Title: **Workplace Pension Reforms: Cross-Border Workers** **IA No:** **Lead department or agency:** Department for Work and Pensions **Other departments or agencies:**	Impact Assessment (IA) **Date:** 02/12/2011 **Stage:** Consultation **Source of intervention:** Domestic **Type of measure:** Secondary legislation **Contact for enquiries**: **Jo Semmence**

Summary: Intervention and Options

RPC: AMBER

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, One-Out?**	**Measure qualifies as**
-£3m	-£195m	-£7.4m	Yes	OUT

What is the problem under consideration? Why is government intervention necessary?

The Pensions Act 2008 introduces a duty on employers to automatically enrol jobholders into a workplace pension scheme. A small minority of jobholders may, however, also be 'qualifying persons'– that is individuals employed under a contract of service and whose place of work under that contract is sufficiently located in another EEA state so that his relationship with his employer is subject to the social and labour law relevant to the field of occupational pension schemes of that EEA state (Occupational Pension Schemes (Cross-border Activities) Regulations 2005). It is complex and costly for schemes to accept `qualifying persons' and Government has no power to make them do so. This may result in employers having difficulty in finding a pension scheme willing to accept these individuals, potentially resulting in employers being unable to comply with the duties.

What are the policy objectives and the intended effects?

Our intention is to ensure employers are able to comply with the duties imposed by the Pensions Act 2008, and at reasonable cost. If we do nothing, an employer will have a legal obligation to automatically enrol a jobholder but, if that person is also a qualifying person, the employer may have to source separate pension arrangements for that person and, ultimately, may be unable to find a scheme to accept that person. The objective is to eliminate this anomaly by removing the employer duty for any jobholder who is also a 'qualifying person' – reducing the administrative burden on employers and providing clarity and certainty of the individuals that must be automatically enrolled.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Several alternative options were considered: doing nothing would impose a greater burden on employers and/or pension schemes and may leave some employers in a position where they will not be able to comply with the employer duties; we have discounted an amendment to Occupational Pension Schemes (Cross-border Activities) Regulations 2005 (SI 2005/3381) to exempt jobholders as the risk of infraction by the EU Commission would be high, as it requires an adjustment to the UK transposition of the EU Directive on the activities and supervision of Institutions for Occupational Retirement Provision (IORP); we have also discounted amending the definition of jobholder at section 1 of the Pensions Act 2008 to exclude qualifying persons as the use of 'ordinarily working' in the definition of Jobholder in the Pensions Act 2008 is deliberately wide to ensure that it captures the range of working arrangements that exist in Great Britain. Our proposal is to specifically exclude `qualifying persons' from the automatic enrolment duty. This ensures that a potential barrier to employers complying with the duty to automatically enrol jobholder is mitigated.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** Month/2017

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** **Yes**	**< 20** **Yes**	**Small** **Yes**	**Medium** **Yes**	**Large** **Yes**
What is the CO2 equivalent change in greenhouse gas emissions? (Million tonnes CO2 equivalent)			**Traded:**	**Non-traded:**	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: Steve Webb Date: 14/12/11

Summary: Analysis & Evidence — Policy Option 1

Description: Do nothing

FULL ECONOMIC ASSESSMENT

Price Base	PV Base	Time Period	Net Benefit (Present Value (PV)) (£m)		
Year 2011	**Year** 2011	**Years** 39	**Low:** Optional	**High:** Optional	**Best Estimate: £0m**

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	Optional	1	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	0		0	**0**

Description and scale of key monetised costs by 'main affected groups'

Costs presented here reflect the "do nothing" option. Workers who are simultaneously qualifying persons and jobholders (**dual-status workers**) are currently within the scope of automatic enrolment, so no change would result in the costs to employers, individuals, and the exchequer being zero. This reflects the current baseline figures for the programme which were calculated on the assumption that all employers would be able to comply.

Other key non-monetised costs by 'main affected groups'

There are costs/risks to Government of introducing legislation which places a duty on employers which they may be unable to meet. There are costs/risks on the Pensions Regulator of enforcing compliance where employers may not be able to comply. Additionally, possible Workplace Pension Reform programme risks, of increased non-compliance among employers.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	Optional	1	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	0		0	**0**

Description and scale of key monetised benefits by 'main affected groups'

Benefits presented here reflect the "do nothing" option. Dual-status workers are already within the scope of automatic enrolment, so no change would result in the benefits to employers, individuals, and the exchequer being zero.

