Working Lives Report 2022:

The Big Squeeze

Aviva's Working Lives Report investigates employer and employee attitudes to workplace pension, savings, and retirement benefits. The research was carried out post-pandemic and during the start of the cost-of-living crisis.

Emma Douglas,
Director of Workplace Savings & Retirement

Introduction

Welcome to the Aviva Working Lives Report

In this, the latest **Aviva Working Lives Report**, we interviewed employers and employees across the UK to gather their views and experiences of their working environment during what is now widely considered as a post-covid environment and the start of the cost-of-living crisis.

Where relevant, we have compared this research against the most recent Aviva Working Lives Report, from 2017.[i]

“Looking back at Aviva's previous Working Lives Report, which was published in 2017, it is interesting to see how working lives have both changed and stayed the same over the last five years.

It was stark to read that as recently as five years ago over one in five people were too fearful to speak to their boss about working from home. Fast forward to today and working from home has become commonplace. Clearly this stems from the lockdown restrictions introduced in March 2020 because of the coronavirus pandemic. The restrictions fundamentally changed how businesses across the nation operated. For some, it meant furloughing employees. For others, it meant asking employees to work from home on a regular basis. Our research has found almost three quarters of employers now offer the opportunity to work from home. Of those, the pandemic was the catalyst in almost 2 in 3 cases.

In 2017, employers and employees were not only dealing with changes to the working environment, but also the challenges brought about by an ageing population and the start of formal Brexit proceedings. The employers and employees we interviewed for this year's report are still facing huge challenges. They find themselves squeezed between what is largely considered the end of the pandemic and the start of a cost-of-living crisis. The end of lockdown restrictions was a welcome relief for many businesses desperate to return to normality. However, it was not long before the U.K. experienced record levels of inflation. Employers are clearly focused on the issue with cost-of-living topping boardroom concerns.

Financial education is key to supporting employees at this uncertain time. Employers have an important role to play in breaking down the stigma associated with talking about money at work by encouraging their people to talk to them about money worries and offering financial seminars.

The world of work has made great strides over the years in breaking down barriers and supporting a diverse and inclusive workforce. We are also now starting to see employers recognising they have a gender pension gap and considering how they can support their employees. Women who work part-time to manage childcare are now beginning to understand how this can impact their retirement savings.

Another major change over the last five years, is the focus on environmental, social and governance (ESG) issues when it comes to pension investments. Climate change was amongst the most important things that pension providers should take into consideration when deciding where to invest contributions, according to both employers and employees.

What has not changed in five years is a stoic sense of positivity among employers. Our report has once again found – as it did five years ago - that despite a period of heightened uncertainty there is a sense of optimism among businesses. It is important that employers harness that confidence and use it to support their employees with financial education at this economically challenging point in time.”

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Chapter 1:
Working in a post-covid world

What is working life like after the pandemic?

Lockdown conditions forced swathes of the U.K. population into working from home over the last two years. For many employees, it would have been their first experience of working from home on a regular basis. A first for many employers too. Before the pandemic, working from home might not have been a workplace benefit that many firms would have offered on a regular basis.

Almost three quarters (74%) of employers we surveyed now offer the opportunity to work from home. Of those, the pandemic was the catalyst in almost 2 in 3 cases (63%). It is encouraging that 4 in 5 (80%) said they plan to continue offering these opportunities for the foreseeable future. However, just half of employees (50%) believe their employer offers enough options to work from home.

Having the option to work from home on a regular basis has clear benefits for many employees in terms of helping to better manage work-life balance.

Flexibility and work-life balance were among the top three most important aspects of work for the employees we surveyed.

Over half (57%) of all employees said working from home and flexible working makes them feel happier, significantly more so among women (63% of women versus 52% of men). Employers too said it has increased happiness among their workers. It has helped a similar number of employees (51%) better manage their family responsibilities outside of work, and just under half (47%) believe it has increased their productivity.

There is some disparity between how employees feel about working from home versus employers' perception of managing it.

Over half (55%) of employers think that offering working from home increases workforce loyalty. However, only 26% of employees felt it increased loyalty to their firm.

What is starker is that almost 2 in 5 (37%) employers said working from home increases employee conflict, compared to only 8% of employees. This suggests that managing working from home has brought about challenges for employers.

