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Urgent Action Needed to Fix UK Self-Employed Pensions

July 13, 2025

— Categories: Finance

The growing gap in retirement savings between salaried workers and the self-employed in the United Kingdom is no longer a side issue, a national problem demanding immediate attention. According to data presented by Scottish Widows, part of Lloyds Banking Group, more than half of the country's self-employed individuals are on track for poverty in retirement. Without access to the same safety nets as traditional employees, millions risk slipping through the cracks of the pension system.

Susan Hope, a retirement expert at Scottish Widows, stressed the urgency: “Closing the self-employed pensions gap in the UK is critical to cracking the wider pensions crisis.” She pointed out that while just 25% of full-time employees are projected to face poverty in retirement, the figure jumps to over 50% for the self-employed. The disparity stems largely from the lack of automatic enrollment employees are automatically enrolled in workplace pension plans and benefit from employer contributions and government tax relief. The self-employed, however, must manage and fund their retirement planning without that structure.

In collaboration with Nest Insight, a research arm associated with the government-backed National Employment Savings Trust (NEST), Scottish Widows recently trialled an “autosave” feature among a small sample of self-employed individuals. The system aims to integrate regular, automated savings into banking apps and software used by the self-employed. Early reactions were reportedly positive, suggesting that such built-in savings mechanisms could significantly improve long-term retirement security.

Findings from a survey commissioned by Scottish Widows and conducted by YouGov covering over 5,100 respondents revealed troubling statistics: 39% of self-employed workers are not saving enough for retirement, and 23% aren’t saving anything at all. These numbers paint a grim picture of the future unless reform or innovation steps in.

Hope offered practical advice for self-employed workers, recommending flexible and manageable savings strategies. She suggested starting small with regular monthly contributions to a personal pension or “ready-made” pension, and then topping up savings at year-end when income is clearer. She also highlighted the benefits of the Lifetime Individual Savings Account (Lifetime ISA), which allows individuals to save for retirement or a first home while earning a government bonus, though penalties apply for early withdrawals not meeting these criteria.

Another tool, the Self-Invested Personal Pension (SIPP), was noted for its tax relief benefits and potential for tailored investment strategies. While such options exist, many self-employed individuals may lack awareness or guidance on how to use them. For that reason, Hope encouraged seeking financial advice, emphasising that retirement planning should be as much a part of running a business as filing taxes.

This pensions gap is a growing financial fault line in the country’s long-term economic health, and it cannot be ignored any longer. While the current government continues to focus on unsustainable spending priorities, including immigration-related welfare expansion, working individuals supporting themselves are too often left behind. Real reform must prioritise the needs of Britain's entrepreneurial and independent workforce, the people who pay their way and contribute to the economy without demanding handouts. Addressing this pension disparity is not just about numbers; it's about fairness, sustainability, and future security.

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