Do teachers want pension flexibility?

James Zuccollo

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A central commitment of the new government is to recruit an additional 6,500 expert teachers to England’s schools. The question is how to do it? One of the main levers available to the government is teachers’ pay. The new Secretary of State, Bridget Phillipson, has already agreed to the [STRB’s recommendations](https://assets.publishing.service.gov.uk/media/66ab42d5ce1fd0da7b59313b/STRB_34th_Report_2024_Accessible.pdf) and increased all teachers’ pay by 5.5 per cent. However, teachers’ pay has fallen 14 per cent behind the wider economy since 2010, so more may be needed. A further complication is the chancellor’s commitment to fiscal responsibility, which might mean that any increase in teachers’ pay will need to be funded by savings elsewhere.

Into this gap has stepped United Learning, the largest multi-academy trust in England, who have announced that [they will offer teachers](https://schoolsweek.co.uk/why-were-reforming-our-pension-offer-and-others-should-follow-suit/) the option of a compensation package with higher salaries in exchange for a less generous pension. Essentially, they propose to allow teachers to trade pension for salary in a manner that leaves the total cost to the trust unchanged. The voluntary offer would allow them to pay teachers a starting salary of up to £45,000 (in Inner London), compared to the current £37,000. The scheme is designed to attract new recruits who might otherwise be put off by the lower salaries in teaching, and to retain teachers who might otherwise leave for higher pay elsewhere. Teaching unions [are strongly opposed to it](https://schoolsweek.co.uk/united-learning-to-offer-45k-starting-salaries-by-offering-alternative-pension/), but United Learning appear to be pressing ahead.

The context is that most teachers are currently members of the Teachers’ Pension Scheme, which is a generous defined benefit pension scheme that guarantees teachers a retirement income based on their salary and years of service. However, it is also expensive and the cost has been rising dramatically. Over the past fifteen years, schools’ contributions have risen to 28.6 per cent of a teacher’s salary, and teachers’ contributions now average 9.6 per cent, for a total contribution rate of 38.2 per cent. In contrast, the minimum total contribution required [for auto-enrolled workplace pensions](https://www.gov.uk/workplace-pensions/what-you-your-employer-and-the-government-pay) is a mere 8 per cent. That level of contribution will [rarely result in an adequate retirement income](https://media.product.which.co.uk/prod/files/file/gm-a63e1f44-7305-440f-9dfb-038ba16c8d2a-5cf141981c2c8-pensions-report-may-2019-v5.pdf) but modelling suggests a rate of 12 per cent would be enough for the average employee, most of the time.

The TPS’ high required contribution rates have already led a large number of independent schools and some teachers to withdraw from the scheme. By June 2024, [over a third of all independent schools](https://www.ftadviser.com/pensions/2024/07/31/financial-pressures-prompting-teachers-to-opt-out-of-pension-scheme/)had either left the scheme, or plan to. For many of those schools, leaving TPS will be a way to reduce their staff costs, which distinguishes them from United Learning’s scheme. In addition, over 13,000 teachers opted out of the scheme in the year to May 2024, with most citing personal financial motivations. For teachers opting out, there is rarely another employer pension scheme available. What United Learning has done is to offer an alternative to those teachers who might want to opt out of the TPS and increase their immediate earnings at expense of their pension. The high contribution rates allow them to offer a significant pay rise, along with at least a 10 per cent employer pension contribution, without increasing their costs.

There are many possible ways to offer teachers more flexibility in their compensation, with United Learning’s approach being just one. The question is whether teachers will be interested in the offer.

# How many teachers want pension flexibility?

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| --- | --- |
|  | **Key message**One in five teachers would like to trade some of their pension for increased pay today. |

Five days after United Learning announced its scheme, Teacher Tapp asked teachers “Would you prefer to have a higher salary today that would mean a lower pension in the future?”. The question was answered by 10,661 teachers, and the results were weighted to be representative of the teaching population in England. It is not specifically about any particular scheme, but it gives a sense of the interest in pension flexibility among teachers, many of whom may have read about United Learning’s scheme in the news.

Overall, the survey found that 19 per cent of teachers in the sample would like to trade some pension for more salary today, while 60 per cent would not, and 22 per cent are unsure. These headline figures already show strong interest among respondents in having more flexibility in their compensation package, with two in five teachers either keen to adjust the balance of their compensation, or at least open to the idea. Below, we dig into the results in more detail to understand which teachers are most interested in pension flexibility, and what behaviours are associated with an interest in making a switch.

# Which groups are most interested?

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|  | **Key message**Over half of teachers in their twenties would consider trading some of their pension for increased pay today. |

Not all groups of teachers are equally interested in flexibility. The most obvious difference in interest is by age ([Figure 1](#fig-by-age)). Teachers in their twenties are almost three times as likely to want to trade some pension for salary as teachers in their fifties. They are also far more likely to be unsure about what they would do: over half of teachers in their twenties are either keen to make the trade or unsure about what they would do.