Chapter 1:
Working in a post-covid world

Most important to employees:		
1	The salary or wages	**34%**
2	Doing a job they love	**15%**
3	Flexibility and work-life balance	**13%**
4	Working within a good quality team	**5%**
6	Liking and getting on with the people they work with	**5%**
6	Good facilities/environment at work	**4%**

Emma Douglas said,

"**Working from home** brings **clear benefits for workers** but there are also clear challenges for employers in managing productivity levels and ensuring everyone is getting a fair chance to work from home. It is about finding the right balance and is unlikely to be **'one size fits all'**."

Aviva in Action:
Smart Working at Aviva

Smart working is a non-contractual and informal arrangement which means that our people can work from home for some of their contracted hours. This arrangement may vary from time to time and must always be agreed with the person's leader.

We believe revolutionising how our people work will improve their work-home balance while:

- continuing to deliver the needs of our business and a first-class customer experience,
- reducing our carbon footprint and minimising travel where technology can help us achieve a similar outcome,
- giving colleagues access to the same opportunities, support, and development.

Chapter 2:
Cost-of-living crisis

How is the cost-of-living crisis affecting employers and employees?

The 'cost-of-living crisis' is the fall in 'real' incomes - adjusted for inflation and tax - that the U.K. is experiencing. It is caused by a combination of high inflation exceeding wage increases and tax increases that have squeezed incomes for many households.

In March 2022, inflation reached its highest recorded level since 1992[ii].

The cost-of-living crisis came out as the top boardroom concern (35%), ahead of keeping ahead of the competition (25%) and adopting more efficient systems, processes, or technology (22%). Typically, 'boardroom concerns' are issues which the board or senior leadership team of a company are most interested in.

Almost 4 in 5 (79%) employers are feeling optimistic about their company's financial future. Perhaps surprisingly, this is higher than 5 years ago (75%).

It could be that high employer optimism right now reflects positivity about moving into what is now widely considered as a post-covid environment. Lockdown conditions created so much uncertainty for businesses over the last two years and we are now seeing companies beginning to operate as they did before the pandemic.

Optimism amongst employees about their financial situation is subdued, with just 2 in 5 (40%) currently feeling optimistic. This is down slightly from 44% in 2017.

Top boardroom concerns		
1	The cost-of-living increases	35%
2	Keeping ahead of the competition	25%
3	Adopting more efficient systems, processes, or technology	22%
4	Resilience to survive an economic downturn	22%
5	Keeping up with new legislation	22%
6	Brexit	17%
7	Keeping up with employee's pay and benefits package	17%
8	The Ukraine Crisis	10%
9	Cutting jobs	4%

Chapter 2:
Cost-of-living crisis

Talking about money

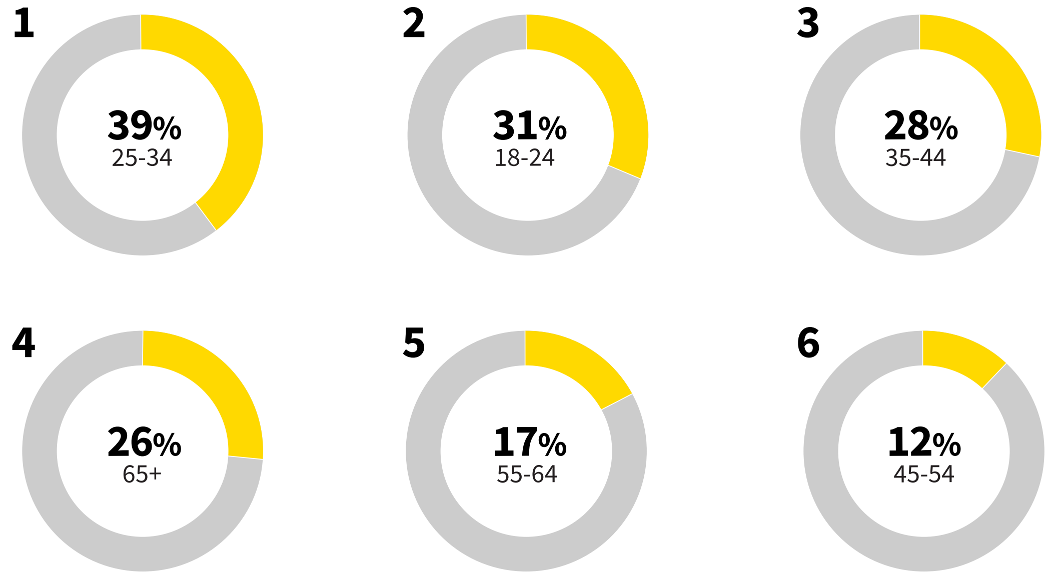
With household budgets squeezed, people are being forced to prioritise their spending. Earlier this year it was reported that consumer confidence had fallen to a 14 year low[iii]. The harsh reality faced by many consumers is whether they can pay their energy bills and afford the weekly food shopping.

