



Punter Southall
Aspire

Manage the Gap: Achieving Success with Intergenerational Teams

A research-driven report on how to optimise pension communications for HR, pensions and benefits professionals.

It's Time to Change

There's no question that our workforce is, broadly, ageing. And that reflects the population as a whole: life expectancy has moved up markedly in recent decades. In 1951, women in England and Wales could expect (on average) to live to 72 and men to 66. By 2011, women were living to 83 years and men to 79 years.

We're also working longer. In the UK, 30% of the current workforce are already over the age of 50 and the number of people between the ages of 65 and 69 who are working doubled between 2001 and 2014.

All this at a time when the upcoming generation of "worker bees" are starting their careers later because more are going through higher education: up to 49.8% in 2016/17 compared with 41.7% ten years previously. Go back a further 20 years to the late 1980s, and the percentage of young people going to college was around 15%.

It is no longer the "norm" to start working at 18 and retire at 65.

If you're going to manage an age diverse workforce, and get the very most out of them, then you need to acknowledge how the mindsets and life experiences of different generations affect the way they approach their pensions and savings.

The Analog Generation

The Baby Boomers: entered the world in the post war years up until 1964, a time of increasing prosperity, upward social mobility and a crumbling of long-standing mores... a period also marked by a literal "boom" in the number of children born and surviving infancy.

Generation X: born between 1964 and 1979 into a time of major cultural and technological change – and influenced by the turbulent economics of the late 70s and 80s as well as through increased access to further education.

The Digital Generation

Millennials (or Generation Y): the children of baby boomers and born between 1980 and the mid 1990s – a time of rising aspirations and digital innovation but shaped latterly by a decade of austerity which impacted upon them particularly.

Generation Z: those born from the late 1990s onwards, now starting to enter work. The true "digital natives" often unkindly characterised as "snowflakes" but beginning to make their voices heard on the planet they are soon to inherit.

It's time to switch them back on

We decided to see if we could find out what UK employees aged between 16 to over 65 think about workplace pensions, benefits and communications.

We studied their attitudes, beliefs and approach to borrowing, spending and saving money, and what they expect from their employer regarding support and communication.

We wanted to dig deep and understand why people save and spend the way they do, what's holding them back when it comes to saving for their pension. And how employers could use communications to change their pension behaviour for the better.

We appreciate that no one size fits all, but we have considered the different perspective of the Analog and Digital Generations.

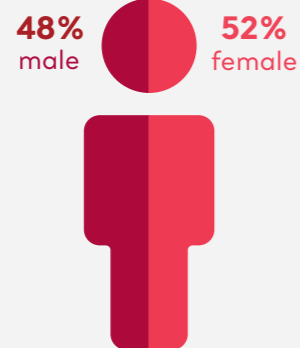
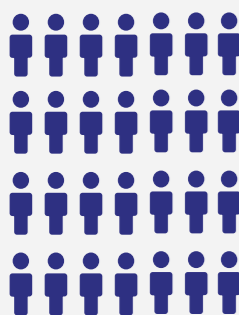
However, we're excited to share these insights with you, and we hope that it can help you start the process of optimising your pension communications for the better.

We surveyed over 2,000 UK employees aged between 16 and over 65 in July 2018.

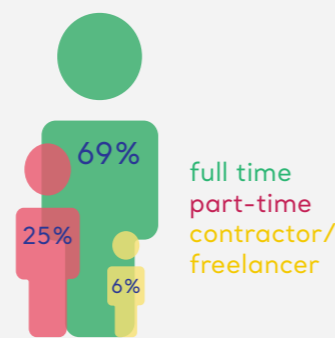
Four key themes emerged:

- 1** Pensions aren't a priority for everyone because 'now matters more than then'
- 2** People are anxious about their financial future but are not actively managing it
- 3** Apathy about pensions is widespread and people are not making active pension decisions
- 4** Employees want and need better pension communications from their employer

