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Employers' Pension Provision Survey 2013

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Summary

This report presents findings from the 2013 Employers' Pension Provision Survey (EPP 2013). EPP 2013 was commissioned by the Department for Work and Pensions (DWP) and undertaken by TNS-BMRB Social Research and the National Institute of Economic and Social Research (NIESR). The 2013 survey was the latest in a series, with previous surveys having been conducted approximately biennially since 1994.

The survey comprises of interviews with 3,079 private sector organisations in Great Britain. Organisations were selected from a sample drawn from the Inter-Departmental Business Register (IDBR) and fieldwork took place between 19 June and 4 November 2013.

This report describes the extent and nature of pension provision among private sector employers in Great Britain in 2013. Regarding the extent of provision, the report covers the proportions of firms providing pensions and the extent of employee membership of employer pension schemes. In respect of the nature of pension provision, the report covers the types of provision, access and eligibility, and contribution rates.

EPP 2013 was the first in the survey series to have taken place since the introduction of automatic enrolment. A substantial part of this report therefore focuses on the early impact of automatic enrolment. The report considers the characteristics and activities of those firms which had already passed their staging date at the time of the survey, as well as exploring awareness and intentions among those employers for whom the reforms were yet to take effect.

Findings from this survey will be used to inform the Department's evaluation of automatic enrolment and the ongoing development of automatic enrolment policy.

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Glossary of terms

Active membership
Active members are current employees who contribute to an organisation's pension scheme. The schemes may be open or closed to new members. Active members are distinct from current pensioners and deferred members (see below).

Automatic enrolment
Under the Pensions Act 2008, employers are required to automatically enrol all eligible workers into membership of a workplace pension scheme, unless the worker chooses to opt out.

Current pensioners
Individuals who now draw a pension from the pension scheme. Mainly former employees, but may also include widows, widowers and other dependents of former active members of the scheme.

Deferred members
Deferred members (also known as deferred pensioners) are members of an occupational pension scheme who have left the scheme, usually because they have joined a new employer, and who are no longer paying contributions into the scheme. Their rights remain in the scheme until they are transferred to another pension scheme or a pension is paid at the normal pension age of the scheme.

Defined benefit (DB) schemes
A type of occupational pension scheme. In a DB scheme the amount the member gets at retirement is based on various factors, but is predetermined (defined). Examples of DB schemes include 'final salary' or 'career average' earnings-related pensions schemes. In most schemes, some of the pension can be taken as a tax-free lump sum. The rest is then received as regular income, which might be taxable.

Defined contribution (DC) schemes
A type of occupational pension scheme. In a DC scheme a member's pension pot is put into various investments such as shares in public listed companies. The amount in the pension pot at retirement is based on how much is paid in and how well the investments have performed. In some schemes, some of the pension can be taken as a tax-free lump sum. The rest can then be used to buy an income, which might be taxable. These are also known as 'money purchase' schemes.

Group personal pension (GPP)	A type of personal pension scheme set up by an employer on behalf of its workers. Although the scheme is arranged by the employer, each pension contract is between the pension provider and the worker. The employer may also pay into the scheme, adding money to each worker's pension pot.
Group self-invested personal pension (GSIPP)	A personal pension in which the policy holder rather than the pension company chooses the investments. GSIPPs allow members to invest in a wide range of assets, including commercial property and individual shares.
National Employment Savings Trust (NEST)	A trust-based workplace pension scheme established by legislation. NEST is available to all employers who want to use it and has been designed to complement existing pension provision. Particularly aimed at eligible jobholders on moderate to low incomes, who do not have access to a good-quality workplace pension.
Occupational pension schemes	Pension schemes set up by an employer for the benefit of employees, with the employer making contributions to the scheme and generally meeting administrative costs. The scheme is provided via the employer, but the pension scheme takes the form of a trust arrangement and is legally separate from the employer. Types of occupational scheme include defined benefit, defined contribution and hybrid schemes.
Personal pension (PP)	A pension which is provided through a contract between an individual and a pension provider. The survey only covered employees' personal pensions where the employer made a contribution. This report makes a distinction between personal pensions (PPs), which are arranged by individual employees, and group personal pensions (GPPs), access to which is facilitated by an employer.
Stakeholder pension (SHP)	A type of personal pension arrangement introduced in April 2001 which could be taken out by an individual or facilitated by an employer. Where an employer had five or more staff and offered no occupational pension, and an employee earned over the Lower Earnings Limit, the provision of access to a stakeholder scheme with contributions deducted from payroll was compulsory. This ceased to be mandatory after automatic enrolment was introduced.
Top hat schemes	These are occupational pensions where membership is restricted to senior managers and directors.

List of abbreviations

DB	Defined benefit
DC	Defined contribution
DWP	Department for Work and Pensions
EPP	Employers' Pension Provision Survey
GPP	Group personal pension
GSIPP	Group self-invested personal pension scheme
IDBR	Inter-Departmental Business Register
IFA	Independent Financial Advisor
PAYE	Pay As You Earn
PP	Personal pension
SHP	Stakeholder pension scheme
SIC(2007)	Standard Industrial Classification (2007 edition)
NEST	National Employment Savings Trust
NIESR	National Institute of Economic and Social Research

Reporting conventions

1 Row or column percentages may not sum to 100 due to rounding.

2 All reported items have less than ten per cent non-response, and all estimates have been calculated solely among respondents, unless otherwise stated.

3 Where multiple items appear in a single table, we report the lowest base that applies for any single row.

Symbols that appear in tables

0 Less than 0.5 per cent, including none

– Estimate not available, or suppressed because based on fewer than 50 observations

( ) Estimate based on between 50 and 99 observations; particular caution should be exercised over the precision of the estimate.

Note on the precision of estimates

In common with the estimates from any sample survey, the estimates reported here are subject to sampling error. The magnitude will vary from estimate to estimate. We do not present standard errors as a matter of course in the report, as it would make the discussion unwieldy, but the individual standard errors that apply to the headline estimates of pension provision are provided in Appendix C of the report. As a rough guide to the precision of other estimates presented in the report, a firm-weighted estimate of 50 per cent, when based on the full sample of 3,079 observations, can typically be expected to have a 95 per cent confidence interval of +/- 3.8 percentage points. An otherwise equivalent employment-weighted estimate can be expected to have a 95 per cent confidence interval of +/- 2.6 percentage points. When comparing estimates over time, we judge a change to have occurred if the difference between the two estimates is statistically significant at the 10 per cent level.

Executive summary

Introduction to the report

- This report presents findings from the 2013 Employers' Pension Provision Survey (EPP 2013). EPP 2013 was commissioned by the Department for Work and Pensions (DWP) and undertaken by TNS-BMRB Social Research and the National Institute of Economic and Social Research (NIESR). The 2013 survey was the latest in a series, with previous surveys having been conducted approximately biennially since 1994. The previous survey in the series was conducted in 2011.
- The main aim of the report is to describe the extent and nature of pension provision among private sector employers in Great Britain in 2013. Comparisons are also made with key findings from the 2011 survey. In respect of the extent of provision, the report covers the proportions of firms providing pensions and the extent of employee membership of employer pension schemes. In respect of the nature of pension provision, the report covers the types of provision, access and eligibility, and contribution rates.
- EPP 2013 was, however, the first in the survey series to have taken place since the introduction of the workplace pension reforms.[1] A substantial part of this report therefore focuses on the early impact of the reforms. The report considers the characteristics and activities of those firms which had already passed their staging date at the time of the survey, as well exploring awareness and intentions among those employers for whom the reforms were yet to take effect.
- The EPP 2013 survey was conducted among a representative sample of private sector employers in Great Britain. The sample was drawn from the Inter-Departmental Business Register (IDBR); businesses without employees were excluded, as was the public sector. Fieldwork took place between 19 June and 4 November 2013 and some 3,079 organisations provided complete interviews. The response rate at the main interview stage was 45 per cent. This compared with a response rate of 52 per cent for the equivalent stage in EPP 2011.
- Most private sector organisations have small workforces. However, the minority of large organisations employ the majority of all private sector employees. In order to provide a balanced representation of pension provision, the report often presents estimates of both the percentage of employers with a particular type of pension provision and the percentage of employees who work in those organisations.

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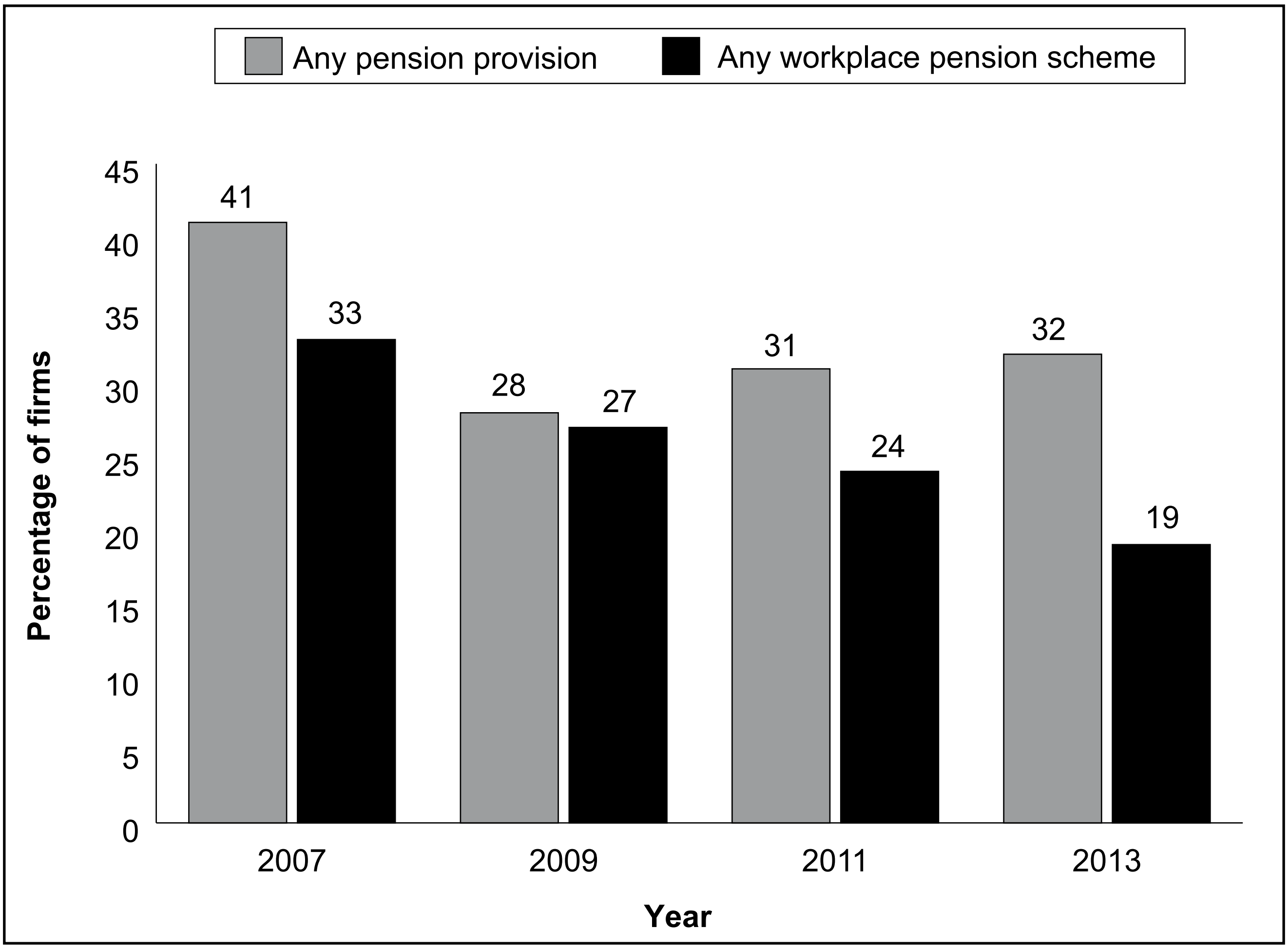
1 Under the Pensions Act 2008, employers are required to automatically enrol all eligible workers into a workplace pension scheme, although workers may choose to opt out. Employers are also required to make a minimum contribution into the scheme. The new duties were introduced for the largest employers in October 2012 and will apply to all sizes of employer by April 2017. New businesses created after 1st April 2012 have additional time to comply.

The extent of pension provision in 2013

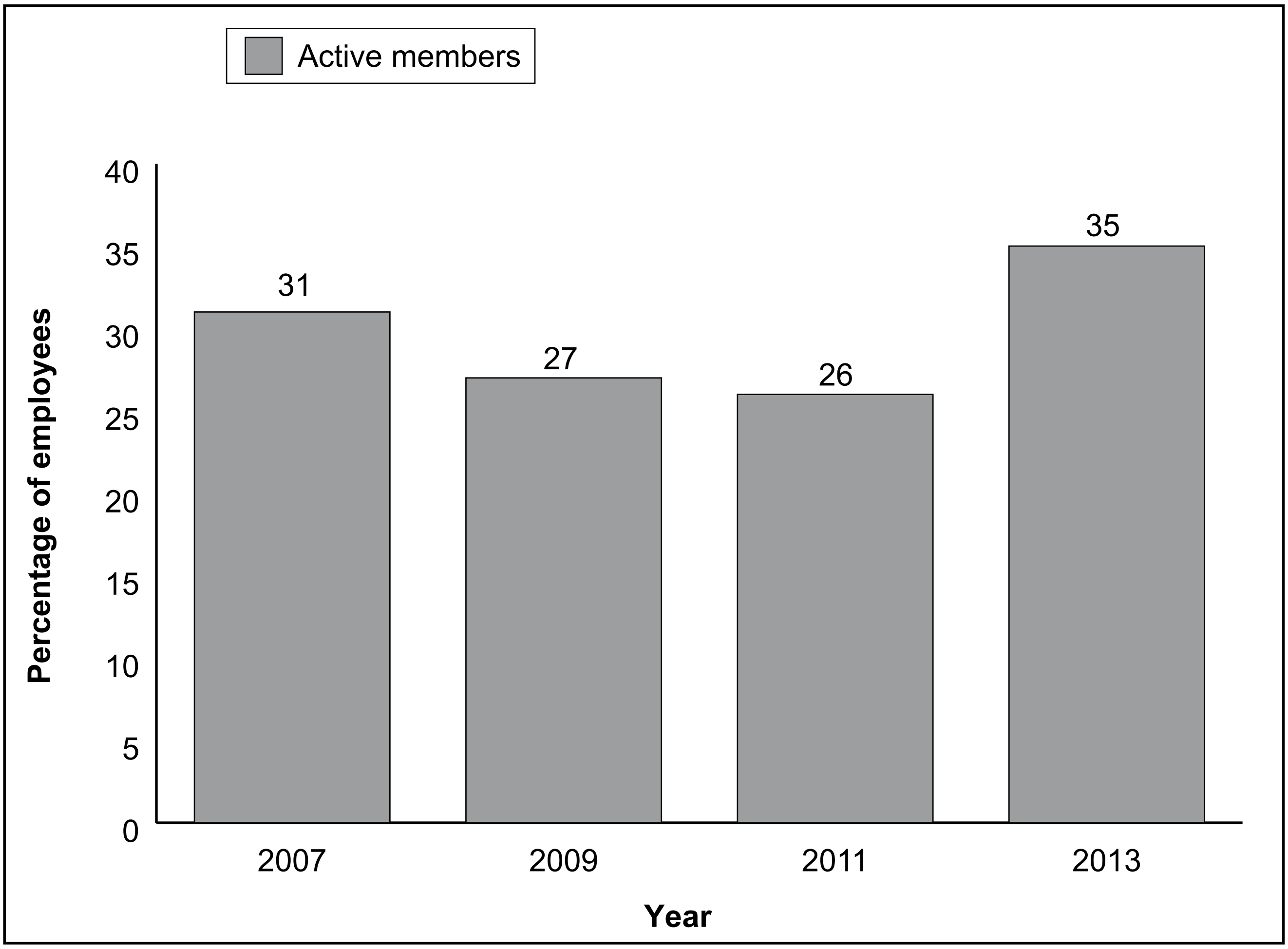
- Around one third (32 per cent) of private sector organisations made some form of pension provision for their employees in 2013. This provision consisted of an occupational pension scheme, a group personal pension scheme, a stakeholder scheme, National Employment Savings Trust (NEST) or an arrangement whereby the employer made contributions to employees' personal pensions. If one focuses only on workplace schemes (thus ignoring contributions to personal pensions) the figure was 19 per cent.
- Larger employers are considerably more likely to provide pensions than smaller ones. Around four-fifths (79 per cent) of all private sector employees worked for a pension-providing employer in 2013. Seventy six per cent of all private sector employees worked for an employer who provided a workplace scheme.
- The proportion of firms offering any form of pension provision has remained broadly stable since 2011. However, the proportion of firms with a workplace pension scheme has fallen. This decline was driven largely by a decrease in the proportion of employers offering a stakeholder scheme, which stood at 12 per cent in 2013. At the same time, an increase was apparent in the percentage of firms making contributions to employees' personal pensions (18 per cent in 2013). Other scheme types remained less common; five per cent of firms provided group personal pensions, two per cent provided occupational schemes; and one per cent offered access to NEST.

Figure 1 Pension provision by private sector employers, 2007 to 2013



- The percentage of private sector employees who were either active members of a workplace pension scheme or belonged to arrangements whereby an employer made contributions to their personal pension rose from 26 per cent in 2011 to 35 per cent in 2013. This was the first increase for a decade and suggests that the workplace pension reforms have already had some effect.

Figure 2 Active members as a percentage of all private sector employees



- Sixteen per cent of all private sector employees belonged to occupational schemes; ten per cent belonged to GPP schemes; five per cent belonged to stakeholder schemes; one per cent belonged to NEST; and two per cent had contributions made by their employer to their personal pension (PP).
- Among the 68 per cent of all private sector firms which did not provide pensions for their employees, the most common reasons given for non-provision were that the organisation was too small, and that pension provision was too costly.

Scheme status

- Although the majority of private sector employees work for a pension-providing employer, some may not have access to an employer-provided pension scheme. One reason is that some pension schemes are closed to new members. In 2013, one sixth (16 per cent) of private sector firms had some form of workplace pension provision that was open to new members. As almost one-fifth (19 per cent) of private sector firms offered some form of workplace pension scheme, most (84 per cent) had a scheme that was open to new members.
- Around half (53 per cent) of all occupational schemes were open to new members; the remainder were closed to new members. The percentage of open schemes had not changed since 2011, when it stood at 50 per cent. In 2013, three-quarters (75 per cent) of closed schemes were accepting contributions while the remainder were frozen.
- The majority (89 per cent) of stakeholder pensions (SHP) schemes were open to new members; this compared with almost three-quarters (74 per cent) of GPP schemes.

Eligibility criteria

- Even where employers offer an open scheme, access to the scheme may be restricted to certain groups of employees. Around one-third (34 per cent) of all occupational schemes had no eligibility criteria and were open to all employees within the organisation. The same was true of 44 per cent of SHP schemes and 27 per cent of GPP schemes.
- The most common means of restricting eligibility was to use tenure-based criteria.[2]

Employer contributions

- Around one third (32 per cent) of private sector employees belong to a workplace pension scheme that attracts an employer contribution, up from 24 per cent in 2011.
- Across all active members of occupational schemes, the average employer contribution received was 12 per cent. This was not a statistically significant decline on the average rate of 13 per cent in 2011.
- In around four-fifths (81 per cent) of SHP schemes, and the vast majority (93 per cent) of GPP schemes, with at least one active member, employers were contributing for at least some employees. The mean contribution rate in both SHP and GPP schemes, when averaged across members, stood at six per cent of employees' pay. Again, average contribution rates were similar to those observed in 2011 (when the mean contribution rate, averaged across members, also stood at six per cent for both SHP and GPP schemes).

Salary sacrifice arrangements

- Schemes may operate on a salary sacrifice basis, whereby an employee gives up part of their salary in exchange for the employer paying the equivalent amount as a contribution to the pension scheme.

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[2] That is, employees are required to have worked at the organisation for a minimum amount of time before they are eligible to join the scheme.

- Around one-quarter (24 per cent) of all open or closed occupational schemes operated salary sacrifice arrangements for at least some members. Such arrangements were more common in larger schemes, with the result that over two-thirds (68 per cent) of all active members belonged to a scheme with a salary sacrifice arrangement. Both figures had risen since 2011.
- Three in ten SHP schemes (30 per cent), and just over a third (36 per cent) of GPP schemes, operated on a salary sacrifice basis in 2013. For both scheme types, salary sacrifice arrangements were more common among larger schemes.

Employers' experiences during the first year of automatic enrolment

- Only two per cent of private sector organisations had passed their staging date at the time of the EPP 2013 interview and one per cent had begun to automatically enrol employees into a workplace pension scheme. This latter group of organisations accounted for around one-quarter (26 per cent) of all private sector employment however.
- Most automatically enrolling employers (94 per cent) chose to retain members within their existing scheme. Many (74 per cent) chose also to enrol non-members and new employees into that scheme.
- Around three-fifths (57 per cent) of automatically enrolling employers had set up a new qualifying scheme for non-members or new employees; in three-quarters (75 per cent) of cases this was an SHP or GPP scheme.
- The average (mean) contribution being received by an active member in an automatic-enrolment scheme at the time of the survey was 7 per cent (median 6 per cent).
- After any phasing in-period, around two-fifths (44 per cent) of eligible employees in automatically enrolling firms would be receiving an employer contribution of three per cent and 28 per cent would be receiving a contribution of at least six per cent.
- Contributions were expected to be lower, on average, among staged employers who had not yet begun automatic enrolment: among these firms, 66 per cent of eligible employees were likely to receive a contribution of three per cent and 19 per cent were likely to receive a contribution of at least six per cent.
- Around one in ten occupational schemes (12 per cent) were being used for automatic enrolment in 2013. One in ten SHP schemes were also being used for automatic enrolment, as were around one quarter (26 per cent) of GPP schemes.
- The proportion of employees who had opted out of, or left, a scheme after being automatically enrolled was between nine and ten per cent. The rate was lower among occupational schemes (six per cent) than among non-occupational schemes (12 to 14 per cent).
- Around three-fifths (61 per cent) of automatically enrolling employers judged that the reforms had led to an increase in their total contributions, while approximately one-quarter (26 per cent) judged that they had led to an increase in their administrative costs.

The characteristics, attitudes and activities of employers who have not yet staged

- Among employers who had not passed their staging date, three-quarters (75 per cent) were aware that employers will be required to automatically enrol all eligible employees into a qualifying scheme. Fewer employers (41 per cent) were aware of the minimum requirements regarding contribution rates.[3]
- Employers were asked to choose from a list of four statements that best described their preparations for the reforms. Two per cent of employers that had not passed their staging date had 'fully implemented plans'. Three-quarters (77 per cent) had 'not done anything'; one fifth (19 per cent) had 'begun planning but not implemented anything'; the remaining two per cent had 'completed planning and were starting to implement'.
- The majority (59 per cent) of employers who already had members in a workplace pension scheme planned to retain these members in their existing scheme. There was considerable uncertainty among both pension-providing employers and those who were not yet providing pensions as to where they would enrol new members.
- Almost half (49 per cent) of employers who had not passed their staging date thought they would be 'very likely' to adopt a waiting period for new employees. Far fewer employers (nine per cent) thought they were 'very likely' to do so for current employees.
- The vast majority (91 per cent) of employers planned to seek information or advice in relation to at least some aspect of the reforms. The most common issues on which firms planned to seek advice were in choosing which type of scheme to use (83 per cent) and in understanding the legislation (82 per cent).
- Around seven in ten firms (72 per cent) thought their total pension contributions would increase as a result of the contribution requirements. One quarter of firms said their most likely action to deal with any increase would be to absorb this as part of other overheads.

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3 The Pensions Regulator has also conducted research on employer preparations for automatic enrolment: http://www.thepensionsregulator.gov.uk/doc-library/research-analysis.aspx#s5188

1 Introduction

1.1 Introduction to the report

This report presents findings from the 2013 Employers' Pension Provision Survey (EPP 2013). The survey was conducted among a representative sample of 3,079 private sector employers in Great Britain and provided information about their provision, or non-provision, of pension schemes for their employees. EPP 2013 was the tenth in a biennial series which began in the mid-1990s.

The principal aim of the report is to describe the extent and nature of pension provision among private sector employers in Great Britain in 2013. Comparisons are also made with key findings from the 2011 survey and, in some cases, the 2009 survey. In respect of the extent of provision, the report covers the proportions of firms providing pensions and the extent of employee membership of employer pension schemes. In respect of the nature of pension provision, the report covers the types of provision, access and eligibility, and contribution rates. The report also outlines the main reasons for non-provision of pensions. EPP 2013 was the first in the survey series to have taken place since the introduction of the workplace pension reforms (see Section 1.2). A substantial part of this report therefore focuses on the early impact of the reforms, as well as the intentions of employers who have yet to be directly affected.

This first chapter of the report outlines the background to the study and summarises the methodology of the survey. The chapter also provides an overview of the content of the remainder of the report.

1.2 Background to the survey

EPP 2013 was commissioned by the Department for Work and Pensions (DWP) and undertaken by TNS-BMRB Social Research and the National Institute of Economic and Social Research (NIESR).

The broad aims of the survey were very similar to those of previous surveys in the series.[4] However, a considerable part of the 2013 survey explored the initial impact of the workplace pension reforms, as well as intentions among employers for whom the reforms had not yet taken effect. This part of the survey built on the employer intentions module introduced as part of the 2011 survey.

Under the Pensions Act 2008, employers are required to automatically enrol all eligible workers, who meet specified age and earnings criteria, into a workplace pension scheme, although workers may choose to opt out. In 2013/14, the level of earnings from which workers would be automatically enrolled was set at £9,440.[5] The Pension Act 2011 requires the Government to review the level of earnings that triggers automatic enrolment and the band of qualifying earnings each tax year.

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[4] See, for example: Forth J, Stokes L, Fitzpatrick A and Grant C (2012) *Employers' Pension Provision Survey 2011*, DWP Research Report No. 802.

[5] For 2014/15, this threshold stands at £10,000. Workers aged between 22 years and under state pension age are eligible.

For workers who are eligible for automatic enrolment, employers may choose either to: enrol them into an existing pension scheme which meets or exceeds the minimum requirements set out in the reforms; set up a new qualifying scheme; enrol them into the National Employment Savings Trust (NEST); or amend their existing pension arrangements to meet the qualifying standards. Employers are also required to make a minimum contribution into the scheme, although minimum contribution levels are being phased in over time.[6]

The new duties were introduced for the largest employers in October 2012 and will apply to all sizes of employer by April 2017, based on information captured in April 2012. All duties for new businesses created after 1 April 2012 will commence from April 2017.

1.3 Survey methods

The methodology of EPP 2013 for most organisations was essentially the same as that for the previous survey in the series. The principal features of the survey methodology for EPP 2013 are described below. Further details on survey methodology are provided in the Technical Appendix to this report (Appendix A).

1.3.1 Sample selection

The population for the survey was defined as all private sector employers in Great Britain including private companies, sole proprietorships, partnerships, and non-profit making organisations. Small businesses without employees were excluded, along with all public sector organisations. The sample of private sector employers was drawn from the Inter-Departmental Business Register (IDBR). The IDBR is maintained by the Office for National Statistics (ONS) and is widely acknowledged to be the most complete register of businesses available. Organisations were selected at random from the IDBR within specific size bands (e.g. 1 to 4 employees; 5 to 12 employees; and so on). Larger organisations were oversampled relative to smaller organisations since larger businesses are relatively scarce in the economy at large. This oversampling served to ensure that adequate numbers of large organisations were obtained in the final sample to permit sub-group analysis, and also served to enhance the precision of employment-based estimates, since larger organisations employ a disproportionate share of all employees. This oversampling is corrected for analysis purposes through the use of weights (see Section 1.3.4).

1.3.2 Advance letter, interview preparation form and questionnaire

As in previous surveys, an advance letter, information sheet and interview preparation form were sent to the organisation in advance of the telephone interview. As in 2011, the letter was tailored to the size of the organisation. Respondents working for organisations with 20 or more employees were asked to record some information about their organisation on an interview preparation form. This provided a description of the main types of pension scheme that organisations might provide and also contained some of the most important and detailed questions from the survey, encouraging respondents to refer to documents or their pension

6 The minimum employer contribution rate of one per cent applies from the employer's staging date until 30 September 2017. From 1 October 2017 until 30 September 2018, the minimum required employer contribution will be two per cent, rising to three per cent from 1 October 2018.

specialists in advance of the main interview. Respondents in organisations with 20 or more employees were also given the option of completing the interview preparation form online.

The interview questionnaire consisted of eight main sections:

Section A: About the organisation

Section B: Selection of schemes

Section C: Stakeholder pension schemes

Section D: NEST

Section E: Occupational schemes

Section F: Group personal pensions

Section G: Multiple pension membership and attitude to risk

Section H: Employers intentions module

1.3.3 Fieldwork and response

The first stage of fieldwork involved matching telephone numbers onto the selected sample. The sample was then screened to identify organisations that were no longer in business or otherwise ineligible for the survey, and to obtain contact names within each of the organisations.

Following the screening process, a total of 7,352 cases were issued to interviewers. During this process a further 462 of these cases were found to be out-of-scope. The final questionnaire was administered among the remaining 6,890 cases, using Computer Assisted Telephone Interviewing (CATI) software, with interviews taking place between June and November 2013.

Some 3,079 organisations provided complete interviews. The response rate at the main interview stage was 45 per cent, compared with a response rate of 52 per cent for the equivalent stage in EPP 2011.

1.3.4 Weighting and statistical inference

The unbalanced nature of the achieved sample when compared with the population at large – caused primarily by the purposeful oversampling of larger organisations (Section 1.3.1) but also by variations in response rates – is corrected during the analysis through the use of weights. These restore the profile of the achieved sample so that it matches that of the population at large in terms of organisation size (number of employees) and industry group. The weighted data is thereby representative of the population of private sector employers in Britain along these dimensions. All estimates presented in this report are weighted in this manner, unless otherwise specified.

Some further sets of weights are sometimes used in the analysis to determine the percentage of employees who work in particular types of organisation (for example, those with some pension provision) or to determine the proportion of active members who belong to particular types of pension scheme. When these weights are applied, the different nature of the estimates is clearly identified.[7]

1.4 The characteristics of private sector organisations

The population of private sector employers in Great Britain comprised around 1.7 million organisations in 2013, which together employed around 21 million employees.[8] As shown in Table 1.1, many of these organisations were small in size: 74 per cent employed fewer than five employees. Nevertheless, as noted in Section 1.3.1 above, the small number of large organisations employ a disproportionate share of all employees: the six per cent of organisations with 20 or more workers together employed 75 per cent of all employees. The dominance of small organisations in the population of all employers, and the dominance of large organisations in terms of employment, mean that, in order to provide a balanced representation of pension provision, the report will often present estimates both of the percentage of employers with a particular type of pension provision and of the percentage of employees who work in those organisations. This is necessary because larger organisations tend to be more likely than smaller organisations to provide pensions and also tend to operate different types of schemes.

7 The weighting methodology applied in EPP 2013 was the same as that used in EPP 2011 and EPP 2009, and the same as that developed for EPP 2007 and EPP 2005 during the course of the primary analysis of the 2007 survey. These weighting procedures were slightly different to those applied in other surveys in the series, as they properly gave slightly more weight to very small organisations (those with only one or two employees). This means that comparisons with figures published in the earlier EPP survey reports (before 2007) should be undertaken with caution. Further details about the weighting are provided in Appendix A. One further implication of the fact that EPP 2013 (in common with its predecessors) is based on a variable probability design, rather than simple random sampling, is that the statistical precision of survey estimates (typically indicated by the 'standard error' of an estimate) cannot be derived from standard textbook formulae, typically being larger than such formulae would suggest. Instead, one must use more sophisticated procedures to estimate the standard error that is associated with any particular estimate from the survey. We do not present standard errors as a matter of course in the report, as it would make the discussion unwieldy. However, the standard errors that apply to the headline estimates of provision are provided in Appendix C.

8 Population data obtained from the Inter-Departmental Business Register at the time of sampling (January 2013).

Table 1.1 Population and weighted sample (organisations and employment) in 2013, by size of organisation

				Column percentages
	Organisations		**Employment**	
Size of organisation	**Population (IDBR)**	**EPP 2013**	**Population (IDBR)**	**EPP 2013**
1-4 employees	74	74	10	10
5-12 employees	16	16	10	10
13-19 employees	4	4	5	5
20-49 employees	4	4	9	9
50-99 employees	1	1	6	6
100-499 employees	1	1	14	12
500-999 employees	0	0	6	6
1,000+ employees	0	0	40	42
1-49 employees	98	98	34	34
50-249 employees	2	2	14	14
250+ employees	0	0	52	52
Weighted base	*n/a*	*3,079*	*n/a*	*3,079*
Unweighted base	*1,702,831*	*3,079*	*21,248,458*	*3,079*

Base: All private sector organisations.
Note: the profile of the EPP 2013 sample is shown after weighting.

Considering the profile of the population by industry sector, Table 1.2 shows that just three sectors – construction, wholesale and retail, and professional, scientific and technical activities – together account for almost half (47 per cent) of all private sector employers. While wholesale and retail accounts for around a fifth of both private sector employers and private sector employment, construction and professional, scientific and technical activities account for a smaller share of employment. The employment figures instead indicate a more prominent role for organisations in sectors such as manufacturing (12 per cent of private sector employment), and administrative and support service activities (11 per cent).