Other key non-monetised benefits by 'main affected groups'

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5%

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	**In scope of OIOO?**	**Measure qualifies as**

Costs: 0	Benefits: 0	Net: 0	Yes	Zero net cost

Policy Option 2

Description: Remove dual-status workers from the scope of automatic enrolment

FULL ECONOMIC ASSESSMENT

Price Base	PV Base	Time Period	Net Benefit (Present Value (PV)) (£m)		
Year 2011	**Year** 2011	**Years** 39	**Low:** Optional	**High:** Optional	**Best Estimate: £3m**

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	1	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	0		-£20m	**£783m**

Description and scale of key monetised costs by 'main affected groups'

Costs presented here give the average cost in reduced pension contributions to workers, between 2012 and 2050, in 2011/12 prices. These costs reflect the transfer to individuals' pension savings that were included in previous Workplace Pension Reform Impact Assessments, and would no longer apply under this option.

Transfers: Individual pension savings: -£20m

Other key non-monetised costs by 'main affected groups'

Costs to scheme providers, including National Employment Savings Trust (NEST), due to reduced revenues from dual-status scheme members. Costs to dual-status workers in final pension provision depend on working patterns, and likelihood of seeking personal pension arrangements.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	1	Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	£0.3m		£20.1m	**£786m**

Description and scale of key monetised benefits by 'main affected groups'

The benefits presented here are the average annual contribution and administrative savings to employers, employees, and the exchequer. These benefits reflect transfer and resource benefits that were included in previous Workplace Pension Reform impact assessments, and would no longer apply under this option.
Transfers: Employer contributions: £7m; Individual contributions: £10m; Exchequer Costs: £3m
Resource benefits: Employer admin benefits: £0.1m

Other key non-monetised benefits by 'main affected groups'

Key assumptions/sensitivities/risks | **Discount rate (%)** | 3.5%

Number of dual-status workers that are assumed to otherwise have been newly saving or saving more following automatic enrolment is 7,000. Their median salary is estimated at £42,000, with employer contributions set at 3%. Data and evidence on the current level of dual-status work is sparse. Whilst the labour force survey captures UK cross-border workers, and other research reports have produced further evidence, definitions vary across sources, and no definitive estimate of the level of dual-status work is available. Therefore, the estimates presented here are heavily assumption-driven; presented below.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0	**Benefits: 7**	**Net: 7**	Yes	OUT

Evidence Base (for summary sheets)

References

No	Legislation or publication
1	Pensions Bill Impact Assessment – April 2008 http://www.dwp.gov.uk/docs/impact-assessment-240408.pdf
2	Impact Assessment:(Automatic Enrolment) Regulations – March 2009 (consultation stage) http://www.dwp.gov.uk/docs/pension-auto-enrol-imp-assess.pdf
3	Impact Assessment: Workplace Pension Reform (Completing the Picture) Regulations 2009 (consultation stage) http://www.dwp.gov.uk/docs/workplace-pension-reform-ia-sept09.pdf
4	Workplace Pension Reform Regulations: Impact Assessment – January 2010 http://www.dwp.gov.uk/docs/wpr-ia.pdf
5	Making Automatic Enrolment Work Review – October 2010 http://www.dwp.gov.uk/docs/cp-oct10-full-document.pdf
6	Pensions Bill 2011: Workplace Pension Reform Impact Assessment – January 2011 http://www.dwp.gov.uk/docs/pensions-bill-2011-ia-annexb.pdf

Background

1. This impact assessment estimates the current costs of auto-enrolling dual-status workers; that is, workers who are sufficiently located under their contract of service in an EU state such that the labour and social laws of that state apply to them in respect of occupational pensions - "qualifying persons" (as defined by the Occupational Pension Schemes [Cross Border Activities] Regulations 2005) - and who are simultaneously "jobholders" (as defined in section 1 of the Pensions Act 2008).

2. There is little evidence that looks specifically at dual-status workers as a group. As such, we have widened our analysis to cover all cross-border workers, some of whom will be dual-status workers. Definitions of cross-border workers vary between sources, but here they refer to workers who regularly work or reside in two different countries. Cross-border workers include peripatetic workers (who ordinarily travel to work in one or more different countries), ex-patriate workers, workers coming into the UK from other countries, and non-resident workers. This also includes ordinary commuters (usually from the Republic of Ireland to Northern Ireland), peripatetic[1] workers, and UK expatriates working abroad. Only a minority of cross-border workers will be dual-status workers.

