



# Working for today, preparing for tomorrow

The realities of self-employment and saving



**Vanguard**



## Authored by

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With thanks to our research partners, i2 media research limited, from Goldsmiths, University of London. For more information, visit: [i2mediaresearch.com](https://www.i2mediaresearch.com)



## About NEST Insight

NEST Insight is a collaborative research unit set up by NEST Corporation to help understand and address the challenges facing NEST members and other defined contribution savers. For more information visit: [nestinsight.org.uk](https://www.nestinsight.org.uk)



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# Working for today, preparing for tomorrow: the realities of self-employment and saving

In May this year, we published [a summary of evidence](#) on the state of retirement saving among the UK's growing population of self-employed workers. Our report recognised the increasing retirement savings gap between this group and those in traditional employment, and set out the challenges involved in finding suitable interventions.

The data we gathered gave us an excellent starting point from which to explore ideas and solutions in this space. In particular, it highlighted the need to look for a range of different interventions that could have a positive impact on large sub-segments of the population. Amongst such a diverse group, with different experiences of self-employment, our evidence suggests it's unlikely that a single solution can reach the whole population and be suitable for all.

To find these interventions and move towards their development and testing, it was clear that we'd need a deep and detailed understanding of self-employed workers' shared practices, needs and experiences. When we started to explore existing evidence, however, we found that the amount of available data was limited.

To help us fill this gap, we've been working with i2 media research (i2) at Goldsmiths, University of London. Together the research has helped us to build a greater understanding of the different types of 'self-employed journey' and identify points at which saving for the long-term might be encouraged.

This summary report sets out some of the key findings from i2's study and explains how this new research is shaping our plans for future trials. Over the next couple of years, we're keen to work closely with the pensions industry, academics and government to test a number of ideas. Within a voluntary, opt-in framework, participation rates will not reach those achieved for traditional workers through auto enrolment. However, we believe there are a number of solutions that have the potential to make a very noticeable and positive impact on long-term saving amongst the self-employed.

“Amongst such a diverse group, with different experiences of self-employment, our evidence suggests it's unlikely that a single solution can reach the whole population and be suitable for all.”

# About the research

The i2 researchers set out to answer a set of inter-connected questions:

- Can we identify typical types of 'self-employed experience'?
- What does the journey towards retirement saving look like for self-employed workers?
- What are the potential touch points and mechanisms with which this group might be engaged to save for their financial futures?

The research focussed on classification and segmentation of self-employed people, identification of preferences for long-term savings, and potential messaging and mechanisms to motivate behaviour change.

The team used a multi-method approach, including:

- a comprehensive literature review
- stakeholder discussions
- a series of thirteen, 90-minute in-home interviews with self-employed individuals across the south east, north, and south west of England.

## In-home interviews

The sample focused on younger and lower income people, reflecting both the diversity of the population and those for whom the pensions savings gap is most problematic.

Interviewees were:



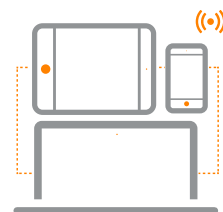
**Aged between  
18 and 54  
years old**



**Earning between  
£10,000 to  
£26,000**



**Not actively  
contributing  
to a pension**



**Some using digital  
online platforms to  
source work**

The structured interviews covered:

Topic	Description
<b>Satisfaction and preparedness</b>	Their overall satisfaction with their working life, broader quality of life and preparedness for retirement
<b>Characteristics of their working life</b>	Typical hours, and amount and regularity of work and income
<b>Impact of the digital economy</b>	Whether they use digital platforms for work, and how it's affected their working life
<b>Saving and planning motivations</b>	Past and present income peaks and troughs, as well as future financial expectations. Typical expenses and savings behaviours, including putting money aside for the long-term
<b>Money management touch points</b>	How and when they typically come into contact with financial services, and through which types of platform, for example, banking, invoicing, tax, advice and information, digital economy

## The findings: what we identified

Unsurprisingly, the i2 researchers found no single 'self-employed pensions journey'. Most people interviewed had no actions or plans in place to prepare for the future. Some individuals were worried about their lack of long-term savings, whereas others had low levels of concern.

When thinking about their broader experience of self-employment, participants identified a range of inter-related factors that might in different ways impact their transition towards engagement with long-term savings:

- their relationship to self-employment
- their relationship to long-term saving
- their capacity to 'future-gaze'
- whether savings mechanisms meet their needs and expectations
- the source of information and the timing of its delivery.

