Department for Work & Pensions

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Social Science in Government

Automatic enrolment: Qualitative research with employers staging in 2014

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Research Report No 899

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Summary

Automatic enrolment is a response to some of the challenges facing the UK pensions system, and ultimately to the issue of millions of individuals in the UK not saving enough for their retirement. It will require employers to automatically enrol eligible workers into a qualifying workplace pension scheme. Individuals have the right to opt out of the scheme. Automatic enrolment is being staged in between October 2012 and February 2018 by employer size, starting with the largest employers.

Once fully implemented the reforms aim to increase the number of individuals newly saving or saving more in a workplace pension by around nine million, within a range of eight to nine million, and increase the amount saved in workplace pensions by around £11 billion a year, within a range of £8 billion to £12 billion.[1] This research was commissioned to understand the impact of automatic enrolment on employers with staging dates between January and July 2014 and to measure opt out rates.

The research was carried out between January 2014 and September 2014 with 50 employers with staging dates between January and July 2014. The research consisted of three strands including in-depth interviews with the lead person responsible for pensions, collection of management information and in-depth interviews with workers who have opted out.

Key findings

- Across all the employers in the study the average opt-out rate was twelve per cent. Most individual employers had an opt-out rate ranging between five per cent and 15 per cent. Average participation in these employers increased from 43 per cent to 73 per cent.
- Opt-out rates were highest among the 50+ age group, who were roughly twice as likely as other age cohorts to opt out.
- Workers' reasons for opting out were all related to their personal financial circumstances.
- Employers with staging dates in 2014 usually began preparing 3-6 months in advance of their staging date.
- Most employers reported an average total implementation cost of between £200 and £700. Use of paid advice would significantly increase this cost.
- These employers reported the main cost of implementing automatic enrolment to be in terms of staff time.
- It was slightly more common for employers to make the minimum one per cent contributions than to make higher contributions.
- Most employers felt comfortable with contribution rates as they presently stand.

1 DWP (2014), *Automatic enrolment evaluation report 2014*. At: www.gov.uk/government/uploads/system/uploads/attachment_data/file/377120/rr887-automatic-enrolment-evaluation-2014.pdf

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Glossary of terms

Active member	A **member** who is currently accruing benefits in a pension scheme.
Automatic enrolment	Pension scheme enrolment technique whereby an employer enrols **eligible jobholders** in the **workplace pension** scheme 'automatically' – i.e. without the jobholder having to make a separate application for membership. Individuals who are automatically enrolled are free to **opt out** or **cease active membership** at any time, but need to take action to do so.
Automatic enrolment scheme	A **qualifying scheme** that meets additional criteria to be an **automatic enrolment** scheme. **Eligible jobholders** who are not already a member of a qualifying scheme on the employer's **staging date** must be automatically enrolled into an automatic enrolment scheme.
Ceasing active membership	In the context of this report, if an eligible jobholder chooses to leave an **automatic enrolment scheme** after the end of the **opt-out period**, they are said to cease active membership.
Contractual enrolment	If an employer chooses to include enrolment into a pension scheme as part of a **worker's** employment contract, this is known as **contractual enrolment**. This is not classified as **automatic enrolment** because the worker is considered to have consented to **active membership** of the scheme.
Contribution levels	As required by law, Defined Contribution schemes have minimum contribution levels. Until 30 September 2017, the total minimum contribution required by law is two per cent of the worker's salary, including a minimum employer contribution of one per cent.
Defined Benefit scheme	**Occupational pension** scheme specifying the benefits that are paid on retirement (e.g. a fraction of salary for each year of service). Also known as a 'salary-related' scheme.
Defined Contribution scheme	**Occupational pension** scheme where the amount of pension is determined by **contributions** paid into the scheme and investment returns. Also known as a 'money purchase' scheme.
Earnings trigger for automatic enrolment	The amount of **qualifying earnings** a **worker** must earn before the duty for their employer to **automatically enrol** the worker is triggered. For the 2014/2015 tax year, this is set at £10,000. This figure will be reviewed annually by the Government.

Eligible jobholder	Eligible jobholders are 'eligible' for **automatic enrolment** and are **jobholders** who are aged at least 22, but have not yet reached **State Pension age**, and earn above the **earnings trigger for automatic enrolment**.
Employee Benefits Consultant	An adviser, or firm of advisers, that advises employers on employment benefits packages that it might offer to its employees, including pensions and other benefits.
Entitled worker	A **worker** who is aged at least 16 and under 75; works, or ordinarily works, in the UK; and earns below the lower earnings level of **qualifying earnings**. Entitled workers are not eligible for **automatic enrolment**, although they can choose to join a **workplace pension**. Their employer is not required to make a contribution if they do so.
Fixed protection	On 6 April 2006, a lifetime allowance for pension funds was introduced. Where individuals already had a pension fund greater than the lifetime allowance, they were eligible to apply for enhanced protection. This meant that they were exempt from tax on pension savings beyond the lifetime allowance, provided that the individual saved nothing further into a pension in their lifetime. On 6 April 2012, the lifetime allowance was reduced. Individuals seeking to be exempt from tax on savings above this lower allowance could apply for a new form of protection. Also known as enhanced protection.
Group Personal Pension	An arrangement made for the employees of a particular employer, or for a group of self-employed individuals, to participate in a **personal pension** scheme on a grouped basis.
Independent Financial Adviser	An adviser, or firm of advisers, that is in a position to review all the available products and companies in the market as the basis for recommendations to clients. All IFAs are regulated by the Financial Conduct Authority.
Jobholder	A **worker** who is aged at least 16 and under 75; works, or ordinarily works in the UK; and earns above the lower earnings level for qualifying earnings. The category of jobholder is divided further into two groups: **eligible jobholders** and **non-eligible jobholders**.
Joining window	The one-month period from an **eligible jobholder's automatic enrolment** date. Within this period the employer must give information to the pension scheme about the eligible jobholder; give enrolment information to the eligible jobholder; and make arrangements to achieve **active membership** for the eligible jobholder, effective from their automatic enrolment date.

Local Government Pension Scheme	A nationwide pension scheme for people working in local government, or for other types of participating employers including local authorities and public service organisations.
Member	A person who has joined a pension scheme and who is entitled to benefits under it.
NEST	The National Employment Savings Trust. An occupational pension scheme established by legislation. NEST is aimed at **eligible jobholders** on moderate to low incomes, who do not have access to a good-quality **workplace pension**.
Non-eligible jobholder	Non-eligible jobholders are not eligible for automatic enrolment, although they can choose to 'opt in' to an **automatic enrolment scheme**. If they do, their employer must still make a contribution. They are **jobholders** who: are aged at least 16 and under 75; and earn above the lower earnings level of **qualifying earnings** but below the **earnings trigger for automatic enrolment**. Or, are aged at least 16 but under 22, or between **State Pension age** and under 75; and earn above the **earnings trigger for automatic enrolment**.
Occupational pension	A pension scheme 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 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.
Opt in	**Eligible jobholders** can choose to opt in to the pension scheme nominated by the employer for **automatic enrolment** during the **postponement** period, where applicable. **Non-eligible jobholders** have the right to do the same at any time.
Opt out	Where a jobholder has been **automatically enrolled**, they can choose to 'opt out' of a pension scheme. This has the effect of undoing **active membership**, as if the **worker** had never been a **member** of a scheme on that occasion. It can only happen within a specific time period, known as the **'opt-out period'**.

Opt-out period	A **jobholder** who becomes an **active member** of a pension scheme under the **automatic enrolment** provisions has a period of time during which they can **opt out**. If a jobholder wants to opt out, they must do so within one month, from and including the first day of the opt-out period. The opt-out period begins one month after the worker has both become an active member and been provided with written confirmation of this.
PAYE	PAYE (Pay As You Earn) is the system that Her Majesty's Revenue and Customs (HMRC) uses to collect Income Tax and National Insurance contributions from employees. They are deducted throughout the tax year based on the employees' earnings and then paid to HMRC.
Pay reference period	The frequency that income is paid to an employee, e.g. weekly or monthly.
Personal pension	A pension that is provided through a contract between an individual and a **pension provider**. The term generally comprises personal pensions, which are arranged by individual employees, and Group Personal Pensions, access to which is facilitated by an employer.
Phasing	For **Defined Contribution** schemes, the gradual phasing-in of contribution levels until they reach the minimum level required by law. The total minimum contribution will remain at two per cent of the worker's salary, including a minimum employer contribution of one per cent, and tax relief of 0.2 per cent, until 30 September 2017. From October 2017, the minimum contribution rises to five per cent, including a minimum employer contribution of two per cent, and tax relief of 0.6 per cent. The contribution level then rises again to a total of eight per cent, including a minimum employer contribution of three per cent and tax relief of one per cent, from 1 October, 2018.
Postponement	Postponement is an additional flexibility for an employer that allows them to choose to postpone **automatic enrolment** for a period of their choice of up to three months. Postponement can only be used for a worker on the employer's **staging date**; the first day of worker's employment; or on the date a worker employed by them meets the criteria to be an **eligible jobholder**. Postponement is also known as a **waiting period**.
Provider	An organisation, usually a bank, life assurance company or building society, which sets up and administers a pension scheme on behalf of an individual or trust.

Qualifying earnings	In the context of the **workplace pension reforms** this refers to the part of an individuals' earnings on which contributions into a **qualifying pension scheme** will be made. A worker's earnings below the lower level and above the upper level are not taken into account when working out pension contributions. For the 2014/2015 tax year, the lower level is set at £5,772 and the upper level is set at £41,865. These figures will be reviewed annually by the Government.
Qualifying pension scheme	A pension scheme that meets certain minimum standards set by legislation. There are different standards, depending on the type of scheme.
Registration	A duty on employers to tell the regulator information about the pension scheme they are using and how many people they have enrolled into it for automatic enrolment.
Staging	The staggered introduction of the new employer duties, from 2012, starting with the largest employers, based on **PAYE** scheme size, in October 2012, to the smallest in 2017. New **PAYE** schemes from April 2012 will be staged in last, in 2017 and 2018.
Staging date	The date on which an employer is required to begin **automatic enrolment**. It is determined by the total number of workers in an employer's largest **PAYE** scheme.
Stakeholder pension	A **personal pension** scheme that complied with government regulations, which limited charges and allowed individuals flexibility about contributions, introduced in April 2001. These ceased to be mandatory after the **workplace pension reforms** were introduced.
State Pension age	The State Pension is currently paid to people who reach the State Pension age of 65 for men and 60 for women and who fulfil the conditions of the National Insurance contributions. At the time of fieldwork, legislation was in place to increase the State Pension age for women to 65 by 2020, and to 66 for both men and women by 2026.
The Pensions Regulator	The Pensions Regulator (TPR), referred to in this report as 'the regulator,' is the UK regulator of work-based pension schemes. The regulator is responsible for ensuring employers are aware of their duties relating to **automatic enrolment** and how to comply with them. It uses a programme of targeted communications and a range of information to help employers understand what they need to do, and by when.

Waiting period	See **Postponement**. These terms are used interchangeably throughout the report.
Worker	An employee, or a person who has a contract to provide work or services personally and is not undertaking the work as part of their own business.
Workplace pension	Any pension scheme provided as part of an arrangement made for the employees of a particular employer.
Workplace pension reforms	The reforms introduced as part of the Pensions Act 2008 (and updated as part of the Pensions Act 2011): the measures include a duty on employers, starting in 2012 and on a rolling-programme basis, to **automatically enrol** all **eligible jobholders** into an **automatic enrolment pension scheme**.

List of abbreviations

DB	Defined Benefit
DC	Defined Contribution
DWP	Department for Work and Pensions
EBC	Employee Benefits Consultant
GPP	Group Personal Pension
HMRC	HM Revenue and Customs
HR	Human Resources
IFA	Independent Financial Adviser
IT	Information Technology
LGPS	Local Government Pension Scheme
MI	Management Information
NEST	National Employment Savings Trust
NHS	National Health Service
NI	National Insurance
PAYE	Pay As You Earn
PLC	Public Limited Company
PRP	Pay Reference Period
SPa	State Pension age
TPR	The Pensions Regulator (referred to as 'the regulator')
VAT	Value Added Tax

Executive summary

This report provides the findings from a study commissioned by the Department for Work and Pensions (DWP), to evaluate employers' and workers' experiences of automatic enrolment. The research was designed to assess the effect of automatic enrolment on employers and their organisations. In particular, it sought to measure opt-out rates and understand their effect on workplace pension scheme participation.

Background

The workplace pension reforms require employers to automatically enrol all eligible workers aged between 22 and State Pension age (SPa) into a qualifying workplace pension scheme. Workers have the option to leave the scheme ('opt out') within the month-long 'opt -out period' that follows their enrolment, if they do not want to save in the workplace pension into which their employer enrols them. Once they have enrolled eligible workers into a workplace scheme, employers must make a contribution to those workers' pension savings. The minimum contribution levels for all automatic enrolment schemes are being phased in. Until the end of September 2017, the minimum contribution rate must total two per cent of the salary of each worker who is automatically enrolled, with at least one per cent provided by the employer.

Scope of the research

The research consisted of three strands:

- qualitative depth interviews with 50 employers, conducted with at least one person who had been involved in the implementation of automatic enrolment;
- analysis of administrative data provided by these employers, including details of any pension arrangements offered prior to automatic enrolment, and details of the numbers and types of workers who opted out after being automatically enrolled;
- qualitative depth interviews with 100 workers who had chosen to opt out of these employers' schemes after being automatically enrolled.

The employers who took part in the research all had one of five staging dates between January and July 2014. The sample of employers in this study encompassed a range of sectors including professional services, retail, manufacturing, health and social care, education, leisure and construction. This included both public and private sector employers. The workers who took part in the research were based at 42 of the 50 employers included in the study. They had all opted out within one month of being informed that they had been automatically enrolled.

Worker opt outs

Opt-out rates

The employers included in the study represented a combined total workforce of around 7,900 workers. Of these, 43 per cent, representing about 3,400 workers, already participated in a pension scheme before automatic enrolment came into force. Just over one-third, or 34 per cent, of the total workforce was made up of eligible jobholders, who were automatically enrolled: this represents a total of over 2,700 individuals. The remaining 23 per cent in the ‘other’ category included groups such as non-eligible jobholders, individuals who were nominally on the payroll but not currently working, and other workers who could not be categorised for the research.

The overall opt-out rate was 12 per cent in the first month after automatic enrolment. There was some variation in opt-out rates which ranged from five per cent to 15 per cent across most employers. Taking into account opt outs, automatic enrolment increased pension scheme participation rates from 43 per cent to 73 per cent across all 50 employers.

Over the two to three months following the opt-out period, the average ‘ceasing active membership’ rate was around two percentage points In other words, a typical 12 per cent opt-out rate might increase to around 14 per cent of all employees having left the scheme two or three months afterwards. Just over half of the employers in the study reported that workers outside the eligible population for automatic enrolment had opted into the workplace scheme. These opt ins represented just over one per cent of the overall workforce at participating employers.

The primary demographic characteristic that appeared to have a consistent impact on opt-out rates was age. In particular, opt-out rates were highest among the 50+ age group, and were often around twice as high here as among other age cohorts. This is consistent with findings from qualitative research with large employers who staged in 2012 and 2013[2], although at the time this was not treated as being significant due to only a small number of employers providing age-specific data. Part-time workers were also more likely to opt out than those working on a full-time basis.

We discuss opt-out rates in greater detail in Chapter 5.

Reasons for opting out

The reasons that workers gave for opting out of the workplace pension scheme related almost universally to their personal circumstances, and had very little to do with any characteristics relating to their employer. It was relatively rare for workers to mention just one reason for opting out: typically, they would refer to several, often overlapping reasons.

The most common reason workers gave for opting out was that they were concerned that they could not afford to make worker contributions. However, workers who cited issues of affordability were not necessarily workers on the lowest income brackets, and typically had a personal annual income of around £20,000 – £30,000 before tax.

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2 DWP (2013). *Automatic enrolment: Qualitative research with large employers*. At: www.gov.uk/government/publications/automatic-enrolment-qualitative-research-with-large-employers-rr851

Workers' second most common reason for opting out was that they already had something in place that they planned to use to fund their retirement. Workers who felt that they had sufficient retirement provision were not necessarily within the highest income brackets: around half had a personal annual income above £30,000. Some workers felt that once they had put some provision in place to act as retirement income in the future, they had resolved the issue of saving for retirement and did not need any further provision.

Some workers felt that they did not have sufficient time to save into a pension before they reached the point of retirement, to make 'staying in' worthwhile. Most of the workers who cited this as a reason to opt out were aged over 50, but a few were in their forties. It was common for workers who felt they were close to retirement to have relatively vague plans as to when they would retire, typically suggesting that this would happen in around five to ten years.

For some workers, the level of employer contribution on offer was simply not high enough to attract them to stay in the pension scheme. Only around half the workers who mentioned a low contribution rate as influencing their decision to opt out were being offered a scheme with one per cent matched contributions, the minimum level that can be offered. A few workers opted out because they did not plan to work at that employer for much longer. These workers usually felt that it was not worthwhile accumulating a small pension pot with one employer, which they might forget to keep track of once they were employed elsewhere.

A few workers mentioned that they had general concerns about pensions as a savings vehicle. These workers were typically more attracted to other types of savings and investments, and were uncertain about the kind of return they would get from this new pension.

Chapter 6 of this report explores workers' reasons for opting out in detail.

Attitudes to saving for retirement

Nearly all the workers we spoke to agreed in principle that individuals should assume a degree of personal responsibility for supporting themselves financially after retiring. It became evident during the interview, however, that a few workers were relying partially or heavily on provision that would come from their family or the State. Most workers did not know how much the State Pension was currently worth.

