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## Scientific Mobility and Pensions

Summary report prepared for the official Bologna seminar hosted by the German Rectors' conference: *'Penalized for Being Mobile? National Pension Schemes as an Obstacle to Mobility for Researchers in the European Higher Education Area'*

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## INTRODUCTION

This summary report considers the relationship between scientific employment, geographical mobility and pensions. Put simply, it asks 2 questions:

- *To what extent do pensions influence mobility?*
- *To what extent does mobility influence pensions?*

The paper is based on the findings of an exploratory study funded by the Association of Chartered and Certified Accountants (ACCA).<sup>1</sup> The study considered two groups of 'knowledge workers': namely academic scientists (researchers) and corporate transferees. This report focuses on the former group. The interviews with researchers have focused primarily on supplementary (occupational) pensions.

## THE IMPACT OF PENSIONS ON SCIENTIFIC MOBILITY

The research found few clear cases in which specific concerns about pensions appear to inhibit or determine mobility. This largely reflects wider issues around the characteristics of scientific training and employment (the **context** within which mobility takes place).

## LOW LEVELS OF AWARENESS AND UNDERSTANDING

In common with most individuals, researchers generally knew very little about their pension situation, their contributions record/s and how the statutory and supplementary system(s) worked. Levels of awareness were typically extremely low. This applies equally to researchers who have not made international moves. Moving between positions and, in particular, between countries and sectors exacerbates this situation. Lack of awareness makes it difficult for people to make informed decisions about mobility and pensions and, in turn to evaluate the impact that pensions have on mobility.

## PENSIONS AND SCIENTIFIC EMPLOYMENT

In addition to limited knowledge, a number of key characteristics of science careers limits engagement with supplementary pensions include:

- *the length of pre-entry training*
- *precarious and unpredictable employment status (contractual insecurity) and*

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<sup>1</sup> The final report will be published shortly by the ACCA

- *relatively low remuneration*

## **DELAYED ENTRY TO PENSIONABLE ACADEMIC EMPLOYMENT: 'PENSIONS DEFICIT'**

*“We have to rethink pensions in a world where people with a long life expectancy enter the work market at thirty”*

One of the reasons why concerns about pensions have little impact on mobility is that many researchers are effectively excluded from supplementary schemes. The ability to join schemes reflects a researcher's employment status. In countries, such as the UK, Ireland and Portugal, for example, doctoral researchers are considered to be 'students' and therefore exempt from fiscal obligations (taxation) and certain social security benefits (including pensions schemes). This effectively delays the point of entry to supplementary schemes (and their active engagement as citizens).

*Researchers and PhD students don't have pensions because the government says they are not workers – they are students. As students they don't contribute to pensions and that's a big question. They won't have pensions when they are old. It's a big problem because we have more and more people working on [temporary] contracts.*

The impact of delaying contributions until completion of a doctorate varies depending on national and disciplinary context (and personal circumstances). In many cases researchers will be in their mid-30's before they are able to join schemes.

Where researchers undertake their doctorates as part of their employment they often commence contributions at an earlier stage:

*“My pension depends on a national 'fund' for state servants. It is mandatory and my participation in that 'fund' is for my whole career”.*

## MID-CAREER SWITCHERS

In some disciplines entry into academic research commonly takes place later in life. This approach has been specifically encouraged at policy level. Nevertheless it often generates a serious pensions' deficit:

### CASE 1: Elana

Elana moved to the UK from abroad but it is her personal situation and her status during her doctorate (and not the geographical move as such) that has compromised her pensions status:

*"I contributed to a (private) pension fund in Portugal [before coming to the UK to do my Masters] but I'm not sure for how long because my ex-husband dealt with our accounts and utilised my participation in the family business as he felt would be advantageous for him to evade taxes. I also contributed 2 years in the UK when I worked as a Research Fellow before doing my PhD [for the last 4 years]"*

Elana is now 40 and has contributed to the university scheme for 2 years (with gaps). She has no real understanding of her contributions in Portugal (to a private scheme during her self-employment) or how to go about claiming against that.