Table 1.2 Population and weighted sample (organisations and employment) in 2013, by industry sector

Column percentages

Industry sector: SIC(2007) Section		Organisations		Employment	
		Population (IDBR)	EPP 2013	Population (IDBR)	EPP 2013
A	Agriculture, forestry and fishing	3	3	1	1
B	Mining and quarrying	0	0	0	2
C	Manufacturing	6	6	12	11
D	Electricity, gas, steam and air conditioning supply	0	0	1	1
E	Water supply, sewerage and waste management	0	0	1	2
F	Construction	12	12	6	6
G	Wholesale and retail	17	17	22	19
H	Transportation and storage	3	2	5	4
I	Accommodation and food service	7	7	9	9
J	Information and communication	9	9	5	3
K	Financial and insurance activities	2	2	4	2
L	Real estate activities	3	3	2	7
M	Professional, scientific and technical activities	18	19	8	9
N	Administrative and support service activities	7	7	11	9
O	Public administration and defence	0	0	0	0
P	Education	1	1	1	1
Q	Human health and social work	5	5	9	8
R	Arts, entertainment and recreation	2	2	3	2
S	Other service activities	4	5	2	4
Weighted base		*n/a*	*3,079*	*n/a*	*3,079*
Unweighted base		*1,702,831*	*3,079*	*21,248,458*	*3,079*

Base: All private sector organisations.
Note: the profile of the EPP 2013 sample is shown after weighting.

In addition to providing definitive information on the population covered by the survey – obtained from the sampling frame – Tables 1.1 and 1.2 also show how the profile of the weighted sample for EPP 2013 matches up to that population in terms of organisation size and industry sector. Table 1.1 shows that these weights perform well in enabling the sample to represent the population on the basis of organisation size. Table 1.2 shows some small deviations in the employment-weighted sample for EPP 2013 from the population profile of employment by industry, but it is necessarily difficult to design a weighting scheme which performs well on all dimensions. There will inevitably be some differences, because of the difficulty of constructing a set of weights that simultaneously meets a number of different objectives. However, it can be seen that these differences are relatively minor. The equivalent profiles of the weighted samples for EPP 2009 and EPP 2011 by organisation size are presented in Appendix B for comparison.

The final table in this section (Table 1.3) shows the profile of the population by salary band of employees. As noted in Section 1.2, the threshold for eligibility for automatic enrolment was set at £9,440 for the year 2013/14. In just over one quarter (28 per cent) of firms, no employees were earning £9,500 or more, and so no employees would be eligible for automatic enrolment on this criteria. These were mostly small firms, such that only five per cent of employees worked in these organisations. In over half (52 per cent) of firms, more than three-quarters of the workforce would be eligible for the reforms; almost three-fifths (58 per cent) of employees worked in these firms. Note that eligibility will also depend on age as well as earnings, so that not all of these employees may be eligible for automatic enrolment.

Table 1.3 Weighted sample (organisations and employment) in 2013, by salary band of employees

		Column percentages
	EPP 2013	
Percentage of employees earning £9,500 or more	**Organisations**	**Employment**
None	28	5
1% - 24%	2	6
25% - 49%	5	14
50% - 74%	12	17
75% or more	52	58
Weighted base	*3,044*	*2,858*
Unweighted base	*2,910*	*2,910*

Base: All private sector organisations.

1.5 Overview of the remainder of the report

The remainder of the report is divided into six substantive chapters plus three appendices.

Chapter 2 outlines the broad extent and nature of pension provision among private sector employers in Britain. Also discusses the reasons that organisations gave for not providing pensions.

Chapter 3 focuses on the availability of occupational pension schemes. Discusses eligibility criteria and waiting periods. Also examines the contributions made into occupational pension schemes.

Chapter 4 – as per Chapter 3, in respect of stakeholder pension schemes and group personal pensions.

Chapter 5 focuses on the experiences of employers who had passed their staging date for automatic enrolment, including enrolment destinations, contribution rates, use of waiting periods and opt out rates.

Chapter 6 explores awareness of the reforms among employers who had not passed their staging date, as well as their expectations regarding a range of aspects of the reforms, including enrolment destinations, contributions, waiting periods and use of intermediaries.

Chapter 7 concludes the report.

Appendix A contains the technical appendix; **Appendix B** the characteristics of organisations in 2009, 2011 and 2013; and **Appendix C** contains the standard errors for key estimates.

2 Overview of pension provision in 2013

Purpose

- This chapter outlines the overall extent and nature of pension provision among private sector organisations in Great Britain in 2013. Comparisons are made with the extent and nature of provision in 2011 and 2009.

Key findings

- Around one third (32 per cent) of private sector organisations made some form of pension provision for their employees in 2013. This provision consisted of an occupational pension scheme, a group personal pension (GPP) scheme, a stakeholder scheme, National Employment Savings Trust (NEST) or an arrangement whereby the employer made contributions to employees' personal pensions (PPs). If one focuses only on workplace schemes (thus ignoring contributions to personal pensions) the figure was 19 per cent.
- Larger employers are considerably more likely to provide pensions than smaller ones. Around four-fifths (79 per cent) of all private sector employees worked for a pension-providing employer in 2013. Seventy six per cent of all private sector employees worked for an employer who provided a workplace scheme.
- The proportion of firms offering any form of pension provision has remained broadly stable since 2011. However, the proportion of firms with a workplace pension scheme has fallen (from 24 per cent in 2011). This decline was driven largely by a decrease in the proportion of employers offering a stakeholder scheme, from 19 per cent in 2011 to 12 per cent in 2013. At the same time, an increase was apparent in the percentage of firms making contributions to employees' PPs (from 10 per cent in 2011 to 18 per cent in 2013). Other scheme types remained less common; five per cent of firms provided GPPs, two per cent provided occupational schemes; and one per cent offered access to NEST.
- Some pension schemes are closed and others attract no employer contribution. Ten per cent of private sector organisations had an open workplace pension scheme to which they were contributing. These firms employed 63 per cent of all private sector employees. Neither of these figures had changed to a statistically significant extent since 2011.
- The percentage of private sector employees who were either active members of a workplace pension scheme or belonged to arrangements whereby an employer made contributions to their PP rose from 26 per cent in 2011 to 35 per cent in 2013. This was the first increase for a decade and suggests that the workplace pension reforms have already had some effect. Sixteen per cent of all private sector employees belonged to occupational schemes; ten per cent belonged to GPP schemes; five per cent belonged to stakeholder schemes; one per cent belonged to NEST; and two per cent had contributions made by their employer to their PP.
- Among the 68 per cent of all private sector firms which did not provide pensions for their employees, the most common reasons given for non-provision were that the organisation was too small, and that pension provision was too costly.

2.1 Introduction

This chapter outlines the broad extent and nature of pension provision by private sector employers in 2013. It also examines the characteristics of those private sector employers which do not provide pensions for their employees and discusses the reasons that they gave in 2013 for not doing so.

As the 2013 Employers' Pension Provision Survey (EPP 2013) is the first in the survey series to have taken place since the introduction of the workplace pension reforms, the chapter also provides a short discussion of the prevalence of automatic enrolment at the time of the survey. More details on the characteristics and activities of firms who had staged or begun automatic enrolment are provided in Chapter 5, and for those who had not yet staged in Chapter 6.

The pension arrangements reported on in the chapter comprise: occupational pension schemes; GPP schemes; stakeholder pension (SHP) schemes; access to NEST; and, finally, arrangements whereby an employer makes contributions to an employee's personal pension (PPs). For occupational schemes, the chapter distinguishes between defined benefit (DB) schemes, defined contribution (DC) schemes and hybrid schemes. The chapter further distinguishes between schemes that are open or closed to new members, and for GPPs and SHPs, between schemes to which employers do or do not make contributions. Finally, for employers yet to pass their staging dates or begin automatic enrolment, the chapter considers eligibility among employees to join their employers' existing workplace pension scheme, where such a scheme was in place.

The Glossary to this report provides further details of each type of scheme.

2.2 The incidence of pension provision in 2013

Around one third (32 per cent) of private sector organisations made some form of pension provision for their employees in 2013 (Table 2.1). However, the provision of pensions is considerably more common among larger employers than it is among smaller ones. Table 2.1 shows, for example, that almost nine-tenths (86 per cent) of employers with 50 or more employees made some form of provision, compared with around one quarter (26 per cent) of those with fewer than five employees. As a consequence, the proportion of all employees who work for pension-providing employers is relatively high, standing at around four-fifths (79 per cent) in 2013. Most employees thus work for a pension-providing employer. Nevertheless, they may not all have access to an employer-provided pension scheme, since some pension schemes are closed to new members and some open schemes have eligibility rules which restrict access to certain types of employee. These issues are examined in later sections of this report.

Table 2.1 Any pension provision by size of organisation, 2009 to 2013

						Cell percentages
	Private sector organisations			Employees working for such organisations		
Pension provision	**2009**	**2011**	**2013**	**2009**	**2011**	**2013**
Any pension provision[a]	**28**	**31**	**32**	**82**	**81**	**79**
Size of organisation						
1-4 employees	15	21	26	17	21	24
5-9 employees	56	42	35	59	44	36
10-19 employees	64	70	56	65	72	58
20-49 employees	79	77	69	80	77	71
50+ employees	95	88	86	98	96	96
1-49 employees	27	30	31	52	52	47
50-249 employees	94	88	84	95	90	86
250+ employees	99	90	96	100	98	99
Any workplace pension scheme[b]	**27**	**24**	**19**	**81**	**79**	**76**
Size of organisation						
1-4 employees	13	13	9	15	13	8
5-9 employees	54	40	29	57	42	30
10-19 employees	63	66	49	63	68	51
20-49 employees	77	71	66	78	72	68
50+ employees	93	86	83	98	96	95
1-49 employees	25	23	17	50	47	39
50-249 employees	92	86	80	93	89	83
250+ employees	99	89	96	99	98	99

Base: all private sector organisations as indicated by row headings.

Notes:

a. In 2013, 'Any pension provision' refers to the provision of an occupational scheme, a GPP scheme, a workplace SHP scheme, access to the NEST scheme and to arrangements whereby employers make contributions to employees' PPs. Access to the NEST scheme is not included in 2009 or 2011 figures as it was not available at that time.

b. 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme, a workplace SHP scheme or access to the NEST scheme (2013 only). It thus excludes contributions to PPs.

'Pension provision' here refers to the provision of an occupational pension scheme, a GPP scheme, a workplace SHP scheme, access to NEST or the provision of contributions to employees' private PPs. However, an employer who makes contributions to employees' PPs has no role in the establishment or administration of the scheme, or in the enrolment of members. Accordingly, contributions to employees' PPs do not constitute qualifying schemes under the workplace pension reforms, irrespective of the level of contributions. Table 2.1 therefore also indicates the provision of 'workplace pension schemes' once these arrangements are ignored (thus focusing solely on the provision of occupational schemes, GPPs, workplace SHPs and NEST). Under this approach, just under one fifth (19 per cent) of employers currently have some form of pension provision; these organisations employ 76 per cent of all employees.

Table 2.1 indicates that the proportion of employers offering any form of pension provision had remained roughly stable between 2011 and 2013. However, looking back over a longer time-frame, it is apparent that pension provision has become much less common among private sector employers over the past decade; in 2003, over half (52 per cent) of all private sector employers were making some form of provision.[9] When focusing solely on workplace pension provision, the percentage of firms offering such provision had declined from 24 per cent in 2011 to 19 per cent in 2013. It will be apparent from the tables presented later in this chapter (see Table 2.4 for example) that this fall in the proportion of employers offering workplace pension schemes, and stability in the proportion with any pension provision, is driven largely by a fall in the proportion of firms offering an SHP scheme, and an increase in employers making contributions to employees' PPs.

The first employers passed their staging dates for automatic enrolment in October 2012, when the new employer duties were introduced for all Pay as You Earn (PAYE) schemes with at least 120,000 employees. By the time that fieldwork for EPP 2013 began in mid-June 2013, the duties had been extended to PAYE schemes with 4,099 employees, and by the time that fieldwork finished at the very beginning of November 2013, they had been extended to schemes with 800 employees.

Only two per cent of all private sector organisations had passed their staging date at the time of interview. However, these organisations together employed almost one-third (32 per cent) of all private sector employees. In practice, there is not a perfect relationship between organisation size and PAYE-scheme size, since large organisations may operate more than one PAYE scheme. Nevertheless the majority of organisations with 2,000 or more employees had passed their staging date by the time of their interview.

Less than one per cent of organisations reported that they had already begun automatically enrolling employees into a pension scheme at the time of interview; these organisations accounted for 26 per cent of all private sector employees.[10] Some staged employers had not yet automatically enrolled any employees into workplace pension scheme, either because all of their existing employees were already members of a pension scheme or because they had made use of the option to postpone automatic enrolment.[11] In most cases, these employers expected to begin automatically enrolling in late 2013/early 2014.

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9 Cebulla, A. and Reyes De-Beaman, S. (2004) *Employers' Pension Provision Survey 2003*, DWP Research Report No. 207.

10 In addition, some employers reported that they had begun automatic enrolment despite not having passed their staging date. These employers are likely to be those who include enrolment into a pension scheme as part of a worker's employment contract - known as contractual enrolment. This is not classified as automatic enrolment under the Pensions Act 2008, because the worker is considered to have consented to active membership of the scheme, and we do not classify it as automatic enrolment in this report.

11 Employers are permitted to postpone automatic enrolment of a worker for a period of up to three months. This can be applied at the employer's staging date, when an individual begins employment and when an individual becomes eligible for automatic enrolment. There are transitional provisions which allow employers to defer automatic enrolment, for certain workers who are eligible to join a Defined Benefits Pension Scheme, until 2017.

2.3 Characteristics of pension-providing employers and non-pension providing employers

It was apparent from Table 2.1 that the incidence of pension provision is more common among larger firms than it is among smaller ones. This implies that those firms which do not provide pensions tend to be smaller than average; Table 2.2 confirms this. Most non-providing employers in 2013 (81 per cent) were organisations with fewer than five employees. Only two per cent of non-providing employers employed 20 or more employees. In contrast, 59 per cent of all pension-providing firms employed fewer than five employees and around 13 per cent employed 20 or more. Employers that provided workplace pension schemes were larger again, on average.

The principal compositional differences between non-providing and providing employers in terms of industry sector were: firstly, that a greater proportion of non-pension providing employers were operating in 'wholesale and retail' (Section G of the *Standard Industrial Classification 2007*) (20 per cent of non-pension providing employers were in this sector, compared with 11 per cent of pension-providing employers); and, secondly, that a lesser proportion were operating in 'manufacturing' (Section C) (only four per cent of non-pension providing employers were in this sector, compared with 11 per cent of pension-providing employers).

Table 2.2 Organisation size and industry sector, by extent of provision

				Column percentages
	All organisations	**No provision**	**Any provision**	**Any workplace pension scheme[a]**
Size of organisation (employees)				
1-4 employees	74	81	59	36
5-9 employees	13	12	14	20
10-19 employees	7	5	13	20
20-49 employees	4	2	8	14
50-99 employees	1	0	3	5
100-499 employees	1	0	2	4
500-999 employees	0	0	0	1
1,000+ employees	0	0	0	1
1-49 employees	98	100	94	90
50-249 employees	2	0	4	8
250+ employees	0	0	1	2
Mean number of employees	12	4	30	51
Median number of employees	2	2	2	7

Continued

Table 2.2 Continued

				Column percentages
	All organisations	**No provision**	**Any provision**	**Any workplace pension scheme[a]**
Industry sector: SIC(2007) Section				
A: Agriculture, forestry and fishing	3	3	3	2
B: Mining and quarrying	0	0	0	0
C: Manufacturing	6	4	11	9
D: Electricity, gas, steam and air conditioning supply	0	0	0	0
E: Water supply, sewerage and waste management	0	0	0	0
F: Construction	12	12	11	9
G: Wholesale and retail	17	20	11	12
H: Transportation and storage	2	2	2	3
I: Accommodation and food service	7	9	2	3
J: Information and communication	9	9	10	9
K: Financial and insurance activities	2	1	2	1
L: Real estate activities	3	3	2	4
M: Professional, scientific and technical activities	19	16	21	23
N: Administrative and support service activities	7	7	8	5
O: Public administration and defence	0	0	0	0
P: Education	1	1	0	1
Q: Human health and social work	5	4	7	9
R: Arts, entertainment and recreation	2	2	4	4
S: Other service activities	5	4	5	5
Weighted base	*3,079*	*2,039*	*981*	*555*
Unweighted base	*3,079*	*736*	*2,317*	*2,183*

Base: All private sector organisations with provision specified in column headings.
Note:
a. 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme, a workplace SHP scheme or access to NEST. It thus excludes contributions to PPs.

2.4 Reasons for non-provision of pensions

Having identified those firms which were not making any form of pension provision for their employees, EPP 2013 went on to ask about the reasons for non-provision. Table 2.3 focuses on the main reason given. As one might expect from the profile of employers who do not provide pensions, discussed in the previous section, the most commonly-cited main reason for non-provision was that the organisation was 'too small' (cited by 24 per cent of non-pension providing employers). This has been the most commonly cited reason in each of the last three EPP surveys, although the proportion citing this in 2013 was lower than seen in 2009 and 2011. The next most commonly-cited reasons in 2013 were that pension provision was too costly (22 per cent) and that staff did not want the firm to provide pensions (nine per cent).

Broadly similar trends were apparent in 2011. For the first time in 2013, employers could also respond that they did not provide pensions because it was not (yet) a legal requirement; two per cent of non-providing employers identified this as their main reason for not offering pension provision. The principal difference between smaller and larger organisations in 2013 was that small firms were more likely than larger firms to give the small size of their organisation as a reason for non-provision (24 per cent among firms with between one and 19 employees, compared with 13 per cent among firm with 20 or more employees), while larger firms were more likely than very small firms to state that staff did not want a pension scheme (standing at 20 per cent among firms with 20 or more employees compared with seven per cent among firms with fewer than five employees). The cost of pension provision was a concern for both small and larger firms.

Table 2.3 Main reason for non-provision, by size of organisation

Column percentages

	Size of organisation (employees)			All 2013	All 2011	All 2009
Main reason for non-provision	**1-4**	**5-19**	**20+**			
Organisation is too small	23	25	13	24	35	36
Only a family business	5	0	0	4	3	3
Organisation has only recently been established/ organisation is too new	2	4	6	2	6	5
Haven't got round to it/haven't found the time to set up scheme	3	1	0	2	3	1
Too costly to provide pensions/cannot afford at moment	21	23	27	22	17	15
Pensions are too complicated/too much administration or legislation	1	1	0	1	2	0
Staff don't want pensions/have never asked for a pension scheme	7	16	20	9	8	13
Staff have their own personal pension schemes/ arrangements	2	0	0	2	3	6
Mainly part-time or temporary staff	6	6	3	6	4	4
Employees are below National Insurance lower earnings limit	1	2	4	2	2	0
Staff turnover is too high/employees don't stay long enough to make it worthwhile	1	2	8	2	1	4
It is the responsibility of employees, not the employer	4	3	8	4	3	1
It is not company policy to provide pensions	0	2	1	0	1	2
It is not a legal requirement	2	5	2	2	-	-
Other reasons not elsewhere specified	21	9	6	19	14	8
Weighted base	*1,637*	*335*	*42*	*2,015*	*1,708*	*1,708*
Unweighted base	*276*	*256*	*176*	*708*	*372*	*372*

Base: all private sector organisations without some form of pension provision.
Note: Reasons in italics are response codes created after fieldwork.

2.5 Types of pension provision

Table 2.4 moves on from the simple incidence of pension provision to consider the types of scheme made available by employers. The first three columns of the table show the percentages of firms providing specific types of scheme in 2009, 2011 and 2013.[12] Only two per cent of private sector firms provided occupational pension schemes in 2013, while only five per cent provided GPPs; both of these figures have remained broadly stable since 2009. However, there was a fall in the percentage of firms offering a workplace SHP scheme, declining from 23 per cent in 2009 to 12 per cent in 2013. At the same time, an increase was apparent in the percentage of firms making contributions to employees’ PPs, rising from five per cent to 18 per cent. As discussed earlier, these opposing trends resulted in the broad stability observed in the overall proportion of firms offering any form of pension provision.

Table 2.5 provides more detail on how the nature of pension provision varies by size of firm, indicating that all types of provision are more common in larger firms. As larger firms employ a disproportionate share of all employees (see Chapter 1) the employment-based estimates presented in columns four to six of Table 2.4 are much higher than the firm-based estimates presented in the first three columns. Exploration by firm size shows that the increase in the proportion of employers providing contributions to employees’ PPs between 2011 and 2013 rose only among the smallest firms (from nine per cent in 2011 to 20 per cent in 2013, among firms with fewer than five employees). One per cent of all firms provided access to NEST, again this was more common among larger firms, such that six per cent of employees worked in firms offering access to NEST.

Table 2.6 goes on to show how pension provision varies by industry sector in 2013. Occupational pension schemes were most common in manufacturing (Section C of the *Standard Industrial Classification 2007*) and health and social work (Section Q); the same applied for SHPs. GPP schemes were most common in real estate activities (Section L) and professional, scientific and technical activities (Section M).[13] Access to NEST was most common in the information and communication sector (Section J), while contributions to PPs were most common in manufacturing (Section C) and professional, scientific and technical activities (Section M).

Returning to Table 2.4, the seventh to ninth columns show the percentage of private sector employees who are members of each type of pension scheme. Despite the fall in the proportion of firms offering a workplace pension scheme, and the stability in the proportion of firms offering any form of pension provision, the percentage of private sector employees who are members of a pension scheme has risen, from 26 per cent in 2011 to 35 per cent in 2013. This was the first increase for a decade and suggests that the workplace pension reforms have already had some effect. Some 16 per cent of private sector employees belonged to occupational schemes; ten per cent to GPP schemes; five per cent to SHP schemes; one per cent to NEST, and two per cent received employer contributions to their PPs. Focusing on workplace pension schemes only, one third (32 per cent) of private sector employees were members of such a scheme in 2013, compared with 24 per cent in 2011.

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12 Standard errors for each of the 2013 estimates in Table 2.4 are presented in Table C.1.

13 The estimates for Section L should be treated with caution, however, as they are based on only 76 observations.

The final set of columns in Table 2.4 show how the active members of pension schemes identified in EPP were distributed across the different forms of provision. Although occupational schemes are relatively rare, their prevalence among larger employers and the relatively large size of such schemes (discussed in Chapter 3), means that almost half (46 per cent) of all active members were members of an occupational scheme in 2013 (18 per cent of all active members were members of DB schemes; 19 per cent were members of DC schemes; and eight per cent were members of hybrid schemes). A further 28 per cent of all active members were members of a GPP scheme (with one per cent belonging to group self-invested personal pensions (GSIPPs)), while 15 per cent were members of an SHP scheme, four per cent were members of NEST and seven per cent had contributions made by their employer to a privately-held PP. The profile of active members by scheme type did not differ to a statistically significant degree from that found in 2011, with one exception: there was a statistically significant decrease in the proportion of all active members who belonged to a DB scheme (from 28 per cent in 2011 to 18 per cent in 2013).

Table 2.4 Overall incidence and type of provision, 2009 to 2013

Cell percentages

	Private sector organisations			Employees working for private sector organisations			Active members as % of all private sector employees[d,e]			Active members of pension schemes[d]		
Type of pension provision	**2009**	**2011**	**2013**	**2009**	**2011**	**2013**	**2009**	**2011**	**2013**	**2009**	**2011**	**2013**
Any occupational scheme	2	3	2	42	43	45	13	12	16	48	50	46
Defined benefit	1	1	1	32	29	31	10	7	6	32	28	18
Defined contribution	1	1	1	14	17	19	2	4	7	8	15	19
Hybrid	0	0	0	7	8	8	2	2	4	8	7	8
GPP scheme	5	5	5	30	31	34	8	7	10	30	26	28
GSIPP	1	1	0	6	6	4	1	1	0	2	3	1
Workplace SHP scheme	23	19	12	55	52	37	5	5	5	18	18	15
Access to NEST scheme [a]	-	-	1	-	-	6	-	-	1	-	-	4
Contributions to PPs	5	10	18	12	16	18	1	1	2	3	6	7
Any pension provision [a, b]	28	31	32	82	81	79	27	26	35	100	100	100
Any workplace pension scheme [a,b,c]	27	24	19	81	79	76	26	24	32			
Weighted base	*2,498*	*3,059*	*3,015*	*2,498*	*3,059*	*3,055*						
Unweighted base	*2,508*	*3,067*	*3,043*	*2,508*	*3,067*	*3,043*						

Base: All private sector organisations.

Notes:

a. In 2013, the figures for 'Any pension provision' and 'Any workplace pension scheme' also include NEST. The proportion of employers who reported using NEST was one per cent and these schemes accounted for four per cent of active members.

b. Figures for 'Any provision' may be lower than the sum of the individual forms of provision as some firms may provide more than one type of scheme.

c. 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme, a workplace SHP scheme or access to the NEST scheme (2013 only). It thus excludes contributions to PPs.

d. The figures for active membership of DB, DC and Hybrid schemes may not sum to the total active membership of all occupational schemes since the EPP survey collected data on occupational scheme membership for up to eight schemes, but identifies scheme type for the first six schemes only.

e. Figures for 'Any provision' take account of multiple membership, thereby indicating the percentage of all private sector employees who are active members of a pension scheme. The EPP survey data do not allow us to adjust membership data at scheme level to account for this; accordingly the scheme-level figures will slightly overestimate the percentage of private sector employees who belong to a particular scheme if employees belong to more than one scheme of the same type.

Table 2.5 Overall incidence and type of provision among organisations in 2013, by size of organisation

Cell percentages

	Number of employees											
Type of pension provision	**1-4**	**5-9**	**10-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000+**	**1-49**	**50-249**	**250+**	**All**
Any occupational scheme	**1**	**2**	**6**	**12**	**20**	**28**	**56**	**73**	**2**	**22**	**55**	**2**
Defined benefit	0	0	4	4	8	20	44	57	1	11	42	1
Defined contribution	0	1	1	4	6	9	19	24	0	6	21	1
Hybrid	0	0	0	2	1	1	6	10	0	1	6	0
GPP scheme	3	6	11	19	21	48	52	56	5	30	52	5
GSIPP	0	1	1	1	1	4	2	6	0	2	3	0
Workplace SHP scheme	**5**	**22**	**38**	**48**	**51**	**47**	**39**	**44**	**11**	**50**	**43**	**12**
Access to NEST scheme	**1**	**0**	**0**	**1**	**0**	**1**	**1**	**6**	**1**	**1**	**2**	**1**
Contribution to personal pensions	**19**	**11**	**15**	**19**	**19**	**22**	**28**	**22**	**18**	**20**	**24**	**18**
Any pension provision [a]	**26**	**35**	**56**	**69**	**81**	**90**	**97**	**99**	**31**	**84**	**96**	**32**
Any workplace pension scheme [b]	**9**	**29**	**49**	**66**	**76**	**88**	**96**	**99**	**17**	**80**	**96**	**19**
Weighted base	*2,215*	*392*	*227*	*116*	*34*	*24*	*3*	*4*	*2,951*	*53*	*12*	*3,015*
Unweighted base	*381*	*263*	*327*	*334*	*251*	*632*	*353*	*502*	*1,305*	*584*	*1,154*	*3,043*

Base: all private sector organisations indicated by column headings.

Notes:

a. Figures for 'Any provision' may be lower than the sum of the individual forms of provision as some firms may provide more than one type of scheme.

b. 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme, a workplace SHP scheme or access to the NEST scheme. It thus excludes contributions to PPs.

Table 2.6 Overall incidence and type of provision among organisations in 2013, by industry sector

Cell percentages

	Industry sector: SIC(2007) Section [c]															
Type of pension provision	**A**	**C**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**	**N**	**P**	**Q**	**R**	**S**	**All**
Any occupational scheme	**(1)**	**6**	**1**	**2**	**1**	**0**	**0**	**1**	**(3)**	**2**	**1**	**(0)**	**9**	**(1)**	**(9)**	**2**
Defined benefit	(0)	1	1	0	0	0	0	0	(3)	0	1	(0)	6	(1)	(6)	1
Defined contribution	(0)	1	0	0	1	0	0	1	(1)	1	0	(0)	2	(1)	(0)	1
Hybrid	(0)	2	0	0	0	0	0	0	(0)	0	0	(0)	1	(0)	(0)	0
GPP scheme	**(2)**	**7**	**5**	**3**	**4**	**1**	**8**	**5**	**(12)**	**11**	**2**	**(2)**	**2**	**(2)**	**(2)**	**5**
GSIPP	(0)	1	0	0	0	0	0	2	(0)	0	0	(1)	0	(0)	(0)	0
Workplace SHP scheme	**(13)**	**23**	**9**	**9**	**19**	**7**	**3**	**11**	**(10)**	**13**	**10**	**(10)**	**24**	**(28)**	**(18)**	**12**
Access to NEST scheme	**(0)**	**0**	**0**	**0**	**0**	**1**	**7**	**0**	**(0)**	**0**	**0**	**(0)**	**0**	**(0)**	**(1)**	**1**
Contribution to PPs	**(20)**	**35**	**17**	**10**	**15**	**3**	**17**	**23**	**(3)**	**27**	**24**	**(2)**	**14**	**(22)**	**(15)**	**18**
Any pension provision [a]	**(32)**	**55**	**30**	**21**	**32**	**10**	**34**	**38**	**(24)**	**39**	**36**	**(13)**	**45**	**(53)**	**(34)**	**32**
Any workplace pension scheme [b]	**(15)**	**30**	**13**	**13**	**21**	**7**	**18**	**16**	**(24)**	**24**	**12**	**(12)**	**33**	**(31)**	**(22)**	**19**
Weighted base	*92*	*168*	*365*	*517*	*69*	*209*	*276*	*47*	*90*	*550*	*218*	*35*	*153*	*74*	*140*	*3,015*
Unweighted base	*57*	*407*	*193*	*497*	*100*	*180*	*101*	*124*	*76*	*353*	*281*	*50*	*398*	*88*	*90*	*3,043*

Base: all private sector organisations indicated by column headings.

Notes:

a. Figures for 'Any provision' may be lower than the sum of the individual forms of provision as some firms may provide more than one type of scheme.

b. 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme, a workplace SHP scheme or access to the NEST scheme. It thus excludes contributions to PPs.

c. Sectors B, D, E, and O are not presented as they each contain fewer than 50 observations, but these sectors are included in the 'All sectors' column. See Table 1.2 for full sector labels.

2.6 Characteristics of employers with specific types of scheme

Table 2.7 presents a similar analysis to that provided in Table 2.2, but here the focus is on the profile of firms offering specific types of pension scheme. It is apparent that firms which provide occupational pensions are considerably larger, on average, than those which provide GPPs and SHP schemes. These, in turn, tend to be larger than those firms making contributions to employees' PPs. It should be noted, however, that the mean sizes of firms providing occupational or GPP schemes are each pulled upwards by small numbers of very large organisations. If one uses the median as an alternative, the averages are much lower and also much closer together (16 employees for occupational schemes, six for GPP schemes, nine for SHP schemes and one for contributions to PPs).

Looking at the industry profile of firms providing different types of scheme, one naturally sees some echoes of the patterns shown in Table 2.6. Specifically, firms with occupational schemes were most likely to be located in human health and social work (Section Q of the *Standard Industrial Classification 2007*), while firms with GPP schemes, SHP schemes and those making contributions to PPs were all most likely to be located in Professional, scientific and technical industries (Section M).

The small number of employers offering access to NEST means we do not present figures for NEST in Table 2.7.[14] However, in broad terms, firms offering access to NEST were typically small, and most likely to be located in the information and communication sector (Section J).

Table 2.7 Organisation size and industry sector, by type of scheme provided

Column percentages

	Occupational scheme	GPP	SHP	Contributions to PPs
Size of organisation (employees):				
1-4 employees	27	44	28	80
5-9 employees	9	13	24	8
10-19 employees	20	15	24	6
20-49 employees	19	14	15	4
50-99 employees	10	4	5	1
100-499 employees	9	7	3	1
500-999 employees	2	1	0	0
1,000+ employees	4	1	0	0
Mean number of employees	235	79	38	12
Median number of employees	16	6	9	1

Continued

14 Just 69 employers in the survey provided access to NEST.

Table 2.7 Continued

				Column percentages
	Occupational scheme	**GPP**	**SHP**	**Contributions to PPs**
Industry sector: SIC(2007) Section				
A: Agriculture, forestry and fishing	1	1	3	4
B: Mining and quarrying	1	1	0	0
C: Manufacturing	16	8	11	12
D: Electricity, gas, steam and air conditioning supply	0	0	0	0
E: Water supply, sewerage and waste management	0	0	0	0
F: Construction	7	11	9	12
G: Wholesale and retail	13	10	13	9
H: Transportation and storage	1	2	4	2
I: Accommodation and food service	0	1	4	1
J: Information and communication	1	14	2	9
K: Financial and insurance activities	1	2	1	2
L: Real estate activities	4	6	3	1
M: Professional, scientific and technical activities	12	37	19	28
N: Administrative and support service activities	2	2	6	10
O: Public administration and defence				
P: Education	0	0	1	0
Q: Human health and social work	20	2	10	4
R: Arts, entertainment and recreation	1	1	6	3
S: Other service activities	17	2	7	4
Weighted base	*71*	*163*	*363*	*544*
Unweighted base	*856*	*1,027*	*1,163*	*624*

Base: all private sector organisations providing the type of scheme specified in column headings.

2.7 Multiple provision

Some organisations provide more than one type of pension provision. This may arise because an organisation has closed one type of scheme to new members and opened another type of scheme to provide for new employees. Alternatively, an organisation may provide different schemes to cater for different grades of employee. Table 2.8 shows that just over one quarter

(27 per cent) of all private sector organisations provided a single type of pension scheme in 2013, while a further six per cent provided more than one type of scheme. Multiple types of pension scheme were thus offered by one sixth (17 per cent) of all pension providing employers; the equivalent figure in 2011 was 16 per cent. The provision of more than one type of scheme was more common among larger firms. Accordingly, just over one-third (36 per cent) of employees worked in a firm that provided a single type of scheme but the proportion working in firms with multiple types of provision was somewhat higher (44 per cent).

