section 4.3 considered age and found that pensions become more important the closer the individual came to retirement, and that individuals were more inclined to do something about any issues with their pension. The irony here is that as the individual ages, so the change required to make a difference in their pension becomes greater, and therefore more difficult to make.

Financial advice was discussed in section 4.4. Most interviewees had taken no formal financial advice, with personal research, often online, being the norm. Only two of the interviewees took regular professional financial advice, which seems to contradict the research, which suggests that taking professional advice led to better financial outcomes. The high levels of financial expertise of the interviewees and the general mistrust of financial advisers seem to be the main reasons for the low levels of advice.

Section 4.5 considered the role of family and friends, a theme that became apparent during the interview process and the subsequent analysis of the interview transcripts. The general influence of family and friends was positive, either from positive advice given or from a desire to avoid the mistakes and negative experiences of family members and friends. A difference between the experience of male and female family members was also evident. The danger of reliance on non-expert advice provided by family and friends was evident, and the possibility of a sub-optimal outcome is clear.

The differential experience of individuals based on gender was discussed in section 4.6. The literature is emphatic in its portrayal of the lower level of pension for women as opposed to men, largely due to lower earnings, more part-time employment, interrupted work histories and lower financial literacy. All of these were discussed in relation to relatives, and although the cohort interviewed had lower average earnings and more part-time roles, their financial literacy was arguably higher than their male counterparts. It was interesting that the interviewees spoke about their relatives but did not relate their own stories in relation to these factors. It will be interesting to see how the issues related to gender change for the current generation of pension scheme members.

The responsibility for pensions was discussed in section 4.7. There was unanimity in the response of individuals when asked whose responsibility pensions were – all recognised they were responsible themselves. This links strongly to the financialisation concept discussed earlier, as set out by Epstein, among others. (Epstein, 2005) Other stakeholders were identified, including the Government and the employer. The changing relationship between employee and employer, as individuals change jobs more frequently, was highlighted, and this is discussed in the next section, 4.8, in relation to trust and the psychological contract.

Section 4.8 discusses trust and the psychological contract. The stratification of trust was an important finding from the interviews, with the employer most trusted, followed by the pension provider, with financial advisers a distant third (as discussed in section 4.3 above). The governance structure at ICAS, with an independent Pensions Governance Committee, was highlighted as being particularly strong and was well liked by interviewees. Recent trends in human resources research have shifted the thinking away from the psychological contract and its focus on the individual, and towards the collective, with the concept of the social contract of work developed by Korczynski (2022). This mirrors the changes in pension provision, which seem to shift from financialisation to a more collective solution under auto-enrolment.

The next chapter, Chapter 5, discusses the contributions this study has made to knowledge and practice, the overall conclusions arising from this DBA study together with recommendations for practice.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Chapter introduction - summary

This study began with two questions – how do 'experts' make financial decisions and whom do they trust to provide them with pension information in order to make those decisions? A review of the literature outlined a number of themes, including financialisation and the psychological contract. These themes were investigated using semi-structured interviews with 18 ICAS employees, with an interpretivist approach. The study found that pension decisions were complex, and largely related to an individual's personal circumstances.

This chapter sets out the conclusions and recommendations from this research. The chapter begins with an outline of the findings of the research and the achievement of objectives in section 5.2 and discusses the theoretical and practical implications of these findings in sections 5.3 and 5.4 respectively. Recommendations for practice are included in section 5.5, and limitations are presented in section 5.6. Section 5.7 concludes the chapter.

5.2 Summary of findings and achievement of objectives

5.2.1 Overall findings

This section will set out the overall findings from the study. Pensions developed through the 20th century and into the 21st, with a shift away from defined benefit to defined contribution pension schemes, via auto-enrolment, shifting the risk involved from the employer to the individual employee (in theory). A review of the literature highlighted the following themes:

- Financialisation.
- Age.
- Financial advice.
- Family and friends.
- Gender.
- Responsibility.
- Trust, blame, and the psychological contract.

Financialisation gives the study a wider context. Financialisation describes the trend of the individual taking much greater responsibility for his or her own financial situation. Age, financial advice, the role of family and friends, gender, and responsibility are important component parts of financialisation. The other major theme identified was the psychological contract – the unwritten understanding of the reciprocal relationship between employer and employee. This is a relevant lens through which to view pensions, and in particular the element of trust, as this is a major component of the psychological contract, and understanding trust is key to the analysis of pensions.