3. It should be noted that the preferred option – to exclude dual-status workers from automatic enrolment – will only exclude dual-status workers and not cross-border workers in general.

Option Considered

4. The estimated costs and benefits of removing the requirement for employers to enrol dual-status workers into a qualifying pension scheme have been calculated. Presented here are the reduced costs for employers in respect of minimum pension contributions and administrative costs, reduced pension contributions from workers, and an estimate of the effect on pension saving dual-status workers.

5. A number of options were considered to exempt qualifying persons from automatic enrolment:

    - Do nothing.

[1] Workers who work in various countries over frequently short periods.

- Amend the definition of jobholder[2] in the Pensions Act 2008.

- Amend the definition of qualifying person in the cross-border provisions[3].

- Take a regulation-making power to exempt employers from the requirement to automatically enrol jobholders.

6. It was concluded that the most effective option was to take a regulation-making power, which was inserted by section 18 of the Pensions Act 2011[4], to exempt employers from the requirement to automatically enrol jobholders who are also qualifying persons (see paragraph 1 above).

7. This option allowed further research on the case for change and the development of an evidence base to inform a decision on whether and how to make the necessary regulations.

8. The other options were discounted because:

   - doing nothing would impose burdens on employers and pension schemes and leave some employers in a position where they may be unable to comply with the employer duties
   - amending the definition of jobholder[5] could have had unintended consequences for the workplace pension reforms and eroded the benefits
   - amending the definition of qualifying person in the cross-border regulations[6] would raise a high risk of infraction by the EU Commission because the provisions transpose into domestic legislation the EU IORP Directive[7]

Explanation of Costs and Benefits

9. The following tables show the costs and benefits of the option to exclude dual-status workers from the scope of automatic enrolment.

10. The tables present average annual changes over the 39 years to 2050, followed by the one off transitional cost and then the ongoing cost in 2012. Changes every ten years are shown, where, in some cases, costs increase with earnings growth. The methodology here for both calculating contribution and administrative costs, and in presenting estimates over a 39 year time period, is consistent with previous Workplace Pension Reform Impact Assessments.

11. Tables present net benefits, where benefits are positive and costs are negative.

12. Figures presented in this evidence base are consistent with the Better Regulation Executive guidelines. Costs are in 2011/12 prices terms which means that future price inflation has been taken into account. Present values are discounted to take into account the social discount rate (3.5% falling to 3% after 30 years) as set out in HM Treasury's Green Book.

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[2] Pensions Act 2008 Section 1

[3] Occupational Pension Schemes (Cross-border Activities) regulations 2005 – Regulation 2(1)

[4] Pension Act 2011 Section 18 – "Power to exempt certain cross-border employment from enrolment duty"

[5] Pensions Act 2008 Section 1

[6] Occupational Pension Schemes (Cross-border Activities) regulations 2005 – Regulation 2(1)

[7] Institutions for Occupational Retirement Provision (IORP) Directive

Summary of Income Transfers

Table 1: Estimated transfer costs and benefits from removing dual-status workers from the scope of automatic enrolment (£ million).

	Annual average	One off cost (present value)	2012	2020	2030	2040	2050
Individuals							
Contribution costs	10	0	9	9	10	10	11
Savings into private pensions	-20	0	-18	-19	-20	-21	-23
Net Benefit	-10	0	-9	-10	-10	-11	-12
Employers							
Contribution costs	7	0	7	7	7	8	8
Government							
Contribution costs (tax relief)	3	0	3	3	3	3	4
Total							
Net benefit	0	0	0	0	0	0	0

Notes:
- Figures are expressed in 2011/12 price terms; present values are 2011/12 based.
- Costs shown include increases in earnings over and above price inflation.
- All figures rounded to the nearest £1 million.
- Costs are presented as negative numbers, benefits as positive numbers.
- Information on the staging of employers is not currently available for dual-status workers and so it is assumed that the duties apply from 2012.

a) **Individual contribution costs** are the cash contributions paid by the worker into a workplace pension.

b) **Individual savings into private pensions** are the sum of contributions paid by the individual, employee, and from the exchequer (in the form of tax relief).

c) **Employer contribution costs** are the cash contributions made by employers if the employers were to make the minimum contribution of 3% for all eligible jobholders who do not opt out.

d) **Government contribution costs (including tax relief)** reflect the change in contributions costs to the exchequer, in the form of tax relief.