This short-term financial planning is clearly addressing an urgent need but could also have implications for long-term finances and retirement plans. Employers have an important role to pay in supporting their employees through this challenging time, particularly when it comes to offering financial education.

Almost three-quarters of employees (73%) have never spoken to their employer or line manager about their financial wellbeing.

Younger employees show more willingness to speak to their employers about their financial concerns, particularly 25-34 year olds, followed closely by 18-24 year olds.

Most likely to talk about financial wellbeing with employer or line manager, by age group



Emma Douglas said,

“Talking money with an employer appears to be one of the last workplace taboos. Young workers are clearly breaking down the stigma associated with talking to the boss about the ‘m’ word, but it is important that all generations of workers feel they can talk about their financial wellbeing with their employer. One of the areas where employers can offer important support is retirement savings. Pensions are designed to be a long-term investment and decisions made today will echo throughout a person’s retirement.

Employees are more likely to trust their own research (26%) to guide them on pensions and long-term savings, followed by their pension scheme provider (19%) and then their employer, Human Resources (HR) or line manager (15%).

Of those employees eligible to join a workplace pension scheme provided by their employer, just over one in ten of those we surveyed (11%) pay in less than 4% per month, and just over two in five (43%) only pay in up to 5% per month. Almost one in five (17%) do not know what proportion of their salary is paid into their pension.

This suggests that either employees choose to contribute the absolute minimum into their pension or are indifferent towards their pension.

There is also concern amongst employees that their pension will not provide them with the lifestyle they would like in retirement. Only a small proportion of employees (19%) feel they will be able to retire comfortably on their workplace pension. Over a third (34%) feel their workplace pension will simply not be enough.

As a result of auto-enrolment in 2012, all employers must provide a pension to those employees who meet the criteria. The minimum auto-enrolment contribution including employee and employer contributions and tax relief, is 8 per cent. However, some employers offer higher matching contributions. It is important that employees understand the advantages and benefits of their workplace pension.”

Chapter 2:
Cost-of-living crisis

How employees can start a conversation with their manager about their financial concerns:

1. **Open up:** Schedule a separate half-hour confidential chat with your manager. Talking about your money worries is the first step in getting support. Tell them in advance you are looking for financial education and wellness guidance.
2. **Education:** Find out whether your firm offers financial education seminars. Take-up any free financial education and wellness programmes.

How employers can help their employees understand their workplace pension:

1. **Start at the beginning:** Check whether your induction process covers workplace pensions for new joiners.
2. **Embrace technology:** Pension providers often have apps and online tools which show the potential effect of increasing or decreasing payments.
3. **Offer financial education:** Hosting financial education seminars is a good way to get people thinking about their future.
4. **Tell them, and then tell them again:** Keep employees switched onto the benefits their workplace scheme offers by reminding them of the facts on a regular basis.

Aviva in Action:
Aviva's pension snapshot feature

In January 2022, Aviva launched the initial roll-out of its **pension snapshot feature** on the **MyAviva app** for around 2 million workplace and retail pension customers.

Aviva's pension snapshot feature uses digital technology to give customers a quick and personalised summary of their pension over the last 12 months. It is like the **'year in review'** feature which consumers might have used on other apps which track activity like running goals or music playlists. It shows customers their pension fund value, how many funds their pension is invested in, investment performance, retirement age and a forecast of its potential value and income at retirement. It has been introduced to help customers better engage with their pensions. Customers included in the initial roll-out had until 31 January 2022 to view their Aviva pension snapshot. Aviva plans to review customer feedback with a view to making it available to more of its pension customers over the next 6 months[iv].

