

**Preparing for pension reform:  
The information needs of small  
and micro employers at  
auto-enrolment**

by Suzanne Hall

**Department for Work and Pensions**

**Research Report No 676**

# **Preparing for pension reform: The information needs of small and micro employers at auto-enrolment**

**Suzanne Hall**

A report of research carried out by Ipsos MORI on behalf of the Department for Work and Pensions

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# Abbreviations

BCC	British Chamber of Commerce
CBI	Confederation of British Industry
BCC	British Chamber of Commerce
BMRB	British Market Research Bureau
DWP	Department for Work and Pensions
EEF	Engineering Employers' Federation
FSA	Financial Services Authority
FSB	Federation of Small Businesses
HMRC	Her Majesty's Revenue & Customs
IFA	Independent Financial Adviser
ICM	Independent Communications and Marketing
IoD	Institute of Directors
MORI	Market and Opinion Research International
NI	National Insurance
PAYE	Pay As You Earn
SHP	Stakeholder Pension
VAT	Value Added Tax
VOSA	Vehicle and Operators Services Agency



# Glossary of terms

We have used the expression 'small employer' to refer to enterprises which employ fewer than 50 staff and 'micro employer' to refer to enterprises which employ fewer than five staff.

In this report, to avoid the use throughout of 'small and micro employers' we have generally, unless it is otherwise clear from the text, referred to 'small employers' as all those who employ fewer than 50 people, i.e. including those who employ fewer than five workers. However, we have still used the expression 'micro employer' when we are specifically discussing this group of businesses.

Finally, we have referred to the five employers' representative organisations with which we undertook preliminary scoping research as 'stakeholders'.



# Summary

## Background and methodology (Chapter 1)

The Pensions Act 2008 sets out workplace pension reforms introducing a legal duty on employers to automatically enrol their eligible workers, (if they meet certain age and income criteria) into a suitable pension scheme from 2012. As a result, it is expected that between five and nine million working-age adults will be newly saving or saving more in workplace pensions.

The Department for Work and Pensions (DWP) commissioned Ipsos MORI to undertake research to help it understand the information needs of small and micro employers and to inform the development of information and communications activities arising from the reforms. More specifically, the research explored: what information small and micro employers need to help them make decisions on implementing and complying with the new requirements; how demands on their resources could be minimised; and who influenced their views and decisions on pension provision.

A qualitative methodology was used to ensure an in-depth understanding of the main issues and to examine the various perceptions, motivations and influences driving the information needs of small employers.

The research was undertaken in three stages: First, scoping interviews took place with six employers' representative organisations (termed 'stakeholders' in this report) to inform the drafting of the discussion guide for the main part of the research. Second, the draft discussion guide was tested through pilot interviews with four small and micro employers. Finally, the main stage of the research, which took place in 2008, comprised 78 interviews with small and micro employers. Quotas were set on: the number of workers employed in the business; whether employers offered their workers a pension; location; and sector. Interviews were conducted face-to-face at the place of work of the participant and typically lasted around 45 minutes.

## What mattered to small and micro employers (Chapter 2)

Small employers wanted to focus on their core objectives. These were, first and foremost, to exist, and if possible to thrive and make money, which in turn would benefit their staff. The issues of most importance to small employers were, therefore, those which either reinforced or obstructed their ability to achieve these objectives.

Our fieldwork took place at a time of significant economic downturn and this affected employers' views. It meant that, for most, economic considerations loomed largest. The economy, business costs, cash flow, and taxation were what mattered most to small employers. Cutting across these financial matters, was a concern with regulation, or red tape, often considered as an obstruction to business.

Small employers generally voiced concerns about pensions: The reforms would cost them money; they would be obliged to take responsibility for something which most felt should be solely a matter for their staff; and it would impose a further administrative burden and cost time which they could ill afford to spend on something which they did not regard as core to the success of their business.

## Information sources used by small and micro employers (Chapter 3)

All employers were different in their approach; they sourced information according to their individual circumstances, personal preferences and the type of information required.

Accountants were small employers' most identified source of information, both when it was received unprompted and when small employers proactively sought information of any kind. A relationship of mutual trust between accountant and employer, often long-standing, was the basis for this. Accountants were perceived as knowledgeable, up-to-date and professionally independent, displaying integrity and flexibility.

Small employers were generally confident that their accountant would take the initiative to contact them whenever necessary – such as about proposed changes in taxation or legislation, intelligence on market conditions, or matters arising from transactions or the accounts – through newsletters, seminars or during regular or ad hoc meetings. But accountants also had a vital reactive role. Small employers wanted their accountants to be there for them when they needed more detail, a better understanding in 'plain English' of things they had come across, or action they needed to take. This was not an automatic relationship: accountants had to earn that reputation with each employer and this relationship could take time to build.

The information journey, however, did not necessarily start with the accountant.

A great range of informal sources brought information to small employers' attention – triggered by family, friends, customers, suppliers – as did more formal networks of business colleagues through trade associations, the national, local or specialist media, and information from the government. In response to this, small employers then typically researched these issues themselves. Some would bounce thoughts off their informal contacts. Others would explore their personally preferred sources such as a government office, their trade association, or the Federation of Small Businesses (FSB). Others would use their own devices, notably the internet. Small employers would then finalise their investigations, and decide what, if any, action would be required, with the help of information (and advice) from their most trusted sources: accountants, government departments (again) or, depending on the subject matter, solicitors.

Small employers' relationship with accountants depended also on their size (micro employers could not afford the same relationship as bigger employers, nor necessarily have the same needs) and type (some employers had more complex, or more sensitive, needs than others). Small employers with around 20+ workers often had the infrastructure in place to deal with issues as they came up, with specialist finance and HR staff, and the accountant taking the role of specialist adviser. Some small employers were more comfortable with financial and technical matters than others and would do more of their sourcing themselves. However, when it came to fiduciary, contractual or other legal information, not least requirements to comply with changes in the law, these formal sources of information would almost invariably be invoked.

## Offering a pension (Chapter 4)

When deciding whether or not to offer pensions to staff, small employers were influenced by their belief systems and their underlying attitudes to the role of the employer, the responsibilities of the individual, the impact pensions might or might not have on their business, and the economic and legal environment. The way they received information and their personal experiences also informed their decision.

Those who offered pensions were motivated by both the interests of their businesses and the view that it was right thing to do in any case. A pension was one element of the total package which they could offer to maintain morale, retain staff, and help to attract new staff. This was underpinned by their belief that pensions were necessary, that the State Pension on its own was inadequate, and that small employers had a social responsibility towards their workers. The background to such belief systems was influenced by their experience and upbringing, their previous employers' attitudes towards pensions and saving, and the impact which pensions had on other companies and their staff.

Small employers' reasons for not offering a pension focused on their perceptions of how their workers felt as well as their own personal attitudes. Their perceptions

of expectations were key. They felt that workers generally had little expectation that small employers would offer a pension. They had not generally taken it up when it had been offered, and employers had rarely been asked for it. This partly reflected the demographic profile of their staff: young, low paid or transient staff did not relate to pension provision, particularly in traditional working areas (see Section 4.2). Small employers felt that staff knew little about pension schemes and what they did know was often not favourable after a continuing 'bad press'.

Small employers who either perceived or reported low interest among their staff tended, themselves, to have a negative attitude towards pensions. The overarching issues which were important to employers in running their businesses underpinned their attitudes towards pensions. They were concerned with costs, regulation, and administration – they did not see pension provision as relevant to the core objectives of their business, as it was the responsibility of the individuals concerned. And small employers shared the scepticism about pensions which they ascribed to their workers. They felt that there were more reliable, better value, ways of rewarding staff, not least through their pay packet.

## How small and micro employers communicate with their workers (Chapter 5)

Small employers primarily communicated with their staff informally. They felt no need to do otherwise – everyone knew each other and formality implied spending time and money on communications which ran counter to employers' instincts. This applied across all sectors and sizes of businesses, although the degree of the informality would reflect the practicalities of the business – a staff meeting for larger organisations, one-to-one meetings for smaller organisations or where staff were dispersed. Formal communications were limited to contractual or legal issues – contracts of employment (and staff handbooks for larger businesses) and notifications about rights or new or changing legislation, which would be circulated to staff.

Small employers were not generally proactive in communicating with their staff about pension schemes. They passed information to staff but they would stop short of giving advice. Information about pensions, in other words, would generally be treated by employers in the same way as other forms of information. This did not mean that employers were neutral about pensions. As already discussed, some were in favour, while others (more) were sceptical of their value. But the key issue for employers was that they had no place in informing, and certainly advising, staff beyond what they are legally required to do. They did not have the skills, it was not a core function of the business, and it was not necessarily in the best interests of the staff. Rather, if staff wanted more information or advice, the employer would just pass them on to someone registered to deal with this – a pension provider or an independent financial adviser (IFA).

## Preparations for the forthcoming workplace pension reforms (Chapter 6)

Levels of awareness of the workplace pension reforms varied among small employers, although there was no clear pattern by business type. Some were simply unaware of any forthcoming changes in legislation and others could only vaguely recall specific details of the reforms.

Small employers cited their usual sources of information such as accountants for hearing about the reforms; they expected that information on the reforms would be available to them through their normal channels. They expected that such a major piece of legislation would attract a great deal of media attention. Indeed, they expected national and regional TV and radio to be a particularly effective way of communicating about the reforms to workers.

Media coverage may in turn prompt small employers to speak to accountants (as highlighted earlier, the most important source of information), as well as informal networks of local employers, customers, suppliers, family and friends. In addition, it was believed that government communication on the reforms may be too technical for some small employers to understand, so accountants would be best placed to provide 'simpler' or 'more straightforward' information and advice.

Small employers also expected that they would receive a letter from the relevant government department, given that the legislation is directly affecting their business and has implications for their staff. Employers wanted this letter written in plain English with no jargon and laid out in a visually accessible format. This would help them clearly understand the reasons for the reforms and what actions they needed to take.

Small employers felt that it was important to have sufficient advance notice of the changes to pension legislation to take the required actions to make sure they comply. Indeed, more action was generally needed given the low employer awareness and small employers would welcome this sooner rather than later.

## Conclusions and recommendations (Chapter 7)

The recommendations in this section of the report set out how the department might best communicate information around the forthcoming workplace pension reforms. They also reflect the fact that employers were generally more concerned about the state of the economy at the time of the research than they had been at any time during the last 30 years.

In the first instance, it is viewed as important for future communications campaigns to deal with perceived issues around the demand for pensions. Small employers sometimes mentioned how they did not believe that their workers want to participate in an employer-run pension scheme and, therefore, this absolves them from providing one. Consequently, it will be important to address this by linking

the benefits of pension provision with what matters to employers (their business success) as well as wider current debates which resonate with the public such as the future of care and support for the elderly. In addition, it will also be necessary to use a wide range of channels recognising the importance of accountants as a useful and trusted source of information. Finally, in any communications, it is important to remember that, on the whole, small employers want to comply with government legislation and, consequently, the tone needs to strike the right balance between being clear on the new legal requirements and understanding the perspective of employers.

# 1 Background and methodology

## 1.1 The 2012 pension reforms

The 2008 Pensions Act requires employers to automatically enrol eligible workers into workplace pension schemes from 2012. It is estimated that between five and nine million people will either be newly participating, or saving more, in workplace pensions as a result of the reforms.

## 1.2 Understanding the information needs of small and micro employers

The Department for Work and Pensions (DWP) commissioned Ipsos MORI to undertake research to help it understand the information needs of small employers arising from the reforms, in particular, to understand what information they need to enable them to understand and support automatic enrolment and other aspects of the legislative reforms. This could then help the continued development of information and communications activities targeted towards small and micro employers. The background to the reforms is summarised at Appendix A.

The move to automatic enrolment into qualifying workplace schemes with a minimum employer contribution is likely to have significant implications for employers, especially the large proportion of micro employers who at present do not engage in pension provision for workers.<sup>1</sup>

Micro employers represent around three-quarters of businesses in Great Britain. Another fifth are represented by small employers. Small and micro employers are less likely than others to currently engage with pensions. These findings are

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<sup>1</sup> McKay, S. (2006). *Employers' Pension Provision Survey 2005*. DWP Research Report No. 329.

consistent with evidence from qualitative research<sup>2</sup> with micro employers. Micro employers often had negative attitudes towards pensions. They saw little benefit in offering pensions to their staff and did not feel offering pension provision to their staff was their responsibility.

This study was part of a wider programme of research about attitudes to aspects of pensions and pension reform commissioned by the DWP as part of their preparations for the reforms. This research has explored small employers' and employees' attitudes, both through quantitative and qualitative methods. Where relevant, we have referred to this research in this report.

### 1.3 The aims and objectives of this research

With the forthcoming reforms, small employers will need detailed information on a number of areas including:

- the process of auto-enrolment of eligible workers into a qualifying scheme;
- the initial and continuing processes for contributing into qualifying schemes for their workers; and
- the need for compliance with the new legislation.

The DWP therefore commissioned this qualitative study with small and micro employers to examine the information needs of small and micro employers relevant to the pension reforms. The research explored:

- what information small employers needed to help them make decisions on implementing and complying with the new requirements; and
- who influenced their views and decisions on pension provision.

More specifically the objectives of the research were as follows:

- **To identify what small and micro employers currently think about pensions:** levels of engagement and attitude towards pension provision for their workers, how they engaged with their workers over pensions, what drove their actions and their general views on pension provision.
- **To discover the information used in making decisions:** whether any specific information is currently used to make decisions, what this information is and what is felt to be the most important information in decision-making.
- **To assess current methods that small and micro employers use for pension/ financial management:** the type of financial advice and information they seek and who they refer to/trust for advice.

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<sup>2</sup> Noble, J. (2005). *Micro employers' attitudes towards pensions for themselves and their employees: A report on small-scale qualitative research with employers*. DWP Research Report No. 266.

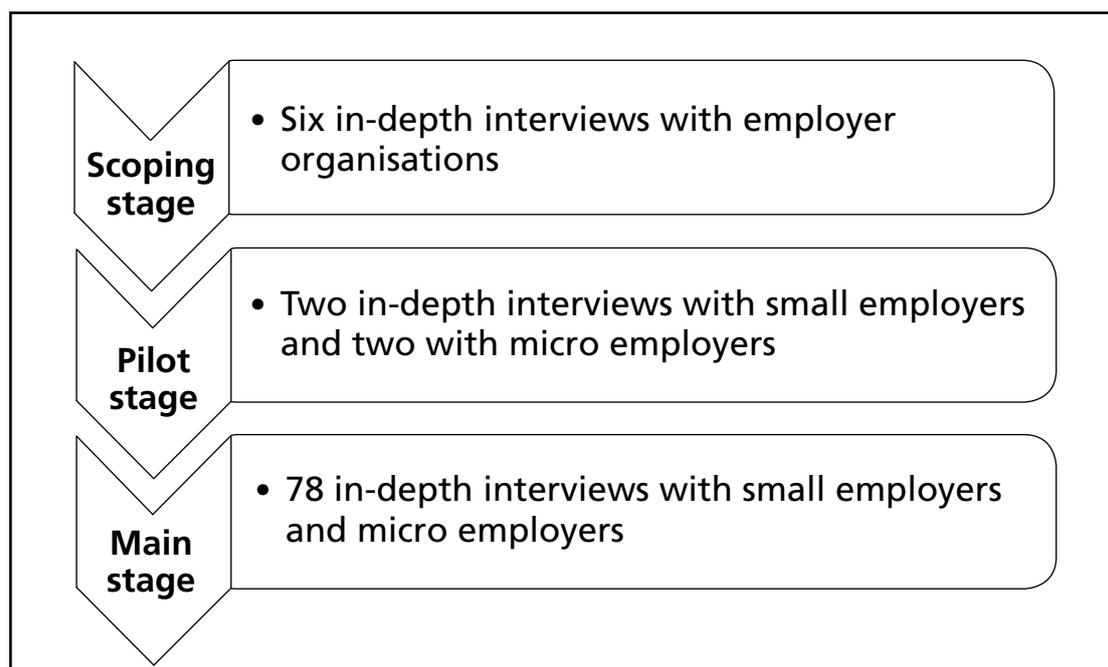
- To understand future information requirements during the period up to, and immediately after 2012 and how best information can be provided to small and micro employers: how would employers like to receive information, the content of this information, and from which source could it be issued to create the biggest impact?
- To establish how employers make decisions on pension provision and the role of DWP information and communications in this process: what might they need extra help with when auto-enrolment is compulsory and what will most influence their decisions?
- To identify possible issues and solutions around compliance after 2012: what needs to be done to ensure small and micro employers are aware of their legal responsibilities, and how information and communications can ensure and encourage compliance.

## 1.4 Research methodology

In line with the DWP's specification for this research, a qualitative methodology was used to secure an in-depth understanding of the main issues. In this way, it was possible to identify not only what small employers thought about the issues, but also, by researching a range of small employers, the various perceptions, motivations and influences which drove their thinking. In particular, qualitative research explored the way in which small employers collate and use information, and their personal views about pensions and the enrolment scheme.

The research was undertaken in three stages as shown in Figure 1.1.

**Figure 1.1 Stages of the research**



First, **scoping interviews** took place with six employers' representative organisations (termed 'stakeholders' in this report), including the Confederation of British Industry (CBI) and the Federation of Small Businesses (FSB)<sup>3</sup> (discussion guide attached at Appendix B). This provided a valuable perspective on issues of concern to small employers, their attitudes to pension provision generally, and additional issues they thought would be of relevance to their members. We also explored the relationship of the stakeholders with their members and the kind of information and support which they themselves provide. Ipsos MORI discussed the findings from these interviews with the DWP. They were then used to inform the drafting of the discussion guide for the main part of the research.

Second, the draft discussion guide was tested through **pilot interviews** with four small or micro employers. Feedback from the pilot interviews was used to evaluate how well the discussion guide and stimulus materials worked in the field (how well they engaged respondents and used appropriate language), the timings, the degree to which the required material was obtained, and whether any modifications were necessary for the main part of the research. The outcomes of the pilot were discussed with the DWP and, in the light of the scoping and pilot stages, two discussion guides were agreed, one for employers who did not offer their workers a pension (Appendix C) and one for those who did (Appendix D).

The guides covered the following broad areas:

- current attitudes towards pensions;
- current sources of information;
- decision-making;
- information needs;
- ensuring compliance;
- different needs.

Finally, the **main stage** of the research, which took place between August and October 2008, comprised 78 interviews with small and micro employers, the number required to fully explore the nuances emerging from the many and varied groups within these audiences; the sample is discussed below. Interviews were conducted face-to-face, to enable the moderator to establish a rapport with the participant, and at the place of work of the participant. Interviews typically lasted around 45 minutes, but some flexibility was applied to allow for the needs of individual participants.

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<sup>3</sup> We are grateful to the CBI and FSB for their agreement to us referencing their views in this report.

## 1.5 The sample of employers interviewed

The sample frame was designed to ensure, so far as possible, that participants were broadly **reflective** of the views of small and micro employers and thus provide a robust basis for actionable policy decisions.

In order to secure a broad range of employers, a sample was designed with regard to the following variables:

- number of workers;
- whether employers offered their workers a pension, with or without a contribution;
- location: interviews took place in London, the North (mainly Liverpool and Manchester) and the Midlands (mainly Birmingham); and
- sector: we aimed to recruit employers from a range of sectors, but focused to some extent on service and manufacturing<sup>4</sup>.

The proposed sample frame, setting out the desired characteristics of employers to be interviewed, is set out in Table 1.1.

**Table 1.1 The proposed sample frame**

Quota 1		Quota 2	Quota 3
46 x in-depth interviews with small employers (5-49 workers) (i.e. who are stakeholder pension compliant)	30 x 5-20 workers	c.14 x offer pensions	c.7 x offer an employer contribution
			c.7 x no employer contribution
		c.16 x do not offer a pension (i.e. who are not stakeholder pension compliant)	
	16 x 21-49 workers	c.6 x offer pensions (i.e. who are stakeholder pension compliant)	c.3 x offer an employer contribution
		c.3 x no employer contribution	
	c.10 x do not offer a pension (i.e. who are not stakeholder pension compliant)		
45 x in-depth interviews with micro employers (1-4 workers)  Of the 45, aim for c.10 proprietorships (i.e. self-employed with workers)		c.20 x offer pensions	10 x offer an employer contribution
			10 x no employer contribution
	c.25 x do not offer a pension		

Source: Ipsos MORI.

<sup>4</sup> The reason why we focused on service and manufacturing was that there was a greater prevalence of companies meeting the other criteria of the research in these sectors.

A well established business frame sample was provided by Dun & Bradstreet and participants sent an invitation letter (Appendix E), signed jointly by Ipsos MORI and the DWP, setting out the purpose of the research. This was followed by a telephone call from one of Ipsos MORI's specialist qualitative recruiters. A comprehensive screening questionnaire (Appendix F) was prepared to ensure that the recruitment match the sampling criteria as closely as possible. This also sought to **exclude** certain types of people such as those who had participated in another research project in the past year.

Recruiters worked hard to achieve the sample sought. The key difference between the sample sought and that obtained was the shortfall in the number of interviews gained with micro employers who offered pensions. This was largely due to ineligible sample, partly arising from the fast-changing circumstances of many of these employers (they may have ceased trading, or they may have grown) or because a significantly a greater number of employers (from the latest available data) than expected did not offer staff a pension. Recruiters, who initially used the telephone, made additional efforts to increase the numbers of employers offering pensions through face-to-face contact. In the event, our final sample (Table 1.2) comprised a broad cross-section of the proposed sample, enabling us to obtain the full range of small employers' views. The numbers of participating employers detailed below represented a range of industry sectors (excluding the financial sector) and were located in London, the North and the Midlands.

**Table 1.2 The actual sample achieved: summary**

	<b>Small employer (5-19 workers)</b>	<b>Small employer (20-49 workers)</b>	<b>Micro employer (1-4 workers)</b>
Offers pension (without contribution)	8	6	4
Offers pension (with contribution)	7	7	6
Does not offer pension	19	5	16

Source: Ipsos MORI.

## 1.6 Analysis

All interviews were recorded digitally, with respondents' permission, and transcribed. The transcripts, along with field notes made during the interviews (noting, for example, body language, facial expressions and tone of voice) formed the basis of the raw data for analysis. After fieldwork, the project team reviewed the key findings and themes uncovered throughout the research. From this, the findings were then coded thematically, and analysis sheets prepared to establish links within the data.

## 1.7 Verbatim comments and labelling

Verbatim comments from the interviews have been included within this report. They illustrate respondents' views and experiences and help to identify the meaning they attach to words and concepts. Comments have been quoted exactly as stated in the interview except insofar as it has been necessary, in a minority of cases, to edit for clarity (such as repetition or hesitation). Each comment has been labelled to indicate either that it is from a stakeholder or an employer and, if the latter, to indicate the region, broad business area, its pension practice at the time of the interview, and its size (number of workers). These labels preserve the anonymity of participants.

Verbatim comments should not be interpreted as defining the views of all employers who would meet the terms of the label, but have been selected to provide an insight into a particular body of opinion.

## 1.8 Regulated and non-regulated pension advice

In this report, reference is made to sources of information and advice identified by employers. Only those registered with the Financial Services Authority (FSA) may give pension advice. In general, accountants, which emerged from this (and other) research as the most popular source of information for small employers, are not registered for pension advice by the FSA. Independent financial advisers (IFAs), which are not so commonly used by small employers, however, are registered with the FSA. IFAs are required to provide impartial advice based on the facts and on individual circumstances. In this report, 'advice' can refer both to regulated or unregulated advice.

## 1.9 Definitions, presentation and interpretation of the data

While qualitative research was the most appropriate methodological approach for this study (as it seeks to identify the range of views, opinions and experiences of employers), it is important to bear in mind that it uses smaller samples that are chosen purposively, to ensure representation of a full range of views within the sample. Qualitative research is designed to be illustrative and can not only explain what people think but also why they do so. It is also a generative process and, therefore, ideally suited to help understand future scenarios. However, qualitative research is reflective of the views of any given population rather than being representative and does not look to produce population statistics. This needs to be taken into account when interpreting the research findings. In addition, it is important to bear in mind that the research deals with perceptions rather than facts (though of course perceptions are facts to those who hold them).

## 1.10 Report structure

Following the Summary, and this chapter, the report is divided into six chapters:

- Chapter 2 – What mattered to small and micro employers;
- Chapter 3 – Information sources used by small and micro employers;
- Chapter 4 – Offering a pension;
- Chapter 5 – How small and micro employers communicate with their workers;
- Chapter 6 – Preparations for the forthcoming workplace pension reforms; and
- Chapter 7 – Conclusions and recommendations.

Appendices cover a note on the background to the 2012 pension reforms, the discussion guides used in this research, the invitations to businesses to participate in it, our screening questionnaire to secure a broad cross-section of small businesses in the research, and the references on which we have drawn in the preparation of this report.

## 2 What mattered most to small and micro employers?

### **Summary**

Employers wanted to focus on their core objectives. These were, first and foremost, to exist, and if possible to thrive and make money, which in turn would benefit their staff in terms of job security. The issues of most importance to employers were, therefore, those which either reinforced or obstructed their ability to achieve these objectives.

Our fieldwork took place at the start of a significant economic downturn, and this affected employers' views. It meant that, for most, economic considerations loomed largest. The economy, employer costs, cash flow, and levels of taxation were what mattered most to employers. Also, cutting across these financial matters, was a concern with regulations, or red tape, often considered as an obstruction to business.

Employers expressed concerns about pensions. It would cost them money; they would be obliged to take responsibility for something which most felt should be solely a matter for their staff; and it would impose a further administrative burden, and cost time which they could ill-afford to spend on something which they did not regard as core to the success of their business. Yet, as discussed further in Chapter 4, some employers also used staff pensions as a tool for recruitment and retention and placed importance on factors such as social responsibility and the need to comply with legislation once it has gone through.

## 2.1 Placing this research in economic context

The context of this research is relevant to understanding its findings. The main stage took place between August and October 2008, at the time of the banking crisis. In the third and fourth quarters of the year, the economy contracted by 0.7 per cent and 1.5 per cent respectively,<sup>5</sup> the fastest rate of contraction since 1980, and the country entered recession for the first time since 1991.

Throughout these two quarters, demand contracted, unemployment increased, house prices decreased, and the FTSE 100 Index declined by 19 per cent (1,045 points).<sup>6</sup> Some participants were affected by the sharp downturn more than others: manufacturing was particularly hit, although it had an impact on all employers in some way, including small employers in the service sector, financial and business services, and the government sector.

Although participants in this research had varying technical understanding of this context, they were all conscious of, and highly concerned about, the downturn. Such an environment influenced participants' view of the prospects for their businesses and, in turn, their perceptions of the implications of the pension reforms – not least their affordability. Just preceding the fieldwork, the economy became *the most important issue facing Britain today*, according to the July 2008 Ipsos MORI Issues Index<sup>7</sup>, with four in ten people thinking it was important (42 per cent). This was an increase of ten percentage points compared with the previous month (32 per cent) and the highest recorded by Ipsos MORI since November 1992.

There was also a 21 percentage point decline in net economic optimism compared to November 2007. Ipsos MORI's Economic Optimism Index, tracked monthly since 1979, showed a period of an historically very low level in the months leading up to our fieldwork, as Figure 2.1 shows. It fell to minus 64 in July 2008 – the lowest level of optimism in the 30-year history of the Index.<sup>8</sup>

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<sup>5</sup> Office for National Statistics website  
<http://www.statistics.gov.uk/pdfdir/gdp0709.pdf>

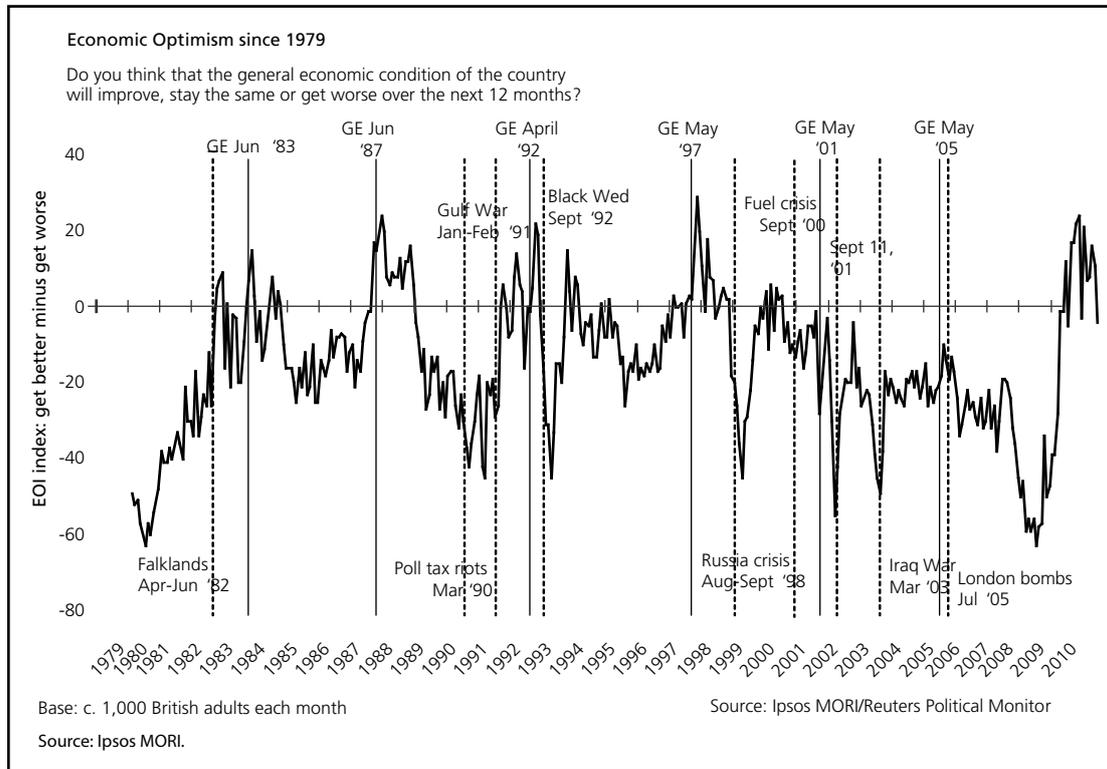
<sup>6</sup> Yahoo Finance website  
<http://uk.finance.yahoo.com/echarts?s=%5EFTSE#chart1:symbol=^ftse;range=2y;indicator=volume;charttype=line;crosshair=on;ohlvalues=0;logscale=on;source=undefined>

<sup>7</sup> Ipsos MORI website  
<http://www.ipsos-mori.com/researchpublications/researcharchive/poll.aspx?oltemId=2278>

<sup>8</sup> The index figure is obtained by subtracting the percentage of respondents who think that the economic condition of the country will get worse (75 per cent in July 2008) from the percentage who think it will get better (11 per cent in July 2008). By way of comparison, the January 2010 Index was plus 20 (44 per cent thinking it will get better and 24 per cent thinking it will get worse). This was among the highest figures of the last 30 years.

**Figure 2.1 Ipsos MORI Economic Optimism Index Trends 1979-2009**

*Q: Do you think that the general economic condition of the country will improve, stay the same or get worse over the next 12 months?*



## 2.2 Small employers focused primarily on their priority – staying in business

### 2.2.1 Financial viability

While the detail of small employers' main concerns varied according to their particular circumstances – namely how well they were doing financially, the services they provided, and the impact of the various environments within which they were working – the central focus for all organisations was 'to exist', to stay in business and, if possible, thrive. In order to achieve this, they focused on the services they provided, meeting monthly targets, cash flow, and margins – in terms of both short-term management and longer-term planning. Clarity of purpose, and the need for single-mindedness, were repeated themes identified for growth or survival.

The impact of the economic environment on small employers at the time of our research was echoed in the Federation of Small Businesses' (FSB's) subsequent annual survey of members, which helps to add the extent to which the issues were important to small employers in the year from the time of our qualitative

research.<sup>9</sup> Much had happened to the economy between the fieldwork in autumn 2008 and the FSB's survey of some 10,000 of their members in autumn 2009 when almost three-quarters of respondents said that the economy or the recession was a potential obstacle to achieving business objectives. Other findings from that survey also reflected our research, the next most mentioned concerns being cash flow (mentioned by 42 per cent), regulations (33 per cent), and competition in the market (30 per cent).