As noted earlier, the fall in the proportion of firms offering a workplace pension scheme, and the stability in the proportion with any pension provision, is driven largely by a fall in the proportion of firms offering SHP schemes, and a rise in the proportion with arrangements whereby the employer contributes to employees' PPs. These trends are also reflected here; eight per cent of firms offered a SHP scheme as their sole form of provision in 2013, declining from 15 per cent in 2011. At the same time, the percentage of firms contributing to PPs as their sole form of provision rose from seven per cent in 2011 to 14 per cent in 2013.

When considering the employment-based figures in Table 2.8, the most notable change between 2011 and 2013 was a decline in the percentage of employees working in firms that provided only SHP schemes (from 17 per cent in 2011 to 12 per cent in 2013).

Table 2.8 Combinations of types of pension provision

				Column percentages
	Private sector organisations		**Employees working for such organisations**	
Type(s) of pension provision	**2011**	**2013**	**2011**	**2013**
Single type of provision	**26**	**27**	**36**	**36**
Occupational	2	1	11	11
GPP	2	3	6	9
Contributions to PPs	7	14	2	3
SHP	15	8	17	12
NEST	-	1	-	0
Multiple types of provision	**5**	**6**	**45**	**44**
GPP/SHP/NEST[a]	1	1	4	3
GPP/SHP/NEST and occupational	1	1	27	26
GPP/SHP/NEST and PP	3	3	9	7
Occupational and PP	0	0	1	1
Occupational, PP and GPP/SHP/NEST	0	0	5	7
All five types of scheme	-	0	-	0
No provision	**69**	**68**	**19**	**21**
Weighted base	*3,071*	*3,020*	*3,083*	*3,056*
Unweighted base	*3,077*	*3,053*	*3,077*	*3,053*

Base: All private sector organisations.

Notes:

a. The figures in this row indicate where at least two of these three types of scheme are present. In the remainder of the table, GPP/SHP/NEST indicates that at least one of these three types of scheme is present.

b. Figures for 2011 necessarily exclude NEST.

Firms may also operate multiple schemes of the same type, although most of those organisations with a single type of provision operate only one scheme of this type. The total percentage of organisations with multiple schemes is thus similar to the figure suggested by Table 2.8. Overall, 27 per cent of private sector organisations in 2013 could be confirmed as having only one pension scheme and a further four per cent could be confirmed as having more than one scheme; this left two per cent where the number of schemes could not be determined. Arrangements whereby an employer makes contributions to employees' PPs are treated as one scheme in this calculation, even though an employer may be contributing to the PPs of more than one employee. If one focuses solely on workplace pension schemes (thus ignoring contributions to PPs), 14 per cent of all private sector organisations could be confirmed as having a single pension scheme and four per cent could be confirmed as having more than one scheme; again this left one per cent where the number of schemes could not be determined. Among the small minority of employers with more than one workplace scheme, the average number of schemes was two.

2.8 Access and contributions

It was previously noted in the discussion of overall provision (Section 2.2) that, although most private sector employees work for a pension-providing employer, some may not have access to an employer-provided pension scheme. One reason is that some pension schemes are closed to new members. Table 2.9 builds upon Table 2.4 by focusing only upon open schemes (those that remain open for eligible employees to join).[15] In 2013, one per cent of private sector firms had at least one open occupational scheme and four per cent had at least one open GPP scheme. Most of the latter group made contributions to their GPP scheme. Some 11 per cent of private sector firms had at least one open SHP scheme. Overall, one sixth (16 per cent) of private sector firms had some form of workplace pension provision that was open to new members in 2013. Thus among private sector employers providing some form of workplace pension scheme, most (84 per cent) had a scheme that was open to new members.

If one compares this with the figures provided in Table 2.4 one can deduce that relatively high proportions of occupational schemes and GPP schemes were closed to new members in 2013 (see Chapters 3 and 4 for more details). The majority of open SHP schemes did not attract any employer contributions (often because no employees had joined them – see Chapter 4). Such patterns were evident in previous years. Reflecting the trends documented earlier in this chapter, there was a fall in the proportion of employers with an open SHP scheme, declining from 17 per cent in 2011 to 11 per cent in 2013. Overall, the proportion of employers offering an open workplace scheme had fallen from around one quarter (24 per cent) in 2009 to around one sixth (16 per cent) in 2013. However, the proportion of firms with an open scheme which offered employer contributions remained broadly stable, at around one in ten firms (ten per cent in both 2011 and 2013, and eight per cent in 2009). These firms employed just over three-fifths (63 per cent) of all private sector employees.

Table 2.10 to Table 2.11 show how the estimates presented in the third column of Table 2.9 vary by size of firm and industry sector. In common with the similar tables discussed earlier in this section, these tables show that there was considerable variability between sub-groups of organisations in the provision of open schemes and in the incidence of employer contributions to such schemes.

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15 Eligibility is discussed in Section 2.9 below. Standard errors for each of the estimates in Table 2.9 are presented in Table C.2.

Finally, it is possible to use the data provided by respondents on the size of each scheme to estimate the proportion of all employees who belong to a workplace pension scheme that attracts employer contributions. Summing across both open and closed schemes, around one third (32 per cent) of all private sector employees in 2013 belonged to a workplace pension scheme that attracted an employer contribution.

Table 2.9 Incidence of open schemes and those attracting employer contributions, 2009 to 2013

Cell percentages

	Private sector organisations			Employees working for private sector organisations		
Type of open scheme	**2009**	**2011**	**2013**	**2009**	**2011**	**2013**
Any open occupational scheme	**1**	**2**	**1**	**25**	**26**	**29**
Defined benefit	1	1	1	10	12	10
Defined contribution	0	0	0	10	13	16
Hybrid	0	0	0	6	4	6
Open GPP scheme	**3**	**4**	**4**	**27**	**26**	**31**
With employer contributions	3	3	4	26	26	30
Open SHP scheme	**22**	**17**	**11**	**54**	**48**	**31**
With employer contributions	4	6	4	24	22	15
Open NEST scheme	**-**	**-**	**1**	**-**	**-**	**5**
Any open workplace pension scheme b	**24**	**21**	**16**	**78**	**77**	**73**
With employer contributions	8	10	10	62	62	63
Weighted base	*2,498*	*3,063*	*3,015*	*2,498*	*3,080*	*3,055*
Unweighted base	*2,508*	*3,077*	*3,043*	*2,508*	*3,077*	*3,043*

Base: all private sector organisations.

Notes:

a. The figures for 'any open pension scheme' may be lower than the sum of the individual forms of provision since some firms may provide open schemes of more than one type.

b. 'Any open workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme, a workplace SHP scheme or access to the NEST scheme (2013 only). It thus excludes contributions to PPs.

Table 2.10 Incidence of open schemes and those attracting employer contributions in 2013, by size of organisation

Cell percentages

	Number of employees											
Type of open scheme	**1-4**	**5-9**	**10-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000+**	**1-49**	**50-249**	**250+**	**All**
Any open occupational scheme	**1**	**1**	**4**	**6**	**8**	**11**	**27**	**44**	**1**	**8**	**30**	**1**
Defined benefit	0	0	3	3	2	8	12	19	1	4	15	1
Defined contribution	0	1	1	2	4	5	13	19	0	4	15	0
Hybrid	0	0	0	0	1	0	4	7	0	1	4	0
Open GPP scheme	**2**	**5**	**11**	**16**	**18**	**42**	**50**	**47**	**4**	**26**	**46**	**4**
With employer contributions	2	5	10	16	18	41	48	46	3	26	44	4
Open SHP scheme	**4**	**20**	**36**	**44**	**47**	**40**	**34**	**38**	**10**	**45**	**38**	**11**
With employer contributions	3	4	13	13	18	13	17	28	4	15	21	4
Open NEST scheme	**1**	**0**	**0**	**1**	**0**	**1**	**0**	**6**	**1**	**1**	**2**	**1**
Any open workplace pension scheme [b]	**7**	**26**	**46**	**61**	**70**	**79**	**93**	**97**	**14**	**73**	**91**	**16**
With employer contributions	6	10	26	33	42	62	84	95	9	48	83	10
Weighted base	*2,215*	*392*	*227*	*116*	*34*	*24*	*3*	*4*	*2,951*	*53*	*12*	*3,015*
Unweighted base	*381*	*263*	*327*	*334*	*251*	*632*	*353*	*502*	*1,305*	*584*	*1,154*	*3,043*

Base: all private sector organisations indicated by column headings.

Notes:

a. The figures for 'any open pension scheme' may be lower than the sum of the individual forms of provision since some firms may provide open schemes of more than one type.

b. 'Any open workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme, a workplace SHP scheme or access to the NEST scheme (2013 only). It thus excludes contributions to PPs.

Table 2.11 Incidence of open schemes and those attracting employer contributions in 2013, by industry sector

Cell percentages

	Industry sector: SIC(2007) Section [c]															
Type of open scheme	**A**	**C**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**	**N**	**P**	**Q**	**R**	**S**	**All**
Any open occupational scheme	**(0)**	**2**	**0**	**1**	**0**	**0**	**0**	**1**	**(2)**	**1**	**1**	**(0)**	**7**	**(0)**	**(6)**	**1**
Defined benefit	(0)	0	0	0	0	0	0	0	(1)	0	1	(0)	5	(0)	(6)	1
Defined contribution	(0)	1	0	0	0	0	0	1	(1)	1	0	(0)	2	(0)	(0)	0
Hybrid	(0)	0	0	0	0	0	0	0	(0)	0	0	(0)	1	(0)	(0)	0
Open GPP scheme	**(2)**	**6**	**3**	**3**	**3**	**1**	**8**	**5**	**(11)**	**8**	**1**	**(2)**	**2**	**(2)**	**(2)**	**4**
With employer contributions	(2)	6	3	2	3	1	8	5	(11)	6	1	(2)	2	(2)	(2)	4
Open SHP scheme	**(5)**	**21**	**8**	**9**	**18**	**6**	**3**	**11**	**(10)**	**12**	**10**	**(9)**	**22**	**(8)**	**(18)**	**11**
With employer contributions	(1)	7	4	4	6	1	1	3	(2)	6	2	(1)	10	(4)	(12)	4
Open NEST scheme	**(0)**	**0**	**0**	**0**	**0**	**1**	**7**	**0**	**(0)**	**0**	**0**	**(0)**	**0**	**(0)**	**(1)**	**1**
Any open workplace pension scheme [b]	**(7)**	**27**	**9**	**11**	**20**	**6**	**18**	**16**	**(23)**	**20**	**12**	**(11)**	**31**	**(11)**	**(21)**	**16**
With employer contributions	(3)	16	6	7	8	2	16	9	(15)	14	4	(3)	20	(7)	(16)	10
Weighted base	*92*	*168*	*365*	*517*	*69*	*209*	*276*	*47*	*90*	*550*	*218*	*35*	*153*	*74*	*140*	*3,015*
Unweighted base	*57*	*407*	*193*	*497*	*100*	*180*	*101*	*124*	*76*	*353*	*281*	*50*	*398*	*88*	*90*	*3,043*

Base: all private sector organisations indicated by column headings

Notes:

a. The figures for 'any open pension scheme' may be lower than the sum of the individual forms of provision since some firms may provide open schemes of more than one type.

b. 'Any open workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme, a workplace SHP scheme or access to the NEST scheme. It thus excludes contributions to PPs.

c. Sectors B, D, E, and O are not presented as they each contain fewer than 50 observations, but these sectors are included in the 'All sectors' column. See Table 1.2 for full sector labels.

2.9 Eligibility

Following on from the previous section's discussion of access, it can be noted that employees working for a firm with an open pension scheme may nevertheless be prevented from becoming an active member of a scheme because they are ineligible to join. The later, scheme-level chapters provide further detail on eligibility requirements by scheme type. For all scheme types, the requirement to have completed a specified period of continuous service was one common means by which firms confer eligibility (see Chapters 3 and 4).[16]

Nevertheless, such eligibility rules typically excluded a relatively small proportion of all employees. Employers who had not passed their staging date, or had not begun automatic enrolment, but offered a workplace pension scheme, were asked about the proportion of employees who were eligible to join any of the schemes they offered. The first row of Table 2.12 shows that, among this group of employers, some 88 per cent of employees were eligible to join at least one of their employers' schemes. As most employees were eligible to join a scheme, it does not appear that eligibility restrictions play a substantial role in limiting access to schemes.

Having established the extent of eligibility, the survey went on to ask employers what proportion of eligible employees had joined the scheme and what proportion were waiting to join (i.e. were in a qualifying period). The lower panel of Table 2.12 shows that, overall, 38 per cent of all eligible employees had joined a scheme, while three per cent were in a waiting period, leaving 60 per cent who had not joined a scheme.[17] Eligible employees are less likely to join a scheme if they work for a small firm than if they work for a large firm, which may suggest that the type of scheme and the generosity of contributions or benefits are relevant.

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16 That is, that employees are required to have worked at the organisation for a minimum amount of time before they are eligible to join the scheme.

17 Waiting periods are again explored in more detail in the scheme-level chapters. They were most common in GPP schemes.

Table 2.12 Percentage of employees eligible to join any pension scheme, by size of organisation, 2013, among employers who had not staged or begun automatic enrolment

Cell percentages

	Number of employees											
Type of open scheme	**1-4**	**5-9**	**10-19**	**20-49**	**50-99**	**100-499**	**500-999**	**1,000+**	**1-49**	**50-249**	**250+**	**All**
Percentage of employees eligible to join any pension scheme	-	(83)	88	88	86	84	87	92	87	84	90	88
Weighted base	-	*62*	*122*	*184*	*139*	*332*	*159*	*447*	*391*	*340*	*737*	*1,468*
Unweighted base	-	*76*	*194*	*230*	*194*	*567*	*330*	*300*	*543*	*491*	*900*	*1,934*
Of those eligible to join, percentage who:												
Have joined a scheme	-	(31)	31	29	34	40	49	39	32	37	41	38
Are waiting to join a scheme (i.e. in a qualifying period)	-	(0)	3	2	1	3	4	3	2	2	3	3
Have neither joined nor are waiting to join a scheme	-	(69)	67	70	64	57	47	58	67	60	56	60
Weighted base	-	*58*	*117*	*168*	*121*	*289*	*137*	*399*	*361*	*298*	*647*	*1,306*
Unweighted base	-	*69*	*185*	*209*	*172*	*489*	*278*	*251*	*498*	*434*	*756*	*1,688*

Base: all private sector organisations with a workplace pension scheme who had not passed their staging date, or who had staged but not begun automatic enrolment.

3 Occupational pensions

Purpose

- This chapter examines the characteristics of occupational pension schemes. It focuses first on the basis on which benefits were calculated and then on a variety of issues relating to the membership of such schemes. The chapter also examines the contributions that are paid by employers and employees into occupational pensions and, finally, considers issues surrounding retirement ages.

Key findings

- In 2013, 47 per cent of occupational schemes operated on a defined benefit (DB) basis, 26 per cent operated on a defined contribution (DC) basis and seven per cent operated on a hybrid basis (the remaining 20 per cent were unclassified).
- Around half (53 per cent) of all occupational schemes were open to new members; the remainder were closed to new members. The percentage of open schemes had not changed since 2011, when it stood at 50 per cent. In 2013, three-quarters (75 per cent) of closed schemes were accepting contributions while the remainder were frozen.
- Around one in ten occupational schemes (12 per cent) were being used for automatic enrolment in 2013. The majority (67 per cent) of these schemes operated on a DB basis. The opt-out rate among all automatically-enrolling occupational schemes was six per cent.
- Around two-thirds (64 per cent) of all open occupational schemes in 2013 had no eligibility criteria, thereby allowing any employee of the organisation to join. The most common means of restricting eligibility was to use tenure-based criteria, with 18 per cent of open occupational schemes using a waiting period. Tenure-based criteria were less common in 2013 than they had been in 2011 however, when 34 per cent of open schemes used them.
- The rate of employer contributions received by the average active member of an occupational scheme was 12 per cent. This was not a statistically significant change from the average rate of 13 per cent seen in 2011.
- Among four-fifths (79 per cent) of occupational schemes were contributory for employees in 2013. The average employee contribution in such schemes was five per cent of gross pay (six per cent in 2011).
- Around one-quarter (24 per cent) of all open or closed occupational schemes operated salary sacrifice arrangements for at least some members. Such arrangements were more common in larger schemes, with the result that over two-thirds (68 per cent) of all active members belonged to a scheme with a salary sacrifice arrangement. Both figures had risen since 2011.

3.1 Introduction

The estimates presented in Chapter 2 indicated that two per cent of all private sector organisations included an occupational pension scheme as part of their pension provision for employees in 2013 (Table 2.4). These organisations employed just under half (45 per cent) of all private sector employees. In total, around one sixth (16 per cent) of all private sector employees belonged to an occupational pension scheme, with such schemes together accounting for just under half (46 per cent) of all active members of employer pension schemes.

This chapter further examines the characteristics of occupational pension schemes provided by employers in 2013. It focuses first on the basis on which benefits were calculated and then on a variety of issues relating to the membership of such schemes, including the use of occupational schemes for automatic enrolment. The chapter also examines the contributions that are paid by employers and employees into occupational pensions.

Most of the estimates that are presented in the chapter are based on schemes, with each scheme having the same influence on the estimate regardless of its size. However, some estimates are also presented in which the influence of each scheme is in proportion to its active membership. These membership-based estimates give greater weight to larger schemes and are more representative of the situation experienced by the average active member. Some firm-level estimates are also included in the discussion. Comparisons with estimates from the 2011 Employers' Pension Provision Survey (EPP 2011) are made at key junctures throughout the chapter.

3.2 Types of occupational scheme

DB schemes were the most common form of occupational pension scheme in 2013: almost half (47 per cent) of all occupational schemes were classified by respondents as DB schemes. A further 26 per cent of schemes were classified as DC schemes, while seven per cent of schemes used both methods to calculate benefits (hybrid schemes). In the remaining 20 per cent of cases, the respondent did not possess sufficient knowledge to categorise the scheme. In EPP 2011, a lower proportion of schemes were classified as DB schemes (38 per cent), with higher proportions being classified as DC schemes (33 per cent) or hybrid schemes (11 per cent). However the differences between the two years were not statistically significant.

In cases where the scheme was classified as using a single method of calculating benefits, the respondent was asked whether the scheme provided any benefits on the opposing basis. Four per cent of DB schemes provided at least some benefits on a DC basis, while nine per cent of DC schemes provided at least some benefits on a DB basis.[18] On this basis, a total of 11 per cent of occupational schemes could possibly then be considered as hybrid schemes (18 per cent in 2011). We use responses to the main classificatory question, discussed in the previous paragraph, when classifying schemes throughout this chapter, taking this to indicate the main method of calculating benefits in the scheme (and so class seven per cent of occupational schemes as hybrid schemes). This approach has also been adopted in the construction of the tables presented in earlier chapters.

18 Respondents were often not well informed. Thirty per cent of respondents reporting on defined benefit schemes could not answer this question, while nine per cent of those reporting on defined contribution schemes could not answer the equivalent question. The figures cited in the text include these non-respondents in the bases for the estimates.

3.3 Status of occupational schemes

The population of occupational schemes comprises a mixture of open, closed and frozen schemes. Open schemes admit new members and continue to receive contributions from existing members and their employers. Closed schemes do not admit new members, but contributions can continue to be made by existing members and their employers. Frozen schemes are also closed to new members and do not accept any further contributions.[19]

In 2013, around half of all occupational schemes (53 per cent) were open to new members (Table 3.1). A further 36 per cent of schemes were closed to new members but still accepting contributions, while the remaining 12 per cent were frozen schemes. Accordingly, around one quarter (25 per cent) of closed schemes were frozen. The percentage of occupational schemes that were open was very similar to that seen in 2011 (50 per cent).

The likelihood that a scheme was still open did not vary greatly between the three types of scheme. Moreover, the percentage of DB schemes that were open in 2013 (56 per cent) was very similar to the figure seen in 2011 (58 per cent). The percentage of DC schemes that were open was higher than in 2013 than it had been in 2011 however (64 per cent, compared with just 35 per cent in 2011). The percentage of hybrid schemes that were open was slightly lower in 2013 than in 2011 (49 per cent, compared with 60 per cent) but the relatively small number of hybrid schemes means that these estimates are relatively imprecise and the difference between 2011 and 2013 was not statistically significant in this case.

Table 3.1 Status of occupational schemes in 2011 and 2013, by type of scheme

Column percentages

	Type of scheme						All	
	DB		DC		Mixed			
Status of scheme	**2011**	**2013**	**2011**	**2013**	**2011**	**2013**	**2011**	**2013**
Open to new members	58	56	35	64	60	49	50	53
Closed, but accepting contributions	37	37	46	14	39	49	41	36
Frozen	6	7	20	22	1	2	10	12
Weighted base	*593*	*679*	*503*	*366*	*170*	*107*	*1,544*	*1,448*
Unweighted base	*919*	*789*	*396*	*400*	*128*	*115*	*1,493*	*1,380*

Base: All occupational schemes.
Note: schemes for which the type is not known (50 in 2011 and 76 in 2013) are not presented separately but are included in the figures for 'all schemes'.

One might expect that older schemes are less likely to remain open than schemes which have been more recently established and, indeed, there was some indication of this in 2013. Around three fifths of those schemes which had been set up since 1994 remained open to new members (Table 3.2). In contrast, fewer than two fifths of schemes that had been set

19 Accordingly, defined benefit schemes are not considered to be frozen if the firm has only suspended its contributions temporarily because the scheme is in surplus (a so-called 'contributions holiday').

up in the two decades prior to that (and which still existed in 2013) remained open. However the proportion of open schemes was higher again - around three-fifths - among the subset opened before 1974.

Table 3.2 Status of occupational schemes in 2013, by year scheme established

Column percentages

	Year scheme established					All
Status of scheme	**Pre-1974**	**1974-1983**	**1984-1993**	**1994-2003**	**2004-2013**	
Open to new members	58	34	26	56	60	53
Closed, but receiving contributions	19	21	20	40	40	36
Frozen	23	46	54	4	1	12
Weighted base	*145*	*85*	*87*	*284*	*471*	*1,448*
Unweighted base	*255*	*132*	*137*	*224*	*244*	*1,380*

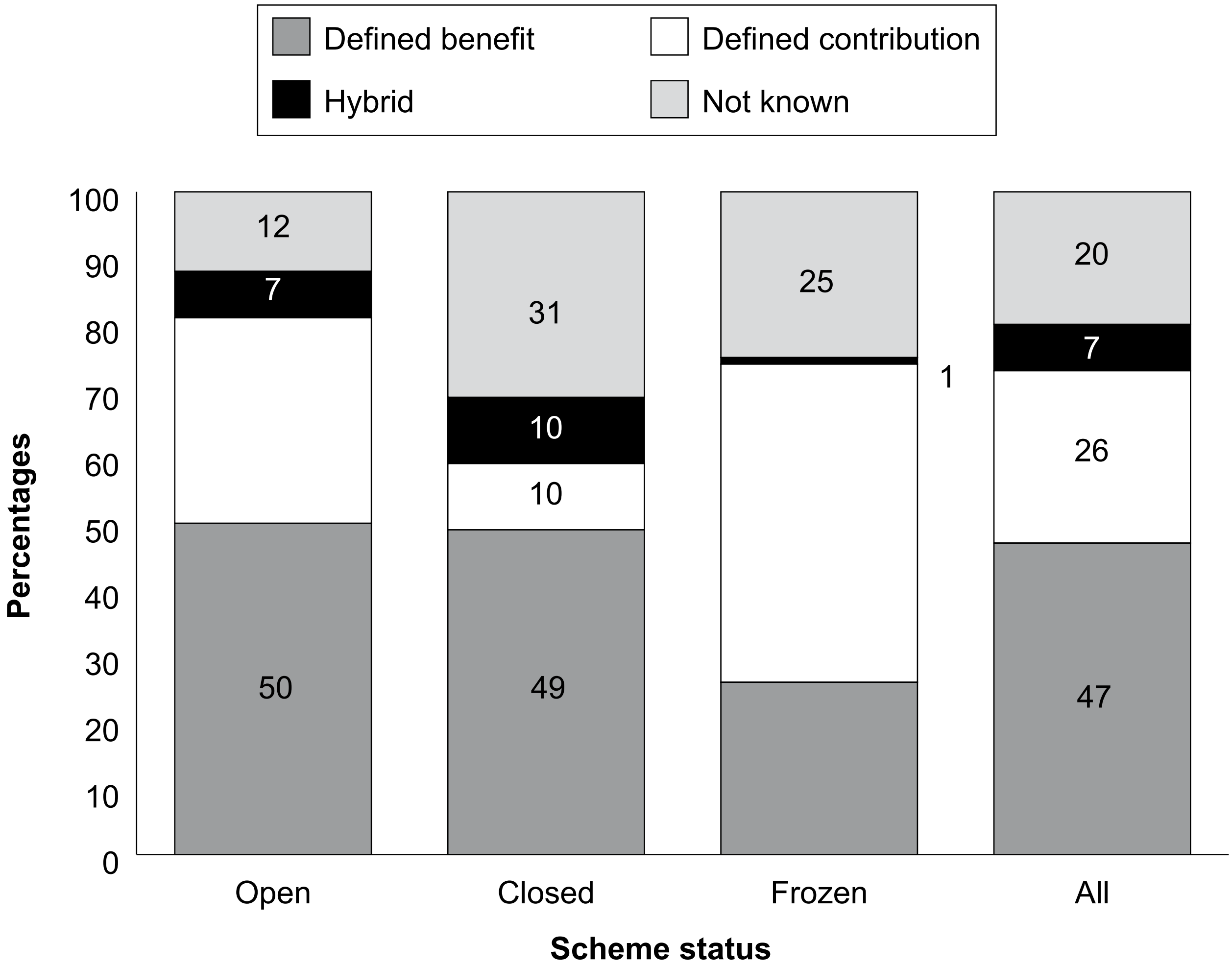
Base: All occupational schemes.
Note: 376 schemes for which the year of establishment is not known are not presented separately but are included in the figures for 'all schemes'.

When newer schemes had been closed, they usually continued to receive contributions. Less than five per cent of all schemes set up since 1994 had been frozen. In contrast, around half of those schemes set up between 1974 and 1993 had been frozen, and the same was true of around one quarter of schemes set up before 1974.

If one focuses solely on non-frozen schemes (i.e. on those that continue to receive contributions) then, in each of the year groups since 1974, around three-fifths of such schemes were open to new members and, in each year group, these schemes accounted for around four-fifths of active membership.

Figure 3.1 shows the proportions of open, closed and frozen schemes that operated on a DB, DC or hybrid basis. Half (50 per cent) of open schemes were DB schemes, just under one third (31 per cent) were DC schemes and seven per cent were hybrid schemes. For the remaining 12 per cent of open schemes, the employer did not know the basis on which benefits were calculated. Among closed schemes, again half (49 per cent) were open, but the type of scheme was unknown for almost one-third of closed schemes (31 per cent) and so the figures for closed schemes are necessarily quite uncertain, as they are for frozen schemes.

Figure 3.1 Type of occupational scheme in 2013, by scheme status



Base: All occupational schemes.
Note: 21 schemes for which the status of the scheme was not known are not presented separately but are included in the figures for 'all schemes'.

3.4 Use of occupational schemes for automatic enrolment

The overall incidence of automatic enrolment was discussed in Chapter 2. Here we specifically consider the use of occupational pension schemes as a destination for automatic enrolment. Two-fifths (40 per cent) of firms that had begun automatic enrolment had an occupational scheme that was being used for this purpose. These firms were larger than the average, together employing 51 per cent of all employees among automatically enrolling firms.

Moving to the scheme level, some 12 per cent of all occupational schemes were being used for automatic enrolment. The figure was 17 per cent among DB schemes, 16 per cent among hybrid schemes and five per cent among DC schemes. The higher prevalence of DB schemes over DC schemes then meant that two-thirds (67 per cent) of all occupational automatic enrolment schemes operated on a DB basis and just 11 per cent operated on a DC basis, while 10 per cent were hybrid schemes and 12 per cent were schemes that could not be classified.

Automatic enrolment schemes accounted for just over half (54 per cent) of all active members in occupational schemes. Ten per cent were in automatically enrolling DB schemes, 31 per cent were in automatically enrolling DC schemes and 13 per cent were in automatically enrolling hybrid schemes.[20]

The opt out rate among occupational schemes was six per cent. The number of automatically enrolling occupational schemes was too small to permit further detailed analysis by scheme type. However, the overall opt out rate among occupational schemes was lower than the rate among non-occupational schemes (12 to 14 per cent). An overview of opt out rates is provided in Section 5.3.4.

Some of those occupational schemes that were being used for automatic enrolment had also seen ineligible employees opt-into membership of the scheme. This was the case for 12 per cent of automatically enrolling occupational schemes.

3.5 Size of occupational schemes

Most occupational pension schemes had relatively small numbers of active members within the employing organisation.[21] In 2013, around four-fifths (79 per cent) of schemes had fewer than 20 members among the organisation's current workforce and the median scheme had just two members working in the firm (Table 3.3). The proportion of very large schemes (those with 1,000 members or more) was very small (2 per cent). However, these few large schemes served to raise the average (mean) size to 91 members.

DB schemes had a mean size of 70 active members (median four) in 2013, and these figures were almost identical to those seen in 2011, when the mean size of DB schemes was 72 and the median was six. DC schemes had a mean size of 162 active members (median three) in 2013. The mean size of DC schemes in 2013 was thus considerably higher than that seen in 2011 (49 members). This increase in the mean size of DC schemes was, in part, a function of the lower percentage of DC schemes in 2013 that had no members (five per cent, compared with 22 per cent in 2011) and the higher percentage of very large schemes (four per cent had 500 or more members in 2013, compared with two per cent in 2011). The size of the median DC scheme was, however, little different between the two years (two members in 2011 and three members in 2013).

20 Less than one per cent of active members were in automatically-enrolling occupational schemes that could not be classified.

21 That is not to say that they are necessarily small in aggregate, as some schemes have members in more than one organisation (so-called multi-employer schemes). Two-fifths (39 per cent) of occupational schemes in 2013 were part of multi-employer schemes - a proportion that had not changed since 2011.

Table 3.3 Numbers of active members in occupational schemes in 2013, by type and status of scheme

Column percentages

	Type of scheme			Scheme status		All
Number of active members	**DB**	**DC**	**Hybrid**	**Open**	**Closed**	
None	17	5	1	6	21	12
1-4	37	59	70	52	53	52
5-9	8	7	0	5	6	6
10-19	8	13	14	14	3	9
20-49	17	4	6	12	9	11
50-99	4	4	1	3	3	3
100-249	4	2	2	3	2	3
250-499	2	2	1	2	2	2
500-999	1	2	1	1	1	1
1,000+	2	2	4	2	1	2
Mean	70	162	228	122	50	91
Median	4	3	1	3	2	2
Weighted base	*582*	*282*	*105*	*709*	*512*	*1,221*
Unweighted base	*629*	*313*	*104*	*514*	*576*	*1,090*

Base: All open or closed occupational schemes (i.e. excluding frozen schemes).
Note: Schemes for which the type or status is not known are not presented separately but are included in the figures for 'All schemes'.

Since firm size necessarily places a ceiling on active scheme membership within any organisation, the prevalence of small schemes partly reflects the fact that most private sector organisations employ only small numbers of workers (see Chapter 1). Indeed, many of the smaller occupational schemes in 2013 were found in small organisations: over two-thirds (68 per cent) of those schemes with 1 to 19 active members were located in organisations which themselves had fewer than 20 employees (Table 3.4). One implication is that the proportion of all employees within a firm that belonged to occupational schemes was sometimes relatively high. In 26 per cent of firms with occupational schemes, at least three quarters of all employees were active members of such a scheme. In a further 18 per cent, at least half were active members, in eight per cent the proportion was over one quarter and in 47 per cent it was less than one quarter. The distribution was very similar in 2011.

Table 3.4 Size of organisation in 2013, by number of active members in occupational scheme

Column percentages

	Size of organisation (number of employees)					All
Size of scheme (number of active members)	**1-19**	**20-99**	**100-249**	**250-499**	**500+**	
1-19	68					52
20-99	25	44				26
100-249	3	30	18			8
250-499	1	12	36	15		4
500+	2	14	46	85	100	10
Weighted base	*817*	*167*	*32*	*20*	*35*	*1,071*
Unweighted base	*235*	*257*	*140*	*102*	*277*	*1,011*

Base: all open or closed occupational schemes (i.e. excluding frozen schemes) in which there is at least one active member.

It was noted in Chapter 2 that 16 per cent of all private sector employees were active members of occupational schemes in 2013 (see Table 2.4). Table 3.5 and Table 3.6 show how this percentage varied by firm size and industry sector. As in 2011, aggregate membership of occupational schemes was higher among larger firms (this partly reflecting their greater propensity to offer such schemes – see Chapter 2). Aggregate membership of occupational schemes was also relatively high in manufacturing (Section C), wholesale and retail (Section G), transport and storage (Section H), finance and insurance (Section K) and professional, scientific and technical activities (Section M). Similar industry patterns were observed in 2011.

Table 3.5 Percentage of employees that are active members of open or closed occupational pension schemes in 2013, by size of organisation

Cell percentages

	Number of employees								
	1-4	5-9	10-19	20-49	50-99	100-499	500-999	1,000+	All
Aggregate percentage of employees that are active members of occupational schemes	1	0	2	3	4	8	18	33	16
Weighted base	*319*	*212*	*249*	*276*	*190*	*370*	*167*	*1,203*	*2,986*
Unweighted base	*388*	*265*	*329*	*337*	*256*	*618*	*349*	*484*	*3,026*

Base: All private sector organisations indicated by column headings.