It was common for workers to suggest that they would retire at SPa, without necessarily having made financial provision to secure a comfortable retirement, or knowing that they would have done so by that point in time. Although most were reluctant to state explicitly that they would be dependent on the State Pension, most felt that they would retire at that point, either because they appeared to be more or less consciously expecting to rely to some degree on the State Pension for income, or because they would be falling in line with a cultural norm. Many also anticipate their health to play a role in this decision.

A small number of workers were planning to retire before reaching State Pension age. This was normally because they had provision in place: some of these suggested, for example, that they would retire around the time that they began drawing another workplace or private pension. It was common, however, for workers to describe themselves as open to the idea of working beyond the age at which they would be entitled to begin receiving the State Pension.

We discuss attitudes to saving for retirement in further detail, in Chapter 6.

Employer experiences

Make-up of participating employers

The employers included in this research had up to 499 employees, if staging in January 2014, or as few as 62 if staging in July. Nearly all of the employers in the Large Employers Study,[3] who had staged over 2012 and 2013, had a pensions department, headed by a Pensions Director or Pensions Manager, who typically had long and specialised experience dealing with pensions. None of the employers we interviewed in 2014 had a pensions department, and very few had a specific employee dedicated primarily to dealing with pensions.

The absence of a pensions department at any of the employers included in this study meant that nominating someone to implement automatic enrolment was typically not straightforward. The role of the individual in charge of implementation at employers staging in 2014 varied widely: at some, it was a Finance Director or even a Managing Director who was responsible for implementation; at others, it was someone in a more junior role, such as a Human Resources (HR) Officer or Payroll Assistant.

The employers who participated are discussed in further detail in Chapter 2.

Pension arrangements prior to automatic enrolment

Most employers had offered a workplace pension prior to automatic enrolment. However, many of these employers reported very low participation in existing schemes. Often the scheme in question was a stakeholder scheme that had been set up some years previously, but had rarely attracted many members. These stakeholder schemes typically offered little or no employer contribution, and were rarely promoted actively within the organisation.

A few of the employers we interviewed had not offered a workplace pension prior to the introduction of automatic enrolment. The individuals responsible for implementation at these employers tended to find the task relatively daunting, compared to other employers who had previously offered a scheme. Finally, a few of the employers who participated in the study had a pension scheme in place before automatic enrolment with little or no participation: fewer than ten workers were members.

Where an employer had made the decision to promote their previous scheme and offer an employer contribution, take-up was usually relatively high. These employers were likely to be able to place someone in charge of automatic enrolment who had previous experience in dealing with pensions, and understood pensions terminology.

Chapter 2 covers employers' previous pension arrangements in further detail.

Preparing for automatic enrolment

It was common for employers to recall that they began researching their obligations around three to six months ahead of staging. Employers staging in 2014 were usually able to prepare for automatic enrolment at this stage because many of the processes involved in their preparations were relatively straightforward, with lower volumes of worker data, and fewer workers with 'atypical' employment contracts, than were reported by the very large employers staging in 2012 and 2013.

[3] ibid.

Some employers in this study had put a relatively senior employee – for example, the Finance Director – in charge of automatic enrolment. In these cases, this individual tended to approach the task with a high degree of confidence: some had been aware of the pension reforms long in advance of their staging date. At smaller employers staging in May and July, it became more common to find a relatively junior individual in charge of preparing for automatic enrolment, their responsibilities typically relating to HR or payroll. These relatively junior employees tended to find implementation quite challenging, due not only to a lack of direct experience with pensions or finance more generally, but also to their job already requiring a high degree of multi-tasking. Once an employer had put somebody in charge of automatic enrolment, that person was generally left to work on this alone.

Chapter 2 describes employers' preparations in full.

Use of information and advice

On learning their staging date for automatic enrolment, the first step nearly all employers took was to visit The Pensions Regulator's website. Feedback on the regulator's website was largely very positive.

Most employers had also attended one or more events in the early stages of their preparations, typically run by a consultancy, or training sessions run by their payroll provider. Some employers mentioned that the events that they attended had been free of charge. For employers who could not afford, or did not want to spend a lot of time or money on preparing for automatic enrolment, it was important to access what was perceived as expert or official advice whenever they could.

Those employers who were willing and able to pay for advice generally found that advice to be very helpful. Typically, employers would use the services of an Independent Financial Adviser (IFA), an accountant, an Employee Benefits Consultant or someone they described as a 'broker.' Employers were more likely to call upon an adviser where they already had an ongoing relationship with one. If an adviser was responsible for recommending a provider, the employer usually accepted their recommendations with little hesitation.

Chapter 2 looks in more detail at employers' use of information and advice.

Choosing a pension scheme and contribution levels

It was slightly more common for employers to automatically enrol workers at the minimum one per cent matched contribution rate. Employers providing higher contributions had often had a pension in place with high take-up prior to the introduction of automatic enrolment. These employers were still typically contributing no more than a maximum of five per cent of the worker's earnings. It was common for employers to voice concerns that for most workers, a combined two per cent contribution would not provide a comfortable retirement.

While most employers who took part in this study had a pension scheme in place prior to the introduction of automatic enrolment, only a few were able to use that current scheme for automatic enrolment, usually either because they knew or assumed that it was not compliant. Many employers went through a relatively brief process of choosing a new provider, typically only reviewing master trusts. Most of the employees responsible for choosing the provider did not consider pensions to be part of their usual job role.

Scheme choice and employer contribution levels are covered in detail in Chapter 3.

Effort involved in implementing automatic enrolment

Some employers found implementing automatic enrolment more challenging than others, and the effort they needed to put in to successfully complete the process of decision-making and rollout depended to a large extent upon certain key factors:

- whether the employer already offered a workplace pension scheme, and how high the take-up of this existing scheme was;
- the seniority and expertise of the person responsible for implementation;
- the profile of their workforce: employers who had workers on similar and straightforward contracts, predictable monthly salaries, and low staff turnover generally found automatic enrolment much easier to implement than employers who did not.

These factors all affected the amount of time and effort that each employer needed to put into planning and implementing automatic enrolment: the size of employer was not the key factor that determined how challenging they would find automatic enrolment.

Chapter 2 describes the effort involved in employers' implementation of automatic enrolment.

Measuring the cost of implementation

Only rarely did employers who took part in this study say they had incurred substantial ad hoc costs as a result of implementing automatic enrolment, and in this, they differed from employers who staged in 2012-2013. For most employers, who did not hire an external organisation to provide them with advice or support during implementation, costs were very low and typically not measured. Employers who did choose to hire an external adviser tended to report that this raised their costs into the low thousands.

Most employers identified the main ad hoc cost of automatic enrolment as being the amount of internal resource that had been invested in preparations. Over the two to three months immediately before staging, they estimated that they had spent between a few hours and a full day per week on preparations.

In Chapter 3 we discuss the cost to employers in more detail.

Communicating automatic enrolment to workers

All of the employers we spoke to had issued at least one letter or email to inform their workers about automatic enrolment. Most commonly, employers had sent letters by post to workers at home. Some had issued the letters as PDF attachments with emails to workers. The employer contact was typically responsible for preparing these letters, and for delivering them either via post, email, pigeon-holes, or by hand. Some employers also provided information via posters, which they placed around offices, often in staff break-out areas.

Many employers we spoke to provided verbal information about automatic enrolment to workers. This was done either collectively, through presentations, roadshows or staff meetings, or individually, in one-to-one conversations or 'surgeries.' Face-to-face interaction with a group of workers was often logistically simpler at smaller employers who took part in the study, than at larger ones.

In Chapter 4 we describe employers' communications strategies in full.

Next steps and thoughts on the future

Most employers expected the ongoing administration of automatic enrolment to involve much less effort than implementation had. Typically, employers needed to enrol only a very small number of workers after their staging month.

A few employers felt that automatic enrolment placed too much onus on the employer, both in terms of the responsibility upon them to administer it, and from a financial perspective with the obligatory employer contribution. Most employers were pleased that the minimum employer contribution level had been set at one per cent, because this meant that the financial impact on the company was as low as possible.

Employers felt it was important to begin preparing for automatic enrolment early. However with smaller numbers of workers to organise and enrol, they generally recommended around six to nine months before the employers staging date, compared to the 12 to 18 months recommended by the largest employers, who staged in 2012 and 2013.

Chapters 7 and 8 describe employers' anticipated next steps, and their recommendations for employers staging in the future.

Five key messages for employers implementing automatic enrolment

1 Begin preparations at least six months in advance of the staging date

The employers interviewed often found that preparations had taken longer than they originally anticipated. They typically recommended that other employers should begin to review what they needed to do to comply with the regulations around six to nine months in advance of staging.

2 Remember that more preparation will be required in the final month prior to staging

Employers found that they could not assess their workers' eligibility for enrolment until they knew their working hours and salary for the first month after staging. If an employer had many workers with variable earnings, on different payrolls or with a variety of contracts, they often found that a lot of work was necessary to assess workers' eligibility for automatic enrolment.

3 Involve someone who is familiar with running your payroll from an early stage

Some employers found the process of assessing workers, calculating contributions and transferring these to the pension provider to be extremely complex and time-intensive. These tasks were, however, much easier if the person responsible for implementation was closely involved with running the organisation's payroll. Where the organisation outsourced their payroll, they usually found it helpful to consult with their provider as to how to handle automatic enrolment.

4 Communicate early, communicate widely

Some employers began communicating with their workers at a relatively early stage, and in a more general way, before getting into the specific details about what each individual's experience would entail. They recommended drip-feeding communications like this gradually to encourage workers to engage with potentially dry and complicated subject matter. Some employers also felt that using a variety of media helped to reach out to more workers in different ways.

5 Not all advice is prohibitively expensive

Those employers who could afford to hire a professional adviser generally found their input very useful. However, those who could not afford this often found that other sources of information and advice were available for little or no financial outlay. Some for example were able to leverage existing relationships with someone with experience in financial or employment matters. Others recommended free seminars by HR and employment consultancies. Free guidance and advice for employers can be found on the Pensions Regulator's website at: www.thepensionsregulator.gov.uk/doc-library/automatic-enrolment-detailed-guidance.aspx

1 Introduction

This report presents the findings from a qualitative research study that has evaluated the experiences of employers implementing automatic enrolment during 2014, and of workers at those organisations who decided to leave the workplace scheme after being enrolled. The study's overarching aim has been to assess and understand the impact of automatic enrolment both on employers, and on the workers that those employers enrol. Its specific objectives have included understanding both opt-out rates experienced at different employers, and the effect of automatic enrolment on workplace pension scheme participation, both at a general level among employers staging during 2014, and within particular organisations.

This first chapter describes the methodology used in the research, and provides further context for the study.

1.1 Background

The Pensions Act 2008 introduced measures that aim to encourage greater private saving for retirement. These measures included the changes to workplace pensions that came into effect in 2012; among them, the requirement for employers to automatically enrol certain groups of workers into a qualifying pension scheme, and to make a minimum contribution to it on their behalf. Both the Act, and automatic enrolment specifically, are responses to some of the key challenges facing the UK pensions system, and ultimately to the issue of millions of individuals not saving enough for their retirement. The Government intends that automatic enrolment will be successful in overcoming individuals' inertia in saving for retirement, and that once fully implemented, it will help to transform the culture of pension saving.

The workplace pension reforms require employers to automatically enrol all eligible workers[4] aged between 22 and State Pension age (SPa) into a qualifying workplace pension scheme. Workers have the option to leave the scheme ('opt out') within the month-long 'opt-out period' that follows their enrolment, if they do not want to save in the workplace pension into which their employer enrols them.[5] This said, automatic enrolment is designed to harness the inertia that previously characterised retirement saving: if workers take no action after being automatically enrolled, they will remain in the scheme, building up pension savings until they either leave that employer, or reach retirement.

By the end of staging in February 2018, the Department for Work and Pensions (DWP)

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4 Workers are eligible if they are at least 22 and under SPa, and earn over £10,000 per year (in 2014/15 terms). This is known as the 'earnings trigger for automatic enrolment'. In the 2014/15 pay reference period, the earnings trigger was £10,000 per year, and in 2013-14 it was £9,440 per year. When automatic enrolment began in 2012, the earnings trigger was £8,105.

5 The one month opt-out period starts from either the date on which the worker becomes an active member of the scheme, or the date on which they are informed that they have been automatically enrolled by the employer or provider, whichever of these two dates comes later.

estimates that around 11 million workers will have been automatically enrolled.[6] The number of individuals who are saving into a pension for the first time or saving more than they were previously, is anticipated to increase by around nine million, within a range of eight to nine million, once automatic enrolment is fully implemented.

These new employer duties are being introduced between October 2012 and March 2018. Introduction is staggered, with the UK's largest employers – those with over 120,000 workers – implementing automatic enrolment first, in 2012, progressing to the smallest in 2017, and new employers then staging in 2018.

Employers must identify three categories of worker for the purposes of automatic enrolment according to their age, earnings and location of work:

- Eligible workers: employers must enrol all eligible workers into a workplace scheme. These are jobholders who are aged at least 22, but have not yet reached SPa, and earn above the earnings trigger for automatic enrolment.
- Non-eligible jobholders: employers do not have to enrol non-eligible jobholders, who are aged at least 16 and under 75, and earn above the lower earnings level of qualifying earnings but below the trigger for automatic enrolment; or are aged at least 16 but under 22, or between SPa and under 75, and earn above the earnings trigger for automatic enrolment. Non-eligible jobholders may choose to 'opt in' to an automatic enrolment scheme, and their employer must make a contribution if they do.
- Entitled workers: employers also do not have to enrol entitled workers, who are aged at least 16 and under 75, ordinarily work in the UK, and earn below the lower earnings level of qualifying earnings. Entitled workers may also choose to join the workplace scheme, however, their employer is not required to make a contribution if they do.

Once they have enrolled eligible workers into a workplace scheme, employers must make a contribution to those workers' pension savings. The minimum contribution levels for all automatic enrolment schemes are being phased in. Until the end of September 2017, the minimum contribution rate must total two per cent of the salary of each worker who is automatically enrolled, with at least one per cent provided by the employer. Where the employer chooses to pay one per cent, this one per cent is supplemented by the jobholder's own contribution and around one per cent in tax relief.[7] Figure 1.1 shows the phasing in of contribution levels over the next four years.

In 2014-2015 these percentages apply to a band of earnings that comprises everything between £5,772 and £41,865 per year. The different employer and worker contributions for the employers included in this research will be discussed at greater length in Section 3.3 of this report.

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6 DWP (2012). *Workplace Pensions Reform: estimates of the number of employees automatically enrolled by May 2015*. At: www.gov.uk/government/uploads/system/uploads/attachment_data/file/222946/WPR_Staging_Profile_updated_250113.pdf

7 See DWP (2012), *Automatic enrolment earnings thresholds review*. At: www.gov.uk/government/consultations/automatic-enrolment-earnings-thresholds-review

Table 1.1 Minimum contribution levels for automatic enrolment schemes and dates at which they are being phased in[8]

Date	Employer minimum contribution %	Employee minimum contribution %	Tax relief %	Total minimum contribution %
Employer's staging date to 30 September 2017	1	0.8	0.2	2
1 October 2017 to 30 September 2018	2	2.4	0.6	5
1 October 2018 onwards	3	4	1	8

1.2 Research objectives

In 2012, DWP commissioned RS Consulting to conduct a study exploring the experiences of the first, largest employers to implement automatic enrolment, and the experiences of workers within those organisations who had chosen to opt out. The resulting reports, addressing employers' experiences[9] and those of workers at those organisations,[10] were published in October 2013 and March 2014 respectively. That study, referred to throughout this report as 'the Large Employers Study,' provided the first definitive measure of opt-out levels, reporting that just nine per cent of workers across those first employers to implement automatic enrolment had chosen to opt out.

The findings of the Large Employers Study indicated that from 2014, as medium-sized employers began to reach their staging dates, the factors affecting their behaviour, and that of their workers, might be different from those that had affected the first employers to stage in. We also suggested that dynamics we already understood in detail from the Large Employers Study might affect medium employers differently. These in turn might influence opt-out rates in medium employers. Continuing to understand who opts out, and how circumstances drive this, were therefore key objectives of this research.

The overall aim of this study was to evaluate the experiences of employers and workers at organisations implementing automatic enrolment between January and July 2014. The research design has included a particular focus on measuring opt-out rates.

Specifically, the research was designed to:

- collect and analyse **employers'** administrative data, capturing the numbers of workers choosing to opt out of their employers' workplace pension scheme after being automatically enrolled, and their characteristics;
- identify factors affecting **individuals'** opt-out behaviour, including the information and information sources they use;

8 Adapted from *The Pensions Regulator, Contributions and funding*. At: www.thepensionsregulator.gov.uk/employers/contributions-funding.aspx

9 DWP (2013). *Automatic enrolment: Qualitative research with large employers*. At: www.gov.uk/government/publications/automatic-enrolment-qualitative-research-with-large-employers-rr851

10 DWP (2014). *Automatic enrolment: Experiences of workers who have opted out*. At: www.gov.uk/government/uploads/system/uploads/attachment_data/file/288530/rrep862.pdf

- understand how an **individual** arrives at their decision to opt out following automatic enrolment, and understand additionally how this action relates to any previous intentions the worker may have had;
- understand the opt-out process from **individuals'** perspectives;
- explore the choices **employers** have made in discharging their duties, and what has influenced their behaviour and decision making;
- understand what information **employers and individuals** accessed in relation to the reforms, and what role this played;
- understand **employers'** views on opt outs, exploring, for example, their reactions to the number of opt outs they have received, and the contextual insights they are able to provide;
- explore the costs to **employers** and how they have responded to any increased costs;
- understand the type and degree of burden that **employers** have experienced in fulfilling their responsibilities.