**Table 2.1 Obstacles to meeting employers' objectives**

<i>Q: What would you say are the main obstacles to the success of your business in general?</i>	
	%
The economy	72
Cash flow	42
Regulations	33
Competition	30
Business rates	29
Value Added Tax	26
Pay As Your Earn/National Insurance	23
Obtaining finance	22
Council tax	19
Cost of finance	18
Recruiting staff	13
Marketing skills	11

Base: 9,761 FSB members, Sept/Oct 2009.

Source: FSB-ICM annual survey.<sup>10</sup>

Part of this was a necessary 'state of mind' of any business – the concern to minimise costs. Employers needed to stay focused on cost efficiency, continuously looking to cut costs wherever possible.

This necessary focus on their main priority meant that all other issues – including staff pensions – were of a second order priority, at best:

*'I don't consider that our function is collecting taxes and I don't consider our function is providing pensions. Our function is to employ people to manufacture parts, which we sell. That is what we are here for.'*

(Midlands, manufacturer, offers pension, 18 workers)

<sup>9</sup> Guided Insight and ICM Research (2010), *The FSB-ICM voice of small business annual survey - report of key findings*, based on fieldwork in September and October 2009, FSB.

<sup>10</sup> Guided Insight and ICM Research (2010), op cit.  
<http://www.fsb.org.uk/policy/assets/fsb%20icm%20annual%20survey%20uk.pdf>

### 2.2.2 Regulation, administration and self-reliance

Employers looked for ways to cut costs and increase competitiveness, and were wary about anything that increased costs, or any administrative exercises that did not generate cash flow. Regulations were not generally considered positively as they were more often associated with red tape and obstruction.

Attitudes to pension reform were informed by the above. Employers found it acceptable to pay National Insurance contributions but, beyond that, there was a feeling that staff have a responsibility to look after their own affairs, which should not be subject to regulation. There was, in other words, a limit to what should reasonably be expected of a business whose purpose is to make money (and by doing so maintain staff jobs). It is the responsibility of workers to make arrangements for their future, not their employer's.

*'At the end of the day, if we don't sell anything, we don't earn money. If we are bogged down with all these other things and we don't sell anything... we don't exist.'*

(North, retail, no pension, five workers)

Small employers were, therefore, concerned with 'time', as well as costs. They felt short of it and worried about how they could make best use of it. Smaller employers in particular felt that there was rarely anyone to whom they could delegate this type of responsibility. Often they felt that anything which was not 'productive', and this included anything to do with management or administration, was effectively 'downtime' and not making money.

### 2.2.3 There were other issues that mattered to all organisations – but their relative importance depended on the organisation

There was no simplistic connection between the high number of issues that mattered to small employers and their attitudes to pension reform. Every business was different, run by employers whose priorities, principles and needs differed. However, as Table 2.2 illustrates, there was a range of issues which mattered to a greater or lesser extent to most small employers. It was the **degree** of that concern, and the attitudes which individual employers held on those issues, which determined how attitudes to pension reform fitted in. One key variable was whether the business was a profit-making one:<sup>11</sup>

*'I think it depends on the sort of organisation you're talking to. At the moment you're talking to a not-for-profit organisation that is very aware of the social impact we're making with the work we're doing. If you're looking at a commercial organisation that has shareholders that are screaming for profit, that's very different. They have different pressures on them.'*

(London, arts, pension with contribution, seven workers)

<sup>11</sup> Non-profit organisations participated in this research as well as businesses for profit.

As we saw in Table 2.1, employers' perceived obstacles to meeting their objectives were primarily **financial**. Although non-financial issues were included on the prompted list, they were of less concern, being identified by fewer than ten per cent of respondents: skills shortages, transport, planning, staff retention and crime.

But the unprompted qualitative research identified key **non-financial** concerns which emerged from our research (Table 2.2) – issues which were not included in the prompted list used in the quantitative research. For each issue, some small employers felt positively and some negatively. Indeed, some individual employers illustrated their ambivalence by responding both positively and negatively to a single issue, as the responses (from the same employer) to the first issue in Table 2.2 illustrates. In other words, employers did not always have a clear view on how to respond on these matters, but the matters themselves were nonetheless important to them, and underpin their attitudes to offering pensions set out in Chapter 4.

**Table 2.2 Illustrations of important non-financial issues**

Negative attitude to issue		Positive attitude to issue
<p><i>'It's nothing to do with us what [pensions] they've got. Their own personal life is nothing to do with us.'</i> (Midlands, services, no pension offered, 30 workers)</p>	<p><b>Social responsibility</b></p>	<p><i>We have a social responsibility to the local area, so we're very conscious of the environment, we've taken...out our lighting, that's not for penny pinching means, it's for the environment.'</i> (Midlands, services, stakeholder pension offered, ten workers)</p>
<p><i>'I still feel people's pension, investments and what have you should be down to them. It's not the employer's responsibility. The employers are not there as a benefits office, almost like it's their job.'</i> (London, retail, stakeholder pension offered, seven workers)</p>	<p><b>Looking after staff</b></p>	<p><i>'We get on very well with our staff. It sounds corny, but we have an open door policy so the girls know that they can come in at any time. They all know where I live, they all know where Mum lives, quite often they'll pass, call in and have a coffee.'</i> (North, care/medical services, stakeholder pension offered, seven workers)</p>
<p><i>'As long as I'm not doing anything illegal I don't care really because the rest will fall into place, or should do.'</i> (London, music, no pension, four workers)</p>	<p><b>Compliance</b></p>	<p><i>'I think that being a good employee and being a good employer are about more than compliance. They're about looking at what you have to do in terms of your statutory obligations and interpreting them in a sensible, humane way that suits everyone in the company. And, of course when you're a small employer you can do that.'</i> (London, arts, pension with employer contribution, two workers)</p>

## 2.3 Attitudes impacting on the response to pension reform

There were, therefore, competing views which led small employers to think positively or negatively about the prospect of pension reform (Figure 2.2).

While the need to comply is a factor which would lead small employers to adopt the reforms, whether they like them or not, two broad views led to a more **positive** view of pension reform:

- **Staffing imperatives:** Small employers know their staff well and wanted to keep them happy. Some had an additional imperative arising from experiencing problems with recruitment and retention. Losing and having to recruit and train staff was costly. Offering a pension scheme for such workers fitted in with their broader objectives of seeking staff satisfaction and facilitating long-term staff planning.
- **Social responsibility:** The most fundamental consideration, however, was how small employers felt about the concept of social responsibility in its various forms. Non-profit-making businesses were more receptive to this (although they recognised that different imperatives applied to other employers) and, unsurprisingly, many of those kinds of organisations (but not all) were already providing pensions for their staff. Here it was a matter of priorities – these employers felt that such responsibilities to their staff and staff well-being just had to be prioritised – there was no intrinsic reason for rejecting them.

However, opinions which led to a more **negative** view of pension reform reflected the focus, discussed earlier, which small employers kept on their key objectives: to think constantly about costs, remember why they were in business, and remove ‘impediments’ (regulations and ‘red tape’) to their business:

- **Cost:** In the context of squeezed margins, as the emerging recession started to affect businesses, small employers were concerned about the cost to them of pension reforms.
- **There is a limit to the role of business:** Fundamentally, small employers generally disagreed with any idea that they should be responsible for workers’ pensions. This particularly applied to micro employers, where there was little or no infrastructure to help look after such matters, but it applied to some extent across all sectors and organisation sizes. Small employers felt that they paid workers’ National Insurance contributions and took responsibility for sick pay and maternity pay, and that that should be the limit of their responsibilities. Workers should themselves take care of organising and funding their own pensions, just as they have to take responsibility for all other financial aspects of their lives. Small employers did not, in essence, see a difference between their workers having to make decisions about their own savings, investments, and other expenditures, and them having to take responsibility for arranging their own pensions. All these considerations involved having to save for the future, whether for retirement, family needs or anything else – and that was a worker’s responsibility.

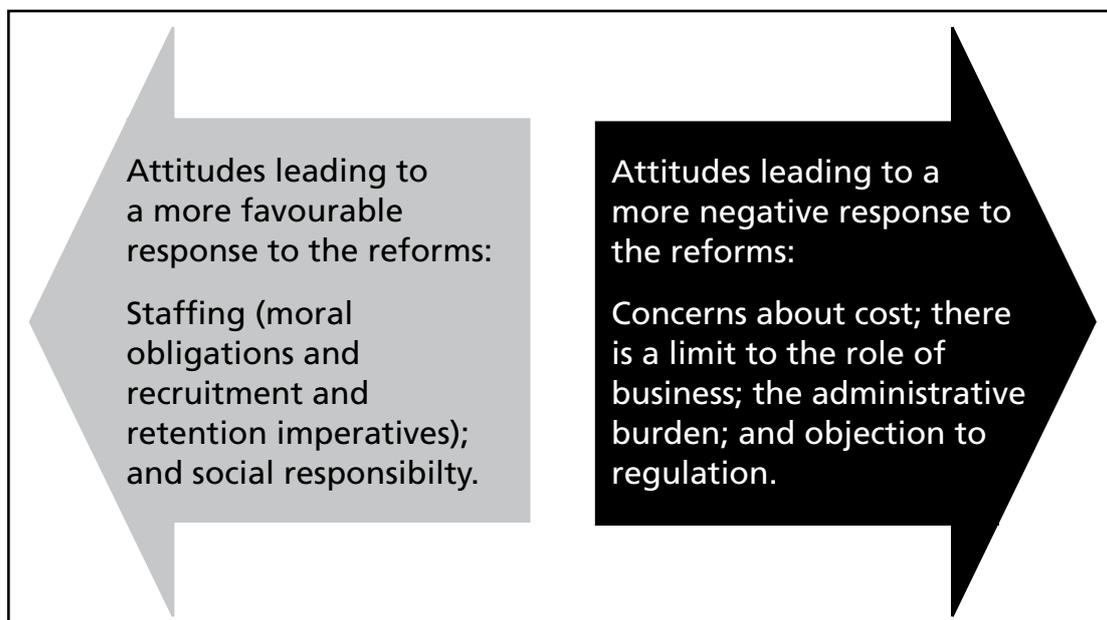
- **The administrative burden:** Small employers were concerned about time, and being able to focus on core activities. Taking responsibility for organising other people's pensions did not seem to them to be a core business activity.
- **Concern about regulation:** Small employers generally opposed regulation. They accepted that, were it not mandatory, they may not otherwise introduce a pension scheme to the workplace. But there was a general unease about 'one more burden' being placed on them. The concern about regulations found in the FSB-ICM annual survey (Table 2.2), and the perception that regulations were an obstacle to the success of their business, was echoed in our study. For such employers, 'pension regulations' were part of this underlying concern with 'regulations'.

*'Why is there a social responsibility? The function of a company is basically to make a profit for the people who invest in it. That is the primary purpose of a company being in existence. It isn't to provide employment and the sooner they get this sorted out in their minds, the better because companies just do not set up for that. Even charities don't set up for that purpose.'*

(Midlands, industrial manufacturing, pension with contribution, 18 workers)

In summary, providing pensions was not a top-of-mind concern for small employers. Indeed, when questioned about it, employers tended to be opposed to the principle of such requirements being placed upon them. There were a number of important issues, however, to which pension reform could be related in a positive way, as Table 2.2 illustrates – factors such as social responsibility, the recruitment and retention of staff, and the need to comply with legislation once it has gone through. But it should be borne in mind that these were responsive issues, not ones which made small employers look for pension reform.

**Figure 2.2 Attitudes impacting on response to pension reform**



### 3 Information sources used by small and micro employers

**Summary**

Small employers sourced information according to their individual circumstances, their personal preferences, and the type of information being sourced. Accountants were clearly small employers' most identified source of information, both when it was received unprompted and when employers proactively sought information of any kind. A relationship of mutual trust between accountant and employer, often long-standing, was the basis for this. Accountants were perceived as knowledgeable, up-to-date and professionally independent, displaying integrity and flexibility.

Small employers were generally confident that their accountant would take the initiative to contact them whenever necessary – such as about proposed changes in taxation or legislation, intelligence on market conditions, or matters arising from transactions or the accounts – through newsletters, seminars or during regular or ad hoc meetings. But accountants also had a vital reactive role. Small employers wanted their accountants to be there for them when they needed more detail, a better understanding in 'plain English' of things they had come across, or actions they needed to take. This was not an automatic relationship: accountants had to earn that reputation with each employer. The relationship could take time to build.

(continued)

The information journey, however, did not necessarily start with the accountant. A great range of informal sources brought information to employers' attention – triggered by family, friends, customers, suppliers – as did more formal networks of business colleagues through trade associations, the national, local or specialist media, and information from the government. In response to this, small employers then typically researched these issues themselves. Some would bounce thoughts off their informal contacts. Others would explore their personally preferred sources such as a government office, their trade association, or the Federation of Small Businesses (FSB). Others would use their own devices, notably the internet. Small employers would then finalise their investigations, and decide what, if any, action would be required, with the help of information (and advice) from their most trusted sources: accountants, government departments (again) or, depending on the subject matter, solicitors.

Employers' relationship with accountants depended also on their size (micro employers could not afford the same relationship as bigger employers, nor necessarily had the same needs) and type (some employers had more complex, or more sensitive, needs than others). Small employers with typically 20+ workers, often had the infrastructure in place to deal with issues as they came up, with specialist finance and HR staff, and the accountant taking the role of specialist adviser. Some employers were more comfortable with financial and technical matters than others and would do more of their sourcing themselves. However, when it came to fiduciary, contractual or other legal information, not least requirements to comply with changes in the law, these formal sources of information would almost invariably be invoked.

### 3.1 The context

Integrating our 2008 qualitative fieldwork with quantitative research (the Department for Work and Pensions (DWP) Employer Attitude Survey 2007<sup>12</sup> and the FSB-Independent Communications and Marketing (ICM) 2009 survey<sup>13</sup>) helps us to understand which were the main sources of information used by small employers, how useful they were perceived to be, and where they looked to for pension information.

Both surveys included a wider group of businesses than is the concern of this report. The DWP-BMRB survey included 2,399 businesses, including 1,203 with fewer than 50 workers, fieldwork taking place in July-September 2007, and the respondent being the key pension decision-maker in the business. The FSB 2009

<sup>12</sup> Grant, C., Fitzpatrick, A., Sinclair, P. and Donovan, J (2008). *Employers' attitudes and likely reactions to the workplace pension reforms 2007: Report of a quantitative survey*. DWP Research Report No. 546.

<sup>13</sup> Guided Insight and ICM Research (2010), op cit.

survey included 9,761 employers with up to 199 workers, fieldwork taking place in December 2009, and the respondent usually being the owner or senior director. The different periods in which the research took place, and the different audiences, were unlikely to have a great bearing on the findings in this area.

The FSB-ICM December 2009 annual survey questioned employers about a list of possible sources of information.<sup>14</sup> The survey showed that just under three-quarters of FSB members sought support/advice from their accountant during the previous year, while around half turned to their customers, suppliers, bank or the FSB itself. A third turned to informal methods of support such as their family and friends. Just one in ten members reported using universities/colleges, 'big business' and EU-funded help.

Table 3.1 sets out the key sources of information according to the FSB-ICM survey, with summary illustrations from the qualitative research. Each source is then discussed in turn.

**Table 3.1 Sources of business information – top 10 responses**

% <sup>1</sup>	Information source	Why <sup>2</sup>	Illustrative verbatim quotation <sup>3</sup>
72%	Accountant	Accountants typically had a close working relationship with small employers, were generally trusted and perceived as independent. They were both proactive (in informing employers on a formal and informal level) and reactive (when dealing with specific enquiries).	<i>'We've always had one, but the role of our company accountant has now gone from just doing the books to actually providing advice on employment-related issues.'</i> (North, services, no pension, 18 workers)
52%	Customer	Employers found customer and supplier behaviour indicative of market conditions. They also offered special insights from which employers could learn informally.	<i>'My customers are solicitors, barristers and this, that and the other. If it's a financial thing, or something like that, I would ask them.'</i> (North, services, no pension, three workers)
52%	Supplier		

<sup>14</sup> Guided Insight and ICM Research (2010), op cit. Question: *'During the last year, how helpful have each of the following been for the overall health of your business?'*

Table 3.1 (continued)

% <sup>1</sup>	Information source	Why <sup>2</sup>	Illustrative verbatim quotation <sup>3</sup>
52%	Bank	Experience varied considerably and there was much criticism of banks. But where the relationship worked well, employers found banks helpful, not least in providing market information and assistance with business planning.	<i>'We have a very, very good relationship with the banks. They actually come down to see us once a year.'</i> (Midlands, manufacturing, stakeholder pension offered, 27 workers)
50%	FSB	Generally highly regarded source of relevant information about all aspects of running small businesses: both proactive and reactive	<i>'I've been able to phone the FSB free phone helpline. And they've been able to give me fairly good advice straight away.'</i> (North, retail, no pension, four workers)
37%	Family	Family and friends were often the source of unstructured informal information and advice which the employer can follow up.	<i>'We are a family business. We review what's happening as a family, my husband, myself and my daughters.'</i> (London, catering, stakeholder pension offered, 13 workers)
34%	Friends		
31%	Government-funded business support	Government information was generally perceived as independent and authoritative.	<i>'We rang someone at Business Link. We wanted a recommendation to provide a certain service. They helped out and pointed us in the right direction.'</i> (North, services, no pension, 18 workers)
27%	Informal networks	Informal networks were especially important for micro employers which were without the funds or infrastructure of larger organisations to obtain information more formally.	<i>'We have a meeting tomorrow with all our local competitors. They're all small firms like me. Just bouncing ideas off each other is not a bad thing.'</i> (North, services, no pension, six workers)

**Table 3.1 (continued)**

% <sup>1</sup>	Information source	Why <sup>2</sup>	Illustrative verbatim quotation <sup>3</sup>
27%	Solicitor	Solicitors were regarded similarly to accountants as a source of independent advice which employers felt they could trust.	<i>'Non-financial elements, such as employment law, would come via our employment lawyer over at our law practice. That would feed us monthly information on anything new that was happening in the workplace relating to laws governing employment.'</i> (North, import, no pension, six workers)

Base: 9,761 FSB members, December 2009. Source: FSB-ICM.

<sup>1</sup> The proportion of respondents who sought advice from this source in the last year. Source the FCM-ICM annual survey, Guided Insight and ICM Research (2010), op cit.

<sup>2</sup> Source: this qualitative research.

<sup>3</sup> Source: this qualitative research.

FSB members identified accountants and family as their most helpful sources of support and advice (both being identified by 85 per cent of respondents who used this source). In three cases – local government-funded help, EU-funded help and 'big business' – perceived unhelpfulness exceeded helpfulness. In addition, government-funded business support and banks also registered relatively high levels of perceived unhelpfulness (Table 3.2).

When the percentage of FSB members who used each information source is plotted again the net helpfulness with which they regarded each source (i.e. the percentage who found each source helpful minus the percentage who found each source unhelpful), a clear picture emerges, which provides a useful context to our qualitative findings.<sup>15</sup> In the top right-hand quadrant of Figure 3.1 are those sources (circled) which were found in the FSB-ICM survey to be both well used and perceived to be helpful – accountants, customers, suppliers and the FSB.

<sup>15</sup> The sources in the FSB-ICM survey were from a prompted list, but they all emerged naturally from discussions in our qualitative research.

**Table 3.2 Helpfulness of sources of employer support**

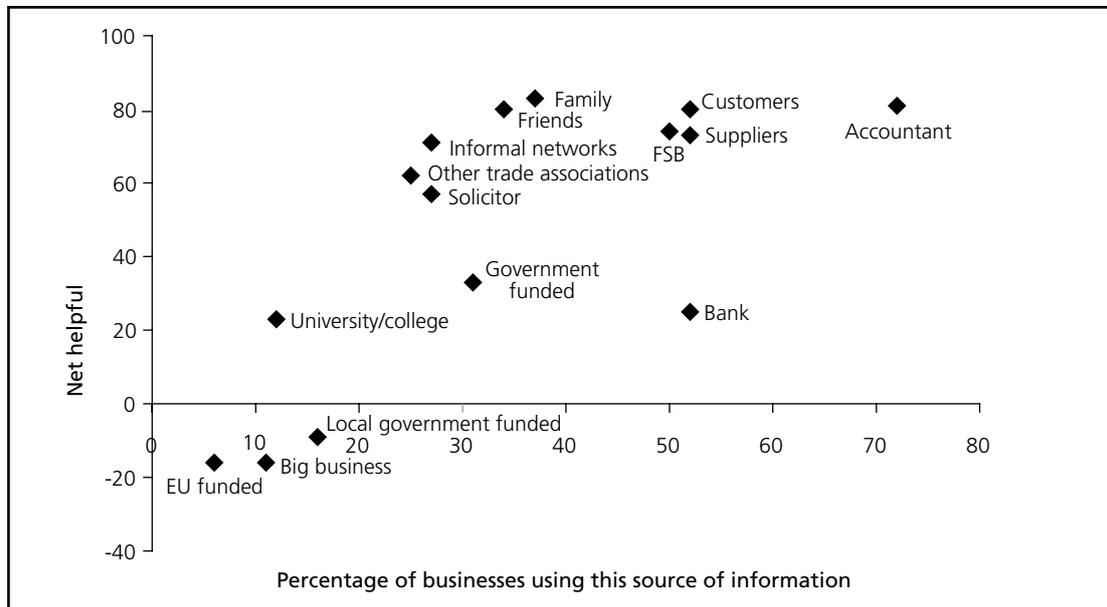
*Q: During the last year, how helpful have each of the following sources been for the overall health of your business?*

<b>Information source</b>	<b>Helpful<sup>1</sup> %</b>	<b>Unhelpful %</b>	<b>Net helpful</b>
Accountant	85	4	+81
Family	85	2	+83
Customers	83	3	+80
Friends	82	2	+80
Suppliers	78	5	+73
FSB	78	4	+74
Informal networks	74	3	+71
Other trade associations	67	5	+62
Solicitor	65	8	+57
Government-funded business support	54	21	+33
Bank	51	26	+25
Universities/colleges	35	12	+23
Local government-funded help	27	36	-9
EU-funded help	14	30	-16
'Big business'	13	29	-16

Base: All who used each source from 9,761 FSB members. Source: FSB-ICM.<sup>16</sup>

<sup>1</sup> The proportion of respondents who sought advice from this source in the last year.

**Figure 3.1 Sources of information and their perceived levels of helpfulness<sup>17</sup>**



### 3.2 Information sources

This section examines the advantages and disadvantages of the main sources of information used by small employers, what each source is used for, and how the topic under investigation determines where employers look for information on it.

Asking specifically about sources of advice on pensions, as opposed to generally, the 2007 DWP survey found the most popular sources of advice were independent financial advisers (IFAs) (not included in the FSB-ICM prompted list) and accountants, cited by 46 per cent and 33 per cent of employers respectively.

The majority of employers (84 per cent) said they were likely to seek external advice about how they might respond to the new pension requirements. An accountant (78 per cent) or an IFA (47 per cent) were the most commonly cited external sources of advice on how to respond to the pension reforms. These were also the most commonly cited sources of advice on compliance with the employer duties. Across the whole sample (including businesses of all sizes) small employers who said they knew 'a lot' about the pension reforms were less likely to seek external advice on how to respond to the new pension requirements (60 per cent) compared with employers who said they knew 'a fair amount' (84 per cent), 'a little' (86%) or 'nothing at all' (84 per cent) about the reforms.

<sup>17</sup> Guided Insight and ICM Research (2010), op cit.

**Table 3.3 Likelihood of seeking external advice on pension reform**

*Q: Would you be likely to seek advice on how to comply with the new requirements from any of the following?*

	Number of workers		
	1-4 %	5-49 %	All (1-500+) %
Yes	82	89	(84)
No	16	10	(15)
Don't know	2	1	(2)
<i>Unweighted base</i>	573	630	(2,399)
<i>Weighted base</i>	1,755	581	(2,399)

Source: DWP employers' attitudes survey.<sup>18</sup>

### 3.2.1 Accountants

Accountants were the most important source of information overall (not pension-specific), and generally the first port of call on financial matters, for small employers of all sizes and types. This was clear from the FSB-ICM survey as well as from our interviews with stakeholders and businesses. The starting point for small employers was accountants' roles as book-keepers or auditors, i.e. the fact that most small employers were obliged to engage with accountants for audit purposes, while there is no such obligation for other professional advisers. From this, a working relationship typically developed, based upon accountants' knowledge of the business, their wider understanding of financial and fiduciary responsibilities, and mutual trust.

#### *Types of information sourced*

This relationship was utilised by small employers for a range of information. Employers over a certain size (usually with 10+ workers) tended to meet their accountant regularly (typically at least once a month) to discuss anything which has come up, such as suppliers' price changes, national developments or taxation issues. Small employers felt that, on such issues, the accountant was the 'natural person' to talk to – often, they said, with no thought of talking to anyone else. The employer might hand to the accountant papers and queries which had come up since their last meeting, on finance- or business-related matters.

Accountants acted as an important back up (sometimes a reassurance) in relation to employer compliance with legislation. This often worked out in practice to be a 'buffer' with the Government, particularly on tax-related matters – employers often preferred accountants, with their greater understanding of what was needed, to dealing directly with Her Majesty's Revenue & Customs (HMRC) and

<sup>18</sup> Grant C., Fitzpatrick, A., Sinclair, P. and Donovan, J. (2008), op cit.

others. Employers felt that HMRC would also prefer to deal with an accountant, as an intermediary.

The nature of this relationship depended partly on the skills and experience of the accountant, as well as on the nature of the business and its management capacity. For example, accountants could be the main source of unregulated advice on HR issues, including employment law, as well as financial matters.

Micro employers typically made less formal or structured use of their accountants – making contact on an ad hoc basis to ask advice as financial or tax-related issues cropped up. For some micro employers, their limited use of accountants reflected a lack of funds (the cost of an accountant was relatively high), but most such employers considered their needs to be comparatively minor and their contract with their accountant was, therefore, similarly limited. They often did not have the internal capacity to deal with financial issues, but neither did their affairs involve the complexity that would require a more formal or structured relationship with their accountant. This type of employer typically felt competent to deal with the day-to-day management of the business but would seek advice when anything out of the ordinary came up.

*'We've used [our accountant] for years, he's like a family friend. So he would be my first port of call in respect of how I should buy something.'*

(London, music, no pension, four workers)

Small or medium-sized small employers (typically around five to 20 workers), or smaller employers which also functioned as part of a larger organisation or network, had more complex requirements, requiring more formal arrangements with accountants. At this stage in the business's development in terms of size, they had typically taken on specialist but relatively low-qualified staff (for example, book-keepers or sales staff) to handle much of the administrative tasks related to accounts, but felt they needed the professional input of an accountant to ensure that financial policies and procedures were fit for purpose, as well as to be kept up to date on wider financial matters. For employers of this size, accountants typically committed to spending a specified time working with each employer, perhaps two or three days a month. This also applied to employers who owned more than one micro or very small business (a number of restaurants or shops, for example), where the employer used to look after financial matters until they just got too much for them. Small employers with typically 20+ workers, often had the infrastructure in place to deal with issues as they came up, with specialist finance and HR staff, and the accountant taking the role of specialist adviser.

*'We have an accountant who comes in on a part-time basis. He raises all our books and provides all the information with regards to day-to-day running costs of the company. We've got a full time accounts lady here.'*

(Midlands, scientific, contributes to pension, 23 workers)

*Proactive or reactive support*

Small employers wanted both a proactive and reactive relationship with their accountants. On the one hand, they valued a relationship where they could be confident that their accountant would take the initiative to contact them whenever necessary – such as about proposed changes in taxation or legislation, intelligence on market conditions, or matters arising from transactions or the accounts. Accountants often provided short newsletters for employers, usually on a monthly basis with a special edition at the time of the budget, both electronically and printed. Small employers tended to read these fairly conscientiously to keep them up to date with developments. Some accountants also held seminars for their clients. But the best accountants, employers felt, were those who drew particular issues such as those from HMRC to their attention, translated where necessary into ‘plain English’.

Accountants also had a vital reactive role, to complement their proactive role. Small employers wanted their accountants to be there for them when they needed them. They felt it was necessary to be able, on occasion, to delegate to someone who had the time and experience to deal with the issue. Employers would not regard this as shifting responsibility, but as making best use of skills for the effective management of the business.

*‘These people, I pay them to give me that advice. This is their job because the legislation changes every day. So you need someone to read the legislation.’*

(London, hotel, no pension, 40 workers)

*Advantages*

Overall, employers felt using accountants as an information source had a number of advantages:

- Knowledgeable and up-to-date about specialist areas which were generally outside the competence and experience of employers.

*‘My accountants are forever going away on courses and learning about new stuff. Like I say, horses for courses. They do what they do and I do what I do.’*

(London, music, no pension, four workers)

- Trustworthiness, often based on a long-standing relationship. The accountant has seen the business develop over the years, is familiar with its workings and has contributed to this process.

*‘The company accountants have been with us for a long period of time and we’ve survived during good and bad periods of work. We would trust their views, perhaps more so than somebody external that we hadn’t met before.’*

(North, construction, contributes to pension, 30 workers)

- Professional independence and integrity.

*'I'm a novice. They've done all the groundwork and they would be able to say "this is what is probably best for your business". I would trust them to be honest.'*

(London, catering, pension offered, 13 workers)

- Flexibility, only giving information which is relevant to that business.

*'Our accountant is very knowledgeable, very approachable. He was interested in what we were doing, so he'd worked with other companies in our sector. Straight away, he was able to say that we should be looking for 60 per cent margin, and we should be looking to turn over X, Y and Z. Not initially, but this is what we're looking to get to quickly. I thought that 60 per cent seemed quite high, but he said no, because it's food and VAT. His advice was very practical, very real.'*

(North, catering, non-contributing pension, seven workers)

- Often long-standing relationship.

*'I've been with the accountant for three years. Prior to that, the company that I bought out used the same accountants for 20 odd years. So, from that point of view, the company has been known to the accountants for about 30 odd years.'*

(North, coach hire, non-contributing pension, six workers)

### Disadvantages

While the above advantages applied to the generality of situations reported by interviewees, there were exceptions. Some difficulties sometimes applied at the start of working relationships, though employers found that these difficulties tended to decline as the relationship developed. In the short term, however, employers had a number of reservations:

- Accountants were not automatically trusted. They had to earn that trust and that did not necessarily happen overnight.

*'They're now personal friends, but I didn't have great trust in them before we built this relationship up.'*

(Midlands, retail, contributory pension, 20 workers)

- Their costs could appear high, particularly to micro employers, where they could form a higher proportion of turnover.

*'Lots of people say your accountant should save you the money that he charges you. But I think [our accountant] is very expensive because we are only a small business.'*

(North, care/medical services, stakeholder pension offered, 25 workers)

- At the start of working relationships, employers said that accountants could suffer from a lack of industry-specific knowledge.

*'There are certain things accountants don't know about VAT which are specific to our business. They don't know all the rules – there are certain things you have to do yourself.'*

(North, catering, access to stakeholder pension, ten workers)

- They could also lack a focus on the specific needs of smaller employers, perhaps having developed their expertise in 'big business', rather than 'small'.

*'I have my own accountant, he'll send monthly fliers out but usually they're to do with big business so I don't tend to really read through them.'*

(Midlands, care services, stakeholder pension offered, 27 workers)

At the start of a relationship, small employers noted that accountants did not always speak in 'plain English'. It could take time for the relationship to establish itself as the accountant learnt to meet the particular needs of the client.

*'When there's a Budget, I'm glued to the radio and then I'll watch the news in the evening and learn what I can from that. My accountant sends me the same stuff through but it's all gobbledegook to me – it's all too much and it's of no interest to me either.'*

(North, services, no pension, six workers)

- Small employers learnt that accountants were not infallible.