## Relationship to self-employment

Although the population is highly diverse, three distinct groups emerge, differing in their attitudes and motivations to self-employment.

### **“I need to get by”**

Some self-employed people feel trapped in their situation. They may have a low self-perception of their own employability in a traditional job. For this group, retirement is too much to contemplate. Their focus is on their present existence and getting by. Some interviewees of this type felt exploited and, perhaps as an effort at personal justice, would capitalise on opportunities to pocket something for nothing. Examples include bypassing a digital platform by making direct contact with clients, and reporting delays in delivery when there were none. They can do their work relatively easily, but hours can be long. Questions of fairness matter.

### **“It enables me to have a good quality of life right now”**

For some people, their decision to be self-employed is driven by their desire for flexibility, independence and control over work and hours. This can be driven by non-occupational influences, such as having young children. Others choose this lifestyle because they can. It may be, for instance, that their partner's income can cover household costs which in turn enables and supports, in some cases, a lower income through self-employment. Retirement may be closer to the foreground for these workers and although they don't see it as something to tackle right away, they are likely to. For them, the focus is on today and tomorrow, and particularly on themselves in relation to others such as family.

### **“It's my way of life”**

This group of workers derive their identity and 'life force' from their self-employed activities. For them, retirement is not at the foreground, and there are no plans to retire. An end to their working life would signal an end to an important part of their self-identity. Because of this, pensions may be overlooked as unnecessary but this could change if the time is right and an opportunity arises. Their focus is on self-development.

Two key dimensions to keep in mind when thinking about these segments are:

1. the degree of choice or agency they feel about their current work status
2. the levels of satisfaction, security and fulfilment they feel in their work, life and financial situation.

## Relationship to long-term saving

People's reasons for being self-employed interact with their intentions to save. Many feel uncomfortable when engaging with pensions and few feel they have the capacity to save. This is not, though, a direct result of their earnings or wealth. Two people on similar incomes can have different perceptions of their capacity to save for the long-term. This can depend on a number of factors:

Factors	Description
<b>Perception and use of income</b>	People have different ideas of what counts as sufficient or surplus income beyond the 'basics'. When there's a temporary surplus, some might be inclined to save but others value buying an occasional little luxury.
<b>Business costs</b>	For those who are in the early stages of their self-employed career, high set-up costs for their business, combined with a competitive environment, can make them deprioritise saving. This effect is bolstered by whether they believe that a current deficit in their income is time limited or not. They might say, for instance, "I'll give my business two years, and if it's not successful, I'll get a job."
<b>Views on saving</b>	It also matters how much relevance people attribute to savings, and how familiar they are with saving while self-employed. This could be affected by: <ul style="list-style-type: none"><li>- family history of self-employment and prioritising long-term saving</li><li>- the stage they're at in their self-employed working life, and whether they are 'responsible and taught', or 'chaotic and still learning the ropes'</li><li>- their ingrained capacity to save without immediate gratification</li><li>- how dismissive or accepting they are of the finance sector generally.</li></ul>
<b>Responsibilities</b>	Self-employed people who share financial resources or responsibilities have very different attitudes to saving, compared to those who live independently and have no one but themselves to rely on.
<b>Certainty of future income</b>	The level of certainty about a current contract, including its duration and the likelihood it will be renewed or repeated in future, can also have an impact on saving for the long term.
<b>Ability to cope with income fluctuation</b>	An individual's ability to adjust their work to account for income fluctuations can similarly affect their capacity to save. For some, this can be achieved by blending multiple types of work, whether self-employed or PAYE, and having access to state benefits when needed.



## Present and future self

For many self-employed people, the end to their working life seems distant or personally irrelevant. This can, of course, be true of most people. The tendency to focus on the present over the future, and the sense of psychological distance from the future self, are not unique to the self-employed. However, the researchers were interested to discover the specific reasons, motives or justifications self-employed people make around their decision not to save, and how these are expressed. What's clear is that self-employed people's capacity for 'future-gazing' about later life and its possibilities depends on having the head-space for thought and reflection. This can be blocked by low mood or stress, high mental load, or a sense of powerlessness. Taking on the challenges of the future means negotiating difficult 'existential' challenges, such as freedom and responsibility, isolation, the meaning of their life and, ultimately, death.