18 employees of ICAS were interviewed using a semi-structured interview process, with questions derived from the literature on pensions. The interviews were interesting and illuminating. One of the key findings was that there is a hierarchy of trust among the key stakeholders in the pension. The ICAS pension scheme is regarded as being well run, and members have a great deal of trust in ICAS (the employer). The level of trust in the pension scheme investment manager is also high, but there is a

significantly lower level of trust in financial advisers.

Employees make pension decisions based largely on input factors, such as wages and children, rather than outputs (i.e., the ultimate pension) with more immediate needs taking priority.

Staff members run the Pension Governance Committee at ICAS, which has access to professional financial advice and is independent of director input. The existence of the Committee is a key aspect in the trust of the pension scheme members. There is precious little deviation from the default investment fund, which is perhaps a function of the level of trust in the organisation. The result of this is that there is a de facto group pension scheme in operation, which flies in the face of financialisation. This shift from the individual to the group is perhaps an unintended consequence of the Government's auto-enrolment legislation.

This shift is mirrored by the recent developments in the psychological contract, which has seen a move away from the functional relationship between the individual and the organisation, towards the social contract of work, which adopts a collective perspective (Korczynski, 2022).

5.3 Theoretical implications - contribution to theory

DBA research is expected to demonstrate a contribution to theory. Chapter 1 stated that this DBA study adds to knowledge by studying pensions, the reasons for choices made and the importance of trust. As the Literature Review in Chapter 3 shows, fundamental aspects of this study are rarely found in existing literature. This DBA study design goes some way towards addressing this gap, by conducting in-depth interviews in an interpretivist way to ascertain how decisions are made at the practical level and in the face of competing interests and priorities.

External factors are important in the pension decision architecture. The study has highlighted a number of factors that are influential here, including age, having children, and stage of life. This study has highlighted the key aspect of trust (woven into the psychological contract and social contract of work models), and the factors that feed into this. The hierarchy of trust found in this study showed the employer commanding a high level of trust, closely followed by the pension fund manager, and financial advisers generally coming a very distant third. What was also important was the general knowledge of pension failure – Robert Maxwell and Philip Green, for example – and the specific testimony of individuals who had experienced loss.

As such, the contribution to theory around this is an extension of the understanding of the external factors that influence the psychological contract and the seeming complexity of the choices around pensions. The particular factors that were prominent from this study were the influence that personal and family circumstances, both positive and negative, have on the pension decisions. The cohort interviewed is unique aspect of this study. The interviewees can be considered ‘experts’ and their opinions consequently carry weight as a consequence.

The study also established a direct linkage between financialisation (as described by Epstein (2005), Berry (2014) and de Thierry et al. (2014)) and the psychological contract in the context of the employment relationship (as set out by Guest (2004)).

Both have a common root – that is the increasing importance of the individual as opposed to the collective. The study also showed that the subsequent development of both areas has moved in parallel, driven by societal trends, and that there are inextricable links between financialisation and the psychological contract as a result. This is not something that the literature to date explores.

The other key finding from this study is that the auto-enrolment legislation has produced a de facto group pension scheme in this example, which means the performance of the default pension fund chosen by the firm is inextricably linked to the future financial wellbeing of the members of the pension scheme. There is no requirement in law to have any oversight over the default pension fund, but in this example an independent oversight committee, in conjunction with investment professionals, monitors the scheme and reports to the Directors of the organisation. This seems to be a responsible response to this situation. Organisations that do not have such oversight are more exposed to possible employee disappointment and potential legal action.

5.4 Practical implications - contribution to practice

Professional doctorates should make an original contribution to knowledge of practice in the field of business management (Bourner, Ruggeri-Stevens, & Bareham, 2000). This DBA highlights a number of issues that will be of interest and use to employees, employers, and other stakeholders in relation to company pension schemes in an auto-enrolment environment.

This DBA study makes particular contributions to practice a number of ways.

Financialisation, in theory, results in the transfer of the responsibility for management of DC pension portfolios to the individual pension scheme members. However, the reality of the pension scheme in this study is one where almost all investment is in the default pension fund, whether through convenience, a high level of trust in the employer choice of default fund, a distrust of financial advisers, or a combination of some or all of these factors. This would appear to be an unintended consequence of the auto-enrolment legislation, and highlights in practical terms that the roles and responsibilities of the stakeholders in pension funds may not be as they might appear.