Approach to analysis

13. No information is available that specifically assess the characteristics of dual status workers; as such, we have adapted our analysis to cover cross-border workers in general. Analysis of cross-border workers has been produced using a combination of survey data from the Labour Force Survey, and research evidence that looks specifically at cross-border commuting between EU countries. None of these sources capture ex-patriate workers, but they do capture peripatetic, incoming, and non-resident cross-border workers.

14. The European Employment Services (EURES) Cross Border Partnership published a detailed study – Measuring Mobility in a Changing Island[8] – in 2010. The study brought together evidence from the UK and Republic of Ireland censuses, government statistics, and survey evidence, to estimate the

[8] http://www.crossborder.ie/pubs/eures-05-08-2010.doc

number of frontier workers[9] at 23,481. This figure is based on an extrapolation of a survey of organisations collected around the Derry/Donegal border. Of these frontier workers, 15,301 commute from the Republic of Ireland to Northern Ireland, whilst 8,180 commute from Northern Ireland to the Republic of Ireland.

15. Further academic research from the European Commission[10] (2009) indicates that there are 17,000 cross-border workers commuting out of the UK, and 12,500 workers commuting in. This suggests that the net level of cross-border work in the UK is close to zero; that there are as many workers commuting out of the UK as commuting in (particularly when compared to other EU countries).[11] This allows us to estimate the volume of cross-border workers coming into the UK, based on the volume of cross-border workers heading out of the UK. However, the narrow definition of cross-border workers used here means that we cannot use these estimates directly. Therefore, this research gives the indication that the volume of cross-border work in either direction in the UK is relatively even, but other data sources should be used in estimating the impact of this policy option.

16. The findings of this study have been used to infer the order of magnitude of cross-border work; it is likely that the number of cross-border workers ordinarily working in the UK is in the tens of thousands, given that the UK-Republic of Ireland border is likely to see cross-border commuting relatively frequently. Evidence from the above European Commission report supports this, as it suggests that nearly all cross-border employment occurs between countries that share a land-border; because of this, we would expect that cross-border commuting between the UK and Republic of Ireland constitute the largest volume of UK cross-border work.

17. The UK Labour Force Survey asks UK-residents of working age whether their region of work is normally outside the UK. Using this methodology, we estimate that the number of UK-residents who regularly work outside the UK at 45,000.[12] We have used this as a proxy to indicate the level of non - UK residents who ordinarily work in the UK. The evidence from the above European Commission report suggests that the cross-border traffic coming in and out of the UK is roughly the same. Therefore, we have interpreted the results from the Labour Force survey as also being representative of the volumes and characteristics of cross-border workers coming into the UK. Key estimates of the current number of cross-border workers are displayed in Table (2). We have assumed that the level of cross-border work does not change over time; we have little longitudinal evidence with which to project a whether the level of cross-border employment would increase or decrease .

18. Median earnings among cross-border workers are much higher than the rest of the population, according to the Labour Force Survey. Cross-border workers have median earnings of £42,000, compared to £23,000 for the rest of the population. This suggests that this group of workers are already highly likely to be saving in a pension scheme. Analysis of the Annual Survey of Hours and Earnings indicates that around 79% of those earning within £1,000 of £42,000 are currently enrolled in an occupational pension. Therefore, the proportion of individuals in this group that would have been automatically enrolled is small.

Table 2: Estimated number of dual-status workers, number eligible for auto-enrolment, and median earnings (Labour Force Survey, Q1-Q4 2010)

Number of cross border workers[13]	Of which dual-status, eligible[14], and not saving in a pension	Estimated number newly saving or saving more following auto-enrolment	Median earnings
45,000	9,000	7,000	£42,000

[9] Here, frontier workers were defined as those who commute to work across the Northern Ireland/Republic of Ireland border, and whose workplace is based within 30km of this border. Definitions of frontier and cross-border workers tend to differ across studies.

[10] www.ec.europa.eu/social/BlobServlet?docId=3459&langId=en

[11] This study uses a narrow definition of cross-border commuting: in order to be a cross-border worker, the worker must return to the usual country of residence at least once a week.

[12] This figure is based on a 4-quarter average, from Q1 2010 to Q4 2010. Cross-border work appears to be relatively infrequent, as such, the sample size across the four quarters is 61.