Chapter 2:
Cost-of-living crisis

Emma Douglas said,

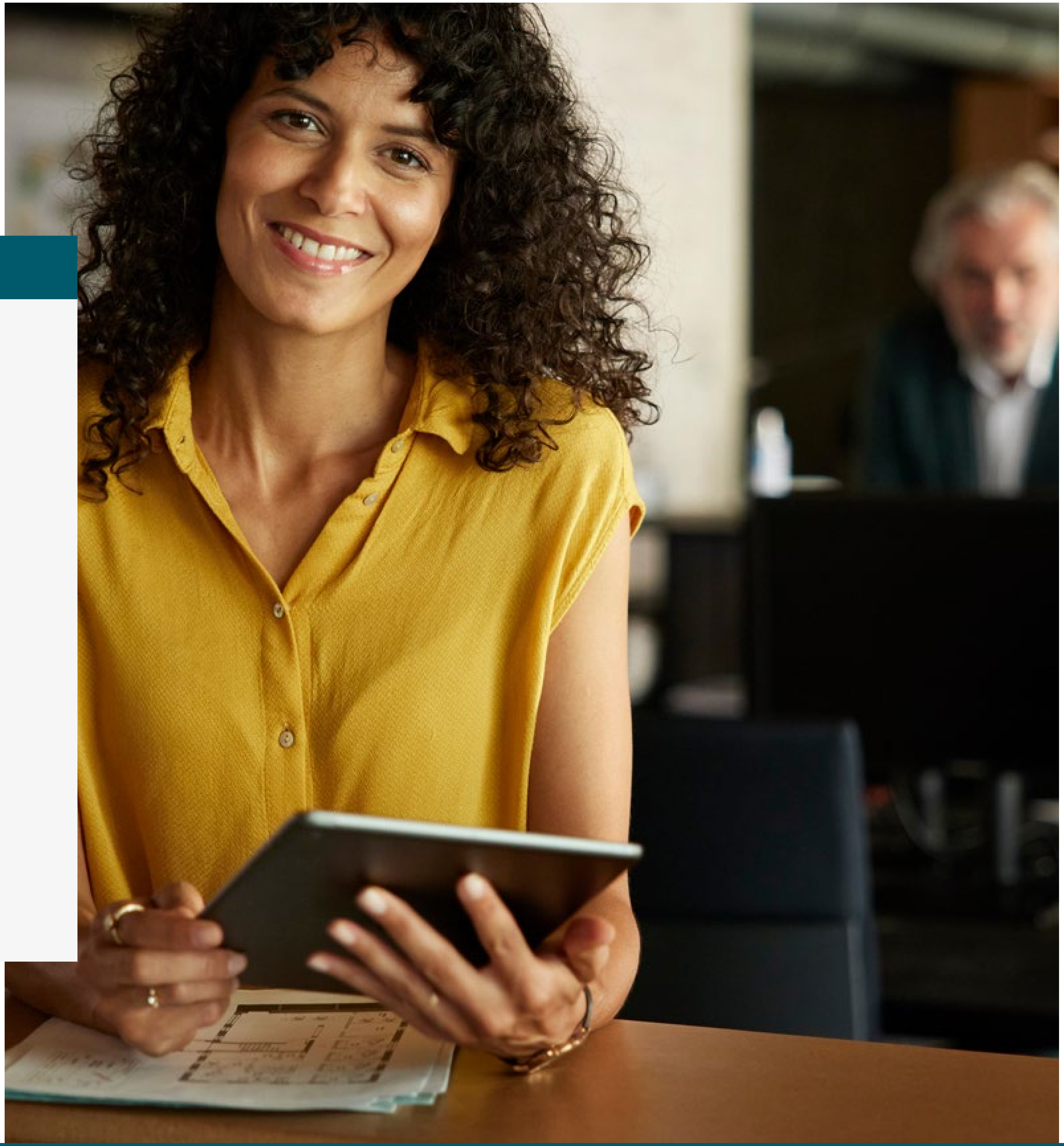
“It is a shame that so many people who have a workplace pension and are worried about not being able to retire comfortably have never spoken to their manager about their concerns.

This is an unusually tough time for people and the extent of financial hardship will be unique for everyone. It is more important than ever that employers encourage their people to talk to them about money worries, and employees take up any financial education or guidance their employer is able to offer.”

In 2021, Aviva provided over 1,000 financial education seminars for its workplace pension clients, with over 62,000 member attendees.

Some employers will be able to offer external financial education either through a specialist provider or an Employee Assistance Programme (EAP). There are a number of 24/7 helplines and online resources at hand that can offer information about financial issues.