The psychological contract is an appropriate lens through which to view this, particularly in relation to the elements of trust and the resolution of possible future disputes arising from the failure of employers and financial advisers to meet their perceived obligations. Clarity of the roles of all the stakeholders would help in this process.

The other practical implication that emerges from the study is that pensions are complex, and the response of individuals to this is not always rational. The logical response to a complex situation such as this would be to take expert advice, but in most cases in this study this did not happen. The reasons for this are a high level of distrust of financial advisers and the ease and convenience of speaking to family and friends, and the results of this may be pensions which have a lower value than they might otherwise have been. The financial advice sector needs to work to restore the trust of individuals who would benefit from its services.

In short, people are given responsibilities that they may not want or do not wish to be responsible for, and whilst their response to this seems rational to them, it may not result in the best outcomes for them. More needs to be done to make sure this happens, and this study highlighted the need for education and for more communication from employers with their employees about their pensions as part of this process.

5.5 Recommendations

A number of recommendations arise from this study, as follows:

5.5.1 Recommendation 1 - Financial education in schools

When asked what can improve pensions, the interviewees had a unanimous answer – education in schools (see section 3.6). Politicians at a national level should ensure that personal finance becomes a part of national curricula, so that young people understand pensions and their importance in lifelong financial planning. The suggestion is that this education should begin at primary school level (i.e., for pupils under the age of 11).

5.5.2 Recommendation 2 - Informed default fund choice

Auto-enrolment is a positive development in pensions. The fundamental aspect of this – joining a pension scheme is the automatic option, with an opt-out required to leave – should not change. However, one of the main findings of the research was that the existence of a default fund (discussed in section 4.2), chosen by the employer, means that a pension scheme member can go from joining a scheme to retiring without making any conscious choices at all. It is impossible for a single investment fund to be ideal for every individual’s circumstances, which have been shown to be a critical part of an individual’s decision-making process for pensions, but having a default fund means that it is straightforward for an individual to join a pension scheme. Investing in the default fund should not be automatic, and there must be a positive decision taken on the investment fund by an employee on joining a pension scheme. To do this, the individual should have access to information on the default fund, as well as information on alternatives, so that they can make an informed choice. This links into recommendation 4 at section 5.5.4 below.

5.5.3 Recommendation 3 - Monitor default fund performance and suitability

The emergence of a de facto group pension scheme (where the overwhelming majority of funds are invested in the default pension fund) was one of the key findings of this research. This means that the performance of the default pension fund is inextricably linked to the future well-being of a company’s employees in retirement. There should be a requirement to review the performance of the default fund on a regular basis and report to the pension scheme members whether the fund is appropriate for them. For larger organisations, a Pension Governance Committee such as that operated at ICAS represents a practical solution to this. For smaller organisations, a periodic review and report by an external pension specialist would be appropriate.

5.5.4 Recommendation 4 - Increase the use of financial advice

One of the key findings of this study is that for the most part pension scheme members do not trust financial advisers highly. The literature clearly showed there is a monetary benefit in taking financial advice, and that the increasingly complex portfolios of assets held by individuals makes this even more important. Getting more people to take financial advice would be beneficial, and it is suggested that there are two broad means to make this happen.

Firstly, financial advisers need to have the skills necessary to advise clients with complex needs, and be regarded as independent, so they are free from bias. There are several trade organisations that train advisers, including the Chartered Institute for Securities and Investment (CISI). The entry requirements for such bodies are high, and the requirement for continuous professional development is strictly enforced. Such organisations should ensure that the public is aware of this and position themselves in the same way as lawyers and accountants, for example.

Secondly, the cost of financial advice can be prohibitive for some employees. One possible solution would be to make the provision of financial advice for pension purposes a tax-deductible expense, so that employees do not have to bear the whole cost of this. Alternatively, the advice could be funded from the employee's pension pot itself, or employers could be compelled to provide access to an independent financial adviser, perhaps as a benefit-in-kind.

5.5.5 Recommendation 5 - Improve communication from employers

The importance of communication on pensions from an employer to their employees was emphasised by several respondents in the primary research undertaken for this thesis (see section 4.8.2). The literature also confirms the importance of communication (Luchak & Pohler, 2010; Foster, 2017; Gough & Hick, 2008). It is important, therefore, that information is 'pushed' out to employees on a regular basis, rather than being available for them to 'pull' from some central source. A pension dashboard would be an appropriate vehicle for doing this.