[13] Excluding expatriates.

[14] Of qualifying age (22 to state pension age) and earnings (£7,475 in 2010/11 terms).

19. It is assumed that not all employees auto-enrolled into a scheme will remain saving, and that a proportion of employees will opt out following enrolment. We have maintained consistency with previous estimates of the level of opt out, where the proportion of employees who opt out is driven by evidence from the DWP research report "Individuals' attitudes and likely reaction to the workplace pension reforms (2009)."[15] This research evidence indicates that around a third of employees will opt out following auto-enrolment, and this is the assumption used in this impact assessment.

Impact on employers

Contribution costs and benefits to employers

20. The final volume of dual-status workers who remain auto-enrolled in a pension scheme is calculated as a product of the total number of dual-status workers, the proportion who are not currently saving in a pension scheme (21%), and the proportion that remain after opt out. We estimate that 9,000 dual status workers are not currently saving in a pension scheme, and that 7,000 of these will not opt out. We have assumed that opt out rates are the same among dual-status workers as they are among the rest of the eligible population, where we estimate that around a third of workers will opt out after auto-enrolment.

21. From this, we estimate that the contributions cost to employers of auto-enrolling the additional 7,000 dual-status workers will be, on average, £7m per year in a steady state (in 2011/12 price terms.) These figures are based on employers contributing at the minimum contribution level of 3% of salary, which is assumed to be £42,000. As enrolment of dual-status workers will no longer be required, this will lead to a saving to employers in contribution costs. The evolution of this cost between 2012 and 2050 is shown in Table (3).

Table 3: Estimated contribution costs to employers of removing the requirement to enrol dual-status workers at specific points in time (£ million).

	Annual average	One off cost (present value)	2012	2020	2030	2040	2050
Employer contribution cost	7	0	7	7	7	8	8

Notes:
- Figures are expressed in 2011/12 price terms; present values are 2011/12 based.
- Costs shown include increases in earnings over and above price inflation.
- All figures rounded to the nearest £1 million.
- Costs are presented as negative numbers, benefits as positive numbers.
- Information on the staging of employers is not currently available for dual-status workers and so it is assumed that the duties apply from 2012.

22. Contribution costs are transfers from the employer to the individual. If dual-status workers are no longer auto-enrolled, whilst the employer would receive a benefit in reduced contribution costs, this would cost the worker in reduced pension contributions, and the net effect would be zero.

Administrative costs and benefits to employers

23. Whilst there is little evidence on the administrative cost of auto-enrolling dual-status workers, we do have estimates of the administrative costs of auto-enrolment to employers in general. Evidence suggests that, on average, the administrative cost of auto-enrolment is £40 per enrolment in year one, and £10 for each subsequent year. Identifying exempted workers may incur a small admin burden on employers, although we expect this additional burden to be close to zero. The administrative cost to employers for enrolling dual-status workers is shown in Table (4).

[15] http://research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep669.pdf

Table 4: Estimated administrative costs and benefits to employers of removing the requirement to enrol dual-status workers at specific points in time (£ million).							
	Annual average	One off cost (present value)	2012	2020	2030	2040	2050
Employer admin cost	0.1m	0.3m	0.1m	0.1m	0.1m	0.1m	0.1m

Notes:

- Figures are expressed in 2011/12 price terms; present values are 2011/12 based.
- Costs shown include increases in earnings over and above price inflation.
- All figures rounded to the nearest £0.1 million.
- Costs are presented as negative numbers, benefits as positive numbers.
- Information on the staging of employers is not currently available for dual-status workers and so it is assumed that the duties apply from 2012.

Impacts on Individuals

24. Dual-status workers will be exempt from automatic enrolment and therefore they will not be contributing to a pension scheme. Their own contribution costs are removed and so there will not be a contribution from the Government in the form of tax relief. There is also no requirement for their employer to contribute. However, these workers will still have the opportunity to save in a pension scheme under existing arrangements should they choose to do so.

25. The costs and benefits to individuals of excluding dual-status workers from auto-enrolment to individuals are shown in Table (5). The assumptions used here are similar to those used to calculate the cost to employers: average salary is £42,000, but employee contributes 4% of salary, and receives an additional 1% in the form of tax relief.