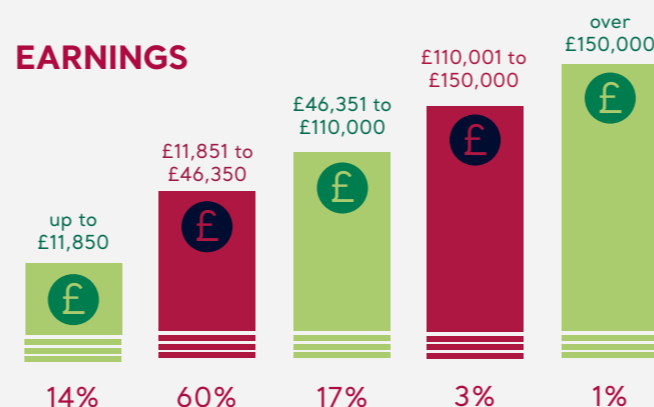
2,035
people surveyed



EMPLOYED

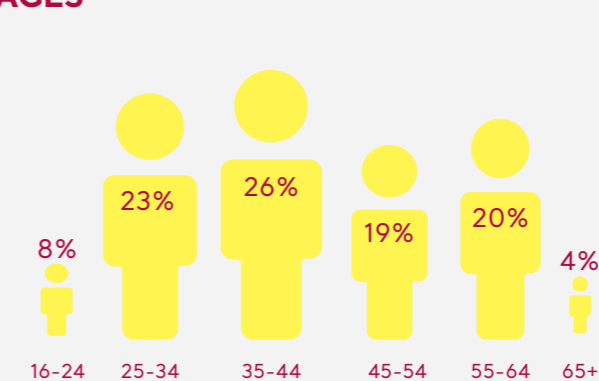


EARNINGS

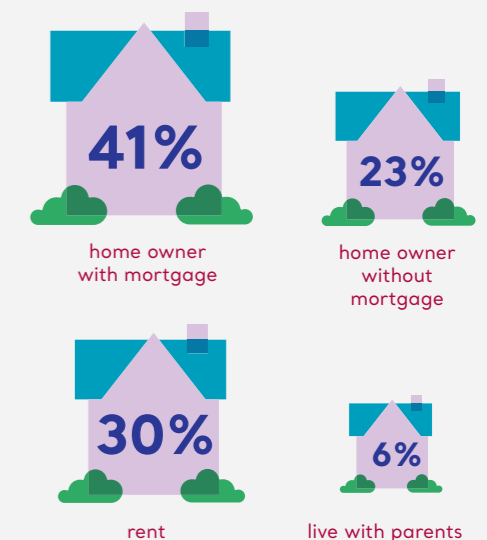


Note: 5% not disclosed

AGES



LIVING SITUATION



Four key themes

1 Pensions are not a priority for everyone

DIGITALS are more likely to be living outside of their means and adding additional pressure to their lives because of this.

ANALOGS more likely to be focused on maintaining their existing lifestyle rather than improving it

Competing financial pressures mean people tend to focus on the present and seemingly more pressing financial matters like debt and financial dependants:

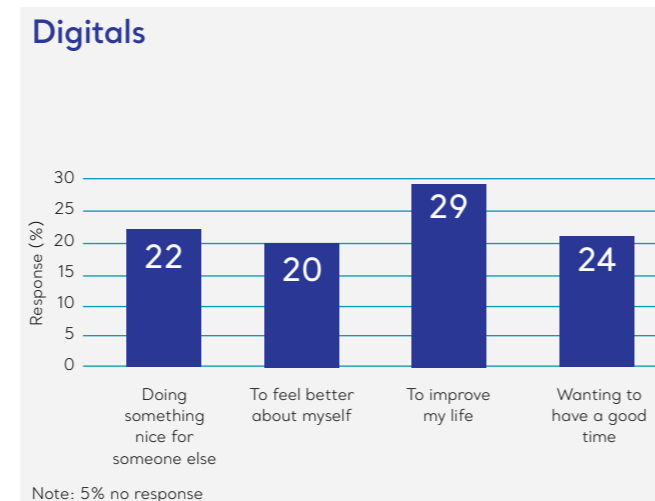
- 50% are paying off a loan or credit card, and 30% regularly use an overdraft (this is higher for those who are under 34 years old)

What motivates you to spend on nice to haves?



- Many people's budgets and spending are dominated by their dependants; 45% of people have financial dependants to support

An 'instant gratification' pull is strong when it comes to spending and saving; people are more interested in having money/gratification now than in the future.



What does this tell us?

This theme represents two barriers that can obstruct changing pension behaviours for the better:

- Competing financial priorities
- Instant gratification

From a communications perspective, we can tackle these barriers head-on by driving pension awareness with a constant 'savings drumbeat' played throughout the organisation. Using affirmative messaging can also entice better savings behaviour.

Leading with what matters to employees now (their existing financial priorities), and tying pensions into this, is a subtle but effective pension engagement tactic. For example, workshops on budgeting or managing debt can introduce the positive benefits of auto enrolment, pensions and long-term savings.