This means future-gazing is not just about money, but rather quality of life. Some doubt whether this can ever be bought or invested for. Instead, many prefer to invest in the present; their relationships, self-development and the fulfilment of ambitions. Quality time spent with family and friends also has a high priority. A sense of shared or familial responsibility is very much front-of-mind for some.

“For many self-employed people, the end to their working life seems distant or personally irrelevant.”

Equally, when considering these big existential questions about self and future, many feel a sense of dictated fate, rather than active choice. Their locus of control becomes external, not internal. In the face of constant messages about the need for present personal fulfilment, and the uncertainty of the UK political and economic climate, an attitude of resignation and auto-pilot can set in.



## Making savings work for the self-employed

Self-employed people believe that engaging with long-term saving involves effort or cost. The higher the perceived cost, the less their willingness to engage. Once again, these perceived barriers are not unique to the self-employed. Drivers of these perceived costs include the accessibility and usability of the messages and information they're given, as well as whether the savings opportunity meets their unmet needs about financial literacy, control, and the requirement for engagement mechanisms and processes to be routine and invisible.

Key questions are:

- Is it easy to understand?
- Does it provide feedback mechanisms about savings behaviour?
- Are there implicit and explicit rewards and encouragement?
- Is it interesting to use?
- Is it flexible with a range of relevant options?
- Is it automatic yet transparent and accessible?
- Is it forgiving when I make mistakes?
- Does it inspire rather than depress or stress me?

Savings mechanisms for the self-employed need to offer user experiences and messaging that relate to their needs and expectations:

Messaging, information and approach	
<b>Awareness, brand and marketing</b>	Clarify what's on offer, build trust in providers, and ensure messaging is relevant
<b>Process knowledge</b>	Emphasise the usability of the service, and a sense of it being hassle-free
<b>Personal relevance</b>	Use 'personas' to personalise the offer - the offer should have personal appeal, and be relevant to their current life stages/events, and level of stress
<b>Window of opportunity</b>	Identify and utilise moments when they are engaged with their finances, and/or the future, to communicate the offering

In terms of the savings offer, the self-employed see liquidity and flexibility as particularly important. This is explained by their desire to:

- be in control of their savings, to fit around their self-employed lifestyle
- avoid hassle.

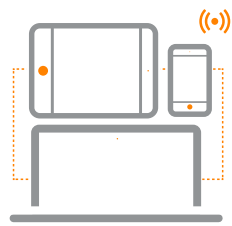
## Reaching and influencing the self-employed

When seeking information and guidance from others, trust is crucial. The most trusted sources tend to be family and peers, both online and off, rather than services or organisations. Personally trusted individuals are the most influential in supporting decisions to save for the long-term. Friends and family with financial knowledge are associated with wisdom. Older generations especially can be role models who inspire and are aspired towards. Advice from this kind of source is seen as hassle-free because it can be followed 'blindly' and is seen as free from ulterior motives.

Wider social networks also play an important role, including online communities and social media, as well as a range of real-world communities. These range from the formal, such as trade groups, to the informal, such as market stalls and others on the school run.



**Friends and family**



**Social media and  
online communities**



**Formal and informal  
communities**

In terms of when to reach self-employed people, there are indications that they may be more open to engaging with long-term savings when certain events occur. Examples include children moving to new schools, buying a house, a bereavement or registering as self-employed with HMRC. However, many of the people interviewed did not feel that they had in practice prioritised future finances at particular life stages or events.

There are, though, a number of 'touch points' when it may be possible to present self-employed people with a new savings mechanism, for instance:

- when taking or processing payments, for example, through Pay Pal, Upwork, an accountant or an umbrella company
- through the finance industry and banking apps - though there's a perception from some that banks don't have an interest in protecting them from negative economic impacts, and there are high expectations of receiving customer support
- when advertising their services, whether through Facebook, Instagram, and word of mouth advertising, or through new economy employment and retail platforms
- when starting their business or learning about running one
- through HMRC.

## Addressing the challenge

As is well known, the self-employed are a highly diverse group. Even within the sample of those earning below median income, there was a disparate range of self-employment jobs. Additionally, some of these workers used online platforms to access work, whereas others used more traditional methods.

People in 'platform employment' can be communicated with or targeted via the software provider through which they engage. These platforms offer potential to implement nudges and defaults to encourage people to sign up and keep saving. On the other hand, independent self-employed people who do not use platforms to access work are harder to reach.