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| Figure 1 |

A similar pattern holds for experience ([Figure 2](#fig-by-experience)). Teachers with less than five years of experience are more than twice as likely to want to trade some pension for salary as teachers with over 20 years of experience. Some of this difference will be due to the age differences between these groups, but it is also possible that teachers earlier in their careers are less likely to see a long future in teaching and prefer the flexibility of a higher salary today. Teachers who spend less than five years in the profession are ineligible for a pension under TPS, so some will simply expect to leave before they qualify for any benefits. Simple regression analysis ([Section 5.2](#sec-regression)) suggests that both age and experience are independently associated with teachers interest in accessing pension flexibility.

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| Figure 2 |

In contrast, [Figure 3](#fig-by-funding) shows only small differences between teachers at state-funded and independent schools, despite many independent schools already moving away from the TPS. Teachers at independent schools are slightly more interested in pension flexibility, but the differences are not large. Interpreting this is difficult because we do not know how many of the respondents from independent schools are already on a less generous pension scheme than the TPS. [Only a third of independent schools](https://www.hymans.co.uk/media/uploads/Analysis_of_the_Independent_Schools_that_have_given_notice_to_exit_the_Teachers_Pension_Scheme.pdf) had teachers enrolled in the TPS a year ago, so many of the respondents are likely to already be on a less generous scheme and have less pension to trade. However, many independent schools’ schemes differ from United Learning’s in that they are intended to save money for the school, rather than increase pay for teachers. The similar interest across state-funded and independent schools suggests that the attraction of United Learning’s scheme might be the higher pay, rather than any concern about the level of pension contributions.

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| Figure 3 |

We also investigated differences by gender, phase of education, seniority, region, and teaching subject, but none displayed differences as large as those shown above.

# What behaviours are associated with an interest in pension flexibility?

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|  | **Key message**Teachers who intend to leave the profession are no more likely to want to trade some pension for higher pay. |

In addition to demographic differences, we also examined the relationship with two other recent Teacher Tapp questions:

* **Intentions to leave the profession**: Teachers who are more likely to leave the profession may be more interested in accessing pension flexibility and increasing their salary, particularly if part of the reason they are leaving is inadequate pay. On 20 April 2024, Teacher Tapp asked “Do you expect to be a teacher in three years’ time?”. In total, 9,074 teachers answered both this question and the question on pension flexibility.
* **Financial awareness**: Teachers who are more aware of their financial position and actively considering their retirement income may be more interested in accessing pension flexibility. On 25 July 2023, Teacher Tapp asked “When was the last time you checked your pension statement is correct?”. In total, 6,363 teachers answered both this question and the question on pension flexibility.

## Intentions to leave the profession

Surprisingly, there were no notable differences between teachers who expect to still be teaching in three years’ time and those who do not ([Figure 4](#fig-intentions-to-leave)).

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| Figure 4 |

## Financial awareness

As expected, teachers who do not contribute to a pension are overwhelmingly likely to want to trade some pension for salary ([Figure 5](#fig-awareness)). It is surprising that some would choose not to trade and perhaps they struggled to interpret the question in light of their circumstances, as they do not have pension contributions to sacrifice. In any case, they account for fewer than one per cent of respondents, which contrasts with the ten per cent of teachers at United Learning who have opted out.

The second group who are slightly more likely to want to trade some pension for salary are the quarter of respondents who have never checked that their pension statement is correct. This group may be less concerned about their retirement income and more willing to trade some pension for salary today. Teachers who think less about their pensions are exactly those who may be at risk of under-saving for their retirement. However, even among this group, the contrast with teachers who have checked their pension statement is not large.

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| Figure 5 |

# Conclusions and further work

The results suggest that there are many teachers who are likely to want to trade some pension for salary today, particularly those who are younger and earlier in their careers. This may be because they are less committed to teaching as a long-term career, or because they earn less and are more concerned about their current financial position. Differences across other demographic indicators are less pronounced.

To investigate the trade-offs further, and better understand which teachers are most interested in flexibility, EPI and Teacher Tapp will be conducting further work in the coming months. This will include a careful look at how much pensions are worth to teachers, and the impact of their career ambitions. We will also be examining how public sector employees have fared in other contexts where pension flexibility have been introduced, and what lessons can be learned for teachers in England.

# Annex: additional statistics

Not for the final blog post.