1.3 Policy objectives

By addressing the research questions we identified in Section 1.2, the research aims to support DWP in creating policy that succeeds in changing retirement savings behaviour. The results of this study are designed to feed into discussions around the success of automatic enrolment in increasing the number of individuals saving for retirement, taking into consideration:

- the potential level of opt out once automatic enrolment has become an established part of the workplace pensions landscape;
- potential opt out levels that will be observed as smaller employers begin to implement automatic enrolment.

Like the Large Employers Study described above, this research was also designed to inform discussions around areas for policy development by understanding employers' decision making around automatic enrolment, and learning from the experiences of the processes (physical, technical and guidance-related) they went through.

While the Research Team interviewed some employers staging between January and April 2014, most employers included in the research had staging dates between April and July, in order to reflect the overall spike of UK employers staging in these months. Further details of the breakdown of employers are given in Section 1.5.

Section 1.4 describes the research methodology used with these objectives in mind.

1.4 Research methodology

The research consisted of three strands:

- qualitative depth interviews with 50 employers, conducted with at least one person, who had been involved in the decision-making that preceded automatic enrolment, and in its implementation;

- administrative data provided by these employers, including details of any pension arrangements offered prior to automatic enrolment, and details of the numbers and types of workers who opted out after being automatically enrolled;
- qualitative depth interviews with 100 workers who had chosen to opt out of these employers' schemes after being automatically enrolled.

As this research was qualitative in nature and based on a sample of 50 employers, its findings should not be generalised or extrapolated to the wider population. While employers are discussed individually where their experiences illustrate themes we have observed, or where they are particularly interesting, the analysis is not based upon a statistically robust number of employers. The methodology is described in detail in the following sections.

1.4.1 Sampling approach and initial contact with employers

The Pensions Regulator (TPR) provided the Research Team with a list of organisations with staging dates from January to July 2014. Employers were allocated a staging date according to the size of their workforce as assessed in 2012, ranging from a maximum of 499 workers among those staging in January 2014, to a minimum of 62 among those staging in July 2014. Employers' staging dates were noted individually on the sample list, which also included a named contact for each employer, together with their contact details.

Initial contact was by telephone, with a recruiter using scripted questions to identify the correct contact, where this was necessary, and to ensure other key details were captured – for example, whether the employer planned to use postponement.[11] The recruiter explained the purpose of the call, and what participating in the research study would entail. Provided the employer contact was prepared to consider being involved, the recruiter then forwarded a letter from DWP to confirm the details of the research,[12] and a copy of the template they would be expected to complete each month, if they decided to participate in the study, in order to check that they were comfortable accessing and providing this data.[13]

Each participating employer was offered a financial incentive for taking part, in recognition of the fact that the requirements of the research – participating in a one-hour interview, arranging interviews with workers, and supplying administrative data over several months – could potentially be a challenge.

A depth interview technique allowed the Research Team to collect qualitative data in a discursive way, focusing flexibly on the most important aspects of individual employers' circumstances, views and experiences. Interviewers used a discussion guide to ensure that the objectives outlined in Section 1.2 above were addressed.[14] We aimed to include employers from the full range of sectors and industries in the research. We also included enough employers with each different staging date to allow broad comparisons: i.e. to compare employers beginning automatic enrolment earlier in the period between January and July, with those beginning it later.

The sector split and profile of the 50 employers who took part in depth interviews is summarised in Section 1.5.

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11 The screening questionnaire used to recruit employers can be found in Section A.1.

12 The letter sent to employers after initial contact can be found in Section A.2.

13 The self-completion template for employers' data can be found in Section A.3.

14 The discussion guide used for interviews with employers can be found in Section A.4.

1.4.2 Organisational profiling and worker opt-out data

All employers were asked to complete a data template, providing both initial profiling information about that organisation, and on a monthly basis, information about workers who had gone into or out of the scheme in that month. Profiling information for each employer included their sector and exact size, demographics relating to the workforce, details of pension schemes in place at that employer immediately before the introduction of automatic enrolment, and whether postponement would be used, how long, and for which groups of workers.

Employers provided a headline count of workers who had been automatically enrolled into the pension scheme, who opted into the scheme, who opted out during the opt-out period and who left the scheme after the end of the opt-out period. They also broke down these totals according to gender, age bracket, part or full-time status and annual salary.

All 50 employers provided profiling and opt-out data, representing around 7,900 workers. Chapter 5 discusses the research findings from the opt-out data we collected.

1.4.3 Qualitative depth interviews with workers who have opted out

Where practical, and where they were willing to, employer contacts arranged for the Research Team to carry out depth interviews with workers who had opted out or ceased scheme membership after being automatically enrolled. If requested, these workers were given further detail about the research in the form of an information sheet, which included detail on how information they provided in an interview would be used.[15]

Worker interviews lasted up to 30 minutes, and were arranged either on-site, at the same point as the employer interview, or later by telephone. As with the employers' interviews, discussions with workers were led using a discussion guide to ensure that the objectives outlined in Section 1.2 were addressed.[16] All of the workers interviewed in this element of the study had in fact opted out within the one-month opt-out period, rather than ceasing active membership of the scheme they had been enrolled into after the opt-out period had ended.

1.5 Profile of participating employers

The 50 employers were located around the UK, and from a range of industry sectors. This included 44 employers from the private sector, and six from the public sector. The sector split is shown in Table 1.2.

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[15] The information sheet given to workers can be found in Section A.5.

[16] The discussion guide used for interviews with workers can be found in Section A.6.

Table 1.2 Employer sector split

Sector	Number of employers	Typical examples
Professional services	16	Call centre, recruitment, law firm
Retail	8	Off-license, garden centre
Manufacturing	8	Dairy, textiles
Health and social care	6	Care home, private hospital
Education	6	Independent school
Leisure	4	Country club, sports team
Construction	2	

Participating employers' staging months ranged from January to July 2014.

Table 1.3 shows the number of employers with staging dates in each month, and the number of interviews carried out with employers in each cohort.

Table 1.3 Employers' staging dates by month and number of interviews carried out

Anticipated staging month	Size of employers allocated staging dates	Number of employers due to be staged in	Number of employers participating in interviews
January	350-499	2,300	3
February	250-349	3,100	4
March	Service break	0	0
April	160-249	6,200	11
May	90-159	12,300	20
June	Service break	0	0
July	62-89	12,700	12

Source: Number of employers due to be staged in supplied by The Pensions Regulator.

1.6 Profile of participating workers

We interviewed 100 workers, recruited directly via employers, at 42 different organisations.

The sector split is shown in Table 1.4.

Table 1.4 Number of participating workers by sector

Sector (number of employers in brackets)	Number of workers	Typical examples
Professional services (13)	34	Call centre, recruitment, law firm
Retail (7)	16	Off-license, garden centre
Health and social care (5)	15	Dairy, textiles
Manufacturing (6)	13	Care home, private hospital
Education (4)	10	Independent school
Leisure (5)	8	Country club, sports team
Construction (2)	4	

The employers that participating workers were employed by had staging months that ranged from January to July 2014, although some workers interviewed were enrolled in subsequent months (up to September 2014). Out of the 42 employers represented in this research among workers, the dates in which they staged were as follows:

- 3 in January 2014;
- 12 in February 2014;
- 20 in April 2014;
- 41 in May 2014; and
- 24 in July 2014.

Of the workers interviewed, 51 were female and 49 were male. Eighty-seven worked full time for their employer (defined as 30 hours or more per week), while 13 worked part time. A range of ages and annual individual incomes were represented, as shown in the bullets below.

Age

- 17 were in their 20s;
- 16 were in their 30s;
- 21 were in their 40s;
- 32 were in their 50s; and
- 14 were in their 60s.

Annual individual income

- 1 earned under £10,000[17];
- 16 earned between £10,000 and £14,999;
- 23 earned between £15,000 and £19,999;
- 30 earned between £20,000 and £29,999;
- 13 earned between £30,000 and £40,000;
- 14 earned over £40,000; and
- 3 declined to state their income.

17 For 2014/15, workers who are earning less than £10,000 per annum are normally classified as non-eligible jobholders and should not therefore be automatically enrolled. It is possible, however, that the worker who described himself as earning under £10,000 a year was earning slightly more in the month in which he was automatically enrolled.

2 Employers' experiences of preparing for automatic enrolment

This chapter examines the first steps taken by employers in response to learning about automatic enrolment and being informed of their staging date. It describes the kind of people who were made responsible for implementing automatic enrolment at each employer, and explores how their job role and normal responsibilities may have shaped their decisions about when and how to prepare for automatic enrolment. It also discusses the role of other colleagues who were involved in helping with preparations.

Section 2.1 provides an overview of the key factors that determined the approach employers took to implementing automatic enrolment, and the degree to which they found this planning phase challenging. In Section 2.2 we discuss the degree of pension provision available at these employers prior to automatic enrolment, and compare what happened at employers where participation in a pension scheme was relatively high, to employers where there was little or no participation in an existing scheme.

Section 2.3 focuses on the individual who was responsible for implementing automatic enrolment, and describes how their characteristics and professional background could influence the approach they took. Section 2.4 goes on to explore the way employers used information and advice from external organisations to help with preparations. Finally, Section 2.5 assesses the degree to which employers understood their legal obligations.

2.1 Deciding how to approach automatic enrolment

Between 2012 and 2013, RS Consulting carried out research looking at the very first employers to implement automatic enrolment: those with staging dates between October 2012 and April 2013, referred to in this report as the Large Employers Study.[18] The employers included in that research had some of the UK's largest workforces, ranging from over 120,000 workers at the beginning, down to around 6,000 workers among those staging in April 2013. In contrast, the employers included in this research had up to 499 workers, if staging in January 2014, or as few as 62 if staging in July.

Being so much smaller than the first employers to implement automatic enrolment, there are key ways in which all of the employers who participated in this study differed from those described in the previous research. Nearly all of the employers in the Large Employers Study had a pensions department, headed by a Pensions Director or Pensions Manager, who typically had long and specialised experience dealing with pensions. None of the employers we interviewed in 2014 had a pensions department, and very few had a specific worker

18 DWP (2013). *Automatic enrolment: Qualitative research with large employers*. At: www.gov.uk/government/publications/automatic-enrolment-qualitative-research-with-large-employers-rr851

whose primary responsibility related directly to pensions. Section 2.3 explores in greater detail the characteristics, skills and experience of the individual charged with implementing automatic enrolment at each employer, but in general terms we can say that their level of experience in dealing with pensions tended to be much lower than among the people who oversaw implementation in the Large Employers Study.

While their lower level of pensions-related experience meant the smaller employers who participated in the current study typically faced challenges that larger employers had not, there were also several ways in which implementing automatic enrolment was potentially more straightforward for them. Because these employers had far fewer workers than those who participated in the Large Employers Study, the various tasks involved in preparing for automatic enrolment tended to be less complicated. Sometimes the employer had a relatively small number of workers who were not yet enrolled in an existing, qualifying workplace pension. A few such employers spoke to these workers before assessing the workforce, in order to remind them that they were entitled to join this pension, and thereby reduce even further the number of workers they had to take into account when preparing for automatic enrolment.

In terms of the size of their workforce, then, the employers in this study vary much less than those included in the Large Employers Study. However, they displayed as equally broad a range of attitudes to implementing automatic enrolment, and as equally broad a range of approaches to the task ahead of them, as the former did. These attitudes will be explored in greater detail in Chapter 8, while the range of approaches taken to implementation will be discussed here and in Chapter 3.

Some employers found implementing automatic enrolment more challenging than others, and the effort they needed to put in depended to a large extent upon certain key factors:

- whether the employer already offered a workplace pension scheme, and how high the take-up of this existing scheme was. This will be discussed in Section 2.2;
- the seniority and expertise of the person responsible for implementing automatic enrolment, and specifically, their degree of experience in dealing with pensions. This will be discussed in Section 2.3;
- the profile of their workforce: employers who had workers on similar and straightforward contracts, predictable monthly salaries, and low staff turnover generally found automatic enrolment much easier to implement than employers who had a mixture of workers on a larger number of different contracts, many workers receiving variable earnings, or a high number of new starters and leavers.

These factors all affected the amount of time and effort that each employer needed to put into planning and implementing automatic enrolment. They also often impacted on decisions taken during preparation, affecting elements such as the approach to choosing a pension provider and the communication strategy adopted for workers. These factors impacted similarly on both the larger employers staging in early 2014 and smaller employers staging in May and July, with both small and large employers typically finding implementation relatively challenging if they were affected by these three factors, and typically finding it more straightforward if they were not. In other words, it was not possible to predict the experience that an employer would have in implementing automatic enrolment, or the decisions they would make, by referring to employer size alone.

Section 2.2 describes the pension provision these employers had in place before they were required to automatically enrol workers.

2.2 Pension provision prior to automatic enrolment

Most employers had offered a workplace pension prior to automatic enrolment. Typically, this scheme was offered to everyone, or nearly everyone, on a permanent full-time contract, and sometimes to part-time workers too. Employer contribution rates were usually the same for all workers, regardless of seniority: only a few employers offered a higher employer contribution to higher levels of management.

However, many of these employers reported very low participation in existing schemes. Often the scheme in question was a stakeholder scheme that had been set up some years ago to comply with their legal obligations, but had rarely attracted many members. These stakeholder schemes typically offered little or no employer contribution, and were rarely promoted within the organisation. Several employers did not know with which provider the existing pension scheme had been set up.

> *'We did have a pension scheme, but we only had two members in it. It was not encouraged. It wasn't discouraged, but no-one knew about it. So we had two people in that.'*
>
> (Employer, retail, 90-159 workers)

The presence or absence of an existing workplace pension scheme, and the level of participation it, were two key factors often affecting both the amount of preparatory work that the employer would have to carry out, and the level of confidence with which the person responsible for implementation approached the planning stage.

2.2.1 Employers with little or no participation in a workplace pension scheme

A few of the employers we interviewed did not offer a workplace pension prior to the introduction of automatic enrolment. These employers came from a wide range of sectors, and typically perceived workplace pensions as something not traditionally offered in their industries.

The individuals responsible for implementing automatic enrolment at these employers tended to find the task relatively daunting, compared to other employers who had previously offered a scheme. The individuals in question had rarely had any previous experience with pensions, and typically felt from a relatively early stage that preparing for automatic enrolment would involve a lot of work. This was partly because they were aware that certain tasks would be easier, or could even have been avoided, had there been a qualifying pension in place with high participation. For example, researching and choosing a pension provider or assessing the large majority of their workforce for eligibility would not have been necessary.

However, these employers did not necessarily begin preparing for automatic enrolment earlier, or devote more time to it than employers who already had a scheme in place. This was partly because they found it difficult to quantify in advance how much time was necessary. In some cases, this was also because they wanted to keep the time they spent on preparation to a minimum.

However, these employers also tended to find automatic enrolment daunting because of more subjective factors, such as the degree of confidence they felt in understanding their legal obligations, the level of support they felt they had from higher levels of management, and the extent to which the person implementing automatic enrolment, and the colleagues to whom they reported, agreed with the spirit of the pension reforms more broadly. Those who lacked previous experience with pensions tended to feel a stronger need for some kind of external adviser than those who had already administered an existing scheme.

> *'There is no way we could have done this without engaging external consultants. In principle it is absolutely fantastic. The problem is, for smaller companies in a difficult economic climate, it has been really tough.'*
>
> (Employer, professional services, 90-159 workers)

Some employers had a pension scheme in place before automatic enrolment with little or no participation: fewer than ten workers were members. Out of these employers, a few had a 'shell scheme' with no members at all. For these employers, the process of preparing for automatic enrolment was much the same as it would have been, if they had had no pension scheme at all.

These employers knew they could not assume that the existing scheme would qualify for automatic enrolment: they had to find this out specifically, and would normally also look at other providers to see if another scheme would better suit their needs. These employers also still had to carry out an assessment of the large majority of their workforce, and budget for employer contributions for this majority.

> *'We identified whether we were going to do it all ourselves or whether we were going to use a broker to act as a go-between and guide us through the process, which pension provider we were going to use and also we had to pass that through our board of trustees. When we were looking at the pension providers out there, we needed somebody who would take on all of our employees, a lot of whom are earning not terribly much.'*
>
> (Employer, leisure, 62-89 workers)

The low number of workers who had joined a pension scheme at these employers meant that the person responsible for implementation had had generally very little opportunity to gain experience of dealing with pensions. Where this person had had some experience of pensions, this had usually come from a previous role.

> '[At my previous job] *we had done so much with auto-enrolment … So when I came here and they hadn't done anything, and they had 148 people to auto-enrol, "OK, I really need to get this started." I did it all. They are very trusting as a company. They just let me get on with it, really.'*
>
> (Employer, retail, 90-159 workers)

2.2.2 Employers with high participation in an existing workplace scheme

Just over half of the employers we spoke to offered a workplace pension prior to automatic enrolment, and at least a quarter of their workforce were members. Where an employer had made the decision to promote their scheme and make an employer contribution available, take-up was usually quite high.

These employers typically found preparing for automatic enrolment to be less onerous than employers with little or no participation in an existing scheme. Many of the employers in this category had sufficiently few workers left to automatically enrol that they could work through records manually. In some cases, the employer knew most or all of these workers personally. This usually made several tasks along the road to implementation less time-consuming and less stressful than they were at some other employers, as Section 2.3.2 will describe in more detail.