This case illustrates some of the problems facing couples, in this case in a family business. She is planning to remain in the UK. At the present time, she does not have a position to go to at the end of her PhD but **if** she does secure permanent, full-time, employment the maximum contributions she could make if she retires aged 65 would be 27 years (a shortfall of 13 years under the UK occupational scheme).

## POST-DOCTORAL INSECURITY AND MOBILITY

The nature of scientific employment continues to generate pension deficits at post-doctoral level. In those disciplines and countries where direct entry into permanent, secure, positions can be made immediately after doctoral completion the situation is less serious:

*"I started my [permanent] lectureship in law last year and have contributed ever since.  
I'm 25 now"*

However, in many areas of the natural sciences researchers will have to negotiate a series of positions. Where positions are set-up as 'fellowships' on stipends rather than employment contracts, individuals remain excluded from supplementary schemes:

**CASE 2: Andrea**

Andrea is from Germany. She did a PhD in the UK, completing at the age of 29. During this time she had student status and did not contribute to a state or occupational scheme. She then moved to Belgium for a two year post doc. This post was attributed a 'student' status and she was paid a tax free stipend. Andrea explains that:

*"I was registered as a student, because they also managed to make it as a stipend so they didn't have to pay...That's how they did international post docs"*

Andrea was prevented from starting a pension. However, like other respondents the combination of a short-term post with an expectation of a future international move, led her to question the value of paying into a pension scheme at that time:

*"Well, to a certain extent I was [concerned about not contributing to a pension] but on the other hand, if I had paid pension contributions in Belgium, I would have lost quite a bit in trying to transfer things around because the value in money is so different and also the whole bureaucracy involved for what is a relatively short amount of time".*

Andrea then moved to the UK to do a series of temporary post-docs at the age of 31. She has contributed to the UK university scheme since then and secured a permanent position last year.

In some cases post-doctoral moves will take place within-country or even within institution. Nevertheless the unpredictability of career paths discourages membership of [voluntary] supplementary schemes.

### **PRIORITISING 'EXPENDITURES': THE EFFECT OF LOW PAY**

*"I wanted cash in my pocket more than future financial planning"*

Many researchers are primarily motivated in their career decision-making by the need to secure employment (a position) and the income that goes with that. Responses to the European Commission's on-line consultation questionnaire indicated general concerns about the 'non-competitive' nature of researcher salaries.

Whilst contribution to many statutory schemes is compulsory, membership of supplementary pension schemes often remain voluntary.

Having secured a position, researchers are faced with a range of 'options' in terms of how they expend their limited income. Although great variation persists, academic pay is relatively low across the board. This necessitates a degree of prioritisation. The first priority is usually to secure adequate accommodation and healthcare and, for some, childcare. In that context, expenditure on pensions generally shifts lower down the list.

The growth in debt, partly as a result of the introduction of student fees in some countries, is also a factor affecting the amount of 'surplus' income available for pensions-related investment. The 'practice' of delaying motherhood in science careers implies more significant compromises in female researchers' pensions' status.

Although an abstract concern often exists and researchers are aware that this is something they *ought* to be addressing, in the hierarchy of priorities, they typically accept that concerns about pensions occupy a relatively low position:

*"I'm in denial. I don't want to talk about it. I don't want to think about it"*

## TRUST IN THE FUTURE OF SUPPLEMENTARY SCHEMES

In addition to the general lack of disposable income, respondents also conveyed a growing lack of trust in both supplementary and statutory pensions schemes. This often meant that they were seen as potentially high risk/low return forms of investment. This reinforces an 'opting out' mentality. Kiril, a 36 year old Bulgarian scientist employed in industry in the UK, decided to join his employer's supplementary scheme even though many of his (non-mobile) peers did not:

*"I was contributing to the [company] pension. I thought about stopping as people were worried about the scheme. I had started enquiring about pulling out but decided to stay in - [the company] was purchased yesterday (by a foreign company) and there was lots of discussion about the pension scheme"*

Asked whether he was worried about the scheme as a result of this change he replied:

*"It's not just the [company] scheme. The whole structure of pension funds is getting less valuable. Of the young people at work – like me – I don't know any of them who are in the scheme. Just me, I am the only person - this is a general trend. Young people don't believe that the pension will be worth contributing to. Pension schemes might not be very important for anyone in 20 years time"*

Kiril felt that people "may be contributing to a house or something which is less likely to be taken away". Serious concerns about the sustainability and future value of supplementary pensions lead other researchers to consider alternative forms of investment, such as private savings schemes (including pensions) or property:

*"People our age (31) are not necessarily indifferent to the pensions issue but many are considering other options and investments (like property)"*

## THE IMPACT OF SCIENTIFIC MOBILITY ON PENSIONS

Although the majority of respondents indicated that concerns about pensions had relatively little influence on their plans in terms of mobility and career, it was clear that

scientific careers (and the mobility that they often imply) often compromise researchers' financial status in retirement:

*"The whole context is a complete mire. Having an international career is a good way of achieving starvation when you are due for a pension' (mobile scientist)"*

Responses to the European Commission's on-line consultation questionnaire suggest that problems concerning the harmonisation and transferability of pensions' schemes within Europe caused 'substantial concerns for mobile researchers'. Indeed, pension rights emerged as the 'most problematic' dimension of social security (37.8%) followed by health insurance (28%), unemployment benefits (27.1% and family benefit (22%). Kiril's case illustrates many of the problems faced by mobile researchers:

### **CASE 3: Kiril**

Kiril is a computer scientist turned engineer. He did his first degree (5 years including a Masters) in Bulgaria, followed by compulsory military service. He then spent about 6 months in paid employment in Bulgaria. He is unsure if the military service counted in terms of contributions. At the age of 25 he moved to Spain to do a 5 year MA/PhD package:

*"This was on a stipend without any national insurance contributions. At the time [it didn't bother me] – a little bit but no. It was important to my future – a career step - so no. I made no contributions to Bulgaria at that time"*

Kiril, then aged 30, moved to Austria to take up a 3 year post-doc:

*"During that time I contributed to the [supplementary] scheme. I chose to contribute – I wanted to make contributions. I thought maybe one day I could transfer it. I don't really know – it was only 1 year so..."*

After 1 year Kiril left this post in search of something more permanent. He moved to the UK to take up a 2 year Marie Curie Fellowship in industry which became a permanent

position. He joined the company pension scheme. Asked about the transferability of this scheme, Kiril replied:

*I think I will be able to transfer but even if I transfer it will mean that one day in Bulgaria I will get two thirds of my Bulgarian salary so it doesn't make much sense. I will freeze it and claim it from here. The pensions there are very low (about 50 € per month). The only way out is to invest in some property in Bulgaria – I think this is what we will do. We have bought a flat with savings from here in our home town – we rent it out”.*

Kiril's wife, a highly qualified professional herself, had not been permitted to work in Austria or Spain (prior to EU membership) and then had a child. She added, *“I am 31 now and I haven't made any contributions for 7 years – I sacrificed my pension to be with my husband”.*

Kiril decided to return to Bulgaria with his wife some 6 months later and left the scheme. At the age of 37 he has contributed to a public sector Austrian scheme for 1 year and a company pension scheme in the UK for approximately two years.

## **MOVING BETWEEN POSITIONS AND BETWEEN COUNTRIES**

*Instruments to address the portability of pensions [are needed]. Otherwise researchers who have been most actively mobile will also be the poorest when they are old.*

This report has identified some concerns that affect *all early career researchers*. One of the key factors shaping engagement with pension schemes concerned the pervasive effects of fixed term contracts. Anticipated moves at inter-institutional or within-country level, especially when they involve inter-sectoral mobility are enough to discourage pensions contributions. In many cases achieving employment security (permanency) provides the trigger to commence contributions to voluntary supplementary schemes.

Where moves take place both *between jobs* and *between countries* these concerns are rarefied. In these situations people are concerned about the *value* of respective schemes and the *transferability* and *portability* of contributions.