Table 3.6 Percentage of employees that are active members of open or closed occupational pension schemes in 2013, by industry sector

Cell percentages

	Industry sector: SIC(2007) Section															
	A	C	F	G	H	I	J	K	L	M	N	P	Q	R	S	All
Aggregate percentage of employees that are active members of occupational schemes	(1)	24	3	22	(20)	2	(16)	44	(14)	18	4	(2)	10	(3)	(13)	16
Weighted base	*27*	*305*	*169*	*572*	*134*	*272*	*98*	*74*	*201*	*266*	*266*	*22*	*239*	*58*	*132*	*2,986*
Unweighted base	*59*	*406*	*191*	*499*	*99*	*181*	*95*	*122*	*73*	*353*	*280*	*50*	*391*	*89*	*90*	*3,026*

Base: All private sector organisations indicated by column headings.
Note: Sectors B, D and E are not presented as they each contain fewer than 50 observations, but these sectors are included in the 'all sectors' column. See Table 1.2 for full sector labels.

Table 3.7 shows how the population of active members were distributed across non-frozen schemes of different types in 2011 and 2013. This is contrasted with the distribution of schemes themselves. DB schemes accounted for half of all occupational schemes in 2013, but accounted for only 36 per cent of all active members in occupational schemes. In contrast, DC schemes accounted for 41 per cent of all active members, despite comprising only 22 per cent of all schemes; this reflects their larger than average size (as shown in Table 3.3). If one looks back to EPP 2009 and 2011 it is apparent that the distribution of active members across different types of scheme has become more heavily weighted towards members in open DC schemes over time: such schemes accounted for just 12 per cent of all active members in 2009, but 23 per cent in 2011 and 39 per cent in 2013.

Table 3.7 Type and status of occupational schemes in 2011 and 2013 (schemes and active members)

Column percentages

	Schemes		Active members	
Type of scheme	**2011**	**2013**	**2011**	**2013**
Defined benefit	40	50	57	36
Open	25	30	33	18
Closed	15	20	23	18
Defined contribution	29	22	28	41
Open	12	18	23	39
Closed	6	4	5	1
Hybrid	12	8	15	21
Open	7	4	11	19
Closed	5	4	3	3
Type not known	19	20	1	1
Open	11	7	1	1
Closed	8	12	0	0
All open schemes	55	60	69	77
All closed schemes	45	40	31	23
Weighted base	*1,397*	*1,277*	*1,194*	*1,030*
Unweighted base	*1,264*	*1,123*	*1,174*	*1,011*

Base: All open or closed occupational schemes (i.e. excluding frozen schemes).

3.6 Membership profile

3.6.1 Active members

In addition to collecting information on the total number of active members in each scheme, the survey also collected information on the number of members that worked part-time hours.[22] The share of active members that worked part-time was not known for 18 per cent of schemes in 2013 but employees working part-time hours comprised a minority of all active members in most schemes where the share was known (Table 3.8). Part-time workers were known to be in the majority in just 19 per cent of all occupational schemes.

Comparing the proportion of active members in the scheme that worked part-time hours with the proportion of employees in the organisation that worked part-time, where both were known, one finds that part-time employees were under-represented among active members in 50 per cent of schemes; there was approximately equal representation of part-time and full-time employees in 36 per cent of schemes, and part-timers were over-represented in 15 per cent of schemes.[23] Focusing on those schemes for which the share of part-timers could be computed, one in five active members of occupational schemes (21 per cent) were part-time workers. This figure was very similar in 2011 (19 per cent).

In 2013, the share of part-time members was higher in open schemes than in closed schemes. Around one-quarter (24 per cent) of active members were part-time workers in open schemes, compared with 12 per cent in closed schemes.

22 The number of hours was not defined in the question on part-time employees. A second question on members' gender was asked in earlier surveys in the series but discontinued in 2013.

23 We compute the ratio of the part-time share of active members to the part-time share of employees, taking a ratio of less than 0.8 to indicate under-representation of part-time employees in the scheme, a ratio of 0.8 to 1.2 to indicate approximately equal representation and a ratio of greater than 1.2 to indicate over-representation. These thresholds are necessarily somewhat arbitrary.

Table 3.8 Profile of active members of occupational schemes in 2013, by type and status of scheme

						Column percentages
	Type of scheme			Scheme status		All
Profile of active members	**DB**	**DC**	**Hybrid**	**Open**	**Closed**	
Percentage part-time						
None	38	40	71	42	49	45
1-24%	12	12	11	9	9	9
25-49%	10	3	10	8	11	9
50-74%	8	34	5	18	8	14
75%+	7	5	0	8	1	5
Not known	26	7	2	15	23	18
Weighted base	*634*	*284*	*105*	*762*	*515*	*1,277*
Unweighted base	*644*	*323*	*106*	*527*	*596*	*1,123*
Aggregate percentage part-time	15	27	(18)	24	12	21
Weighted base	*277*	*325*	*211*	*616*	*209*	*825*
Unweighted base	*507*	*259*	*83*	*436*	*450*	*886*

Base: All open or closed occupational schemes.
Note: schemes for which the type or status is not known are not presented separately but are included in the figures for 'all schemes'.

3.6.2 Profile of all members

The total membership of a pension scheme is comprised of three groups in total: active members, deferred members (those who have left the scheme but are yet to receive their pension) and current pensioners. Respondents for just under one third (31 per cent) of all open or closed occupational schemes could not identify the numbers of members in each of these three groups; however, in the remaining 69 per cent of schemes it was possible to determine the share of all members that were active members, deferred members or current pensioners. Among these schemes, active members comprised just 23 per cent of the total membership in 2013, with deferred members accounting for a further 46 per cent and current pensioners 31 per cent (Table 3.9). DB schemes had a lower share of active members than DC schemes (15 per cent compared with 46 per cent), and a higher share of current pensioners (42 per cent, compared with 13 per cent).[24] Each of the figures cited above was very similar in 2011.

[24] Defined contribution schemes tend to buy out pensioners with annuities from insurance companies.

Table 3.9 Profile of total membership of occupational schemes in 2011 and 2013, by type and status of scheme

Column percentages

Aggregate percentage of members that are ...	Type of scheme			Scheme status		All 2013	All 2011
	DB	DC	Hybrid	Open	Closed		
Active members	15	46	(19)	31	13	23	24
Deferred members	43	40	(54)	46	46	46	41
Current pensioners	42	13	(27)	23	41	31	35
Weighted base	*563*	*286*	*415*	*733*	*544*	*1,277*	*1,264*
Unweighted base	*380*	*195*	*86*	*307*	*376*	*683*	*845*

Base: All open or closed occupational schemes.
Note: schemes for which the type or status is not known are not presented separately but are included in the figures for 'all schemes'.

3.7 Eligibility for occupational schemes

It was noted above that 53 per cent of all occupational schemes were open to new members in 2013 (Table 3.1). Open pension schemes may nonetheless restrict eligibility for the scheme, such that only certain types of employee may be allowed to become members. Examples of such eligibility rules might be those which restrict membership to employees with a minimum period of job tenure or to managerial employees.

In 2013, around two-thirds (64 per cent) of all open occupational schemes had no eligibility criteria, thereby allowing any employee of the organisation to join (Table 3.10). Over two-fifths (44 per cent) of all active members in open schemes belonged to schemes that were open to all employees. A comparison of the scheme-based and membership-based figures in Table 3.10 thus indicates that those schemes without eligibility restrictions tended to be smaller than average. As in earlier years, those schemes with age-related restrictions were particularly large in comparison with other schemes.

The proportion of schemes that were open to all appeared to have risen since 2011, when the figure stood at 48 per cent, but the change was just outside the bounds of statistical significance at the 10 per cent level. Similarly, although the share of all active members belonging to schemes that were open to all was higher in 2013 than in 2011 (44 per cent, compared with 33 per cent), it also had not risen to a statistically significant extent over the period.

Table 3.10 Eligibility criteria for open occupational schemes in 2011 and 2013 (schemes and active members)

				Column percentages
	All schemes		**All active members**	
Eligibility criteria	**2011**	**2013**	**2011**	**2013**
All employees eligible to join	48	64	33	44
Senior managers only	7	3	0	0
Minimum age	8	5	28	18
Minimum job tenure	25	14	15	12
Minimum age and tenure	9	5	10	6
Other criteria	3	9	12	20
Weighted base	*769*	*762*	*822*	*796*
Unweighted base	*577*	*527*	*558*	*503*

Base: All open occupational schemes.

One statistically significant change that had occurred between 2011 and 2013 was a decline in the percentage of open schemes with tenure based restrictions, from 34 per cent to 18 per cent. Respondents with schemes that had tenure-based restrictions were asked how long employees needed to wait before they were eligible to join the scheme. This is used in Table 3.11 to indicate the length of the waiting period (if any) for all open occupational schemes. As implied above, around four-fifths (82 per cent) of open occupational schemes had no waiting period. In seven per cent of schemes the waiting period was between one and three months, and in a further seven per cent of schemes the waiting period was between four and six months. Five per cent of schemes asked employees to wait more than six months before they were eligible to join the scheme.

Table 3.11 Length of waiting period before eligible to join scheme in 2013, by type of scheme

				Column percentages
	Type of scheme			**All 2013**
Length of waiting period	**DB**	**DC**	**Hybrid**	
None	87	75	(87)	82
1-3 months	8	6	(7)	7
4-6 months	5	14	(1)	7
7-12 months	0	4	(4)	4
Over 1 year	0	2	(1)	1
Weighted base	*368*	*234*	*52*	*749*
Unweighted base	*186*	*239*	*66*	*516*

Base: All open occupational schemes where eligibility is known.
Note: 25 schemes for which the type is not known are not presented separately but are included in the figures for 'all schemes'.

Respondents in firms that had any occupational schemes – whether open or closed – were also asked a general question as to whether any of their organisation's schemes had been established solely for senior managers or directors (so-called 'top hat' schemes). This was the case for one-third (33 per cent) of organisations with occupational schemes (one per cent of all organisations) in 2013. The figures were almost identical in 2011 (32 per cent and one per cent respectively).

3.8 Contributions to occupational schemes

Employers normally make contributions to their employees' occupational pension schemes, unless the scheme has a funding surplus that is sufficient to allow the organisation to enjoy a 'contributions holiday'. Employees also commonly make contributions to occupational schemes, although this is not a requirement in all schemes. This section considers the levels of employer and employee contributions to occupational schemes in the financial year 2012/13, along with any changes since 2010/11.

Most of the questions in EPP 2013 on contributions to occupational schemes were asked only of the three largest occupational schemes present within each firm. However this subset accounts for 99 per cent of all occupational schemes and 99 per cent of all active members.

3.8.1 Employer contributions

Employers were asked to give an estimate of their organisation's contributions to each occupational pension scheme in the financial year preceding the survey, i.e. 2012/2013. If the level of contributions varied for different members of the scheme, the respondent was asked to state the average contribution. The respondent was also encouraged to provide the figure as a percentage of an employee's gross pay.

Respondents could provide a percentage figure for around three-quarters (72 per cent) of schemes (a marked improvement on the figure of 50 per cent in 2011). Employers were more knowledgeable about larger schemes than they were about smaller ones, with those schemes for which employers could provide a percentage figure accounting for 89 per cent of all active members (the same figure as in 2011). In 2011, respondents were able to indicate the contribution rate as an amount of money for a further 12 per cent of schemes, leaving 16 per cent for which they did not know the contribution rate at all. As in earlier years, respondents were more likely to be able to specify the contribution rate, and to state it as a percentage, in respect of open schemes than closed schemes.

The full range of responses is presented in Table 3.12. The table also includes the mean and median percentage rates for direct comparison across schemes of different types, although these should be treated somewhat tentatively given that a substantial proportion of schemes are sometimes excluded from the calculation (as is particularly the case for hybrid and closed schemes). The table indicates that around two-thirds (64 per cent) of occupational schemes attracted an employer contribution that was known to be at least three per cent of employees' gross pay, and that these schemes together accounted for around three-quarters (77 per cent) of all active members.

The mean contribution rate, when averaged across all schemes, was 13 per cent. This compared with a mean rate of nine per cent in 2011, with the change arising from a decline in the incidence of small schemes offering relatively low rates of employer contributions. However the increase in the average scheme-level contribution rate was not statistically significant. The average active member received a contribution rate of 12 per cent in 2013, which was not statistically significant from the rate of 13 per cent received by the average active member in 2011.[25]

The mean percentage contribution rates varied somewhat between DB and DC schemes and between open and closed schemes in 2013 but, again, the differences were not statistically significant.

Table 3.12 Employer contributions to occupational schemes in 2013, by type and status of scheme (schemes and active members)

Column percentages

	Type of scheme			Scheme status		All	All active members
Average contributions in financial year 2010/2011	**DB**	**DC**	**Hybrid**	**Open**	**Closed**		
Percentage of gross pay	**75**	**84**	**58**	**80**	**62**	**72**	**89**
Less than 3%	3	3	0	1	17	8	12
3-4.9%	3	12	0	4	4	4	5
5-5.9%	5	13	24	12	1	8	4
6-9.9%	23	20	4	26	10	19	13
10-14.9%	19	12	18	21	8	15	27
15-19.9%	13	0	10	4	12	7	14
20% or more	9	25	2	11	10	11	14
Amount of money	**5**	**5**	**40**	**11**	**13**	**12**	**1**
Contribution not known	**20**	**11**	**2**	**9**	**25**	**16**	**10**
Weighted base	*553*	*275*	*104*	*669*	*496*	*1,165*	*1,020*
Unweighted base	*569*	*310*	*100*	*496*	*522*	*1,018*	*932*
Mean percentage contribution	12	18	(10)	13	11	13	12
Median percentage contribution	12	8	(10)	8	9	9	11
Weighted base	*414*	*230*	*60*	*536*	*307*	*843*	*910*
Unweighted base	*461*	*263*	*79*	*427*	*399*	*826*	*794*

Base: All open or closed occupational schemes (i.e. excluding frozen schemes).
Notes: schemes for which the type or status is not known are not presented separately but are included in the figures for 'all schemes'.

25 The median employer contribution rates in 2011 were eight per cent (when averaged across schemes) and 12 per cent (when averaged across active members), and thus very close to the median rates observed in 2013.

3.8.2 Employee contributions

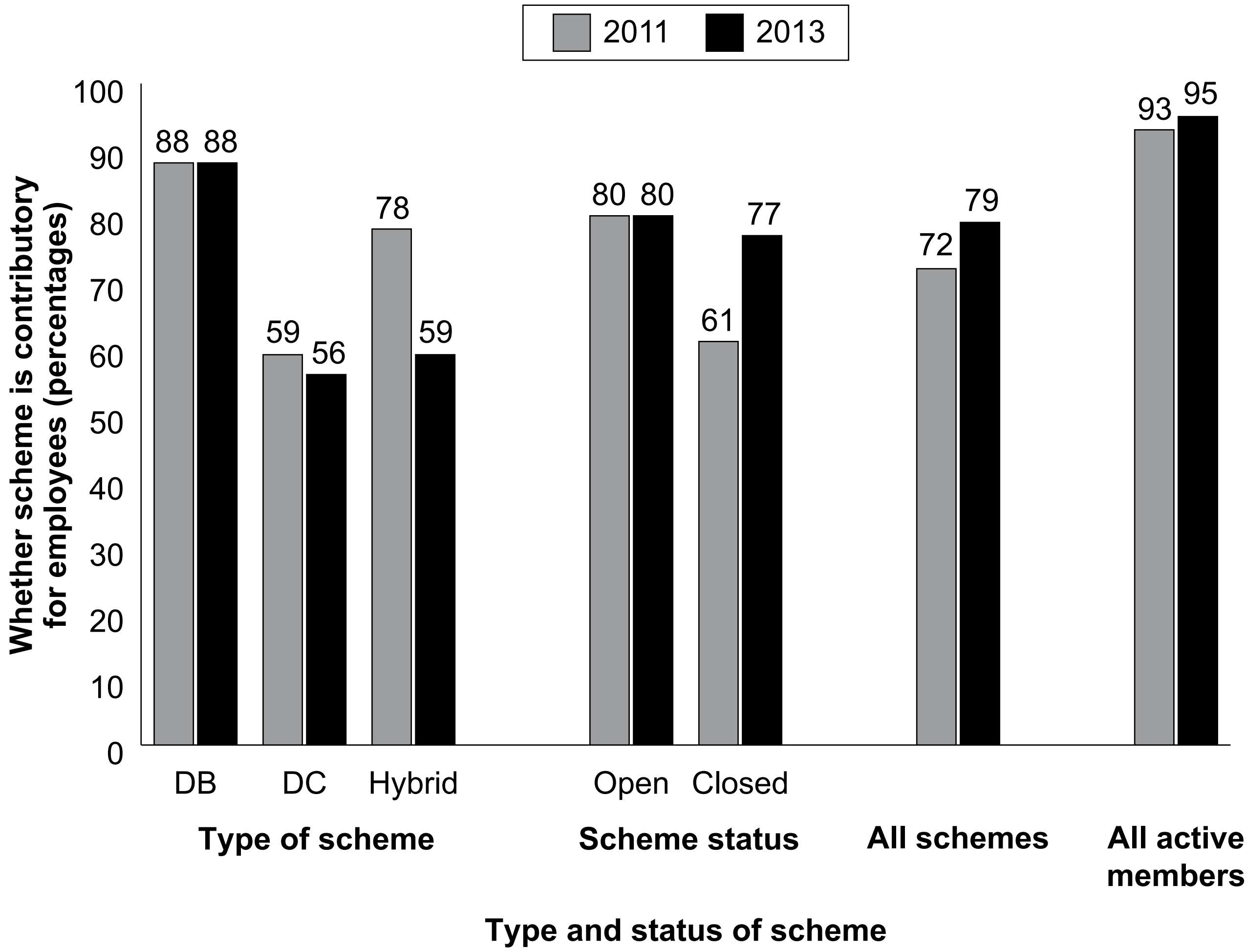
In some cases, the employer makes the sole contribution to an occupational scheme. However, in most cases, employees also contribute. Almost four-fifths (79 per cent) of occupational schemes were contributory for employees in 2013 (Figure 3.2).

A comparison with earlier surveys indicates that the proportion of contributory schemes has been increasing over time, having stood at 64 per cent in 2009 and 72 per cent in 2011. But as in the case of employer contributions, any changes have taken place primarily among smaller schemes. Schemes with larger numbers of active members are more likely than smaller schemes to be contributory for employees, and the proportion of active members belonging to a contributory scheme has been relatively stable in recent years (92 per cent in 2009, 93 per cent in 2011 and 95 per cent in 2013).

The proportion of contributory schemes was higher among DB schemes than it was among DC schemes. But the proportion did not differ to a statistically significant degree between open and closed schemes. In none of the sub-groups shown in Figure 3.2 did the proportion change between 2011 and 2013.

As was the case for rates of employer contributions, respondents did not always know the average percentage rates at which employees contributed to contributory schemes. But again the levels of knowledge were higher in 2013 than in 2011. Respondents could provide an average percentage rate in respect of around three-quarters (73 per cent) of schemes (60 per cent in 2011). Employers were again more likely to know the contribution rate for larger schemes than for small schemes, with schemes that had a known contribution rate accounting for 94 per cent of active members in contributory schemes (90 per cent in 2011). Table 3.13 shows the full range of responses. The average scheme attracted an employee contribution of five per cent, and the average contribution was also five per cent when computed across all active members of schemes that attracted an employee contribution (in 2011 the equivalent figure was six per cent in both cases).

Figure 3.2 Whether occupational schemes are contributory for employees, by type and status of scheme (schemes and active members) 2011 and 2013



Base: All open or closed occupational schemes (i.e. excluding frozen schemes).
Note:
1. Schemes for which the type or status is not known are not presented separately but are included in the figures for 'all schemes'.

Table 3.13 Employee contributions to occupational schemes in 2013, by type and status of scheme (schemes and active members)

Column percentages

Average contributions in financial year 2012/2013	Type of scheme			Scheme status		All schemes	All active members
	DB	DC	Hybrid	Open	Closed		
Percentage of gross pay	64	95	99	75	70	73	94
Less than 3%	2	15	(0)	3	24	10	18
3-3.9%	1	14	(2)	3	14	7	8
4-4.9%	3	13	(5)	5	3	4	14
5-5.9%	28	42	(15)	32	12	24	17
6-9.9%	27	11	(76)	31	14	25	36
More than 10%	3	0	(1)	1	4	2	2
Amount of money	0	0	0	6	1	4	0
Contribution not known	36	5	(1)	19	29	23	6
Weighted base	*548*	*154*	*61*	*590*	*357*	*947*	*968*
Unweighted base	*521*	*266*	*85*	*455*	*446*	*901*	*845*
Mean percentage contribution	6	4	(7)	6	4	5	5
Median percentage contribution	5	5	(7)	5	3	5	5
Weighted base	*349*	*146*	*60*	*441*	*248*	*689*	*913*
Unweighted base	*451*	*235*	*76*	*400*	*380*	*780*	*751*

Base: All open or closed occupational schemes to which employees made contributions (i.e. excluding non-contributory and frozen schemes).
Notes: schemes for which the type or status is not known are not presented separately but are included in the figures for 'all schemes'.

3.8.3 Overall level of contributions

The contributions made by both employers and employees can be summed – where they are both known – in order to identify the total contribution rate for each pension scheme.[26] This calculation was possible for around two-thirds (63 per cent) of schemes but, together, these schemes accounted for 88 per cent of all active members in occupational schemes. Table 3.14 indicates that, among these schemes, around one-third (32 per cent) were receiving a total average contribution of at least 20 per cent of employees' gross pay. Around one-fifth (20 per cent) were receiving a total contribution of less than ten per cent of employees' gross pay. The mean contribution, when averaged across schemes, was 17 per cent; when averaged across active members it was 17 per cent. The scheme-level average was slightly higher than that found in 2011 (14 per cent) and the member-level average slightly lower (19 per cent in 2011), but neither difference was statistically significant.

26 Schemes which are non-contributory for employees are accorded an employee contribution rate of zero.

Table 3.14 Total contributions to occupational schemes in 2013, by type and status of scheme (schemes and active members)

							Column percentages
Average contributions in financial year 2010/2011	**Type of scheme**			**Scheme status**		**All schemes**	**All active members**
	DB	**DC**	**Hybrid**	**Open**	**Closed**		
Percentage of gross pay							
Less than 5%	7	1	(0)	2	31	12	14
5-5.9%	0	12	(0)	3	5	4	1
6-9.9%	1	12	(1)	5	2	4	6
10-14.9%	38	35	(45)	46	18	36	21
15-19.9%	17	5	(23)	12	13	12	19
20-24.9%	19	4	(27)	16	11	15	23
25-29.9%	6	0	(1)	1	6	3	7
30% or more	11	31	(2)	14	14	14	7
Mean percentage contribution	17	21	(16)	18	14	17	17
Median percentage contribution	17	13	(16)	13	12	13	16
Weighted base	*376*	*224*	*60*	*521*	*274*	*796*	*899*
Unweighted base	*441*	*250*	*78*	*409*	*382*	*791*	*764*

Base: All open or closed occupational schemes (i.e. excluding frozen schemes) where percentage contributions rates for employers and employees known.
Notes: schemes for which the type or status is not known are not presented separately but are included in the figures for 'all schemes'.

3.8.4 Contributions in schemes used for automatic enrolment

As noted earlier in Section 3.4, some 12 per cent of occupational schemes were being used for automatic enrolment at the time of the survey. Among these schemes, the mean employer contribution for the average active member was nine per cent (median ten per cent). The mean employee contribution was four per cent (median also four per cent). The average total contribution was 14 per cent (median also 14 per cent). The contribution rates in those occupational schemes that were being used for automatic enrolment were therefore slightly lower than the contribution rates in other occupational schemes.

3.9 Salary sacrifice arrangements

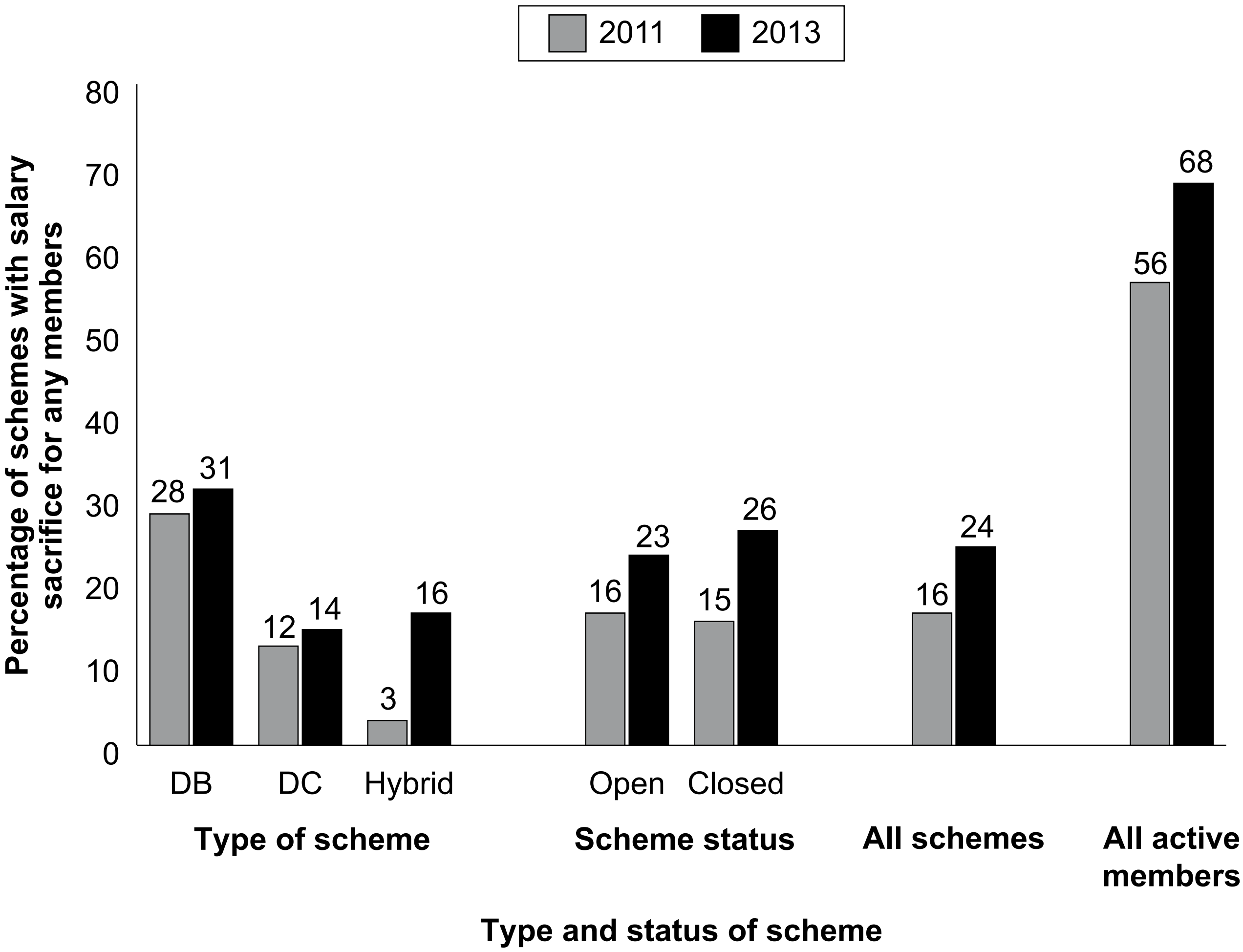
Open or closed occupational schemes may operate a salary sacrifice arrangement, whereby an employee gives up part of their salary in exchange for the employer paying the equivalent amount as a contribution to the pension scheme.[27] Around one-quarter (24 per cent) of all open or closed occupational schemes operated salary sacrifice arrangements for at least some members in 2013 (Figure 3.3). Such arrangements were more common in larger schemes, however, with the result that over two-thirds (68 per cent) of all active members

[27] In such cases, no National Insurance contributions are paid by either the employer or employee on that portion of the employees' salary which has been 'sacrificed'.

belonged to a scheme with a salary sacrifice arrangement.[28] Both figures had risen between 2011 and 2013.

In 2013, salary sacrifice arrangements were more common among DB schemes than among DC schemes (31 per cent, compared with 14 per cent), but this reflected the greater use of salary sacrifice arrangements among small DB schemes. The proportion of active members who belonged to a scheme with a salary sacrifice arrangement was in fact higher among DC schemes (74 per cent for DC schemes and 51 per cent for DB schemes).

Figure 3.3 Salary sacrifice agreements in 2013, by type and status of scheme (schemes and active members)



Base: All open or closed occupational schemes with active members (i.e. excluding frozen schemes).
Note:
1. Schemes for which the type or status is not known are not presented separately but are included in the figures for 'all schemes'.
2. The figure for 'all active members' indicates the percentage of active members who belong to schemes which operate a salary sacrifice arrangement for at least some (but not necessarily all) members.

28 The arrangement did not necessarily operate for all members in the scheme.

4 Stakeholder pension and group personal pension schemes

Purpose of this chapter

- This chapter looks at the characteristics of stakeholder pension (SHP) schemes and group personal pension (GPP) schemes, including access, eligibility and employer contributions.

Key findings

- Around one in ten firms (12 per cent) provided access to an SHP scheme in 2013, while five per cent provided a GPP scheme. Both types of scheme were more commonly found in larger firms. The percentage of firms providing a GPP scheme was unchanged from 2011, while the percentage offering access to an SHP scheme had fallen, standing at around 19 per cent in 2011.
- Many SHP schemes operate as 'empty shells', schemes in which no employees are participating. The fall in the proportion of firms providing access to SHP schemes was partly driven by a fall in the percentage of firms with such 'empty shell' schemes (these schemes were found in nine per cent of firms in 2011 and five per cent in 2013).
- SHP and GPP schemes were typically small. For example, less than one per cent of all SHP schemes had 100 or more members in 2013. However, these schemes accounted for just over half (52 per cent) of all active members in SHP schemes.
- The majority of SHP and GPP schemes were open to new members. Where schemes restricted access to certain employees, typically this was on the grounds of job tenure. Less than one in ten (nine per cent of) SHP schemes required employees to wait more than six months before they were eligible to join; this stood at 17 per cent among GPP schemes.
- One in ten SHP schemes were being used for automatic enrolment, as were around one-quarter (26 per cent) of GPP schemes.
- In around four-fifths (81 per cent) of SHP schemes, and the vast majority (93 per cent) of GPP schemes, with at least one active member, employers were contributing for at least some employees. The mean contribution rate, averaged across members, stood at six per cent of employees' pay for both SHP and GPP schemes. Average contribution rates were similar to those observed in 2011.
- Three in ten SHP schemes (30 per cent), and just over a third (36 per cent) of GPP schemes, operated on a salary sacrifice basis in 2013. For both scheme types, salary sacrifice arrangements were more common among larger schemes.

4.1 Introduction

This chapter explores the characteristics of SHP schemes and GPP schemes.[29] The chapter begins by exploring access to SHP schemes and GPP schemes at firm level. Where such schemes are provided, it then looks at the types of employees eligible to join such schemes, and the length of time, if any, employees must wait before they are eligible to join. The size of schemes is considered, along with the distribution of members across schemes. The prevalence and level of employer contributions are also explored. Finally, the chapter considers the use of salary sacrifice arrangements. Comparisons with 2011 are drawn at key points.[30]

4.2 Provision of SHP and GPP schemes

In 2013, just over one in ten (12 per cent) of firms were providing access to a workplace SHP scheme. As discussed in Chapter 2, this represents a fall since 2011, when almost one-fifth (19 per cent) of firms offered an SHP scheme.

SHP schemes are more common among larger firms than in smaller organisations, found in just over two-fifths (43 per cent) of firms with 250 or more employees, compared with around one in ten (11 per cent) among firms with fewer than 50 employees.

While 12 per cent of firms offered access to an SHP scheme, many such schemes exist as 'empty shells'. In five per cent of all firms (45 per cent of those firms offering an SHP scheme) an SHP scheme was provided, but no employees were participating in it (Table 4.1). In a further five per cent of firms, access to an SHP scheme was provided, at least some employees were participating in the scheme, and the employer also made contributions to the scheme. A further one per cent of firms had SHP schemes to which at least some of their employees belonged, but to which the employer did not make any contributions.

The fall in the percentage of firms providing an SHP scheme is in part driven by a fall in the percentage of firms who provide such a scheme, but in which no employees are members of the scheme; this percentage stood at nine per cent in 2011.

As larger firms are more likely to offer SHP schemes, the proportion of employees working in firms that offered SHP schemes is higher than the proportion of firms offering such schemes. Almost three-fifths (37 per cent) of employees worked in firms that provided access to an SHP scheme in 2013. Again this proportion has fallen since 2011, when 52 per cent of employees worked in such firms.

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29 The key features of SHP and GPP schemes are described in the glossary to this report.

30 Firms were asked about a total of up to three SHP schemes, and up to eight GPP schemes. Full details were collected for the three largest GPP schemes, with a reduced set of questions for the fourth to sixth largest schemes. Only the size of the scheme was collected for the seventh and eighth largest schemes. Most of the analysis in this chapter is based on information collected about up to six GPP schemes; any departures from that convention are noted in the text.

Table 4.1 Access and contributions to workplace SHPs in 2013, by size of organisation

Column percentages

	Size of organisation (employees)									
Access to SHPs	**1–4**	**5–9**	**10–19**	**20–49**	**50–99**	**100–499**	**500–999**	**1,000+**	**All 5+**	**All**
Workplace SHP scheme	5	22	38	48	51	47	39	44	32	12
Membership and contributions										
No active members	1	12	18	27	29	21	10	9	17	5
Active members and employer contributes	3	6	15	14	19	18	21	31	10	5
Active members but employer does not contribute	0	3	4	6	3	8	7	4	4	1
Weighted base	*2,215*	*387*	*225*	*115*	*34*	*23*	*3*	*4*	*790*	*3,005*
Unweighted base	*381*	*260*	*323*	*330*	*248*	*619*	*344*	*497*	*2,621*	*3,002*

Base: All private sector organisations.
Note: estimates may not sum to column totals due to rounding.