## Descriptive statistics

| **Characteristic** | **N = 10,662***1* |
| --- | --- |
| age\_group |  |
|     Age in 20s | 2,142 (20%) |
|     Age in 30s | 3,509 (33%) |
|     Age in 40s | 3,131 (29%) |
|     Age in 50s+ | 1,874 (18%) |
|     Unknown | 6 |
| gender |  |
|     Female | 7,899 (74%) |
|     Male | 2,753 (26%) |
|     Unknown | 11 |
| experience |  |
|     Less than 5 years | 1,999 (19%) |
|     Between 5 and 10 years | 2,635 (25%) |
|     Between 10 and 20 years | 3,437 (32%) |
|     Over 20 years | 2,553 (24%) |
|     Unknown | 38 |
| phase |  |
|     Primary | 5,181 (49%) |
|     Secondary | 5,481 (51%) |
| seniority |  |
|     Classroom Teacher | 4,728 (44%) |
|     Headteacher | 395 (3.7%) |
|     Middle Leader | 4,326 (41%) |
|     SLT (excl head) | 1,213 (11%) |
| fsm\_quartile |  |
|     Fee-paying | 879 (9.2%) |
|     Q1 Affluent | 2,257 (24%) |
|     Q2 | 2,364 (25%) |
|     Q3 | 2,151 (23%) |
|     Q4 Deprived | 1,892 (20%) |
|     Unknown | 1,120 |
| teaching\_region |  |
|     East of England | 1,292 (12%) |
|     I do not teach in England | 452 (4.2%) |
|     London | 1,290 (12%) |
|     Midlands | 1,791 (17%) |
|     North West | 1,113 (10%) |
|     South East | 2,351 (22%) |
|     South West | 1,140 (11%) |
|     Yorkshire and North East | 1,217 (11%) |
|     Unknown | 16 |
| teaching\_subject |  |
|     Arts incl D&T | 390 (3.8%) |
|     English | 962 (9.4%) |
|     EYFS/KS1 | 1,480 (14%) |
|     Humanities | 1,020 (9.9%) |
|     KS2 | 2,986 (29%) |
|     Languages | 376 (3.7%) |
|     Maths | 970 (9.4%) |
|     Other incl PE | 553 (5.4%) |
|     Science | 1,183 (12%) |
|     Special/AP | 346 (3.4%) |
|     Unknown | 397 |
| school\_funding |  |
|     Private School | 1,087 (10%) |
|     State-funded school | 9,575 (90%) |
| *1*n (%) |

## Regression

A regression of most demographic variables on the intention to access pension flexibilities.

| **Characteristic** | **OR***1* | **SE** |
| --- | --- | --- |
| age\_group |  |  |
|     Age in 20s | — | — |
|     Age in 30s | 0.86 | 0.093 |
|     Age in 40s | 0.61\*\*\* | 0.110 |
|     Age in 50s+ | 0.46\*\*\* | 0.134 |
| experience |  |  |
|     Less than 5 years | — | — |
|     Between 5 and 10 years | 0.71\*\*\* | 0.091 |
|     Between 10 and 20 years | 0.59\*\*\* | 0.098 |
|     Over 20 years | 0.49\*\*\* | 0.126 |
| gender |  |  |
|     Female | — | — |
|     Male | 1.33\*\*\* | 0.066 |
| school\_funding |  |  |
|     State-funded school | — | — |
|     Private School | 1.39\*\* | 0.106 |
| phase |  |  |
|     Primary | — | — |
|     Secondary | 0.89 | 0.201 |
| teaching\_subject |  |  |
|     Humanities | — | — |
|     Arts incl D&T | 1.38\* | 0.157 |
|     English | 1.16 | 0.116 |
|     EYFS/KS1 | 0.97 | 0.233 |
|     KS2 | 1.22 | 0.222 |
|     Languages | 0.82 | 0.161 |
|     Maths | 1.00 | 0.116 |
|     Other incl PE | 1.52\*\* | 0.133 |
|     Science | 0.97 | 0.111 |
|     Special/AP | 1.23 | 0.231 |
| teaching\_region |  |  |
|     London | — | — |
|     East of England | 0.98 | 0.119 |
|     I do not teach in England | 1.22 | 0.167 |
|     Midlands | 0.88 | 0.113 |
|     North West | 0.82 | 0.126 |
|     South East | 1.01 | 0.106 |
|     South West | 1.10 | 0.124 |
|     Yorkshire and North East | 1.04 | 0.123 |
| Null deviance | 9,969 |  |
| Null df | 10,068 |  |
| AIC | 9,643 |  |
| BIC | 9,816 |  |
| Deviance | 9,577 |  |
| Residual df | 10,043 |  |
| No. Obs. | 10,069 |  |
| *1*\*p<0.05; \*\*p<0.01; \*\*\*p<0.001 |
| Abbreviations: CI = Confidence Interval, OR = Odds Ratio, SE = Standard Error |