Our research concurred:

- 84% of employees want to be kept aware of what they need to do, and 85% want to be kept up-to-date
- 66% of our respondents said they'd be more likely to respond if a communication referred to 'now' rather than the future

Quick win

By increasing the 'pension beat' within your organisation your business will inevitably benefit from greater pension engagement and as a result better appreciation and Return on Investment (ROI) on the pension benefit provided to employees. Enticing better pension behaviour will improve employees' retirement readiness, and allow for better succession planning within your organisation.



People are anxious about their financial future but are not actively managing it

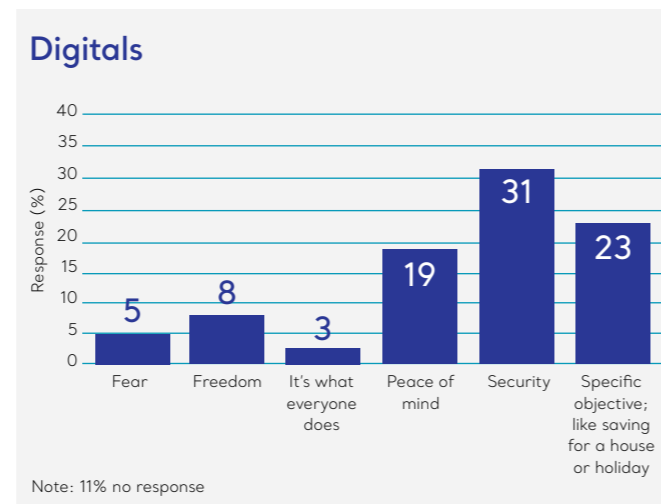
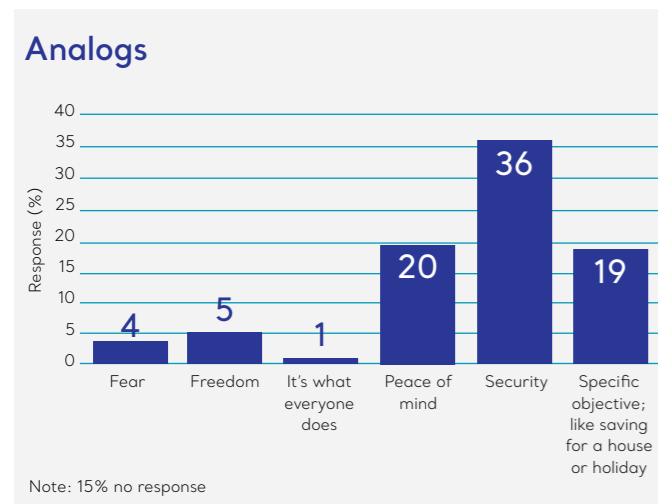
48% of Analogs in our survey say their biggest fear for their future is not having enough money in retirement.

64% of Digitals don't know if they are saving enough for a comfortable retirement.

This anxiety about lack of pension savings isn't actively managed through long-term budgets and financial planning - quite the opposite. Our research highlighted that typical budgeting behaviour shows a strong present bias with budgets typically short-term focused and not kept to:

- 78% of people budget, at most, on a monthly basis (and one in five aged 16 to 34 only budget on a weekly basis)
- Only 28% always stick to their budgets: that's 72% of people struggling to stick to theirs!

What motivates you to save the most?



What does this tell us?

Present bias is making people 'bury their heads in the sand', ignore their financial future and focus on their immediate needs and wants. This builds a strong case for financial education in the workplace and why it is critical to plan for both now and the future. Basic stuff, but very important.