*'Accountants can make mistakes and they don't always give you the correct advice.'*

(London, care/medicine, stakeholder pension offered, 12 workers)

### **3.2.2 Informal sources – local companies, customers, suppliers, friends and family**

A range of informal contacts were an important source of information for small employers, particularly for micro employers who did not have, or could not afford, the same formal information sources as larger small employers. Stakeholders recognised this phenomenon:

*'They hear something because their mate's done it.'*

(Stakeholder)

*'Some small employers will talk to others, especially in a traditional high street, outside London, or at networking events.'*

(Stakeholder)

This 'word of mouth' communication arose in many situations, wherever employers met, such as where they worked and met suppliers and customers; at local events where they met other business people; or in the pub or at home when they

met with friends who were also in business. The use of informal contacts and friendship groups was a theme which emerged from interviews across a range of business sectors, but especially in less formally organised sectors such as service trades. Small employers explained how these informal networks formed the basis for their general knowledge about the business world and of how networks were created.

*'We approached a company for an evaluation of the plant and machinery. They knew of a bank manager who we then joined up with. And then he knew of an accountant.'*

(Midlands, construction, pension offered, five to 19 workers)

Trust underpinned such relationships. Small employers were more likely to trust information which came to them first hand or from someone they knew. They spoke of the importance of recommendations from business associates or friends concerned with financial matters. As small employers with relatively small turnovers, they felt that recommendations could be trusted because they were specifically relevant to them.

*'I think that, with things like money, businesses that could cost you more for no reason, I always go for recommendations.'*

(London, fashion, pension offered, one to four workers)

### *Types of information sourced*

Informal contacts sourced a great range of general information which had an effect on small employers. These were the contacts established in employers' everyday lives – they felt that interaction with others to whom they felt they could talk was vital. Isolation from others, particularly from other small employers in their community (whether a geographical community or a trade community), could be highly disadvantageous. Information sourced from informal contacts included: what was happening to competitors and the market; local news about the area including matters relating to the local authority such as local parking, cleanliness, refuse collection, lighting, planning permissions, or economic development; financial experiences such as the availability of loans; travel and transport matters; or the buoyancy of the labour market. Small employers felt that it was important to keep abreast of such developments. To do otherwise could risk losing a competitive edge.

**Other local employers** were one of the key informal networks to which small employers turned for information and guidance on financial aspects of their business. This included organised events and informal gatherings – in pubs, after work, or at the weekend. They provided employers with local intelligence of how policy changes were affecting businesses. And they gave employers the opportunity to engage with people who had previously experienced what they were now experiencing: the confidence gained by obtaining information from people who had 'been there and done that' was a recurring theme. Industry-

specific conversations were particularly important. Small employers would generally prefer to talk first to someone in their field before exploring more formal avenues for information.

*'Through people that have been there and done it, work colleagues like me, running their own businesses.'*

(London, manufacturing, no pension, one to four workers)

*'It generally does involve a pub – but we talk about financial aspects, new legislation, how that affects us, how we can deal with it in the best ways... Maybe chatting with some of our competitors. We have a meeting tomorrow with all our local competitors, just sort of bouncing. They're all small firms like me, we've got some sole traders, and just bouncing ideas off each other is not a bad thing.'*

(London, catering, no pension, 20+ workers)

**Customers and suppliers** were used to gain intelligence both informally and formally. In some cases these were again other local business people. Local retailers and service traders would meet customers with whom they could establish a rapport and feel able to exchange thoughts and information on a number of levels.

*'I'm getting businessmen in every few days so I'm always talking to people. Besides asking where they've been on holiday, I'm always asking them whether they're busy, and then I'll find out what type of business they're in to gauge what's happening in that particular sector. I've got quite a few people who are in financial services – I'll always pick their brains.'*

(North, services, no pension, three workers)

*'Word of mouth from our actual customers [is an important source of information] because our customers are a good cross-section of the industry.'*

(Midlands, manufacturing, stakeholder pension offered, 27 workers)

**Friends and family** were important especially when they kept their eyes and ears open on behalf of the employer. Small employers with older family members also in business looked to them for information, advice and support, which sometimes prompted them to seek more structured information, such as on legislation, financial matters or local market conditions. Close family members – including husbands and wives – were also important for the fact that they were not versed in the business, but able to give a common sense response or information/advice with a wider 'world view'.

*'My step dad's my accountant. He's got his own business. My mum is a partner in his business and has set up two or three other businesses in her time. And both of my brothers run their own businesses.'*

(London, printing, pension offered, one worker)

### *Advantages*

Trust was the key issue for employers. Small employers' informal networks tended to be created around people who they felt they could trust. A clear explanation from a trusted source was regarded as preferable to reading through lots of official paperwork, of which not all would be relevant to their specific industry and some might be difficult to understand. This contrasted with positive distrust of some professionals (notably from banks, discussed in Section 3.2.3) who were perceived to have a pecuniary interest in the information they were imparting.

*'I think we would talk to people that we knew, like trusted people, colleagues, business colleagues, that we've networked with for a long time that are themselves successful business people.'*

(London, PR, stakeholder pension offered, 14 workers)

Informal networks were usually free. The nature of informal and formal business relationships could blur, such as for employers who viewed their accountant as a personal friend, or whose IFA was a relative – particularly where they had worked with the family business for a number of years.

*'Luckily [my financial adviser] is my neighbour. We're both from Iraq. He doesn't even charge me.'*

(London, retail, no pension, one to four workers)

Informal networks were often more knowledgeable about the business and its people than contractual relationships. There was a sense that friends, family, colleagues and competitors understood each other, were familiar with each other's needs, and wanted to be mutually supportive. There was a confidence about sharing ideas with people with common interests who were not financially-motivated when they provided the information, but based on communities of family, friends and colleagues.

*'I know a lady, a really good friend now, who works at a local accountants, and [I'll speak to her] if there's something that I'm a little bit unsure of.'*

(North, care/medical services, pension offered, 25 workers)

Informal networks could be highly useful sources of 'advice about advice' – a first port of call on where to go to get more information. A 'word of mouth' recommendation from a friend was a comfort, even more so for a major decision about where to find more (and good quality) information and advice where the employer tended to trawl through a number of friends and colleagues. This kind of advice about advice touched on the less tangible aspects which small employers look for – character and level of service, as well as cost, for example.

*'They were auditing the accounts of other firms of solicitors, whom I knew, and I did make one or two calls among those solicitors to ask whether they were happy with their accountant. The feedback was pretty good and they're a very professional team.'*

(North, services, stakeholder pension offered, ten workers)

The opportunity to learn from others' mistakes was a virtue which could precede paying for formal advice.

*'We've already learned from other people's mistakes and mostly learned things that are beneficial to us, like going and seeing three accountants, because otherwise if we'd just gone to see the first accountant we'd have probably ended up paying an awful lot more for advice that really we've had free.'*

(London, services, no pension, six to ten workers)

### *Disadvantages*

Not all small employers had networks. Sole traders sometimes felt somewhat isolated, and disengaged, or lacked confidence in sharing their situation with others. They generally did not trust people sufficiently to share information about their business or did not have sufficient contacts or contacts with appropriate knowledge or were ambivalent about the older types of networks which exist such as 'the old boys' network' or 'the golf club'. Alternatively, they did not have sufficient contacts, or contacts with appropriate or up-to-date knowledge to make best use of these networks.

*'I don't trust a lot of people – cold callers, financial people, the old guy from your golf club, or whatever.'*

(North, retail, no pension, five workers)

### **3.2.3 Banks**

Small employers' relationship with banks varied considerably. For some, banks performed a similar role to accountants in terms of the knowledge and expertise they could provide. Where employers had been with the same bank for some time, sometimes following in the footsteps of their predecessors or parents, a trusting relationship had been established, particularly on issues where the bank had expertise in an area such as business planning or economic intelligence.

One of the drivers of attitudes towards banks as a source of information was the degree to which they were proactive in communicating with their clients. Small employers wanted their bank to take an interest in them, to think of items that could be useful or important before they did, and to share intelligence before being asked for it.

*'I have been fortunate. I have had my bank manager for about eight years now which is unusual. He knows my business inside out. He'll phone me if he thinks there's a product that needs using or there's something we should be doing.'*

(Midlands, catering, stakeholder pension offered, 33 workers)

### *Advantages*

There were felt to be a number of advantages to using banks as a source of information. These included:

- Trust:

*'I trust my bank more than anyone else probably. Well, they're a big organisation. I have been with them so many years.'*

(London, services, no pension, eight to ten workers)

- Helpfulness:

*'Obviously when you're [setting up] your bank account, they're bound to be helpful and handy, but even though that's all been signed and sorted, they still respond straight away.'*

(North, catering, stakeholder pension offered, seven workers)

- Knowing the business:

*'We are meeting here [bank manager and employer]. He comes here very regularly. He has known us many, many years.'*

(North, care/medical services, stakeholder pension offered, 19 workers)

### *Disadvantages*

But there were also considerable reservations about banks. The relationship reflected the particular individuals at the bank with which workers were working – and skills, knowledge, service and personalities could vary. But a business could still use a bank as source of intelligence, even if they were sceptical and unlikely to take their advice:

*'We've had a mix of bank managers. Some of them are salesmen, just there to try to get you to buy something off the bank. More recently, the banks have been providing good business managers. The last two in particular have been exceptionally good. Proper bankers.'*

(North, services, stakeholder pension offered, ten workers)

Small employers' views of banks may to some extent have been influenced by the particular stage of the economic cycle which had been reached at the time of our research. As discussed in Chapter 2, economic optimism had been low for some time and many employers were already finding life tough. Some employers were troubled – even at that early stage of the downturn – with difficulties in getting banks' help with liquidity, or long-term investment. This may have influenced their interaction and how they regarded the information which they received from banks. But this was not the only story. Small employers also took a longer-term view of banks, based on how proactive and helpful they had been to them in person and their business affairs. There were exceptions to this – where a bank clearly had a policy of helping an employer or a personnel rapport had been established. But

the more typical picture was that small employers regarded banks as 'people to do business with' rather than primarily as a source of good information or advice.

Small employers' main concern was that banks were perceived to be driven by vested interests, often directly by trying to sell something, rather than helping a client. The key difference between this and other professional relationships was that employers paid other specialists to act in their (the employer's) interests, whereas they felt that the bank did not have that perspective.

*'You pay your accountant like you pay your solicitor – to [act in] your best interest. But the bank is not paid to do that, is it? The bank is there to actually get their best interest out of you.'*

(London, services, no pension, three workers)

*'Our bank [named], I felt, didn't ever tell us anything. We had the initial meeting to open the account up and really that, as we know in hindsight, was just a sales pitch. We knew they were trying to sell us to open an account because that's got the prices on. But apart from that there's been nothing from them.'*

(North, catering, stakeholder pension offered, seven workers)

A lack of continuity between employer and bank staff damaged the potential for a stable and productive relationship. This was a two-edged story. On the one hand, banks' personnel changed. On the other hand, small employers also changed banks more often than in the past – for example, to avoid or cut the cost of charges or to take advantage of short-term offers. Older employers contrasted their current experience with their banks with their highly positive recollections of the past.

*'I've been banking with the same bank for 36 years. At the moment, I don't think I know who my manager is. When I opened my account 36 years ago, I had a manager who became my friend. We used to go out for lunch together. We had interests that we could share together. He retired donkey's years ago and he still phones me from time to time. But if I go across to the bank across the road here, I've no idea who's in charge.'*

(North, services, no pension, six workers)

Small employers typically felt that the quality of staff in banks did not enable them to give industry-specific advice.

*'A hairdresser is different from an estate agent, or a shoe repairer, or a baker, and all that. What are they [the bank] going to tell you, some figures that he read from the books?'*

(London, services, no pension, three workers)

### 3.2.4 Federation of Small Businesses and other trade associations

#### *Advantages*

Business and trade associations offered a great range of support and typically were highly thought of. Information was imparted through newsletters, the organisations' websites, and forums, and they often provided telephone or email helplines. Discussions organised by the local Chamber of Commerce, Business Link, and geographically- or industry-based representative bodies could provide not only useful intelligence but also a basis for networking and further discussion of matters of concern.

The FSB, which was highly regarded in the ICM annual survey, was similarly favourably mentioned in our interviews with employers:

*'I've been able to phone the FSB free phone helpline. They've tended to have been able to give me fairly good advice straight away.'*

(North, retail, no pension, four workers)

Overall trade associations were perceived as useful information sources. They could typically offer:

- free legal help;
- a diverse and large membership, with a consequent access to a range of experiences;
- specialist departments to help with specific issues, including finance, taxation, law, contracts and HR legislation;
- information on template policies and procedures;
- training courses;
- sources of tenders, and news and possible future policy changes;
- recommendations for services or sources of further external information and advice, including accountants and solicitors;
- information and intelligence about grants and other aspects of economic development measures; and
- effective websites with information, news, policy developments, and sources of more information.

These facilities were particularly useful for small employers when starting up, with introductions to networks and information sources, but they also remained useful once employers had established themselves:

*'You go to an event, perhaps it'll be about funding, and I met a load of people who could show you how to get funding and all this type of thing. I think you've just got to be proactive, it's out there, but you've just got to be a bit proactive with it.'*

(Midlands, engineering, pension contribution offered to some, 33 workers)

Associations did not suit all employers. For some micro and other small employers their membership cost was a disincentive. Even larger small employers' information and networking needs were transcended by the day-to-day management needs of their business:

*'I don't [go to business seminars], though I'm often invited. I think it all depends what sort of business you have. Being a small business like mine, you have to be here most of the time. Not being here for one reason or another means that something here is neglected.'*

(Midlands, manufacturing, pension for two directors, 42 workers)

Overall, associations' value lay in their size and member diversity. They were trusted because they exist to service their membership and no other reason. And they brought with them the skills and experience borne of working with their range of members – a great and diverse experience:

*'I belong to a group of small traders ... And we get together on a monthly basis for an early morning coffee. There are two or three from each walk of life. I think there's a total at the moment of 30 people in our particular group. And we share experiences and problems, because a lot of the time the problem that you're coming up within business is not unique to yourself that's for sure.'*

(Midlands, electrical, stakeholder pension offered, ten workers)

### *Disadvantages*

Trade associations do vary, along with small employers' perceptions of them, however. For some, there was a lack of specific expertise. Small businesses saw some business chambers as not meeting their specific needs, sometimes more concerned with the affairs of bigger business.

*'The Chamber of Commerce did come to see me many years ago and wanted me to go to meetings, but I found that they were a little bit out of touch with a small business like me. I think that they were aiming at businesses that were a step or two larger than me and that they weren't really interested. They hadn't got any idea what we are doing here really.'*

(North, services, no pension, six workers)

Although trade associations could be very helpful when businesses were starting up, with practical information and access to networks, small employers did not think that this usefulness was always retained once their business had got established.

*'They are normally more use when you are establishing a business as opposed to when a business is established.'*

(Midlands, IT, no pension, ten workers)

Some felt that they were a little distant from what is important to them, concerned with infrastructural issues with which a small business could not relate:

*'Some of the [trade associations] do not feel so relevant. I could find a couple of emails from one of them today. Email your views about corporation tax, some of the big Downing Street stuff. It probably does affect us, but it's at a distance if you know what I mean.'*

(North, catering, stakeholder pension offered, seven workers)

And the networks which associations implied required employers to contribute as well as receive assistance, and they did not always have the time to do this, as noted in Chapter 2.

*'We don't have time to be honest because the problem is in my business I do everything, even the book-keeping, the accountancy, and the VAT. I do it myself and I don't have time to attend.'*

(London, services, no pension, two workers)

### **3.2.5 Government and local government**

It was common for small employers to regard 'the government' as a generic term embracing local government and even the EU.

#### *Advantages*

Overall, it was regarded as the most authoritative source of information, particularly in terms of literature (particularly from HMRC and the DWP) which was generally felt to be useful and clear.

Small employers found it especially helpful when a summary sheet was provided alongside more detailed information into which they could drill down if necessary. Small employers who used government websites to get information felt that the useability was generally good and the information provided was clear. They also thought that helplines, where issues could be discussed, were extremely useful.

*'We get circulars from the government more than anything else giving advice which, especially on the PAYE and tax and everything else, would be our most used source of information.'*

(Midlands, retail, contribution to pension, 20 workers)

When prompted to discuss separate components of governmental institutions, employers identified a range of information which was particularly valued:

- circulars on taxation and PAYE (regarded as essential reading and for the most part, valued);
- HMRC employer bulletin;
- information about where to get more advice.

Employers were generally favourable about how local HMRC offices responded to enquiries on taxation – they found a willingness to advise, easy to contact the office on the phone, and an authoritative response. Some employers said they dealt more easily with verbal than written information.

*I do use the Inland Revenue [HMRC] helpline, they're very good.'*

(North, care/medical services, stakeholder pension offered, 25 workers)

Local authorities' economic development teams<sup>19</sup> can be found across the country and small employers found them correspondingly useful. Some teams had proactive outreach teams and employers valued their advice and interest – on the spot advice, intelligence about financial services such as loan finance, including advice and recommendations for accountants and solicitors, and practical assistance such as on letter writing.

Views on websites were determined by the character, circumstances and information needs of the user as well as by the website itself. The HMRC website for example had proved helpful to some.

*'The best kind of boring but informative and information-rich site in the world is probably the UK Inland Revenue's [HMRC].'*

(London, arts, pension with contribution offered, two workers)

It was found to be important that government information was authoritative, secure and accurate, thereby inspiring trust. Some small employers would wait to receive formal information or guidance from government before taking any action or seeking further professional guidance.

*'The government, usually, you can trust. They don't have any tricky way to make money off you.'*

(London, services, no pension, two workers)

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<sup>19</sup> Local authority economic teams' roles depend on their type and nature. Typically they will include collating, monitoring and analysing economic intelligence to inform local area agreements and other initiatives; securing, advising on, monitoring, and managing external funding; developing and delivering regeneration projects and programmes; and facilitating inward investment and the retention, relocation and expansion of local enterprises, in order to create new growth and employment opportunities. Some will also manage local enterprise and growth strategies or incorporate local rural, tourism, town centre or marketing units.

*'Until government sends you the right information, you don't know exactly if [other advice] is going to be right or wrong, so the best thing is to wait for the government to send you the brochure or send out a letter to explain this.'*

(London, catering, no pension, three workers)

### *Disadvantages*

However, small employers could feel differently about 'the government', when thinking generically, compared with individual departments and particularly compared with individual officers. Their thinking about the government was sometimes affected by other, not least party political, considerations.

The main drawbacks for some small employers were the sheer amount of information received and the time needed to process it all. This applied to written materials which were received and also to websites which some found daunting in their sheer size and complexity.

*'The things that they do on their website are far too expanded for people, such as me, who are in a small business. When you're working long hours, and you're trying to keep your business running, you haven't got the time to go through endless pages of legislation. It's got to be user-friendly.'*

(Midlands, care/medical services, stakeholder pension offered, 27 workers)

### **3.2.6 Other sources of information**

Solicitors were used by some small employers similarly to accountants in that they provide another level of security and they can also be used for advice on relevant subjects. For the most part, employers reported a proactive use of their solicitors – they sought their advice when they had a specific issue to resolve but some benefitted from information-dissemination services provided by their solicitors, especially on employment law. Solicitors provided peace of mind that small employers were in compliance with the law, notably employment law and health and safety legislation.

*'On a monthly basis she holds seminars at her office for half a day, on various subjects such as staff lateness, absenteeism, and managing safe, easy, efficient exit routes for people who want to leave.'*

(North, import, no pension, six workers)

Although independent financial advisers (IFAs) were used by only a small minority of small employers, in some cases they were the primary source of information about financial matters. They tended to be advisers whom the employers knew personally or who also advised them on private financial matters. IFAs were regarded by those who used them as a good source of unprompted information – information leaflets – although some put such information straight into the bin because they did not see the IFA as independent or indeed particularly suited to the needs of their small business. Rather, they perceived IFAs to be motivated primarily by making commission.

*'When the so-called independent financial advisers are paid on a commission basis that makes me a little bit cynical about the advice that you're given.'*

(Midlands, retail, pension contribution, 20 workers)

Traditional **print and TV media** retained a role in providing general local and national news, information about economic conditions, key indicators, and market analysis. Business intelligence was also obtained from national (and, in some areas, local) financial pages on what the implications may be for their sector or business. But the media was regarded by some small employers as superficial and often inaccurate. It was far from trusted by many small employers.

*'It's only what you see as a normal television programme or anything like that, and we do pick up tips from that. If somewhere is laying people off, that could have an impact on our business.'*

(Midlands, engineering, stakeholder pension offered, 17 workers)

*'I don't trust the media. I think the headlines are often misleading. They dramatically enhance a story to make it stand out. They've got to fill in too many pages, and I think sometimes what you read is a little bit ambiguous.'*

(North, retail, no pension, five workers)

**The internet** tended to be the first or second port of call for small employers seeking preliminary information or help: government websites (DWP, HMRC); specialist bodies (Charity Commission, Companies House, trade associations such as the FSB); news agencies (BBC, newspapers); specialist sites relating to the business in question; and search engines. It was a key source of an overview – the way to get more information once an issue (such as the possibility of impending legislation changes) had been brought to an employer's attention, for example, through informal networks or through what they had heard or read on the news. Similarly, if small employers did not understand something which had been brought to their attention, they would make a specific search of that website to find out more. Further research could be undertaken on an agency's or government department's website following receipt of initial written information. It was in fact a multiple source medium with access to academia, commercial organisations, government and other public sector departments and competitors. And it was a source of further advice, such as finding an accountant, obtaining free services, or getting information on comparative prices.

*'The internet is better than anything else really because, although you can get brochures through the door, these websites are fairly comprehensive and extensive. And there are very few times that you have to pick up a phone and admit that you don't understand something.'*

(London, construction, pension contribution, six workers)

*'We would go on the internet. We would probably go on a number of the government websites, like the health and safety or some personnel aspects. We'd start off on the internet and we'd search relevant organisations that could help us with that information.'*

(London, PR, stakeholder pension offered, 14 workers)

However, there were perceived drawbacks to the internet. Small employers said that it cannot always be trusted (although this did not apply at all to government sites) and that you have to take what you see at face value, right or wrong. It is *'not possible to have a conversation with a website'*: small employers had to take what they found at face value, whether it was right or wrong and were not able to ask questions or query aspects as they would do over the phone. In addition, it was also possible to identify conflicting advice on the internet, which resulted in confusion. Hence, small employers often used the internet to identify what they would need to ask more questions about when they approached more formal sources of information.

### 3.3 The information journey

A number of themes emerge from this review of small employers' main sources of information.

First, it is striking how similar small employers' views were on what is important to them when receiving or seeking information from any source, regardless of sector and staff size. They looked for independent, authoritative advice, which is relatively straightforward to read. They did not want a sales pitch couched as information and they did not want any confusion between information and advice – they were different and small employers need them at different times. Above all, they have to feel a sense of trust about the source of information. They do not have the time to have to check and double check the data. That is why, when small employers have found a source which they trust (this could be an individual such as an accountant, an office such as the local tax office, or a website), they wanted to stick with it.

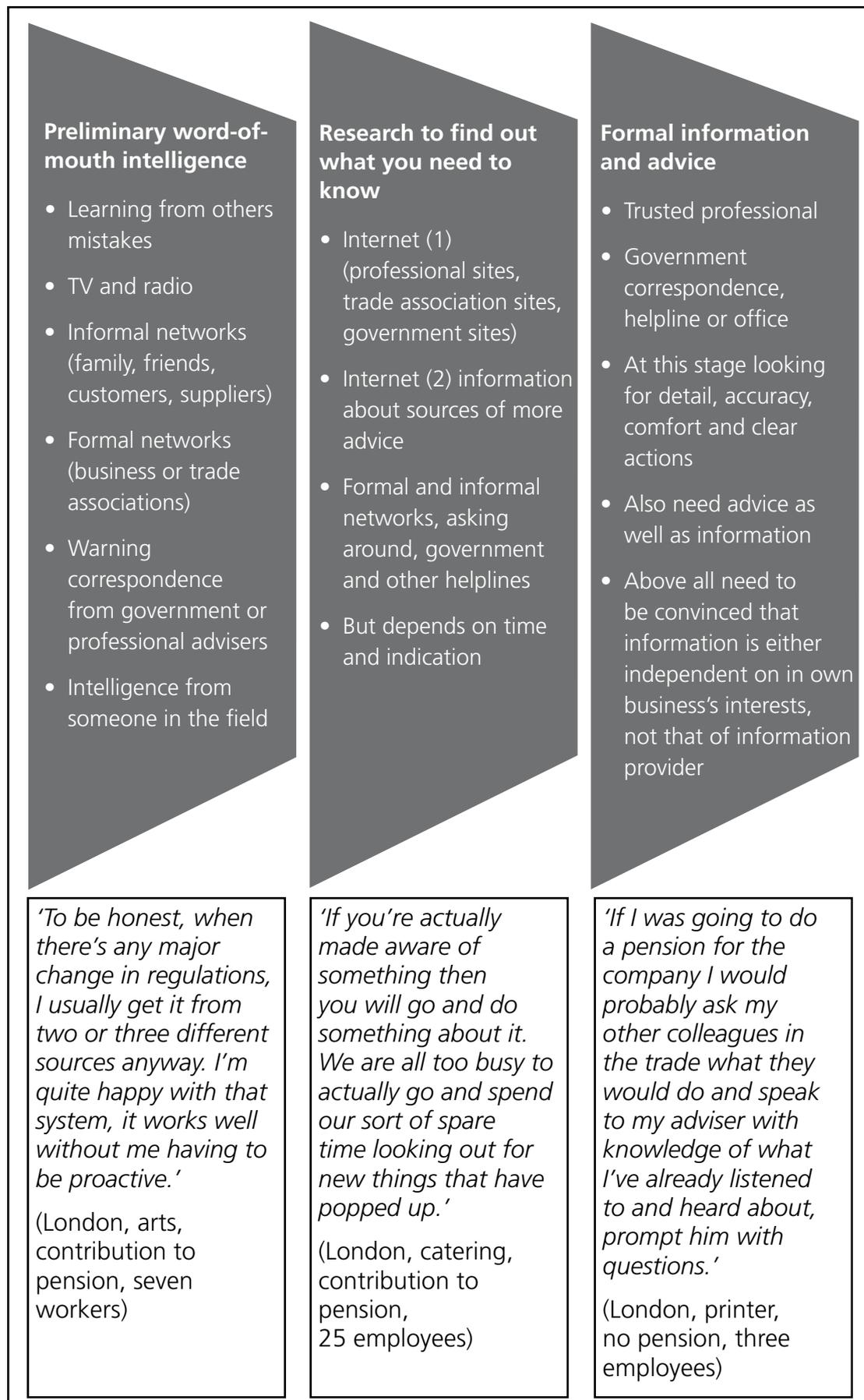
Second, within this broad framework of needs, different types of business have different information preferences. Micro employers and other small employers (typically with fewer than 20 workers), and local traders were typically reactive. They did not have the resources, time or sometimes the inclination to be proactive. They did, however, expect to find out about news and developments from more than one of the sources discussed in this chapter – notably informal networks of family, friends, customers, suppliers and other local businesses. Larger employers (typically those with more than 20 workers), and professional service firms (estate agents, solicitors, accountants) typically had the internal capacity to seek intelligence and to follow it up. They tended to utilise business or trade associations and to have an ongoing relationship with a professional adviser, whom they trusted implicitly and with whom they often had a long-standing relationship.

Third, a broad picture emerged of different types of information being required at different times. Small employers wanted to be warned if changes were in the pipeline, such as potential legislation. They expected, and felt that they got, warning from the government in such situations. Local affairs, market intelligence or longer-term speculations about what may transpire in the future could be obtained from informal interaction or from advisers being proactive. Most likely, this initial intelligence would be received many times and come from a number of sources – proactive advisers, interested friends and colleagues, and business networks. Sometimes it would come from unwanted sources: employers claimed that when legislation changes, consultants tend to call them to bring it to their attention and try to sell their services.

Having been made aware of the issues, some small employers then researched more before they sought more formal advice. The internet tended to be the main source of such research, although individual small employers had their own networks and media sources to find out more.

Obtaining more formal guidance was then the final step of the journey, when small employers knew what questions to ask and what answers they needed. It was at this stage that they were prepared to pay fees if necessary to their accountant, or see the bank manager, or consult with their solicitor; sources they trusted to provide them with definitive information, once they had established the basics.

Figure 3.2 The information journey: summary





## 4 Offering a pension

### Summary

When deciding whether or not to offer pensions to staff, small employers were influenced by their belief systems and their underlying attitudes to the role of the employer, the responsibilities of the individual, the impact pensions might or might not have on their business, and the economic and legal environment. The way they received information and previous personal experiences also informed their decision.

Those who offered pensions were motivated both by the interests of their businesses and the view that it was the right thing to do in any case. A pension (particularly one with an employer contribution) was one element of the total package which they could offer to maintain morale, retain staff, and help to attract new staff. This was underpinned by the belief that pensions were necessary to help encourage staff provide for their futures, that the State Pension on its own was inadequate, and that small employers had a social responsibility towards their workers. Such belief systems were influenced by employers' experiences and upbringing, their own (previous) employers' attitudes towards pensions and saving, and the impact which pensions had on other companies and their staff.

Small employers' reasons for not offering a pension focused on their perceptions of how they perceived their workers to feel about pensions as well as their own personal attitudes. Their perceptions of staff expectations were key. They felt that workers generally had little expectation that small employers would offer a pension. Workers had generally not taken up the offer of a pension when it had been made previously, and employers had rarely been asked to introduce one. This partly reflected the demographic profile of their staff: young, low paid, or transient staff did not relate to pension provision, particularly in traditional working class areas. Small employers felt that staff knew little about pension schemes and what they did know was often not favourable after a continuing 'bad press'.

(continued)

Small employers who perceived or reported low interest among their staff tended, themselves, to have a negative attitude towards pensions. The overarching issues which were important to employers in running their businesses, as explored earlier, underpinned their attitudes towards pensions. They were concerned with costs, regulation, and administration – they did not see pension provision as relevant to the core objectives of their business. That was the responsibility of the individuals concerned. And employers shared the scepticism about pensions which they ascribed to their workers. They felt that there were more reliable, better value, ways of rewarding staff, and to maintaining morale and staff loyalty, not least through their pay packet.

This chapter considers how small employers' underlying belief systems influence their decision whether or not to offer a pension scheme to their staff, pointing out – where they exist – differences in attitudes between employers who offered and contributed towards their workers' pension scheme, those who offered but did not contribute towards a pension scheme, and those who did not offer a pension scheme at all. This can then inform communications and other encouragement related to the pension reforms, discussed later in this report (in Chapter 7).

## 4.1 Why small employers offer a company pension

### 4.1.1 Compliance with legislation

Some small employers who offered a stakeholder pension, but did not contribute, did so because of their understanding of the legal requirement to offer a 'minimum stakeholder pension'. That understanding was not always fully formed. Rather, it was based on what they had been told: that it was the law to offer a pension and that was the end of it. They may have had no other motivation apart from their understanding of the law and their need to comply with that. But, in many cases, their offer of a pension scheme to staff proved to be academic. Small employers reported low take-up, even where they said that the offer was made repeatedly to their staff. This was not just apparent in industries where it might be expected – where staff turnover was high, the labour force transient, or the worker profile especially young. It applied to all sectors.

*'There might be a grunt of acknowledgement but nothing more than that. Nobody has ever asked me for more information.'*

(North, services, stakeholder pension offered, ten workers)

The fact that an employer had offered a stakeholder pension to staff did not necessarily result in them thinking positively about pensions. This was partly because they offered it under legal obligation and partly because they were sceptical of its benefits in any case. Even where small employers thought that encouraging a savings ethos was important, they did not always consider that the pension which they offered was the best one for their staff. In those cases, they

did so because they thought they had to provide some type of pension, they were complying with the law, and their staff were happy that some kind of pension provision was being offered.

*'The truth is that it isn't the best pension available and what might be the independent financial advice of the best route for them is not the one that we are legally required to offer.'*

(North, construction, stakeholder pension offered, seven workers)

Pension reform legislation had influenced small employers even before it is formally put into effect from 2012. As employers became more aware of the impending reforms, so some pre-empted the legislation and introduced pension schemes for their staff. This tended to be employers who were in any case thinking about making the change. They were sympathetic to the concept of worker pensions and had already considered the implications for their business.