Some employers knew from a relatively early stage that they would be able to use their existing scheme for automatic enrolment, either because they had checked with the provider of that scheme that would qualify for automatic enrolment, or because it was a public sector Defined Benefit (DB) scheme: schools, for example, knew that they would be enrolling teachers into the Teachers' Pension. Section 3.4 will explore scheme selection in further detail.

Employers sometimes found that having previously offered a workplace pension proved advantageous when they came to prepare for automatic enrolment, even where a lot of workers were not yet members of a pension scheme, or where the employer knew that they may have to identify a new scheme for automatic enrolment. It sometimes meant that the person responsible for implementing automatic enrolment already had previous experience in dealing with pensions, and understood general pensions terminology, even if they had little in the way of hands-on scheme administration experience. In some cases, having a scheme also meant the employer already had a relationship with an adviser, who could help them assess the viability of this scheme for automatic enrolment.

However, a few employers felt that they needed to carry out a large amount of research in order to understand what was legally required of them, even if automatic enrolment would only affect a relatively small number of workers. These employers mentioned that they still needed to understand all the rules of automatic enrolment around the assessment of the workforce, even though they did not currently have any workers to whom a particular specific rule applied. For example, an employer who did not have any 'entitled' workers still needed to understand what this term meant.

> *'Even though we are only putting 33 people into the scheme, it is the legalities behind it, the rules. Everybody has to have an assessment, whether they be permanent employees, fixed-term, agency, contractors, everybody. It's been hard work but I think it's a good idea, a very good idea.'*
>
> (Employer, professional services, 160-249 workers)

A small number of employers felt somewhat frustrated that even though there was very high participation in an existing scheme, they were nevertheless obliged to carry out a lot of research into automatic enrolment. This sometimes felt disproportionate to the need to enrol perhaps only a handful of workers. One employer, for example, had to invest what they described as a substantial amount of time in creating a formula that would test whether the contribution they were making for any workers in their current scheme was falling below the statutory minimum. Before creating this formula, the employer knew it was highly unlikely that this would be the case, but she also knew she had to demonstrate that the organisation was complying with the minimum employer contribution requirements.

We will now explore how employers first found out about automatic enrolment, and who they put in charge of implementing it.

2.3 Responsibility for implementation

Because nearly all of the employers included in the Large Employers Study had a dedicated pensions team, it was usually fairly obvious who should be put in charge of implementing automatic enrolment: the individual (or individuals) in charge of that team. The absence of a pensions department at any of the employers included in this study meant that nominating someone to implement automatic enrolment at these employers was typically not nearly as clear-cut.

The organisational structures of employers who participated in this research in fact varied more widely than those in the Large Employers Study: some had separate departments for Human Resources (HR) and payroll; others had a Finance Department, while others simply had one or two people in charge of some or all of these functions. When identifying the most appropriate person to oversee the implementation of automatic enrolment, some employers may, therefore, have found it more difficult than others to find someone with relevant skills and experience.

These structural differences meant that the role of the individual in charge of implementation at employers staging in 2014 tended to vary much more widely, in terms of their seniority within their organisation, their skills, experience and confidence in approaching the task ahead, than was the case at the largest employers. At some employers in the present study, it was a Finance Director or even a Managing Director who was responsible for implementation; at others, it was a Payroll Manager or HR Manager, or someone in a more junior role, such as an HR Officer or Payroll Assistant.

The approach taken to preparation and implementation varied according to the role of the person in charge of it. Sections 2.3.2 and 2.3.3 will compare and contrast what happened at employers where the person responsible for automatic enrolment was relatively senior within the organisation, with those employers where responsibility was given to someone with a more junior role. In general terms, however, even where the employer had somebody with pensions experience to oversee the process, that person did not typically have the same degree of experience as the often specialist decision-makers who were interviewed for the Large Employers Study.

2.3.1 Beginning preparations for automatic enrolment

In broad terms, employers staging in 2012 and 2013 tended to begin their preparations for automatic enrolment further in advance of their staging date than those staging in 2014. In the Large Employers Study, most employers explained that their preparations began one or two years ahead of their staging date; here, while most employers recalled being made aware of their staging date a year in advance by TPR, it was more common for employers to suggest that they actually began researching their obligations around three to six months ahead of staging.

Employers staging in 2012 and 2013 tended to think of automatic enrolment from the beginning as a ‘project,’ which they would have to plan out in detail; organised and scheduled around the availability of different personnel in different departments. While this degree of forward planning was more in evidence among the larger employers who took part in this study, it is generally true that employers staging in 2014 were more inclined to prepare for automatic enrolment in a more ad hoc way, looking at the next preparatory task as and when they had time to accommodate it around their normal ‘day job.’ This approach was more in evidence where someone in a role that included several differing responsibilities had been made responsible for implementation, and had to ‘fit in’ automatic enrolment around a wide range of relatively disparate other responsibilities.

> *‘I am a team of one. I am HR director and I do all the payroll. I have got 135 staff. They all want something every day. There are appraisals to be done, disciplinaries to be done.’*
>
> (Employer, manufacturing, 90-159 workers)

Among employers staging earlier in 2014 – that is, the larger employers staging between January and April, with between approximately 160 and 499 workers – the approach taken to automatic enrolment tended to have more in common with the larger employers who staged in 2012 and 2013. These employers were typically highly organised, and would set out a plan for implementation at an early stage.

Because they had a larger workforce, often subdivided into a large number of departments and a greater degree of specialisation, these organisations were sometimes able to put two people jointly in charge of implementation. In a few cases, one person from the HR department and another from the payroll department worked together to implement automatic enrolment; in a few other cases, the person responsible for automatic enrolment had assistance from a relatively junior worker with the more straightforward administrative tasks required. Employers with this kind of support typically explained that they found it extremely helpful to share this responsibility. This not only meant they had more time resourced overall, but also that they had a sounding board for ideas, and to check their own understanding of what was required with someone else who was close to the preparation process.

In contrast, employers staging in May and July had smaller workforces, and consequently tended to have less choice about who to put in charge of automatic enrolment. As company size decreased, it became more common to find a relatively junior person responsible for implementation. This said, a few of employers staging in May and July had nominated a Director, or even a Managing Director, to be in charge of implementation.

It is important to note that the employers who participated in this study often had good reasons for beginning their preparations for automatic enrolment a little later than employers in the Large Employers Study. Having a smaller workforce to whom automatic enrolment could potentially apply, having a simpler organisational structure, and having fewer people in charge of implementing automatic enrolment all helped to streamline various processes at the planning stage. Employers staging in 2014 were also usually able to prepare for automatic enrolment at a later stage, because many of the processes involved in their preparations tended to be less complex. For example, they often had lower volumes of worker data, and fewer workers with ‘atypical’ employment contracts.

Some employers felt that there was a limit to how much preparation they could do before they knew who would still be working for them at the point of staging, and therefore who would undergo assessment. This attitude was particularly prevalent among employers with a high staff turnover, or where workers were on variable earnings, and where it was therefore much harder to predict who would be an eligible jobholder at the point of staging. These employers typically began their preparations by researching the guidelines several months before their staging date, and then put this work to one side until they were in a position to take their preparations further.

'It is difficult to quantify, but because of everything else you have on your plate, you kind of go back and revisit it at various times throughout the year. Because you are not consistently concentrating on that, because life gets in the way, and the job gets in the way. You have still got the day job to do.'

(Employer, professional services, 250-349 workers)

2.3.2 Employers where implementation is led by someone in a senior role

Once an employer had put somebody in charge of implementing automatic enrolment, that person was generally left to work on this alone, with people at the top of the organisation only getting involved to sign off budgets and major decisions. The person – or occasionally two people – responsible for implementing automatic enrolment, tended to handle the whole process from start to finish with very little involvement from colleagues, with people at the top of the organisation only getting involved to sign off budgets and major decisions. While large employers staging in 2012 and 2013 often found that they had to coordinate the efforts of different departments – for example, the payroll department could not begin assessment until certain tasks had been carried out by the Information Technology (IT) department – most of the smaller employers participating in this study worked with only a few additional colleagues.

Because a single person often oversaw most or all of the processes involved in preparing for automatic enrolment, it was generally relatively easy to coordinate the way that different stages of preparation would fit together. The person responsible for automatic enrolment would know, for example, that they had some free time the following week, and they would use that time as necessary: for example, to do more research into their duties, or contact the pension provider, or send out letters.

The extra demands automatic enrolment made on their time, led to time that employers set aside for 'normal' responsibilities being used up in a much more visible way than if implementation had been handled by many different people. A small number of workers responsible for automatic enrolment mentioned doing a small amount of overtime in order to stay on schedule before their staging date, and a small number said they had been conscious that any overtime – real or potential – would not be paid. This concern was more common among workers who worked part time, than among those in full-time posts.

Positive things also resulted from this sense of pressure on time. Because people higher up in the organisation were usually keen for implementation to be driven forwards quickly and with minimal input from them personally, the person responsible for automatic enrolment often reported that the decisions they made were signed off quickly by senior colleagues, and rarely questioned. While several workers described feeling a degree of isolation when handling relatively unfamiliar responsibilities, a few reported enjoying undertaking new responsibilities, and experienced a sense of pride and achievement when they realised the degree of trust that their superiors were placing in them.

'Sometimes if you are working in a pool of people who really have no idea about it and then you have a little bit of an idea, it kind of spurs you on to learn more. You're the expert, which is quite nice.'

(Employer, retail, 90-159 workers)

A few of the employers in this study were able to put a relatively senior worker in charge of automatic enrolment. In these cases, this person tended to approach the task with a higher degree of confidence than more junior members of staff given this responsibility at other employers. At some organisations, senior workers had some degree of previous experience dealing with pensions, for example from a previous job, and generally this made them feel relatively well-equipped to address automatic enrolment. It also usually meant that they had been aware of the pension reforms a long time in advance of their staging date: workers who were directors were more likely to be aware of the pensions reforms a year or more in advance of staging in 2014.

Workers in relatively senior roles were typically able to take a strategic approach to implementation, planning out the bigger decisions – such as choosing a pension provider – either months or a year in advance. This enabled them to take a relaxed approach to moving onto the administrative detail of implementation, which they would then tackle in due course, and with greater confidence, knowing that the bigger factors, such as having a qualifying scheme in place were under control. They were therefore usually less likely to worry about leaving minor parts of their preparations until the last month or two before their staging date.

> *'It was probably announced three or four years ago, and I started thinking about it very early on, and actually contacted a couple of different people, because at that point it was very early days, and I wasn't sure what we'd have to do.'*
>
> *(Employer, retail, 90-159 workers)*

This more organised and confident approach was more common among larger employers, and those who had a pension in place prior to automatic enrolment with high take-up. However, it was also occasionally in evidence among smaller employers, and employers with no previous scheme in place: if the person responsible for implementation had previous pensions-related experience, they tended to approach the task relatively undaunted.

> *'We are fairly fortunate here in that I have a lot of experience in a lot of big companies, and have been able to put this in place. I have been a company secretary of two PLCs and I have run payrolls for £20 to £30 million turnover companies. I read all the literature as it came through over the last year or 18 months. Most of the preparation work was when we were putting our budgets together, so last October-November.'*
>
> (Employer, retail, 62-89 workers)

Senior workers, even those with little specialist experience of pensions, often coped better than junior workers who were charged with planning and implementing automatic enrolment. It was common for an individual in a Financial Director or Head of Finance role – someone who often had a general responsibility for handling a variety of financial tasks – to be responsible for implementation. Even if they had not specifically been responsible for administering a pension before, workers in this kind of role tended to have a good general knowledge of how financial processes like payroll worked, and this knowledge usually stood them in good stead for understanding the guidance and other information. The following quote from a Finance Director indicates that even though she did not have specialist experience with pensions, she was confident of her own ability to understand what needed doing, and to carry it out in an organised way:

'Be methodical. Write out your own checklists so you know the stages of what you have got to do, that you can then go back and refer to because if it is a monthly payroll, a ton of other things have happened in between payroll times and you need some prompts to help you remember what to do. But don't get over-fazed by it. It is just another admin burden.'

(Employer, retail, 90-159 workers)

It was sometimes also the case that an individual leading implementation who was knowledgeable about financial processes, was also aware of the gaps in their own knowledge. This will be discussed in further detail in Section 2.5.

2.3.3 Employers where implementation is led by someone in a junior role

While there were some employers among May and July stagers where a director was in charge of automatic enrolment, as smaller employers began staging in these months, we found a wide variety in the job roles among workers responsible for implementation. It became more common to find a relatively junior individual in charge of preparing for automatic enrolment, although their responsibilities typically still related to HR or payroll.

Very few of these individuals in relatively junior roles had observed the evolution of government policy, in the way that senior workers at other employers had done. They tended to know little or nothing about automatic enrolment ahead of the employer being informed of its staging date by the regulator. There was sometimes a sense among these workers of being 'handed responsibility' for automatic enrolment somewhat unexpectedly, perhaps with relatively little warning before they needed to begin carrying out preparatory tasks.

'It was actually a girl who worked here [who was in charge] and she left right before it started. She did the initial work, the setting up and then brought me a massive binder. Everything hit at once, setting up the pensions and starting it and [my manager] had year-end to do, so it was really busy.'

(Employer, construction, 160-249 workers)

These relatively junior workers were also likely to have a wide variety of relatively disparate job responsibilities: in other words to be something of a 'jack of all trades'. These workers tended to find implementing automatic enrolment quite challenging, due not only to a lack of specialist experience with pensions or finance more generally, but also because their job already required a high degree of multi-tasking. Automatic enrolment was, in the case of many such workers, not only completely new territory with a large quantity of unfamiliar information to absorb; it also meant further dilution of their focus, becoming one more responsibility in a relatively long list of tasks.

Where the worker responsible for implementation had a role that entailed numerous separate responsibilities, it was common for them to describe having difficulty in concentrating on automatic enrolment-related tasks for an extended period of time. One worker, for example, mentioned that she was also one of three people responsible for answering the switchboard. As someone with no previous experience with pensions, she found it difficult to focus on engaging with the guidance due to continually being interrupted. In other words, not only did some workers responsible for implementation find that they had to stop and start the process from one week or month to the next; they also found that once they did set aside some time to concentrate on the next task, their focus was frequently disrupted.

'It is so time-consuming and so confusing, and there is so much to think about. You need a week where you can sit down, get on with it and have no distractions from anybody else. If I could go back, I would have a set time every day where people could come and talk to me about pensions, like an open door clinic-type thing, so I wasn't constantly disturbed.'

(Employer, retail, 90-159 workers)

2.4 Use of information and advice

Employers drew to different extents on external sources of information and advice. While all employers who participated in the study made use of free sources of information on the internet, some were more willing or able than others to allocate budgets to employing an adviser who would help them. Some employers ended up speaking to an adviser, mostly in the course of an existing relationship, but sometimes as part of a new one.

Most individuals who had been made responsible for implementation understood the constraints under which their employer was operating, and sought to carry out their duties in a self-reliant manner as far as possible. However, if the worker in charge of implementation found this responsibility challenging, they sometimes expressed frustration that their employer was not giving them more assistance either in-house or in the form of an external adviser. A small number mentioned that the fact that they were not knowledgeable about pensions meant that they wanted to have access to somebody who was, rather than relying on their own interpretation of what they read online.

'There has been no in-house expertise and no budget to pay for any benefits consultant. That is what I wanted. That is what I needed. Even quite basic questions I couldn't get my head around. There was so much conflicting information on this subject on the internet.'

(Employer, professional services, 350-499 workers)

2.4.1 Using government and regulator websites

On learning their staging date for automatic enrolment, the first step nearly all employers took was to look at the regulator's website. The letters that employers received from the regulator directed them to this website as a source of information. It also seemed logical to the workers put in charge of automatic enrolment that the organisation that had told them they had a legal duty to comply with certain obligations would be a reliable and accurate source of information on what those obligations were.

Most employers were also aware of the regulator's role in enforcing employers' compliance with their obligations: this also tended to make employers trust the regulator as a source of guidance.

Feedback on the regulator's website was largely very positive: most employers felt that while the legal requirements were sometimes rather complex to understand, the website and its resources explained these requirements very clearly, using straightforward language. A few also commented that they liked the way the website was structured, with the section written for employers clearly separated from information intended for other audiences.

'TPR's guidance booklets were very, very useful and that is the main part of the support that I have used, and the letters are obviously very useful. I think when you first see it, it is very daunting but once you start going through it, it is as plain as it could be, bearing in mind the legislation is quite complex.'

(Employer, professional services, 90-159 workers)

A few employers felt that because the guidance covered such a wide range of circumstances, it contained a lot of information that was not relevant to their organisation. For example, guidance describing how to handle irregular or atypical pay periods seemed irrelevant to most employers, who would sometimes become frustrated working through this level of detail.

Employers generally used the regulator's website both intensively and extensively, reading the guidance carefully and often multiple times, and also using the site to access a wide range of resources, such as webinars, printed booklets and the letter templates.

While all employers used the regulator's website fairly intensively in the early stages of their preparations, some stopped using it once they had got to the point of choosing a pension scheme to use for automatic enrolment. If an employer only had a small number of workers to enrol – a small number of employers had ten or fewer workers to be enrolled – it was generally relatively clear-cut for them to understand how to assess and enrol these workers. However, a number of factors might lead the employer to continue consulting the regulator's website – or occasionally, call the regulator – intermittently throughout the later stages of their preparations, perhaps up to the point where they were assessing eligibility for automatic enrolment:

- where the employer had a large number of workers who were not already in a qualifying scheme, and therefore to whom automatic enrolment could potentially apply;
- where the profile of their workforce was relatively heterogeneous: for example, a variety of ages, level of earnings, or different types of contracts;
- where workers were paid variable earnings;
- where the worker responsible for implementation lacked confidence in approaching the task, usually due to holding a relatively junior position and/or lacking previous experience working with pensions.

