

Report Type: Mid Term Award Report
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Faculty/Department : Cambridge Judge Business School
Project Title: The Impact of Employer Finances on Individual Retirement Savings

Project Abstract: Over the past several decades, there has been a significant shift towards individual responsibility for retirement saving for workers. While many employees used to receive Defined Benefit retirement pensions from companies, that arrangement is now very uncommon in the private sector. Instead, access to retirement benefits now generally takes the form of an employer-provided Defined Contribution retirement savings program, to which both the employee and employer make contributions. Through a collaboration with Nest Insight, we are able to obtain data on the status of individual accounts over a period of a decade, including monthly and weekly wage data obtained in near real-time from employer payrolls, along with employee and employer retirement contributions, for all Nest members. The Nest data provides highly granular data on weekly and monthly compensation and pension contributions for 10 million workers across over 750,000 UK employers. We are also obtaining financial performance data from the credit rating firm Experian. This will enable us to establish whether and to what extent employer financial conditions are passed through to workers in the form of wage growth and changes to retirement contributions.

Activities and Achievement:

There is an opportunity to work with both NEST pensions provider and Experian UK to study how business fluctuations affect the retirement savings outcomes of people relying on individual account pension savings for retirement. The hypothesis is that retirement savings outcomes are in fact very heavily impacted by shocks to individual industries and firms. The project has great potential to shed light on what can be done to address or manage the risks faced by individuals who must depend heavily on individual account outcomes for their retirement, particularly for the vast number of employees of small firms, which nobody has really been able to study before in the context of this question.

Dissemination: We are planning on writing one or more research papers.

Outputs: No output as yet.

Major Difficulties and Any Other Issues: Getting data from Nest and Experian has proven to be more time-consuming than originally envisaged. In particular, Experian data provided was unhelpful in that it did not have financial statement data. I had to renegotiate the agreement to obtain the missing data at no additional cost.

Web Links: None

Optional - detailed findings and output:

Additional Information:

Declaration: This award has not yet produced any relevant outputs, but details of any future publications will be submitted to the CERF database as soon as they become available.

Signature - Main Award Holder: Signature - Main Award Holder

The results of this submission may be viewed at:
<https://www.cerf.cam.ac.uk/node/942/submission/55032>