There is also plenty of supplementary help available. The financial advice community helps thousands of people every year; there is also free help from the government in the form of the Pension Tracing service, Money and Pension Service, MoneyHelper and Pension Wise. Aviva’s own Mid Life MOT app also provides 45+ year olds with a free online check-up of work, wealth and wellbeing.”



Chapter 3:
Levelling up pensions

How is the gender pension gap being tackled in the workplace?

The gender pension gap is the percentage difference in pension income between women and men.

Recent research from Aviva[v] found the gender pension gap begins to widen significantly from the age of thirty-five.

Based on the workplace pension employer and employee contributions of just over 2 million savers and retirees, the gap between men and women's pension contributions for 35 to 39 year olds is 18%. It then increases to 23% for 40-44 year olds and 29% for 45-49 year olds. It then stretches to 35% for 50 to 54 year olds.

This suggests a clear line in the sand around the age that women are often making milestone career and childcare decisions and opting to work part-time.

The Working Lives research found women are significantly more likely to say that their workplace pension will not provide enough for them to have a comfortable retirement (40% of women versus 28% of men). Also, part-time workers are significantly more likely to say that they will not be able to retire comfortably on their workplace pension (46% of part-time workers versus 33% of full time workers).

The research found almost one in five employers (19%) have never heard of the gender pension gap. While most employers (81%) have heard of the gender pension gap, just over two in five (41%) acknowledged they have a gender pension gap. More than one in ten (11%) say they do not believe they have a gender pension gap.

Just over a quarter (29%) believe they have resolved their gender pension gap – suggesting they think they have found a way to ensure that women in their organisation are contributing the same amount as men into their pension each month.

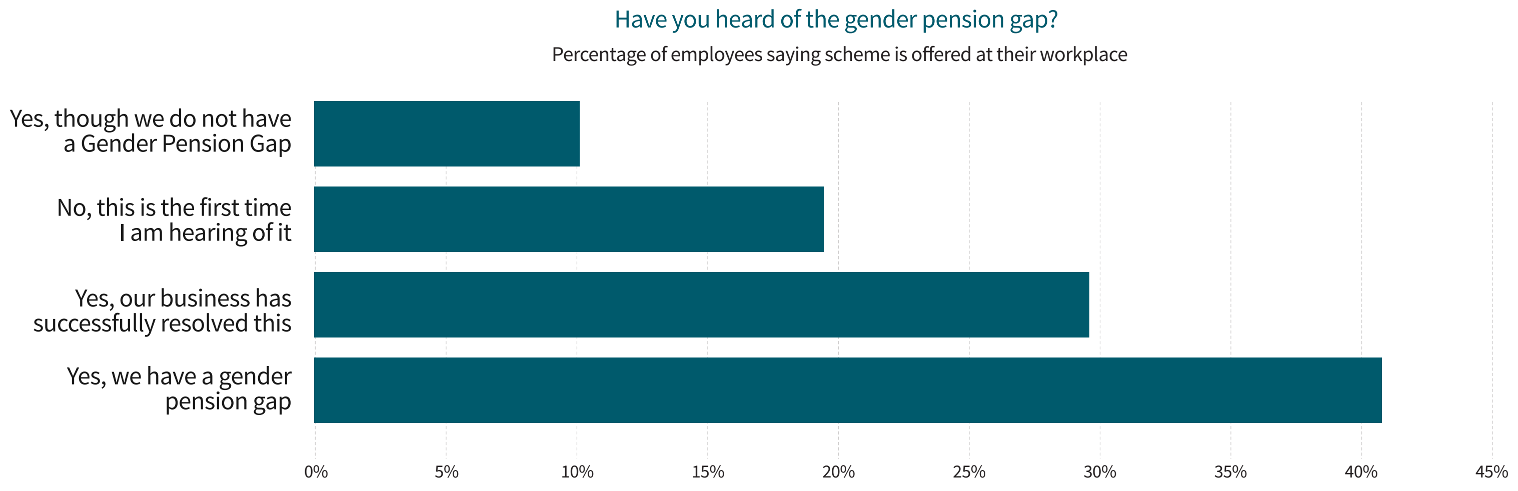
Just under a third (32%) of employers are working on resolving their gender pension gap. A small proportion (7%) would like to address it but are unsure how.

Of those employers who said their company has a gender pension gap, most (59%) said they measured the gap to be between 11% and 30%. Less than one in five (18%) said it was 10% or less. Whereas 14% do not know the size of it.