*'If the government hadn't raised the subject and started publicising different kinds of pension schemes for workers, it would have probably been another year before we'd got round to thinking we should have done something, but it brought it to our mind that we ought to.'*<sup>20</sup>

(Midlands, manufacturing, offers contributory pension to two senior staff, 21 workers)

#### **4.1.2 Staff morale and motivation**

Small employers vary a great deal, but one common characteristic is that the relationship between employer and worker is often closer than in larger organisations. When in close touch with staff, it could matter more to small employers how they were feeling about work or the business: it could make a significant difference to how they functioned within the workplace. This was the picture which emerged from all employers, but those who contributed towards pensions felt strongly that (at least regarding pensions) what is good for the worker will be good for the business:

*'If you don't have good staff morale your company's not going to survive, the people are not going to work for you. It's very short term to think that you can cut corners and not treat your staff correctly, and I think it's good to provide the right conditions for them.'*

(London, construction, contributes towards pension, eight workers)

Small employers who offered, and contributed towards, a pension were positive about the implications both for the business and the worker. The range of advantages identified by employers focused on improving engagement of staff with the business, leading to improved productivity and increasing the chances that the worker would care about what happened to the business.

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<sup>20</sup> In fact, the government had not, specifically in the context of the forthcoming pension reforms, publicised different kinds of pension schemes for workers at the time of the fieldwork.

For such employers, this approach was not just about offering pensions per se, but about a wider, holistic approach to working with staff for the benefit of the business and workers: engendering trust and increasing a sense of security and long-term engagement. Such issues were particularly important in businesses where there had been change – for example, where there were new owners or staff had been made redundant. The impact of just one unhappy member of staff in these situations, already important because small employers were by definition often close knit, could have a destabilising effect on the rest of the staff. A contributory pension was part of a wider set of measures aimed at avoiding that situation.

These were all issues which were also acknowledged by some small employers who did not offer pensions. However, the issue for them was whether such considerations were sufficiently powerful to overcome the perceived disadvantages of pensions (discussed below), especially cost.

*'[I acknowledge that introducing a pension] would keep my staff happy and I always like to think I'm looking after my staff. They've all been here a long time. We're friends and we're a little team. If there was an opportunity for me to say to them, there's a pension all of a sudden with your job, I know they'd be over the moon, and I'd be delighted to think that they would be delighted. But a small company like this can't afford to subsidise something like that.'*

(North, services, no pension, six workers)

#### **4.1.3 Recruitment and retention**

The implications of a pension on recruitment and retention were important for more employers than morale and motivation. The issues were clearly related but employers tended to regard recruitment and retention as more obviously related to what was important to the business. As noted in Chapter 2, recruitment and training of staff can be costly. It can take time for new staff to become fully effective at their job. Some small employers noted that they were sometimes asked about pensions when interviewing for new staff, but this was not sector-specific. Others thought that potential staff may be thinking about pensions and that was a sufficient incentive for them to introduce the scheme.

*'Everyone goes through a slightly tricky time at work and maybe thinks about doing something else. I'd like to think that little things like a pension scheme might make them think twice rather than just upping and going.'*

(London, services, contributes to pension, one worker)

Small employers not offering a pension could see the recruitment and retention arguments in favour of introducing a pension. If a well-qualified potential new member of staff had the choice of working for companies with or without the pension, they were likely to go to the business offering a pension, other things being equal. However, they felt that the impact of this was limited by the transferability of pensions.

#### 4.1.4 Social responsibility

The issue of social responsibility in some ways sums up the contrasting views taken by small employers. It was most often raised, unprompted, as pensions being 'the right thing to do'. Those who expressed a sense of social responsibility did not divorce this from drivers of a successful business, however. They argued that they were not only compatible but also mutually supportive. Pensions were both the right thing to do for staff and they were good for their business.

This sense of social responsibility took a number of forms: the belief that it is everyone's right to have a pension and that the State Pension on its own is not enough to live on; a broad concept of 'good practice' borne of a belief that pensions – like National Insurance and sickness or maternity benefits – were simply something that good employers provided; a sense that the government and employers had a joint role in the welfare of workers, both to educate people about the need for pensions and to provide them to staff.

The fact that small firms were often closely knit impacted on this as well:

*'A lot of our staff have been friends of ours over a period of time, so we want to make sure that we give them the best advice we can and the opportunity – I think that's the key word – to do something, earn money, progress here, take out the scheme and protect themselves and their family.'*

(London, vet, stakeholder pension offered, seven workers)

A definably different, but related, concept which was important to these employers was the almost paternalistic one of a pension scheme being a 'nice thing to do' and 'giving something back' to staff. This was sometimes based on employers' personal experience of having themselves had an employer who cared about, and encouraged, workers' savings, and wanted to offer the same to their own staff. By the same token, some employers had reacted against their previous employers who had not offered pensions to staff.

*'Because we as directors had worked in agencies and gone through most of our working lives without any kind of pension provision, we felt that we ought to make sure that these people have some kind of provision.'*

(Midlands, manufacturing, contribution to pension, 21 workers)

#### 4.1.5 Other considerations

A range of further considerations also emerged from our interviews. The size of the business influenced the decision of whether to offer a pension. Some small employers (discussed below) argued that their capacity was insufficient to be in a position to make the offer. Others, however, felt that small companies could successfully offer pensions to their staff. For example, they had the flexibility to offer a pension to a new member of staff (perhaps one who already started a pension scheme with another employer), even though it was not something offered to staff generally. This was possible because the cost was relatively small

and it was easier for a smaller organisation to make decisions which made sense in individual (rather than corporate) circumstances.

Another factor mentioned by a number of small employers was the 'tax breaks' related to pensions:

*'We made a contribution to the pension scheme before it was added on to the salary. In other words, you don't actually end up paying. It was a very tax efficient way of contributing to the salary scheme, called 'salary sacrifice', which as far as I know is still a legal thing to do.'*

(London, arts, contributes to pension, seven workers)

In any event, it was the financial implications of offering pensions which ultimately was the most significant driver of the decision of whether or not to offer a scheme to staff. Some small employers, who did not offer pensions, could see this changing in the future, provided the financial context allowed – for example, if the business grew to a size which had the financial and administrative capacity to offer pensions and, if possible, contribute to them.

*'If I was successful, going very well, and it was tax efficient for all the people in question, I would look into it.'*

(London, printer, no pension, three workers)

## 4.2 Barriers to offering a pension

Small employers identified a range of barriers to introducing pensions, partly reflecting their views of the characteristics and attitudes of their staff, and partly reflecting their own attitudes as employers.

### 4.2.1 Small employers' perceptions of worker attitudes

The overall picture to emerge was that small employers who do not offer pensions mainly pointed to the fact that, in their experience, workers did not want a pension scheme if they had to contribute to it, i.e. they did not want to 'give up' part of their salary in order to save for the future. Small employers did not claim that this was necessarily always the case, but that it appeared to be the situation in their industry or company. Employers in a wide range of sectors, and in different sizes of small organisations, reported this view. Those employers who reported low take-up tended, themselves, to have a negative attitude towards pensions. Some employers reported that staff had not asked for a pension and they had, therefore, not initiated discussions. In other cases, employers had offered pensions to their staff but had found no interest and they had, therefore, put the issue to one side. Some were disinclined to investigate pensions in any depth, or pay for advice on the issue, in case staff would then just turn down the opportunity. They regarded that as a waste of money.

*'We don't offer any information for pensions purely because we've never been asked to, we've never needed to, and we've never felt like we had to.'*

(Midlands, mechanics, no pension, 30 workers)

The reasons small employers ascribed to workers for this lack of interest were threefold: the demographic profile of staff, their lack of knowledge of pensions, and their lack of confidence in the system.

#### *(a) Demographic profile of staff*

Small employers pointed to the types of their staff who they assumed would not be interested in pensions:

- Young people:

*'A 21 year old, if I said, "look, I'm going to take some money out for a pension", he'd just tell me to get lost, it's not the right time for them.'*

(North, services, no pension, three workers)

- Students:

*'The ones that are students aren't here long enough to want a pension.'*

(North, catering, stakeholder pension offered, ten workers)

- Low paid:

*'These are people that are earning £7.40, £8 an hour, which is quite good money for a part-time post. But the reason they're doing this is because their children are at school and they need shoes and they need every penny that they're earning.'*

(North, care/medical services, stakeholder pension offered, 25 employees)

- Traditional working class area:

*'It's a traditional working area, and everybody used to be paid their money in cash at the end of the week. You wouldn't believe the trouble that we had persuading people to be paid via BACS, because people hadn't got bank accounts. They're operating in the land of where everything's paid for by cash.'*

(Midlands, manufacturing, pension with contribution for two senior managers, 42 workers)

- Transient staff:

*'If someone was looking for more of a long-term career then you would [find an interest in a pension] but this industry is not a long-term career.'*

(North, catering, stakeholder pension offered, ten workers)

- Non-national staff:

*'Most of [our staff] tend to leave the country before they retire anyway.'*

(London, catering, no pension, five workers)

- Happy with state provision:

*'They've got a State Pension. They'll be happy with that.'*

(North, services, no pension, two workers)

It was not the function of this research to verify these stated perceptions with the workers concerned. However, quantitative research of private sector workers for the Department for Work and Pensions (DWP) in 2007 indicates that, once they understand the principles of the proposals many workers favour them. At that time, less than a quarter of respondents (23 per cent) had heard anything about the scheme, and most of those who had heard of it knew little or nothing about it. However, following explanation of the key features of the reforms, respondents were positive about them. Each of the key attributes was seen as attractive by a majority of respondents. Almost seven in ten workers said they would definitely or probably stay in the personal accounts scheme if automatically enrolled tomorrow (69 per cent)<sup>21</sup>.

*(b) Workers' knowledge of pensions*

- Lack of knowledge of pensions:

*'They don't know enough about it to actually form an objective opinion about it.'*

(London, catering, stakeholder offered, 25 workers)

*(c) Workers' interest or confidence in pensions*

- Workers do not perceive a pension as a benefit:

*'Nobody comes to ask if you got a pension or whatever. The only thing they want [to know] is how much [you pay] an hour.'*

(London, hotel, no pension, 40 workers)

- Lack of trust:

*'Basically, they don't trust pension schemes. They'd rather put their money in a sock under the bed or something.'*

(Midlands, industrial manufacturing, pension with employer contribution, 18 workers)

- Lack of perceived benefit in saving for old age:

*'These are people who have worked with elderly people. They see that an elderly person is means tested, even when they are old and no longer working. The government says, if you earned so and so amount of money, then you don't get your pay.'*

(London, care/medical services, no pension, 12 workers)

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<sup>21</sup> Webb, C., Pye, J., Jeans, D., Robey, R. and Smith, P. (2008). *Individuals' attitudes and likely reactions to the workplace pension reforms 2007: Report of a quantitative survey*. DWP Research Report No. 550.

- Some have their own pension arrangements or other plans for funding retirement which were more attractive than the employer could offer:

*'The pensions on offer to the staff are not attractive enough to make it worth their while. They tend to have individual pension arrangements. But we have the scheme available should they wish to partake.'*

(North, construction, stakeholder pension offered, seven workers)

#### **4.2.2 Small employers' own attitudes**

Again, small employers' underlying values and attitudes underpinned their reasons for not offering pensions. Small employers were concerned with matters such as costs and regulation. On this basis, they did not offer pensions to staff.

##### *(a) Cost*

The most important issues to small employers were financial. Employers felt that a pension would necessarily cost them money and affect their bottom line. The business would have to be very stable if they were to consider a commitment of this type. However, as discussed in Chapter 2, the economic environment had looked threatening for some months before our interviews took place. Employers, therefore, felt that, if the business were to lose its viability as a result of the expense and administration involved with a pension scheme, then everyone would lose out, none more so than the staff:

*'I think it would be the right thing to do...but, if I did, I know I'd be out of business and then they'd be worse off.'*

(Midlands, manufacturing, stakeholder pension offered, 27 workers)

*'We're looking at all sorts of ways of cutting back and not at increasing our expenditure. So, if it's going to cost us anything at all, the answer's absolutely a no.'*

(North, services, no pension, six workers)

##### *(b) Scepticism*

As we saw in Chapter 2, the economy was perceived to be the single most important barrier to small employers meeting their objectives. One of the characteristics at the time our interviews took place was a sharply falling stock market with the consequent impact, much publicised at the time, on the value of pensions. This was just one of a series of unfavourable pension-related press stories over the years which, altogether, had led small employers' to view pensions sceptically, and which in turn led them to doubt that they were necessarily in their staff's interests, even if they were prepared to offer them.

*'I wouldn't do it to them, no. I wouldn't want to, only because I just don't think it's fair. You pay into pensions all your life and then you find out they're worth nothing. They make us pay into the government pension, what's that about? At the end of the day you're going to get 60 quid a week or something, by which stage probably a packet of fags will be 60 quid a week.'*

(London, music, no pension, four workers)

It was not just the collapsing value of pensions at the time of the interviews which concerned small employers. They also recalled the Maxwell pension scandal of 1991, the mis-selling of pensions in the 1980s and 1990s, and the replacement of final salary with equity-based schemes. The result of this combination of circumstances was that pensions had lost their lustre.

*'Until fairly recently, pensions were viewed as a real benefit, perk. Then so many influencing factors, the market etc, etc, stopped people viewing pensions as being a real benefit and people just stopped contributing to them, didn't they?'*

(London, PR, stakeholder pension offered, 14 workers)

There were further negative issues which contributed to small employers' scepticism:

- the highly negative reaction of workers to sharp declines in the value of their pension funds (for which employers feared they may be held responsible), as had occurred in the months preceding this study;
- the fact that workers might quickly get used to having a pension and would start to take it for granted – it would, therefore, cease to be regarded overtly as something which the employer is providing;
- employers having 'one more thing' to have to think about which is not focused on the core objectives of the business;
- staff declining to take up the offer of a pension made some employers feel that the benefits of offering it were somewhat dissipated;
- a pension does not actually tie a worker to an employer – pensions can be transferred (albeit usually at some cost).

*(c) There were more effective ways of rewarding staff*

A corollary of small employers' scepticism was that they believed that they and their staff would be better off putting their long-term investments somewhere other than pension schemes, notably property or equity in the business.

*'We don't perceive pensions as a good investment. I think they've had a terrible press. We work in property as well so we always say bricks and mortar to us is a far better pension.'*

(North, chartered surveyors, no pension, 18 workers)

*(d) Personal compared to corporate responsibility*

Small employers felt that their workers were responsible for their own future. Employers felt neither qualified nor inclined to 'take over' that responsibility. They believed that workers were capable of organising a pension themselves – and that there was no need (indeed, it would be wrong) for it to be done for them.

*'As a small firm, we believe that our workers need to take personal responsibility for making provision for their old age and it's not something which we take an active interest in.'*

(North, solicitors, stakeholder pension offered, ten workers)

This tended to reflect small employers' own experiences, going back to when they were brought up or early in their working career. Employers who said they had been 'taught' the value of saving and pensions were more likely to want to offer a pension to their staff than those who had been 'brought up' to believe more in personal responsibility.

*'It's always been good enough for me over the years [not having a staff pension] so it should be good enough for them. If they don't like it, then they can go somewhere else.'*

(North, vehicle tracking systems, no pension, three workers)

*(e) Administrative time and the impact of the size of the organisation*

Time, as we saw earlier, was an important issue for small employers with few, if any, staff to whom to delegate. Offering and administering pensions was regarded as non-productive time, the impact of which was relatively greater for smaller employers, especially micro employers, than for larger employers (who, it was thought, would have to do only a similar amount of administration for a much larger number of workers).

*'Our company is so small that the overhead of setting up a pension scheme for four people is disproportionately expensive. If you've got 3,000 people, then setting it up is a tiny proportion of [overhead costs]. But it would require me to spend a lot of time, and the company to have a disproportionate expense.'*

(North, retail, no pension, five workers)

Not only did small employers feel that the administrative burden was relatively higher for small employers, they thought that they were not structurally set up to be able to deal with them. They did not have the capacity to take a long-term view. In some sectors (such as catering), there was no expectation of a long-term career – and there was no expectation from staff that a pension should be provided in any case. Most small employers felt that they did not have the same flexibility to offer pensions as larger companies.

*'If we could offer bigger and better things, we would. If we were a bigger company, and we could get better tax breaks and things like that, all well and good. But, the smaller the company, the harder it is to be able to offer all the little cherries that you need to do.'*

(London, IT, contribution to pension, ten workers)

These were embedded attitudes. Reporting on qualitative research undertaken with small employers over a year later (October 2009), Wood, Robertson and Wintersgill noted that many employers, particularly those not currently paying any contributions, often felt resentful that they should be the mechanism for arranging pension provision, rather than the government or the individual. More specifically, many small employers felt that it was unfair that the administrative and financial burden should fall upon them, as they would then have the administrative task of organising the scheme, or would need to pay someone to do the job for them, as well as having to find the money to provide contributions for their staff.<sup>22</sup>

### 4.3 The logistics of offering a pension

For small employers offering stakeholder pensions, the decision of which provider to use was generally taken quite quickly, with relatively little research, in contrast to the careful way in which most other financial decisions were made by the employer. Small employers, as discussed earlier, were not generally very interested in the scheme and they preferred to stay out of it as much as possible.

*'I didn't even look at [the information received on stakeholder pensions]. I just passed it on to the staff. The staff weren't interested. But legally you had to offer it.'*

(London, vet, stakeholder pension offered, 12 workers)

*'I knew I had to do something. All I had to do basically was contact a pension provider. They gave me the leaflets and a booklet. I don't have to get involved. All I've got to do is hand them the literature, which is what I've done.'*

(North, transport, stakeholder pension offered, six workers)

Typically, small employers would take the easiest route to setting up a scheme, on the basis that they did not have the knowledge to make a better decision. This might be through the bank used by the business: their working relationship was already established, the bank had probably been prepared to come to the business to discuss the way forward, and this would have been the easiest arrangement for the employer to set up. Indeed, small employers felt that passing the business to the bank could be beneficial to the business in the future.

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<sup>22</sup> Wood, A., Robertson, M. and Wintersgill, D. (2010). *Consultation on: Workplace Pension Reform – Completing the Picture: Qualitative research with small and medium-sized companies*. DWP Research Report No. 636.

*'At the time we had all that paraphernalia [from the bank], all ready to go. They had the posters and the pamphlets and everything and that was the easiest way at the time of getting out of it.'*

(London, catering, stakeholder pension offered, 25 workers)

This happened even where small employers had been approached by other providers: most employers said they saw little point in trying to evaluate options when they felt they did not have the skills to do so. Neither was it something that employers were inclined to spend time on, given that most doubted the benefit to the business.

*'I contacted [the provider]. They sent me a certificate which is on display downstairs. And then, in every job offer letter or contract letter, staff are told that a stakeholder pension is available. And that's all I've done.'*

(North, care/medical services, stakeholder pension offered, 19 workers)

Small employers said that they had feared that setting up a pension scheme would be costly and time-consuming – seeking external advice, informing workers and general liaison. However, in practice, being very unsure about what processes have to be undertaken, employers tended to delegate much of the work to the provider or an adviser, so far as they were permitted to do so.

With regard to pensions to which small employers contributed however, a different approach was reported. Although again, providers were not generally selected in a scientific way, in contrast to other finance decisions made, they were more likely to have taken the advice of their accountant or independent financial adviser (IFA) before taking a decision.

In 2007 quantitative research for the DWP, the majority of employers (84 per cent) said they were likely to seek external advice about how they might respond to the new pension requirements. An accountant (78 per cent) or an IFA (47 per cent) were the most commonly cited external sources of advice on how to respond to the pension reforms. These were also the most commonly cited sources of advice on compliance with the employer duties.<sup>23</sup>

It was not just a matter of convenience, but wanting to be reassured about considerations such as trust, safety and ethics.

*'I wanted something as safe as possible. And it was important to me to have something ethical. I would rather not finance arms deals, so that was a big part of the thinking.'*

(London, film distribution, pension with contribution, four workers)

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<sup>23</sup> Grant, C., Fitzpatrick, A., Sinclair, P. and Donovan, J. (2008), op cit.

Once a decision had been made on which pension scheme to adopt, the administration was found by employers to be neither difficult nor taxing (as also found in other research<sup>24</sup>), often contrary to expectations, because it was largely delegated. From the point at which the scheme was set up, communications between worker and staff became unnecessary.

*'It's run practically like the Inland Revenue run their monthly contribution payments. You just send the contributions once a month, you do end of year return just like the Inland Revenue, but not so much paperwork. And that's it.'*

(London, plumbing, pension with contribution, six workers)

*'All the communication goes direct to [the pension provider]. We don't even know what the pensions are. All we get is a list every year which is obviously getting shorter and shorter of the number of people that are in it, and that's it. And then it's all paid through the bank with direct debits – only it's now a very small amount.'*

(Midlands, industrial manufacturing, pension with contribution, 17 workers)

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<sup>24</sup> Thomas, A. and Philpin, C. (2009). *Understanding small employers' likely responses to the 2012 workplace pension reforms: Report of a qualitative study*. DWP Research Report No. 617, based on qualitative research taking place in January and February 2009. They concluded: *'Once the administrative system had been set up, employers thought that there would be a number of ongoing administrative tasks, each of which would have an associated cost. However, the time and cost associated with these was thought to be minimal'*.

## 5 How small and micro employers communicate with their workers

### Summary

Small employers primarily communicated with their staff informally. They felt no need to do otherwise – everyone knew each other and formality implied spending time and money on communications which ran counter to employers' instincts. This applied across all sectors and sizes of businesses, although the degree of the informality would reflect the practicalities of the business – a staff meeting for larger organisations, one-to-one meetings for smaller organisations or where staff were dispersed. Formal communications were limited to contractual or legal issues – contracts of employment (and staff handbooks for larger businesses) and notifications about rights or new/ changing legislation, which would be circulated to staff.

Small employers were not generally proactive in communicating with their staff about pension schemes. They passed information to staff but they would stop short of giving advice. Information about pensions, in other words, would generally be treated by employers in the same way as other forms of information. This did not mean that employers were neutral about pensions. As already discussed, some were in favour, while others (more) were sceptical of their value. But the key issue for employers was that they had no place in informing, and certainly advising, staff beyond what they were legally required to do. They did not have the skills (and they were not keen on any comeback from workers if it did not work out), it was not a core function of the business, and it was not necessarily in the best interests of the staff. Rather, if staff wanted more information or advice, the employer would just pass them on to someone registered to deal with this – a pension provider or an independent financial adviser (IFA).

## 5.1 General methods of communication

Communications within small and micro businesses were generally informal. This reflected the nature and structure of most small businesses. It also echoed the issues which were important to small employers, discussed in Chapter 2.

- By their nature, small organisations were organised in one or more small groups of staff. The dynamics of normal day-to-day interaction were informal. Formality in that situation would, therefore, seem odd and unnecessary.
- The management of small businesses was itself informal. Employers often regarded staff as friends, felt themselves to be approachable, and expected staff to feel comfortable about communicating about more or less anything at any time, including outside normal working hours.
- Formal communication would take time which employers rarely had. Small employers generally avoided letters and formality unless absolutely necessary (which on occasions it was, as discussed later). This was regarded as unproductive time, not focusing on the business and what is important in meeting business objectives.
- Officialdom, regulations and red tape were all generally rejected by employers as ways of doing business. Small employers looked for the 'direct route' to do things – quickly and on the spot, whenever the need arose.
- Most things did not actually require more formality. When legal or contractual matters did require it, this could be addressed. But unless this was the case, employers saw no need to spend time on it.
- Communications were usually reactive. Small employers would deal with things as they came up – such as when prompted by an adviser such as their accountant or solicitor, or by government correspondence. There was generally no need to be proactive.
- Communications sometimes involved following up things which staff may anyway have seen in the media.

*'I will sit down with them. I'll tell them the new legislation, tell them what's expected from me and explain to them what's expected from them at their end. So it's quite personal. I kind of keep all the staff like family members.'*

(North, care/medical services, stakeholder pension offered, six workers)

*'We're more like a group of friends than the boss and the workers, well at least that's the way I like to see it.'*

(North, services, no pension, six workers)

When new legislative requirements were notified to their business, employers would normally include them in a staff meeting or, if staff were dispersed, individually. However, other methods of communication were used if necessary, such as notice

boards, circulating copies of guidance round to staff with the pay slip, or using pigeon holes. For some small businesses the initial contract of employment might be the only formal correspondence the employer enters into with workers. Larger organisations may also provide a handbook:

*'[I give them] the office manual, go through verbally when they sign their contract, and tell them about policies and the pension.'*

(North, legal, offers pension, five to 19 workers)

When a level of formality was required, anything in writing would still be preceded by informal communication, when the employer would typically let people know that a letter would be coming and how they can respond, if they wish. Office-based businesses would also use email.

*'If there's a new legal requirement, we'll sit down with the staff and explain what's happening. We could just send it in a letter, but we find that it's better face to face, explaining to the staff the benefits or disbenefits. And then we will say that we've got to follow it up with a letter: if you're interested, tear off the slip at the bottom showing your interest, depending what it is.'*

(Midlands, care/medical services, stakeholder pension offered, 27 workers)

*'It's probably the wrong way round, everything should be written, but it's only when there's a problem that I tend to put things in writing for them, unless it's something like a pay rise which is given formally.'*

(North, catering, stakeholder offered, seven workers)

These more formal exchanges were not generally routine or planned, but rather took place on an ad hoc basis when it was felt necessary.

## 5.2 How communications about pensions compare

Generally, as we discussed in Chapter 3, small employers found little or no demand for pensions from their staff. The same applied to information about pensions. However, the detail of this depended on whether or not employers offered, or contributed to, pension schemes.

First, employers who contributed to pension schemes tended to be more proactive, clearer about what they felt was good practice, regarding the pension as an integral part of their reward structure yet ensuring that it was kept separate and that they limited their role to providing information rather than advice. There was, therefore, for these small employers, a greater formality than applied in the generality of communications with their workers. Employers would then pass on the details of a pensions provider or an independent adviser (usually an accountant or IFA) to advise.

*'If there was interest [from a member of staff], I'd say get onto Prudential and get them to sort it out.'*

(Midlands, manufacturing, pension with contribution, 17 workers)

Second, small employers who offered a pension scheme, but did not contribute to it, would also adhere to the formalities of references in any staff handbook, but their judgement was affected by their experience that take-up was low. Employers tended to see this as a justification for not being overly proactive in communicating pension schemes with their staff. A distinction was drawn between being available to give staff sources of independent advice about pensions and actually offering a preferred product themselves. There was a very clear view among employers that advice was beyond both their competence and their legal limits. Some felt that promotion of pensions per se was also inappropriate, particularly those employers who, as discussed in Chapter 3, were sceptical of the benefits of pensions. They were in any case uncomfortable with the responsibility they felt this implied. This was because pensions were seen as risky investments and they did not think it appropriate to encourage them – and especially not to take the blame of something went wrong.

*'We have talked to people about taking on a pension and to encourage them to take advice and to take out a pension. But that's quite separate to a legal obligation to provide a particular product. It's almost a case of this really isn't the best thing for you but you really should think about having a pension and here are people to talk to.'*

(North, construction, stakeholder offered, seven workers)

Third, employers who did not have any pension scheme were even more clear that they would not give advice to staff. It was seen as a matter of personal choice. Some employers may personally have been positive about the principle of pension schemes, some not. There was no significant difference between sectors. Few if any employers who had not offered a pension to staff felt that they had offered any encouragement. Some felt that they were more likely to have discouraged staff.

*'If he's listened to anything I've said to him over the years then I don't think he would even entertain [the idea of getting a pension] really to be honest with you.'*

(London, music, no pension, four workers)

Thinking ahead to the 2012 reforms, small employers reported that they would communicate with their staff initially through the kind of informal routes which they used for other communications – staff meetings or one-to-one discussions, depending on nature of the businesses. Formal notifications would be distributed to staff provided it was clear that this should be done. But small employers were not all confident about their understanding of pensions. They perceived that they would be costly and time-consuming for their business and that they would not necessarily be in their staff's interests. Given this, communications with small employers needed, they felt, to be wide ranging to reflect the diversity of methods of communication preferred by employers and the different sources of information which they trust. Given their lack of knowledge, they felt that it would be a great benefit for them to be convinced of the value of the pension reforms if they were to be effective in communicating them to staff.

The same picture emerged from Thomas and Philpin's research. They found:

*'Employers who did not provide a pension scheme, or provided a scheme without an employer contribution, considered that the majority of their workers would opt out. This was partly because there was no demand for a pension scheme from their workers, and partly because of their belief that low-paid staff would rather have their money now.'*<sup>25</sup>

Thomas and Philpin noted that employers thought that worker communication could be a time-consuming process. Employers of different sizes and working patterns thought that they would deliver information in different ways. All the employers would distribute any written information to all workers. Otherwise communication would tend to be verbal. The form that this would take would depend on the practicalities. For larger employers on one site a company meeting was a practical proposition. For smaller organisations, or those with dispersed staff, individual meetings were more practical.

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<sup>25</sup> Thomas, A. and Philpin, C. (2009), op cit.



## 6 Preparations for the forthcoming workplace pension reforms

### Summary

This research took place in advance of any significant communications about the forthcoming pension reforms. Indeed, the research was intended to inform such communications. It is not surprising, therefore, that levels of awareness of the workplace pension reforms varied among small employers. Some were simply unaware of any forthcoming changes in legislation and others could only vaguely recall specific details of the reforms. There was no clear pattern by business type.

Small employers cited their usual sources of information for hearing about the reforms such as accountants, consistent with previous research<sup>26</sup>. And they expected that information on the reforms would be available to them through their normal channels. It was felt that such a major piece of legislation would attract a great deal of media attention including national and regional TV and radio and these channels would be a particularly effective way of communicating the reforms to workers.

Media coverage may in turn prompt small employers to speak to accountants (as discussed earlier, the most important source of information), as well as independent financial advisers (IFAs), informal networks of local employers, customers, suppliers, family and friends. In addition, employers were concerned that government communication on the reforms may be too technical, so accountants would be best placed to provide 'simpler' or 'more straightforward' information and advice.

(continued)

<sup>26</sup> See in particular, Grant, C., Fitzpatrick, A., Sinclair, P. and Donovan, J. (2008), *op cit*.

Small employers also expected that they would receive a letter to them from the relevant government department, given that the legislation is directly affecting their business and has implications for their staff. Employers wanted this letter written in plain English with no jargon and laid out in a visually accessible format. This would help employers clearly understand the reasons for the reforms and what actions they need to take.

Small employers felt that it was important to have sufficient advance notice of the changes to pension legislation to take the required actions to make sure they comply. Indeed, more action was generally needed given the low employer awareness, so employers would welcome this sooner rather than later.

This chapter considers levels of awareness of the workplace pension reforms and the extent to which this varies by business size and sector. It then examines sources of information sources about the reforms used by small employers, and how this compares with sources used more generally (discussed in Chapter 3). Finally, the chapter explores what employers say they need to know to help them understand and implement the reforms, and where they anticipate finding this information.

## 6.1 Awareness of the workplace pension reforms

Very little communication had taken place on the pension reforms at the time of this study; indeed, this research was intended to contribute to the planning of such communications. Unsurprisingly, therefore, levels of awareness of the workplace pension reforms varied among small employers – although there was no clear pattern by business type. Some were simply unaware of any forthcoming changes in legislation and others could only vaguely recall specific details of the reforms.

No single main source of information on the legislation was cited. The sources mentioned were the media (newspaper articles, financial press and radio), banks, insurance companies, word of mouth (e.g. business colleagues or friends who worked in the financial services industry) and a circular from the Department for Work and Pensions (DWP)<sup>27</sup>:

*'Oh that, I've read all that stuff. I think I may have had a circular from whatever the Department for Work and Pensions was called before it was called that. It would have been about 12 or 18 months ago when it first came out. I didn't take a lot of notice because I'm likely to retire before it comes in, so I shan't be worrying about it.'*

(London, representative trade body, no pension provided, four workers)

<sup>27</sup> At the time of the research the DWP had not issued a leaflet specifically on the pension reforms.

When prompted, it was clear that small employers' knowledge of the legislation was limited – and in some cases inaccurate.

