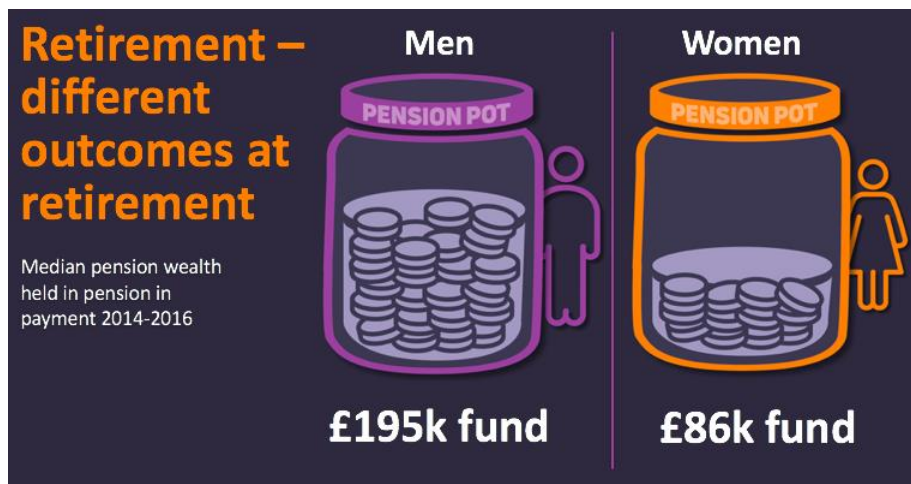


# Mind the Gap: harnessing psychological theory to pension engagement

## The pension problem for women

Thanks largely to workplace pension reforms, participation in pensions has been increasing across all ages, even amongst those aged under 34.<sup>1</sup> But despite these positive trends, it remains the case that many of us – 15 million in fact – are not saving enough for our retirement. The harsh reality is that to maintain our living standards, in our later years, we may need to work well into our 70s and 80s.<sup>2</sup> With mounting evidence of a ‘gender financial security gap’, it is women who are much more likely to face the prospect of an under-financed retirement. According to the latest data from the Office for National Statistics, women’s median pension wealth in retirement is less than half that of men’s<sup>3</sup>.



There are, of course, multiple explanations for the gender pension divide. Social economic factors play a big part. For instance, parenting responsibilities<sup>4</sup>, caring responsibilities<sup>5</sup>, relationship breakdown<sup>6</sup> and occupational segregation<sup>7</sup> all mean that women have less money to invest in pensions than men. But this is not the full story. Women and men also differ fundamentally in their motivations to save into pensions and this is linked to a wide range of psychosocial factors that are well evidenced in research. For instance, women report lower financial confidence than men, which means that they are more likely to say that investment insecurity puts them off.<sup>8</sup> They are less geared towards ‘risk’, ‘growth’ and ‘profit’ and more likely to say that ‘security’ is key.<sup>9</sup> And although women are just as likely as men to save, their priorities are more aligned with the short to medium-term needs of the family than their own long-term financial needs.<sup>10</sup>

How then do we tackle the complex array of factors that contribute to the gender pension gap and what role can pension providers play? If social-economic barriers require systemic, longer-term solutions, can insights from psychology offer more immediate fixes to women’s low pension motivation?

This was where we started our conversation with Aviva, the leading provider of private pensions in the UK, helping more than 4 million customers save for their retirement. As a company that works with clients across the financial services industry, the Big Window are specialists in applying behavioural science insights to low-engagement topics. We wanted to investigate whether we could use motivation theory to drive up women’s pension engagement.