As shown in Chapter 2, five per cent of firms provided a GPP scheme (or GSIPP) for at least some of their employees in 2013. Larger firms were generally more likely to provide a GPP scheme; around half (52 per cent) of firms with 250 or more employees provided a GPP, compared with five per cent of firms with less than 50 employees (Table 2.5). Around one third (34 per cent) of employees worked in organisations with access to a GPP (Table 2.4). The percentage of firms providing GPPs, and the percentage of employees working in those firms, has remained fairly stable since 2009.

Less than one per cent of firms had a GSIPP arrangement, and four per cent of employees worked in firms where a GSIPP was available. GSIPPs accounted for 12 per cent of GPP schemes. The small number of group self-invested personal pension (GSIPP) schemes in the survey (less than 100 schemes) limits separate analysis of this group. In the remainder of this chapter, therefore, we do not distinguish GSIPPs from GPPs, the phrase 'GPPs' refers to all GPP schemes, including GSIPPs.

There were some variations by industry in the proportion of firms offering access to each type of scheme (Table 2.6). GPP schemes were most commonly found in the real estate sector (SIC 2007, Section L) and in professional, scientific and technical activities (Section M), where 12 per cent and 11 per cent of firms provided a GPP respectively.[31]

SHP schemes were most common in the arts, entertainment and recreation sector (Section R), where 28 per cent of firms provided access to an SHP scheme[32], and in health and social work (Section Q) and manufacturing (Section C), where just under a quarter of firms offered access to SHPs (24 per cent and 23 per cent respectively). Around one-quarter (24 per cent) of firms in the arts, entertainment and recreation sector (Section R) provided access to an SHP scheme in which at least some employees were participating and to which the employer made contributions (Table 4.2). However, in health and social work (Section Q) and manufacturing (Section C), this proportion stood at 12 per cent and seven per cent respectively.

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31 The estimates for Section L should be treated with caution, however, as they are based on only 76 observations.

32 Again, the estimate for Section R should be treated with caution, as it is based on just 87 observations.

Table 4.2 Access and contributions to workplace SHPs in 2013, by industry sector

Access to SHPs	A	C	F	G	H	I	J	K	L	M	N	Q	R	S	All
Workplace SHP scheme	(13)	23	9	9	(19)	7	3	11	(10)	13	10	24	(28)	(18)	12
Membership and contributions															
No active members	(11)	9	4	4	(10)	4	2	5	(5)	5	7	9	(4)	(5)	5
Active members and employer contributes	(1)	7	6	4	(7)	1	1	3	(2)	6	2	12	(24)	(12)	5
Active members but employer does not contribute	(0)	6	0	1	(1)	2	0	0	(3)	1	2	3	(0)	(0)	1
Weighted base	*92*	*166*	*365*	*516*	*68*	*209*	*276*	*46*	*90*	*549*	*217*	*153*	*74*	*140*	*3,002*
Unweighted base	*56*	*401*	*191*	*491*	*97*	*176*	*100*	*123*	*75*	*349*	*275*	*395*	*87*	*89*	*3,005*

Base: All private sector organisations.
Note: Sectors B, D, E, O and P are not presented as they each contain fewer than 50 observations, but these sectors are included in the 'all' column. See Table 1.2 for full sector labels.

4.3 Size of SHP and GPP schemes

In almost half (46 per cent) of firms providing access to at least one SHP scheme, no current employees were participating in the scheme(s) (Table 4.3). In around a further two-fifths (41 per cent) of firms offering access to an SHP scheme, between one and four employees were participating in the scheme. Larger firms, as expected, were likely to have a greater number of employees participating in the scheme. In around one-third (34 per cent) of firms with 1,000 or more employees and at least one SHP scheme, more than 100 employees were active members of the scheme.

In three-fifths (60 per cent) of firms providing a GPP scheme, fewer than five employees were participating in the scheme. In a further 16 per cent of firms providing GPP schemes, between five and nine employees were participating. In four per cent of firms offering a GPP, 100 or more employees were participating. This proportion rose to 71 per cent among firms with 1,000 or more employees.

The lower panel of Table 4.3 shows, for each scheme type, the percentage of the workforce who were participating in the scheme(s). In almost one-fifth (18 per cent) of firms offering an SHP scheme, at least 75 per cent of the workforce were active members of such schemes. In contrast, at least 75 per cent of the workforce were members of GPPs in just under three-fifths (57 per cent) of firms offering GPP schemes.

Table 4.3 Size of schemes, by scheme type

		Column percentages
	Scheme type	
Size of scheme	**SHP**	**GPP**
Number of active members in scheme(s)		
0	46	5
1–4	41	55
5–9	6	16
10–19	4	10
20–49	2	8
50–99	1	3
100+	0	4
Percentage of workforce in scheme(s)		
0	46	5
1–24%	16	14
25–49%	9	13
50–74%	10	11
75%+	18	57
Weighted base	*359*	*162*
Unweighted base	*1,126*	*986*

Base: All organisations offering access to at least one SHP or GPP scheme respectively, where number of members known.

Most SHP and GPP schemes are small. This means that when exploring the proportion of schemes to which particular characteristics apply, it will tend to be the smaller schemes that dominate the results. However, these schemes account for a small share of active members.

Among SHP schemes, around two-fifths (41 per cent) had between one and four members in 2013; these schemes accounted for 12 per cent of active members of SHPs (Table 4.4). While schemes with 50 or more members accounted for just one per cent of all SHP schemes in 2013, almost two-thirds (63 per cent) of active members participated in these schemes. Similarly, in over half (54 per cent) of GPPs, between one and four employees were participating in the scheme, with these schemes accounting for three per cent of active members. Four per cent of GPPs had 100 or more members; two-thirds (67 per cent) of active members of GPPs belonged to schemes of this size. The distribution of schemes by scheme size had changed little between 2011 and 2013 for both SHP and GPP schemes. However, for both scheme types, there was an increase in the proportion of members accounted for by schemes with 100 or more members.

In some cases, it is useful to observe the proportion of members in schemes with particular characteristics. In the remainder of this chapter, some estimates are therefore presented in terms of both the proportion of schemes and the proportion of members in such schemes to which particular characteristics apply.

Table 4.4 Size of schemes (schemes and active members), by scheme type, 2011 and 2013

				Column percentages
	2011		**2013**	
Number of active members	**Proportion of schemes**	**Proportion of active members**	**Proportion of schemes**	**Proportion of active members**
SHPs				
0	48	-	46	-
1–4	44	21	41	12
5–9	4	8	6	7
10–19	2	8	4	9
20–49	1	13	2	10
50–99	0	6	1	11
100+	0	44	0	52
Weighted base	*1,573*	*801*	*1,211*	*675*
Unweighted base	*1,529*	*801*	*1,186*	*675*
GPPs				
0	2	-	5	-
1-4	57	6	54	3
5-9	14	5	16	5
10-19	10	7	10	6
20-49	11	16	8	10
50-99	4	13	3	9
100+	3	54	4	67
Weighted base	*1,098*	*1,085*	*1,208*	*1,141*
Unweighted base	*1,099*	*1,085*	*1,171*	*1,141*

Base: All SHP and GPP schemes.

4.4 Access to, and eligibility for SHPs and GPPs

Not all pension schemes are open to new members, and among schemes which are open, there may be eligibility rules which prevent some employees from joining the scheme. Firms providing access to a scheme were asked whether each of their schemes were open to new members, and if so, whether there were any restrictions on the types of employees who were eligible to join.

The majority (89 per cent) of SHP schemes were open to new members. Almost half (44 per cent) of SHP schemes were open to all employees (Table 4.5). The remaining 44 per cent of schemes were open, but restricted to particular types of employees. In these cases, schemes were mostly restricted to employees who had worked at the organisation for a minimum length of time; almost three in ten (27 per cent of) schemes restricted eligibility on the basis of job tenure. A further 11 per cent of schemes restricted access on the basis of both job tenure and age. Broadly similar patterns were observed in 2011.

Around one-quarter (26 per cent) of GPP schemes were closed to new members in 2013. A similar proportion (27 per cent) of GPP schemes was open to all employees in the organisation. As for SHP schemes, the most common restriction on eligibility was minimum job tenure, with almost one-third (32 per cent) of GPP schemes applying this restriction. A further ten per cent restricted access on the basis of both job tenure and age. One per cent of GPP schemes were restricted to senior management only. Again, these patterns were broadly similar to those observed in 2011.

Table 4.5 Eligibility criteria in 2013, by scheme type

		Column percentages
	Scheme type	
	SHP	**GPP**
Open		
All employees eligible to join	44	27
Senior managers only	0	1
Minimum age	3	3
Minimum job tenure	27	32
Minimum age and tenure	11	10
Other criteria	3	2
Closed	11	26
Weighted base	*1,192*	*1,182*
Unweighted base	*1,209*	*1,191*

Base: All SHP and GPP schemes.

In firms which required employees to have worked at the organisation for a minimum amount of time before they were eligible to join the scheme, respondents were also asked how long employees were required to wait. In almost three-fifths (58 per cent) of SHP schemes there was no waiting period (Table 4.6). In around a further fifth (18 per cent) of SHP schemes the waiting period was between one and three months, and in 15 per cent of schemes the waiting period was between four and six months. Nine per cent of schemes asked employees to wait more than six months before they were eligible to join the scheme.

Table 4.6 Length of waiting period before eligible to join scheme in 2013, by scheme type

		Column percentages
	Scheme type	
Length of waiting period	**SHP**	**GPP**
None	58	44
1–3 months	18	29
4–6 months	15	11
7–12 months	7	13
Over 1 year	2	4
Weighted base	*1,069*	*865*
Unweighted base	*1,040*	*992*

Base: All open schemes where eligibility is known.

There was no waiting period in just under half (44 per cent) of GPP schemes. In almost three in ten (29 per cent) of GPP schemes, employees were required to wait up to three months before they were eligible to join, while around one in ten (11 per cent) were required to wait between four and six months. In the remaining 17 per cent of GPP schemes, the waiting period was more than six months.

4.5 The use of SHP and GPP schemes for automatic enrolment schemes

Under the workplace pension reforms, employers are required to automatically enrol employees into a qualifying scheme. The overall incidence of automatic enrolment was discussed in Chapter 2. Here we specifically consider the use of SHP and GPP schemes as a destination for automatic enrolment.

One in ten SHP schemes (ten per cent) were being used for automatic enrolment, as were around one-quarter (26 per cent) of GPP schemes.

The overall opt-out rate among SHP and GPP schemes was between 12 and 14 per cent.[33] The small number of schemes in the survey being used for automatic enrolment (less than 100 schemes in the case of SHPs) limits detailed analysis by scheme type. However, this overall opt-out rate of 12 to 14 per cent was higher than the overall opt-out rate among occupational schemes (six per cent). An overview of opt-out rates is provided in Section 5.3.4.

[33] A range is given because it was apparent that some employers had included opting-out employees within the total number of automatically enrolled employees, while others had not. We therefore compute the upper and lower bound of the opt-out rate in these circumstances. The opt-out rate has a 95 per cent confidence interval of +/- three percentage points. It should also be noted that this figure additionally includes a small number of National Employment Savings Trust (NEST) schemes. The small number of firms using NEST in the survey means that we do not report separate figures on the characteristics of NEST in this report.

Only a small minority of those SHP and GPP schemes that were being used for automatic enrolment had seen ineligible employees opt-into membership of the scheme. This was the case for one per cent of automatically enrolling SHP schemes and one per cent of automatically enrolling GPP schemes.

4.6 Employer contributions

In 2013, employers were contributing for at least some employees in around four-fifths (81 per cent) of SHP schemes with at least one active member. In 2011 this applied to 73 per cent of SHP schemes. In three-quarters (75 per cent) of such schemes, employers were contributing for between one and four employees (Table 4.7). This reflects the small size of most SHP schemes. In the vast majority (93 per cent) of GPP schemes in 2013, employers were making contributions for at least some members. This proportion stood at 83 per cent in 2011. In three-fifths (60 per cent) of contributory GPP schemes, employers were contributing for between one and four employees. In four per cent of GPP schemes, employers were contributing for 100 or more employees. This proportion rose to around three-fifths (62 per cent) among schemes in firms with 500 or more employees.

For both SHP and GPP schemes, in almost all schemes where employers were contributing for at least some employees, employers were contributing for at least three-quarters of active members (this applied for 98 per cent of SHP schemes and 95 per cent of GPP schemes).

Table 4.7 Active members receiving employer contributions, by scheme type, 2011 and 2013

Column percentages

	SHP		GPP	
Receipt of employer contributions	**2011**	**2013**	**2011**	**2013**
Number of active members that receive contributions				
1–4	83	75	53	60
5–9	8	11	15	13
10–19	5	8	12	12
20–49	3	4	13	8
50–99	1	2	4	3
100+	0	0	3	4
Per cent of active members that receive contributions				
1–24%	0	0	0	0
25–49%	0	1	0	0
50–74%	1	1	2	5
75%+	99	98	97	95
Weighted base	*571*	*535*	*918*	*1,106*
Unweighted base	*548*	*501*	*1,042*	*1,096*

Base: All SHP and GPP schemes(1-6) where employer contributes for at least some employees.

Table 4.8 shows the level of employer contributions to SHP and GPP schemes. Where organisations contributed towards the scheme, respondents were asked about the average employer contribution made in the financial year 2012/13.

In around one-fifth (19 per cent) of SHP schemes with at least one active member, the employer was not contributing to the scheme. However, only five per cent of members of SHP schemes were in schemes to which their employer was not contributing. For around one-quarter (23 per cent) of SHP schemes, and for seven per cent of members, the rate or amount of employer contribution was not known. In around one in ten SHP schemes (12 per cent), the employer contribution was expressed as an amount of money. Contributions were more frequently expressed as a percentage of pay than as an amount of money.

In two per cent of schemes with active members (and for five per cent of active members), the average employer contribution was less than three per cent. In 37 per cent of schemes with active members, employers were contributing an average amount equivalent to between three and ten per cent of employees' pay. Almost three-quarters (73 per cent) of all members were in schemes with this level of contribution. An average employer contribution of more than ten per cent was made in seven per cent of schemes with active members; and for five per cent of active members.

The mean percentage contribution when averaged across all schemes was equal to eight per cent of employees pay; the median contribution was six per cent of pay. The mean contribution, when averaged across all active members, was six per cent. In other words, across all members of SHP schemes which attracted employer contributions, the average contribution received was equal to six per cent.

For GPP schemes, while respondents were asked whether the firm made contributions for all GPP schemes (up to the sixth largest scheme), they were only asked for the actual percentage or amount contributed in their three largest GPP schemes. Employers did not contribute to the GPP scheme in seven per cent of these schemes; one per cent of members belonged to such schemes.

In five per cent of GPP schemes, and for 11 per cent of members of GPP schemes, the amount of percentage contributed by the employer was not known. In five per cent of schemes the average contribution was reported as an amount of money; contributions were much more frequently expressed as a percentage of pay.

In 11 per cent of GPP schemes the employer contribution was less than three per cent of employees' pay; seven per cent of members belonged to such schemes. In around one-quarter (24 per cent) of GPP schemes, the average employer contribution was more than ten per cent of pay; seven per cent of members belonged to such schemes.

The mean employer contribution rate, averaged across GPP schemes, was equal to 12 per cent of employees' pay; the median contribution rate stood at five per cent. Averaged across active members, the mean contribution rate was equal to six per cent of employees' pay; the median contribution rate stood at five per cent.

Table 4.8 Average employer contributions to workplace SHP schemes in 2013 (schemes and active members)

Column percentages

	SHP				GPP			
	Average 2012/13		Average 2010/11		Average 2012/13		Average 2010/11	
Employer contribution	**All schemes**	**All members**	**All schemes**	**All members**	**All schemes**	**All members**	**All schemes**	**All members**
No contribution	**19**	**5**	**27**	**8**	**7**	**1**	**17**	**2**
Percentage of pay	**46**	**82**	**33**	**77**	**83**	**86**	**61**	**90**
Less than 3%	2	5	2	4	11	7	3	3
3–3.9%	7	9	10	9	11	10	10	10
4–4.9%	3	12	1	6	6	12	7	10
5–5.9%	10	20	14	37	17	15	12	21
6–9.9%	17	32	4	17	15	35	26	41
More than 10%	7	5	1	5	24	7	4	6
Amount of money	**12**	**6**	**9**	**4**	**5**	**2**	**13**	**2**
Contribution not known	**23**	**7**	**32**	**10**	**5**	**11**	**9**	**6**
Where some contribution:								
Mean percentage of pay	8	6	5	6	12	6	6	6
Median percentage of pay	6	5	5	5	5	5	5	6
Weighted base	*665*	*675*	*783*	*775*	*1,196*	*1,138*	*1,111*	*1,080*
Unweighted base	*708*	*672*	*847*	*788*	*1,190*	*1,121*	*1,100*	*1,062*

Base: All SHP schemes with at least one active member; all GPP schemes (1–3), excluding schemes where it was not known whether the organisation contribute.

4.6.1 Changes since 2010/11

Table 4.8 also shows employer contributions for 2010/11, as reported in EPP 2011 (so the contributions made in the year prior to the survey). In almost one-third (32 per cent) of SHP schemes, and one-tenth (nine per cent) of GPP schemes, with at least one active member in 2011, the amount or rate at which the employer contributed was not known.

For SHP schemes, in 2011, the mean employer contribution, averaged across schemes, appears higher for 2012/13 at eight per cent, compared with five per cent in 2010/11. However, this is driven by small schemes. The median employer contribution was similar in both years (six per cent for 2012/13 and five per cent for 2010/11). When averaged across active members, the mean and median employer contributions for SHP schemes were the same in both years.

Similarly for GPP schemes, the mean employer contribution, averaged across schemes, appears higher in 2012/13 than in 2010/11 (12 per cent compared with five per cent). However, the median employer contribution is the same in both 2010/11 and 2012/13 (five per cent), and when averaged across active members, both the median and mean employer contribution are very similar in both years.

4.6.2 Contributions in schemes used for automatic enrolment

As noted earlier in Section 4.5, one in ten SHP schemes (10 per cent) were being used for automatic enrolment, as were one-quarter (26 per cent) of GPP schemes at the time of the survey.

Among SHP schemes, the mean employer contribution for the average active member was five per cent (with the median also five per cent).[34] Among GPP schemes, both the mean and median employer contribution for the average member stood at six per cent. The contribution rates for the average member in those schemes that were being used for automatic enrolment were therefore similar to those found in other SHP and GPP schemes.

4.7 Salary sacrifice arrangements

Pension contribution arrangements may operate on a salary sacrifice basis, whereby an agreement is made between an employer and employee in which the employee gives up part of their salary in exchange for the employer paying the equivalent amount as a contribution to the pension scheme. No National Insurance contributions are paid either by the employer or the employee on the salary given up by the employee.

Around one-third (36 per cent) of GPP schemes operated on a salary sacrifice basis in 2013 (Table 4.9). This represents an increase since 2011, when this applied for only 22 per cent of GPP schemes.

Three in ten (30 per cent) of SHP schemes operated on a salary sacrifice basis in 2013. Table 4.9 indicates that almost half (46 per cent) of SHP schemes used salary sacrifice in 2011. However, this figure is calculated on the basis of schemes for which salary sacrifice status was known; in 2011, for a substantial proportion (17 per cent) of SHP schemes, the respondent did not know whether the scheme operated on a salary sacrifice basis. In 2013,

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34 These estimates should be treated with caution as they are based on only 57 SHP schemes.

the proportion of respondents who did not know whether the scheme used salary sacrifice was much smaller, standing at five per cent. Therefore, among all SHP schemes with at least one active member, including schemes where the respondent did not know if the scheme operated on a salary sacrifice basis, 38 per cent operated on a salary sacrifice basis in 2011 and 28 per cent in 2013.

For both GPP and SHP schemes, salary sacrifice arrangements were most common for the largest schemes; 58 per cent of SHP schemes with 100 or more members operated on a salary sacrifice basis, as did 67 per cent of GPP schemes of this size. Overall, in 2013, around three-fifths (62 per cent) of members of SHP schemes, and two-thirds (66 per cent) of members of GPP schemes, belonged to a scheme that operated on a salary sacrifice basis.

Table 4.9 Whether scheme operates on a salary sacrifice basis in 2013, by size of scheme, SHP and GPP schemes

						Column percentages
	Size of scheme (number of active members)					
Salary sacrifice	**1-4**	**5-9**	**10-99**	**100 +**	**All 2013**	**All 2011**
SHPs						
Yes	28	(32)	36	58	30	46
No	72	(68)	64	42	70	54
Weighted base	*476*	*67*	*71*	*4*	*618*	*679*
Unweighted base	*221*	*82*	*206*	*147*	*656*	*758*
GPPs						
Yes	31	(42)	40	67	36	22
No	69	(58)	60	33	64	78
Weighted base	*634*	*183*	*253*	*42*	*1,112*	*1,002*
Unweighted base	*131*	*74*	*446*	*474*	*1,125*	*1,063*

Base: All SHP and GPP schemes (1–6) with at least one active member and where membership is known.

5 Employers' experiences during the first year of automatic enrolment

Purpose of this chapter

- This chapter explores the experiences of those employers who had passed their staging date at the time of the 2013 Employers Pension Provision Survey (EPP 2013). It considers their use of automatic enrolment, presenting information on the types of scheme into which employees were being enrolled, the level of contributions that were being made for these employees and also the rates of employee opt out. The chapter also looks at staged employers' perceptions of the administrative and financial costs implied by any new arrangements.

Key findings

- Only two per cent of private sector organisations had passed their staging date at the time of the EPP 2013 interview and one per cent had begun to automatically enrol employees into a workplace pension scheme. This latter group of organisations accounted for around one-quarter (26 per cent) of all private sector employment however.
- Only 10 per cent of those organisations that had begun automatic enrolment had applied for an early staging date.
- Most automatically enrolling employers (94 per cent) chose to retain members within their existing scheme. Many (74 per cent) chose also to enrol non-members and new employees into that scheme.
- Around three-fifths (57 per cent) of automatically enrolling employers had set up a new qualifying scheme for non-members or new employees; in three-quarters (75 per cent) of cases this was a stakeholders pension (SHP) or group personal pension (GPP) scheme.
- Around one-fifth (19 per cent) of automatically enrolling employers were phasing-in contributions for new members. After any such period, around two-fifths (44 per cent) of eligible employees in automatically enrolling firms would be receiving an employer contribution of three per cent and 28 per cent would be receiving a contribution of at least six per cent.
- Contributions were expected to be lower, on average, among staged employers who had not yet begun automatic enrolment: among these firms 66 per cent of eligible employees were likely to receive a contribution of three per cent and 19 per cent were likely to receive a contribution of at least six per cent.
- The proportion of employees who had opted out of, or left, a scheme after being automatically enrolled was between nine and ten per cent. The rate was lower among occupational schemes (six per cent) than among non-occupational schemes (12 to 14 per cent).
- Around three-fifths (61 per cent) of automatically enrolling employers judged that the reforms had led to an increase in their total contributions, while one-quarter (26 per cent) judged that they had led to an increase in their administrative costs.

5.1 Introduction

The first organisations passed their staging dates for automatic enrolment in October 2012, when the new employer duties were introduced for all Pay As You Earn (PAYE) schemes with at least 120,000 employees. By the time that fieldwork for EPP 2013 began in mid-June 2013, the duties had been extended to PAYE schemes with 4,099 employees, and by the time that fieldwork finished at the very beginning of November 2013, they had been extended to schemes with 800 employees. The new duties require employers to automatically enrol all eligible employees into a qualifying pension scheme. Employees are able to opt out of the scheme if they wish to do so. Both employers and employees are required to make minimum contributions to the scheme.

This chapter first considers the overall incidence of staging and automatic enrolment, expanding on the brief discussion of this issue that appeared in Chapter 2. It then explores the characteristics and experiences of those organisations that had passed their staging date and begun automatic enrolment by the time of the 2013 EPP interview. It considers their use of early staging dates, enrolment destinations and contribution rates, before going on to look at opt-out rates from schemes being used for automatic enrolment. The views of these employers on the administrative and financial burdens of the reforms are also discussed. The chapter then goes on to look at the intentions of staged employers who had not yet begun automatic enrolment at the time of the survey. Finally, the chapter considers staged employers' use of information and advice about the reforms.

5.2 The incidence of staging and automatic enrolment

As noted in Chapter 2, only two per cent of all private sector organisations had passed their staging date at the time of interview. However, together these organisations employed almost one-third (32 per cent) of all private sector employees. In practice, there is not a perfect relationship between organisation size and PAYE-scheme size, since large organisations may operate more than one PAYE scheme. Nevertheless, Table 5.1 shows the incidence of staging by employer size, with the majority of organisations that had 2,000 or more employees having passed their staging date by the time of their interview.

Less than one per cent of organisations reported that they had already begun automatically enrolling employees into a pension scheme at the time of interview. However, these organisations accounted for 26 per cent of all private sector employees.[35] Looking further, only one-fifth (20 per cent) of those employers that had passed their staging date had begun automatic enrolment. However, the percentage rose with the size of the organisation, standing at 18 per cent among organisations with fewer than 1,000 employees, 52 per cent among those with 1,000 to 4,999 employees and 86 per cent among those with 5,000 or

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35 In addition, some employers reported that they had begun automatic enrolment despite not having passed their staging date. These employers are likely to be those who include enrolment into a pension scheme as part of a worker's employment contract – known as contractual enrolment. This is not classified as automatic enrolment under the Pensions Act 2008, because the worker is considered to have consented to active membership of the scheme, and we do not classify it as automatic enrolment in this report.

more employees.[36] Overall, those employers that had begun automatic enrolment accounted for around four-fifths (81 per cent) of all employees among staged organisations.

In some cases, staged employers had not yet automatically enrolled any employees into a workplace pension scheme because all of their existing employees were already members of a pension scheme. In other cases, staged employers made use of the option to postpone automatic enrolment. Further details are provided in Section 5.4.

Moving on to consider the prevalence of staging and automatic enrolment by industry sector, there were only two industry sectors in which more than five per cent of employers had staged: these were Section J (information and communication activities), where eight per cent of all employers had staged, and Section Q (health and social work), where seven per cent had staged. Yet even within these sectors, fewer than five per cent of all employers had begun automatic enrolment. The prevalence of staging among larger firms means that it is instructive to look at industry patterns after weighting by employment: this shows the industry sectors in which the largest shares of employees are working for firms that have already staged or begun automatic enrolment. Table 5.2 shows that these sectors are Sections G (wholesale and retail) and K (finance and insurance), where at least half of all employees work for organisations that had already begun automatic enrolment at the time of the EPP 2013 interview.

Table 5.3 then shows the share of employment in staged and automatically enrolling firms according to the pay profile of the organisation. While 26 per cent of all employees worked in organisations that had staged and begun automatic enrolment, this rose to around 40 per cent among employees in organisations with 25 to 75 per cent of their workers earning £9,500 or more.[37] Among firms where at least three-quarters of employees were earning at least £9,500, firms that had begun automatic enrolment accounted for only 19 per cent of employment. However, a further 52 per cent of employees in this group worked for a firm that already had a workplace pension scheme in place. The table thus implies that the reforms may have their greatest impact on provision among organisations where only a minority of employees have earnings above the eligibility threshold.

36 There were only 78 staged employers with fewer than 1,000 employees and so this estimate should be treated with particular caution.

37 As noted in Section 1.2, the threshold for eligibility for automatic enrolment was set at £9,440 for the year 2013/14.

Table 5.1 Whether organisation had passed staging date and had begun automatically enrolling at the time of interview, by size of organisation, 2013

Column percentages (organisations)

Whether passed staging date and automatically enrolling at the time of interview:	Number of employees								
	1–49	**50–249**	**250–499**	**500–999**	**1,000–1,999**	**2,000–4,999**	**5,000+**	**All organisations**	**All employment**
Passed staging date:									
Has begun automatic enrolment	0	2	1	2	11	34	68	0	26
Has not yet begun automatic enrolment	1	1	2	2	13	26	11	1	6
Not passed staging date:									
Has a workplace pension scheme	14	74	90	91	75	39	21	15	43
Has no workplace pension scheme	60	21	7	4	1	0	0	59	19
Does not know whether passed staging date:									
Has a workplace pension scheme	2	1	0	1	0	0	0	2	1
Has no workplace pension scheme	22	0	0	0	0	0	0	21	5
Weighted base	*3,014*	*54*	*5*	*3*	*2*	*1*	*1*	*3,079*	*3,079*
Unweighted base	*1,324*	*593*	*299*	*357*	*227*	*145*	*134*	*3,079*	*3,079*

Base: All private sector organisations indicated by column headings.

Notes:

1. Row 2 includes a small number of employers who had staged, but did not know whether they had yet begun automatic enrolment.
2. Rows 4 and 6 include a small number of employers who did not know whether they had a workplace pension scheme.

Table 5.2 Whether organisation had passed staging date and had begun automatically enrolling at the time of interview, by industry sector, 2013 (employment-based)

Column percentages (employment)

Whether passed staging date and automatically enrolling at the time of interview:	Industry sector: SIC(2007) Section [a]															
	A	**C**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**	**N**	**P**	**Q**	**R**	**S**	**All**
Passed staging date:																
Has begun automatic enrolment	0	20	8	50	24	28	23	53	23	23	22	2	11	7	1	26
Has not yet begun automatic enrolment	5	4	11	4	9	3	14	16	9	6	6	0	7	7	4	6
Not passed staging date:																
Has a workplace pension scheme	33	59	35	26	46	30	32	20	50	43	51	46	56	51	61	43
Has no workplace pension scheme	47	15	34	15	18	28	23	9	17	21	17	33	19	29	23	19
Does not know whether passed staging date:																
Has a workplace pension scheme	6	1	4	1	1	1	2	2	0	1	1	2	4	1	2	1
Has no workplace pension scheme	8	2	9	5	2	11	5	0	1	6	3	18	4	6	8	5
Weighted base	*27*	*333*	*186*	*575*	*138*	*282*	*104*	*76*	*206*	*269*	*269*	*22*	*251*	*132*	*132*	*3,079*
Unweighted base	*59*	*414*	*195*	*502*	*101*	*183*	*101*	*125*	*76*	*359*	*283*	*50*	*403*	*90*	*90*	*3,079*

Base: All employees in private sector organisations indicated by column headings.

Notes:

a. Sectors B, D, E, and O are not presented as they each contain fewer than 50 observations, but these sectors are included in the 'all sectors' column.

Table 5.3 Whether organisation had passed staging date and had begun automatically enrolling at the time of interview, by pay profile of the organisation, 2013 (employment-based)

Column percentages (employment)

Whether passed staging date and automatically enrolling at the time of interview:	Percentage of employees earning £9,500 or morea						
	Zero	**1–24%**	**25–49%**	**50–74%**	**75–100%**	**Not known**	**All**
Passed staging date:							
Has begun automatic enrolment	0	22	39	38	19	50	26
Has not yet begun automatic enrolment	0	5	5	5	7	12	6
Not passed staging date:							
Has a workplace pension scheme	12	33	38	34	52	27	43
Has no workplace pension scheme	59	33	15	18	17	9	19
Does not know whether passed staging date:							
Has a workplace pension scheme	1	1	1	1	2	1	1
Has no workplace pension scheme	28	6	3	4	4	1	5
Weighted base	*148*	*170*	*397*	*485*	*1659*	*221*	*3,079*
Unweighted base	*139*	*176*	*259*	*402*	*1934*	*169*	*3,079*

Base: All employees in private sector organisations indicated by column headings.
Notes:
a: The threshold for eligibility for automatic enrolment was set at £9,440 for the year 2013/14.

5.3 Characteristics and activities of staged employers that had begun automatic enrolment

This section focuses on those employers who had passed their staging date and who had also begun automatically enrolling employees into a workplace pension scheme. It considers their use of early staging dates, their enrolment destinations and contribution rates, their use of waiting periods and their views on the administrative and financial costs of the workplace pension reforms.

5.3.1 Applying for an early staging date

Employers are permitted to bring their staging date forward if this enables them to manage the process of staging more easily. This might be the case if the organisation's allotted staging date coincides with another important event in the life of the organisation. Such organisations may bring forward their staging date to any one of a number of predefined dates set out by The Pensions Regulator and must notify the Regulator of their intention, at least one month in advance of the new staging date. Although all employers are permitted to bring forward their staging date, EPP 2013 only asked about the use of early staging dates among those organisations that had begun automatic enrolment.

Only ten per cent of all those organisations that had begun automatic enrolment had applied for an early staging date. A further 69 per cent had not done so, and the remaining 22 per cent were unsure whether they had done so or not. The practice was more commonly reported among larger organisations than smaller ones however: 38 per cent of staged organisations with 5,000 or more employees reported that they had applied for an early staging date.[38]

Unfortunately the total number of employers who reported in the survey that they had applied for an early staging date was too few to permit further analysis, either of the reasons for bringing forward their staging date or of the number of months by which they advanced their staging date.[39]

5.3.2 Enrolment destinations and contribution rates

Enrolment destinations

Around two-thirds (65 per cent) of those staged employers who had begun automatic enrolment at the time of the survey already had a workplace pension scheme in place at the advent of the reforms. In the vast majority (94 per cent) of these cases, the organisation chose to retain existing members within that scheme, rather than enrolling them into a new qualifying scheme (Table 5.4).

Employers who had chosen to retain members within their existing scheme were asked why they had taken this course of action. Half (50 per cent) said that they only wanted to run one scheme. Almost one-fifth (19 per cent) said that they wanted continuity or saw no reason to change from their existing scheme, and 12 per cent said that it was the easiest option. A

[38] Only eight per cent of staged employers with fewer than 5,000 employees reported that they had applied for an earlier staging date, although a further 23 per cent did not know whether their organisation had applied for an earlier date or not.