Emma Douglas said,

> "It is a positive first step that employers know what the gender pension gap is, and whether it could be a problem for their employees. Those employers who have a significant proportion of women working part-time are likely to find their gender pension gap is significant.
>
> For those women working part-time, it will be worth reviewing their pension contributions as Auto-Enrolment rules like the lower qualifying earnings threshold (LET), have a disproportionate impact on those on lower incomes."

Chapter 3:
Levelling up pensions



Emma Douglas said,

“Many employers are struggling to accurately gauge how big an issue the gender pension gap is for them. If you cannot measure it, then if follows that you cannot tackle it. It would be useful to have a single methodology which measures the gender pension gap – like that prescribed by the Office for National Statistics (ONS) for the gender pay gap.”

How employers can tackle their gender pension gap:

1. **Measure it:** There is not yet a single methodology for measuring the gender pension gap. A general rule would be to compare the average total monthly pension contributions for women versus men. The gap in monthly contributions is likely to be reflected in a pension gap at retirement.
2. **Educate:** Employees who are planning to reduce their working hours need to be made aware of the impact on their retirement savings. Provide financial education seminars. Offer tips for how part-time working women can tackle their gender pension gap.
3. **Provide for parents:** Talk to people who are going on parental leave about how their workplace benefits and particularly how reducing working hours can have an impact on retirement savings.

Chapter 3:
Levelling up pensions

Aviva tips on how to help close the gender pension gap:

1. If you are working part-time and are automatically enrolled into a workplace pension scheme, consider increasing your monthly contributions, if it is affordable.
2. If you earn less than £10,000 per year, speak to your employer about your options for joining your company pension scheme.
3. If you are thinking about reducing your working hours to help balance family life, you might want to consider whether it is better for you or your partner to work part-time. As part of those considerations, you might want to look at which of you gets higher employer pension contributions.
4. When it comes to saving into a pension, starting early allows a small contribution to build up over time.
5. For those in a long-term relationship, have a stake in your finances. Should divorce ever come into the picture, keep pensions in mind when splitting assets.
6. Check your National Insurance record to see if you will get the full State Pension amount when you retire. You need a total of 35 years of National Insurance contributions, or, in some cases, you can apply for credits. If it looks like you might be short, you might have the option to pay to fill in the gaps.
7. Apply for child benefit even if your overall household income means you need to pay it back through a high-income child benefit charge. If you are not working while looking after a child you get state pension credits automatically until your youngest child is 12 years old as long as you are claiming child benefit. If you do not claim child benefit you do not receive the credits.
8. Talk to your employer about the policies they offer. For example, Aviva offers six months' equal parental leave irrespective of gender, alongside salary exchange - which means employees taking this leave maintain full pension contributions.

Chapter 3:
Levelling up pensions

Amongst employers who have acted or plan to take steps towards addressing the gender pension gap in their organisation, 7 in 10 (70%) actively encourage workers to consider the impact on retirement savings of working part-time hours. Also, nearly half (45%) of employers share information provided by their workplace pension provider to help educate part-time workers.

Most (72%) employers who are addressing their gender pension gap think that receiving information from their workplace pension provider would help with this. Over half (53%) think that receiving official guidelines would also be beneficial.