5.6 Limitations of study and recommendations for future research

Whilst this study contributes to theory and practice in relation to pensions, it is recognised that it could not cover all areas in relation to pensions. Therefore, recommendations for further research are set out below in section 5.6.2.

5.6.1 Methodological recommendations

Chapter 3 set out the methodological approach taken for this thesis. A post-completion review of the methodology indicated that the methodology chosen was appropriate, as the study provided a greater understanding of pensions, and the overall research aim was achieved.

The interpretivist research philosophy adopted, and the use of semi-structured interviews enabled the researcher to learn from the rich experiences of the interviewees, and to form those responses into a coherent narrative. A similar approach could be successfully used in studies that share the philosophical position and method of collecting data.

The use of a case study, interviewing a number of employees from one organisation, was entirely appropriate for a DBA thesis. The generalisability of such a study is discussed in section 3.1.1, with differing views as to the applicability of the findings to other settings. It is for other researchers to determine how useful this information is in the context of their own research. However, it would seem appropriate for the outcomes of this study to be compared and contrasted with similar case studies from other organisations.

5.6.2 Future research recommendations

This DBA study has noted a number of contributions to knowledge and practice, as set out in sections 5.3 and 5.4. These findings would be valid areas for further research. However, there are a number of areas identified that were beyond the scope of this study but would provide interesting studies that would contribute to theory and/or practice.

These are:

- The development of the psychological contract as employees who joined auto-enrolment pension schemes begin to retire.
- The question of whether a duty of care exists with regard to defined contribution pension outcomes, and to/from whom.
- The extent to which individuals discuss financial matters with family and friends as opposed to professional financial advisers.
- The quality of advice given by family and friends compared to professional financial advice.
- The disparity in pensions based on gender, and how this changes over time.
- The emergence of de-facto group pension schemes (where individuals all invest in the default fund) and the implications of this.
- The differences between trust in the general financial advice regime and the trust in individual financial advisers.

5.7 Concluding remarks

This thesis forms partial fulfilment of the Doctor of Business Administration (DBA) programmer, through its contribution to knowledge (in section 5.3) and to practice (in section 5.4).

This thesis was originally inspired by the researcher’s interest in pensions and human behaviour around them, and it is hoped that it will inspire others to continue the work it has identified. It is also hoped that this researcher can contribute further to pension knowledge in future, particularly in terms of exploring how education can play a role in pensions awareness.

Appendix A: Sources of questions

Theme	Source - Literature	Broad Question Asked
Age	(De Thierry, Lam, Harcourt, Flynn, & Wood, 2014), (Foster, 2017), (Guest, 2004)	How old are you?
Complexity	(Barr & Diamond, 2008)	How knowledgeable do you feel about pensions?
	(Curry, 2010)	Do you know what auto-enrolment is? And how well do you understand it?
Decision making	(Curry, 2010), (Berry, Austerity, Ageing and the Financialisation of Pensions Policy in the UK, 2016)	How did you choose what to do about pensions?
	(Curry, 2010), (Berry, Austerity, Ageing and the Financialisation of Pensions Policy in the UK, 2016)	Are you invested in the default fund or in another fund?
	(Curry, 2010),	What factors did you take into consideration when making your choices
Trust	(Rousseau, Hansen, & Tomprou, 2018), (Webb, Watson, Ring, & Bryce, 2014)	When you were deciding what to do, what sources of information did you use?
	(Rousseau, Hansen, & Tomprou, 2018), (Webb, Watson, Ring, & Bryce, 2014)	How reliable do you think those sources are? OR who do you trust

		to provide you with useful information
Responsibility & blame	(Rousseau, Hansen, & Tomprou, 2018), (Webb, Watson, Ring, & Bryce, 2014)	Whose responsibility is it to ensure your pension is adequate for your retirement
Government Legislation	(Webb, Watson, Ring, & Bryce, 2014), (Curry, 2010), (Berry, Austerity, Ageing and the Financialisation of Pensions Policy in the UK, 2016)	Has auto-enrolment made a difference to how you have saved for your pension
Satisfaction	(De Thierry, Lam, Harcourt, Flynn, & Wood, 2014)	How important is your pension as part of your remuneration package?
	(Webb, Watson, Ring, & Bryce, 2014)	How satisfied are you with your pension at ICAS?
Long term/Security	(White, 2017)	How secure do you believe your pension is?
Fair Deal	(Rousseau, Hansen, & Tomprou, 2018)	What events would cause you to change your attitude towards your employer in relation to pensions

Appendix B: Pilot study questionnaire

Introductory Questions/Personal Details

- Name
- Age
- Sex
- Status (single, long-term partner, married)
- Homeowner – sole or joint ownership
- Qualifications
- Role
- Salary
- Time at ICAS
- Member of the ICAS Pension Scheme?