[39] There were only 41 such employers in the achieved sample.

variety of other responses were also given, but none were common enough to account for more than ten per cent of respondents.

Most of those organisations with existing members (74 per cent) had also enrolled non-members or new employees into their existing scheme. Again they were asked why they had done so and, again, they cited similar reasons. Around half (53 per cent) said that they only wanted to run a single scheme and around one-fifth (22 per cent) said that enrolling non-members and new employees into their existing scheme was the easiest option for them. Other responses were also given, but none were common enough to account for more than ten per cent of respondents.

The number of automatically enrolling employers in the survey whose current workplace pension scheme was **not** in place at the start of the reforms was small and so they are not afforded a separate column in Table 5.4.[40] However, they all enrolled eligible employees into a single new qualifying scheme, rather than into a combination of schemes.

Around three-fifths (57 per cent) of all automatically enrolling employers had therefore set up a new qualifying scheme for non-members or new employees. Among this group of employers, three-quarters (75 per cent) had set up an SHP or GPP scheme in which to automatically enrol these employees, around one-fifth (18 per cent) had set up an occupational scheme and seven per cent had set up a National Employment Savings Trust (NEST) scheme.[41]When asked why they had chosen to set up such a scheme, the majority cited the ease with which they could establish their chosen type of scheme.

Table 5.4 Enrolment destinations used by organisations that had begun automatic enrolment, by type of employee, 2013

Column percentages (organisations)

	Employers providing pensions before automatic enrolment		
Destination	**Employees in membership before automatic enrolment**	**Non-members/new employees**	**All non-members/ new employees[b]**
Retain/enrol all in existing scheme	94	74	37
All into a new qualifying scheme[a]	5	14	57
Enrol into a combination of schemes	1	3	1
Other/Don't know	0	9	4
Weighted base	*3*	*4*	*7*
Unweighted base	*138*	*155*	*193*

Base: All private sector organisations that had begun automatic enrolment.
Notes:
a. New qualifying schemes may include NEST.
b. The column for 'all non-members/new employees' includes 38 organisations that were not providing pensions before beginning automatic enrolment.

40 There were only 38 such employers in the achieved sample.

41 These figures should be treated with some caution, however, as they are based on only 66 organisations.

Contribution rates

The vast majority (92 per cent) of those automatically enrolling employers who already had a workplace pension scheme in place at the advent of the reforms chose not to alter their contribution rate for existing members.

Turning to their actions in respect of new members, around one-fifth (19 per cent) of automatically enrolling employers said they were phasing-in contributions for new members. The percentage was lower among those employers who had employees in a workplace scheme before staging (18 per cent) than it was among employers those who either had an empty scheme prior to staging or no scheme at that point in time (27 per cent).

Employers' current contribution rates in schemes that were being used for automatic enrolment were reported in Sections 3.8.4 and 4.6.2.[42] If one aggregates across all types of scheme, the mean contribution being received by an active member in an automatic-enrolment scheme at the time of the survey was 7 per cent (median 6 per cent).

Employers were asked whether, after any phasing-in period, all scheme members would receive the same rate of contributions or whether it would differ between members. A large proportion (89 per cent) said that all members would receive the same rate. Larger firms were more likely than smaller firms to be planning variable rates, with those that were planning variable rates employing 36 per cent of all employees in automatically enrolling firms.

Those 11 per cent of employers who were planning variable rates were asked to specify the basis on which rates would differ after phasing. The three most popular specific answers were: by date of employment, with a different rate applying for new employees (31 per cent); by grade, with a different rate applying for employees above a certain grade (27 per cent); and by scheme, with the rate depending upon the scheme to which the employee belonged (16 per cent).

All employers that had begun automatic enrolment at the time of the interview were then asked to specify the average rate at which they would be contributing for their employees after any phasing-in period. If we combine this with estimates of the numbers of eligible employees in each organisation, we can infer that around two-fifths (44 per cent) of these organisations' eligible employees would be receiving an employer contribution of three per cent, around three in ten (29 per cent) would be receiving a contribution of between three and six per cent, and a similar proportion (28 per cent) would be receiving a contribution of six per cent or more. These estimates should be treated with some caution, however, as it was possible to make such calculations among only three-quarters of all automatically enrolling firms.

5.3.3 Use of waiting periods for new employees

Employers are permitted to use a waiting period to delay automatic enrolment into a pension scheme for up to three months after a new employee joins the company. Around one-third (35 per cent) of automatically enrolling firms said they had adopted a waiting period for new employees. This practice was more common among larger firms than among smaller firms, with those firms that had adopted a waiting period accounting for 70 per cent of all employees in automatically enrolling firms.

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[42] Contribution rates for NEST schemes are not reported because of the small number of schemes in the survey sample.

Firms that had adopted a waiting period were asked the reasons for doing so. The most popular reason given for using a waiting period was to allow an employee's probationary period to pass (70 per cent of firms using a waiting period gave this reason). The only other reasons cited by more than ten per cent of firms were: to avoid enrolling employees who leave employment quickly after starting (including as casual or temporary employees) (28 per cent); and to stagger the administrative task of automatic enrolment by enrolling employees in stages (11 per cent). Only one per cent of firms using waiting periods said they had done so to save contribution costs.

Waiting periods invariably applied to all new employees, with less than one per cent of firms who used a waiting period saying that it did not. Waiting periods were also invariably of the same length for all employees, with only one per cent of firms saying that the length of their waiting period varied between different employees. The most popular length of waiting period was three months (93 per cent), with a further three per cent of employers using a waiting period of two months and the remaining three per cent using a period of one month.

5.3.4 Opting in and out of membership

Most automatically enrolling employers provided information about the scheme(s) they were using for automatic enrolment, including the number of employees who had been automatically enrolled into the scheme and the number who had opted out. Looking across all such schemes, the proportion of employees who had opted out of, or left, a scheme after being automatically enrolled was between nine and ten per cent.[43] This overall rate is in line with that found in previous qualitative research.[44] Further analysis showed that the opt-out rate was lower among occupational schemes than it was among non-occupational schemes however (six per cent, versus 12 to 14 per cent).

Some of the schemes had been set up before the new duties came into force. Nevertheless, among the subset of schemes set up in 2012 and 2013 (i.e. those most likely to have been set up in response to the reforms), the opt-out rate was not substantially different from that seen in the full sample, standing at between seven and eight per cent.[45]

Some of those schemes that were being used for automatic enrolment had seen ineligible employees opt-into membership of the scheme. This was the case for 12 per cent of automatically enrolling occupational schemes, but for only one per cent of automatically enrolling SHP schemes and one per cent of automatically enrolling GPP schemes.[46]

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43 Contribution rates for NEST schemes are not reported because of the small number of schemes in the survey sample.

44 Wood A, Downer K, Körbitz C and Amantani L. (2013). *Automatic Enrolment: Qualitative Research with Large Employers*, Research Report 851, London: Department for Work and Pensions.

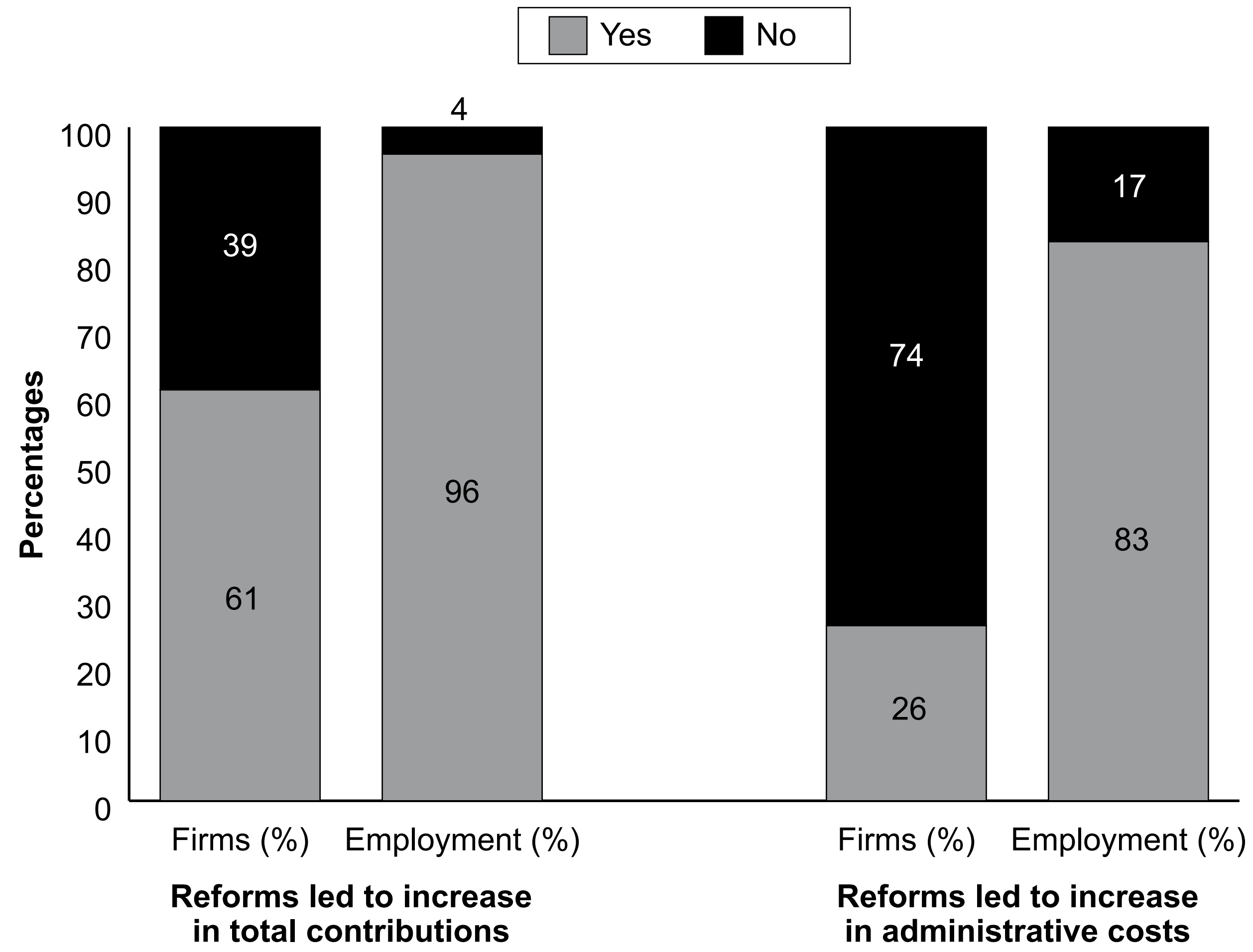
45 The sample only contained 61 schemes established in 2012 or 2013, however, and so this estimate should be treated with caution.

46 We do not report on the proportion of ineligible employees who had opted-into membership of an automatically-enrolling scheme, as the number of schemes that had seen some opting-in was relatively small and employers often were unable to report how many employees had opted-in.

5.3.5 Views on administrative and financial costs

Those employers that had begun automatic enrolment were asked if it had resulted in an increase in the total pension contributions that the organisation had to make. Around three-fifths (61 per cent) said that it had led to an increase in their total contributions (Figure 5.1). Larger employers were more likely to agree, with those that had seen an increase in their total pension contributions accounting for 96 per cent of all employment among automatically enrolling firms.

Figure 5.1 Whether the reforms led to an increase in total contributions or administrative costs



Base: All private sector organisations that had begun automatic enrolment.

Those whose total contributions had increased were not asked about the scale of the increase, but they were asked what they had done to accommodate it. The most common responses were to absorb the increase through a reduction in profits (64 per cent) or through an increase in overheads (84 per cent), to increase prices (38 per cent) or to change the organisation's existing pension scheme (15 per cent). No other single response was cited by more than ten per cent of employers. Lowering wage increases for their employees was cited by just three per cent and reducing contribution levels for some employees was mentioned by just one per cent, as was restructuring or reducing the workforce. Smaller firms were more likely than larger ones to have increased their prices, while larger firms were more likely than smaller ones to have changed their existing scheme.

Those employers that had begun automatic enrolment were also asked if it had resulted in an increase in administrative costs for the organisation. Around one-quarter (26 per cent) said that it had (Figure 5.1) but, again, larger employers were more likely to have seen an increase in administrative costs. Those that had seen an increase accounted for 83 per cent of employees among automatically enrolling firms.

All automatically enrolling employers were then asked to rate the additional burden imposed by four specific administrative tasks associated with the reforms: processing opt outs; processing opt ins; registering with The Pensions Regulator; and communicating automatic enrolment to all of their employees. Employers were asked to rate the burden arising from each of these tasks on a scale from one to ten, where zero equated to 'not burdensome' and ten equated to 'very burdensome'. Processing opt outs and communicating automatic enrolment were considered the most burdensome elements of the four, with the median employer for each item giving a rating of three out of 10. The median employer for the remaining two items gave ratings of one out of 10. These items were not therefore considered particularly burdensome on average. However, the largest employers (those with 5,000 or more employees) found processing opt outs and communicating automatic enrolment to be particularly burdensome, giving these items median ratings of seven and six respectively, compared with ratings of two and three among employers with fewer than 5,000 employees.

5.4 Characteristics and activities of staged employers who had yet to begin automatic enrolment

This section focuses on those employers who had passed their staging date, but not yet begun automatic enrolment. For the larger employers, this gap was typically brought about by the organisation having chosen to postpone automatic enrolment.[47] For the smaller employers it was more often due to the organisation having no employees that were eligible for automatic enrolment. In most cases, those staged employers who had not yet begun automatic enrolment expected to begin automatically enrolling in late 2013/early 2014.

The numbers of employers in the survey sample who had staged, but not yet begun automatic enrolment was relatively small, and so the amount of detail that can be reported for this group is limited. However, we are able to report on their main intentions.

5.4.1 Likely enrolment destinations and contribution rates

Almost all of those staged employers who had not yet begun automatic enrolment had at least one workplace pension scheme already in place and the vast majority (95 per cent) had at least some active members within that scheme. Most (89 per cent) of those

[47] Employers are permitted to postpone automatic enrolment of a worker for a period of up to three months. This can be applied at the employer's staging date, when an individual begins employment and when an individual becomes eligible for automatic enrolment. There are also transitional provisions which allow employers to defer automatic enrolment, for certain workers who are eligible to join a Defined Benefits Pension Scheme, until 2017.

employers with existing members said that they were likely to retain these employees within their existing scheme, rather than enrolling them into a new qualifying scheme (Table 5.5). A similar picture was apparent among those employers that had already begun automatic enrolment (see Table 5.4).

A substantial proportion (37 per cent) of employers that had staged, but not yet begun, automatic enrolment were unsure as to where they would enrol non-members or new employees. Among those that did state a likely destination, the most common expectation was that non-members and new employees would be enrolled into their existing scheme; overall 43 per cent of employers thought that this would be their likely action (Table 5.5). A further ten per cent expected to enrol non-members and new employees into a single new qualifying scheme and 11 per cent expected to enrol them into a combination of different schemes.

Around one-fifth (21 per cent) of those staged employers who had not begun automatic enrolment therefore expected to set up a new qualifying scheme for non-members or new employees. Only half of these employers (49 per cent) expressed a view on the type of scheme that they were likely to set up, but most of those that did (41 per cent of the total) expected to set up a NEST scheme. A further six per cent expected to set up an SHP or GPP scheme and two per cent expected to set up an occupational scheme.[48]

Table 5.5 Likely enrolment destinations for staged organisations that had not yet begun automatic enrolment, by type of employee, 2013

		Column percentages (organisations)
Destination	**Existing members**	**Non-members/ new employees**
Retain/enrol all in existing scheme	89	43
All into a new qualifying schemea	0	10
Enrol into a combination of schemes	1	11
Other/Don't know	11	37
Weighted base	*19*	*21*
Unweighted base	*135*	*152*

Base: All private sector organisations that had staged but not yet begun automatic enrolment.
Notes:
a. New qualifying schemes may include NEST.
b. The column for 'All non-members/new employees' includes 38 organisations that were not providing pensions before beginning automatic enrolment.

Turning to employers' intended contribution rates we find that, as in the case of automatically enrolling employers, most staged employers who had yet to begin automatic enrolment intended to contribute the same rate for all employees after any phasing-in period: 91 per cent said that all employees would receive the same rate, with nine per cent saying that it

[48] These figures should be treated with caution, however, as they are based on only 65 firms.

would differ.[49] Again, larger firms were more likely to be planning variable rates, such that those firms that were planning different rates employed 30 per cent of all employees in staged firms that had yet to begin automatic enrolment.

Employers were then asked to specify the average rate at which they were likely to contribute for their employees after any phasing-in period. If we combine this with estimates of the numbers of eligible employees currently in each organisation, we can infer that around two-thirds (66 per cent) of these organisations' eligible employees are likely to receive an employer contribution of three per cent, around one in seven (15 per cent) are likely to receive a contribution of between three and six per cent, and around one-fifth (19 per cent) are likely to receive a contribution of six per cent or more. As in the case of automatically enrolling firms, these estimates should be treated with some caution as it was possible to make such calculations among only three quarters of relevant firms.

5.4.2 Likely use of waiting periods for new employees

Staged firms that had not yet begun automatic enrolment were asked whether they had adopted a waiting period for new employees.[50] Around one in eight (13 per cent) had adopted such a waiting period. As with automatically enrolling firms, this was more common among larger firms than smaller one, with those that had adopted a waiting period accounting for 68 per cent of employees in all staged firms that had yet to begin automatic enrolment.

Among this group of firms, the most popular reason for adopting a waiting period was to avoid enrolling employees who leave employment quickly after starting (including as casual or temporary employees) (30 per cent). The second most popular reason – which was by far the most popular among automatically enrolling firms – was to allow a probationary period to pass (mentioned by 24 per cent, compared with 70 per cent for automatically enrolling firms with a waiting period). The only other reason cited by more than ten per cent of employers was to stagger the administrative task of automatic enrolment by enrolling employees in stages (15 per cent). Less than one-tenth (9 per cent) of firms said they would use a waiting period to save on contribution costs.

As in the case of automatically enrolling firms, waiting periods invariably applied to all new employees (99 per cent of cases) and were typically of the same length for all employees (91 per cent of cases). The most popular length of waiting period was again three months (98 per cent of cases).

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49 We do not present any information on the likely incidence of phasing in because of routing complications within the questionnaire which mean that some employers were asked a retrospective, rather than a prospective, question.

50 It should be noted that the question was asked in a retrospective form, even though this group of firms had not yet begun automatic enrolment.

5.5 Sources of information or advice on the reforms

This final section of the chapter brings together all staged employers, irrespective of whether they had begun automatic enrolment.

All staged employers were asked to specify those aspects of the pension reforms on which they had sought information or advice. The results are presented in Table 5.6 below. The most common specific issue was understanding the detail of the legislation (cited by 71 per cent of employers). This was followed by understanding the financial impact of the reforms (61 per cent). The choice of scheme type was also mentioned by more than half of staged employers (55 per cent). Just under half (47 per cent) had sought information or advice when reviewing their current provision, while 29 per cent had sought information or advice when choosing a provider. Some 28 per cent of staged employers had not sought any information or advice in connection with the reforms.

Those staged employers who had yet to begin automatic enrolment at the time of the EPP 2013 interview were more likely than those who had begun automatic enrolment to have sought advice on the financial impact of the reforms, their choice of scheme type and in reviewing their current provision.

Larger staged employers were more likely than smaller ones to have sought advice on their choice of provider. The average (median) staged employer had sought information or advice on three of the five specific issues listed in the table. There was no difference in this average between larger and smaller firms, however.

Table 5.6 Types of information or advice sought by employers who have passed their staging date, by whether has begun automatic enrolment, 2013

Column percentages

Type of information or advice	Has begun automatic enrolment	Yet to begin automatic enrolment	All firms	All employment
Understanding the legislation	64	74	71	76
Understanding the financial impact on the firm	44	68	61	63
Choosing type of scheme to use	43	60	55	48
Reviewing your current provision	34	53	47	60
Choosing a pension provider	31	28	29	50
Other	35	0	11	30
Did not seek advice	33	26	28	12
Weighted base	*10*	*41*	*51*	*972*
Unweighted base	*201*	*152*	*354*	*354*

Base: All private sector organisations which passed their staging date.

Those employers who had sought information or advice on their choice of provider or their choice of scheme type were asked who they had sought advice from.[51] The most popular sources of these particular types of advice or information were Independent Financial Advisers (IFAs) (88 per cent) and employee benefits consultants (80 per cent) (Table 5.7). Other popular sources included The Pensions Regulator (65 per cent), accountants (64 per cent) and trade or industry bodies (50 per cent). Smaller firms were more likely than larger firms to have used Independent Financial Advisors (IFAs), accountants and trade industry bodies as their source. Larger firms were more likely than smaller ones to have used lawyers.

The average (median) employer used five of the seven specified sources of advice. However, larger employers used fewer sources than smaller firms. Firms with 5,000+ employees used two sources on average, compared with three for firms with 1,000 to 4,999 employees and five for firms with 1 to 999 employees.

Table 5.7 Sources of information or advice used by employers who have passed their staging date, by whether has begun automatic enrolment, 2013

Column percentages

Source of information or advice on choice of provider or choice of type of scheme	Has begun automatic enrolment	Yet to begin automatic enrolment	All firms	All employment
Independent Financial Advisor	92	87	88	21
Employee Benefits Consultant	46	91	80	71
The Pensions Regulator	15	81	65	55
Accountant	11	81	64	17
Trade industry body	7	63	50	22
Business forum	39	27	30	22
Lawyer/legal advisor	7	27	22	60
Somewhere else	1	1	1	10
Weighted base	*4*	*14*	*18*	*548*
Unweighted base	*116*	*87*	*203*	*203*

Base: All private sector organisations which passed their staging date and had sought information or advice on their choice of provider or their choice of scheme type.

Employers who had sought information or advice on the two issues covered in Table 5.7 were also asked to rate the degree of influence that this information or advice had on their choice of pension provider or scheme type.[52] They were asked to give a rating on a scale of one to 10, where one equated to no influence whatsoever and ten equated to a situation in which the information or advice they had received entirely drove their decision. The ratings suggested that the information or advice had been moderately influential, with employers giving a mean rating of 6.8 and the median employer giving a rating of six. There was no clear difference in ratings between smaller and larger firms.

51 Respondents were asked to give one combined set of responses, rather than being asked to specify their sources separately for each type of choice.

52 Again, respondents were asked to give one response, rather than being asked to report separately on the influence of different sources.

6 The characteristics, activities and attitudes of employers who have not yet staged

Purpose of this chapter

This chapter explores awareness and expectations among employers who had not passed their staging date at the time of the 2013 Employers' Pension Provision Survey (EPP 2013).

Key findings

- Among employers who had not passed their staging date, three-quarters (75 per cent) were aware that employers will be required to automatically enrol all eligible employees into a qualifying scheme. Fewer employers (41 per cent) were aware of the minimum requirements regarding contribution rates.
- Employers were asked to choose from a list of four statements that best described their preparations for the reforms. Two per cent of employers that had not passed their staging date had 'fully implemented plans'. Just over three-quarters (77 per cent) had 'not done anything'; around one-fifth (19 per cent) had 'begun planning but not implemented anything'; the remaining two per cent had 'completed planning and were starting to implement'.
- Almost two-fifths (39 per cent) of employers thought they would have the required arrangements in place either just before, or on the deadline. Around a further fifth (22 per cent) of firms planned to do so between three and six months before the deadline.
- The majority (59 per cent) of employers who already had members in a workplace pension scheme planned to retain these members in their existing scheme. There was considerable uncertainty among both pension-providing employers and those who did not yet provide pensions as to where they would enrol new members.
- More than one-third (37 per cent) of firms thought that they would be 'very likely' to phase in contributions and almost a further fifth (18 per cent) thought that they would be 'quite likely' to do so. Just over three-fifths (63 per cent) of employers said that they would contribute at the same rate for all of their employees once the reforms took effect.
- Almost half (49 per cent) of employers who had not passed their staging date thought they would be 'very likely' to adopt a waiting period for new employees. Far fewer employers (nine per cent) thought they were 'very likely' to do so for current employees.
- The vast majority (91 per cent) of employers planned to seek information or advice in relation to at least some aspect of the reforms. The most common issues on which firms planned to seek advice were in choosing which type of scheme to use (83 per cent) and in understanding the legislation (82 per cent).
- Around seven in ten firms (72 per cent) thought their total pension contributions would increase as a result of the contribution requirements. One-quarter of firms said their most likely action to deal with any increase would be to absorb this as part of other overheads.

6.1 Introduction

This chapter focuses on awareness and expectations among employers who had not passed their staging date at the time of EPP 2013.[53] The chapter begins by exploring awareness of the reforms among this group of employers, as well as their state of readiness. Expectations regarding the start of automatic enrolment are considered, in terms of whether employers expect to have the necessary arrangements in place ahead of their staging date, as well as whether they might opt to bring their staging date forward. The chapter then considers the types of scheme that employers expect to use for automatic enrolment, both for existing members, and for non-members and new employees.

While the reforms set out minimum contribution requirements, employers are able to phase in the level of contributions over time. Employers' expectations about the use of such phasing are explored, as well as whether they expect to contribute at the same or different rates for different employees in their organisation. The chapter then explores whether employers are likely to delay automatic enrolment for current and/or new employees, and the duration of any such waiting period. Issues on which information or advice is likely to be sought, and the sources of such information or advice, are also reported. Finally, the chapter considers the likely impact of the reforms on employers' total pension contributions, and the actions that employers are likely to take in order to deal with any resulting increase.

6.2 Awareness of the workplace pension reforms

Employers were asked about their awareness of the workplace pension reforms prior to the survey. They were asked firstly whether they were aware that employers will be required to automatically enrol all eligible employees into a qualifying pension scheme, and secondly, whether they were aware of the requirements regarding minimum contribution rates.

Among those employers who had not passed their staging date at the time of EPP 2013, three-quarters (75 per cent) were aware that they would be required to automatically enrol eligible employees into a qualifying scheme (Table 6.1). This proportion was much higher among larger firms, with awareness being virtually universal among firms with 50 or more employees. Even among the smallest firms, for whom the reforms will typically not take effect for some time to come, a substantial proportion were aware of the requirement for automatic enrolment, standing at almost three-quarters (71 per cent) for firms with between one and four employees. As awareness was greater among larger firms, the vast majority (92 per cent) of employees worked in firms where their employer was aware of the requirement.

Fewer employers were aware of the minimum requirements regarding contributions; around two-fifths (41 per cent) of employers who had not passed their staging date were aware of this aspect of the reforms. Again, awareness was more common among larger employers, however, such that almost three-quarters (73 per cent) of employees worked in firms where the employer was aware of this requirement.

These figures indicate an increase in awareness of both aspects of the reforms since 2011, when around half (53 per cent) of firms were aware of the requirement to automatically enrol eligible employees, and just over one quarter (27 per cent) were aware of the requirements regarding contributions. However, it should be noted that the figures for 2013 are based only on those that had not passed their staging date at the time of interview, while the figures for 2011 are based on responses for all firms (as the reforms began to take effect from 2012).

53 This group comprises 2,505 employers who had not passed their staging date and a further 216 employers who did not know whether they had passed their staging date.

Table 6.1 Awareness of the workplace pension reforms, by size of organisation

Column percentages

	Size of organisation (employees)											All firms	Employees working in such firms
	1-4	5-9	10-19	20-49	50-99	100-499	500-999	1,000+	1-49	50-249	250+		
Aware of automatic enrolment													
Yes	71	82	88	93	99	99	100	100	75	99	100	75	92
No	29	18	12	7	1	1	0	0	25	1	0	25	8
Aware of contribution requirements													
Yes	37	41	61	72	75	92	97	96	40	81	96	41	73
No	63	59	39	28	25	8	3	4	60	19	4	59	27
Weighted base	*2,232*	*386*	*221*	*116*	*34*	*23*	*3*	*2*	*2,955*	*52*	*10*	*3017*	*2096*
Unweighted base	*381*	*260*	*321*	*334*	*242*	*617*	*333*	*226*	*1,296*	*571*	*847*	*2714*	*2,714*

Base: All private sector organisations which have not yet staged (including those that did not know if they had staged).

6.3 Preparations for the reforms

Employers were asked to choose, from a list of four statements, that which best described their preparations for the reforms (Table 6.2). Among firms that had not yet passed their staging date, around three-quarters (77 per cent) had 'not done anything'. This was much more prevalent among smaller firms; while almost four-fifths (78 per cent) of firms with less than 50 employees had 'not done anything', this applied for just two per cent of firms with 250 or more employees.

Almost one-fifth (19 per cent) of firms that had not passed their staging date had 'begun planning but not implemented anything'. A further two per cent stated that they had 'completed planning and were starting to implement'; while two per cent had 'fully implemented plans'. Among employers of all sizes that had not passed their staging date, the proportion that had fully implemented plans was relatively small, perhaps unsurprisingly as even among the largest firms, it may not be expected that plans will be fully implemented until the firm is very close to, or reaches, its staging date. The proportion of employers who had completed planning and were starting to implement was much higher among larger, than smaller, firms, applying to half (50 per cent) of firms with 500 or more employees. Overall, around two-thirds (67 per cent) of employees in firms that had not passed their staging date worked in a firm that had begun to undertake at least some level of planning in preparation for the reforms.

Table 6.2 Preparations for the workplace pension reforms, by size of organisation

Column percentages

	Size of organisation (employees)												
Preparations for the reforms	**1–4**	**5–9**	**10–19**	**20–49**	**50–99**	**100–499**	**500-999**	**1,000+**	**1–49**	**50–249**	**250+**	**All firms**	**Employees working in such firms**
Not done anything	84	68	51	41	30	7	4	0	78	22	2	77	33
Begun planning but not implemented anything yet	12	30	42	49	59	75	47	43	18	65	57	19	45
Completed planning and starting to implement	2	1	4	3	8	17	47	54	2	10	39	2	19
Fully implemented plans	1	1	3	7	3	1	2	4	2	2	2	2	3
Weighted base	*2,215*	*376*	*222*	*114*	*33*	*23*	*3*	*2*	*2,927*	*52*	*10*	*2,988*	*2,084*
Unweighted base	*378*	*257*	*322*	*330*	*241*	*616*	*334*	*226*	*1,287*	*570*	*847*	*2,704*	*2,704*

Base: All private sector organisations which have not yet staged (including those that did not know if they had staged).

Employers who did not have fully implemented plans were asked about the assistance they might look for in preparing for the reforms. Among this group of employers, the most common response was that they expected to do some initial research, but that a pension provider would help with the details of what they needed to do; this was cited by almost two-fifths (37 per cent) of these firms (Table 6.3). A further three in ten (30 per cent), stated that they expected a pension provider would tell them what to do and lead them through the process. A similar proportion (27 per cent) responded that they would make sure they knew exactly what to do and how before talking to a pension provider. The remaining six per cent of firms stated that none of these statements applied to how they would prepare for the reforms.

Smaller employers were more likely to say that they expected a pension provider to tell them what to do and lead them through the process; this applied to 30 per cent of firms with fewer than 50 employees, compared with ten per cent of firms with 250 or more employees. In contrast, larger firms were more likely to say that they would make sure they knew exactly what to do and how before talking to a pension provider, this applied to over half (52 per cent) of firms with more than 1,000 employees.

Table 6.3 Expected level of input from pension provider in preparing for reforms, by size of organisation

Column percentages

	Size of organisation (employees)											
Expected level of input from pension provider	**1–4**	**5–9**	**10–19**	**20–49**	**50–99**	**100–499**	**500–999**	**1,000+**	**1–49**	**50–249**	**250+**	**All firms**
I expect that a pension provider will tell me what to do and lead me through the process	31	27	29	27	17	16	11	3	30	17	10	30
I expect to do some initial research, but that a pension provider will help me with the details of what I need to do	34	48	43	46	53	51	43	43	37	53	45	37
I will make sure that I know exactly what to do and how before I talk to a pension provider	28	23	25	24	27	30	40	52	27	28	38	27
None of these	7	2	3	3	2	3	6	2	6	2	7	6
Weighted base	*2,198*	*380*	*213*	*107*	*32*	*23*	*3*	*2*	*2,898*	*51*	*10*	*2,959*
Unweighted base	*365*	*255*	*302*	*313*	*235*	*609*	*328*	*211*	*1,235*	*562*	*821*	*2,618*

Base: All private sector organisations which have not yet staged (including those that did not know if they had staged), and who stated that they had not fully implemented plans in preparation for the reforms.

6.4 Expectations regarding start of automatic enrolment

Employers must comply with the reforms once they reach their staging date. However, employers may choose to implement the required pension arrangements ahead of this deadline.

As stated in Section 6.3, two per cent of employers who had not passed their staging date had already 'fully implemented plans' in preparation for the reforms. The remaining employers who had not passed their staging date were asked whether they were likely to put the necessary arrangements in place on or before the deadline. Among this set of employers, two per cent said that they already had the required arrangements in place (Table 6.4). Just over one in ten firms (13 per cent) planned to have the required arrangements in place six months or more ahead of the deadline, while around one-fifth (22 per cent) planned to do so between three and six months before the deadline. Just under one-sixth (14 per cent) planned to have the necessary arrangements in place either one, or one to two months, before the deadline. Almost a further fifth (18 per cent) thought they would have arrangements in place just before the deadline and a similar proportion (21 per cent) on the deadline. Almost one in ten firms (nine per cent) indicated that the reforms were not applicable, or that they would not comply; this was mainly found among very small firms, who may, for example, not have any eligible employees.

There were some variations by firm size. Larger firms were more likely to say that they would put the necessary arrangements in place on the deadline (standing at 49 per cent among firms with 1,000 or more employees, compared with 21 per cent among firms with between one and four employees). Smaller firms were more likely than larger firms to say they would do so just before the deadline (applying for 18 per cent of firms with between one and five employees, compared with five per cent of firms with more than 1,000 employees).