*'Yes, but I wasn't aware of the 2012, I thought it was actually coming sooner. I thought it was still in debate, I didn't know it actually was 100 per cent.'*

(London, care/medical services, stakeholder pension offered, 12 workers)

Hearing about the reforms had occasionally encouraged small employers to review their pension arrangements ahead of the 2012 introduction. Some were starting to consider offering qualifying workplace pension schemes, or taking steps to prepare for implementing the change, whereas others had recently set up schemes and initial information on the legislation was the main driver. Some commented how they were starting to see how pension schemes could be a method of attracting good workers, or encouraging loyalty among existing well regarded staff.

*'I didn't know it was 2012 but we were going to have to do it in the future and again it was at a time that we felt that we needed to do it anyway. So we're offering that provision now rather than being forced into it.'*

(North, care/medical services, stakeholder pension offered, six workers)

Qualitative research in 2009<sup>28</sup> also found that awareness of the reforms differed among small employers, with the lowest levels of awareness among those of the very smallest companies, where some were unaware that the reforms were going to happen before being informed about them as part of the consultation.

In 2007, the year before the research set out in this report, just under half (46 per cent) of employers had heard about the reforms. Larger organisations were more aware of the reforms, with 91 per cent of employers with 500 or more employees having some awareness of the reforms, compared with 43 per cent of employers with fewer than five employees<sup>29</sup>. A 2009 survey found that there was no evidence to suggest that there had been any significant increase in awareness levels since 2007<sup>30</sup>.

Research has also explored the attitudes of employees. A qualitative study<sup>31</sup> specifically looked at the information workers may need when deciding whether to participate in a workplace pension scheme. Respondents stated that they

<sup>28</sup> Collard, S. and Breuer, Z. (2009). *Attitudes towards investment choice and risk within the personal accounts scheme: Report of a qualitative study*. DWP Research Report No. 565.

<sup>29</sup> Grant, C., Fitzpatrick, A. and Sinclair, P. (2008), op cit.

<sup>30</sup> Forth, J., Bewley, H. and Stokes, L. *Employers' attitudes and likely reactions to the workplace pension reforms, a quantitative survey* (DWP publication due July 2010).

<sup>31</sup> McAlpine, C., Marshall, H. and Thomas, A. (2008). *The information people may require to support their decision to remain in, or opt out of, a workplace pension*. DWP Research Report No. 540.

would require information that would allow them to assess whether investing in a workplace pension would be financially worthwhile for them and also to assess possible risks. Indeed on the whole, UK consumers have been found to be risk averse – particularly non-savers and those on low incomes<sup>32</sup>. In relation to pensions, 64 per cent of people in a national survey believed that a private pension scheme linked to the stock market was too much of a risk.<sup>33</sup>

## 6.2 Information sources on the pension reforms

When asked how they would like to be informed of the forthcoming changes in legislation, employers cited their usual sources of information (see Chapter 3). The expectation was that information would be available to them through their normal channels. Stakeholders supported this, feeling that existing organisations should be used to inform employers about the pension reforms.

It was felt that such a major piece of legislation would attract a great deal of **media** attention (e.g. national and regional TV and radio, billboards) and this channel would be a particularly effective way of communicating about the reforms to workers. Media attention was considered quite different from being a source of reliable advice: as we saw in Chapter 3, employers, like the general public, were often sceptical of journalists and what they read in the press. However, the media remain the most effective way of drawing attention to issues and it would prompt employers to speak to accountants, IFAs, and other sources of advice, on the next steps.

*'I think it needs to be advertised...on different sorts of media...like they do with Tax Credits and that sort of thing. They always advertise, don't they, and I think you need to, it needs to be brought to our attention.'*

(North, retail, no pension provided, three workers)

*'It should be in the local newspaper, so that at least the local workers will know that it's not just us advocating it, but it's coming from the government.'*

(London, care/medical services, no pension provided, 12 workers)

Media coverage may in turn prompt employers to speak to accountants (as discussed earlier the most important source of information), as well as informal networks of local employers, customers, suppliers, family and friends. Some small employers said they would carry out their own research on the legislation changes through website searches (e.g. googling phrases such as '*pensions and government and UK*' or '*new pension legislation*'). Industry-based representative bodies, such as the Federation of Small Businesses (FSB), would also be expected

<sup>32</sup> Hall, S., Pettigrew, N. and Harvey, P. (2006). *Public attitudes to personal accounts: Report of a qualitative study*. DWP Research Report No. 370.

<sup>33</sup> Clery, E., McKay, S., Philips, M. and Robinson, C. (2007). *Attitudes to pensions: The 2006 survey*. DWP Research Report No. 434.

to offer support on the reforms (although such organisations tended not to be used by micro employers given the cost of membership). Indeed, there was a general feeling that the fact that employers paid a membership fee would oblige such organisations to keep their members fully informed on the new legislation. A similar argument was presented for accountants. Business Link and local Chambers of Commerce were also perceived as key and generally trustworthy sources.

*'I suspect I'm going to be told by the FSB that this is coming in and I will have to provide a pension scheme for every worker. Full stop.'*

(North, care/medical services, stakeholder pension offered, 19 workers)

Our findings echoed those found in the DWP's quantitative research in 2007 (Table 3.3). An accountant or an IFA were the most commonly cited external sources of advice on how to respond to the pension reforms. These were also the most commonly cited sources of advice on compliance with the employer duties.

### **6.2.1 Accountants**

As outlined in Chapter 3, small employers usually had a close working relationship with their accountant or book-keeper, generally trusted them and perceived them to be independent. Government communication on the reforms may, it was thought, be too technical for some employers to understand, so accountants would be best placed to provide 'simpler' or 'more straightforward' information and advice.

Accountancy firms would not only verbally explain what the reforms mean to specific employers, they would also be expected to send their customers additional explanatory written information, for example via newsletters. Small employers typically expected accountants to receive the information on the reforms before them (or be knowledgeable through industry press) and they would subsequently communicate this information to their customers who would be affected by the legislation.

*'I think it would be easier if the accountant got it first, then he could explain to me in a lot easier way for me to understand it, instead of me getting a great big white envelope saying this and that. So it's easier for him to explain to me: "Look, clearly this is what we've got to pay this year, this is what you've got to pay every month", and I'm saying: "Yeah, OK". It's easier when somebody knowledgeable, somebody who knows about this, explains to me.'*

(London, services, no pension provided, three workers)

However, employers also expected that they would receive a letter to them from the relevant government department given that the legislation is directly affecting their business and has implications for their staff. In addition, there was a perception that although business and trade associations offer a great range of support, they may miscommunicate the messages depending on their particular stance on the reforms.

*'Give 12 months notice about the change in legislation, write to us directly, irrespective of the networks or accountants, write to us directly, write directly to the companies, so we know what's coming and we can do something about it.'*

(London, services, no pension provided, two full-time and 13 self-employed workers)

### **6.2.2 Consultation with employers**

It was also felt that the government could increase engagement by actively consulting employers, rather than simply providing information. Small employers said that our research, and the wide range of other associated research and consultation commissioned by the DWP (see References), was very much in line with what they thought the government should be doing. In this way, employers could inform the government, work to improve the design of the pension reforms and how they were communicated, and make the strategy more transparent. Small employers made it clear that they would want their responses to such exercises to be anonymous and to be able to participate on a voluntary basis, in line with the research practice adopted by the DWP.

*'Some consultation for small businesses. Well just about what our staff feel about it, so we can come back with those ideas and say: "This is what the government intends to do. Now this is the feedback.'"*

(London, care/medical services, no pension provided, 12 workers)

### **6.2.3 Government communications about workplace pension reforms**

As indicated above, as this is a major legislative change, employers expected the government to communicate to them directly (in addition to discussing it in on television and in newspapers in an attempt to inform them and *'convince them it is a good idea'*). Small employers strongly felt that the government has a duty to tell employers about the legislation – even though they would also expect to obtain the information from other sources too (e.g. accountants, trade associations and informal networks). Since this (2008) research, communications have started about the reforms generally, reflecting the range of research and consultation undertaken by the DWP, and The Pensions Regulator will write to all employers 12 months, and again three months, prior to implementation setting out the requirements.

*'I suppose we'd like to see some sort of official correspondence from the DWP, but also followed up by our accountant explaining it to us and then looking after us, holding our hands through the whole process.'*

(North, services, no pension provided, 18 workers)

Small employers typically felt that the most effective way of informing them about the reforms would be through a formal written letter, marked for the attention of the relevant person within the business. The letter would need to clearly

indicate that the information was from DWP (preferably on the envelope and the cover letter) – although employers were not clear at the time of research which department this would be (e.g. some mentioned Her Majesty's Revenue & Customs (HMRC)). The government was overall regarded as the most authoritative source of information and this would give the correspondence greater credibility and ensure employers pay attention to it. The letter would need to stand out from the marketing materials and 'general junk mail' employers receive.

*'Straight from the government and flagged as important. I think this should happen with whatever changes in legislation...It can't just then disappear into the envelope and in a stack on your desk.'*

(North, catering, stakeholder pension offered, seven workers)

*'Well, I suppose if it's a legal obligation then you'd have to receive written confirmation of it. I would expect that to come to me as well as to go to my accountant.'*

(North, sales, no pension provided, three workers)

Some respondents explained how they would be furious if they did not receive some form of correspondence from the government – it was the minimum the government could do since they were imposing the legislation.

#### **6.2.4 Other methods of communication from the government**

Although written communication was generally preferred, the information would need to be in a variety of formats to ensure employers read it and it met their needs. Some employers explained they would prefer face-to-face or telephone communication allowing them to ask questions and seek further explanation on specific points of the legislation, but recognised this would be resource-intensive and costly to tax payers.

Small employers also felt it may not be convenient for them to talk to a government official at a specific time, given their already busy schedules. One suggestion was running a series of information-providing workshop events (possibly in collaboration with local authorities), with invitations sent out to all local employers. This would be less costly for the government to set up than individual consultations, and also allow for open dialogue between DWP and employers.

*'Government should publicise it so that people will start knowing it's going to happen and then these are the issues...And then these organisations will write to us and say, "if you want more information about this, you can come for certain conference". If you can afford it, fine, you can attend, but if the local authority lays out training sessions for this, usually it's free, so we're more likely to go to the local authority ones and it's local as well.'*

(Midlands, IT, no pension provided, ten workers)

Although small employers would often turn to their accountant, this can cost money and some (particularly very small businesses) do not have them, so employers would also like a free service from the government.

Some larger employers (at least 20 workers) would also find it helpful for the information to be emailed. This would allow them to file and reproduce the information more easily, and was also noted to be a more 'environmentally-friendly' source so one that the government should be pursuing. A website could also provide the information in other languages if required.

*'I think electronically is easier, it's easier to manage emails rather than sheets of paper, it's easy to keep them on our computer system as opposed to having hundreds of files jammed...because we're trying to move away from paper files and putting it all onto the computer system plus which you can back up and it's easy to keep a file and index them.'*

(Midlands, sports club, pension with contribution for senior staff, ten employees)

However, more employers were concerned that an email would get lost among 'junk mail' – particularly those in certain sectors (e.g. IT) and where using computers is a routine part of their job.

*'I'd rather have it in a letter...I wouldn't want it on email...because it would probably just end up in spam anyway and I would want...an official document addressed to the managing partner of the office or whatever.'*

(North, services, no pension provided, 18 workers)

Despite this, employers said it would be acceptable to be referred to a website for further information after they had received the written letter. Some employers expected the information to come on a DVD or CD (a recent DVD from the Vehicle and Operators Services Agency (VOSA) had been welcomed).

### 6.3 Content

Although there was a perception that the information would not be straightforward (hence help also being sought from accountants), there was a general perception that the government was **obliged** to send the letter written in plain English with no jargon and laid out in a visually accessible format. This would help small employers clearly understand the reasons for the reforms and what actions they need to take. Indeed, this 'simplicity' was particularly important to those who would pass on the letter directly to workers.

*'I think what they have to bear in mind is that there are people that are running businesses that aren't business people. And so I think from my point of view I need idiot proof stuff because it is all very difficult for me. Whereas someone who's got a company accountant or a finance director doesn't need as much hand holding as people who have small businesses. And I think the government doesn't hand hold small businesses, you're thrown in with the big boys and you have to get on with it, and I think that's hard'*

(North, care/medical services, stakeholder pension offered, 25 workers)

In terms of the format of the information, most would welcome a short letter (e.g. single A4 sheet) with the key information set out in bullet points. Others required more step-by-step instructions (e.g. on an accompanying leaflet or factsheet) outlining the entire process that would allow them to start planning for the introduction of the reforms rather than waiting for more information at a later date (e.g. administrative tasks that would be required for them to implement the reforms and upgrading their systems). Some would welcome and expect information on the principles of the reforms (e.g. why the legislation was being introduced), and the *'pitfalls and advantages'* of it to their business. Given the reforms will be gradually introduced depending on employers' size (e.g. larger companies going through the process of automatic enrolment first), small employers sometimes mentioned that they would expect the letter to be personalised in that it set out which parts of the reforms were relevant to their organisation compared to larger ones and when they would be directly affected. This is very much in line with subsequent DWP research.<sup>34</sup>

*'We do what we've got to do to comply with the law and if things like this come in, I would like it explaining to us properly, and in simple terms as well. Nice simple terms. You know, I'm not an accountant, and I don't understand pensions and bits and pieces, and I'd want it explained to us simply, then we just get on with it.'*

(North, services, no pension provided, six workers)

*'Written simply, so that I can understand it, my workers can understand it and I don't need to involve a third party in order to understand it'*

(London, design, pension with contribution, two directors and two workers)

However, typically, small employers admitted that they would not read all of the information provided by the government, particularly if more than a page was provided, and expected their accountant to *'translate'* it for them. Despite this, they did feel that as much information as possible should be publicly available so that they could utilise it as and when necessary, and for transparency purposes.

There was some mention of the *'nanny state'* and being *'bombarded'* by government messages so it was thought that there was a need to be careful of the tone when communicating information on the reforms.

<sup>34</sup> Wood, A., Robertson, M. and Wintersgill, D. (2010), op cit.

*'There's an awful lot of advertising, beating people with a stick at the moment, with road tax and benefit cheats and stuff like that. It's very big brotherish at the moment. I do feel that about government.'*

(London, retail, stakeholder pension offered, seven workers)

Clearly, the **first paragraph** of the letter would be crucial. If it was not in language easily understood by employers and they failed to understand the relevance of the reforms to them, some confessed they probably would not read beyond it. Generally employers felt that most of the battle of getting employers to act on the legislation is ensuring they understand what it's about – so as not to add any barriers of meaningless language.

*'A very short, racy document...If you just sent me a big wad of paper, then I put it on one side because I haven't got time to read great chunks of paper if, unless I think it affects me right away, so put it on one side, read it late.'*

(Midlands, engineering, stakeholder pension offered, 17 workers)

It was considered crucial that the letter included a contact for any clarifications or questions – some would expect (and find very helpful) a named contact (although many also realised this may not be practical). Having someone to talk to was particularly an issue for those who relied on their own efforts to find out about and deal with financial matters (mainly micro employers) as they could not afford to pay for an accountant or other external advice. Clearly information about regulation and new legislation could be overwhelming in terms of its volume and complexity so some form of helpline and email helpdesk would need to be provided. These would give reassurance to employers that they would be supported through the process of compliance should they need it. There was a perception that some current government helplines were not run to a satisfactory standard, particularly in relation to staff knowledge.

*'I think my own interpretation was they must, as far as an institution was concerned, own the situation themselves, they mustn't farm it out to agencies to resolve for them, because nine times out of ten agencies interpret things totally differently...it seems to be endemic in industry, especially in the government, local government also, that outsourcing is probably one of the biggest breakdowns in communication. That's how I see it and interpretation is the key and understanding.'*

(Midlands, retail, pension with employer contribution, 20 workers)

## 6.4 Timings

Small employers felt that it was important to have sufficient advance notice of the changes to pension legislation to take the required actions to make sure they comply. Indeed, more action was generally needed given the low employer awareness and employers would welcome this sooner rather than later.

Small employers often felt at least a year's warning was necessary to plan for the financial future of their business (in line with The Pensions Regulator's intentions, as indicated earlier). There was a perception that the reforms would be costly to small employers so they would need to put provisions in place to ensure they could continue to operate as normal. For example, a few commented that if insufficient time was given, staff cuts may be necessary to ensure employers could pay their contributions and the associated administrative costs – this was even more important at the time of the research as some respondents were already being affected by the impending recession. It was felt that larger employers would also need ample warning, not necessarily because of cash flow issues, but because their structures were invariably more complex (e.g. multi-site or used several administrative systems).

*'A good year in advance these schemes should become prominent, at the very least... That'll give us time to prepare and certainly make adjustments that should be needed, and usually people work, at the very least, a year in advance.'*

(North, import, no pension provided, six workers)

*'It might take small, individual companies 12, 18 months, two years to put provisions in place to start paying for this. It might have to be that they start have to putting cash away for when that comes, and obviously they've got to build it up over a period of time, might be that they need to restructure the way that the business is run in order to maximise extra profits that it allows them to gain this three per cent.'*

(North, care/medical services, stakeholder pension offered, six workers)

Those who felt less than a year was sufficient (and sometimes only three to six months), considered any longer would put them off from looking at the information as there was a perception decisions would not need to be made until shortly before the introduction of the pension reforms in 2012.

*'On the one hand I'd like it as soon as possible, but on the other hand it would mean dealing with the thing for three and a half years when I'm not going to be able to make a decision on it till three months before it comes in at the very most. So I'm dwelling on it for three and a quarter years.'*

(North, care/medical services, stakeholder pension offered, 19 workers)



# 7 Conclusions and recommendations

## Summary

The considerations laid out in this section of the report hinge around how best the department might communicate the forthcoming workplace pension reforms while, at the same time, acknowledging the importance of the context in which this research took place: that it was a time when employers generally were more concerned about the state of the economy than they had been at any time over the last 30 years.

In the first instance, it will be important for future communications campaigns to deal with perceived issues around the demand for pensions. Small employers sometimes mentioned how they do not believe that their workers want to participate in an employer-run pension scheme and, therefore, this absolves them from providing one. Consequently, it will be important to address this by linking the benefits of pension provision with what matters to employers (which in any circumstances is their business success) as well as wider current debates which resonate with the public such as the future of care and support for the elderly. In addition, it will also be necessary to utilise a wide range of channels recognising the importance of accountants as a useful and trusted source of information. Finally, in any communications, it is important to remember that small employers stressed to us that, on the whole, they **want** to comply with government legislation and, consequently, the tone needs to strike the right balance between being clear on the new legal requirements and understanding the perspective of employers.

This research was commissioned to examine small and micro employers' information needs related to the 2012 pension reforms and this chapter reflects on the findings in line with the Department for Work and Pensions' (DWP's) objectives (Chapter 1). The DWP has a comprehensive communications strategy which builds on the findings of our research and the range of other information and consultation referred to in this report.

## 7.1 Small and micro employers' thinking about pensions

The fact that provision of stakeholder pensions rises sharply with firm size among smaller employers is partly explained by the legal obligation employers with five or more employees and no other pension provision have to provide them.<sup>35</sup>

Most small and micro employers did not engage with pensions. Micro employers in particular often saw little benefit in offering pensions to their staff and did not feel it was their responsibility to do so. This is reflected in the DWP's 2007 Employers' Pension Provision Survey<sup>36</sup> which indicates that only one-quarter (26 per cent) of organisations with fewer than five employees made any form of pension provision, in contrast to almost universal provision among organisations with 100 or more employees.

Beyond the legal obligation, the key drivers for employers' attitudes to pensions, and actions (or lack of them) about them, were their belief systems and their underlying attitudes to the role of the employer, the responsibilities of the individual, the impact pensions might or might not have on their business, and the economic and legal environment. The way they received information and their personal experiences also informed their decision: they have to feel a sense of trust about the source of information and when small employers have found a source which they trust, they wanted to stick with it.

The over-arching issues which were important to small employers in running their businesses underpinned their attitudes towards pensions. They were concerned with costs, regulation, and administration – they did not see pension provision as relevant to the core objectives of their business, as it was the responsibility of the individuals concerned. And employers shared the scepticism about pensions which they ascribed to their workers. They felt that there were more reliable, better value, ways of rewarding staff, not least through their pay packet.

Small employers felt that workers generally had little expectation that they would be offered a pension. Workers had not typically taken it up when it had been offered, and employers had rarely been asked for it. This partly reflected the demographic profile of some (in some cases, many) of their staff: young, low paid, or transient employees did not relate to pension provision, particularly in traditional working areas. Small employers felt that staff knew little about pension schemes and what they did know was often not favourable after a continuing 'bad press'.

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<sup>35</sup> Stakeholder pensions were introduced in April 2001. Employers with five or more employees and no other pension provision have a legal obligation to provide access to stakeholder pensions, but are not obliged to make contributions.

<sup>36</sup> Forth, J. and Stokes, L. (2008). *Employers' Pension Provision Survey 2007*. DWP Research Report No. 545.

This bad press had been exacerbated in the months leading up to our research by increasing worries (uniquely high according to Ipsos MORI's Economic Optimism Index, see Figure 2.1) about the economy. Small employers were, therefore, less amenable to discussing provision for their workers' retirement, especially as their understanding of pensions was low which, in turn, led to misconceptions about how complex they were to administer and how costly they were to run.

Furthermore, the economic climate in which this research was conducted was set against a backdrop of concern about pension provision more generally. As this report identifies, employers took note of and remembered negative publicity around pensions. It was not just the collapsing value of pensions at the time of the interviews, heavily publicised in the press, which concerned employers. They also recalled the Maxwell pension scandal of 1991, the mis-selling of pensions in the 1980s and 1990s, and the replacement of final salary with equity-based schemes. The result of this combination of circumstances was that pensions had lost their lustre.

This negativity also led some small employers to be sceptical about the potential benefits of offering a pension to their workers; they were not always convinced there was a link between offering a pension, for instance, and improved staff morale. Indeed, a few mooted the opposite and worried that the provision of a pension would carry with it risks for the employer in that they would be blamed by their staff were the funds not to perform as had been anticipated. Taking these views into account, it is perhaps not surprising that some small employers chose to distance themselves from this issue as a result and did not engage with the matter of pension provision for their workers, justifying their stance by claiming that there would be low take-up and also that responsibility for ensuring provision in retirement lies with the individual and not with the employer.

Those who offered pensions were motivated by both the interests of their businesses and the view that it was right thing to do in any case. A pension was one element of the total package which they could offer to maintain morale, retain staff, and help to attract new staff. This was underpinned by their belief that pensions were necessary, that the State Pension on its own was inadequate, and that employers had a social responsibility towards their workers. The background to such belief systems were influenced by their experience and upbringing, their previous employers' attitudes towards pensions and saving, and the impact which pensions had on other companies and their staff.

## 7.2 Information used in making decisions

Information was received by small employers on a number of different levels – from a general awareness/consciousness level, to a rather more comprehensive level when employers were deciding broadly what route to take, and then at the kind of detail required when final decisions were being made (see Figure 3.2).

At the first level, a great range of informal sources brought information to employers' attention – triggered by family, friends, customers, suppliers – as did more formal networks of business colleagues through trade associations, learning from other people's experiences, the national, local or specialist media, and information (perhaps of a preliminary 'warning' nature) from the government. But while small employers needed to keep informed about matters which could impact on their competitiveness, pensions would not necessarily come into that category so the attention which was paid to information at this stage was variable. The corollary of this, however, is that this initial information does not need to come from a trusted source in order to impact on the employer. The sheer breadth of information sources illustrates the challenge for communications planning relating to the reforms.

At the second level, small employers then typically researched these issues themselves. Some would bounce thoughts off their informal contacts. Others would explore their personally preferred sources such as a government office, their trade association, or the Federation of Small Businesses (FSB). Others would use their own devices, notably the internet which not only could provide information directly through specialist sites but could also be used as a source for more specialist advice and information.

At the third level, employers would then finalise their investigations, and decide what, if any, action would be required, with the help of information (and advice) from their most trusted sources: professionals especially accountants (or, depending on the subject matter, solicitors), government departments (through correspondence, helpline or office visits). At this stage, employers looked for detail, accuracy, comfort and clear actions. Above all, small employers needed to be convinced that information was either independent or in the business' own interests, rather than that of the information provider. It was because of these characteristics that an accountant was often the most trusted and most useful source of information for small employers. Capitalising on this by using accountants as an intermediary by which to relay information to employers about the workplace pension reforms will, therefore, help ensure the messages are heard and believed.

Accountants were clearly small employers' most identified source of information, both when it was received unprompted and when employers proactively sought information about specific issues. Accountants were perceived as knowledgeable, up-to-date and professionally independent, displaying integrity and flexibility. They along with customers, suppliers and trade associations were most used and most helpful in general terms, but information from government departments was also firmly in this category of being reliable and authoritative. Small employers had preconceived notions, however, that such information may not always be in 'plain English', borne not necessarily of specific experiences with pensions but of more generally held perceptions.

### 7.3 Small and micro employers' methods of pension/ financial management

Small employers who did not offer pensions to their workers were often misinformed and sometime intimidated by the idea. They feared they were more complex, costly and time-consuming than was likely in practice (based on the experience of employers who do offer pensions). And they were sceptical about advisers, taking the view that independent advice rarely existed, whether or not advisers were registered to provide it, hence the focus on accountants and the public sector.

Employers' relationship with accountants depended also on their size (micro employers could not afford the same relationship as bigger employers, nor necessarily had the same needs) and type (some employers had more complex, or more sensitive, needs than others). Small employers with typically 20+ workers, often had the infrastructure in place to deal with issues as they came up, with specialist finance and HR staff, and the accountant taking the role of specialist adviser. Some employers were more comfortable with financial and technical matters than others and would do more of their sourcing themselves. However, when it came to fiduciary, contractual or other legal information, not least requirements to comply with changes in the law, these formal sources of information would almost invariably be invoked.

Overall 'the government', a generic term for small businesses embracing government departments and, for some, other public sector units such as local authority business development units and the EU, was regarded as the most authoritative source of information, particularly in terms of literature (notably from Her Majesty's Revenue & Customs (HMRC) and the DWP). It was found to be important that government information was authoritative, secure and accurate, thereby inspiring trust. Some small employers would wait to receive formal information or guidance from the government before taking any action or seeking further professional guidance. The main drawbacks related to the sheer amount of information received the time needed to process it all. This applied to written materials which were received and also to websites which some found daunting in their sheer size and complexity.

### 7.4 Future information requirements and issues and solutions around compliance from 2012

The considerations that emerged from the research, therefore, reflect these concerns. The evidence from this and other research points to the need for social marketing if the more detailed aspects of employers' legal responsibilities are to be communicated and compliance secured. Small employers' scepticism towards pensions, detailed above, could otherwise act as a barrier to successful implementation. In one sense, there is an analogy with other major changes

in social attitudes – towards smoking and drinking, for example – in order for subsequent legislation to be regarded as socially necessary.

Part of the rationale for pension reforms is affordability of support and care for the increasing population of older people. As a recommendation from the contracted researchers, communications might reflect this linkage and the ongoing debate about the future of care and support for the elderly, because it was notable that such a linkage was not identified by employers when discussing the barriers and incentives to offering pensions. Social responsibility was typically identified by small employers in relation to their own workers (which also has direct implications for their business) rather than in a broader sense of the 'wider good'.

There should be communication that pensions are potentially a long-term investment; with explanation and reassurance as to why this is so – in spite of the current economic climate. In both aspects, these communications need to foster a sense of shared responsibility – that everyone has a part to play in preparing for an uncertain future and that small employers have a duty to be a part of this.

There is also a need to link communications around pensions with what is important to small employers. What matters to employers has previously been reported in detail – ultimately, above all else, their survival as a business. While, of course, given the time when the research took place these issues may have assumed a higher sense of importance than perhaps is typical.

Apart from anything else, a communications campaign on these lines should help deal with the demand side of the debate that small employers referred to in their discussions. At the time this research was conducted, employers often fell back on their belief that there was a lack of interest in pensions among their staff, thereby absolving them of the responsibility of offering one and contributing to it. By utilising the mainstream and popular media, it could help to increase demand for employers to offer some kind of provision for their workers' retirement, thereby increasing take-up rates in 2012.

Any information provided to small and micro employers should recognise that employers react differently to messages depending on who is responsible for their communication. The DWP could aim to publicise key messages through official government (both local and central) sources given that these are trusted and viewed as authoritative. However, the importance of accountants should not be underestimated; as this, and other research reports have shown, an accountant is often the **most trusted** and **most useful** source of information for small and micro employers. Capitalising on this by using accountants as an intermediary by which to relay information to employers about the workplace pension reforms will, therefore, help ensure the messages are heard and believed.

Small employers will use a mixture of channels when communicating to employees; they will want to understand the workplace pension reforms themselves before informing their workers of the changes. This research highlighted the wide variety of channels used by employers when finding out

information; from written and verbal communications to CD Roms and conferences. And the internet was also used for their own research means irrespective of the sources of their initial information or final recommendations. Consequently, the importance of the DWP and The Pensions Regulator websites for displaying the relevant information in a clear manner cannot be underestimated.

Many of the recipients of these messages will only have a low level of knowledge of the subject matter. Small employers spoke about the difficulties they have in judging one pension scheme from another and, with the exception of their accountants, lack trust in the motives of those who say they can tell the difference. As a result, government communications will need to inform small employers about the schemes they can choose to avoid disengagement with the subject due to a lack of understanding.

Because employers generally **want** to comply with any government legislation – and to be seen as ‘good’ employers by their staff – messages need to work **with** the employers recognising that, while they may have variable levels of knowledge about pensions and certainly scepticism as their benefits, there is certainly an overall willingness to remain firmly within the parameters of the law.



# Appendix A

## Background to the 2012 pension reforms<sup>37</sup>

- Seven million people are estimated to be under-saving for the pension income they are likely to want, or expect, in retirement.
- Employee membership of workplace pension schemes fell from 55 per cent in 1997 to 50 per cent in 2009. In 2009, almost 13 million jobs had no pension provision – up 2.4 million since 1997.
- The workplace pension reforms will introduce:
  - a legal duty on employers to automatically enrol their eligible workers (if they meet certain age and income criteria) into a suitable pension scheme; and
  - a legal duty on employers to make pension contributions, which alongside tax relief, will double the value of an employees' own contribution. (for money purchase schemes, total contributions – including tax relief – must be at least equal to eight per cent of qualifying earnings, with a minimum of three per cent from the employer).
- Current plans are for these legal requirements to be introduced gradually over a four-year period starting in October 2012.
- It is estimated that the reforms will result in between five and nine million people newly participating or saving more in workplace pensions.
- This will lead to future pensioners enjoying billions more in pension income, helping them to achieve the retirement they expect.
- Current plans are to make information available to all individuals – so that in the run-up to them being automatically enrolled and beyond they will have access to well presented and simple information and tools about pensions and saving for retirement – should they want it.

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<sup>37</sup> Material provided by the Department for Work and Pensions (DWP).



# Appendix B

## Discussion guide: scoping interviews with employer bodies

**J33160: Information Needs of Micro and Small Employers**  
**Depth Interviews with Business Organisations**  
 c. 45-50 mins  
**Discussion Guide – FINAL**

Auto enrolment into qualifying pension schemes, designed to encourage people to save for their retirement, will be launched in 2012. However, in the run-up to its implementation much work needs to be done to understand what information employers need and how to ensure they comply. This study explores the information needs of micro and small employers (i.e. fewer than 50 workers) in preparation for 2012.

Prior to interviewing employers, we are conducting a scoping stage, consisting of six interviews with employer bodies. This scoping stage aims to help shape the research materials for the employer interviews as well as to provide interesting data in its own right. We hope employer organisations will be able to provide a steer on issues they think might be of relevance for their members. The objectives of the scoping stage are to explore:

- employer organisations' membership profile (briefly);
- the level/frequency of support and info provided;
- the general relationship between the body and its members;
- the extent to which they regard themselves as a key information source;
- the channels they use to give support and advice;
- the type of information they provide;
- whether there are common questions or areas of support that members have/need.