Table 5: Estimated costs and benefits to employees of removing the requirement to enrol dual-status workers at specific points in time (£ million).							
	Annual average	One off cost (present value)	2012	2020	2030	2040	2050
Employee contribution cost	10	0	9	9	10	10	11
Savings into private pensions	-20	0	-18	-19	-20	-21	-23
Net benefit	-10	0	-9	-10	-10	-11	-12

Notes:

- Figures are expressed in 2011/12 price terms; present values are 2011/12 based.
- Costs shown include increases in earnings over and above price inflation.
- All figures rounded to the nearest £1 million.
- Costs are presented as negative numbers, benefits as positive numbers.
- Information on the staging of employers is not currently available for dual-status workers and so it is assumed that the duties apply from 2012.

26. There is little information on working patterns and lifetime histories of dual-status workers. Therefore, we cannot identify whether individuals are likely to have spells as cross-border workers throughout their working lifetimes, or whether dual-status work is characterised by short spells in employment. Below, we present examples for illustrative purposes: if dual-status workers frequently spend their working lifetimes as dual-status workers, the cumulative effect of lost employer contributions would be greater.

27. A 30 year-old worker, earning £42,000 per year who does not receive the minimum employer contribution for one year, but continued to invest 4% of salary into a personal pension scheme, would lose 70 pence per week in his or her final private pension income. If this individual continued to work

for a European employer for five years, the lost employer contributions would lead to a reduction of £4.10 per week in his or her final private pension income.[16]

28. If this same 30 year-old worker chose not to save at all for one year, he or she would lose £1.90 per week in his or her final private pension income. Should this worker continue to no longer contribute to a pension for five years, the lost income would result in £10.90 less private pension income per week.

Impact on the Exchequer

29. Individuals who contribute to a pension receive an additional contribution from the state in the form of tax relief. Tax relief is only paid on the contributions from the individual, and not the employer. The option to exclude dual-status workers from automatic enrolment will affect government expenditure on tax relief, as the volume of individuals saving will be reduced. The benefits to the exchequer of excluding dual-status workers from automatic enrolment are shown in Table (6).

Table 6: Estimated costs to the exchequer of removing the requirement to enrol dual-status workers at specific points in time (£ million).

	Annual average	One off cost (present value)	2012	2020	2030	2040	2050
Exchequer costs	3	0	3	3	3	3	4

Notes:

- Figures are expressed in 2011/12 price terms; present values are 2011/12 based.
- Costs shown include increases in earnings over and above price inflation.
- All figures rounded to the nearest £1 million.
- Costs are presented as negative numbers, benefits as positive numbers.
- Information on the staging of employers is not currently available for dual-status workers and so it is assumed that the duties apply from 2012.

Impact on Pension Providers

30. The estimated effect of these regulations is to remove up to 7,000 workers from saving with pension providers. As such, these providers will experience decreased revenue through a lack of pension contributions. A dual-status worker earning £42,000 per year, contributing 8% of their salary for 10 years would provide a typical pension provider with £1,100 of revenue over that 10 year period. By removing the requirement to auto-enrol dual-status workers, pension providers will not receive as much revenue from this group of workers.

31. These costs should be balanced against the costs of administering a cross-border pension scheme. The cost to a pension provider of administering a cross-border scheme is likely to be much higher than the cost of administering an ordinary pension scheme. If just one member of a scheme is a cross-border employee, then the whole scheme becomes a cross-border scheme, and is obliged to comply with legislation relating to the relevant member state. Administrative costs to the provider increase with each additional employer and country with which a cross-border scheme is arranged. It is likely that the worker must be a fairly high earner before he or she would be profitable for the pension provider to run a pension scheme for.

[16] This example, and the example in paragraph 22, are obtained through DWP modelling of individual pension outcomes. They assume a salary of £42,000 per year, and assume a level of fund growth of 6%, and a 0.5% annual management charge. Different fund structures, charge levels, and annuities will mean that individual outcomes will vary greatly, and so the examples will vary greatly.

Annex: Index of Assumptions

Table 7: Index of assumptions used in impact assessment.			
Volumes assumptions		**Admin Costs**	
Total cross border workers	45,000	One off set-up cost	£40
of which eligible and not currently saving in qualifying pension provision	9,000	Ongoing cost	£10
of which remaining after opt out	7,000		
		Provider assumptions	
Contributions		Annual management charge	0.5%
Employer contribution rate	4%	Fund growth	6%
Individual contribution rate	3%		
Tax relief	1%		
Median salary	£42,000		