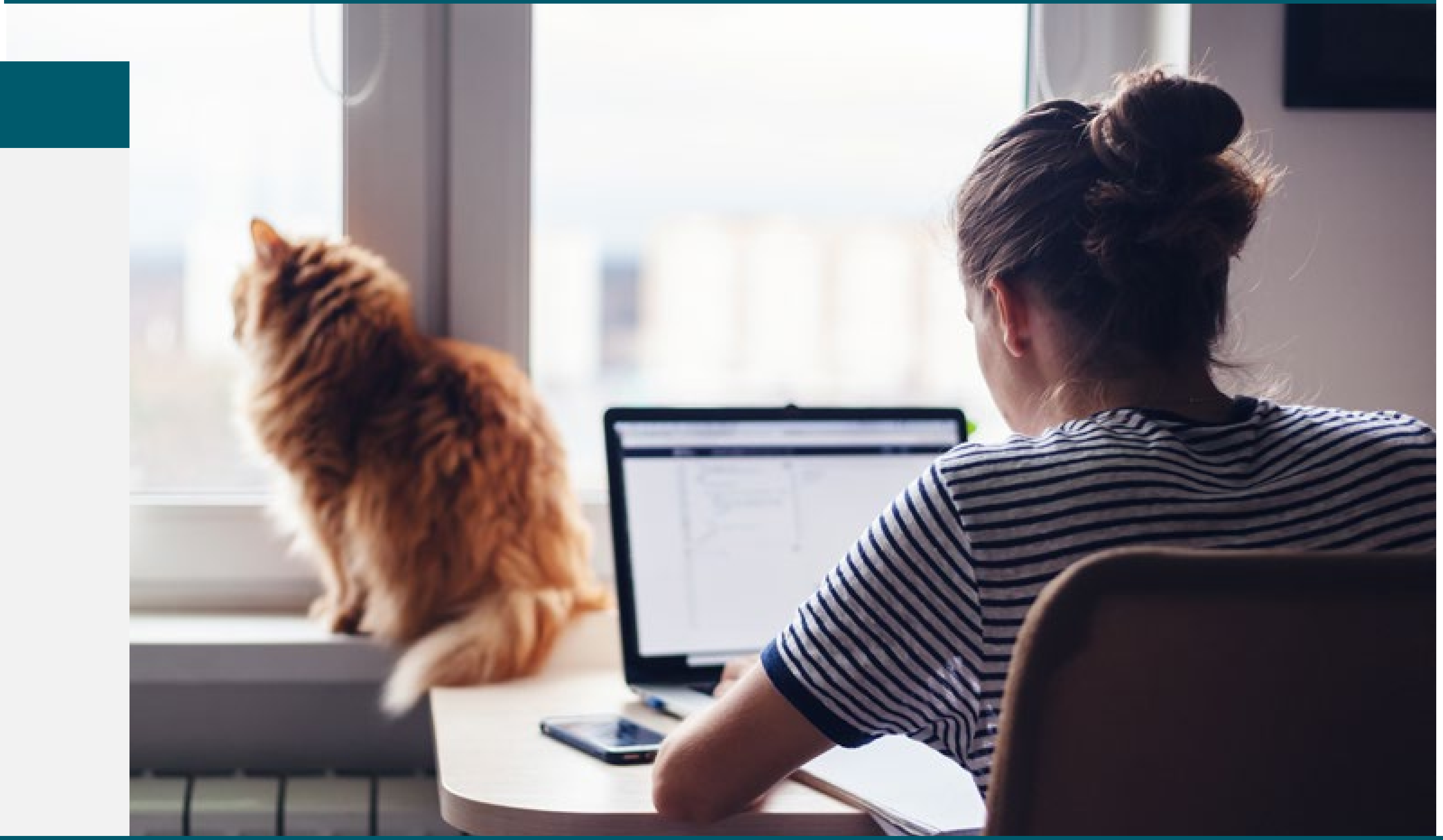
Aviva in Action:
Aviva calls for 'roadmap' to removing auto-enrolment thresholds

One significant change government could make to help women in this position would be to remove the automatic-enrolment (AE) lower qualifying earning threshold (LET). It has the potential for the biggest impact on closing the gender pension gap because it would mean women in a pension scheme would get a contribution from the first pound they earn. It can be implemented without the need for legislation and has already been promised by government for the "mid-2020s".

Emma Douglas said,

"We welcome the recent freeze of the lower qualifying earnings threshold (LET), particularly because we support a phased approach to its eventual removal. This is acutely important right now. With inflation hitting record highs and the increased cost of living, it is set to be a financially challenging year for many, and long-term savings might not feel like a priority.

We are calling on government to put a 'roadmap' in place now for how and when it will implement the removal of the LET. A phased approach should help to ease any sudden financial impact on employers and employees, who need time to plan. The clock is ticking and the longer it does, the less there will be in the pension pots of part-time working women."



Chapter 4:
Environment, social and governance (ESG) and workplace pensions:

To what extent do employers and employees understand the role of pensions in being a force for good in the world?

Responsible investment is the practice of incorporating environmental, social and governance (ESG) factors into investment decisions.

Four out of five (80%) employers compared to 65% of employees think it is important that a workplace pension fund is invested responsibly. That said, over half (55%) of employees do not know if their workplace pension fund is invested responsibly.

Almost two-thirds (61%) of employers think there is room for pension providers to improve their ESG investment options.

One of the toughest pension nuts to crack is getting people to engage with their workplace pensions. Often, people don't consider how much money they have in their pension until they get closer to retirement. Helping savers better understand whether their pension is invested responsibly could be part of the solution.