Table 6.4 Likely actions in comparison to staging date, by size of organisation

Column percentages

	Size of organisation (employees)									
Likely actions in comparison to staging date	**1–4**	**5–9**	**10–19**	**20–49**	**50–99**	**100–499**	**500-999**	**1,000+**	**All firms**	**Employees working in such firms**
Already in place	2	0	0	0	1	2	1	3	2	1
6 months or more before	11	19	18	15	22	8	4	3	13	12
3 to 6 months before	21	24	26	27	20	24	19	10	22	21
1 to 2 months before	8	9	9	15	19	19	18	21	9	17
1 month before	5	6	7	6	7	9	3	6	5	6
Just before	18	19	17	12	9	10	6	5	18	12
On the deadline	21	19	21	24	21	26	41	49	21	28
Just after the deadline	2	1	1	0	0	2	8	4	2	2
Will not comply/reforms not applicable	12	3	1	0	0	0	0	0	9	2
Weighted base	*2,050*	*348*	*192*	*102*	*32*	*22*	*3*	*2*	*2,750*	*1,908*
Unweighted base	*345*	*236*	*282*	*295*	*229*	*584*	*313*	*198*	*2,482*	*2,482*

Base: All private sector organisations which have not yet staged (including those that did not know if they had staged), and who stated that they had not fully implemented plans in preparation for the reforms.

Although employers are allocated a specific staging date, they can apply for an earlier date if their allocated date does not fall at a convenient time for their business. Respondents in firms which had not yet passed their staging date were asked how likely they thought their firm was to apply for an earlier staging date for automatic enrolment.

Over three-fifths (62 per cent) of firms stated that they were 'not at all likely' to apply for an earlier staging date, with a further quarter (26 per cent) saying that they were 'not very likely' to do so (Table 6.5). Around one in ten firms (nine per cent) said they were 'quite likely' to apply for an early staging date, while just three per cent said they were 'very likely' to do so.

Over four-fifths (84 per cent) of firms with 1,000 or more employees said they were 'not at all likely' to apply for an earlier staging date, compared with around three-fifths of smaller firms (62 per cent of firms with less than five employees). This may partly reflect the fact that, for larger employers, their staging dates will typically be more imminent than those for smaller firms.

Table 6.5 Likelihood of applying for early staging date for automatic enrolment, by size of organisation

Column percentages

	Size of organisation (employees)								
Likelihood of applying for early staging date	**1–4**	**5–9**	**10–19**	**20–49**	**50–99**	**100–499**	**500–999**	**1,000+**	**All firms**
Very likely	2	4	4	2	4	3	4	9	3
Quite likely	10	6	9	8	5	4	9	1	9
Not very likely	25	29	30	27	19	13	6	6	26
Not at all likely	62	61	58	63	72	79	81	84	62
Weighted base	*2,061*	*355*	*209*	*103*	*33*	*22*	*3*	*2*	*2,787*
Unweighted base	*357*	*245*	*296*	*300*	*233*	*590*	*319*	*211*	*2,551*

Base: All private sector organisations which have not yet staged (including those that did not know if they had staged).

Among those employers who said they were very or quite likely to apply for an earlier staging date, around one-third (35 per cent) said they would be prepared to bring their staging date forward as early as possible. One-fifth (20 per cent) said they would be prepared to bring their staging date forward by up to three months, and a further quarter (27 per cent) by up to six months. Around one in ten (12 per cent) said they would be prepared to bring the date forward by up to a year, with the remaining seven per cent saying they would be prepared to do so by more than a year.

6.5 Expectations regarding enrolment destinations

6.5.1 Expectations among current pension-providing employers

To meet the requirements of the workplace pension reforms, employers may automatically enrol eligible employees into an existing scheme or they may choose to set up a new qualifying scheme (with one option being a National Employment Savings Trust (NEST) scheme).

Among employers who had not passed their staging date, but already offered at least some form of workplace pension provision in which at least some employees were participating, almost three-fifths (59 per cent) planned to keep all current members in their existing scheme (Table 6.6). Four per cent planned to enrol all current members into NEST, while a similar proportion (five per cent) planned to enrol all members into a new qualifying scheme. Eight per cent planned to use a combination of these schemes. A substantial proportion (24 per cent) did not know what scheme they were likely to use for members of their current scheme. This uncertainty regarding enrolment destinations was highest among smaller firms, applying for one-quarter (25 per cent) of those with fewer than 50 employees, compared with six per cent of those with 250 employees or more.

Table 6.6 Likely enrolment destinations for existing members, by size of organisation

				Column percentages
	Size of organisation (employees)			
Likely destination	**1–49**	**50–249**	**250+**	**All firms**
Retain all in existing scheme	59	59	70	59
All into NEST	4	5	5	4
All into new qualifying scheme	4	9	9	5
Enrol into a combination of these schemes	7	17	10	8
Don't know	25	11	6	24
Weighted base	*311*	*29*	*9*	*349*
Unweighted base	*340*	*386*	*768*	*1,494*

Base: All private sector organisations which have not yet staged (including those that did not know if they had staged), with some active members in a workplace pension scheme.

Employers who currently provided a workplace pension scheme were also asked about their intentions for employees who were not currently members of their existing scheme, and for any new employees joining the organisation. Among this group of employers, almost one-quarter (24 per cent) planned to enrol all non-members and new employees into their existing scheme (Table 6.7). A further 14 per cent planned to enrol non-members and new employees into NEST, while 11 per cent stated that they would set up a new qualifying scheme. Less than one in ten (eight per cent) thought they would use a combination of schemes. Employers showed greater levels of uncertainty about enrolment destinations for non-members and new employees compared to those for current members of their pension scheme; over two-fifths (43 per cent) did not know where they would enrol non-members and new employees. Again, this proportion was highest among smaller employers.

Table 6.7 Likely enrolment destinations for non-members and new employees, by size of organisation

				Column percentages
	Size of organisation (employees)			
Likely destination	**1–49**	**50–249**	**250+**	**All firms**
Enrol all non-members and new employees into existing scheme	22	35	46	24
All into NEST	14	10	11	14
All into new qualifying scheme	11	18	23	11
Enrol into a combination of these schemes	8	7	11	8
Don't know	45	30	10	43
Weighted base	*455*	*40*	*9*	*505*
Unweighted base	*540*	*483*	*807*	*1,830*

Base: All private sector organisations which have not yet staged (including those that did not know if they had staged), with a current workplace pension scheme.

6.5.2 Expectations among non-pension providing employers

Employers who did not have a workplace pension scheme at the time of interview for EPP 2013 were also asked their intentions regarding enrolment destinations.

Among those firms that had not yet passed their staging date and had no current workplace pension scheme, almost half (44 per cent) indicated that they would enrol all employees into NEST (Table 6.8). A further 14 per cent planned to set up their own qualifying scheme and enrol all employees into that scheme. Four per cent planned to use a combination of both approaches. Firms with 20 or more employees were more likely to be planning to use a combination of schemes; this applied for one-fifth (20 per cent) of employers of this size, compared with three per cent among firms with fewer than five employees.

A substantial proportion (38 per cent) of employers with no current workplace pension provision did not know what type of scheme they were likely to use in response to the reforms. This was slightly less common, though still substantial, among firms with 20 or more employees, standing at one-third (33 per cent). Overall, 37 per cent of all employees in non-providing firms worked for a firm that did not yet know where they were likely to enrol employees after the reforms have been implemented.

Table 6.8 Likely enrolment destinations for non-providing firms, by size of organisation

					Column percentages
	Size of organisation				
Likely destination	**1–4**	**5–19**	**20+**	**All firms**	**Employees**
Enrol all into new qualifying scheme	13	18	16	14	17
Enrol all into NEST	46	38	30	44	40
Enrol some into NEST and some into own scheme	3	4	20	4	6
Don't know	38	40	33	38	37
Weighted base	*1,990*	*383*	*51*	*2,424*	*723*
Unweighted base	*328*	*307*	*223*	*858*	*858*

Base: All private sector organisations which have not yet staged (including those that did not know if they had staged) and without a workplace pension scheme.

6.6 Expectations regarding contribution rates

In order to help employers adjust to the new requirements, employers have the opportunity to phase in their contributions, starting with a minimum employer contribution of one per cent and then increasing to two per cent and then three per cent over time.[54] Employers were asked how likely they thought they would be to take advantage of this opportunity to phase in the level of contributions over time. Overall, just over one-third (37 per cent) of firms that had not yet passed their staging date thought that they would be 'very likely' to phase in contributions and almost a further fifth (18 per cent) thought that they would be 'quite likely' to do so (Table 6.9). Some 12 per cent thought that it was 'not very likely' and 23 per cent thought it was 'not at all likely'; the remaining ten per cent did not know how likely they would be to phase in contributions. A slightly higher proportion of firms with no current workplace scheme thought they would be 'very likely' to phase in contributions; this stood at 39 per cent, compared with 32 per cent among firms which already provided a workplace scheme. Overall, almost half (49 per cent) of employees worked in firms where the employer thought they were 'very likely' to phase in contributions.

[54] The minimum employer contribution rate of one per cent applies from the employer's staging date until 30 September 2017. From October 2017 until September 2018, the minimum required employer contribution will be two per cent, rising to three per cent from 1 October 2018.

Table 6.9 Whether employer is likely to phase in contributions over time, by current provision

	Current provision			*Column percentages*
	Workplace scheme	No workplace scheme	All firms	Employees working in such firms
Very likely	32	39	37	49
Quite likely	17	19	18	14
Not very likely	14	12	12	8
Not at all likely	22	23	23	20
Don't know	14	8	10	9
Weighted base	*527*	*2,310*	*2,879*	*2,060*
Unweighted base	*1,817*	*833*	*2,673*	*2,673*

Base: All private sector organisations not yet staged (including those that did not know if they had staged).
Note: The estimates presented in the 'all' column include a small number of employers for whom it was not possible to ascertain whether they had a workplace scheme.

Employers were asked whether they would offer the same contribution rate to all employees once they were subject to the reforms, or whether they would contribute at different rates for different employees. Overall, just over three-fifths (63 per cent) of employers who had not passed their staging date said that they would contribute at the same rate for all their employees once the reforms took effect (Table 6.10). Just under one-fifth (17 per cent) said they would contribute at different rates for different employees, while the remaining 20 per cent did not know whether they would contribute at the same rate for all employees or not. Respondents in smaller firms were less likely to state that they did not know whether the firm would contribute at the same rate for all employees.

Where employers expected to contribute at different rates, the most common basis on which they expected to do so was according to an employee's grade; over half (52 per cent) of employers who expected to contribute at different rates gave this response.

Table 6.10 Whether employer will contribute at same rate for all employees, by size of organisation

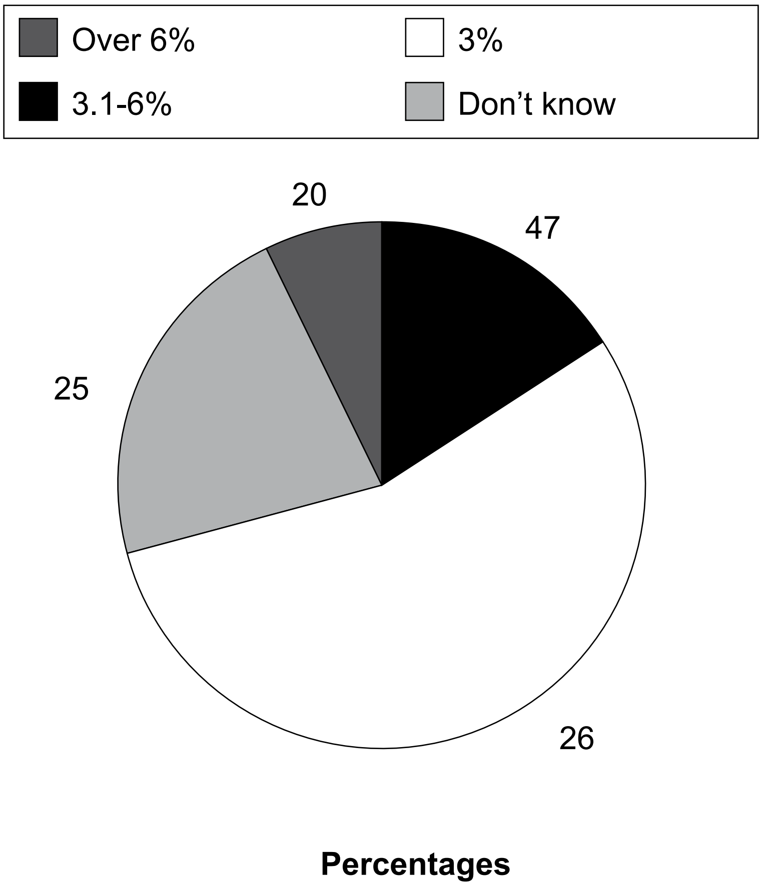
Column percentages

	Size of organisation (employees)									
	1–4	**5–9**	**10–19**	**20–49**	**50–99**	**100–499**	**500–999**	**1,000+**	**All firms**	**Employees working in such firms**
Same rate for all	62	64	64	58	59	64	61	51	63	59
Different rates	16	21	20	22	25	27	31	43	17	28
Don't know	22	16	16	19	15	9	8	7	20	13
Weighted base	*2,237*	*389*	*223*	*116*	*34*	*23*	*3*	*2*	*3,027*	*2,102*
Unweighted base	*382*	*262*	*323*	*334*	*243*	*617*	*334*	*226*	*2,721*	*2,721*

Base: All private sector organisations which have not yet staged (including those that did not know if they had staged).

Employers were also asked whether they expected to contribute the minimum required rate of three per cent, at a rate of between three and six per cent, or at a rate of more than six per cent. If the employer's contribution rate was expected to vary between different types of employee, the employer was asked to estimate the proportion of eligible employees for whom each rate would apply. The results are summarised in Figure 6.1. On this basis, over half (55 per cent) of employees would expect to receive the minimum required contribution of three per cent. A further 16 per cent would receive a contribution of between three and six per cent, while seven per cent would receive a contribution of more than six per cent. Employers were unable to give an expected contribution rate for the remaining fifth (22 per cent).

Figure 6.1 Percentage of employees likely to receive the specified contribution rate



Base: All private sector organisations which have not yet staged (including those that did not know if they had staged).

6.7 Expected use of waiting periods

Employers can choose to delay automatically enrolling current employees into a pension scheme by a period of up to three months following their staging date; they can also choose to delay enrolling new employees for up to three months after they join the organisation.

Employers were asked whether they would be likely to adopt such a waiting period for any existing employees before automatically enrolling them into a scheme. Almost half (48 per cent) of respondents thought they were 'not at all likely' to make use of a waiting period for current employees, and a further third (33 per cent) thought they were 'not very likely' to do so (Table 6.11). One in ten (ten per cent) thought they were 'quite likely' to adopt a waiting period, while the remaining nine per cent thought that they were 'very likely' to do so. Larger firms were more likely to adopt a waiting period, with over a third (36 per cent) of firms with 250 or more employees stating that they were 'very likely' to do so. There was little difference in the percentage of employers who thought they would be 'very likely' to adopt a waiting period according to whether or not they currently offered a workplace scheme. However, a slightly higher percentage of firms with a workplace scheme said that they were 'not at all likely' to delay automatically enrolling any of their employees (55 per cent among firms with a workplace scheme, compared with 46 per cent among firms with no workplace provision).

Employers were much more likely to think they would adopt a waiting period for new employees joining the organisation. Almost half (49 per cent) of employers who had not passed their staging date thought they would be 'very likely' to adopt such a waiting period for new employees (Table 6.11). Around a further fifth (21 per cent) thought they were 'quite likely' to do so. Among employers with no current workplace scheme, almost three-quarters (72 per cent) thought they were either 'quite likely' or 'very likely' to adopt such a waiting period, compared with around three-fifths (61 per cent) of existing pension-providing employers.

Table 6.11 Likelihood of adopting a waiting period for current and new employees, by current provision

Column percentages

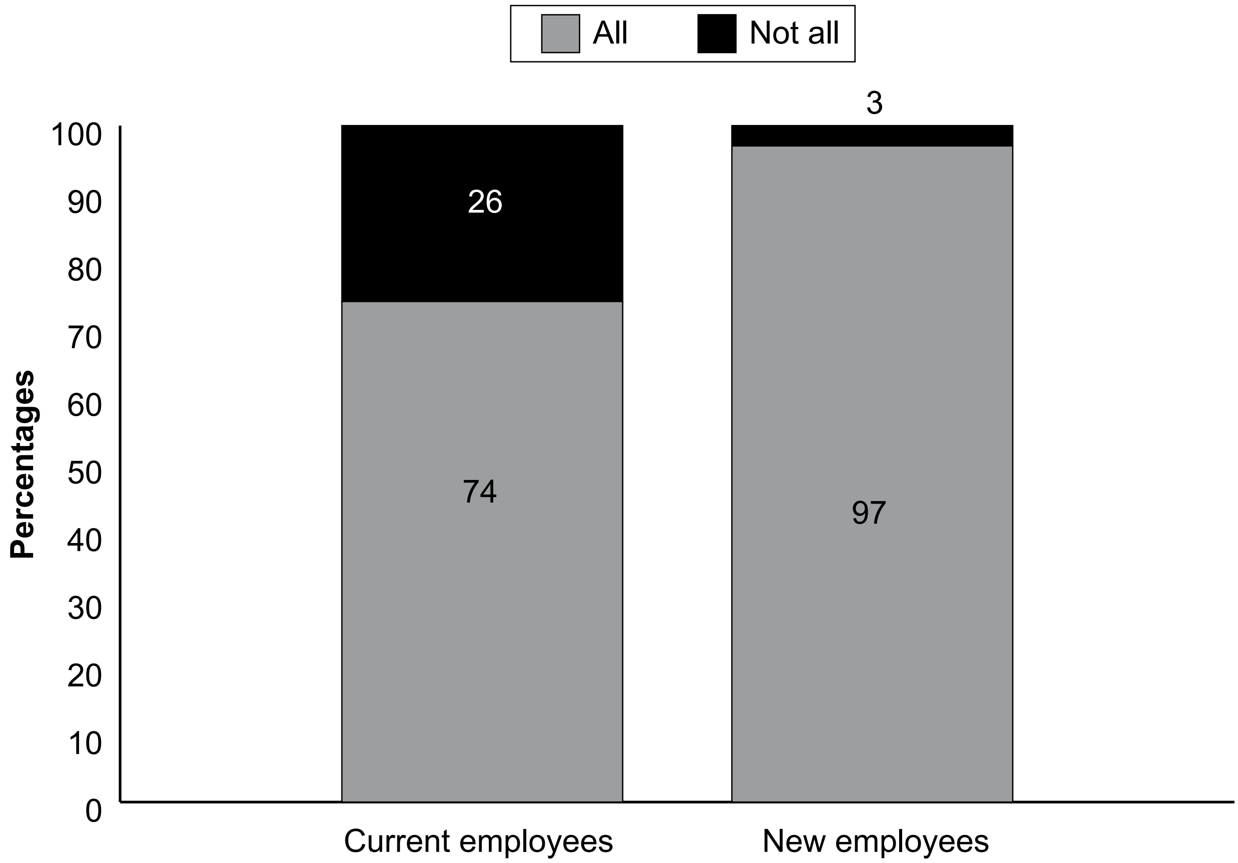
Likelihood of adopting a waiting period	Current employees: Workplace scheme	Current employees: No workplace scheme	Current employees: All	New employees: Workplace scheme	New employees: No workplace scheme	New employees: All
Very likely	8	10	9	43	50	49
Quite likely	8	10	10	18	22	21
Not very likely	28	34	33	10	6	7
Not at all likely	55	46	48	29	22	24
Weighted base	*526*	*2,196*	*2,778*	*540*	*2,224*	*2,822*
Unweighted base	*1,799*	*788*	*2,609*	*1804*	*809*	*2,637*

Base: All private sector organisations not yet staged (including those that did not know if they had staged.

Note: The estimates presented in the 'all' column include a small number of employers for whom it was not possible to ascertain whether they had a workplace scheme.

Where employers indicated that they were very likely or quite likely to adopt a waiting period for either current or new employees (or both), they were asked whether this would apply to all employees, or just to certain types of employees (such as senior management, employees in a particular subsidiary of the organisation, or those over or under a certain age, for example). Almost three-quarters (74 per cent) of respondents who thought their firm was likely to adopt a waiting period for current employees indicated that this would apply to all current employees who were not members of a pension scheme (Figure 6.2). Where employers were quite likely or very likely to adopt a waiting period for new employees joining the organisation, almost all (97 per cent) said they would do so for all new employees. The remaining three per cent would restrict this to certain types of new employees.

Figure 6.2 Whether waiting period would apply to all employees, current and new employees



Base: All private sector organisations not yet staged (including those that did not know if they had staged), who reported they were very likely or quite likely to adopt a waiting period.

Employers who stated that they were very likely or quite likely to adopt a waiting period (for current and/or new employees) were also asked the expected duration of this period, which can last up to a maximum of three months. Among employers likely to adopt a waiting period for existing employees, the majority (83 per cent) of firms intended to use the same waiting period for all employees, while the remaining 17 per cent intended to use different lengths of waiting period for different types of employees (Table 6.12). Overall, over half (54 per cent) of firms who were likely to use a waiting period intended to use a period of three months, the maximum duration permitted. Five per cent intended to use a waiting period of up to one month; two per cent intended to use a waiting period of up to two months. The remaining fifth (22 per cent) stated that this would be of some other duration.

Larger firms were more likely to make use of longer waiting periods, where they said they were likely to adopt one (Table 6.12). Almost three-quarters (74 per cent) of firms with 250 or more employees said the waiting period would be up to three months, compared with around half (53 per cent) of firms with less than 50 employees. Smaller firms were more likely to use differing lengths of waiting period for different employees, almost one-fifth (17 per cent) of firms with less than 50 employees planned to do so, compared with less than one in ten firms (6 per cent) with 250 or more employees.

Table 6.12 Likely duration of waiting period, current employees, by size of organisation

				Column percentages
	Size of organisation (employees)			
Likely duration of waiting period	**1–49**	**50–249**	**250+**	**All firms**
Up to one month	5	6	5	5
Up to two months	2	8	13	2
Up to three months	53	71	74	54
Other	22	3	1	22
Different for different employees	17	12	6	17
Weighted base	*412*	*10*	*5*	*426*
Unweighted base	*199*	*122*	*459*	*780*

Base: All private sector organisations not yet staged (including those that did not know if they had staged), who reported they were very likely or quite likely to adopt a waiting period.

Where firms indicated that they were likely to adopt a waiting period for new employees, the majority stated they would adopt the maximum waiting period of three months. This applied for almost three-quarters (74 per cent) of firms who thought they were likely to adopt a waiting period for new employees (Table 6.13). Around one in ten (11 per cent) planned to vary the waiting period for different types of employees. Again smaller firms were slightly more likely to use waiting periods of varying length than larger firms; overall, the differences in expected duration of waiting period by firm size were less extensive than for current employees.

Table 6.13 Likely duration of waiting period, new employees, by size of organisation

				Column percentages
	Size of organisation (employees)			
Likely duration of waiting period	**1–49**	**50–249**	**250+**	**All firms**
Up to one month	3	4	8	3
Up to two months	5	3	7	5
Up to three months	74	82	76	74
Other	7	4	2	7
Different for different employees	11	7	7	11
Weighted base	*1,797*	*40*	*7*	*1,844*
Unweighted base	*927*	*443*	*596*	*1,966*

Base: All private sector organisations not yet staged (including those that did not know if they had staged), who reported they were very likely or quite likely to adopt a waiting period.

6.8 Expected use of intermediaries

One would expect that most employers will seek information or advice about some aspect of the reforms. Indeed, less than one in ten employers yet to pass their staging date (9 per cent) said that they would not seek any information or advice regarding the reforms (Table 6.14).

Among employers that had not passed their staging date, more than four-fifths said that they would seek information or advice in choosing which type of scheme to use (83 per cent) and in understanding the legislation (82 per cent). Three-quarters (75 per cent) said they would seek information or advice to understand the financial impact on the firm and in choosing a pension provider. One in ten (ten per cent) said that they would be likely to seek information or advice with regard to reviewing their current pension provision. Seven per cent indicated they would be likely to seek information or advice about other aspects of the reforms.

Respondents in smaller firms were more likely to think they would seek information or advice about choosing a pension provider and in understanding the financial impact on the firm (75 per cent and 76 per cent respectively among firms with less than 50 employees, compared with 42 per cent and 56 per cent among firms with 250 employees or more). Medium-sized and larger firms were more likely to indicate that they would seek information or advice on reviewing their current pension provision (53 per cent among firms with 50 or more employees compared with nine per cent among firms with less than 50 employees). These differences by firm size partly reflect differences in whether the firm already offered some form of workplace pension provision. Firms of all sizes thought they would be likely to seek information or advice in understanding the legislation.

Respondents who stated that they would seek information or advice about choosing a pension provider or choosing which type of scheme to use were asked about the likely source of this advice (Table 6.15). The most commonly reported likely source of information or advice was an accountant, cited by around four-fifths (82 per cent) of firms. A similar proportion (74 per cent) of employers thought they would seek information or advice from an Independent Financial Advisor (IFA). Almost half (47 per cent) thought they would use The Pensions Regulator, around one-third (35 per cent) a trade industry body, and around one-quarter a business forum or employee benefits consultant (26 per cent and 22 per cent respectively). Almost one-fifth (19 per cent) thought they would seek information or advice from a lawyer or legal advisor, while four per cent said they would use some other source. Among smaller firms, the most commonly cited sources were an accountant (reported by 82 per cent of firms with less than 50 employees) and an IFA (74 per cent). IFAs were also a likely source of advice among larger employers (cited by 65 per cent of firms with 250 or more employees), however, these firms were just as likely to report that they would use The Pensions Regulator (64 per cent).

Table 6.14 Issues on which information or advice is likely to be sought, by size of organisation

Column percentages

	Size of organisation (employees)											
Issues on which advice is likely to be sought	**1–4**	**5–9**	**10–19**	**20–49**	**50–99**	**100–499**	**500–999**	**1,000+**	**1–49**	**50–249**	**250+**	**All firms**
Choosing type of scheme to use	83	86	82	77	77	63	52	46	83	73	48	83
Understanding the legislation	81	85	86	85	83	76	82	77	82	81	75	82
Understanding the financial impact on the firm	75	76	80	75	69	62	56	57	76	67	56	75
Choosing a pension provider	75	75	82	70	58	53	38	51	75	58	42	75
Reviewing current pension provision	4	16	34	39	53	53	59	57	9	53	54	10
Any other aspect	7	7	6	6	3	5	7	6	7	4	6	7
Will not seek advice	11	5	5	4	4	13	10	9	10	7	12	9
Weighted base	*2,232*	*382*	*222*	*114*	*34*	*23*	*3*	*2*	*2,950*	*52*	*10*	*3,012*
Unweighted base	*379*	*259*	*321*	*331*	*243*	*612*	*332*	*224*	*1,290*	*569*	*842*	*2,701*

Base: All private sector organisations which have not yet staged (including those that did not know if they had staged).

Table 6.15 Likely sources of information or advice on choosing a pension provider or type of scheme, by size of organisation

Column percentages

	Size of organisation (employees)											
Issues on which advice is likely to be sought	**1–4**	**5–9**	**10–19**	**20–49**	**50–99**	**100–499**	**500–999**	**1,000+**	**1–49**	**50–249**	**250+**	**All firms**
Accountant	84	81	79	71	62	41	34	14	82	56	28	82
Independent Financial Advisor	73	76	74	80	74	68	62	66	74	72	65	74
The Pensions Regulator	47	51	41	46	65	60	61	76	47	63	64	47
Trade industry body	37	35	26	22	23	24	22	28	35	24	23	35
Business forum	29	22	13	22	14	21	17	5	26	17	15	26
Employee Benefits Consultant	23	23	17	25	23	29	44	61	22	25	43	22
Lawyer/legal advisor	19	19	15	21	27	19	29	17	19	24	20	19
Somewhere else	4	5	3	4	7	2	5	2	4	6	4	4
None of these	0	1	1	0	1	2	2	1	0	1	1	0
Weighted base	*1,866*	*337*	*194*	*91*	*26*	*15*	*2*	*1*	*2,488*	*39*	*5*	*2,532*
Unweighted base	*313*	*228*	*270*	*261*	*176*	*369*	*169*	*101*	*1,072*	*393*	*422*	*1,887*

Base: All private sector organisations which have not yet staged, and stated that they were likely to seek information or advice about choosing a pension provider or which type of scheme to use.

6.9 Expectations about financial costs

Employers were asked whether contributing a minimum of three per cent for all eligible employees who do not opt out of the scheme would mean an increase in the total pension contributions that their organisation would have to make. Almost three-quarters (72 per cent) of firms that had not passed their staging date thought that their total pension contributions would increase as a result of the requirements (Table 6.16). One in ten (ten per cent) thought that their total pension contributions would not increase, while the remaining fifth (18 per cent) said that they did not know or that it would depend.

Smaller firms were more likely to be unsure as to whether their total pension contributions would increase; around one in ten (12 per cent of) employees worked in these firms (Table 6.16). Four-fifths (80 per cent) of employees worked in organisations where the employer thought total pension contributions were likely to increase as a result of the reforms. Perhaps unsurprisingly, the proportion of employers who thought total pension contributions would increase was higher among those with no current workplace scheme (75 per cent) than it was among those already offering some form of workplace provision (62 per cent).

Table 6.16 Likely impact of a three per cent contribution rate on total pension contributions, by current provision

				Column percentages
	Current provision			
Likely impact on total contributions	**Workplace scheme**	**No workplace scheme**	**All firms**	**Employees working in such firms**
Increase	62	75	72	80
No increase	14	9	10	8
It depends/Don't know	24	16	18	12
Weighted base	*545*	*2,424*	*3,027*	*2,102*
Unweighted base	*1,839*	*858*	*2,721*	*2,721*

Base: All private sector organisations not yet staged (including those that did not know if they had staged).
Note: The estimates presented in the 'all' columns include a small number of employers for whom it was not possible to ascertain whether they had a workplace scheme.

All respondents, regardless of whether they thought the reforms would lead to an increase in their total pension contributions, were asked what actions their organisation would take if the reforms did lead to an increase in total pension contributions.

Around three-quarters (76 per cent) of employers who had not passed their staging date said they would absorb any increase as part of other overheads, while around two-thirds (65 per cent) said they would absorb this through a reduction in profits (Table 6.17). Around half said they would absorb any increase through lower wage increases (52 per cent) or through increasing prices (49 per cent). Almost two-fifths (37 per cent) said they would restructure or reduce their workforce. Less than one in ten (seven per cent) said they would change their existing scheme; while just one per cent said they would reduce contribution levels for existing members.

There was some variation in likely actions by firm size. Respondents in smaller firms were more likely to think that they would increase prices (almost half (49 per cent) of firms with less than 50 employees, compared with 30 per cent of firms with 250 or more employees). Smaller firms were also more likely to think that they would restructure or reduce their workforce (37 per cent of firms with less than 50 employees, compared with 20 per cent of firms with 250 or more employees). Larger firms were more likely to anticipate that they would absorb any increase through a reduction in profits (standing at 82 per cent among firms with 500 or more employees, compared with 65 per cent among firms with less than 50 employees).

Where employers gave more than one response (75 per cent did so among employers that had not passed their staging date), they were asked which of these would be their most likely course of action. These responses are given in Table 6.18. One-quarter (25 per cent) of firms said their most likely response would be to absorb the increase through a reduction in other overheads, while just over one-fifth (22 per cent) said they would absorb this through a reduction in profits. Around one-sixth said they would absorb the increase through increasing prices (17 per cent), restructuring or reducing the workforce (15 per cent) or through lower wage increases (14 per cent). Very few firms indicated that they would change their existing scheme or reduce contribution levels for existing members as their most likely response (one per cent and less than one per cent respectively). Larger firms were more likely than smaller firms to think that their most likely action would be to absorb any increase through a reduction in profits or other overheads, while smaller firms more commonly reported that their most likely action would be to increase prices or restructure or reduce the workforce.

Table 6.17 Strategies in response to increase in total pension contributions, by size of organisation

Column percentages

	Size of organisation (employees)								
Strategies in response to increase in contributions	**1–4**	**5–9**	**10–19**	**20–49**	**50–99**	**100–499**	**500–999**	**1,000+**	**All firms**
Absorb as part of other overheads	78	70	73	71	68	74	83	86	76
Absorb through reduction in profits	63	67	74	70	64	79	79	86	65
Absorb through lower wage increases	51	56	52	65	46	58	52	28	52
Increase prices	49	54	43	43	40	36	27	19	49
Restructure or reduce workforce	37	38	32	44	31	18	21	21	37
Change existing scheme	3	12	26	26	32	17	26	13	7
Reduce contribution levels for existing members	0	2	5	5	10	5	10	5	1
Not relevant as proposals would not mean increase	0	0	0	0	0	0	0	0	0
Other	1	0	0	0	1	0	1	1	1
None of these	0	0	0	0	0	0	0	0	0
Weighted base	*1,567*	*265*	*142*	*80*	*24*	*16*	*2*	*1*	*2,097*
Unweighted base	*261*	*187*	*222*	*241*	*175*	*430*	*217*	*146*	*1,879*

Base: All private sector organisations which have not yet staged (including those that did not know if they had staged).
Note: respondents could give more than one response.