For most employers, the crucial – and also perhaps most complex – part of automatic enrolment, was understanding who should be enrolled and who should not be. For some, reading the rules about how this worked in theory was one thing, but it only fully made sense to them once they were applying it to concrete examples of real people in their workplace and understanding how a particular worker should be treated.

'There are so many different classifications that it's probably better to say you are either in or out, rather than all the complicated, "Are they in? Are they out? Are they staying in or are they going out?" It's understanding that. We have managed it, but it's quite difficult at first.'

(Employer, education, 250-349 workers)

Some employers mentioned that they had also referred to GOV.UK for information. However, it should be noted that many did not make a clear distinction between information that they sourced or received from the regulator and information that came from the DWP or other government sources. It was common, instead, for employers to refer to the regulator as 'DWP,' or to admit upon probing that they did not know the difference between the two, or to refer to both organisations simply as 'the Government.'

Most employers mentioned specifically that they had received regular emails from the regulator notifying them about certain tasks that should be completed as part of their preparations. Employers generally felt these were useful reminders of how far along they should be in their preparations, with some employers remarking that these prompts helped them to keep focused, either on what needed doing next, or as reassurance that they were already on track. However, a few employers felt that the emails advised them to begin certain tasks earlier than was necessary for an organisation of their size.

These emails, together with the research they did themselves, principally on the regulator and GOV.UK, were generally sufficient for most employers to understand how to comply with their duties. Only a few reported that they had to contact the regulator themselves to clarify something; typically, even these employers had a small number of queries that were resolved in a single telephone conversation. Those employers who contacted the regulator by telephone reported that they found this contact efficient and helpful, and struggled to think of any way in which it could be improved.

> *'I think the information that they have on the website is very good and they do have the helpline so they have got all the information there for you but they are there on the end of the phone, if you've got any queries.'*
>
> (Employer, professional services, 160-249 workers)

A small number of employers reported that they experienced difficulties making contact with the regulator – either because they had to wait on hold if they called by phone, or because they got an automated reply by email saying that they would have to wait several working days for a reply. A small number, when asked if there was anything that the regulator could do to help them comply with their duties, suggested that they would have liked to have had a personal contact at the regulator. However, even those who had found preparing for automatic enrolment relatively challenging recognised that it was not practical for the regulator to offer this level of personal support.

2.4.2 Using events, and contact with other employers

Most employers had attended one or more events in the early stages of their preparations. Typically, these events were seminars held by an employment consultancy or adviser, industry conferences, or training sessions run by their payroll provider about how to use their automatic enrolment module. A few employers reported that they had attended a seminar at which the regulator had been present; however, they usually attended these in the early stages of their preparations and reported that the sessions raised questions more than answers due to the impracticality of focusing on the specific circumstances of each employer.

Some employers mentioned that the events that they attended had been free of charge, and that this had been a strong inducement to attend them. For employers who could not afford, or did not want to spend a lot of time or money on preparing for automatic enrolment, it was important to access what was perceived as expert or official advice whenever they could, without spending a lot of money.

'This company wouldn't have paid out thousands and thousands for a benefits consultant to come in. I went on a few freebie seminars and sessions and did an awful lot of research.'

(Employer, professional services, 350-499 workers)

Employers who attended an event on the subject of automatic enrolment said the main value of these sessions was in helping them to understand the rules for assessing and communicating with workers, and other things they needed to do, in order to fulfil their duties. A secondary aspect of attending these events was that they usually made contact with other employers who were also preparing for automatic enrolment. However, very few employers described this contact as a very useful source of knowledge. Employers typically suggested that the type of queries or uncertainties they had about automatic enrolment related mostly to issues that they saw as very specific to their industry, workforce, payroll set-up, or the stage they had reached in preparing for automatic enrolment. Since employers with a variety of staging dates attended these events, they did not expect to meet anyone who might be trying to resolve a problem similar to one they faced themselves.

Generally, this contact with other employers was perceived more broadly as informal 'networking.' As described more fully in Section 2.4.2, the person in charge of implementation was usually doing most of this work on their own, with minimal involvement either from colleagues within the organisation, or from external organisations. Some therefore appreciated the possibility of discussing, even in very general terms, their thoughts or plans with regard to implementing automatic enrolment, regardless of whether these conversations would help them to resolve a specific enquiry.

A small number of employers mentioned that they had a personal connection with someone in a similar role in another company. Where this was the case, there were usually more opportunities for knowledge sharing over an extended period of time. For example, one public sector organisation who participated in the study shared a building with another, much larger organisation who had staged in 2013. This employer reported consulting with colleagues in the neighbouring organisation on several occasions as to how they had handled a particular task or query.

A small number of employers knew somebody in another local organisation in a personal capacity, and were able to learn from their mistakes.

'I [communicated with other employers] *at the seminar that I went to and just talking about it. Occasionally I talk to colleagues externally and how they are getting on with the process but it is just general conversation. I mean ex-colleagues that I have worked with that work in different businesses… There was one colleague that left it a little bit too late and they were having massive problems with the provider and just general administrative tasks.'*

(Employer, retail, 62-89 workers)

2.4.3 Using advisers

Some employers called on a provider of professional advice to offer them guidance on how to prepare for, and implement, automatic enrolment.

One of the main differences between larger employers, who staged in 2012 and 2013, and these smaller employers staging in 2014, is that the larger employers had relied much more heavily on external organisations for advice, using a wide range of external support that included payroll providers, Employee Benefit Consultants (EBCs), communications agencies and legal advice. The larger employers in this study staging in January-April 2014 were somewhat more likely to use a professional adviser than smaller employers staging from May onwards.

In addition to advisers, some employers who outsourced their payroll consulted with their payroll provider throughout their preparation. Generally they used a much narrower range of external support than their larger counterparts. Most employers who participated in the Large Employers Study used some form of legal advice, for example; whereas in this study, only a small number spoke to a lawyer.

Most employers did not pay an external organisation to provide advice, and the main motivation for this decision was to keep costs down. A few employers also mentioned that they preferred to stay in control of their own processes, and felt that as somebody working within the organisation, they were better placed than an outsider to understand how that organisation worked and what needed to be done.

> *'Pension brokers* [came in] *who said, "We can sort it out for you at X pounds per person per month." Two things out of that. First of all, it is paying for their expertise; and secondly, I have got to shove it all through the payroll anyway, so I might as well have just done it myself.'*
>
> *(Employer, retail, 90-159 workers)*

Those employers who were willing and able to pay for advice generally found that advice very helpful. Typically, employers would use the services of an Independent Financial Adviser (IFA), an accountant, an employment consultant or someone they described as a 'broker.' Employers were more likely to call upon an adviser where they already had an ongoing relationship with one. In some cases, the employer had a professional relationship with someone who advised them on other financial or employment matters, and so it was natural for them to talk to that adviser about automatic enrolment.

Some employers formally commissioned the adviser to give them specific help with automatic enrolment, but it was just as common for employers to report that they had discussed automatic enrolment relatively informally and briefly with the adviser. In these cases, it was difficult for the employer to quantify the cost of this advice, as the adviser simply charged them an ongoing fee for providing general support on other matters as well. Other employers mentioned that they knew an adviser in a personal capacity, and they valued the opportunity to get some advice without having to incur a large expense. A small number of employers hired a new adviser specifically to help with automatic enrolment: in these cases, the employer typically found somebody who worked in the local area.

The role of professional advisers was usually to offer guidance on understanding the employer's legal obligations, recommending how to approach processes that needed to be put in place, and often recommending a pension provider. While employers typically approached advisers relatively early in their preparations for automatic enrolment, employers often considered them to be on hand for any ad hoc queries that might occur to the employer closer to implementation, should the employer need assurance they were doing things correctly.

If an adviser was responsible for recommending a provider, or assessing the employer's current scheme, the employer usually accepted their recommendations with little scrutiny.

Typically, the employer had known the adviser long enough to trust their view as someone who understood pensions. This was particularly the case where the person implementing automatic enrolment was relatively junior, or had little or no experience dealing with pensions themselves. They were, therefore, happy to take the recommendation of someone who they perceived as more knowledgeable than they were. However, even relatively senior workers responsible for preparing for automatic enrolment generally took recommendations from an adviser at face value, preferring not to invest too much time in scrutinising their advice at length.

> *'We just went with our broker's recommendation [of a provider]… He [gave an explanation] at the time but I don't remember what it was.'*
>
> (Employer, professional services, 90-159 workers)

Occasionally, employers also made an adviser available for workers who wanted to take financial advice with regard to automatic enrolment. Employers were generally very conscious that they were not allowed to give financial advice to workers, and so where they had a relationship with a professional financial adviser, they delegated this task to the adviser.

2.5 Understanding the legislation and guidance

Most employers found the guidance they needed to follow, in order to comply with their legal obligations, relatively difficult to understand when they first began preparing for automatic enrolment. This was the case even for workers who were relatively senior within their organisation or had previous experience dealing with pensions. Even for workers of this kind, understanding the different worker categories and how to treat each one was a new experience. Many felt that the rules were complicated even for people who had good general knowledge of financial matters, sometimes including people from whom they were taking professional advice.

> *'He is a broker who serves small to middle-sized companies as well so he wasn't one of the ones who was in on this from the start. He struggled as I did. It was kind of like the blind leading the blind to start with. "What does all of this mean? All of these endless, endless letter templates?"'*
>
> (Employer, professional services, 350-499 workers)

Many employers, however, went on to report that once they had devoted a reasonable amount of time to reading through the regulator's guidance, they felt confident that they understood what was required of them. Most employers were confident that they had complied fully with their new duties, either because they trusted their own judgement, or that of an adviser who had assisted them.

All the same, many employers had minor concerns about whether they had dealt with every worker and every kind of circumstance that a worker might find themselves in correctly. However, they did not generally perceive these minor exceptions as putting them at risk of failing to comply with the regulations.

In this respect, the employers who took part in this study differed from those included in the Large Employers Study, who were typically anxious to iron out every detail that they felt risked their complying with the regulations. To some degree, this may have been due to the fact that the individual responsible for implementation in the Large Employers Study were pensions specialists, and therefore perhaps more aware of gaps in their own understanding. However, those responsible at the largest employers were also conscious that if they did not understand how to treat a non-typical worker, this issue could affect hundreds or even thousands of people – and potentially pose a reputational risk. Employers staging in 2014, in contrast, were conscious that workers in atypical circumstances accounted for a very small number of people, whose automatic enrolment needs might be specific, but were usually resolved in a straightforward manner.

Sometimes more than one employer appeared to have misunderstood the rules of automatic enrolment in a similar way. Several employers, for example, appeared to be under the impression that one per cent was the maximum contribution that employers were permitted to make, rather than the minimum.

A small number of employers were also confused as to whether workers were obliged to make a contribution to the pension scheme, or whether employers could contribute the whole amount required.

A few employers mentioned being uncertain as to how to handle workers who were employed on zero hours contracts. For a few employers, this was a theoretical concern, as they did not currently have any workers on this type of contract.

A small number of employers did not fully understand their obligations with regard to non-eligible jobholders, for example describing themselves as having gone beyond the legal minimum, insofar as they had offered non-eligible jobholders an employer contribution. Another described their organisation as having done more than was required, by telling non-eligible jobholders that they could join the pension scheme if they wished.

3 Implementing automatic enrolment

This chapter examines what happened when employers had finished researching and preparing for automatic enrolment and begun setting up the processes that would be used to automatically enrol workers: in other words, what happened when they moved from theory to practice.

Section 3.1 looks first at how postponement was used by employers, both at the level of the whole organisation, and where it was applied to specific groups of workers. Section 3.2 goes on to discuss how employers decided which groups of workers would be automatically enrolled, focusing specifically on how they handled non-eligible jobholders and entitled workers. In Section 3.3, we focus on contribution rates, comparing employers who were using the statutory minimum contribution with employers who were offering more generous contributions, and exploring their respective reasons for choosing those contribution rates.

Section 3.4 explores the process by which employers chose a provider for automatic enrolment. Section 3.5 will then examine more closely the employers who selected a master trust, and their reasons for doing so. Section 3.6 will explore the key data challenges faced by employers when implementing automatic enrolment. Finally, in Section 3.7 we will assess the cost of implementing automatic enrolment, in terms of both the time and money invested by employers in complying with their duties.

3.1 Use of postponement

A number of the employers interviewed had used postponement at the level of their whole organisation, meaning that they would not automatically enrol any workers in their staging month. All but two of these had postponed for three months, the maximum delay permitted. Employers described two main reasons for postponing automatic enrolment for everybody in their organisation. Firstly, there were those who felt that they would not be ready to begin automatic enrolment in time for their staging date. These employers will be discussed in Section 3.1.1, with Section 3.1.2 then focusing specifically on a few employers who felt instead that their ability to go ahead with automatic enrolment on their staging date was compromised by issues happening at their pension provider's end.

Secondly, a small number of employers felt that it would be more efficient to start automatically enrolling workers at a later date than their staging date. Their reasons for postponing will be discussed in Section 3.1.3. Finally, Section 3.1.4 will explore the ways in which employers were using postponement for specific groups of workers within their organisation.

It was reasonably common that the employers interviewed were not using any kind of waiting period. These employers typically felt that using postponement would make implementation more complicated, both for them as an employer, and for their workers. Some felt that they already had to learn a lot of rules and set up a variety of processes to comply with their duties: they were therefore concerned that using postponement would generate a new set of obligations and deadlines that they would have to observe.

'Just because I want to keep it simple. If I know that I am setting this new employee up, and he is going to go into the pension scheme without me asking for it to be delayed or anything like that, it just keeps it a lot simpler.'

(Employer, professional services, 62-89 workers)

Other employers who had not used postponement suggested that doing so would also complicate matters from the workers' point of view, because it would entail the employer issuing a series of communications to explain to workers that the organisation had postponed, but the worker had the right to opt in until a certain date, after which point enrolment would no longer be optional.

'I thought we would just get everybody in and then everybody knows what is happening. We felt that [postponing] was far too difficult and we would just throw everybody in, and if they want to come out, they will come out… You need to try and keep it as simple as possible.'

(Employer, education, 160-249 workers)

3.1.1 Employers who postponed to buy time or save money

Most employers who used postponement for their whole organisation felt that they would not be ready to begin automatic enrolment on their staging date. Many employers cited two reasons for this:

- wanting more time to prepare; and
- wanting to save money, by beginning to pay employer contributions at a later date.

It was common for employers to postpone simply so that they had a more relaxed timeframe in which to prepare for and implement automatic enrolment. A few employers also explicitly mentioned that they postponed because they wanted to save money, by effectively saving themselves three months' worth of employer contributions.

A small number of employers mentioned that their decision to postpone was influenced by advice given by an external organisation. One employer had to postpone due to problems with their pension provider. This employer had set up a workplace scheme in 2012 on the understanding it would be suitable for automatic enrolment. The employer had regular meetings with the provider on this assumption over the year leading up to their staging date in January 2014, but was told immediately before staging that the provider was no longer able to accept automatically enrolled workers. The employer then postponed for the full three months, to allow time to set up a scheme with another provider.

A few employers considered postponement due to issues happening with their pension provider, but nevertheless went ahead with automatic enrolment on their staging date. These employers are now discussed in Section 3.1.2.

3.1.2 Postponing because of provider issues

A small number of employers experienced issues at the provider's end which caused them difficulties in terms of fulfilling their obligations in time for their staging date. In addition to the previously mentioned employer who postponed due to having to find another provider just before staging, three other employers experienced difficulties with their respective providers, which led them to consider postponement, as they were concerned as to whether they would be able to stage on time.

One employer was reassured by their current provider that they would accept any workers who were automatically enrolled. The employer was in regular communication with the scheme provider, sending them worker details and then a contribution schedule, when their contact at that provider suddenly left the company. It transpired at the beginning of the employer's staging month that their previous contact had not been processing the employer's data. The employer consequently had to redo a lot of work in a week, and also request again for a £1,000 start-up fee to be waived, something that had been agreed with the previous contact.

Case study: A provider encouraging an employer to postpone

One employer, a professional services provider, was due to stage in May. They described how the provider of their existing pension assured them on a regular basis that they could use that scheme for automatic enrolment. One month before their staging date, the provider called to request an urgent meeting. When the employer was able to meet with them four working days later, the provider was 'seriously pushing postponement.' It emerged that the bespoke platform that the provider used for each employer to upload their contribution schedules had not yet been built.

> *'It was the build of this platform that she wanted to get scheduled in so it would be ready for our auto-enrolment. With the way that she was pushing for the postponement, it made us think, "They have got far too much on their plates and they want to be leaping us down the line a little bit."'*

The employer insisted that they wanted to begin automatically enrolling workers on their staging date, and the provider eventually agreed to this. The employer was able to begin automatic enrolment on time, but at the time of interview had not yet received a report from their provider showing the contributions made for each worker, and how many workers had opted out.

3.1.3 Employers who postponed to create efficiencies

A small number of employers felt that it would more efficient to begin automatically enrolling workers in a later month. Two employers who participated in the study were responsible for multiple payrolls, and postponed by one or two months in order to align them, so that workers on both payrolls would be automatically enrolled at the same time.