Detailed Questions On Pensions

Financial Literacy/Complexity

- How knowledgeable do you feel about pensions?
- What do you understand by the term auto-enrolment?
- How important is your pension as part of your remuneration package?

Satisfaction

- How satisfied are you with your employer pension scheme?
- If you have worked elsewhere, how does the scheme at ICAS compare with your previous employer, and was it a significant factor in your move?

Decision Making

- What options are available to you in your workplace pension?
- What choices did you make in relation to your pension and why?
- What factors did you take into consideration when making your choices?
- When you were deciding what to do, what sources of information did you use?

Trust and Responsibility

- How reliable do you think the different sources of information are?
- Who do you trust to provide you with information on your pension?
- Whose responsibility do you think it is to ensure your pension is adequate for your retirement?
- How secure do you believe your pension is?

Possible Change

- What change in relation to your workplace pension would cause you to consider changing your pension arrangements?
- Is there anything you can think of that would improve your workplace pension scheme, and anything that would improve pensions generally?

Any Other Information

- Is there anything else that you would like to mention?

Thank you for your help!

Appendix C: Final questionnaire

Tim Burrows – DBA Questionnaire

Introductory Questions/Personal Details

- Name
- Age
- Sex
- Status (single, long-term partner, married)
- Homeowner – sole or joint ownership
- Qualifications
- Role
- Salary
- Time at ICAS
- Other financial products held (past or present)– e.g., mortgage, ISA, stock market investments
- Have you taken financial advice before, and if so for what?
- Member of the ICAS Pension Scheme?

Detailed Questions on Pensions

Financial Literacy/Complexity

- How knowledgeable do you feel about pensions?
- What do you understand by the term auto-enrolment?
- How important is your pension as part of your remuneration package?

Satisfaction

- How satisfied are you with your employer pension scheme?

- If you have worked elsewhere, how does the scheme at ICAS compare with your previous employer, and was it a significant factor in your move?

Decision Making

- What options are available to you in your workplace pension?
- What choices did you make in relation to your pension and why?
- What factors did you take into consideration when making your choices?
- When you were deciding what to do, what sources of information did you use?

Trust and Responsibility

- How reliable do you think the different sources of information are?
- Who do you trust to provide you with information on your pension?
- Whose responsibility do you think it is to ensure your pension is adequate for your retirement?
- How certain do you feel about the level of pension you will receive when you retire?

Possible Change

- What change in relation to your workplace pension would cause you to consider changing your pension arrangements?
- Is there anything you can think of that would improve your workplace pension scheme, and anything that would improve pensions generally?

Any Other Information

- Is there anything else that you would like to mention?

Appendix D: UK population projections

UK Population projections by the Office for National Statistics – in Thousands							
	2020	2025	2030	2035	2040	2045	2050
Ages							
0-14	11,975	11,494	10,766	10,274	10,294	10,490	10,692
15-29	12,293	12,293	12,293	12,293	12,293	12,293	12,293
30-44	13,018	13,475	13,443	13,081	13,157	13,575	13,935
45-59	13,431	12,936	12,706	12,931	13,371	13,351	13,013
60-74	10,575	11,228	12,142	12,401	11,992	11,860	12,140
75+	5,789	6,747	7,309	7,976	8,911	9,724	10,143
Total	67,081	68,174	68,660	68,956	70,017	71,293	72,217

(ONS, 2022)

Appendix E: Age and sex of interviewees

Interviewee	Age Range	Sex
1	20-29	Male
2	20-29	Female
3	30-39	Female
4	30-39	Female
5	30-39	Female
6	30-39	Male
7	30-39	Female
8	30-39	Male
9	30-39	Male
10	30-39	Female
11	30-39	Male
12	40-49	Female
13	40-49	Male
14	40-49	Male
15	40-49	Female
16	50-69	Female
17	50-69	Female
18	50-69	Female

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