Even where respondents have employee status and the option of joining occupational schemes, a short-term move and anticipated future mobility can serve to delay planning for retirement. The following case involves a woman who has moved between a series of fixed-term positions across 3 countries:

#### **CASE 4: Mary**

Mary is a 29 year old British woman. She did her PhD in the UK with a research council scholarship (so no statutory or supplementary contributions). She then moved to Belgium for 1 year into paid research employment during which time she made contributions to the national social security scheme. She was told she could transfer these payments but said "*I haven't heard anything from them yet*". She did not contribute to a supplementary scheme at that point: "*I wasn't aware of the university scheme and it didn't get offered*".

She could have stayed longer in Belgium but wanted to move "*to a country where my husband lived*" - they had lived apart during that year. Her partner is also a scientist and was doing a 2 year post-doc in the UK at the time. At that point he secured funding for a Marie Curie fellowship in the US (2 years followed by a compulsory 1 year back in Europe). His position in the US was set up as a 'visiting scholar status' ("*it says student on the back of his card*") and he was paid into his UK bank account. As a visiting scholar he did not have to pay tax in the US nor in the UK (as he was not resident).

Mary applied for positions so that she could join him there and secured a temporary post at the same institution. Unlike her partner, she was paid as a '*member of staff*' and therefore received health insurance as part of her post. This cover did not include a supplementary pension scheme. Neither did she contribute in the UK. Mary explained that under the UK-US reciprocal scheme, she was relieved from paying tax for up to 2 years; if she stayed in the States for longer than that she would have to pay back the tax she owed:

Mary said that *“even if I had the option I probably wouldn’t contribute here [in the States]’ as she had different financial priorities at that time; ‘things that are important to us now are not necessarily pensions but being able to afford a property when we get back”*.

They both plan to return after the 2 year period and Mary is considering looking for more stable employment in industry at that point as she is planning to have a family. Since the interview Mary has become pregnant. When asked whether she has made any financial plans for retirement Mary replies:

*“No, I haven’t really thought about it at all. I sort of left it on a back burner until I get back to the UK. You’ve made me worry – you’ve made me feel like I need to get a pension”*.

At the age of 29 she has made no contributions to supplementary schemes and neither has her partner.

Mary’s case raises a series of issues that compromise her pension situation:

- Her status as a PhD ‘student’ delayed her contributions for at least 3 years.
- During her 1 year post-doc abroad she was not given the opportunity to join a supplementary scheme.
- Although she made social security contributions in Belgium she is not sure that she can transfer them
- Her status in the US, in a similar line of research, is quite distinct from that of her partner – but neither of them contribute to a supplementary scheme (researchers in similar areas of work may enjoy a quite diverse employment status)
- The UK-US agreement Mary refers to is designed to encourage return and discourage staying-on. A side effect of this is that it discourages engagement with pension schemes.

- Financial pressures (and in particular the pressure to buy property and to anticipate the costs of having children) discourage longer-term financial planning.
- Dual science career situations exacerbate the problem. In this case neither partner will be in a position to make an optimal 40 year contribution.

Many mobile researchers are in similar situations and effectively delay joining until they achieve a stable position in their desired location (which may not always be at home). Researchers working on temporary contracts abroad, although technically eligible to contribute, are often disinclined to join occupational schemes until they have a permanent post, particularly where future mobility is anticipated.

In the two cases above the interviewees were both relatively young and at an early stage in their careers. In many other situations the relationship between chronological age and career stage is far less clear. Indeed, a recent study found that, in many cases, senior (and older) scientists from abroad were moving into early career positions in the UK. This situation reflects the marked diversity in the quality of positions, working conditions and levels of remuneration:

**CASE 5: Snejana**

Snejana was a senior scientist in Bulgaria. She moved to England to take up a 1 year post-doc. at the age of 45 (at that time she had contributed to the state system in Bulgaria for 19 years). On arriving in the UK she joined her employer's occupational scheme. She was keen to stress that her pension was not a priority for her at the time. She was more concerned about finding a way to extend her employment security (Snejana had two children in the education system in the UK). She did not give the decision about her pension much thought and she was not at all certain about what would happen to her contributions if she were to move again:

*"...Yes I joined. I was told that I could have the money back, but even if not, it was a very low priority task for me then. I didn't think of the pension at all. I even remember when I was given these forms, I forgot about them so after that I was prompted by human resources. So, I said oh, I'd better fill this in. If I stay, alright, if I don't stay, I was not*

*certain whether this money would be in vain but I decided to join. I joined yes, because I knew that there was a good reason, but I thought it was too minor compared to other more important things. My aim was to have another contract”.*

Although it is somewhat surprising to witness the lack of priority that Snejana ascribes to her pension, not least because her Bulgarian pension is unlikely to deliver even a subsistence return, her employment and financial status, at the age of 51, is so precarious that this takes precedence. Snejana’s husband remained in Bulgaria as a civil servant. By Bulgarian standards he will receive a good pension but this would not support a basic standard of living if he moves to the UK (as she rather hopes he will). At the age of 51 Snejana has contributed to the social security system in the UK and the university pension scheme for 6 years. If her position is made permanent and she is able to work until she is 65 she will be able to make a maximum contribution of 20 years.

In many cases, it was not so much that researchers did not have a *legal right* to transfer their entitlement, but that excessive bureaucracy, complex and, on occasion mal-administration and very limited advice / information made it extremely difficult to exercise their rights:

*“I think it's possible to transfer from the university fund to something overseas but there was a big warning on the website saying this can be done but it's difficult”.*

Whereas some people were able to ‘opt out’ of contributions, others had made a series of ‘bitty’ contributions across employers and countries which they effectively ‘wrote-off’ as they moved on. Not one respondent suggested that decisions about their pensions were supported by clear information or advice.

### **CONCERNS ABOUT THE VALUE OF TRANSFERRED PENSIONS**

Kiril and Snejana’s cases both raised concerns around the value of their supplementary contributions. Kiril was reluctant to even try to transfer his contributions to Bulgaria as he felt this would buy him very little in terms of a Bulgarian pension – on that basis he preferred to leave his ‘frozen’ benefit in the UK. Snejana had some social security

entitlement in Bulgaria (although the system is in significant flux at the present time so she is unsure what value this might have). Furthermore her husband, who remained in Bulgaria, has a good occupational scheme (according to Bulgarian standards). However, should he move to the UK on retirement to join her (as planned) the increased cost of living would significantly reduce the value of his pension.

## CONCLUSIONS

The discussion above has identified key characteristics of scientific careers that impact on pensions. Extended pre-entry training, occupational status, contractual insecurity (and temporary positions) together with low pay all contribute to the 'problem'. These factors 'bite' even on those people who do not move for positions across national borders. Furthermore, mobility is often the only means of securing a position. In these circumstances the issue of pensions takes a back seat.

The following issues emerged from the studies. The first list applies to all early career researchers, irrespective of international mobility. The second list details the specific problems faced by mobile researchers:

### LIST 1: COMMON (RESEARCH CAREER) ISSUES

- *Lack of awareness and competent and effective advice*
- *Pensions Deficits caused by extensive pre-entry 'training'*
- *Ineligibility to join schemes due to [lack of] employment status*
- *Low priority ascribed to pensions due to contractual insecurity and low pay.*
- *Declining trust in supplementary pensions schemes as an effective mode of investment*

### LIST 2: MOBILITY SPECIFIC OR MOBILITY EXACERBATED ISSUES

- *Compounded problems of awareness and increased need for advice as a result of negotiation with agencies across more than one jurisdiction*
- *The '**geographical**' implications of insecurity (not only do they not know when they will secure permanency (which usually triggers membership of schemes) – neither do they know which country they will be in.*

- *The status of research **positions** 'designed' specifically for mobility or to attract foreign researchers*
- *Concerns about the administrative and legal barriers to effective **transfer** of entitlements – particularly on a cross- border level.*
- *The level of diversity in the **value** of schemes across countries*
- *The impact of mobility on **spousal** entitlement*