Discussion Area	Notes	Approx Timing
<b>Introduction</b>		5 mins
<ul style="list-style-type: none"> <li>• Thank participant for agreeing to be interviewed – mention that the interview should last no more than one hour.</li> <li>• Introduce self, Ipsos MORI, client and briefly explain the aim of the discussion: to explore how small and micro-employers find out about providing pensions for their staff, which sources they use and how such information could be improved to help them more in the future. We're looking to identify the key influences for employers about financial information.</li> </ul>	<p>The welcome serves to orientate interviewee and put them at ease. It also lays down the 'rules' of the discussion including those we are required to tell them about under MRS Code of Conduct.</p>	

<ul style="list-style-type: none"> <li>• Reassure participant of confidentiality and anonymity – will not be personally attributed and no one will be able to identify you or your organisation from your remarks. No right or wrong answers, just interested in their views.</li> <li>• Explain incentive: £50 donation to their choice of charity (from list).</li> <li>• Gain permission to record for transcription purposes.</li> </ul> <p><b>Participant Introduction</b></p> <ul style="list-style-type: none"> <li>• Name, Nature and aims of organisation (who aimed at, what regard as their role), Number and type of members and their profile.</li> <li>• What is your role here? PROBE JOB TITLE + BRIEFLY RESPONSIBILITIES/TASKS INVOLVED Do you work with people in other employer bodies in a similar role (i.e. does org. operate as a single entity or with others en masse)?</li> </ul>	<p>The introduction serves to ‘warm up’ interviewee and opens up the topic for discussion</p>	
<p><b>2. Current information provision</b></p>		<p>10 mins</p>
<ul style="list-style-type: none"> <li>• What services do you offer to small employers (i.e. those with under 50 workers)? PROBE: ADVICE/ SERVICES AT DIFFERENT POINTS.</li> <li>• How does your organisation assist such businesses? What do you do? How do you see your role?</li> <li>• What do you think are the main areas or issues where small employers need advice/support/ guidance? And what do you think of information provision at the moment? PROBE: Is there enough info, good enough, clear enough? Is it provided at the right time – too early/late? PROBE: How do they target information they provide to make it most effective for the businesses involved?</li> <li>• Do you signpost employers for further information? Or do employers tell you where they got to find additional advice? EG. ACCOUNTANT, IFA, BANK, PERSONAL CONTACTS, OR OTHER ORGS: BUSINESS LINK, CHAMBER OF COMMERCE, CBI, FSB.</li> </ul>	<p>This section explores what information the organisation provides to employers, which are most requested, the range of support/ info/guidance on offer and used.</p>	

<ul style="list-style-type: none"> <li>• How do <u>you</u> put information across to small employers? PROBE: <ul style="list-style-type: none"> <li>o What channels do you use to communicate with them? PROBE: F2F INDIVIDUAL MEETING, PHONE CALL, EMAIL, LETTER, LEAFLET, WORKSHOP/MEETING.</li> <li>o How does this vary by the purpose of the advice? And how frequently do you contact members?</li> <li>o In your experience, what type of communication is most effective for small business owners? PROBE FOR CHANNELS, FREQUENCY, ANY OTHER FEEDBACK.</li> </ul> </li> </ul>		
<b>3. Information relating to pensions</b>		15-20 mins
<ul style="list-style-type: none"> <li>• And focussing now on information about pensions in particular. Do you give help for employers in complying with pension legislation/ pension law? What information do you provide to small employers about pension provision?</li> <li>• In a small (or micro) business who is it that you tend to have contact with when advising about pensions? PROBE: OWNER, ACCOUNTANT, EXTERNAL ADVISER, ANOTHER MEMBER OF STAFF.</li> <li>• How would you rate the knowledge of small employers this area? Why do you say that? PROBE FOR ANY GAPS IN PENSIONS KNOWLEDGE. What things do small organisations have to do regarding staff and pensions?</li> <li>• What do you think small employers base their decisions about pension provision on? And what prompts them to review their pension provision? PROBE: EXPANSION, RETENTION OF STAFF, COMPLYING WITH LEGISLATION</li> </ul>	<p>In this section we explore how involved they/their organisation is in providing information on pensions for workers.</p>	

<ul style="list-style-type: none"> <li>o Have members come to you with queries, following enquiries about pensions by staff? PROBE: What type of queries have staff raised to employers?</li> <li>o How much and what information do you feel small employers gather on pensions? CONTENT AND FORMAT.</li> <li>o Who else do they approach for pensions advice? ORGANISATIONS AND INDIVIDUALS.</li> <li>• Are you able to give some examples of pensions information that you feel work particularly well (either that you give or have come across provided by someone else)? What is it about this item that makes it so effective? PROBE: LANGUAGE, TONE, FORMAT, COMPLEXITY OF INFO, TIMING OF INFO PROVISION, SOURCE OF INFO. Why?</li> <li>• Or can you think of any examples that do not work well – why is this? How could they be improved? PROBE: LANGUAGE, TONE, FORMAT, COMPLEXITY OF INFO, SOURCE + TIMING OF INFO PROVISION.</li> </ul>		
<p><b>4. Information needs and ensuring compliance</b></p>		<p>10 mins</p>
<ul style="list-style-type: none"> <li>• Can you just run through what you see as the main requirements for small employers regarding stakeholder pensions?</li> <li>• And what information does your organisation provide small and micro employers about this? How do you go about giving this info? PROBE: FORMAT.</li> <li>• And what do you think of the quality of information given to small employers about this? How could it be improved? PROBE: LANGUAGE, TONE, FORMAT, COMPLEXITY OF INFO, TIMING OF INFO PROVISION, SOURCE OF INFO. Why?</li> </ul>	<p>In this section we wish to understand how the bodies have helped support employers with previous legislation and what learnings they have from their experience in this area.</p>	

<ul style="list-style-type: none"> <li>• And who would be best placed to provide this information? PROBE: IFA, PENSIONS PROVIDER, GOVERNMENT, OTHER BUSINESS ORG.</li> <li>• Do you get a sense that compliance is an issue in this area – why? How could employers be encouraged to comply with this legislation more?</li> <li>• What further support or guidance would be useful for small business owners around their responsibilities as employers regarding pensions? Why?</li> </ul>	<p>PENSIONS LEGISLATION IN PARTIC BUT POINTS ABOUT GENERAL LEGISLATION OK</p>	
<b>Conclusions</b>		5 mins
<ul style="list-style-type: none"> <li>• Are there any pension or communications issues you would like to cover that you don't feel we have already discussed?</li> <li>• Can you think of any other employer organisations that it might be helpful for us to speak to about this kind of issues? NOTE DOWN.</li> </ul> <p>THANK AND CLOSE. NOTE DOWN CHARITY FOR DONATION IF RELEVANT.</p>	<p>Wraps up the discussion and summarises main thoughts.</p>	

# Appendix C

## Discussion guide: interviews with employers who do not offer pensions

### Information Needs of Micro and Small Employers for Pensions

#### Depth Interviews with Business Owners:

Small and micro employer, no pension

c. 45-50 minutes

#### Finalised Discussion Guide

This qualitative study explores how employers currently engage (or not) with intermediaries and sources of information in order to better understand the role information plays in supporting decision-making around pension provision. It will suggest information employers may need to enable them to comply with their pension obligations and explore why some employers offer pensions and others do not, even when they are required to. Findings will propose how best to provide information to and influence employers and what messages encourage employers to comply.

Fieldwork will be conducted in two stages:

- a) c.45 interviews with employers whose workers are eligible to join a workplace pension scheme and
- b) c.45 interviews with employers who do not offer staff a pension (potentially supplemented by employers who offer a scheme but no staff are enrolled on it)

The main research objectives are to:

- identify how employers currently engage with providers, advisers and with their workers in providing pensions;
- understand the factors that drive engagement with intermediaries;
- explore the forms and sources of information used by employers and how it supports the pensions decision-making process;
- investigate potential factors underlying non-compliance and exploring role of information in promoting compliance.

Discussion Area	Notes	Approx Timing
<p><b>Introduction</b></p>		5 mins
<ul style="list-style-type: none"> <li>• Thank participant for taking part, interview should last about 45 minutes.</li> <li>• Introduce self, Ipsos MORI, client and briefly explain the aim of the discussion: to explore how they reached a decision on whether to provide pensions for their staff, and to understand what information they received to support these decisions and if there were any information gaps.</li> <li>• Reassure participant of confidentiality and anonymity – will not be personally attributed and no one will be able to identify you from your remarks. No right or wrong answers, just interested in their views.</li> <li>• Explain incentive: £40 cash as thank you, from Ipsos MORI.</li> <li>• Gain permission to record for transcription purposes.</li> </ul> <p><b>Participant Introduction</b></p> <ul style="list-style-type: none"> <li>• Name, Nature of business, What is your job role here? IF HAS BUSINESS PARTNERS: HOW DIVIDE RESPONSIBILITIES?</li> <li>• No. of workers and characteristics of workforce (briefly)?</li> </ul>	<p>The welcome serves to orientate interviewee and put them at ease. It also lays down the 'rules' of the discussion including those we are required to tell them about under MRS Code of Conduct.</p> <p>'Warms up' interviewee and opens up the topic for discussion.</p>	

SECTION A: UNDERSTANDING OF INFO SOURCES USED TO RUN BUSINESS, WHO GO TO, HOW USE INFO, WHY DON'T OFFER PENSIONS		
1. Who employers engage with on business decisions and why and how do they use the info they receive		15 mins
<ul style="list-style-type: none"> <li>• How do you manage the <b>financial aspects</b> of the business? Do you as an organisation deal with all aspects of finance and pensions yourselves (i.e. in house) or do you contract it out?</li> <li>• IF DEAL WITH IN-HOUSE: Who in the organisation handles these tasks? <ul style="list-style-type: none"> <li>o IF DO SELF: How confident would you say you are with handling finances and dealing with financial information for your company?</li> <li>o IF SOMEONE ELSE DOES: How involved are you in the actions and decisions they take? Why would you have been referred to us, do you have particular responsibilities? IF NOT INVOLVED AT ALL, THANK FOR THEIR TIME AND CLOSE</li> <li>o How confident are you in the way they handle the company finances and deal with financial information?</li> </ul> </li> <li>• Where do you go to find out <b>general information</b> about your business and day-to-day running of it?</li> </ul> <p>NOTE names of particular organisations approached, events attended or general information searching via internet searches.</p> <ul style="list-style-type: none"> <li>• <b>Why do you go there?</b> Have you used them before? How did you hear about them? Did you receive information or did you proactively seek request information? What sort of information do you get from them? How does the information from this source differ from other sources, if at all.</li> <li>• <b>What channel</b> do you prefer to use or actually use when looking for information? NOTE: newspapers, TV, radio, internet (which sites or just google?), leaflets or newsletters, telephone, face-to-face, networking events, seminars or conferences. TRY TO ESTABLISH HOW PROACTIVE THE EMPLOYER IS IN SEARCHING FOR INFORMATION IN DIFFERENT WAYS.</li> </ul>	Explores the extent to which the company deals with finances, where they go for information or advice on business issues.	

<p>o ASK SPONTANEOUSLY FIRST, PROMPT ONLY IF NECESSARY: Have you ever used [...] to get any business information? And what type of info?</p> <p>ACCOUNTANT          INDEPENDENT FINANCIAL ADVISER (IFA)          BANK          PERSONAL CONTACTS/NETWORKS/OTHER BUSINESSES          EMPLOYER ORGANISATIONS: EG BUSINESS LINK, CHAMBER OF COMMERCE          CONFEDERATION OF BRITISH INDUSTRY (CBI)          FEDERATION OF SMALL BUSINESSES (FSB)          ANY OTHER ORGS/GROUPS          MEDIA: PAPERS; RADIO; TV; INTERNET (WHICH SITES?).</p> <ul style="list-style-type: none"> <li>• Are you a member of any professional organisations for financial services or pensions? If so, which ones? How did you originally hear about them? How often do you contact them for information?</li> <li>• Which of these sources of information would you say is your <b>key information source</b>?             <ul style="list-style-type: none"> <li>o Why do you say that? What was it about this source/this information that made it so useful or work so well for you? PROBE FOR INFORMATION PREFERENCES/IMPROVEMENTS.</li> </ul> </li> </ul> <p>FOR EACH USED ASK:</p> <ul style="list-style-type: none"> <li>o Why did you go to them to find out information (or did they approach you)? ESTABLISH IF PROACTIVE OR REACTIVE.</li> <li>o What type of information have you received from them (i.e. knowledge or facts about what kinds of topic)? Did [...] give you new information or just information that confirmed what you already knew from elsewhere? How was information provided, how did you get in contact with them?</li> <li>o What, if any, actions resulted from you finding out the information?</li> </ul>	<p>JUST MAKE LIST OF SOURCES – WILL BE EXPLORED MORE IN NEXT SECTION.</p>	
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<ul style="list-style-type: none"> <li>o Some individuals or groups just offer information (i.e. they simply pass on the facts, e.g. what business regulations are), others will give you advice (i.e. they will recommend a certain course of action to you) Do you feel [...] offered you information or advice? Why?</li> <li>o What difference did the fact that you were talking to [...] make to the way you felt about the information they gave you? Why?</li> <li>• Do you seek information (from outside your organisation) before you make company financial decisions?</li> </ul> <p>If YES,</p> <ul style="list-style-type: none"> <li>o Who do you turn to? Why do you turn to them?</li> <li>o How have you found the information they offer? PROBE FOR POSITIVES AND ANY GAPS.</li> <li>o What kind of decision do you make without seeking information? PROBE FOR WHY DON'T SEEK information FOR THOSE INSTANCES.</li> <li>• IF CONTRACT OUT: What services do you contract out, to whom?</li> <li>o Why do you contract out these aspects? PROBE: LACK OF INTERNAL ABILITY, EASIER TO CONTRACT OUT, OTHER REASON.</li> <li>• How are employment policies, and any changes in policy, currently <b>communicated to staff</b>? PROBE: staff handbook, intranet, staff notice board, verbally (one on ones or general staff meeting), through employment contract.</li> <li>• How often is this information updated? Probe if regularly updated or done on an ad hoc basis.</li> <li>• Are employment policies ever discussed outside of the [insert from above list]? If so, how often?</li> <li>• Do staff have any regular opportunity to discuss employment policies or is this done on an ad hoc basis when necessary?</li> </ul>		
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<p><b>2. Why they don't offer pensions (decision-making process)</b></p>		<p>15 mins</p>
<p>KEY SECTION</p> <p>ASK ALL</p> <ul style="list-style-type: none"> <li>• Can I just check, do you currently offer an employer pension for staff? Or another type of pension scheme?             <ul style="list-style-type: none"> <li>o IF YES: And are any of your workers currently enrolled in the scheme (or have they been enrolled in the last few months)? IF YES: REFER TO OTHER TOPIC GUIDE IF NO PENSION OFFERED: CONTINUE IF PENSION BUT NO STAFF ENROLLED: CONTINUE.</li> </ul> </li> </ul> <p><u>ASK ALL</u></p> <ul style="list-style-type: none"> <li>• Have you considered offering your staff a pension?             <ul style="list-style-type: none"> <li>o IF NO: What factors influenced your decision? PROBE FOR OTHER THAN FINANCIAL COST OF ADMINISTERING SCHEME/MAKING CONTRIBUTIONS.</li> <li>o IF YES: What factors did you consider when deciding to offer staff a pension? Can you talk me through your decision? SPONTANEOUS VIEWS FIRST, THEN PROMPT:                 <ul style="list-style-type: none"> <li>* RESPONDING TO STAFF REQUESTS</li> <li>* MORALE/MOTIVATION</li> <li>* RECRUITMENT/RETENTION</li> <li>* SOCIAL RESPONSIBILITY (EMPLOYER RESPONSIBILITY TO HELP STAFF PROVIDE FOR RETIREMENT)</li> <li>* COMPANY REPUTATION.</li> </ul> </li> </ul> </li> </ul> <p><u>For small employers only</u> – probe COMPLIANCE WITH LEGISLATION.</p> <ul style="list-style-type: none"> <li>o IF MORE THAN ONE REASON: Which of these reasons was the most important for you? Why?</li> <li>o What made you decide not to offer a pension in the end?</li> </ul>	<p>This section looks at the extent to which employers gather information on company pensions and why they have or have not done so. It also explores which sources they have consulted and their views on the information they received.</p>	

<p>ASK ALL:</p> <ul style="list-style-type: none"> <li>• Did you <b>receive/seek any information</b> about offering a company pensions before making your decision?</li> </ul> <p><u>IF NO:</u></p> <ul style="list-style-type: none"> <li>o Why was this?</li> <li>o Who do you think you would approach if you wanted to find out more information about pension provision for staff? SPONTANEOUS, THEN PROMPT: <ul style="list-style-type: none"> <li>* ACCOUNTANT</li> <li>* INDEPENDENT FINANCIAL ADVISER (IFA)</li> <li>* BANK</li> <li>* BUSINESS LINK</li> <li>* CHAMBER OF COMMERCE</li> <li>* CONFEDERATION OF BRITISH INDUSTRY (CBI)</li> <li>* FEDERATION OF SMALL BUSINESSES (FSB)</li> <li>* PERSONAL CONTACTS/NETWORKS/OTHER BUSINESSES.</li> </ul> </li> <li>o Why would you particularly approach [...] for information on pension provision? PROBE PREVIOUS EXPREIENCE/KNOWLEDGE OF ORGANISATION.</li> <li>o Are there any organisations or sources of information that you would not want to approach? If so, why not? PROBE FOR PREVIOUS EXPERIENCE/KNOWLEDGE OF ORGANISATION.</li> <li>o What factors might affect who you approach for information? PROBE IF COST IS A CONCERN. IF YES: Would you be more likely to turn to sources that provide information for free or more likely to go to someone you have to pay because you feel they'll provide better quality or more tailored information?</li> </ul>		
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<p><u>IF YES:</u></p> <ul style="list-style-type: none"> <li>o What kind of queries did you have?</li> <li>o Who did you approach for information?</li> <li>o FOR EACH SOURCE USED: Why did you approach this person/organisation in the first instance – or did they approach you?</li> <li>o What information did they request/receive – what channel/contents?</li> <li>o Was the information you received useful or not? Why/Why not? Did the information answer all your questions, or did you seek further information?</li> <li>o Could the information you received be improved? What more did you want to know – or how could it have been more clearly explained?</li> <li>o What factors might affect who you approach for information? PROBE IF COST IS A CONCERN. IF YES: Would you be more likely to turn to sources that provide information for free or do you prefer to speak to an organisation that may charge for their services? Why?</li> </ul> <p>KEY</p> <ul style="list-style-type: none"> <li>o What impact, if any, did the information you collected have on the decision you took not to offer a pension? How did the information you received impact on your decision?              PROBE: WAS THE INFORMATION UNHELPFUL OR UNCLEAR SO EMPLOYER DID NOT KNOW HOW TO GO ABOUT IT;              WAS THERE SOMETHING IN THE INFO THAT PUT THEM OFF – WHAT?              DID THEY DECIDE AGAINST A PENSION FOR ANOTHER REASON – WHAT?</li> </ul>		
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<p>ASK ALL:</p> <ul style="list-style-type: none"> <li>• Do you <b>think that your staff are interested</b> in receiving a pension? What makes you say that?</li> <li>• How much, if at all, would you say your staff value pensions? Why?</li> <li>• Have staff ever asked you for information on pensions? Have you ever sought any information about pensions on staff's behalf?       <ul style="list-style-type: none"> <li>o Who (individual or organisation) have you approached? PROBE: WHY THEM?</li> <li>o What information were you looking for? What information did they give you? Did you find the information you were looking for?</li> </ul> </li> </ul> <p>ASK ALL</p> <ul style="list-style-type: none"> <li>• Have you ever <b>received any information</b> about offering workplace pensions?</li> </ul> <p><u>IF YES:</u></p> <ul style="list-style-type: none"> <li>o Where did the information come from? PROBE: Was it something you sought out yourself or was information provided without you asking for it? IF BOTH: WHICH WAS FIRST?</li> <li>o When (roughly) did you receive information about stakeholder pensions?</li> <li>o What (briefly) did the information say?</li> <li>o What did you think of the information provided on stakeholder pensions? Did you fully understand the information provided? PROBE: How clear was it, what actions did you think you should take?</li> </ul> <p>KEY</p> <ul style="list-style-type: none"> <li>o Are there any particular reasons why you do not currently offer your staff a stakeholder pension?</li> <li>o What impact did the information you received on stakeholder pensions have on your decision not to offer a staff pension? PROBE: Didn't get round to it, too costly, too much of an admin burden.</li> </ul>	<p>It is important to understand whether the participant has a lack of understanding that should offer a pension or has made a deliberate decision not to offer a pension.</p>	
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<p>IF NO:</p> <ul style="list-style-type: none"> <li>o Does the term 'stakeholder pension' mean anything to you? IF YES: PROBE BRIEFLY WHAT UNDERSTAND BY IT, WHERE HAVE THEY HEARD THE TERM.</li> <li>o IF UNDERSTAND TERM: Are there any particular reasons why you do not currently offer your staff a stakeholder pension?</li> <li>• Do you plan to offer a staff pension in the <b>future</b>? IF YES, what has influenced your decision to offer one? When do you anticipate it being available to staff?</li> </ul>		
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SECTION B: LOOKS AT AUTO-ENROLMENT, HOW MIGHT HELP WITH COMPLIANCE		
3. Compliance issues, how to promote/encourage auto-enrolment		5 mins
<p>Introduce auto-enrolment.</p> <p>READ OUT</p> <p>From 2012 the government will introduce reforms that require all employers to automatically enrol eligible workers into a qualifying work based pension scheme into which employers will contribute.</p> <p>The new duties on employers will be accompanied by new powers to be given to The Pensions Regulator to ensure that employers comply with these new obligations.</p> <p>Have you heard anything about this, even just vaguely, before now? PROBE BRIEFLY FOR WHAT HEARD, FROM WHO/WHICH ORGANISATIONS? What, if anything, have you heard?</p> <ul style="list-style-type: none"> <li>• What potential benefits do you think there are for your business in introducing this kind of 'new' pension scheme?</li> </ul> <p>SPONTANEOUS VIEWS FIRST, THEN PROMPT:</p> <ul style="list-style-type: none"> <li>* RESPONDING TO STAFF REQUESTS</li> <li>* MORALE/MOTIVATION</li> <li>* RECRUITMENT/RETENTION</li> <li>* SOCIAL RESPONSIBILITY (EMPLOYER RESPONSIBILITY TO HELP STAFF PROVIDE FOR RETIREMENT)</li> <li>* COMPANY REPUTATION</li> <li>* COMPLIANCE WITH LEGISLATION.</li> </ul> <ul style="list-style-type: none"> <li>o FOR EACH: Is this point something that benefits staff only – or does it also benefit the employer? How/why do you say that?</li> <li>o IF RELEVANT: Do you think this would be a benefit for all employers or just some kinds? Which kind of company (size, sector, something else)?</li> </ul>	<p>This section introduces auto-enrolment to the employer – and gauges what benefits they can see. It also looks at what information they would wish about this – and compares with other legislation which has been introduced in this area.</p> <p>PARK ANY QUERIES ABOUT HOW IT WILL OPERATE, SAY 'THIS IS ALL THE INFO I HAVE FOR THE TIME BEING, DETAILS ARE STILL BEING WORKED OUT'.</p>	

<ul style="list-style-type: none"> <li>• Which of these factors we’ve spoken about would be important for you? What benefits can you foresee if you were to offer a pension? Would you only comply because it’s legislation? Why would this make you to comply? Probe that they could be fined for not doing so or are there other benefits for you?             <ul style="list-style-type: none"> <li>o Which ones? PROBE RELATIVE IMPORTANCE OF EACH</li> </ul> </li> <li>• Can you think of any other examples of business legislation that were introduced recently? PROMPT IF NEC: PAYE legislation.             <ul style="list-style-type: none"> <li>o How did you find out about the changes?</li> <li>o Did you look for any information about this? Or was information sent to you? PROBE SOURCES</li> <li>o What actions did you take as a result of the information you received?</li> <li>o Did you face any difficulties in understanding the changes? If so, did you ask anyone to help you understand? If so, who? This section introduces auto-enrolment to the employer – and gauges what benefits they can see. It also looks at what information they would wish about this – and compares with other legislation which has been introduced in this area.</li> </ul> </li> </ul> <p>PARK ANY QUERIES ABOUT HOW IT WILL OPERATE, SAY ‘THIS IS ALL THE INFO I HAVE FOR THE TIME BEING, DETAILS ARE STILL BEING WORKED OUT’.</p> <p>PAYE (Pay As You Earn): change to personal allowance The Chancellor has recently announced an increase in the personal allowance of £600 and an adjustment to the higher rate threshold. Detail of this is not important – EXTRACT INFO ON HOW THEY HAVE FOUND OUT ABOUT CHANGES IN THE PAST.</p>	<p>PAYE (Pay As You Earn): change to personal allowance The Chancellor has recently announced an increase in the personal allowance of £600 and an adjustment to the higher rate threshold. Detail of this is not important – EXTRACT INFO ON HOW THEY HAVE FOUND OUT ABOUT CHANGES IN THE PAST.</p>	
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4. What information might be needed, who they would turn to		10 mins
<ul style="list-style-type: none"> <li>• What information <b>would you want</b> to know about the introduction of auto-enrolment? <ul style="list-style-type: none"> <li>o Would you want information from a range of sources or from one main source? Why?</li> <li>o What format do you prefer to receive information? NOTE: leaflet, email, letter from a particular source, telephone call. Is a range of channels useful or is there one main one that you would prefer? Why?</li> <li>o IF NUMBER OF POINTS MENTIONED: Would you want information provided in one go or in smaller 'bite-sized chunks'? Why would that be better?</li> <li>o IF NEGATIVE REACTION TO PROPOSED CHANGES: What kind of information might change how you view these proposed changes?</li> </ul> </li> <li>• Would you feel comfortable turning to your usual or previous sources of business information? Why/not? <ul style="list-style-type: none"> <li>o Which alternative sources would you wish to consult or get information from about the introduction of auto-enrolment? Why? Why them?</li> </ul> </li> <li>• Who would you think information about auto-enrolment would be <b>best coming from</b>? Why them? <ul style="list-style-type: none"> <li>o How much would you trust information from this source? Why/not?</li> <li>o To what extent is cost an issue for you - would you be more likely to turn to sources that provide information for free or more likely to go to someone you have to pay because you feel they'll provide better quality or more tailored information?</li> </ul> </li> </ul>		

<ul style="list-style-type: none"> <li>• Bearing in mind that these changes aren't due to be introduced until 2012, <b>at what stage(s)</b> would you want to receive information about what the changes might mean for you? How long before the changes would you want this information? Why?             <ul style="list-style-type: none"> <li>o Would you prefer to receive information well in advance of the changes, with reminders closer to the time – or would you prefer less lead-in time and no need for reminders? Why?</li> </ul> </li> <li>• Some employer organisations supply information on this kind of issue. How would you regard information about the changes if it came from these employer organisations? What kind of information would you be looking for <b>employer organisations</b> to supply about the changes? PROBE: DETAIL OF IMPACT OR JUSTIFICATION FOR CHANGES? In this section we ask about employers' information needs and possible sources of advice around auto-enrolment.</li> </ul>		
<b>Conclusions</b>		5 mins
<ul style="list-style-type: none"> <li>• Are there any issues you would like to cover that you don't feel we have already discussed?</li> <li>• Thinking about everything we have discussed today, what is the one main message you would like us to take back to DWP about providing information on auto-enrolment? THANK AND CLOSE. GIVE OUT INCENTIVE.</li> </ul>	Wrap up the discussion and summarise main thoughts.	



# Appendix D

## Discussion guide: interviews with employers who offer pensions

**Information Needs of Micro and Small Employers for Pensions**  
**Depth Interviews with Business Owners:**  
**Small and micro employers, offers pension**  
**45-50 minutes**  
**Final Discussion Guide**

This qualitative study explores how employers currently engage (or not) with intermediaries and sources of information in order to better understand the role information plays in supporting decision-making around pension provision. It will suggest information employers may need to enable them to comply with their pension obligations and explore why some employers offer pensions and others do not, even when they are required to. Findings will propose how best to provide information to and influence employers and what messages encourage employers to comply.

Fieldwork will be conducted in two stages:

- c) c.45 interviews with employers whose workers are eligible to join a workplace pension scheme and
- d) c.45 interviews with employers who do not offer staff a pension (potentially supplemented by employers who offer a scheme but no staff are enrolled on it)

The main research objectives are to:

- identify how employers currently engage with providers, advisers and with their workers in providing pensions;
- understand the factors that drive engagement with intermediaries;
- explore the forms and sources of information used by employers and how it supports the pensions decision-making process.

Discussion Area	Notes	Approx Timing
<b>Introduction</b>		5 mins
<ul style="list-style-type: none"> <li>• Thank participant for taking part, interview should last about 45 minutes.</li> <li>• Introduce self, Ipsos MORI, client and briefly explain the aim of the discussion: to explore how they reached a decision on whether to provide pensions for their staff, how they communicate this provision with their workers and to understand what information they needed to support these decisions and how such information could be improved to help them more in the future.</li> </ul>	The welcome serves to orientate interviewee and put them at ease. It also lays down the 'rules' of the discussion including those we are required to tell them about under MRS Code of Conduct.	

<ul style="list-style-type: none"> <li>• Reassure participant of confidentiality and anonymity – will not be personally attributed and no one will be able to identify you from your remarks. No right or wrong answers, just interested in their views.</li> <li>• Explain incentive: as a thank you, from Ipsos MORI.</li> <li>• Gain permission to record for transcription purposes.</li> </ul> <p>Participant introduction</p> <ul style="list-style-type: none"> <li>• Name, Nature of business, What is your job role here? IF HAS BUSINESS PARTNERS: HOW DIVIDE RESPONSIBILITIES?</li> </ul> <p>No. of worker and characteristics of workforce (briefly)?</p>	<p>‘Warms up’ interviewee and opens up the topic for discussion.</p>	
<p><b>SECTION A: UNDERSTANDING OF INFO SOURCES USED FOR PENSIONS, WHO GO TO, HOW USE INFO</b></p>		
<p><b>1. Who employers get information from and why</b></p>		<p>15 min</p>
<ul style="list-style-type: none"> <li>• How do you manage the <b>financial aspects</b> of the business? Do you (as an organisation) deal with all aspects of finance and pensions yourselves (i.e. in house) or do you contract it out?</li> <li>• IF DEAL WITH IN-HOUSE: Who in the organisation handles these tasks?             <ul style="list-style-type: none"> <li>o IF DO SELF: How confident would you say you are with handling finances and dealing with financial information for your company?</li> <li>o IF SOMEONE ELSE DOES: How involved are you in the actions and decisions they take? Do you have any responsibility for financial decisions or employment policy in your company? IF NO, THANK AND CLOSE.</li> <li>o How confident are you in the way they handle the company finances and deal with financial information?</li> </ul> </li> </ul>	<p>Explores the extent to which the company deals with finances, where they go for information or advice on pensions and their thoughts on the sources used.</p>	

- IF CONTRACT OUT: What services do you contract out, to whom?

- o Why do you contract out these aspects?

PROBE: LACK OF INTERNAL ABILITY, EASIER TO CONTRACT OUT, OTHER REASON How did you chose the organisation to deliver these services for you? PROBE: previously used, received recommendation.

- Where do you go to find out general information about your business and day-to-day running of it?

NOTE names of particular organisations approached, events attended or general information searching via internet searches.

- **Why do you go there?** Have you used them before? What sort of information do you get from them? How does the information from this source differ from other sources, if at all? How did you hear that this organisation could provide you with the necessary information?

- **What channel** do you prefer to use, and actually use, when looking for information? NOTE: newspapers, TV, radio, internet (which sites or just google?), leaflets or newsletters, telephone, face-to-face, networking events, seminars or conferences. TRY TO ESTABLISH HOW PROACTIVE THE EMPLOYER IS IN SEARCHING FOR INFORMATION IN DIFFERENT WAYS.

- o ASK SPONTANEOUSLY FIRST, PROMPT ONLY IF NECESSARY: Have you ever used [...] to get any business information? And what type of info?