- One of these employers was responsible for payrolls at a hospital and a nursing home respectively. The hospital had more workers than the nursing home, and was categorised as an April employer, while the nursing home was due to stage in May. The employer decided to use postponement for the hospital so that he would be automatically enrolling everybody in the same month. He had also arranged for an adviser to come in and offer presentations about automatic enrolment to all workers on both sites: postponing one set of workers then meant that everybody could attend the same meetings and be informed of the same timetable for automatic enrolment.
- Another employer was due to stage in April, and used postponement as a way of spreading her workload so that she would not be implementing automatic enrolment while handling other responsibilities relating to the end of the financial year.
- A third employer used three months' postponement for her whole organisation and also a full three months for new starters. She gave the explanation that this would mean that all workers would have the same experience and be enrolled at the same time.

3.1.4 Employers using postponement for specific groups of workers

Some of the employers who participated in the study were using postponement for new starters, to allow them to complete a probationary period before being enrolled into the pension scheme. Typically these employers explained that this saved them wasting time and money enrolling somebody who might not end up staying in their organisation. This tactic was somewhat more common in sectors that consistently experienced a high level of staff turnover. Occasionally, employers also justified this decision in terms of the individual workers' experience, feeling that there was little point in the employer and worker paying in a small contribution, if the worker was then going to leave that pension pot and go to another employer.

A small number of employers had chosen to use postponement for specific groups of workers. A recruitment agency for example was automatically enrolling people who worked for the agency itself in their staging month, but using postponement for the people for whom they secured work on fixed-term contracts. This employer was conscious that introducing an extra cost for these workers would make it difficult for them to compete with other, smaller, agencies working locally in this specific sector.

3.2 Deciding which worker groups to automatically enrol

The regulator explains how to identify the three categories of workers that must be used when implementing automatic enrolment: eligible jobholders, non-eligible jobholders and entitled workers.[19] These categories are illustrated in Figure 3.1 below, which is available on the regulator's website:

Figure 3.1 The different types of worker

Earnings	Age (inclusive)		
	16-21	**22-SPa***	**SPa*-74**
Lower earnings threshold or below	Entitled worker		
More than lower earnings threshold up to and including the earnings trigger for automatic enrolment	Non-eligible jobholder		
Over earnings trigger for automatic enrolment	Non-eligible jobholder	Eligible jobholder	Non-eligible jobholder

* State Pension age.

Several employers found it difficult to understand the distinction between the different categories of worker. It was common for employers to refer to entitled workers as 'non-eligible workers' and a few mentioned that they did not find the term 'entitled' intuitive for the category it was describing.

Nearly all employers in this study were only automatically enrolling eligible jobholders. With one exception, all employers required a worker contribution, and therefore were not allowed

19 Adapted from The Pensions Regulator (2013). *Workplace Pensions Reform – Detailed Guidance: the different types of worker*. At: www.thepensionsregulator.gov.uk/docs/pensions-reform-resource-the-different-types-of-worker.pdf

to automatically enrol non-eligible jobholders. It was not clear, however, whether employers were aware of this fact: the decision to enrol only eligible jobholders was strongly motivated by a desire to keep costs to a minimum.

As noted above, only one employer did not require a worker contribution, and they had chosen to automatically enrol only eligible jobholders. In fact, this employer only had one non-eligible jobholder, but was under the impression that she was not allowed to automatically enrol workers in this category.

3.3 Choosing contribution levels

Employers staging in 2014 are required to ensure that for each worker who is automatically enrolled, an amount equivalent to a minimum of two per cent of the worker's salary is being contributed to the pension scheme, with at least one per cent being contributed by the employer. It was common for employers to set up a scheme using these statutory minimum rates – in other words, one per cent being contributed by the employer and one per cent by the worker – and the circumstances at these employers will be examined in further detail in Section 3.3.1.

Employers are allowed to set higher contribution rates for the automatically enrolled population for either the employer or the worker contribution, or both, as long as the higher contribution rate does not act as an incentive for the worker to opt out. Some employers were offering higher employer contributions than the minimum one per cent to workers who were automatically enrolled, and typically, these employers also required a higher contribution from the automatically enrolled worker. These employers are discussed in Section 3.3.2.

3.3.1 Employers using the minimum contribution levels

It was common for employers in this study to be automatically enrolling workers at a one per cent matched contribution rate. This was the case for:

- all employers who had not offered a workplace scheme prior to automatic enrolment;
- all employers who had only a shell scheme before automatic enrolment, i.e. one with no members;
- all but one of the employers who had fewer than ten workers enrolled in a pension scheme prior to automatic enrolment.

There was also a high degree of overlap between employers who had chosen to use a master trust for automatic enrolment, and employers who had chosen to use the minimum contribution levels. Only a small number of employers had chosen a master trust, but offered an employer contribution higher than one per cent.

Where workers were automatically enrolled with a one per cent employer contribution, this was almost always the maximum contribution that the employer would give. In other words, workers were always allowed to contribute as much as they liked to the pension scheme, but a higher worker contribution only very rarely triggered a higher employer contribution. As mentioned in Section 2.5, a small number of employers were under the impression that they were not allowed to contribute more than one per cent.

Employers who were offering the minimum contribution of one per cent were typically very open about the fact that this decision was motivated by the desire to keep the cost of automatic enrolment as low as possible. These employers also tended to expend less time and effort on the implementation of automatic enrolment and communications to their workers than employers who were offering higher contributions.

> *'I think that is the other challenge when you do this as a small company, that because we are fairly cash-strapped, we are only doing the minimum so it is the one per cent plus one per cent.'*
>
> (Employer, professional services, 90-159 workers)

It should be noted that a few employers, who were automatically enrolling workers at the minimum contribution rate, did, however, offer more generous contributions to members of another scheme. These employers had already had a pension scheme in place prior to the introduction of automatic enrolment, typically offered to a large majority of the workforce. The employer had set up a secondary scheme with a master trust at the minimum contribution rate to capture those workers who had failed to take up the more generous contribution offered in the pre-existing company pension. The logic here was that if a worker had not been motivated to take advantage of the more generous offer of their own accord, it could be seen as a waste of the employer's money to provide anything more than the minimum contribution.

Case study: An employer providing different contribution rates for different worker populations

One employer who participated in the study was a charitable foundation running a stately home. The organisation employed around 30 permanent staff and up to 70 casual workers at different times of the year, with examples of these being waiters and grounds staff. The number of casual workers varied considerably according to seasonal variations in visitor numbers.

Before automatic enrolment was introduced, the foundation had a Group Personal Pension (GPP) which was available to all permanent full-time staff, but not part-time workers or workers employed on a casual basis. This scheme comprised an employer contribution ranging from five per cent up to 14 per cent, according to seniority and historical variations in the employer contribution.

With the introduction of automatic enrolment, the employer decided to use the same scheme, but to offer now a ten per cent employer contribution to all permanent staff, including part-time workers. However, casual workers employed on a seasonal basis were instead enrolled into a new scheme set up with NEST with a one per cent matched contribution rate.

> *'We decided that the casuals we would use NEST for. They can earn nothing for six weeks and then £300. That is the problem… Most of the casuals are not going to tip into the auto-enrolment anyway. The belief was that most of them will opt out because they are students or they are under 22. So it was just the simplest way to set it up, a minimum amount and done. They are nearly all under 22 and when they get to about 19 or 20 they all go off to university.'*

3.3.2 Employers offering larger contributions

Many of the employers who participated provided employer contribution levels for automatically enrolled workers above the minimum requirement of one per cent. This group overlapped to a large extent with employers who had a pension in place prior to the introduction of automatic enrolment, where a quarter or more of workers were members. Among these employers, the strongest motivation for offering contribution rates above the one per cent minimum was continuity with the previous pension offer. Employers usually described this in terms of fairness to workers, and also sometimes in terms of keeping the administrative arrangements relatively simple for the employer.

> *'It would have been unfair to say, "Anybody who joined the pension scheme yesterday can have three per cent and three per cent, and anybody who joins tomorrow will be one per cent and one per cent." The reasoning was fairness, and not having a two-tier scheme.'*
>
> (Employer, health and social care, 90-159 workers)

When asked why they offered a pension scheme with more generous contributions, some of these employers referred also to historical or cultural norms within their sector. A few also mentioned that they were conscious that a generous pension scheme could help to recruit and retain workers.

> *'I don't think people regard it as a right, but I think it is a very, very important benefit, and I am certain that people who work here appreciate that greatly. I think it is probably a huge attraction for people coming into schools because they know that facility is there.'*
>
> (Employer, education, 250-349 workers)

In addition, a few employers felt that they had a paternalistic responsibility to encourage workers to save for their retirement. This attitude was more common among employers with relatively low staff turnover.

> *'We are big on pensions: it can enhance somebody's package. We don't typically have things like company cars and we don't have medical [insurance], but we have the pension, and we see it as of value for people to save for their retirement.'*
>
> (Employer, construction, 350-499 workers)

3.3.3 Employers' views on the minimum contribution level

It was common for employers to voice concerns that a combined two per cent contribution would not be sufficient to provide a comfortable retirement for most workers. This attitude was also sometimes in evidence among employers where the minimum contribution rate of one per cent was provided. Sometimes the person voicing this attitude was conscious that the organisation could not, or would not, offer more than the minimum, regardless of their personal view as to whether this would be sufficient to generate a good retirement income. Organisations that had had little in the way of pension provision before the introduction of automatic enrolment, tended to suggest that affordability had been one of the main barriers to their setting up a workplace scheme.

> *'One per cent is just scratching the surface. I can understand why the Government felt they had to go down this route because if they had made it a bigger jump straight away, it would have meant a lot of resistance, but it is still not enough.'*
>
> (Employer, professional services, 90-159 workers)

Some employers providing higher contributions offered to increase their contributions in line with higher contributions from workers. However, whether or not higher contributions were on offer, employers who were contributing more than one per cent were still typically contributing no more than a maximum of five per cent of the worker's earnings.

A few employers required more than one per cent as a minimum contribution from the worker – a small number of these being employers who were using Defined Benefit (DB) pension schemes for automatic enrolment. Even among employers who required more than a one per cent worker contribution for a Defined Contribution (DC) scheme, opt-out rates were not consistently higher.

A small number of employers offered different contribution rates to different groups of workers. A small number offered higher contributions for the highest levels of management; some other employers offered a higher contribution to workers on full-time, permanent contracts, and the minimum contribution to workers who were employed on a casual basis.

3.4 Choosing a pension scheme for automatic enrolment

Most of the employers who participated in this study found that they had to go through a process of choosing a pension scheme to use for automatic enrolment. While most of these employers had some kind of pension scheme in place prior to the introduction of automatic enrolment, only a few were able to use that current scheme for automatic enrolment. These employers will be examined in Section 3.4.1. Most employers set up a new pension scheme for automatic enrolment, most of these doing so with a new provider, as part of a new relationship. Section 3.4.2 will look at the process by which these employers went about choosing a new provider. Finally Section 3.4.3 will look at the few employers who set up a new scheme for automatic enrolment, which they began to use in parallel with another pre-existing scheme.

3.4.1 Using the provider of an existing workplace scheme for automatic enrolment

Some of the employers we interviewed had one or more existing schemes, one of which qualified for use in automatic enrolment. Nearly all of these employers had a substantial level of participation in that existing scheme, with perhaps half or more of their workers enrolled. These employers were generally keen to preserve the 'status quo' for the current members of their scheme, both because they wanted to minimise the upheaval experienced by existing members, and also because they wanted to avoid expending time and money reviewing the market, if they were already satisfied with their current scheme, and knew that it qualified for automatic enrolment.

For a small number of employers, the choice of pension provider occurred at a level above them as an individual employer. This was the case for a small number of public sector employers who participated in a national scheme.

Continuing to use the same scheme for automatic enrolment offered a number of advantages to these employers. It usually meant that both they and their workers were familiar with that provider's procedures: that they would be used, for example, to seeing and hearing that provider's name in the workplace and seeing communications in that provider's livery. It sometimes meant that the employer had a personal contact at that provider and was able to speak to that contact to find out more about automatic enrolment, or to arrange visits from the provider.

A handful of employers closed an existing scheme with their current provider and moved members into a new scheme with the same provider. This was typically because they were advised by their provider that the current pension would not qualify as a scheme for automatic enrolment. These employers usually felt that rather than continuing to operate their old scheme in parallel to the new one being used for automatic enrolment, it would be simpler from an administrative point of view to pay all new contributions into a single new scheme.

> *'If your existing scheme is not a qualifying scheme… You can continue with those already in their scheme… You can auto-enrol* [eligible jobholders] *into a qualifying scheme but then because they don't want to be in two they have got to opt out. We decided that it would be easier, administratively, to have one scheme.'*
>
> (Employer, health and social care, 160-249 workers)

A small number of employers who already had a pension scheme in place introduced a new pension scheme, or modified an existing scheme between six months and a year in advance of their staging date. These employers typically knew that their existing scheme would not qualify to use for automatic enrolment, and wanted to get a scheme ready for automatic enrolment in order to spread the preparatory work more evenly over the year that preceded staging. In one case, the employer introduced a new pension scheme six months in advance of staging, on an opt-in basis. This was not only to get some of the work of preparing for automatic enrolment completed early, but also in order to make it clear to workers that the employer was doing more than the legal minimum because they wanted to offer an additional benefit to workers.

> *'We have been discussing to have it as part of our benefits. We also wanted to try and get through to our staff that we are taking this on board as something really important as part of our benefits package, and we want to do it before we are forced to do it. We want to have it in place as part of our benefits package.'*
>
> (Employer, professional services, 90-159 workers)

3.4.2 Choosing a new provider

It was fairly common for employers in this study to go through a process of choosing a new provider as part of their preparations for automatic enrolment. For a small number of employers, this was because they had no pension at all in place prior to automatic enrolment. For many employers, however, it was either because they were told that their current scheme would not qualify for automatic enrolment, or because they assumed this to be the case – perhaps because it was an old scheme, or a scheme about which the person responsible for implementing automatic enrolment knew very little.

These employers had partly perceived automatic enrolment as a prompt to review the pension market and consider refreshing their offering. If only a handful of workers – or none at all – were members of the previous scheme, the employer typically felt that they 'had nothing to lose' by reviewing the market to see what other providers had to offer.

This process of reviewing the market was usually rather brief. As discussed in Section 2.4.3, some employers used an adviser to review other providers, and typically accepted any recommendation they made with little or no scrutiny of the reasoning behind it. Alternatively, where an employer reviewed new providers themselves, with no help from an adviser, they typically only reported reviewing master trusts. Even a few employers who did consider traditional providers for a new scheme, still eventually enrolled workers into a master trust instead.

A few employers mentioned approaching a traditional pension provider, and either being explicitly rejected by them, or inferring rejection from a lack of response. Employers reported that this rejection was due to the small size of their company, or having relatively high staff turnover, which meant that the pension provider would not gain sufficient profits from providing a pension for them. However, most employers looking for a new provider only ever considered a master trust from the outset. This decision-making process will be explored in Section 3.5.

> *'Our pension provider was involved but* [provider] *wouldn't take it because of the small amounts of money. They are not interested, so they told us about NEST, so we went with NEST.'*
>
> (Employer, education, 90-159 workers)

3.4.3 Two schemes in parallel

A small number of employers were using more than one scheme in parallel following the introduction of automatic enrolment. For example, a few employers in the education sector were obliged to enrol teaching staff into the Teachers' Pension, and use another scheme, such as the Local Government Pension Scheme (LGPS) for other workers, including administrative and maintenance staff, and any teachers who had opted out of the DB scheme.

A small number of employers set up a new scheme, typically with a master trust, for a separate worker population who had previously not been offered a pension. For example, one employer had previously only offered a pension scheme with a generous employer contribution to its full-time workers: it now set up a separate scheme with a master trust, with the minimum contribution rates, for anybody employed on a part-time basis.

3.5 Use and perception of master trusts

Just under half of the employers who took part in the study had chosen to use a master trust for automatic enrolment. It was relatively common for an adviser to inform employers that traditional providers would not consider them, or simply only to mention the master trusts as options from the outset. As discussed in Section 2.4.3, employers tended to accept these recommendations more or less without questioning them.

3.5.1 Reasons for using a master trust: push factors

If the employer took responsibility for reviewing the market themselves, they tended to describe solely having looked at the new master trusts: the National Employment Savings Trust (NEST), NOW Pensions and The People's Pension. While some assumed that traditional providers would not accept them, or had not considered traditional providers at all, other employers had explicitly positive reasons for focusing their decision on the master trusts. These reasons will be explored in Section 3.5.2.

A small number of employers reviewed the market themselves and also took traditional providers into consideration. All but one of these chose ultimately to use a master trust following rejection or lack of response from other providers.

All of the employers who had no workplace pension prior to automatic enrolment were using a master trust for their scheme, as were most employers whose previous scheme had a low participation rate – typically fewer than ten members.

Some employers had a conscious preference for a traditional pension provider, but experienced a lack of interest from these providers, and ultimately used a master trust. A few of these employers mentioned that they were aware that their workforce did not constitute a particularly attractive clientele to traditional providers. However, it was also common for employers not to consider approaching a traditional provider. Typically, this was not due to the worker responsible for implementing automatic enrolment having a stated preference for a master trust, but rather to a desire to abbreviate or abdicate to some extent from the decision-making process. Most of the workers responsible for choosing the provider did not consider pensions to be part of their usual job role. This often meant that they either did not know much about pensions, or were not interested in learning much more: they did not believe that investing a lot of time in exploring different pension products would be a good use of their time.

