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UK Urged to Tackle Self-Employed Pension Shortfall

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A new report highlights a critical gap in pension savings among the United Kingdom's self-employed workforce, calling for urgent policy action to prevent long-term financial insecurity.

A new report has raised urgent concerns over the growing pension gap faced by the United Kingdom's self-employed workers. With millions of freelancers, contractors, and sole traders missing out on retirement savings, experts warn that the issue could lead to widespread financial insecurity unless prompt action is taken.

Unlike traditional employees who are automatically enrolled in workplace pension schemes, self-employed individuals are largely left to manage their retirement plans. According to the report, published by the Institute for Fiscal Studies (IFS), the number of self-employed workers saving into pensions has fallen sharply over the past two decades. In 1998, around 48% of self-employed people paid into a pension. Today, that number has dropped to just 16%.

This sharp decline is especially worrying given that the self-employed now account for roughly 13% of the UK workforce. With no employer to contribute on their behalf and no automatic enrolment system in place, many self-employed workers are either unaware of their pension options or lack the financial flexibility to save.

Experts describe the situation as “critical,” stressing that without intervention, many self-employed people could face poverty in retirement. They point out that a lack of pension savings not only affects individuals but could also place increased pressure on the state pension system in the future.

Policy specialists are urging the UK government to take decisive steps to close the gap. Proposals include introducing default pension schemes tailored to self-employed workers, offering improved tax incentives, and launching educational campaigns to raise awareness of the importance of saving for retirement.

The Department for Work and Pensions (DWP) has acknowledged the issue and said it is exploring ways to better support the self-employed in preparing for later life. However, critics argue that progress has been too slow and that a clear, long-term strategy is still missing.

The IFS warns that solving the problem will require a coordinated approach involving policymakers, industry, and the self-employed community. While automatic enrolment has been a success for employed workers, adapting a similar model for the self-employed poses unique challenges.

Nonetheless, experts agree that leaving the issue unaddressed is not an option. As the nature of work continues to evolve, and more people turn to self-employment for flexibility and independence, ensuring fair and adequate retirement provision for all workers has become a pressing national concern. Without swift action, the UK risks allowing today’s self-employed population to become tomorrow’s pension poor.