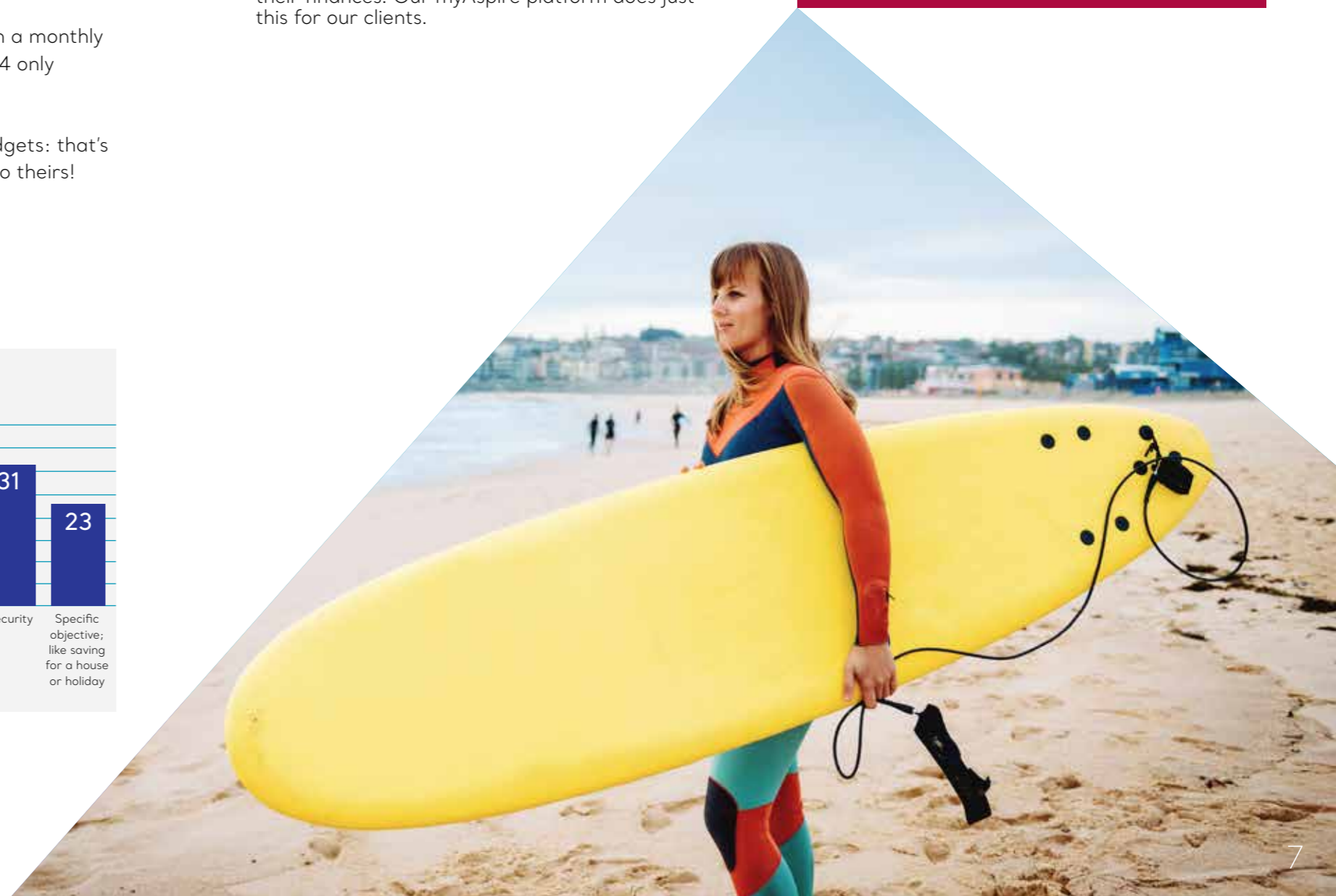
Indeed, 72% want employers to proactively educate them on planning for their future, and it's not just about the reasons why, it's also how. Many people do not know how to financially prepare for their future, and are looking to their employer for proactive guidance on this.

Communication strategies focused on financial education and budgeting for both the now and the future can help, as will providing tools that engage employees to feel more confident about managing their finances. Our myAspire platform does just this for our clients.

Quick win

Decreasing financial anxiety with proactive financial education and useful tools like MyAspire, our online financial dashboard, will not only improve employees' financial wellbeing but will also enhance their employee experience.

Employees could see and feel the positive impact their employer is having on their life, and in turn, may feel more loyalty towards the company and their job.





Apathy about pensions is widespread across all ages groups and people are not making active pension decisions

This is driven by optimism bias and an industry belief that scare tactics work.

Nearly one in five (19%) of those aged 16 to 24 years have "no idea" if they have a workplace pension.

30% don't think pensions are important.

32% of employees either couldn't remember their contribution rate or said it was down to the fact that it was what their employer defaulted them into, not what is right for their financial circumstances and future needs.

All groups show high levels of apathy when it comes to actively managing their pension and future retirement.

Coupled with the above, three quarters describe themselves as having an optimistic attitude to life, meaning they are likely to simply think "It'll be fine; my retirement won't be that bad! I'll make the most of it!".