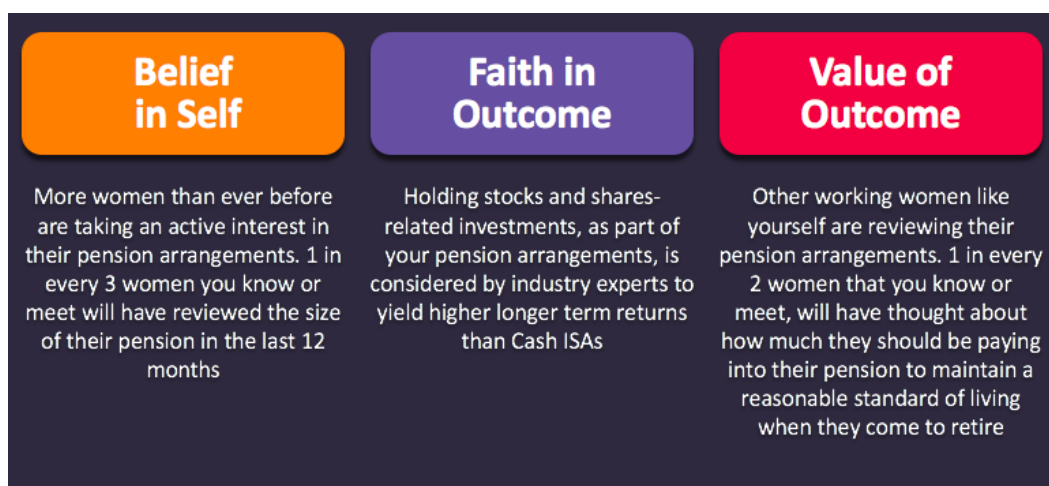
## Mining Psychology: Expectancy Theory

Expectancy Theory<sup>11</sup> is a well-accepted and widely researched theory of human motivation that has been applied to different commercial contexts, including product development, performance evaluation and consumer behavior. Credited with being simple and intuitive<sup>12</sup>, Expectancy Theory emphasises the role of expectations and perceptions as drivers of human behavior. Within the context of pension engagement, it offers a framework to understand how women's beliefs about their financial capability, their confidence in product performance and their longer term financial priorities combine together to influence motivation.



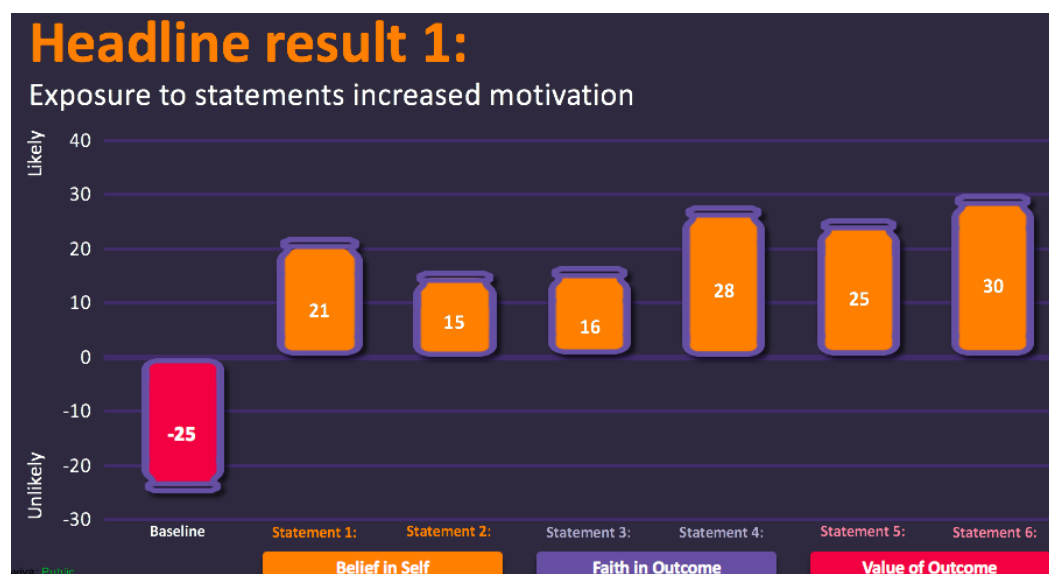
## Theory-driven research in practice

Working with Aviva, we created a number of statements about pensions that were designed to speak directly to each of the three drivers of motivation, according to Expectancy Theory. We exposed 500 women, working full time in the private sector, to our statements and then asked them how likely they are to review their pension or increase their payments into their pension. We compared their responses with a matched group of 500 women who had not been exposed to our statements. One week later we re-surveyed our test sample to find out if their intentions had changed.