Junior workers with responsibility for automatic enrolment often had a multi-tasking role and were keen not to neglect their 'normal' job responsibilities. Conversely, where a more senior worker, or a managing director, was responsible for choosing a provider, they appear to have considered other tasks to be a better way of investing their (relatively valuable) time. This was in contrast to the Pensions Directors or Pensions Mangers typically handling automatic enrolment in the Large Employers Study, where dealing with pensions was their 'day job.' For those workers, implementing automatic enrolment did not feel like a distraction from their normal work: rather, it was the substance of their normal work.

3.5.2 Reasons for choosing a master trust: pull factors

Employers described two other common reasons for choosing a master trust that effectively short-circuited the decision-making process: firstly they tended to be aware in a very general way of the popularity of master trusts among employers of a similar size. A few reported seeing representatives from the master trusts give presentations at seminars or other events that they had attended. A small number mentioned having seen advertising for the master trusts, either in the press or online. However, it was also common for employers to have difficulty recalling exactly how they had heard about the master trusts.

In the case of NEST in particular, employers perceived this as being 'the Government pension,' something that gave them confidence the scheme would be compliant with their obligations and would be run in a reliable manner. A small number of employers even assumed that they had to use NEST; their logic being that automatic enrolment was a government policy, and NEST was the Government scheme.

Some employers mentioned that their payroll provider had promoted one or two master trusts as schemes that would be compatible with their automatic enrolment module. However, in practice, a few of these employers later experienced problems relating to data formatting issues between the payroll and pension providers.

Less commonly, employers cited positive characteristics of a master trust as a reason for choosing them as a pension provider. Some employers mentioned that because they had a high staff turnover, they were attracted by the portability of contributions paid into a master trust. This meant that workers would be able to move their pension fund if they moved employers, which would make it easier for them to keep track of their pension and keep it in one place if they so wished. A few employers described the master trusts as being ‘free,’ insofar as they would not be paying for a broker or set-up fees, which they perceived as more common among traditional providers. A small number also felt that the member charges for master trusts were relatively low, or that they had a good choice of funds.

3.6 Data challenges

Employers’ use of worker data is fundamental to the implementation of automatic enrolment. Key information that employers need to identify for each individual on their payroll includes workers’ age, earnings, employment contract type and the location of their work. All employers who participated in the study held their worker data on management information (MI) systems, and used these MI systems in completing a range of tasks, including

- identifying worker types;
- assessing eligibility;
- automatically enrolling workers;
- calculating the value of employer and worker pension contributions;
- processing opt outs; and
- sending personalised communications.

Generally speaking, both the MI systems used to store this information, and the data itself, were less complex for these employers to use in the context of automatic enrolment than was the case for organisations in the Large Employers Study. There were fewer worker records overall for employers to process in the course of their preparations, and employers in this study often started the process of preparing for automatic enrolment with a detailed idea of the number, type, and even identity, of workers who would be affected by their new employer duties. Moreover, all but two or three employers kept all of their MI data on a single database.

This said, many employers taking part in this study needed to carry out a certain amount of data cleaning, to ensure that all relevant worker details needed for automatic enrolment were present, accurate and up-to-date. Indeed, several employers emphasised the importance of completing this task, before starting to assess or enrol workers.

> *‘The correct contact details, the correct addresses, the correct salaries: if you have got it all there to start with, your salaries, your start dates, your contribution rates, everything like that all in one spreadsheet, then it is much easier, I think.’*
>
> (Employer, manufacturing, 90-159 workers)

3.6.1 Assessment of workers

One of employers' principal data tasks was the identification and assessment of workers, which must be carried out on an ongoing basis after their staging date. Employers needed to use their MI systems to identify the different types of workers – eligible jobholders, non-eligible jobholders, and entitled workers – and assess whether they should be automatically enrolled. This assessment is based on three eligibility criteria:

- The age of the worker: specifically, whether the worker has reached their 22nd birthday, and whether they are above or below State Pension age (SPa).
- The location that the worker usually carries out their work in, i.e. whether the worker is ordinarily based in the UK.
- The worker's earnings: whether the worker's earnings are above or below the earnings trigger for automatic enrolment in the relevant pay reference period.

All of the employers who participated in the study routinely used packaged payroll solutions to undertake their payroll activities. Many had purchased dedicated automatic enrolment modules and bolted these onto their existing payroll software, to conduct the worker assessment in a straightforward way, and convert data from existing MI systems into suitable formats to use with their pension provider. Employers in this study who purchased payroll modules almost always found them to be easy to use, and faced many fewer issues than some employers in the Large Employers Study, who had faced many technological glitches.

> *'It was all done through Sage. That was an automatic enrolment, I just clicked the button and it does it… it automatically opts whoever is in for you so that is easy.'*
>
> (Employer, construction, 160-249 workers)

Some employers did, however, comment that the worker category labels 'non-eligible' and 'entitled' were not intuitive, and that they added an unnecessary level of complexity to understanding the assessment.

> *'It wasn't easy initially to understand what the different ones were. It is slightly confusing, certainly in the initial stages to call people non-eligible when actually they are eligible. The terminology was ill-chosen. It could have been better. That took some getting to grips with.'*
>
> (Employer, health and social care, 62-89 workers)

While most employers were able to purchase a payroll module specifically for automatic enrolment, a few employers who outsourced their payroll did not have this option. The employer's MI system and the payroll system therefore operated independently, and employers had to complete the assessment of workers manually. To do this, they went through the database of workers methodically, and, using the eligibility criteria guidance, assessed workers manually. These employers tended to feel that this caused the process of assessment to be time-consuming and frustrating.

> *'Our system doesn't do it; we were identifying who was eligible and who wasn't by hand. Literally you just have to go through and make a decision. You follow the rules to decide, and that is where I would go to The Pensions Regulator and work out what the definition was and then look at them. It was a lot of work.'*
>
> (Employer, education, 250-349 workers)

Conversely, a few employers, who had the option of purchasing a dedicated payroll module, chose instead to carry out assessment using spreadsheets, and to keep track of contributions and opt outs in the same way. These employers often chose to do this to save money, but some also felt that it would be simple to carry out this task themselves, since they had the right technical skills to do so.

3.6.2 Payroll compatibility issues

Many employers ran their payroll themselves, internally, and most of these used the same software. These employers therefore created the payroll reports themselves each month to use for automatic enrolment and pass on to their pension provider. A few employers outsourced their payroll to an external company, and thus had to consult with that company to produce their data reports for automatic enrolment.

While most employers were able to transfer data reports from their payroll to their pension provider relatively easily, a small number reported compatibility issues between the payroll and provider systems. These employers explained that the incompatibility between the systems created data flow issues: the payroll system required information in a different format from that required by the pension provider's system. A few found it very time-consuming and frustrating to manually adjust data to match required formats. Two of these employers had specifically chosen their pension provider because they were told that their payroll software was compatible with the pension provider's data systems.

In addition to these employers who experienced compatibility problems, another handful indicated that they experienced a few 'teething problems' with the systems when running them for first time, and felt that they could be improved. This included the systems not recognising the arrangements for existing members of the pension scheme, or having to tweak data formatting on contribution schedules in order to upload them to the pension provider's system. However, these employers explained that these issues were manageable, and were easily resolved by either themselves or their payroll provider.

3.6.3 Different worker populations

Some employers also recalled that different worker populations within the organisation created a challenge to implementing automatic enrolment, specifically in relation to worker assessment and processing contributions. Many employers operated both weekly and monthly payrolls, with different arrangements for regular, salaried workers, from those in place for workers employed on a more casual or flexible basis. This typically meant that they had two data reports to process at different points in time. These employers described the process of manipulating data from two payrolls as taking up more internal time and requiring a higher level of administration, than what was necessary at employers with a single payroll.

Additionally, several employers mentioned challenges they faced due to having workers on variable earnings, including seasonal and ad hoc workers, and those on zero hours contracts. Some employers expressed their uncertainty over how to manage automatic enrolment scheme membership and contributions for these workers, who may only be eligible for automatic enrolment in certain weeks or at certain times of the year, depending on their level of earnings. Employers recognised that they needed to check their payroll data continually, to ensure any eligible workers were identified and processed when appropriate.

'We have two companies, but because within both companies we pay salaried and we pay hourly, the provider wanted a file for the salaries and a file for the hourly paid, so we have actually got four pensions. So that took up a bit of time, because instead of just having two companies and two pensions, we have got two companies and four pensions, and it is making sure that everybody is in the right category.'

(Employer, leisure, 62-89 workers)

3.7 Measuring the cost of implementation

Employers who took part in this study only rarely incurred substantial ad hoc costs as a result of implementing automatic enrolment, and in this, they differed from employers who staged in 2012 and 2013. This was partly because some costs incurred by the larger employers were not perceived as necessary at smaller employers: for example, legal advice, or consulting with payroll providers who were still testing out their software when the largest employers began automatic enrolment. However, some employers deliberately minimised spending on things that they were confident would have helped them with automatic enrolment. This was particularly the case with hiring an adviser: many employers perceived that they would benefit from professional advice, but at the same time, did not want to, or could not afford to, pay for it.

Some junior workers leading implementation found it difficult to comment on the cost implications of implementing automatic enrolment, both in terms of ongoing employer contributions and ad hoc costs incurred during implementation, because they did not always have insight into how budgets were being planned and allocated. Because the worker in charge of implementation did not typically 'own' the budgets that were allocated to implementing automatic enrolment, they did not tend to think of the time and money being spent on automatic enrolment as costs that they themselves were incurring.

'I don't know how [the budgeting for employer contributions] works. Do you budget for everybody to join the pension scheme? I don't know how that works, so I don't know. I think it would be like anything else. I'm not aware of the company taking any special measures to cope with it.'

(Employer, professional services, 90-159 workers)

The employer contact who was responsible for implementing automatic enrolment was in fact often someone relatively junior who identified more with other workers than with the aims or priorities of the employer. In contrast, when a senior worker was responsible for implementation, they tended to align themselves with the strategic goals of the organisation, and to think about the overall impact of their decisions on the business as a whole. These workers often felt a responsibility to keep costs down, and to use their time efficiently.

'From my point of view, if I was an employee, I would think it would be a marvellous thing because I am getting free money. Basically I have got a pay rise, whereas as an employer I would maybe look at how much it is costing us.'

(Employer, health and social care, 62-89 workers)

While some of the relatively junior workers responsible for implementation were similarly conscientious in terms of seeking to keep costs down, they also tended to report their decisions being signed off with little fuss by higher levels of management.

In contrast, a small number of workers responsible for implementation reported differences of opinion between themselves and their managers in terms of how to approach automatic enrolment. The person responsible for implementation was sometimes concerned about their ability to understand and comply with the organisation's legal obligations without support from somebody who had specialist expertise. However, they reported that directors were normally keen to restrict the time and money the organisation spent on implementation.

When asked about the financial outlays they had incurred in order to implement automatic enrolment, relatively junior workers who had been given this responsibility sometimes found the question difficult to answer. This was firstly because, as previously mentioned, they were not always responsible for recording, or signing off, the costs incurred. However, it was also partly because they had often not actually incurred many out-of-pocket expenses during their preparations.

For most employers, who did not hire an external organisation to provide them with advice or support during implementation, costs were very low and typically not measured. For these employers, the cost of adding an automatic enrolment module to their payroll software was typically the main cost of implementing automatic enrolment, and they typically estimated this to be between £200 and £700 per year. The other costs that employers were able to cite were minor ones, such as the cost of sending out statutory letters, which had typically been absorbed into existing budgets.

Employers who did choose to hire an external adviser tended to find that this raised their costs into the low thousands. For a small number, the eventual cost was above £10,000. As a rule, the larger the organisation, the higher they found the cost of seeking advice – but equally the higher the costs they were typically willing to bear.

At the smaller end of the size spectrum, a few organisations were keen to restrict costs as far as they possibly could. A few employers, for example, avoided paying for the payroll provider's automatic enrolment module, instead creating their own spreadsheets to assess workers. Most employers, regardless of the level of expense they had incurred, were relatively comfortable with the financial outlay they had made. Employers understood that compliance was mandatory, and therefore had a tendency to justify whatever costs they deemed necessary as being unavoidable.

> *'You are going to have to use an adviser. Just swallow it, and get someone out there who knows what they are doing.'*
>
> (Employer, professional services, 90-159 workers)

Only one employer who participated in the research had closed a more generous existing scheme to new members, and was automatically enrolling workers into a new scheme at the minimum employer contribution of one per cent. However, as already mentioned in Section 3.3, a few employers were offering one group of workers' lower contributions than to the rest of the workforce: this was typically a worker population to whom they had not previously offered a pension, but whom they now had to automatically enrol.

A few employers mentioned a concern about meeting the cost of higher contributions that would be phased in over the years up to 2018. While these employers had not already planned a strategy for meeting these increased costs, most of them speculated that in the long term, they would need to review pay increases or perhaps even recruitment levels. These concerns will be explored further in Chapter 8.

> *'We have to factor that in, well we can't give a two per cent salary increase. We may have to give a one per cent and a one per cent pension increase. So we have to think of things differently. We have to factor them into our budgets. It makes us think. It has changed things dramatically.'*
>
> (Employer, professional services, 90-159 workers)

Most employers identified the main ad hoc cost of automatic enrolment to be the amount of internal resource that had been invested in preparations, and to a lesser degree, in ongoing administration once automatic enrolment was up and running. However, almost nobody was able to quantify the cost of this resource in financial terms. The person responsible for implementation did not tend to measure the time they spend on this, and described it instead as being absorbed into their day job.

Where the worker handling implementation was aware of this responsibility between six months and a year in advance, they had normally begun by spending a few hours researching their obligations on a sporadic basis over the first few months. Both these employers, and the few who began preparing around three months in advance, reported working on tasks relating to automatic enrolment on a relatively continuous basis over those last two to three months before staging. In this period, they estimated that they had spent between a few hours and a full day per week on preparations, time that was mostly spent on assessing workers, and handling communications.

However, if the employer experienced any difficulties with the pension provider or with their payroll, as was the case for a few, the person in charge of automatic enrolment sometimes put in additional hours to keep on schedule for their staging date. This time occasionally amounted to as much as an extra day per week in the month before the employer's staging date, and these employers reported that this additional time was necessary to ensure that they complied on time. The worker responsible for automatic enrolment was generally conscious that they would not be paid for any additional hours they put in outside of normal working hours.

> *'We complied on time, but only because I worked additional days and stayed until ten o'clock at night. We complied, but at that cost.'*
>
> (Employer, health and social care, 62-89 workers)

4 Communicating automatic enrolment to workers

This chapter explores how employers went about communicating automatic enrolment to their workers. It examines the statutory communications that employers issued, as well as additional written and verbal information that employers used to aid workers' understanding of automatic enrolment. It also looks at employers who perceived different worker populations as having varying information needs and who therefore issued different communications to these workers. The final section of the chapter explores how, for some employers, communications were affected by issues with pension providers.

4.1 Statutory communication

As specified in The Pensions Regulator's (TPR's) detailed guidance, employers have a duty to communicate certain information to their workers about automatic enrolment.[20] This includes a statutory communication to inform workers that eligible jobholders will be, or have been, automatically enrolled into a pension scheme, that non-eligible jobholders have the right to opt into a pension scheme, and that entitled workers have the right to join a pension scheme. This must be sent within six weeks of the employer's staging date, or within two months for workers already in qualifying schemes.

This information must be given in writing, whether in hard copy or digitally, and must contain mandatory elements that include the date of automatic enrolment, contact details for the pension scheme, the value of the scheme contributions, and the jobholder's right to leave the scheme during the opt-out period and have any contributions refunded to them.

All of the employers we spoke to had issued the statutory letter to inform their workers about automatic enrolment. Most commonly, employers had sent letters by post to workers at home. Some had issued the letters as PDF attachments with emails, for workers. The employer was typically responsible for preparing these letters, and for delivering them either via post, email, pigeon-holes, or by hand.

In producing the letter, around half of employers used templates from TPR's website, with the remainder using templates designed by their pension provider. Employers edited and adapted these templates to suit their circumstances, including whether or not they were using postponement, the needs of their workforce, and the different types of worker (eligible, non-eligible, or entitled) with whom they needed to communicate. They often had to explain that enrolment was compulsory, and that workers could only opt out of the pension once they had received their enrolment information from the provider, after they had been enrolled.

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20 The two most relevant guidance documents to this section regarding employers' communication duties are:
The Pensions Regulator (2014). *Detailed guidance for employers – Automatic enrolment: an explanation of the automatic enrolment process*.
At: www.thepensionsregulator.gov.uk/docs/detailed-guidance-5.pdf
The Pensions Regulator (2014). *Detailed guidance for employers – Information to workers: the new duties*. At: www.thepensionsregulator.gov.uk/docs/detailed-guidance-10.pdf

'Everybody got a letter. I used the standard NEST letter or the Government letter, the template, because you can't explain it much better than that really. Some of them didn't quite understand the letter and they brought it back to me and said, "What does this mean?" So I had to explain it to them.'

(Employer, manufacturing, 90-159 workers)

Once workers had been automatically enrolled, most pension providers issued introductory information in the form of a letter or information pack sent direct to workers who had been enrolled, with little or no work involved for the employer. Containing more detailed information, this communication often answered questions that workers had raised after the initial statutory communication, such as why the pension scheme might be beneficial, the value of contributions offered, and what workers needed to do in order to opt out of the scheme.

Employers usually felt that these letters and information packs from providers communicated these messages clearly.

4.2 Using templates to create communications

Almost all employers used templates to create the letters they sent to workers. Most employers used templates available on the regulator's website or from their pension provider, although a small number used a combination of the two, and occasionally, templates offered by their payroll software provider. Whatever their source, these templates were viewed very positively by most employers, who felt that the templates explained automatic enrolment simply and effectively, covering all the key points with standardised wording. They did not therefore feel they needed to create their own materials from scratch.

