

Pensions Online ?

Issue 5
December 2005

A Study of Producer, Distributor and User Attitudes and Behaviour

There are many claims that the internet empowers consumers, yet to date limited research exists to support this. This business briefing assesses the extent to which consumers believe that the internet can empower them in the context of using pension websites. Focus groups and a survey reveal that consumers believe the internet has the potential to empower them, but the sense of empowerment has not been fully realised in the context of pensions. Individuals most empowered by using a pension website are those already knowledgeable about pensions and who feel confident using the internet.

Background

A public-sector organization operating a defined-benefit occupational pension scheme was chosen as a case study. Initially, two focus groups were conducted to explore employees' perceptions of the internet as a means of empowerment and beliefs of the consequences of using their pension scheme website. These perceptions were formulated into 13 belief statements which were tested for their generalisability amongst employees at the case organisation using an online questionnaire which was completed by 230 employees.

Belief Statements

Focus group participants linked information provision to the concept of empowerment arguing that access to information resulted in increased control and problem solving

"If I want to initiate obtaining a solution to a problem ... then I can do something about it, you know, a sort of control" (FG1, Male)

When asked about what they believed the outcome would be of using their pension scheme website over the next five years many participants talked about gaining a detailed understanding of their pension which would then empower them. Female participants in particular reported that website use would enable them to take control and be more active in managing their pensions:

"You could see there and then what your pension situation was rather than having to wait ... So I would be much more inclined to keep more up-to-date with my own pension really." (FG1, Female)

Another female participant stated that she would use the pension scheme website to

help improve her understanding; she felt she could repeatedly view a screen until she understood the information whilst she felt she could not repeatedly ask for advice.

"If you have information on a screen ... you feel you can return to it without being impolite ... it is always there for you... You might feel it is easier to look at a screen and build up your knowledge." (FG2, Female)

However some participants felt that the terms 'pensions' and 'empowerment' did not belong together:

"I wouldn't say I would put empowerment and pensions together ... I mean there are very tight parameters about what you can do... that's why I don't see empowerment" (FG1, Female, DB)

The tightly regulated product was given as one reason for perceived poor online pension empowerment. A defined benefit/final salary pension scheme provides limited opportunity for scheme members to get involved in issues such as investment choices since it is essentially managed on the member's behalf. Other reasons given were product complexity and the difficulties in acquiring sufficient knowledge. Some participants stated that they did not want more information about their pension and that the annual statement that they received was sufficient. In some cases there was a fear of receiving too much information.

"I find once a year quite enough. (Laughs) And then a piece of paper is quite sufficient" (FG1, Male)

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Survey Findings

Empowerment was measured by 13 statements on a 5-point Likert scale (5=strongly agree to 1=strongly disagree). Factor analysis was used to find the underlying structure of the data and revealed 3 factors:

1. **'Confident Autonomy'**, the belief that using a pension website can make one feel confident enough to make decisions by oneself and rely less on the advice of experts.
2. **'Informed Understanding'** the belief that using a pension website can increase access to information on pensions and understanding of pensions.
3. **'Confused Disinterest'** the belief that using a pension website results in greater confusion and gives an unwanted level of control.

Relationship with Individual Characteristics

Independent samples t-tests showed that there were no significant differences in scores between males and females (surprising given the apparent difference in the focus groups), younger (16-44 years) and older (45 years +) age groups, or users and non-users.

There is a small positive correlation between 'Confident Autonomy' and pension involvement, indicating that those who are more interested and involved in pensions believe that a pension website can facilitate autonomous decision-making. There is a small positive correlation between 'Informed Understanding' and Technology Readiness and a small negative correlation with understanding of pensions indicating that those less knowledgeable about pensions believe that a pension website can help to improve their understanding. Finally, 'Confused Disinterest' shows a small negative correlation with involvement in the internet and pensions, ability to use the internet, understanding of pensions and ability to manage a pension and a medium negative correlation with Technology Readiness. This shows that the greater the agreement with the "Confused Disinterest" statements, the lower the likelihood of interest in pensions, ability to manage a pension and ability to make effective use of technology.

Conclusions

Focus group findings indicate that consumers do feel empowered by the internet. However, on the subject of pensions, the sense of empowerment was less apparent. The survey findings show that those who are already interested in pensions and have a certain degree of understanding tend to hold the belief that a pension website can have a positive empowering effect in terms of facilitating autonomous decision-making. Those who have a limited understanding of pensions have a tendency to believe that a pension website can facilitate increased access to information and improve understanding of pensions. However, those who feel disinterested and unmotivated by pensions, and struggle to make effective use of the internet in a broader

context, believe that a pension website offers confusion and an unwanted level of responsibility.

Implications

There are implications for communications and web design. Information about the benefits of website use and website content can be targeted to reinforce employee beliefs in order to increase motivation towards use of the pension website. For example, for high – involvement consumers communication content can emphasise the self-service and decision-making convenience of the website. Appropriate communication channels for this target audience might be extant written communications such as the annual pension statement and scheme newsletters which would be read by a highly-involved consumer. For consumers with limited understanding communication can emphasise improved access to information, an appropriate channel for this communication might be in response to enquiries made for scheme information. Finally, for those consumers who are disinterested in pensions, communication could stress website ease of use and the simplified structure of online pension information.

In terms of website development a similar survey could be used to classify employees in terms of their pension involvement and understanding and in order to encourage adoption, a website could be designed to meet the needs of the dominant group. For example if the workforce were predominantly highly-involved in pensions then a website could be designed that enabled online decisions to be enacted. If results indicated that a workforce lacked pension understanding then an information rich site could be designed. Finally, if a workforce consisted mainly of individuals who were disinterested in pensions then a website could be constructed that was easy to use and contain simplified information content.

Next Stage

This research has focused on the beliefs of employees within one organisation. The research is being extended to a second case organisation in the private sector operating a defined contribution pension. For more details please visit the project website.

The E-Society Programme

This research is part of The E-Society Programme, a multidisciplinary programme of research that seeks to investigate how institutions, practices and behaviours are being changed by the technologies that constitute the digital age. It is a 6-year programme funded by the Economic and Social Research Council with a total budget of £6.5 million.



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