This means it's unlikely that any single channel will be effective in reaching diverse groups of self-employed people. More work is therefore required to identify specific channels by which to reach self-employed people and present them with easy ways to save.

Self-employed people also vary in their attitudes and interests, their online and offline behaviours, and their engagement with long-term savings. Their reasons for being self-employed lie in a diverse range of primary needs. This has implications for the messages and mechanisms that might encourage long-term saving. Perceptions of personal choice and satisfaction with self-employed work are likely to influence the effectiveness of different messages and mechanisms. Those who feel disempowered and trapped in their work may be more difficult to engage with long-term saving than those who feel empowered and freed by their self-employed status. Products that offer flexibility and support liquidity may be especially appealing in the often unpredictable economic environment of self-employed work.

“...it's unlikely that any single channel will be effective in reaching diverse groups of self-employed people”.

# Next steps

Combined with our previous work, i2’s research gives valuable pointers for the next steps in our exploration of potential savings solutions for the self-employed. As we move forward with our programme of trials, these findings show the importance of focussing on segmentation, and on testing the messaging and savings propositions promoted to different groups of self-employed workers. Based on these insights, our next steps are likely to be as follows:

## 1. Validate and extend i2’s qualitative segmentation:

Drawing upon recently reported self-employed classifications, such as IPSE’s classification around dependent vs. independent and secure vs. insecure working, we plan to build personas around these three types of self-employed people. As part of this, it’s likely that we’ll define and test a set of questions to help us classify people into the segments, for instance:

Group	Example response
Group 1: I need to get by	“I do not enjoy the self-employed lifestyle or the job task itself, I work because I have to”
Group 2: It enables me to have a good quality of life right now	“I love the lifestyle my job enables - the job itself is secondary”
Group 3: It’s my way of life	“I love what I do for a living, regardless of the self-employed lifestyle”

## 2. Test and refine messages:

We’d then need to validate our predictions about which messages are most likely to appeal to the different types of self-employed worker:

Type of messaging	Predicted group response	Example messages for segment
<b>Normative (specific or non-specific)</b>	Compared with group 3, groups 1 and 2 are predicted to be more engaged	“Self-employed workers using [specific software or platform] save by...” “Other users of [specific software or platform] use...” “Self-employed workers save by...” “Other workers use...”
<b>Family-oriented</b>	Compared with groups 1 and 3, group 2 are predicted to be more engaged	“Give your family’s future a break from work.” “Invest in your family’s future” “Allow your family’s future the freedom to eat out, go on holiday and have fun”

Type of messaging	Predicted group response	Example messages for segment
<b>Non-conformist/ leadership/ identity</b>	Compared with groups 1 and 2, group 3 are predicted to be more engaged	<p>“Be different, invest in your pension”</p> <p>“Invest in your pension and lead the way for others to a brighter future”</p> <p>“Continue to learn and grow throughout your life, invest in your pension”</p>
<b>Concrete and Abstract</b>	The groups may be differentially sensitive to this messaging, which may relate to levels of stress and arousal	<p>“Can you imagine your future based on your current savings plans?”</p> <p>“Your current long term savings plans would buy you/ pay for your &lt;food/bills/holiday&gt;”</p>

### 3. Develop a range of savings propositions

Following these steps, we hope to be able to trial a variety of savings propositions with different sets of features that are expected to appeal to each of the three groups. Our research suggests a number of approaches to consider, including:

- Incentives: using successful approaches from online gaming, prize draws and cashback schemes.
- Convenience: for instance schemes that make it easier to save for the short- and long-term at the same time, and apps that let self-employed people save as they spend.
- Partnerships: building savings opportunities into the online platforms that self-employed people already use.

### 4. Test predictions

To test the appeal of the savings propositions, it's likely that we'll survey users of different platforms, services and membership organisations. These surveys could also be used to help us classify different groups of self-employed workers based on:

- their attitudes and mindsets towards self-employment, long-term savings and perceptions of their futures, for example, models of semi-retirement
- household compositions and dependencies
- primary and secondary work, and income opportunities
- preferences for messaging and proposition, such as portability or liquidity.

### 5. Conduct randomised controlled trials

Alongside this additional primary research, we hope to conduct a series of randomised controlled trials, targeting self-employed workers who access work opportunities and financial services through different channels. This will include sampling relevant groups of self-employed NEST members to test the behavioural impact of messaging and savings propositions, as well as partnering with third-party services and platforms.

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