

# **FINANCES AND EMPLOYMENT**

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NCDS consultation, 11 July 2016

# AREAS OF INTEREST

1. Labour Supply & Retirement
2. Consumption, Saving & Wealth
3. Human Capital

# 1) LABOUR SUPPLY & RETIREMENT

## Key Topics & Research Questions

### Extending Working Lives & Pathways into Retirement

- ❑ Proportion of 55+ currently working has increased over time.
- ❑ What are the preferences for work at older ages?
  - ✓ Flexible working arrangements, volunteering.
- ❑ What are the attitudes towards (early) retirement/staying in work beyond State Pension age? What is the role of:
  - ✓ Economic incentives and institutional features (annuities markets)
  - ✓ Individual capabilities (cognition, personality, health)
  - ✓ Time and risk preferences
  - ✓ Employment history
  - ✓ Subjective expectations and beliefs
  - ✓ The partner's retirement age
- Uniqueness of NCDS: life course determinants of retirement choice.

# What Was and Can Be Collected in NCDS?

## 1. Previous data collections included:

- Employment, Occupation and Pay Histories
- Expectation to work over 60 and 66 (age 55)

## 2. Scope for collection of:

- Plans for retirement (age and reason)
- Knowledge of retirement age and pensions provision
- Risk and Time Preferences
- Expectations
- Time use

# What was proposed in the online consultation?

- People aged between 55 and 64 are most likely to be carers.
  - What are your expectations re. caring?
  - What is the impact on employment of providing help/care/support?
  - What are your expectations re. your need for caring?
- Retirement plans or experience retiring.
  - What age do you expect to retire?
  - Do you expect to retire with your spouse/partner?
  - What age did you retire (if you already have retired)? And why?
  - Was health/disability a contributing factor? Which type of problem?
  - Was the exit prompted by the respondent, employer, or mutual agreement?
  - Was there any special provision linked to the exit or any family adjustment made?

## 2) CONSUMPTION, SAVINGS & WEALTH

### Key Topics & Research Questions

1. Retirement Income – Radical Reforms
  - New State Pension: from April 2016, the existing two-tier system has been replaced by a single-tier system.
  - Pension freedom: from April 2015, individuals aged 55+ have complete freedom to access their pension.
  - What drives decision making around retirement income options and savings?
    - NCDS allows to study life course determinants, incl. childhood skills
2. Other components of wealth

# What Was Collected in NCDS?

- Previous data collections included:
  - Income (work and sources other than work)
  - Housing
  - Type of pension (age 55)
  - Worries about retirement income and inability to save for retirement (age 50)
- Scope for collection of a richer set of wealth measures:
  - Risky assets (portfolio choice)
  - Annuities (incl. pensions)
  - Consumption and expenditures

# What was proposed in the online consultation?

- Lifetime history of wealth transfers from their parents or other relatives:
  - inter-vivos gifts, inheritances received or expected.
- Knowledge and expectations regarding benefits in older life (e.g. disability, pension credit).
- Attitudes and expectations towards finances and financial decisions:
  - savings for retirement;
  - expenditures on various items;
  - state pension: knowledge of and attitudes towards the new scheme;
  - defined benefit pension plan or defined contribution pension plan?
  - use of pension freedom - purchase of annuity, flexible drawdown or cash?
  - financial assets and housing;
  - debt;
  - information on partner too;
  - bequests and inter-vivos gifts.
- Household Food Security



## 3) HUMAN CAPITAL

# Key Topics & Research Questions

1. Re-training of older workers
    - ❑ The role of employability skills in retirement decisions
  2. Lifelong learning
    - ❑ Role in delaying cognitive decline
  3. Financial Literacy
    - ❑ Impact on savings and pension choice
- NCDS allows to study the life course determinants of human capital at old age, and complementarities and substitutabilities between early and late investments

## What Was Collected in NCDS?

- Previous data collections included:
  - Lifelong learning

## What was proposed in the online consultation?

- The role employability or IT skills that would make getting/retaining a job much easier in the retirement decision.

# What more can be collected?

- Financial literacy
  - Simple interest question
  - Interest compounding question
  - Inflation
  - Time value of money / discounting
  - Money illusion

**THANK  
YOU**