Table 6.18 Most likely strategy in response to increase in total pension contributions, by size of organisation

Column percentages

	Size of organisation (employees)								
Strategies in response to increase in contributions	**1–4**	**5–9**	**10–19**	**20–49**	**50–99**	**100–499**	**500–999**	**1,000+**	**All firms**
Absorb as part of other overheads	27	19	22	22	28	26	32	37	25
Absorb through reduction in profits	22	21	23	19	19	27	25	39	22
Absorb through lower wage increases	12	18	21	24	20	24	17	12	14
Increase prices	17	22	16	20	16	12	9	4	17
Re-structure or reduce workforce	17	14	10	13	6	2	3	2	15
Change existing scheme	1	1	2	1	4	3	3	3	1
Reduce contribution levels for existing members	0	0	0	0	5	1	2	1	0
Not relevant as proposals would not mean increase	0	0	2	0	1	1	0	0	0
Other	1	0	0	0	0	0	4	0	1
None of these	4	4	4	1	2	4	5	1	4
Weighted base	*2,117*	*354*	*188*	*102*	*29*	*21*	*3*	*2*	*2,815*
Unweighted base	*352*	*240*	*281*	*293*	*224*	*566*	*306*	*195*	*2,457*

Base: All private sector organisations which have not yet staged (including those that did not know if they had staged).
Note: where more than one response was given, this table refers to the most likely strategy that the organisation would take (25 per cent of these firms gave a single response only).

7 Summary and conclusions

7.1 Introduction

This report has presented findings from the 2013 Employers' Pension Provision Survey (EPP 2013). EPP 2013 was commissioned by the Department for Work and Pensions (DWP) and undertaken by TNS-BMRB Social Research and the National Institute of Economic and Social Research (NIESR). The 2013 survey was the latest in a series, with previous surveys having been conducted approximately biennially since 1994. The previous survey in the series was conducted in 2011.

The main aim of the report was to describe the extent and nature of pension provision among private sector employers in Britain in 2013 (see Chapters 2, 3 and 4 in particular). EPP 2013 was, however, the first in the survey series to have taken place since the introduction of the workplace pension reforms. A substantial part of this report therefore focused on the early impact of the reforms (see Chapters 5 and 6). This short final chapter of the report provides a short commentary on some of the key findings.

7.2 Summary and conclusions

In summary, employees' access to workplace pensions was broadly stable between 2011 and 2013. Although the proportion of firms with a workplace pension fell over the period, the decline was largely driven by a fall in the incidence of small stakeholder pension (SHP) schemes, such that the percentage of employees in an organisation with a workplace scheme remained at just under four-fifths. A small proportion of (typically very large) private sector firms passed their staging dates for the workplace pension reforms and began automatic enrolment, however; and the rise in active membership between 2011 and 2013 suggests that the reforms have begun to have an effect on scheme membership at the aggregate level. The impact on the proportion of all firms that provide workplace pensions will become more apparent as medium-sized and small organisations – which comprise the majority of private sector firms – begin to reach their staging dates over the coming years.

The overall impression among firms that have passed their staging dates is that the reforms have not brought about wholesale changes to their pension provision. However, most of these firms were already providing pensions for their employees. Most have retained members within their existing schemes and many have also enrolled non-members and new employees into these schemes, with relatively small proportions of these employees subsequently opting out of membership. The majority of automatically enrolling employers have seen an increase in their total contributions, but they have typically absorbed this increase through a reduction in profits or overheads, rather than it having a direct effect on employees' wages or job security. The administrative burden of the reforms was not substantial for the average employer, although some aspects of the reforms were quite burdensome for the largest employers.

Finally, those employers that have not yet reached their staging dates show relatively high levels of awareness of their forthcoming need to automatically enrol employees, but less awareness of the detail around contribution rates. Many have yet to take any steps towards preparing for the implementation of the reforms in their organisation, although staging remains some way off for many of the smallest private sector firms. As most plan to seek information or advice in relation to at least some aspect of the reforms, there is then a key role to be played by information providers – particularly Independent Financial Advisers (IFAs), accountants and The Pensions Regulator – in enabling firms to be ready when their staging date arrives.

Appendix A Technical report on survey methodology

1 Introduction

In 2013, the Department for Work and Pensions (DWP) commissioned TNS-BMRB Social Research and the National Institute of Economic and Social Research (NIESR) to undertake the Employers' Pension Provision Survey 2013 (EPP 2013), the tenth in a series of biennial surveys dating back to 1994. The survey collected quantitative information on the current nature and extent of non-State Pension provision within private sector employing organisations in Great Britain in 2013. In addition, the 2013 survey included a substantial module regarding employer responses to the workplace pension reforms[55].

The main aims of the survey were to:

- provide an up-to-date picture of current workplace pension provision made by employers for comparison with findings from previous EPP surveys;
- provide an indication of the extent of non-provision among such organisations and the groups of employees affected by this;
- obtain data on recent changes made to the type and extent of pension provision;
- provide information on changes in provision planned by such organisations for the immediate future and the reasons for these changes.
- measure employers' responses to, awareness of, and attitudes towards the workplace pension reforms.
- measure how employers, both pre- and post-staging date for automatic enrolment, respond to the reforms.

2 Overview of survey method

The survey interviewed a representative sample of 3,079 private sector employers in Great Britain. The sample for the survey was obtained from the Office for National Statistics' (ONS) Inter-Departmental Business Register (IDBR). After an initial screening stage to collect the contact details of the most suitable person to complete the survey, employers were sent a letter, an information sheet summarising the workplace pension reforms and an interview preparation sheet, by DWP, inviting organisations to participate in the survey.

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55 The workplace pension reforms were first introduced in the Pensions Act 2008. They consist of four key elements: employers will be required to automatically enrol their eligible jobholders into a qualifying workplace pension; minimum contributions of eight per cent on a band of earnings, of which at least three per cent must come from the employer; a compliance regime to ensure employers meet their obligations; and a low-cost pension scheme to provide a suitable savings for vehicle for those on moderate to low incomes.

The survey was conducted using Computer Assisted Telephone Interviewing (CATI) and achieved a response rate of 45 per cent. Conducting the interview by telephone ensured methodological consistency with past versions of the survey. Telephone interviewing also offers a number of advantages, namely that it benefits from higher response rates than self-completion methodologies and the quality of data collected is more reliable as the telephone interviewer can help respondents with any queries they may have during the interview.

The interview was conducted electronically with all questions and routing programmed automatically, meaning interviewers were free to concentrate on the respondents' answers and data was recorded accurately, a prime consideration for this particular survey where complex and detailed information was collected.

Telephone fieldwork encouraged participation and also allowed the respondent to participate at a time that suited them. Respondents were able to schedule appointment times for the interviewer to call, ensuring the sample and the interviewer's time was used most efficiently and respondents were more committed to taking part. On some occasions, these appointments were broken due to the busy nature of the organisations surveyed. However, a simple electronic process allowed the interviewers to reschedule an appointment and then move on to the next interview.

3 Sample selection

The survey is intended to provide estimates of pension provision that were to be representative of private sector employers in Great Britain in 2013. For the 2013 survey, as for the previous surveys, the sample was obtained from the IDBR. The IDBR is a government database maintained by ONS which is based on Value Added Tax (VAT) and Pay As You Earn (PAYE) records. It was preferred over alternative sampling frames due to its greater coverage, particularly of smaller companies, and the amount of detail that could be obtained from the frame, such as the number of employees, legal status, and SIC07 code. The main drawback with the IDBR for this particular survey was that only a small proportion of records had telephone numbers. Therefore, telephone numbers had to be obtained after the sample was drawn through a tracing exercise.

The population for the survey was defined as all private sector employers in Great Britain, including private companies, sole proprietorships, partnerships, and non-profit making organisations. All public sector employers such as central government, local government and other public bodies such as health authorities, educational institutions and universities were excluded from the survey. Since the survey was only concerned with the attitudes of private sector employers who employed at least one employee, extremely small businesses that consisted only of owner-proprietors or owning partners (i.e. with no employees) were also excluded from the survey.

As in previous years, the sample design placed a great emphasis on large organisations. Although such organisations are relatively few in number, they account for a large proportion of the total labour force and so are important in terms of providing estimates for pension provision among private sector employees. In order to achieve a degree of oversampling among larger organisations the IDBR was first stratified by size band. Within each size band the file was further stratified by number of employees, SIC07 division, legal status and alphabetically by postcode.

Table A.1 shows the sample fractions applied for each size band and the percentage of the universe sampled within each size band. In order to achieve the required initial sample in each size band, a different sampling fraction was applied to each.

Table A.1 Sample fractions for each size band in the relevant universe

Employee size band	Initial sample provided from IDBR	Percentage of universe sampled	Sample 1 in N
1	4,167	0.66%	151.43
2	4,167	1.31%	76.53
3	4,167	2.81%	35.57
4	4,167	4.02%	24.86
5–12	4,584	1.71%	58.63
13–19	3,056	5.02%	19.90
20–49	2,214	3.42%	29.21
50–99	1,771	9.38%	10.66
100–249	1,574	14.45%	6.92
250–499	1,634	47.03%	2.13
500–999	1,452	81.19%	1.23
1,000–4,999	1,490	100.00%	1.00
5,000+	348	100.00%	1.00
Total	34,791		

Prior to the telephone number look-up, a number of records were excluded from the sample. There were a number of SIC07 categories where it was felt the majority of employees would be covered by a public-sector pension scheme. These were mainly in the education sector. Thus, all organisations with the following SIC codes were excluded from the sample at this stage.

- 85200 (Primary education)
- 85310 (General secondary education)
- 85320 (Technical and vocational secondary education)
- 85410 (Post-secondary non-tertiary education)
- 85420 (Tertiary education)
- 85421 (First-degree level higher education)
- 85422 (Post-graduate level higher education)

This resulted in a total of 624 organisations being removed from the sample.

A comprehensive check for duplicate records was then conducted across the remaining sample. This was initially based on full postcodes. Where duplicate postcodes were identified, all the records were manually checked. Where it was established that duplicate records did exist in the sample, they were removed. This resulted in 74 cases being removed.

The remaining sample (employers with fewer than 500 employees) was then divided into five random batches with an additional pilot sample batch of 550 records. All records with 500 or more employees (batch 5) were sent for number lookup. The remaining batches were sent sequentially for telephone number lookup. This resulted in sufficient numbers being obtained from batches 1 to 3 and therefore batch 4 was not sent for lookup and was excluded from any further calculations. All subsequent matching rates and response analysis exclude any sample from batch 4. The pilot batch was separated at this stage and is excluded from all further analysis of the sample (due to time restraints the pilot batch was subject only to electronic number lookup).

Table A. 2 Sample allocation to batches prior to number lookup

Employee size band	Pilot Sample	Batch 1	Batch 2	Batch 3	Batch 4	Batch 5
1	75	1,015	1,005	1,021	1,022	
2	75	1,021	1,008	1,026	1,023	
3	75	1,020	1,010	1,025	1,023	
4	75	1,019	1,008	1,023	1,024	
5–12	50	1,126	1,112	1,131	1,129	
13–19	50	747	738	748	751	
20–49	50	534	528	537	537	
50–99	50	417	412	418	418	
100–249	25	372	367	372	373	
250–499	25	372	374	374	375	
500–999						1,318
1,000–4,999						1,351
5,000+						324
Total	550	7,643	7,557	7,675	7,675	2,993

Table A.3 shows how the main stage sample of 25,868 was broken down by size band both pre- and post-tracing for telephone numbers.

Telephone numbers were obtained for 65 per cent of the sample selected. This was achieved through a variety of methods and sources and represents an improvement from 2011 when the matching rate was 54 per cent. These included both electronic tracing and, where this failed to generate a number, manual tracing of numbers. Additionally, where a telephone number already existed from the IDBR this was used if the tracing process failed to generate a number. Finally, once the tracing process was exhausted, the small number of large companies (1,000+) where a number had not already been obtained were re-examined to try to obtain a contact number through company websites.

The success rate in obtaining numbers for small employers was lower than for larger employers, but this had been anticipated in advance and had been taken into account when specifying the initial sample sizes by size band.

Table A.3 Pre- and post-trace sample by size band

Size band	Initial sample from IDBR sent for number lookup		Final sample after telephone matching		Percentage of sample selected with telephone number
Number of employees	Number of units	%	Number of units	%	%
1	3,041	11.76%	963	5.27%	31.67%
2	3,055	11.81%	1,121	6.66%	36.69%
3	3,055	11.81%	1,444	8.58%	47.27%
4	3,050	11.79%	1,619	9.62%	53.08%
5–12	3,369	13.02%	2,456	14.59%	72.90%
13–19	2,233	8.63%	1,829	10.86%	81.91%
20–49	1,599	6.18%	1,434	8.52%	89.68%
50–99	1,247	4.82%	1,112	6.60%	89.17%
100–249	1,111	4.29%	1,013	6.02%	91.18%
250–499	1,115	4.31%	999	5.93%	89.60%
500–999	1,318	5.10%	1,271	7.55%	96.43%
1,000–4,999	1,351	5.22%	1,275	7.57%	94.37%
5,000 or over	324	1.26%	301	1.79%	92.62%
Total	25,868	100.00%	16,837	100.00%	65.09%

After the telephone number lookup, a comprehensive check for duplicate records was done across the entire sample. This was initially based on full postcode and telephone number. Where duplicate postcodes or duplicate telephone numbers were identified, all the records were manually checked. Where it was established that duplicate records did exist in the sample, they were removed.

Once the process of eliminating ineligible and duplicate records was completed a final sample for the initial screening stage was drawn. The final sample for the initial screening was done by applying a selection probability specific to each size band. The sample was randomly allocated to batches and was loaded into the screener batch by batch. This allowed the amount of sample loaded and the response rate to be monitored throughout the screener stage. In total 10,239 records were loaded into the screener (detailed in Table A.4).

At the initial screening stage a number of businesses (1,330) were identified as being out of scope either because they had gone out of business, they were a public sector organisation, they had no employees, or the telephone number was unobtainable or incorrect.

Of the remaining 8,909 records in scope, contact names were obtained and contact details confirmed for 83 per cent of the sample (7,352 records). This sample was again stratified by size band and within each size band further stratified by number of employees, SIC07 division, legal status and alphabetically by postcode. The sample was again randomly allocated to batches for the main stage and was loaded batch by batch. In total, all 7,352 records were selected for the main stage. All employers were mailed a letter, an information sheet and an interview preparation sheet [56]. The distribution of the sample selected for the main stage according to size band is detailed in Table A.4

[56] An interview preparation sheet was only sent to organisations with 20 or more employees.

Table A.4 Selected screener stage and main stage sample by size band

Size band	Final sample loaded into screener		Successful screener outcome		Loaded main stage sample	
No. of employees	Number	% of employers contacted	Number	% of employers contacted	Number	% of employers contacted
1	920	9.0%	479	6.5%	479	6.5%
2	483	4.7%	239	3.3%	239	3.3%
3	459	4.5%	284	3.9%	284	3.9%
4	366	3.6%	230	3.1%	230	3.1%
5–12	891	8.7%	622	8.5%	622	8.5%
13–19	794	7.8%	601	8.2%	601	8.2%
20–49	836	8.2%	652	8.9%	652	8.9%
50–99	801	7.8%	606	8.2%	606	8.2%
100–249	857	8.4%	655	8.9%	655	8.9%
250–499	985	9.6%	761	10.4%	761	10.4%
500–999	1,271	12.4%	975	13.3%	975	13.3%
1,000–4,999	1,275	12.5%	954	13.0%	954	13.0%
5,000+	301	2.9%	294	4.0%	294	4.0%
Total	10,239	100.00%	7,352	100.00%	7,352	100.00%

4 Fieldwork

The survey fieldwork was conducted between 19 June 2013 and 4 November 2013.

Fieldwork involved three main stages.

Stage One: The screener stage of the survey involved contacting sampled organisations to identify the most appropriate person to interview, an essential stage to ensure the survey was conducted with the person who was most capable of answering the questions asked during the interview. The correct person was identified by asking to speak to the person responsible for making the decisions about pension provision in the organisation. If the eligible person was not available their name and contact details were collected from someone else in the organisation.

This stage also checked that the organisation had more than one employee and was still trading.

Stage Two: Despatching an advance letter, an information sheet about the workplace pension reforms and to organisations with 20 or more employees a paper 'interview preparation form'. The option to complete the preparation form online was also offered at this stage, to employers with 20 or more employees.

Stage Three: The main interview with the person identified at stage one.

5 Advanced letter, information sheet, interview preparation form and website

As in previous years, an advanced letter, information sheet and interview preparation form were sent to the person identified at stage one of the fieldwork before they took part in the main interview at stage three.

The letter was tailored to the size of the organisation, with a different version of the letter being produced for:

- small employers (1 to 19 employees);
- medium and large employers (20 to 4,999 employees); and
- very large employers (census – 5,000+ employees).

The letter was despatched on DWP headed paper, this helped to reassure respondents of the genuine nature of the research and therefore encourage response. The letter explained the purpose of the research in terms of collecting information to help inform key government policies on future pension arrangements. The letter also explained that organisations had been randomly selected to participate in the research and that an interviewer would be in touch in the future. Contact details were provided for a member of the research team at TNS-BMRB so that any organisation could get in touch if they had any queries about the research.

Before taking part in the survey, respondents working for organisations with 20 or more employees were asked to record some information about their organisation on an interview preparation form to use as a guide during the interview. The preparation form provided a description of the main types of pension schemes the organisation might provide and contained some of the key factual questions asked during the survey. This allowed respondents to gather the more complex and detailed information required before taking part in the survey, as they would be unlikely to be able to answer the questions accurately in a telephone interview without having been able to reference the information requested beforehand.

Respondents working for organisations with 20 or more employees were also given the option of completing the interview preparation form online, before taking part in the telephone interview. The on-line information was then pulled into the telephone interview meaning that the questions were not re-asked during the survey.

As in the 2011 survey, alongside the letter, employers were sent an information sheet which provided employers with background information on the government's proposals for workplace pension reform.

To help encourage response, a website was created for respondents to access: http://www.surveyofpensions.org/. The website was mentioned in the advance letter and respondents were encouraged to access the site if they wanted more detailed information on the survey. The website also contained some extracts from previous reports so respondents could understand the nature of the survey and how the results would be used. Via the website respondents were able to access the online version of the interview preparation form and were also able to download a copy of the letter, the information sheet and the paper interview preparation form.

6 Questionnaire

The EPP questionnaire takes an average of 30 minutes to complete. The structure of the questionnaire is such that an employer offering access to a higher number of pension schemes will have a slightly longer interview length. Smaller employers tended to have a slightly shorter interview (around 25 minutes), while larger employers tended to have a slightly longer interview length (around 35 minutes).

The questionnaire consisted of eight main sections:

Section A: About the organisation

This section collected a range of information about the organisation, including the type of organisation and its workforce composition.

Section B: Selection of schemes

This section collected information on the types of pension schemes and arrangements the organisation had in place and also included some questions for non-pension providing employers. For the first time this included whether organisations had enrolled employees into the National Employer Savings Trust (NEST).[57]

Section C: Stakeholder pension schemes

This section collected detailed information on any stakeholder schemes the organisation had in place, including details on contributions.

Section D: NEST schemes

This section collected detailed information about enrolment into NEST.

Section E: Occupational schemes

This section collected information on the type, size and valuation of occupational pension schemes, information on contributions and other topical issues.

Section F: Group personal pensions

This section collected information on group personal pension (GPP) arrangements, including contributions.

Section G: Multiple pension membership and attitude to risk

This section collected information about multiple pension membership and attitudes to risk exploring potential options for Defined Ambition pension schemes.

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57 NEST was set up by government to support automatic enrolment. NEST is one of many qualifying schemes an employer can choose to use to fulfil their automatic enrolment duties, but it is the only scheme with a public service obligation that requires it to accept any employer who wishes to use it for automatic enrolment.

Section H: Employers intentions module

This section looked at the extent of awareness of the workplace pension reforms among employers and explored their attitudes and likely responses in relation to key aspects of the policy. Some employers would have passed their staging date while others were still approaching their staging date, so the questionnaire was designed to route employers to questions regarding what they had done as a result of the reforms or what they intended to do, as appropriate.

This section of the questionnaire included sections on:

- scheme set up and preparation;
- early automatic enrolment;
- waiting periods;
- enrolment destinations;
- contribution rates; and
- responses to increases in costs.

The survey was conducted using CATI software. The same version of the questionnaire was used for all organisations with the relevant routing built into the CATI script. Section C was repeated for each SHP scheme the organisation had in place, up to a maximum of three times. Sections E and F were repeated for each occupational or GPP scheme the organisation had in place. For Sections E and F, to limit the burden on respondents, only the three largest schemes, based on the number of active members, were asked about in full detail. Where organisations had more than three schemes they were only asked a reduced subset of questions for schemes 4 to 6. This subset of questions included key questions to allow classification of the type of provision and the extent of provision made across the workforce. Where organisations had a number of pension schemes in place or a particularly complicated set of arrangements, filtering the questionnaire in this way and asking a reduced set of questions for some provision ensured the burden on respondents was kept to a minimum. Very basic information was also collected for schemes 7 and 8, but this was limited to the number of employees participating in the scheme.

7 Response rate

Table A.5 shows that from the initial issued sample of 7,352 a total of 462 cases (6 per cent) were established as being out of scope for various reasons. From the remaining sample a total of 3,079 interviews were achieved, representing a response rate of 45 per cent. The main reason for non-response was refusal (31 per cent). Respondents away during the fieldwork period or those who could not commit to a time to complete the survey (general call backs) accounted for 15 per cent of the eligible sample.

Table A.5 Response rate for main stage sample

	Screened sample	
	N	**%**
Total issued sample	**7,352**	**100**
Out of scope		
Number incorrect/unobtainable	21	0.29%
Fax/computer line	0	0.00%
Duplicate record	62	0.84%
Ineligible company[1]	379	5.16%
Total out of scope	462	6.28%
Total eligible sample	**6,890**	**100**
Unproductive outcomes		
Abandoned/incomplete interviews	88	1.28%
No reply/engaged	231	3.35%
40+ unsuccessful calls (with contact)	311	4.51%
Refused	2,145	31.13%
Away during fieldwork period	555	8.06%
General call back	481	6.98%
Total unproductive	3,811	55.31%
Total interviews	3,079	44.69%

1 Reasons for ineligibility included companies with no employees, companies that had closed down or moved, and companies that categorised themselves as being in the public sector.

Table A.6 shows response rate broken down by size category. Among smaller companies, the main reasons for companies being ineligible were primarily because it was established they had no employees or the company had gone out of business. For larger companies, very few were recorded as being out of scope, a small proportion had closed down and a small number of duplicate numbers were identified during fieldwork. This shows that there were no strong non-response biases based on employer size. The highest response rate (50 per cent) was achieved among the largest employers with over 5,000 employees.

Table A.6 Main stage response rates by size band

Size band	Issued sample	Out of scope		Total in scope	Total non-response	Achieved interviews[1]	Response rate
	N	N	%	N	N	N	%
Small (1–19)	2,455	336	13.0	2,119	1,717	969	45.7
Medium (20–499)	2,674	57	1.8	2,617	2,163	1,182	45.2
Large (500–4,999)	1,929	59	2.7	1,870	1,103	786	42.0
Very large (5,000+)	294	10	3.1	284	144	142	50.0
Total	7,352	462	6.3	6,890	3811	3,079	44.7

[1] It should be noted that the response analysis has been done on the basis of the number of employees as taken from the IDBR. Since the analysis in the rest of the report uses the number of employees given in the interview, the number of interviews achieved in each size band will not match the tables in the main part of the report.

8 Data preparation and data output

The CATI questionnaire incorporated a number of checks to try and resolve any discrepancies during the interview. The only post-interview editing was generally limited to correcting any filtering inconsistencies that occurred as a result of any responses in 'other' category being back-coded into an existing pre-code.

All verbatim answers at 'other–specify' and open-ended questions were inspected by coders. This resulted in some additional codes being added to the code frames of some questions. In all questions, the aim was to reduce the proportion of answers left in the non-specific 'other' category to below 10 per cent.

The final SPSS file produced was at the level of the company or organisation and consisted of 3,079 records.

9 Weighting

The aim of weighting is to remove observed biases from the achieved sample. This ensures that the survey estimates are representative of the population along those dimensions that have been targeted in the weighting methodology. By removing these observed biases one also expects to decrease the risk that unobserved biases remain present in the weighted data.

The survey population for EPP 2013 comprised all private sector enterprises in Great Britain with one or more employee, except those operating in primary, secondary or higher education (i.e. SIC(2007) Groups 85.2, 85.3 and 85.4). This population comprises 1.7 million enterprises which, together, employ around 21.2 million employees.

The sample for the survey was selected from the IDBR held by the ONS. Enterprises on the register were divided into 16 strata, and a total of 25,872 units were then selected using disproportionate stratified sampling. The sampling fractions were smallest for those enterprises with one employee and largest for those with 1,000 or more employees.

Universe counts were provided by ONS along with the selected sample. However, these universe counts included enterprises from the education sectors listed above. The size and profile of the universe without these units was therefore estimated by TNS-BMRB by examining the prevalence of enterprises from the aforementioned SIC groups within each cell of the selected sample, and projecting these figures back onto the population.

The weights for EPP 2013 were derived in four stages:

1 A design weight was applied to compensate for differences in the probability of selection within different IDBR size bands. This weight applied was the inverse of the effective sampling fraction within each size band, this being computed as: the number of units selected, divided by the estimated size of the universe in that size band. These sampling fractions are traditionally shown in Table A.1 in the Technical Report. As the sampling fractions are lowest for the smallest enterprises, the design weights are largest for these enterprises.

2 Once these differences in the probability of selection had been compensated for, the achieved sample was weighted to the IDBR population by means of a rim weighting procedure. The aim of the rim weighting is to ensure that the profile of the weighted sample by size (as reported in the interview) and industry closely approximates to the population profile of the universe as indicated by the IDBR. After applying design weights, the achieved sample typically has a lower proportion of small firms than suggested by the IDBR, because: (i) the lower visibility of phone numbers for the smallest businesses causes proportionately more attrition among smaller firms than larger firms during the phone number matching process; and (ii) the time lag between sampling and fieldwork gives time for firms to grow out of the lowest size band. The rim weighting therefore typically involves giving a further boost to the weights for smaller workplaces. The population totals that were used to derive the rim weights were based on the estimated distribution of the IDBR population by size of organisation (11 categories[58]) and industry group (19 categories[59]).

3 The under-representation in the selected sample of certain types of employer means that a small number of cases receive very large weights in the rim weighting procedure. To reduce the influence of a very small number of cases on individual estimates, very large weights were capped (fixed) at a maximum value. This was done with the aim that one firm should not account for more than:

- 1 per cent of the weighted sum of firms in the full sample;
- 10 per cent of the weighted sum of firms in its size group; and
- 20 per cent of the weighted sum of firms in its industry class (there being more industry classes than size groups).

58 Categories (number of employees): 1, 2, 3, 4, 5, 6–12, 13–19, 20–49, 50–99, 100–249, 250 or more.

59 SIC (2007) Divisions A-S.

4 These thresholds are, of course, arbitrary, but they serve to reduce the dominance of any one case while also keeping the number of weights that are capped to a minimum. The process of capping large weights inevitably introduces some small element of sample bias, but it has the value of reducing the influence of individual cases and is also likely to reduce standard errors (thus reducing mean square error). In fact the profile of the weighted sample was not altered to any substantial degree during the capping process.

5 Once the firm-level weight has been derived, it is multiplied by employment (as reported in the interview) to provide an employment-based weight. Checks are made to ensure that the weighted sample provides a reasonable approximation of the profile of employment in the universe (again using population data from the IDBR). Checks are also made to ensure that there are no large employment weights. Specifically, we seek to ensure that no individual firm accounts for more than:

- 2.5 per cent of the weighted sum of employment in the full sample; and
- 5 per cent of the weighted sum of active members in the full sample.

6 If a firm is found to exceed these thresholds, its firm-level weight is scaled back accordingly and the employment-weight re-derived as the multiple of this new weight and interview size (the aim is to ensure that the employment-based weight is always a simple multiple of the firm-based weight and interview size).

7 Finally the weights are re-scaled so that the sum of weighted cases in the full sample equals 100. The individual weight for each case then indicates its percentage contribution to any statistic based on the full sample.

In practice, the derivation of the weights is an iterative process involving repeated applications of the rim weighting procedure in order to identify a set of weights that perform best in bringing the sample profile into line with the population profile in respect of both firms and employment. These weights must then be examined in detail to identify dominant weights that exceed the thresholds noted in points 3 and 4 above. The final capped versions must then be evaluated against each other. The derivation of weights that meet each of the stated objectives is far from easy and is an inherent challenge in any employer survey.

The final weighted profile for EPP 2013 is detailed in Table A.7. This compares the universe profile with that of the final weighted sample for both employer and employee estimates.

Table A.7 Population estimates and weighting profile for EPP 2013

	Employers		Employees	
Employer size	Universe %	EPP achieved weighted sample %	Universe %	EPP achieved weighted sample %
1	41.5%	41.3%	3.3%	3.4%
2	18.0%	17.9%	2.9%	2.9%
3	8.7%	8.8%	2.1%	2.1%
4	5.8%	5.9%	1.9%	1.9%
5–12	16.2%	16.3%	9.6%	10.0%
13–19	3.9%	3.9%	4.9%	5.0%
20–49	3.8%	3.8%	9.1%	9.1%
50–99	1.1%	1.1%	6.3%	6.2%
100–249	0.6%	0.6%	7.7%	7.7%
250–499	0.2%	0.2%	5.8%	4.6%
500–999	0.1%	0.1%	5.9%	5.5%
1,000–4999	0.1%	0.1%	14.1%	15.2%
5,000+	0.0%	0.0%	26.4%	26.4%
All	100.0%	100.0%	100.0%	100.0%

The same process for deriving the weights was used in EPP 2007, 2009 and 2011. The only notable differences were that:

- The 2007 and 2009 data relied upon SIC (2003) whereas the 2011 and 2013 data rely upon SIC (2007). One implication is that Stage 2 of the rim weighting procedure used 19 industry categories in 2011 and 2013, compared with just 10 in 2007 and 2009.
- EPP 2013 was the first survey for which the weighting methodology used universe estimates that excluded enterprises from SIC (2007) Groups 82.2, 82,3 and 82.4. This represents a minor improvement on the weighting methodology when compared with earlier years.

We do not expect these issues to have a substantive effect on the comparability of the data between years.

Appendix B
Population profiles, 2009 to 2013

Table B.1 Profile of organisations and employment, by size of organisation, 2009 to 2013

						Column percentages
		Organisations			**Employment**	
Size of organisation	**2009**	**2011**	**2013**	**2009**	**2011**	**2013**
1–4 employees	73	74	74	12	11	10
5–12 employees	17	17	16	10	10	10
13–19 employees	4	4	4	5	5	5
20–49 employees	4	4	4	9	9	9
50–99 employees	1	1	1	6	7	6
100–499 employees	1	1	1	14	12	12
500–999 employees	0	0	0	4	6	6
1,000+ employees	0	0	0	40	41	42
Weighted base	*2,519*	*3,093*	*3,079*	*2,519*	*3,093*	*3,079*
Unweighted base	*2,519*	*3,093*	*3,079*	*2,519*	*3,093*	*3,079*

Base: All private sector organisations.

Appendix C
Standard errors for key estimates

The standard error of a survey estimate is a measure of the statistical precision of that estimate. There is a 95 per cent probability that the true value lies within a range that extends two standard errors either side of the survey estimate.

Table C.1 Overall incidence and type of provision, 2013

				Cell percentages
Type of provision	**Private sector organisations**	**Employees working for private sector organisations**	**Active members as % of all private sector employees**	**Active members of pension schemes**
Any occupational scheme	2.3 (0.4)	44.6 (2.5)	16.1 (1.6)	46.3 (3.2)
Defined benefit	1.1 (0.3)	30.9 (2.7)	6.1 (1.1)	17.9 (3.0)
Defined contribution	0.3 (0.1)	19.4 (2.3)	6.9 (1.2)	19.4 (3.2)
Hybrid	0.2 (0.1)	8.2 (1.3)	3.6 (0.8)	8.3 (1.9)
GPP scheme	5.4 (1.0)	34.4 (2.5)	9.9 (0.7)	28.4 (2.4)
GSIPP	0.3 (0.1)	3.9 (1.3)	0.5 (0.1)	1.3 (2.5)
Workplace SHP scheme	12.0 (1.2)	36.6 (2.3)	5.3 (0.7)	15.4 (2.0)
Access to NEST scheme	0.8 (0.6)	5.6 (1.3)	1.5 (0.6)	3.8 (1.7)
Contributions to personal pensions	17.8 (2.3)	18.2 (1.7)	2.3 (0.3)	6.7 (0.9)
Any provision	32.5 (2.5)	79.3 (1.3)	34.7 (1.7)	100.0 (0.0)
Any workplace pension scheme	18.6 (1.7)	76.1 (1.4)		

Base: All private sector organisations.
Notes:
a. Standard errors are in parentheses and take account of the complex design of the survey sample.
b. All figures in the table have been rounded to one decimal place; in Table 2.4 all estimates are rounded to integers.

Table C.2 Incidence of open schemes and those attracting employer contributions, 2013

Cell percentages

Type of open provision	Private sector organisations	Employees working for private sector organisations
Any open occupational scheme	1.3 (0.3)	29.4 (2.7)
Defined benefit	0.7 (0.2)	10.2 (2.1)
Defined contribution	0.4 (0.1)	16.0 (2.3)
Hybrid	0.1 (0.0)	5.9 (1.2)
Open GPP scheme	4.2 (0.9)	31.0 (2.5)
With employer contributions	4.0 (0.9)	30.2 (2.5)
Open SHP scheme	10.6 (1.0)	31.2 (2.2)
With employer contributions	4.5 (0.8)	14.5 (1.9)
Open NEST scheme	0.8 (0.6)	5.5 (1.3)
Any open workplace pension scheme	15.8 (1.5)	72.8 (1.5)
With employer contributions	10.1 (1.3)	62.7 (1.9)

Base: All private sector organisations.
Notes:
a. Standard errors are in parentheses and take account of the complex design of the survey sample.
b. All figures in the table have been rounded to one decimal place; in Table 2.9 all estimates are rounded to integers.