This optimism fuels the apathy that employees have towards their pension. Moreover, this is a barrier to changing pension behaviour for the better.

What does this tell us?

This apathy fuelled with optimism bias reinforces the need for pension communications that tirelessly seek to improve active decision-making from members, and as a result, overall pension engagement.

Relevant messaging (based on members' behaviours) will make communications more meaningful to the member, and thus more likely to stimulate activity. Here data and technology become your ally, where digital processes can recognise member trigger points and send out relevant messages.

When it comes to messaging and tackling naive optimism, don't build the campaign around the risk of future issues, as people will think "That won't happen to me!". Focus instead on the positive benefits of saving more and making active decisions.

Our research found that only 38% will respond to scare tactics, but 76% will react to feeling excited.

Be assured that it's okay to be persistent: 68% want their employers to keep reminding them about what to do with their pension, even if they don't respond.

Quick win

Reducing apathy and improving active pension decision making will, in turn, improve retirement readiness and succession planning for a business.

Pension engagement also improves benefit appreciation which is likely to positively influence retention and associated turnover costs.



4 Employees want and need better pension communications from their employer

DIGITALS are less decisive, so it's important there's education and support when DIGITALS have a choice to make.

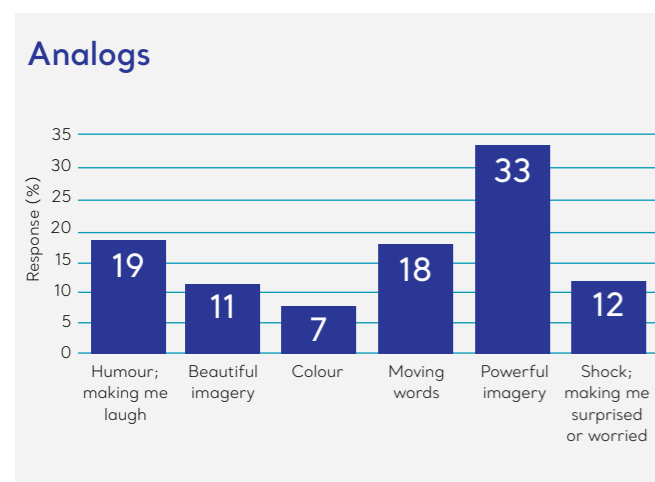
ANALOGS mistrust their pensions, and they need more education around what the 'new world' of pensions is all about?

Employers are one of the most important influencers when it comes to employees making decisions about their pensions. They're more influential than official advisers, family, colleagues and friends.

- 83% think employers should communicate to them about their pension during important work stages such as salary changes

It is, therefore, a fact that employers have an influential role when it comes to changing pension behaviour for the better.

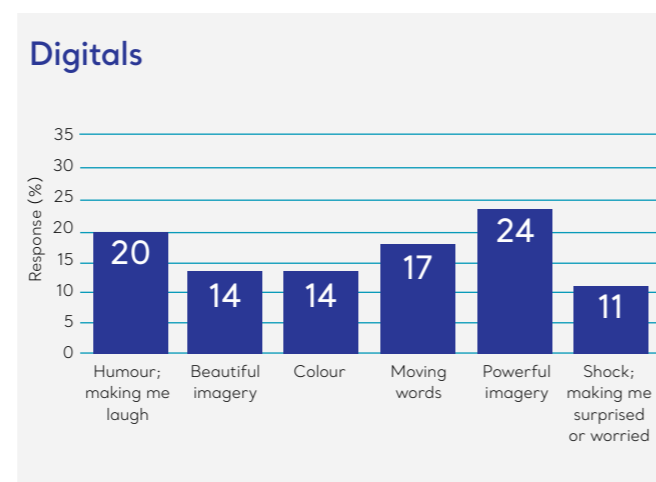
What captures your attention most in terms of communication/marketing?



What does this tell us?

Many companies still rely on their pension provider to undertake the pension communication role, but here we've shown that the employer is an essential voice for employees to hear from when it comes to pension decision-making. It's vital that employers take this role seriously.

Communications about pensions provide the employer with the opportunity to positively associate themselves with the workplace pension and reinforce this highly valuable workplace benefit.



Quick win



Through engaging pension communications, the employer can become a valued voice when it comes to pension decision making, which will make employees appreciate their employer and workplace benefits more. This will positively influence the employee experience and engagement levels, in turn meaning the business receives greater ROI on the benefit they're providing to their staff.





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