Our results were very encouraging. We found that statements that were tailored to address any one of the motivation drivers (belief in self, faith in outcome or value of outcome) had the effect of increasing motivation to engage in pensions substantially. We also found that the younger age groups, and those

with children at home, were most receptive to our the theory-informed messaging – these are precisely the groups that we want to really encourage to save for their future. Crucially, one week after exposure to our statements, intentions to engage in pensions remained high suggesting that this kind of intervention can have a lasting impact.



## Academic theory in the business world: lessons learned

Our collaboration with Aviva demonstrated that as insight specialists and behavioural psychologists, we can introduce financial providers to academic frameworks and concepts that can make a real business impact. We also showed that coherent and credible psychological theory, applied in new contexts, can bring fresh insights to seemingly intractable problems.

The application of academic ideas to the business world also brings challenges. First, psychology is rich with theories and models that offer explanations of human behavior. Selecting the right theory for the project requires an upfront investment of resources. It is important to find out what existing research has to say about the problem before establishing which model offers the best-fit to craft a solution. Clients are unlikely to invest in this stage of the research project. Nor will they want to build in much time up front to allow for this preparatory work to happen. Second, having identified the best theory for the job, we have to be able to operationalise the key concepts so that we can turn theoretical constructs into variables that we can apply, test, observe and measure.

Finally, there are some important communication challenges to be overcome at the beginning and end of a theory-informed research project. At the outset, when rationalizing the approach to clients, there is a risk of alienating them with seemingly elusive academic terms like 'valence' and 'instrumentality'. The challenge for us, as researchers, is to reframe the models using familiar and intuitive language that providers, and their internal clients, are comfortable with. Then, when we disseminate results, we must decide how much our audiences need to know about the psychological theories that drove the project. At this point, we must leave the theory behind and focus on the tangible and implementable insights that it has brought to bear.

the Big Window are firmly committed to meeting these challenges and keeping abreast of the latest academic thinking and research so that it can be embedded in our projects in an accessible way. Aviva will continue to draw on the fresh insights that are born out of a theory-driven approach to business enquiry. Our Mind the Gap collaboration showed that if we want to influence pension engagement, then changing perceptions is key. For women, this means influencing their belief that investing in a

pension is possible, worthwhile and important for their future. Beyond the world of pensions, this study showed that by working in partnership, insight specialists can ensure that providers have the knowledge platform to make a real and lasting impact.

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<sup>1</sup> ONS (2016). Pension, savings and investments. Accessed from <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/pensionsavingsandinvestments#publications>

<sup>2</sup> FCA (2017). *Financial Lives Survey*. Accessed from <https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults>

<sup>3</sup> ONS (2018). Wealth in Great Britain Wave 5: 2014 to 2016. Accessed from <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/wealthingreatbritainwave5/2014to2016#private-pensions-wealth>

<sup>4</sup> ONS (2016). Changes in the value and division of unpaid care work in the UK 2000-2015. ONS Changes in the value and division of unpaid care work in the UK 2000-2015

<sup>5</sup> Carers UK. <https://www.carersuk.org>

<sup>6</sup> Scottish Widows (2016). *Women and Retirement report*. Accessed from [https://www.scottishwidows.co.uk/about\\_us/media\\_centre/reports\\_pensions.html](https://www.scottishwidows.co.uk/about_us/media_centre/reports_pensions.html)

<sup>7</sup> ONS (2016). Changes in the value and division of unpaid care work in the UK 2000-2015. ONS Changes in the value and division of unpaid care work in the UK 2000-2015

<sup>8</sup> Britain Thinks (2016). *Playing it Safe: women and investing*. <http://britainthinks.com/pdfs/Playing-it-Safe-Women-and-Investing.pdf>

<sup>9</sup> Foster et al. (2016). *Closing the Pensions Gap: Understanding women's attitudes to pensions saving*. Accessed from [https://www.sheffield.ac.uk/polopoly\\_fs/1.659717!/file/ClosingthePensionGap.pdf](https://www.sheffield.ac.uk/polopoly_fs/1.659717!/file/ClosingthePensionGap.pdf)

<sup>10</sup> *ibid*

<sup>11</sup> Vroom, V. H., & Deci, E. L. (1989). *Management and motivation*. Penguin.

<sup>12</sup> Bauer, T., & Erdogan, B. (2010). *Organisational behavior – Version 1.1*.