If people understand that their pension is having an impact on the planet and society, it might make them think about taking an active role in how it is invested.

Just over 1 in 3 (34%) employers think it is essential for the default pension fund to be invested responsibly. However, there are more - just under half (46%) – that think it is important, but not essential.

It could be that employers consider return on investment more important than having funds invested responsibly, or that they see them as mutually exclusive in that 'you cannot have both'.

Climate change was amongst the top three most important things that pension providers should take into consideration when deciding where to invest contributions, according to both employers and employees.

Maiyuresh Rajah,
Head of investment strategy and propositions at Aviva

"ESG factors are material sources of both managing investment risk and out-performance opportunities for customers. We believe integration and alignment of ESG throughout investment solutions is essential and over the long-term leads to superior risk-adjusted returns.

Investment strategies that manage their social and environmental impacts and provide solutions to support the transition to a sustainable future for people and the planet should provide positive investment and sustainability outcomes. The landscape in which companies operate is changing, and those that align to the transition, and manage the associated risks - be that policy, regulation or reputational - will outperform.

Employers and employees say that climate change is an important consideration when investing into a pension, but capital needs to be redirected to make an impact. The first step is education. Employers, with the help of pension providers and advisers, have a crucial role to play in helping their people understand the impact they can have on climate-change and society through their workplace pension. Pension providers can help employers make available innovative and engaging tools that can help people understand why responsible investing is important and how their investment funds fare from an ESG perspective.

It is important to have investment solutions within workplace pensions that integrate ESG factors into the investment process. Having ESG-focused self-select options that people can choose to invest in will be helpful but, considering that most people's assets are invested in default funds, this is where employers and providers need to be focusing. Employers should look for default strategies that integrate ESG factors across the whole solution."

Chapter 4:
Environment, social and governance (ESG) and workplace pensions:

Aviva in Action:

Aviva was the first major UK financial services company to target **Net Zero carbon by 2040**. Pensions have a key role to play in tackling climate change. Aviva has been at the forefront of responsible investment for decades.

In July 2019, Aviva launched its **Stewardship default fund** – an ethical default fund using the Stewardship funds for workplace pensions – where Aviva is the leading provider.

Aviva is also working with an investor opinion tool with fintech start-up Tumelo and a selection of workplace pension customers. Tumelo's platform helps individual pension members to see which companies their pension is invested into and to have a voice on the environmental, social and governance (ESG) issues these companies are facing.

Aviva's research with Make My Money Matter has found that a 'green' pension is 21x more powerful in the fight against climate change than going veggie, stopping flying, and switching to a renewable energy provider combined. We want to help consumers understand how their pension savings can complement other efforts to reduce climate change – such as changing to a vegan or vegetarian diet - rather than undermine them.

Aviva intends to make it easy for customers to make climate friendly choices and its **2040 Net Zero ambition** covers the investment and pension assets it controls, for both new and existing customers.

Methodology:

1,002 private sector or charity employees (full-time and part-time) and 203 private sector employers were interviewed in April 2022 by Walnut as part of Aviva's Working Lives Report 2022: The Big Squeeze.

All interviews were conducted online. The sample was targeted, and data weighted back to these targets, to ensure a comprehensive cross-section of the UK working population.

About Aviva

Aviva is a leading international savings, retirement, and insurance business. We exist to be with people when it really matters, throughout their lives – to help them make the most of life. We have been taking care of people for more than 320 years, in line with our purpose of being 'with you today, for a better tomorrow'.

For more details on what we do, our business and how we help our customers, visit www.aviva.com/about-us.

The Aviva newsroom at www.aviva.com/newsroom includes links to our image library, research reports and our news release archive. Sign up to get the latest news from Aviva by email.

For further information, please contact the Aviva Press Office -

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07800 692 548

References

[i] Aviva | 2017 | Working Lives Report

[ii] House of Commons Library | Rising cost of living in the UK - House of Commons Library (parliament.uk)

[iii] Office for Budget Responsibility | Economic and fiscal outlook – October 2021

[iv] Customers who have been included in the initial roll-out had until 31 January 2022 to view their Aviva pension snapshot. Aviva is monitoring customer feedback with a view to making it available to more of its pension customers.

[v] Aviva | 08 Mar 2022 | Gender Pension Gap widens from the age of thirty-five