ACCOUNTANT

INDEPENDENT FINANCIAL ADVISER (IFA)

BANK

PERSONAL CONTACTS/NETWORKS/OTHER BUSINESSES

EMPLOYER ORGANISATIONS: EG BUSINESS LINK,

CHAMBER OF COMMERCE

CONFEDERATION OF BRITISH INDUSTRY (CBI)

FEDERATION OF SMALL BUSINESSES (FSB)

ANY OTHER ORGS/GROUPS

MEDIA: PAPERS; RADIO; TV; INTERNET (WHICH SITES?).

<ul style="list-style-type: none"> <li>• Are you a member of any professional organisations for financial services or pensions? If so, which ones? How did you originally hear about them? How often do you contact them for information?</li> <li>• Which of these sources of information would you say is your <b>KEY information source</b>?             <ul style="list-style-type: none"> <li>o Why do you say that? What was it about this source/this information that made it so useful or work so well for you? PROBE FOR INFORMATION PREFERENCES/IMPROVEMENTS.</li> </ul> </li> </ul> <p>FOR EACH USED ASK:</p> <ul style="list-style-type: none"> <li>o Why did you go to them to find out information (or did they approach you)? ESTABLISH IF PROACTIVE OR REACTIVE.</li> <li>o What type of information have you received from them (i.e. knowledge or facts about what kinds of topic)? Did [...] give you new information or just information that confirmed what you already knew from elsewhere? How was information provided, how did you get in contact with them?</li> <li>o What, if any, actions resulted from you finding out the information?</li> <li>o Some individuals or groups just offer information (i.e. they simply pass on the facts, e.g. what business regulations are), others will give you advice (i.e. they will recommend a certain course of action to you) Do you feel [...] offered you information or advice? Why?</li> <li>o What difference did the fact that you were talking to [...] make to the way you felt about the information they gave you? Why?</li> </ul>	<p>WE EXPLORE WHY PENSION IS OFFERED AT LATER STAGE. IF EXPLAIN WHY NOW, NOTE POINTS BUT NO NEED TO PROBE IN DETAIL YET.</p>	
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<p>ASK ALL</p> <ul style="list-style-type: none"> <li>• Can I just check, do you currently offer an <b>employer pension for staff</b>? Or another type of pension scheme? IF NO, REFER TO OTHER TOPIC GUIDE.</li> <li>• Can you outline briefly the features of the pension scheme you offer? PROBE:       <ul style="list-style-type: none"> <li>* TYPE OF SCHEME – IF KNOWN</li> <li>* WHEN SET UP SCHEME (ROUGHLY)</li> <li>* WHO IS ELIGIBLE TO JOIN (AND HOW SOON ON JOINING COMPANY)</li> <li>* IS THERE A REQUIRED STAFF CONTRIBUTION – IF YES, WHAT % OF SALARY (OR DOES IT VARY)?</li> <li>* DOES EMPLOYER CONTRIBUTE – IF SO, WHAT %?</li> <li>* ESTIMATE OF TAKE-UP AMONG STAFF</li> </ul> </li> <li>• Did you <b>seek information</b> (from outside your organisation) before you made a decision about offering a pension to staff?       <ul style="list-style-type: none"> <li>o IF YES: Who/what did you turn to? NOTE: name of organisations, professional bodies, government.</li> <li>o Why did you turn to them? Have you used them before? What sort of information do you get from them? Do you feel that information from there is more trustworthy than other sources? If so, why?</li> <li>o How do you prefer to contact [...]? NOTE preferred channel of communication e.g. newspapers, TV, radio, internet (which sites or just google?), leaflets or newsletters, telephone, face-to-face, networking events, seminars or conferences. TRY TO ESTABLISH HOW PROACTIVE THE EMPLOYER IS IN SEARCHING FOR INFORMATION IN DIFFERENT WAYS.</li> </ul> </li> </ul>		
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<ul style="list-style-type: none"> <li>o ASK SPONTANEOUSLY FIRST, PROMPT ONLY IF NECESSARY: Have you ever used [...] to get information about pensions?</li> <li>* ACCOUNTANT</li> <li>* INDEPENDENT FINANCIAL ADVISER/ADVISER (IFA)</li> <li>* BANK</li> <li>* PERSONAL CONTACTS/NETWORKS/OTHER BUSINESSES</li> <li>* EMPLOYER ORGANISATIONS: EG BUSINESS LINK CHAMBER OF COMMERCE CONFEDERATION OF BRITISH INDUSTRY (CBI) FEDERATION OF SMALL BUSINESSES (FSB) ANY OTHER ORGS/GROUPS</li> <li>* MEDIA: PAPERS; RADIO; TV; INTERNET (WHICH SITES?).</li> <li>• Which of these sources of information would you say is your <b>key</b> information source, which have you found most useful?             <ul style="list-style-type: none"> <li>o Why do you say that? What was it about this source/this information that made it so useful or work so well for you? PROBE FOR INFORMATION PREFERENCES/IMPROVEMENTS.</li> </ul> </li> <li>FOR EACH SOURCE USED ASK:             <ul style="list-style-type: none"> <li>o Why did you go to them to find out information (or did they approach you)? ESTABLISH IF PROACTIVE OR REACTIVE.</li> <li>o Briefly, what type of information on pensions have you received from them (i.e. what knowledge or facts)? Did [...] provide you with new information or confirmed what you already knew from elsewhere? How was information provided, how did you get in contact with them?</li> <li>o Some individuals or groups just offer information (i.e. they simply pass on the facts, e.g. what pensions regulations are), others will give you advice (i.e. they will recommend a certain course of action to you). Do you feel [...] offered you information or advice? Why?</li> </ul> </li> </ul>		
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2. Using the information they receive		12 mins
<p>KEY SECTION</p> <ul style="list-style-type: none"> <li>• <b>How useful</b> was the information you received on pensions? Why/not? What made the information useful? PROBE: new information, clearly laid out, easily understood, gave advice for implementation.</li> <li>• What is the best way for you to receive information on pensions? PROBE: <b>source and format</b>. NOTE name of organisations, professional groups, any reference to government, the channel of communication e.g. leaflets, letters, media, events etc.</li> <li>• Did the information you received on pensions affect the decision you made about the type of pension your company offered to staff? Why do you say that, what factors did you consider? <ul style="list-style-type: none"> <li>o How involved were you in the process of decision-making and implementation of the pension for your company? PROBE: did the IFA or other organisation take responsibility? Get the participant to talk through the decision-making process.</li> </ul> </li> <li>• How do you <b>communicate</b> with your workers about pensions, and any changes to the scheme? (how often i.e. only on joining the company or at regular intervals) NOTE: staff handbook, Human Resources, intranet, events, staff notice board, verbal communication, meetings.</li> <li>• Is this the same method by which you communicate other employment policies to staff? If not, how does it differ from other staff communication?</li> <li>• How much do you think staff are <b>aware</b> of the pension on offer – things like the features of the pension and how having a pension can benefit them? How much do you think they value a pension?</li> <li>• Do your <b>staff feedback</b> any comments about the pension you offer? What does that make you feel about the pension you offer?</li> </ul>	<p>This section explores how helpful pensions information has been in the decision they took about pensions, and how active they were in setting up the scheme – and the extent to which they promote pensions to their workers.</p> <p>NB. MODERATORS: WE ARE AIMING TO RECRUIT EMPLOYERS WHO HAVE A RELATIVELY GOOD RECALL OF HOW THEIR ORG. WENT ABOUT INTRODUCING A PENSION. PLEASE COULD YOU NOTE HOW MUCH EACH PARTICIPANT IS ABLE TO ANSWER THIS SECTION TO WE CAN ALTER THE SCREENER IF NEEDED.</p>	

<ul style="list-style-type: none"> <li>• Have staff ever asked you for information on pensions? Have you ever sought any information about pensions on staff’s behalf?             <ul style="list-style-type: none"> <li>o Who (individual or organisation) have you approached? PROBE: WHY THEM?</li> <li>o What information were you looking for? What information did they give you? Did you find the information you were looking for?</li> </ul> </li> <li>• Are all staff invited to join the pension scheme, or is there a particular eligibility? Do staff seek information about the scheme themselves? Where are they able to find information? Is there any marketing undertaken to promote the pension to workers? PROBE: is the employer proactive about communicating with their workers, or do they wait for workers to ask?             <ul style="list-style-type: none"> <li>o Are you responsible for communicating with staff about the scheme(s) you offer or any of the features – or does someone else handle this? PROBE EXTENT THAT THEY DIVIDE RESPONSIBILITY. Why do you give this information?/Why do you get someone else to provide this info?</li> <li>o Do you signpost staff to other organisations they can get information from? If so, which organisations, and why?</li> </ul> </li> <li>• Has there been much <b>demand from staff</b> for a pension or for information about a pension?</li> </ul> <p><u>IF YES:</u></p> <ul style="list-style-type: none"> <li>o What have staff asked you about pensions?</li> <li>o Were you able to answer their questions or did you refer them on to someone else? PROBE: WHO, TYPE OF QUESTIONS STAFF HAVE ASKED.</li> <li>o IF ABLE TO PROVIDE ANSWERS: How <b>confident</b> were you in the answers you gave? Where did you look to find out answers? Did you find out more information that you initially planned to? If so, did this prompt any further action from you or your staff?</li> </ul>		
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<p><b>IF NO:</b></p> <ul style="list-style-type: none"> <li>o For what reason do you think staff who haven't taken up your pension offer, have not done so?</li> </ul> <p>PROBE: LACK OF KNOWLEDGE OF SCHEME/ HOW IT WORKS, APATHY ABOUT PENSIONS/ PLANNING FOR THE FUTURE, OR ANOTHER REASON.</p>		
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**SECTION B: why offer pensions, attitudes to pensions, why do they comply with stakeholder legislation, how aware are they of future changes to pensions legislation**

3. Why offer pension		8 min
<ul style="list-style-type: none"> <li>• What would you say the <b>main reason(s)</b> are that you offer a staff pension?</li> </ul> <p>SPONTANEOUS VIEWS, THEN PROMPT FULLY HOW REGARD EACH ASPECT + REASONS BEHIND THEIR VIEWS ON EACH ASPECT:</p> <ul style="list-style-type: none"> <li>* STAFF REQUESTS</li> <li>* MORALE/MOTIVATION</li> <li>* RECRUITMENT/RETENTION</li> <li>* SOCIAL RESPONSIBILITY (EMPLOYER RESPONSIBILITY TO HELP STAFF PROVIDE FOR RETIREMENT)</li> <li>* COMPANY REPUTATION</li> </ul> <ul style="list-style-type: none"> <li>o IF MORE THAN ONE REASON: Which of these reasons was the <b>most important</b> for you? Why?</li> <li>o IF ONLY REASON IS COMPLIANCE: What do you think of pensions (as an employer)? Do you think of pensions as something positive or negative – why? Do you feel that there are any benefits associated with offering your workers a pension?</li> <li>o IF NEGATIVE: Can you see any benefits down the line at all (other than compliance)? Why do you say that?</li> <li>o What information or facts would you like to see that might make you view pensions more positively? Or what more generally might change the way you view pensions (in a positive way)?</li> </ul>	<p>This section investigates the reasons why the employer offers a pension to their staff – and how important a role compliance played in this.</p> <p>IF THIS HAS ALREADY BEEN COVERED, NO NEED TO REITERATE IT BUT PLEASE CHECK ALL POINTS HAVE BEEN COVERED.</p>	

<ul style="list-style-type: none"> <li>• Were you aware of all of these reasons to provide a pension when you were going through your decision-making process? <b>Were these reasons apparent</b> to you when you were thinking about introducing a pension/revising the provision you offer – or have they become apparent to you since then? What has made you aware of these benefits?</li> <li>• What are the barriers faced by employers in providing their staff with a pension other than financial cost of administering the scheme or making contributions?             <ul style="list-style-type: none"> <li>o How could these be made easier for you to deal with? How can the barriers be overcome?</li> <li>o What information could be provided to help you overcome these issues? PROBE: CONTENT, FORMAT, WHEN GIVEN, WHO FROM.</li> </ul> </li> <li>• What would you say to <b>other employers</b> considering offering a pension for their staff? What reasons might you give to them why it's of benefit (to them and to staff)?</li> <li>• Did you find the <b>decision</b> to provide your staff with a pension an easy or difficult one? What made it particularly easy or difficult? PROBE REASONING BEHIND DECISION TAKEN: PENSION TYPE OFFERED, WHETHER + HOW MUCH EMPLOYER CONTRIBUTION.             <ul style="list-style-type: none"> <li>o When did you make the decision to offer a pension for your staff?</li> <li>o How did you come to this decision? ON OWN OR DID THEY TALK IT OVER WITH SOMEONE ELSE How long did it take to decide and set up the pension?</li> <li>o Was there one source of information that was most useful in supporting you through the process?</li> </ul> </li> <li>• Looking back, would you make the same decision about the pension you offer? Why/not?</li> <li>• How did you inform staff of the introduction of a pension? Were workers interested/engaged with the pension scheme?</li> </ul>		
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<b>4. What are their deeper attitudes to pensions, awareness of forthcoming changes</b>		10 mins
<ul style="list-style-type: none"> <li>• And are you aware of any <b>changes in pension regulations</b> that might be coming up in the next few years? <ul style="list-style-type: none"> <li>o <u>IF YES</u>: What kind of things have you heard might be happening? EXPLORE FULLY: WHAT CHANGES, WHY HAPPENING?</li> <li>o Where have you heard about this from? PROBE: Where else have you heard about any changes from?</li> <li>o What information do you think you'd need about any changes? Where would you like to see the information come from?</li> <li>o Through what form of communication would you prefer to receive the information? Why is that channel preferred?</li> </ul> </li> </ul> <p>PROBE: INFO SOURCE + METHOD</p> <ul style="list-style-type: none"> <li>o <u>IF NO</u>: there may be some changes to pensions in the future. Where do you think you might go if you wanted to find out more information about these?</li> <li>o Why would you approach them in particular? How would you get information from them? Note: telephone, email, website, face-to-face, attend an event.</li> <li>o What would be your preferred method to receive communication about any changes in pension policy? Who would you prefer the information to come from? In what form would you like the communication? In this section we ask about employers' deeper attitudes to pensions, as well as probing the extent to which they are aware of any upcoming changes in pensions regulations.</li> </ul>		
<b>Conclusions</b>		3 mins
<ul style="list-style-type: none"> <li>• Are there any pension or communications issues you would like to cover that you don't feel we have already discussed?</li> <li>• Thinking about everything we have discussed today, what is the one main message you would like us to take back to DWP about future pensions information? THANK AND CLOSE. GIVE OUT INCENTIVE. Wraps up the discussion and summarises main thoughts.</li> </ul>		

# Appendix E

## Information letters sent to participants about this research



<BusName>  
<Addr1>  
<Addr2>  
<Addr3>  
<Town>  
<Postcode>

Tuesday 22 July 2008

Dear Sir/Madam

### **Ipsos MORI Research for DWP**

You may remember that we recently sent you a letter about research Ipsos MORI is conducting on behalf of the Department for Work and Pensions (DWP) with micro and small businesses.

The aim of the research is to find out the types of information you receive from government and other sources about business finances, especially around Pensions. DWP wishes to find out where you get information, and what types of information are working well and which are not, so that they can better advise small businesses about their new responsibilities and how to fulfil them.

We are now conducting another wave of research and would very much appreciate it if your business would be willing to participate. It would take the form of a face to face interview, ideally with the owner or a partner in your business. The interview would be carried out in the next few weeks, and last no longer than 45 minutes. The interview would take place at your place of work or another place convenient for you, at a time suitable for you. To thank you for your time and contribution and to cover any expenses, we would give you xx.

Please rest assured that when the findings of the research are reported to DWP, in accordance with strict Market Research Society rules and the Data Protection Act, no names or addresses will be linked with any of the information given. The identity of individuals and businesses who participate, and the confidentiality of the information they provide, will be similarly safeguarded.

An Ipsos MORI interviewer will be contacting you shortly to ask about your participation in this research. If you have any queries in the meantime, please do not hesitate to contact xxx at Ipsos MORI on xxx or email xxx

Yours sincerely

Xxx

Xxx

Ipsos MORI Social Research Institute

Department for Work and Pensions



Organisation name

Address 1

Address 2

Address 3

Postcode

23 May 2008

Dear Sir/Madam

### **Ipsos MORI Research for DWP**

On behalf of the Department for Work and Pensions (DWP), Ipsos MORI, the independent research agency, has been commissioned to conduct research with micro and small business. The aim of the research is to find out the types of financial information such businesses receive from government and other sources. DWP wishes to find out what types of information work well and which do not in order to better advise small businesses about fulfilling their financial responsibilities, particularly pensions-related information, and ascertain how the information received impacts on their understanding and the decisions such businesses take about pensions.

With your close links to small businesses we would very much appreciate it if your organisation would be willing to participate in this important piece of research. It would take the form of a face to face interview, ideally with someone in your organisation who advises small and micro businesses on financial issues, particularly pensions. The interview would last no longer than an hour and would take place at your office (or other suitable location) in late May or early June. To thank you for your time and contribution, for each interview we will make a charity donation (to your choice of Barnardo's, Oxfam, NSPCC, Shelter or Cancer Research).

Please rest assured that when the findings of the research are reported to DWP, in accordance with strict Market Research Society rules and the Data Protection Act, no names or addresses will be linked with any of the information given. The identity of individuals and businesses who participate, and the confidentiality of the information they provide, will be similarly safeguarded.

An Ipsos MORI interviewer will be contacting you shortly to ask about your participation in this research. If you have any queries in the meantime, please do not hesitate to contact xxx at Ipsos MORI on xxx or email xxx

Yours faithfully

Xxx

Xxx

Ipsos MORI Social Research Institute

Department for Work and Pensions



# Appendix F

## Recruitment screener

Recruitment Questionnaire - FINAL  
Pilot Interviews with Business Owners  
4th June 2008

Information Needs Of Micro and Small  
Employers For Pensions

RESPONDENT RECRUITED FOR:
Depth interview:
RESPONDENT NO:

Please recruit 4 depths with owners of small and micro businesses (private sector only).

3 main quotas are detailed below. (NB. If owner has more than one business, make sure that they focus on the relevant one for all the relevant questions).

Quota 1: Business size (Q6)

- 1\* 1 employee
- 1\* 2-4 employees
- 1\* 5-20 employees
- 1\* 21-49 employees

Quota 2: Offer pensions or not (Q8)

- 2\*offer pensions
- 2\*don't offer pensions

Quota 3: Industry/sector (Q7)

- Range, see categories, Q7

Good morning/afternoon/evening, My name is . . . . . from Ipsos MORI, the research company. I’m calling to invite you to take part in an interview on behalf of DWP, the Department for Work and Pensions. You may have received a letter explaining that someone might call you about this research a couple of weeks ago.

DWP wants to speak to small business owners about the information they receive from the government and other sources about business finances, particularly about pensions. DWP wishes to find out what types of information are working well and which do not in order for them to better advise small businesses in the future about fulfilling their financial responsibilities. You will not need to prepare anything in advance and the discussion will be very informal. All views expressed will remain anonymous and we will not tell DWP who we have spoken to.

We are looking to conduct an interview that will last about 45 to 50 minutes and will take place in a location convenient to you, either at your place of work or another suitable location. We are happy to conduct interviews during the day or in the early evening (i.e. before 9pm); we could also arrange to interview on the weekend if you are unable to speak to us during the week.

As a thank you for your time and cover any expenses incurred we would like to offer you £40 cash. If you would like reassurance that this research is official, please call xxxxxxxx

Q1. Would you be interested in taking part?

Yes	1	CONTINUE
No	2	CLOSE

We are looking for particular groups of people to make sure we speak to a cross-section of business owners, therefore I would like to ask you some questions about you and your organisation. All information collected will be anonymised. The questions will take about 10 minutes to answer.

Q2. Do you or any members of your immediate family work in any of the following areas, either in a paid or unpaid capacity? MULTICODE OK

Market research	1	THANK AND CLOSE
Advertising	2	
Journalism/Publishing	3	
HM Revenue and Customs	4	
PR/lobbying	5	
No, none of these		CONTINUE
Don't know		

Q3. Is this your own business or are you in a partner in this business?

Yes, single owner	1	CONTINUE
Yes, partner	2	
No	3	ASK TO BE REFERRED ON TO THE APPROPRIATE PERSON

IF YES, PARTNER (CODE 2) AT Q3, OTHERS TO Q5

Q4. Are you responsible for making at least some of the decisions about your business's finances, in particular about pensions? SINGLE CODE ONLY

Yes	1	CONTINUE
No	2	ASK TO BE REFERRED ON TO THE APPROPRIATE PERSON

ASK ALL

Q5. Do you work in the public sector or the private sector? SINGLE CODE ONLY

Public Sector	1	THANK AND CLOSE
Private Sector	2	CONTINUE

Q6. And how many employees are there in your business besides yourself? SINGLE CODE ONLY (IF DIFFERENT TO SAMPLE INFO, PRIORITISE ANSWER GIVEN HERE)

0 i.e. sole trader, self-proprietor	1	CHECK QUOTAS
1	2	
2-4	3	
5-20	4	
21-49	6	
50+	7	

Q7. How would you describe the nature of your business? For example, a builder works in the construction industry. SINGLE CODE ONLY

Manufacturing	1	
Construction	2	
Wholesale & retail trade/repair of motor vehicles & household goods <i>(includes all shops and retail activities)</i>	3	
Hotels & restaurants	4	
Transport, storage & communication	5	
Something else (including: <b>Financial intermediation</b> - banks, building societies, insurance; <b>Real estate, renting accommodation and equipment &amp; business services</b> (legal, accounting, market research, architectural, advertising) <b>Education;</b> <b>Health &amp; social work</b> )	6	RECRUIT RANGE OF INDUSTRY SECTORS
Other (WRITE IN AND CHECK WITH RESEARCH TEAM HOW THEY FIT INTO QUOTA)	7	

Q8. Does your business offer employees the option of taking out a pension, with contributions made direct from their salary? SINGLE CODE ONLY

Yes	1	RECRUIT TO QUOTA
No	2	

IF 1-4 EMPLOYEES GO TO Q11

IF 5+ EMPLOYEES + YES AT Q8 ASK Q9, IF 5+ EMPLOYEES + NO AT Q8 GO TO Q10

Q9. Do you have your own occupational pension scheme or do you use a stakeholder pension scheme that you tell your staff about? SINGLE CODE ONLY

Own occupational pension scheme	1	CODE AS STAKEHOLDER PENSION COMPLIANT, CONTINUE TO Q11
Stakeholder pension scheme I/we tell staff about	2	
No, I/ we do not offer either of these	3	CONTINUE TO Q10

ASK IF NO AT Q8

Q10. Do you give staff access to a stakeholder pension scheme? SINGLE CODE ONLY

Yes	1	CODE AS STAKEHOLDER PENSION COMPLIANT, CONTINUE TO Q11
No, we do not give staff access to any pension	2	CODE AS NON-STAKEHOLDER PENSION COMPLIANT, GO TO Q11

IF OFFER PENSION (YES AT Q8), OTHERS TO Q13

Q11. Does your business make any contributions to employee pensions? SINGLE CODE ONLY

Yes	1	RECRUIT TO QUOTA
No	2	

ASK IF YES AT Q11, OTHERS TO Q13

Q12. Is the contribution you offer to staff pensions equivalent to more than 3% of salary? SINGLE CODE ONLY.

Yes, more than 3%	1	RECRUIT TO QUOTA
No, 3% or lower	2	

ASK ALL

Q13. How many years have you worked in your current area of business? Would you say...? READ OUT BANDS AND CODE

0-4 years	1	RECRUIT RANGE
5-9 years	2	
10-19 years	3	
20+ years	4	

Q14. What is the approximate annual turnover of your company? Is it...? READ OUT BANDS.

IF TURNOVER VARIES GREATLY, ASK ABOUT MOST RECENT FINANCIAL YEAR.

IF NEW BUSINESS, ASK FOR FUTURE FORECAST

Under £50K	1	RECRUIT RANGE
£50-99K	2	
£100-£199K	3	
£200K+	4	

Q15. And what would you say your annual staff turnover is? Is it...? READ OUT BANDS.

IF VARIES GREATLY, ASK ABOUT MOST RECENT FINANCIAL YEAR.

IF NEW BUSINESS, ASK FOR FUTURE FORECAST

Under 10%	1	RECRUIT RANGE
10-20%	2	
20% or more	3	

Q16. **And can I just check, in which area of the country are you based?** SINGLE CODE  
 ONLY CHECK SAMPLE INFO, PRIORITISE ANSWER GIVEN HERE IF DIFFERENT

London area	1	CHECK QUOTAS
Birmingham area	2	
Manchester/ Liverpool area	3	

Q17. GENDER – **DO NOT ASK RESPONDENT. WRITE DOWN.**

Male	1	TRY TO RECRUIT SOME
Female	2	FEMALE

RECORD NAME, TELEPHONE NUMBER AND EMAIL ADDRESS VERY CAREFULLY  
 MAKE SURE FIRST NAME AND SURNAME ARE BOTH RECORDED  
 IT IS VERY IMPORTANT THAT THESE DETAILS ARE RECORDED ACCURATELY AND IN FULL

CLOSE AND THANK RESPONDENT

I confirm that I have conducted this interview on the telephone with the above person and that I asked all the relevant questions and recorded the answers in conformance with the survey specifications and with the MRS Code of Conduct and the Data Protection Act 1998.

Interviewer Signature: .....

Date: .....

THIS MUST BE THE LAST PAGE OF THE QUESTIONNAIRE AND MUST BE SINGLE SIDED

Ipsos MORI

Information Needs Of Micro and Small Employers For  
Pensions

Recruitment Questionnaire

RESPONDENT RECRUITED FOR:  
Depth interview:

RESPONDENT  
NO:

PERSONAL IDENTIFIERS

Details

Location:  
Time:

Date:

Name/Initial/Title: Mr/Mrs/Ms/Miss

Address:

Full  
Postcode

<input type="text"/>							
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Tel. Number (WRITE IN INCL.  
STD code)

Home/mobile	1
Work	2
Refused/Ex-directory	3

e-mail address (WRITE IN)

1

Is respondent willing to take  
part and available?

Yes	1
No	2

Respondent attended?

Yes	1
No	2

Recruitment Questionnaire - Mainstage  
Business Owners  
22nd July 2008

Information Needs Of Micro and Small Employers For  
Pensions: Mainstage: Stage 1

RESPONDENT RECRUITED FOR:

Depth interview:

RESPONDENT

NO:

Stage 1: Employers whose staff are currently enrolled in a pension scheme through their employer (pension situation established at Q8-11).

Please recruit 40 depths with owners of small and micro businesses (private sector only).

4 main quotas are detailed below. (NB. If owner has more than one business, make sure that they focus on the relevant one for all the relevant questions).

Quota 1 (Q6) – Business size	19 x 1-4 employees	NO self-proprietors/ family businesses (employer must have at least 1 (non-family) member of staff) At least 5 x 1-2 employees At least 5 x 3-4 employees
	14 x 5-20 employees	At least 5 x 5-9 employees At least 5 x 10-20 employees
	7 x 21-49 employees	Range of sizes
Quota 2 (Q12) – Whether offer employer pension contribution	c. 19 x 1-4 employees who offer pension	c.9 x offer employer contribution c.9 x do not offer employer contribution
	c.14 x 5-20 employees who offer pension	c.6 x offer employer contribution c.6 x do not offer employer contribution
	c.7 x 21-49 employees who offer pension	c.3 x offer employer contribution c.3 x do not offer employer contribution
Quota 3 (Q7) - Industry/ sector (NB. Private sector only)	Range of sectors for each size category	At least 6 x Manufacturing/ Construction At least 6 x Retail At least 4 x Hotels/ restaurants At least 4 x Transport/ Storage/ Communications At least 4 x other sectors
Quota 4 (Q16) – Region	Approx 33% in each of 3 regions	At least 12 in London At least 12 in Birmingham At least 12 in Manchester/ Liverpool area

Secondary quotas:

- range of staff turnover (Q15);
- age of business (Q14);
- Of those who offer pension contribution: range of those who contribute up to 3% and more than 3% salary (Q13).

Good morning/afternoon/evening, My name is . . . . . from Ipsos MORI, the research company. I'm calling to invite you to take part in an interview on behalf of DWP, the Department for Work and Pensions. You may have received a letter explaining that someone might call you about this research a couple of weeks ago.

DWP wants to speak to small business owners about the information they receive from the government and other sources about business finances, particularly about pensions. DWP wishes to find out what types of information are working well and which do not in order for them to ensure small businesses have access to good quality information in the future. You will not need to prepare anything in advance and the discussion will be very informal. All views expressed will remain anonymous and we will not tell DWP who we have spoken to.

We are looking to conduct an interview that will last about 45 minutes and will take place in a location convenient to you, either at your place of work or another suitable location. We are happy to conduct interviews during the day or in the early evening (i.e. before 9pm); we could also arrange to interview on the weekend if you are unable to speak to us during the week.

As a thank you for your time and cover any expenses incurred we would like to offer you £40 cash. If you would like reassurance that this research is official, please call xxxxxxxxxxxxxx

Q18. Would you be interested in taking part?

Yes	1	CONTINUE
No	2	CLOSE

We are looking for particular groups of people to make sure we speak to a cross-section of business owners, therefore I would like to ask you some questions about you and your organisation. All information collected will be anonymised. The questions will take about 10 minutes to answer.

Q19. Do you or any members of your immediate family work in any of the following areas, either in a paid or unpaid capacity? MULTICODE OK

Market research	1	THANK AND CLOSE
Advertising	2	
Journalism/Publishing	3	
HM Revenue and Customs	4	
PR/lobbying	5	
No, none of these	6	CONTINUE
Don't know	7	

Q20. Is this your own business or are you in a partner in this business?

Yes, single owner	1	CONTINUE
Yes, partner	2	
No	3	ASK TO BE REFERRED ON TO THE APPROPRIATE PERSON

IF YES, PARTNER (CODE 2) AT Q3, OTHERS TO Q5

Q21. Are you responsible for making at least some of the decisions about your business's finances, in particular about pensions? SINGLE CODE ONLY

Yes	1	CONTINUE
No	2	ASK TO BE REFERRED ON TO THE APPROPRIATE PERSON

ASK ALL

Q22. Do you work in the public sector or the private sector? SINGLE CODE ONLY

Public Sector	1	THANK AND CLOSE
Private Sector	2	CONTINUE

Q23. And how many employees are there in your business besides yourself? Please only include permanent employees (full or part time) who are not part of your family – do not include fixed term staff or workers you subcontract to. SINGLE CODE ONLY (IF DIFFERENT TO SAMPLE INFO, PRIORITISE ANSWER GIVEN HERE)

0 i.e. sole trader, self-proprietor, family business (ie. all staff are family members)	1	THANK AND CLOSE
1-2	2	
3-4	3	
5-9	4	CHECK QUOTAS
10-20	5	
21-49	6	
50+	7	THANK AND CLOSE

Q24. How would you describe the nature of your business? For example, a builder works in the construction industry. SINGLE CODE ONLY

Manufacturing	1	
Construction	2	
Wholesale & retail trade/repair of motor vehicles & household goods <i>(includes all shops and retail activities)</i>	3	
Hotels & restaurants	4	
Transport, storage & communication	5	
Something else (including: <b>Financial intermediation</b> - banks, building societies, insurance; <b>Real estate, renting accommodation and equipment &amp; business services</b> (legal, accounting, market research, architectural, advertising) <b>Education;</b> <b>Health &amp; social work</b> )	6	RECRUIT RANGE OF INDUSTRY SECTORS
Other (WRITE IN AND CHECK WITH RESEARCH TEAM HOW THEY FIT INTO QUOTA)	7	

Q25. Does your business offer a workplace pension to employees? (It doesn't matter if they contribute direct from their salary or not, or how many staff have taken a pension out or not, I'm just interested in whether you offer one or not). SINGLE CODE ONLY

Yes	1	CONTINUE
No	2	CLOSE - EXPLAIN THAT AT THIS STAGE WE ARE ONLY LOOKING TO SPEAK TO EMPLOYERS WHO OFFER THEIR STAFF A PENSION BUT WOULD THEY POTENTIALLY BE OK TO BE RECONTACTED ABOUT POSSIBLE FUTURE FIELDWORK WITH THOSE WHO DO NOT OFFER A PENSION?

Q26. Do you have your own occupational pension scheme or do you use a stakeholder pension scheme that your staff can join? SINGLE CODE ONLY

Own occupational pension scheme	1	CODE AS OFFERS PENSION, CONTINUE TO Q10
Stakeholder pension scheme I/we tell staff about	2	
No, I/ we do not offer either of these	3	THANK AND CLOSE

ASK ALL

Q27. How much do you remember about how your company arranged for a pension scheme to be introduced? NB. WE'RE NOT LOOKING FOR HOW MUCH THEY REMEMBER ABOUT THE MINUTAE OF DETAIL ABOUT THE PENSION SCHEME OR HOW MUCH THEY TOLD STAFF THEMSELVES – JUST HOW MUCH THEY REMEMBER ABOUT HOW IT ALL HAPPENED. SINGLE CODE ONLY.

A lot	1	CONTINUE
A fair amount	2	
Not very much	3	
I was not in my current role/ at the organisation at the time	4	THANK AND CLOSE, ASK FOR REFERRAL IF APPROPRIATE.

Q28. How many of your staff are members of your workplace pension scheme? IF NONE CURRENTLY INVOLVED, ASK: Have any staff taken part in the scheme in the last year or so? SINGLE CODE ONLY

0 – No one is currently enrolled in the scheme and no one has been enrolled in the last year	1	CLOSE - EXPLAIN THAT AT THIS STAGE WE ARE ONLY LOOKING TO SPEAK TO EMPLOYERS WHO CURRENTLY OR VERY RECENTLY HAVE HAD STAFF ENROLLED IN THEIR SCHEME BUT WOULD THEY POTENTIALLY BE OK TO BE RECONTACTED ABOUT POSSIBLE FUTURE FIELDWORK WITH THOSE WHO DO NOT OFFER A PENSION
1 or more members of staff are currently enrolled in the scheme (or some staff have been enrolled in the last year)	2	CONTINUE

Q29. Does your business make any contributions to employee pensions?

SINGLE CODE ONLY

Yes	1	RECRUIT TO QUOTA
No	2	
It varies (eg. dependent on individual contracts)	3	

OK TO RECRUIT BUT HIGHLIGHT CIRCUMSTANCES TO OFFICE SO WE KNOW THIS WHEN MONITORING QUOTAS

ASK IF YES (CODE 1/3) AT Q12, OTHERS TO Q14

Q30. Is the contribution you offer to staff pensions equivalent to more than 3% of salary? SINGLE CODE ONLY.

Yes, more than 3%	1	RECRUIT TO QUOTA
No, 3% or lower	2	
It varies (eg. dependent on individual contracts)	3	

ASK ALL

Q31. How many years have you worked in your current area of business? Would you say...? READ OUT BANDS AND CODE

0-4 years	1	RECRUIT RANGE
5-9 years	2	
10-19 years	3	
20+ years	4	

Q32. And what would you say your annual staff turnover is? Is it...? READ OUT BANDS.

IF VARIES GREATLY, ASK ABOUT MOST RECENT FINANCIAL YEAR.

IF NEW BUSINESS, ASK FOR FUTURE FORECAST

Under 10%	1	RECRUIT RANGE
10-20%	2	
20% or more	3	

Q33. And can I just check, in which area of the country are you based? SINGLE CODE ONLY CHECK SAMPLE INFO, PRIORITISE ANSWER GIVEN HERE IF DIFFERENT

London area	1	CHECK QUOTAS
Birmingham area	2	
Manchester/ Liverpool area	3	

Q34. GENDER – DO NOT ASK RESPONDENT. WRITE DOWN.

	Male	1	
	Female	2	TRY TO RECRUIT SOME FEMALE

RECORD NAME, TELEPHONE NUMBER AND EMAIL ADDRESS VERY CAREFULLY  
 MAKE SURE FIRST NAME AND SURNAME ARE BOTH RECORDED  
 IT IS VERY IMPORTANT THAT THESE DETAILS ARE RECORDED ACCURATELY AND IN FULL

CLOSE AND THANK RESPONDENT

I confirm that I have conducted this interview on the telephone with the above person and that I asked all the relevant questions and recorded the answers in conformance with the survey specifications and with the MRS Code of Conduct and the Data Protection Act **1998**.

Interviewer Signature: .....

Date: .....

THIS MUST BE THE LAST PAGE OF THE QUESTIONNAIRE AND MUST BE SINGLE SIDED

Ipsos MORI

Information Needs Of Micro and Small Employers For  
Pensions: Mainstage: Stage 1

Recruitment Questionnaire

RESPONDENT RECRUITED FOR:  
Depth interview:

RESPONDENT  
NO:

PERSONAL IDENTIFIERS

Details

Location:

Date:

Time:

Name/Initial/Title: Mr/Mrs/Ms/Miss

Address:

Full








Tel. Number (WRITE IN INCL.  
STD code)

Home/mobile 1

Work 2

Refused/Ex-directory 3

e-mail address (WRITE IN) 1

Is respondent willing to take  
part and available?

Yes 1

No 2

Respondent attended?

Yes 1

No 2

Recruitment Questionnaire - Mainstage  
Business Owners  
30<sup>th</sup> July 2008

Information Needs Of Micro and Small Employers For  
Pensions: Mainstage: Stage 2

RESPONDENT RECRUITED FOR:

Depth interview:

RESPONDENT

NO:

Stage 2: Employers who do not offer a pension scheme to their staff (i.e. there is no pension scheme through the workplace that staff could sign up to, even if they wanted to).

NB. As a back-up we may be able to accept some employers who offer a pension scheme but no staff are currently enrolled in it.

Please recruit 47 depths with owners of small and micro businesses (private sector only).

4 main quotas are detailed below. (NB. If owner has more than one business, make sure that they focus on the relevant one for all the relevant questions).

Quota 1 (Q6) – Business size	22 x 1-4 employees	NO self-proprietors/ family businesses (employer must have at least 1 (non-family) member of staff) At least 8 x 1-2 employees At least 8 x 3-4 employees
	15 x 5-20 employees	At least 6 x 5-9 employees At least 6 x 10-20 employees
	10 x 21-49 employees	Range of sizes
Quota 2 (Q12) – Whether offer employer pension contribution	22 x 1-4 employees	22 x 1-4 employees who do not offer pension
	15 x 5-20 employees	15 x 5-20 employees who do not offer pension
	10 x 21-49 employees	10 x 21-49 employees who do not offer pension
Quota 3 (Q7) - Industry/ sector (NB. Private sector only)	Range of sectors for each size category	At least 6 x Manufacturing/ Construction At least 6 x Retail At least 4 x Hotels/ restaurants At least 4 x Transport/ Storage/ Communications At least 4 x other sectors
Quota 4 (Q16) – Region	Approx 33% in each of 3 regions	At least 12 in London At least 12 in Birmingham At least 12 in Manchester/ Liverpool area

Secondary quotas:

- range of staff turnover (Q15);
- age of business (Q14);
- Of those who offer pension contribution: range of those who contribute up to 3% and more than 3% salary (Q13).

Good morning/afternoon/evening, My name is . . . . . from Ipsos MORI, the research company. I'm calling to invite you to take part in an interview on behalf of DWP, the Department for Work and Pensions. You may have received a letter explaining that someone might call you about this research a couple of weeks ago.

DWP wants to speak to small business owners about the information they receive from the government and other sources about business finances, particularly about pensions. DWP wishes to find out what types of information are working well and which do not in order for them to ensure small businesses have access to good quality information in the future. You will not need to prepare anything in advance and the discussion will be very informal. All views expressed will remain anonymous and we will not tell DWP who we have spoken to.

We are looking to conduct an interview that will last about 45 minutes and will take place in a location convenient to you, either at your place of work or another suitable location. We are happy to conduct interviews during the day or in the early evening (i.e. before 9pm); we could also arrange to interview on the weekend if you are unable to speak to us during the week.

As a thank you for your time and cover any expenses incurred we would like to offer you £40 cash. If you would like reassurance that this research is official, please call xxxxxxxxxxxx

Q35. Would you be interested in taking part?

Yes	1	CONTINUE
No	2	CLOSE

We are looking for particular groups of people to make sure we speak to a cross-section of business owners, therefore I would like to ask you some questions about you and your organisation. All information collected will be anonymised. The questions will take about 10 minutes to answer.

Q36. Do you or any members of your immediate family work in any of the following areas, either in a paid or unpaid capacity? MULTICODE OK

Market research	1	THANK AND CLOSE
Advertising	2	
Journalism/Publishing	3	
HM Revenue and Customs	4	
PR/lobbying	5	
No, none of these		CONTINUE
Don't know		

Q37. Is this your own business or are you in a partner in this business?

Yes, single owner	1	CONTINUE
Yes, partner	2	
No	3	ASK TO BE REFERRED ON TO THE APPROPRIATE PERSON

IF YES, PARTNER (CODE 2) AT Q3, OTHERS TO Q5

Q38. Are you responsible for making at least some of the decisions about your business’s finances, in particular about pensions? SINGLE CODE ONLY

Yes	1	CONTINUE
No	2	ASK TO BE REFERRED ON TO THE APPROPRIATE PERSON

ASK ALL

Q39. Do you work in the public sector or the private sector? SINGLE CODE ONLY

Public Sector	1	THANK AND CLOSE
Private Sector	2	CONTINUE

Q40. And how many employees are there in your business besides yourself? Please only include permanent employees (full or part time) who are not part of your family – do not include fixed term staff or workers you subcontract to. SINGLE CODE ONLY (IF DIFFERENT TO SAMPLE INFO, PRIORITISE ANSWER GIVEN HERE)

0 i.e. sole trader, self-proprietor, family business (ie. all staff are family members)	1	THANK AND CLOSE
1-2	2	
3-4	3	
5-9	4	CHECK QUOTAS
10-20	5	
21-49	6	
50+	7	THANK AND CLOSE

Q41. How would you describe the nature of your business? For example, a builder works in the construction industry. SINGLE CODE ONLY

Manufacturing	1	
Construction	2	
Wholesale & retail trade/repair of motor vehicles & household goods <i>(includes all shops and retail activities)</i>	3	
Hotels & restaurants	4	
Transport, storage & communication	5	
Something else (including: <b>Financial intermediation</b> - banks, building societies, insurance; <b>Real estate, renting accommodation and equipment &amp; business services</b> (legal, accounting, market research, architectural, advertising) <b>Education;</b> <b>Health &amp; social work</b> )	6	RECRUIT RANGE OF INDUSTRY SECTORS
Other (WRITE IN AND CHECK WITH RESEARCH TEAM HOW THEY FIT INTO QUOTA)	7	

Q42. Does your business offer a workplace pension to employees? (It doesn't matter if they contribute direct from their salary or not, or how many staff have taken a pension out or not, I'm just interested in whether you offer one or not).  
SINGLE CODE ONLY

Yes	1	CONTINUE TO Q9
No	2	CONTINUE TO XX

Good morning/afternoon/evening, My name is . . . . . from Ipsos MORI, the research company. I’m calling to invite you to take part in an interview on behalf of DWP, the Department for Work and Pensions. You may have received a letter explaining that someone might call you about this research a couple of weeks ago.

DWP wants to speak to small business owners about the information they receive from the government and other sources about business finances, particularly about pensions. DWP wishes to find out what types of information are working well and which do not in order for them to ensure small businesses have access to good quality information in the future. You will not need to prepare anything in advance and the discussion will be very informal. All views expressed will remain anonymous and we will not tell DWP who we have spoken to.

We are looking to conduct an interview that will last about 45 minutes and will take place in a location convenient to you, either at your place of work or another suitable location. We are happy to conduct interviews during the day or in the early evening (i.e. before 9pm); we could also arrange to interview on the weekend if you are unable to speak to us during the week.

As a thank you for your time and cover any expenses incurred we would like to offer you £40 cash. If you would like reassurance that this research is official, please call xxxxxxxxxx

Q49. Would you be interested in taking part?

Yes	1	CONTINUE
No	2	CLOSE

We are looking for particular groups of people to make sure we speak to a cross-section of business owners, therefore I would like to ask you some questions about you and your organisation. All information collected will be anonymised. The questions will take about 10 minutes to answer.

Q50. Do you or any members of your immediate family work in any of the following areas, either in a paid or unpaid capacity? MULTICODE OK

Market research	1	THANK AND CLOSE
Advertising	2	
Journalism/Publishing	3	
HM Revenue and Customs	4	
PR/lobbying	5	
No, none of these	6	CONTINUE
Don't know	7	

ASK ALL

Q45. How many years have you worked in your current area of business? Would you say...? READ OUT BANDS AND CODE

0-4 years	1	RECRUIT RANGE
5-9 years	2	
10-19 years	3	
20+ years	4	

Q46. And what would you say your annual staff turnover is? Is it...? READ OUT BANDS.  
IF VARIES GREATLY, ASK ABOUT MOST RECENT FINANCIAL YEAR.  
IF NEW BUSINESS, ASK FOR FUTURE FORECAST

Under 10%	1	RECRUIT RANGE
10-20%	2	
20% or more	3	

Q47. And can I just check, in which area of the country are you based? SINGLE CODE  
ONLY CHECK SAMPLE INFO, PRIORITISE ANSWER GIVEN HERE IF DIFFERENT

London area	1	CHECK QUOTAS
Birmingham area	2	
Manchester/ Liverpool area	3	

Q48. GENDER – DO NOT ASK RESPONDENT. WRITE DOWN.

Male	1	TRY TO RECRUIT SOME FEMALE
Female	2	

RECORD NAME, TELEPHONE NUMBER AND EMAIL ADDRESS VERY CAREFULLY  
MAKE SURE FIRST NAME AND SURNAME ARE BOTH RECORDED  
IT IS VERY IMPORTANT THAT THESE DETAILS ARE RECORDED ACCURATELY AND IN FULL

CLOSE AND THANK RESPONDENT

I confirm that I have conducted this interview on the telephone with the above person and that I asked all the relevant questions and recorded the answers in conformance with the survey specifications and with the MRS Code of Conduct and the Data Protection Act 1998.

Interviewer Signature: .....

Date: .....

THIS MUST BE THE LAST PAGE OF THE QUESTIONNAIRE AND MUST BE SINGLE SIDED

Ipsos MORI

Information Needs Of Micro and Small Employers For  
Pensions: Mainstage: Stage 2

Recruitment Questionnaire

RESPONDENT RECRUITED FOR: Depth interview:
---

RESPONDENT NO:
-------------------

PERSONAL IDENTIFIERS

<b>Details</b> Location: _____ Date: _____ Time: _____
--

Name/Initial/Title: Mr/Mrs/Ms/Miss \_\_\_\_\_

Address: \_\_\_\_\_

Full Postcode

Tel. Number (WRITE IN INCL. STD code)	
Home/mobile	1
Work	2
Refused/Ex-directory	3

e-mail address (WRITE IN)	1
---------------------------	---

Is respondent willing to take part and available?

Yes	1
No	2

Respondent attended?

Yes	1
No	2

Recruitment Questionnaire - Mainstage  
Business Owners – Offer pension  
14<sup>th</sup> August 2008

Information Needs Of Micro and Small Employers For Pensions

RESPONDENT RECRUITED FOR:

Depth interview:

RESPONDENT  
NO:

Stage 1: Employers whose staff are currently enrolled in a pension scheme through their employer (pension situation established at Q8-11).

Please recruit 11 depths with owners of micro businesses (private sector only) which offer their staff a pension.

NB. If owner has more than one business, make sure that they focus on the relevant one for all the relevant questions.

Pension contribution	Min *3 which offer a pension contribution to employees
Range of sectors	Manufacturing/ Construction Retail Hotels/ restaurants Transport/ Storage/ Communications Other sectors

Secondary quotas:

- range of staff turnover (Q15);
- age of business (Q14);
- Of those who offer pension contribution: range of those who contribute up to 3% and more than 3% salary (Q13).

Good morning/afternoon/evening, My name is . . . . . from Ipsos MORI, the research company. I’m calling to invite you to take part in an interview on behalf of DWP, the Department for Work and Pensions. You may have received a letter explaining that someone might call you about this research a couple of weeks ago.

DWP wants to speak to small business owners about the information they receive from the government and other sources about business finances, particularly about pensions. DWP wishes to find out what types of information are working well and which do not in order for them to ensure small businesses have access to good quality information in the future. You will not need to prepare anything in advance and the discussion will be very informal. All views expressed will remain anonymous and we will not tell DWP who we have spoken to.

We are looking to conduct an interview that will last about 45 minutes and will take place in a location convenient to you, either at your place of work or another suitable location. We are happy to conduct interviews during the day or in the early evening (i.e. before 9pm); we could also arrange to interview on the weekend if you are unable to speak to us during the week.

As a thank you for your time and cover any expenses incurred we would like to offer you £40 cash. If you would like reassurance that this research is official, please call xxxxxxxxxx

Q49. Would you be interested in taking part?

Yes	1	CONTINUE
No	2	CLOSE

We are looking for particular groups of people to make sure we speak to a cross-section of business owners, therefore I would like to ask you some questions about you and your organisation. All information collected will be anonymised. The questions will take about 10 minutes to answer.

Q50. Do you or any members of your immediate family work in any of the following areas, either in a paid or unpaid capacity? MULTICODE OK

Market research	1	THANK AND CLOSE
Advertising	2	
Journalism/Publishing	3	
HM Revenue and Customs	4	
PR/lobbying	5	
No, none of these	6	CONTINUE
Don't know	7	

Q51. Is this your own business or are you in a partner in this business?

Yes, single owner	1	CONTINUE
Yes, partner	2	
No	3	ASK TO BE REFERRED ON TO THE APPROPRIATE PERSON

IF YES, PARTNER (CODE 2) AT Q3, OTHERS TO Q5

Q52. Are you responsible for making at least some of the decisions about your business's finances, in particular about pensions? SINGLE CODE ONLY

Yes	1	CONTINUE
No	2	ASK TO BE REFERRED ON TO THE APPROPRIATE PERSON

ASK ALL

Q53. Do you work in the public sector or the private sector? SINGLE CODE ONLY

Public Sector	1	THANK AND CLOSE
Private Sector	2	CONTINUE

Q54. And how many employees are there in your business besides yourself? Please only include permanent employees (full or part time) who are not part of your family – do not include fixed term staff or workers you subcontract to. SINGLE CODE ONLY (IF DIFFERENT TO SAMPLE INFO, PRIORITISE ANSWER GIVEN HERE)

0 i.e. sole trader, self-proprietor, family business (i.e. all staff are family members)	1	THANK AND CLOSE
1-2	2	CONTINUE
3-4	3	
5+	7	THANK AND CLOSE

Q55. How would you describe the nature of your business? For example, a builder works in the construction industry. SINGLE CODE ONLY

Manufacturing	1	
Construction	2	
Wholesale & retail trade/repair of motor vehicles & household goods <i>(includes all shops and retail activities)</i>	3	
Hotels & restaurants	4	
Transport, storage & communication	5	
Something else (including: <b>Financial intermediation</b> - banks, building societies, insurance; <b>Real estate, renting accommodation and equipment &amp; business services</b> (legal, accounting, market research, architectural, advertising) <b>Education;</b> <b>Health &amp; social work</b> )	6	RECRUIT RANGE OF INDUSTRY SECTORS
Other (WRITE IN AND CHECK WITH RESEARCH TEAM HOW THEY FIT INTO QUOTA)	7	

Q56. Does your business offer a workplace pension to employees? (It doesn't matter if they contribute direct from their salary or not, or how many staff have taken a pension out or not, I'm just interested in whether you offer one or not).  
SINGLE CODE ONLY

Yes	1	CONTINUE
No	2	THANKS AND CLOSE

Q57. Do you have your own occupational pension scheme or do you use a stakeholder pension scheme that your staff can join? SINGLE CODE ONLY

Own occupational pension scheme	1	CODE AS
Stakeholder pension scheme I/we tell staff about	2	OFFERS PENSION, CONTINUE TO Q10
No, I/ we do not offer either of these	3	THANK AND CLOSE

ASK ALL

Q58. How much do you remember about how your company arranged for a pension scheme to be introduced? NB. WE'RE NOT LOOKING FOR HOW MUCH THEY REMEMBER ABOUT THE MINUTAE OF DETAIL ABOUT THE PENSION SCHEME OR HOW MUCH THEY TOLD STAFF THEMSELVES – JUST HOW MUCH THEY REMEMBER ABOUT HOW IT ALL HAPPENED. SINGLE CODE ONLY.

A lot	1	CONTINUE
A fair amount	2	
Not very much	3	
I was not in my current role/ at the organisation at the time	4	THANK AND CLOSE, ASK FOR REFERRAL IF APPROPRIATE.

Q59. How many of your staff are members of your workplace pension scheme? IF NONE CURRENTLY INVOLVED, ASK: Have any staff taken part in the scheme in the last year or so? SINGLE CODE ONLY

0 – No one is currently enrolled in the scheme and no one has been enrolled in the last year	1	CLOSE - EXPLAIN THAT AT THIS STAGE WE ARE ONLY LOOKING TO SPEAK TO EMPLOYERS WHO CURRENTLY OR VERY RECENTLY HAVE HAD STAFF ENROLLED IN THEIR SCHEME BUT WOULD THEY POTENTIALLY BE OK TO BE RECONTACTED ABOUT POSSIBLE FUTURE FIELDWORK WITH THOSE WHO DO NOT OFFER A PENSION
1 or more members of staff are currently enrolled in the scheme (or some staff have been enrolled in the last year)	2	CONTINUE

Q60. Does your business make any contributions to employee pensions?  
SINGLE CODE ONLY

Yes	1	RECRUIT TO QUOTA
No	2	
It varies (eg. dependent on individual contracts)	3	

OK TO RECRUIT BUT HIGHLIGHT CIRCUMSTANCES TO OFFICE SO WE KNOW THIS WHEN MONITORING QUOTAS

ASK IF YES (CODE 1/3) AT Q12, OTHERS TO Q14

Q61. Is the contribution you offer to staff pensions equivalent to more than 3% of salary? SINGLE CODE ONLY.

Yes, more than 3%	1	RECRUIT RANGE
No, 3% or lower	2	
It varies (eg. dependent on individual contracts)	3	

ASK ALL

Q62. How many years have you worked in your current area of business? Would you say...? READ OUT BANDS AND CODE

0-4 years	1	RECRUIT RANGE
5-9 years	2	
10-19 years	3	
20+ years	4	

Q63. And what would you say your annual staff turnover is? Is it...? READ OUT BANDS.

IF VARIES GREATLY, ASK ABOUT MOST RECENT FINANCIAL YEAR.

IF NEW BUSINESS, ASK FOR FUTURE FORECAST

Under 10%	1	RECRUIT RANGE
10-20%	2	
20% or more	3	

Q64. GENDER – DO NOT ASK RESPONDENT. WRITE DOWN.

Male	1	TRY TO RECRUIT SOME
Female	2	FEMALE

RECORD NAME, TELEPHONE NUMBER AND EMAIL ADDRESS VERY CAREFULLY  
MAKE SURE FIRST NAME AND SURNAME ARE BOTH RECORDED  
IT IS VERY IMPORTANT THAT THESE DETAILS ARE RECORDED ACCURATELY AND IN  
FULL

CLOSE AND THANK RESPONDENT

I confirm that I have conducted this interview on the telephone with the above person and that I asked all the relevant questions and recorded the answers in conformance with the survey specifications and with the MRS Code of Conduct and the Data Protection Act 1998.

Interviewer Signature: .....

Date: .....

THIS MUST BE THE LAST PAGE OF THE QUESTIONNAIRE AND MUST BE SINGLE SIDED

Ipsos MORI

Information Needs Of Micro and Small Employers For  
Pensions: Mainstage: Stage 1

Recruitment Questionnaire

RESPONDENT RECRUITED FOR:  
Depth interview:

RESPONDENT  
NO:

PERSONAL IDENTIFIERS

<b>Details</b>	
Location:	Date:
Time:	

Name/Initial/Title: Mr/Mrs/Ms/Miss

Address:

Full

Tel. Number (WRITE IN INCL. STD code)	
Home/mobile	1
Work	2
Refused/Ex-directory	3

e-mail address (WRITE IN)	1

Is respondent willing to take part and available?

Yes	1
No	2

Respondent attended?

Yes	1
No	2



# Appendix G

## Case studies

Case study: potential risk of non-compliance (1) – employer finds pensions daunting and complex

### **Headline**

This employer does not currently offer a stakeholder pension. She only uses one main source of financial information, finds anything to do with pensions daunting, and was sceptical about their value, given their negative publicity. She would need to understand pensions much better before she would become active about introducing them into her business. Until then, the complexity of pensions, which she perceives, is the main stumbling block to their introduction.

### **Characteristics**

Region: London  
Sector: care/medical services  
Pension status: no pension offered  
Number of employees: 12

## Summary

### The Council's Business Development Team is her main support

This employer did all the financial work of the business herself, having completed the HMRC's business support team training. The only practical accountancy support she uses is when she sends the business' books to the accountant for the annual audit each year. She relied primarily on the local authority business development unit for advice. She found it to be highly proactive. It helped to deal with problems she encountered and gave her advice on business planning, getting a loan or setting up a website. The unit was the most important source of information because she was able to get hold of them easily, could identify with them, and felt strongly supported by them. There was no other main source of advice although she did search the web for advice – Google or the HMRC site.

*'I can source the [council] officers straight away. They advise me and make the contacts for me. They are readily available. Once I ring them, they're quite willing to help and within minutes they've made the contacts for me and they take it from there.'*

*'You have this officer who comes along once every month and asks you what's going on, do you need advice with writing certain letters, do you want to access? So it's quite a good thing. They were able to give me on-the-spot advice and then get some more information about things, like when I wanted to set up the second care home, they were going to find out which banks were willing to give loans, which banks were no longer considering loans. It depends on what you need.'*

### The employer does not offer a stakeholder pension: she wants to understand it first

She wants to sort it out for herself, so that she understands it properly, before offering it to staff. She finds the prospect complicated and daunting. Advisers who have contacted her in the past have not followed up with the information she sought. She was affected by negative publicity about pensions and a concern about the objectivity of the advice she would receive from financial advisers or institutions.

*'Some people only advise you on certain pensions and not the others because of the commissions they get. That puts me off it.'*

*'I hear all the negative stuff about pensions. Once I can [find a reliable pension provider], then I can say to my staff, this might be something you'll be interested in.'*

**This employer was, therefore, looking for free, genuinely independent, advice**

She knew nothing about stakeholder pensions or any obligation to offer them to staff. She had received no demand from staff, who are generally young and low paid, for a pension. Pensions had not come up at staff meetings which were her major form of internal communications.

The employer was not aware of the 2012 pension reforms. To be encouraged to introduce these, she would want the free, independent advice which she did not think has so far been available to her. If the local authority business unit, which she finds so helpful, provided a training day she would attend it because she trusts the unit and has a good experience of the support it has provided.

Overall, this employer's attitudes were founded on the belief that pensions are difficult and complex.

*'I need somewhere I can get free information, not encumbered in any way, not biased, I need that information open so that I will have the choice.'*

*'Free and independent, because they call themselves independent advisers, but they are not really that independent, open, freely given.'*

The employer was worried about the cost and how she was going to 'sell' the idea to staff. Because she thought pensions were complicated, she would like information about the 2012 reforms to come through now so that she can pave the way to staff. It would give her time to prepare herself as well as her staff. Because of her distrust of professional sources of advice she would be likely to take most note of information from the sources which she trusts at the moment – the HMRC and the local authority business unit.

Case study: potential risk of non-compliance (2) – employer does not offer a pension: they are costly and bad value

### Headline

This employer does not offer a stakeholder pension: he is sceptical of their value and cost and has had no demand from staff.

### Characteristics

Region: North

Sector: services

Pension status: no pension

Number of employees: 18

### Summary

#### This employer has never offered a pension

He has received virtually no demand for it from his staff and was under the impression that, being a small organisation, he was not required to offer one. Generally, his staff have not registered much interest in the idea of a work pension scheme, although he has had one person interested recently and a few others in the past.

*'No, we never have [offered a pension]. We had a chap who wanted one, but as a policy we haven't ever done it. There are other benefits in kind that we offer. But it is something that we are considering at the moment because we want to keep our staff. They are our most important asset really and we want to keep them happy so maybe it's something that we should be doing.'*

*'If you give us all a pension, chances are that salaries would have to be reduced proportionately and most people, given the option, would just want the money now. I know I would.'*

#### He was unaware of the 2012 reforms

The employer thinks he has received little information about pensions but acknowledges that he might perceive this because he has not been looking out for it.

*'No, [we don't really get much information about pensions] – very little. But when you're not thinking about it, we probably do get stuff. If it's not relevant to us, we just bin it. I don't think we're bombarded with information about it. I think it's very much the sort of thing that, if you want to find out about it, you know where to go, consultants or internet.'*

This employer has plenty of resources available for advice and guidance, has an accountant, and is well networked. But he was still unaware of the 2012 reforms. When told of them, he was concerned about the potential bureaucracy he perceived might be attached to them as well as the cost. He was also sceptical of their value, being more convinced about the investment value of property (given the nature of his business).

*'We don't perceive [pensions] as a good investment. I think they've had a terrible press. We work in property so we always say bricks and mortar to us is a far better pension.'*

#### **The government must take the lead in advising employers**

He felt that businesses would need to know about the 2012 reforms at least two years in advance. He appeared to think that they may be quite complicated. He was sceptical that advisers might not be as independent as they claim and therefore thought it very important that the Government takes the lead in informing businesses – as they are perceived to be independent and authoritative.

## Case study: potential risk of non-compliance (3) – employer does not offer pension: had been badly hit by the recession

### Headline

This business has grown slightly and is no longer in an exempt category for stakeholder pensions. However the employer was not aware of any obligation to offer a stakeholder pension to staff. No offer had therefore been made. He was worried about the potential cost to a business working with a sector which had been seriously affected by the economic environment.

### Characteristics

Region: North  
Sector: services  
Pension status: No pension  
Number of employees: 6

### Summary

#### The cost of pension provision is the main concern

This business placed all financial work into the hands of their accountant. However, they do not feel that they have a clear regular source of financial advice.

*'My accountants do the wages, work out the taxes, do the PAYE. They just send me a note every month to tell me to send the Customs and Excise a cheque, and I do as they tell me. I know nothing about wages and tax and everything else so I just hand it all over to them. I have to trust them.'*

The employer's main concern was the cost of offering a pension. He vaguely recalled receiving something, presumably about pensions, but he is not sure what it was and judged that the business would be exempt from any legal obligation because of the number of staff employed.

*'Pensions – it's something we've never, ever been able to afford and it's something that none of my staff, thank goodness, have ever asked me about.'*

*'The cost is the main thing. As far as the rest is concerned, I'd just leave it to my accountant to sort out as he does with the wages and the PAYE and everything else. But it's the cost of it that would frighten me.'*

*'There was something that I got two or three years ago, where if you've got so many permanent staff you've got to give them a pension, is it six permanent staff or something like that is it? ...I looked at it and my stomach sank a bit and then I thought, "oh no, I haven't got that many and they're not permanent, so I'm safe here".'*

**Needs to be reassured that pensions are in the interests of his business**

This employer had no problem with pensions per se (he was in favour in principle) but worried about the cost, both of getting advice and of the scheme itself. He thought that information about the 2012 reforms, of which he was not aware, should be given to affected businesses a good two years in advance, but he would not be receptive to large volumes of written material. This, he said, would just go in the bin. He was much more receptive to face-to-face communication. He would not deliberately fail to comply with legislation but would be worried about the impact of the cost on his business and would need some careful communication, and face-to-face reassurance, if he is to be convinced that it was going to be in his business's interests.



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This qualitative research study explores the information needs of small and micro employers in the lead-up to the introduction of pension reforms in 2012.

The report explores how pensions fit into small and micro employers' wider priorities, how they obtain information, what influences their decisions on whether or not to offer a pension to their workers, how they communicate with workers, and how they might prepare for the reforms.

The research was carried out on behalf of the Department for Work and Pensions by Ipsos-MORI.

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