'The Pensions Regulator has been quite good for giving me examples of how to put things so that they are simple and easy to understand. The templates were very useful actually.'

(Employer, manufacturing, 160-249 workers)

This said, a small number of employers had found the templates, in particular those available on the regulator's website, to be rather long and wordy, and felt that in places they presented information in an overly formal way. Some employers felt that the language used in templates produced by their scheme provider would be easier for workers with no prior knowledge of pensions to digest, than letters produced using the regulator's templates.

4.3 Additional communications: written information

Some employers provided written information about automatic enrolment in addition to the letters that they were legally required to issue. They explained that this was for a number of reasons:

- to raise general awareness of automatic enrolment prior to implementation, and why it was happening;
- to develop workers' understanding of what would happen when they were enrolled, and what, if anything, they would need to do;

- to reduce the number of staff queries and limit misunderstandings;
- to provide workers with sufficient information to allow them to make a confident decision about whether to remain in the workplace scheme after being enrolled, or opt out of it.

Some of the employers had provided information via posters, which they placed around offices, often in break areas. These employers typically used posters as an indirect means of raising general awareness among workers, building the message that automatic enrolment was coming. Employers hoped that by using posters, they could pre-empt a few general questions from workers in a low-effort and easy way. A few employers who had used posters did, however, question the extent to which workers took notice of them.

Other forms of written communication included additional letters, which a few employers sent out in advance of the statutory letter, to prepare workers for changes further down the line. These employers explained that they wanted to give workers this advance notice to give them more time to absorb information, and to consider whether to remain in the scheme.

A few employers, who employed mainly desk-based workers, used company intranet pages to help build awareness of automatic enrolment. These employers posted notices that gave a brief overview of the process, and directed workers towards further information, if they wanted it.

Other employers also used company newsletters to raise awareness of automatic enrolment in advance of the staging date. These were typically sent out via email, featuring an additional section introducing and explaining automatic enrolment. In organisations that routinely sent out newsletters, employers mentioned automatic enrolment in a few consecutive issues, to continue to remind readers that it would be introduced in the near future.

A handful of employers used paper payslips as a means of raising awareness among workers. These employers produced a note or leaflet about automatic enrolment in-house, and included this in payslips to encourage workers to read the information. A small number of employers included notes with payslips in the month before automatic enrolment began, in order to draw workers' attention to the contributions that would be recorded in subsequent payslips. The employers who had piggy-backed notes and leaflets with payslips felt that communications delivered in this way would be difficult for workers to ignore, and that this would encourage them to read the information.

4.4 Additional communications: providing information verbally

In addition to written communications, most of the employers we spoke to provided verbal information about automatic enrolment to workers. This was done either collectively, through presentations, roadshows or staff meetings, or individually, in one-to-one conversations or 'surgeries.' Face-to-face interaction with a group of workers was often logistically simpler at smaller employers who took part in the study than at larger ones, and employers only generally needed to conduct one or two sessions to make it possible for all members of staff to attend. Providing information verbally allowed two-way conversation, making it easier for employers to ensure that workers understood what they were being told. Verbal communication also enabled employers to provide a detailed explanation of the whole automatic enrolment process to workers and its benefits for them, helping them to make an informed decision about whether to stay in the scheme. It also provided an opportunity for workers to raise queries in either a collective or an individual setting. Indeed, employers who provided verbal information, particularly in an individual setting, reported that this gave them an opportunity to clarify any misunderstandings that might have arisen from reading written information.

Some employers arranged presentations or put on roadshows for workers. These were conducted by either the provider of the scheme to be used for automatic enrolment, or by a financial adviser selected by the employer to assist with planning and implementing automatic enrolment. Employers typically held presentations and roadshows between one and three months prior to their staging date. In these sessions, the provider or adviser explained to attendees the mechanics of automatic enrolment, the scheme that they would be enrolled into, and also the benefits of saving into a pension scheme.

Additionally, a few employers offered one-to-one discussions or ‘surgeries’ during or after these presentations or roadshows. These were led by either employers themselves, or by professional advisers. While all employers were aware that they could not give financial advice to individuals, some said that they wanted workers to understand how saving into a workplace pension could benefit them, and felt that explaining this on a personal level would be more effective than in a group setting.

Many employers also offered more informal individual discussion, and welcomed workers to come to them with queries about automatic enrolment. Employers typically advertised their availability to workers from the start of their communications, to give workers an ongoing opportunity to ask questions or clarify details, both before and after the implementation of automatic enrolment.

Several employers used existing staff meetings as an opportunity to introduce automatic enrolment to workers, usually including it as an additional point on the standard meeting agenda, about six to eight months prior to implementation. Employers used this forum to increase general awareness of automatic enrolment among workers, and employers would usually provide a brief explanation: telling workers the company’s staging date, what would happen, and what this meant for workers.

Case study: A multi-method approach to communicating automatic enrolment

One employer, in the retail sector, described using a multi-method approach to building awareness and understanding of automatic enrolment among the workforce. They did this through a gradual process, starting with broader, more general information, and working through to the more granular detail of what would happen when automatic enrolment was implemented. About nine months in advance of the staging date, the employer began to communicate verbally with workers in small groups, to explain what the automatic enrolment would entail. The employer explained that verbal communication was particularly important in this workplace, because many workers spoke English as a second or other language. Furthermore, to eliminate any concerns about asking questions in a group setting, the person in charge of automatic enrolment encouraged workers to go to him, if they had any queries.

About six months before the staging date, he had started to send written communications. These included notes in workers' payslips every month in the build-up towards implementation, to promote awareness that deductions would start to be made at the staging date. These notes were tailored to each month, to provide a current update of progress and the relevant timescales. The employer then used templates from the pension provider to issue the statutory communications, and gave workers the details of the provider's website if they wanted to get further information.

> *'There was a communication over the months with the employees both in terms of verbally in groups, and then written communiqués which accelerated into this year, so with each month we would attach something with the payslips and an update of where we are and, "Don't forget it is going to be the first of July, that this is going to happen." So by the time it came around, certainly all our employees were well briefed on what was going to happen and it wasn't a great surprise the first time that there was a deduction of pay for the individuals. It was a gradual process.'*

The employer reported that by communicating to workers in this gradual, multi-faceted way, workers were very well-informed at the time of implementation. He felt that they knew what to expect from automatic enrolment, and had had time to fully consider whether to remain part of the scheme.

Having provided most or all the information that workers received up until the point where they were actually enrolled, some employers expressed a degree of frustration that they were not involved in the opt-out process itself. Several employers felt it could be confusing to workers that this part of the process could not be done through them, and that workers must opt out via the scheme provider. Their distance from the opt-out process also meant that employers found it difficult to assist with the logistical issues that some workers had when opting out, such as uncertainty over the appropriate form to complete and the details that they needed to provide.

In contrast, other employers were pleased not to be involved in the opt-out process, because they felt this helped them to remain impartial. Indeed, a small number of employers wondered whether opt-out rates may have been higher, if workers had been able to opt out with them directly. They felt that because they were often sitting in the same office as workers, and were positioned as being approachable, this could have encouraged workers to make more impulsive decisions than they did as they completed the opt-out process more independently.

'I think in some ways it's quite good that they couldn't opt out with me. I think if they could have opted out with me, I think I might have had more opt outs. I think the fact that they have to go on a website or pick up a phone, people go, "Just leave it, then." I don't know if it's laziness or what.'

(Employer, manufacturing, 160-249 workers)

4.5 Different worker populations

Employers' decisions about how to communicate automatic enrolment were sometimes influenced by the presence of different populations within the workforce. Some employers operated separate payrolls for specific groups of workers, who had different working patterns, or were based in different environments or locations from the employer contact we interviewed. These factors sometimes affected how easy it was for employers to communicate with workers:

- Firstly, workers who were paid monthly usually received a fixed salary, tended to work set hours, and had a single, central place of work. It was relatively straightforward for employers to arrange for these workers to receive communications, to view posters, and to have interaction with the person in charge of automatic enrolment.
- Workers who were paid weekly, or paid variable earnings, tended to work less fixed hours, and sometimes worked on an ad hoc or seasonal basis. These workers were often based away from the employer's main site, or worked on a mobile basis, or across several sites. Employers typically faced more of a challenge in communicating with these workers about automatic enrolment, than they did in communicating with centrally-located workers.

Additionally, employers explained that the styles they used in their communications sometimes needed to be adapted to suit different groups, to ensure that the workers could engage with the material provided. As a result, a few employers varied the methods or styles of communication that they used, in order to suit the needs of different groups.

Case study: Different methods of communication for different worker populations

One employer, operating in the leisure sector, used different methods of communication to engage with the two different worker populations within the company: a group who worked regularly on-site, and another who worked off-site in many different locations. The employer was able to engage with on-site workers through conversation on a regular, spontaneous basis, as well as a specially scheduled staff meeting. The small size of the on-site team also made this logistically straightforward.

However, the off-site workers worked in many different locations, and so the employer had to take a different approach to communicating with them. He had therefore used emails to communicate with these workers, and arranged scheduled presentation meetings in order to speak to most or all of them at one time. Because the off-site workers were remote from the employer, he created very detailed information for the presentation sessions, to ensure that the workers' distance did not affect their understanding of automatic enrolment.

'Because we are as small as we are, and I see all the employees here on a daily basis, we just had a staff meeting one afternoon. We had to email all of the operators, and then we had a couple of training days recently where about 50 of them appeared.'

4.6 Provider communication issues

As Section 4.1 has discussed, the provider of the scheme into which workers were being automatically enrolled typically sent information to new members, with little or no involvement from the employer. In most cases, no difficulties arose from this for the employer. However, for a few employers, the pension provider had issued these communications late, delaying the start of the opt-out window or causing other issues for the employer.[21]

A few of these employers knew or speculated that their provider had a heavy workload resulting from new business, and was experiencing a backlog at the time of implementation. These providers were late in sending out communications to workers – which included details of how to opt out – following enrolment, with delays sometimes lasting several weeks.

> *'My biggest regret is the fact that* [provider] *sent opt-out letters out late, because there was a delay getting everything in their system. They were, like, two weeks late, and so the dates I had given [to the workers] for the opt outs were wrong.'*
>
> (Employer, retail, 90-159 workers)

In a small number of cases, employers experienced issues when their provider sent out communications incorrectly, or that contained errors. For example, one employer reported that the provider sent out some new members' information packs to the wrong address in a number of cases, while another explained that the provider had not paid sufficient postage when sending out information packs.

Such delays and errors with communications had an impact on workers as well as on employers. Some of the employers in question explained that some workers had been confused when they did not receive the communications they expected, and had approached their employer with questions. In particular, the small number of employers whose providers were late in sending out communications once workers were enrolled had received numerous queries from workers who wanted to opt out. These workers could not opt out without an information pack from the scheme provider that told them how to do so.

21 The opt-out period starts from either the date on which the worker becomes an active member of the scheme, or the date on which they are informed that they have been automatically enrolled by the employer or provider, whichever of these two dates comes later.

5 Impact of automatic enrolment on participation in workplace pensions

This chapter explores the impact of automatic enrolment on participation rates in the workplace pensions offered by employers who took part in the study. The chapter outlines the overall opt-out rate, and the change in pension scheme membership levels once automatic enrolment is in place. These two key measures determine how automatic enrolment is performing against the policy objective of increasing participation in workplace pension schemes. An employer's opt-out rate is calculated as the proportion of eligible jobholders who decided to leave the workplace pension scheme into which they had been automatically enrolled, in the course of the designated opt-out period.

The chapter also explores variations in opt-out rates by worker age bands, part-time or full-time status, and level of contributions by employers and workers. These findings are linked to feedback employers provided about the reasons why workers chose to opt out, or did not opt out.

Finally, this chapter analyses the incidence of workers who leave the scheme after the end of the specified opt-out period (cease active membership), and the proportion of workers who actively choose to opt in to a scheme.

5.1 Overall opt-out rates and pension scheme participation levels

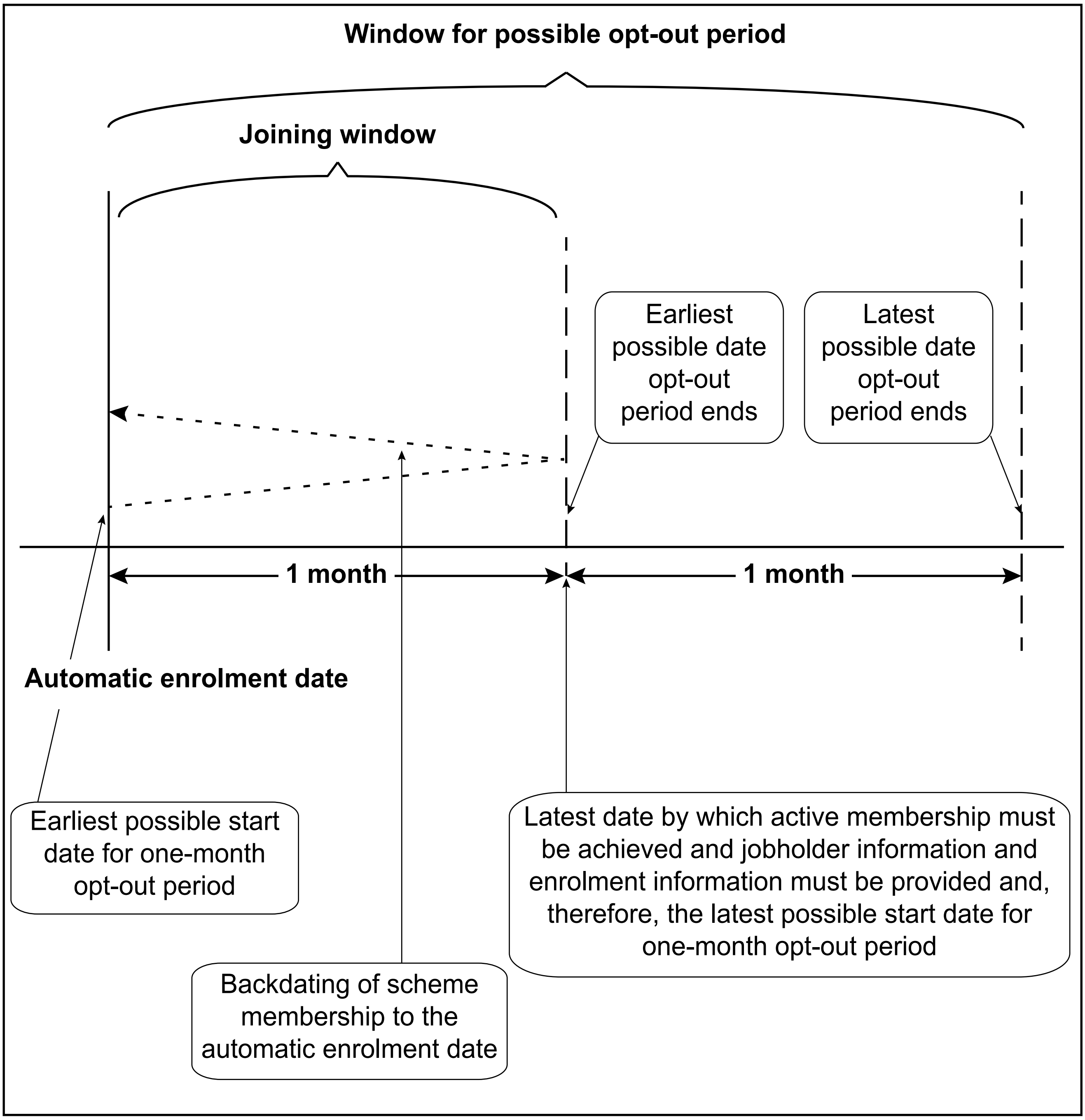
Employers have a legal duty to automatically enrol all eligible jobholders into a qualifying pension scheme, and to make a minimum contribution. These workers also have a legal right to opt out of ongoing pension scheme membership. There is a specified timescale within which jobholders can opt out, which is known as the 'opt-out period,' as shown in Figure 5.1 below. Opting out during the opt-out period effectively means 'undoing' active scheme membership: a jobholder who opts out is reimbursed any initial contribution taken from their pay, and treated as if he or she had never been a scheme member. Jobholders must opt out by giving an 'opt-out notice,' which is usually provided by the pension scheme provider. On receipt of this notice, the provider must reverse scheme membership and refund any contributions deducted from pay. The employer also needs to be made aware that the worker has opted out of the scheme, so that they can stop taking any contribution from the worker's pay, and stop making their own contribution as an employer.

In order to capture and monitor opt-out rates at participating employers, the research team asked the main contact at each one to share detailed information about their pension schemes before and after automatic enrolment. All 50 employers who took part in this research were able to respond to our request for detailed data. The information they submitted included:

- detailed company workforce and pension scheme profiling information;
- pension scheme participation levels before the introduction of automatic enrolment;

- the number of eligible jobholders who were automatically enrolled during the first month;
- the number of eligible jobholders who opted out during the opt-out period;
- the number of workers who opted into the pension scheme; and
- the number of workers who left the scheme after the end of the opt-out period – in other words, the number who ceased active membership of the scheme,

Figure 5.1 Timeline within which employers must enrol workers, relative to staging date[22]



22 The Pensions Regulator (2012). *Workplace Pensions Reform – Detailed Guidance: opting out*. At: www.thepensionsregulator.gov.uk/docs/pensions-reform-opting-out-v4.pdf

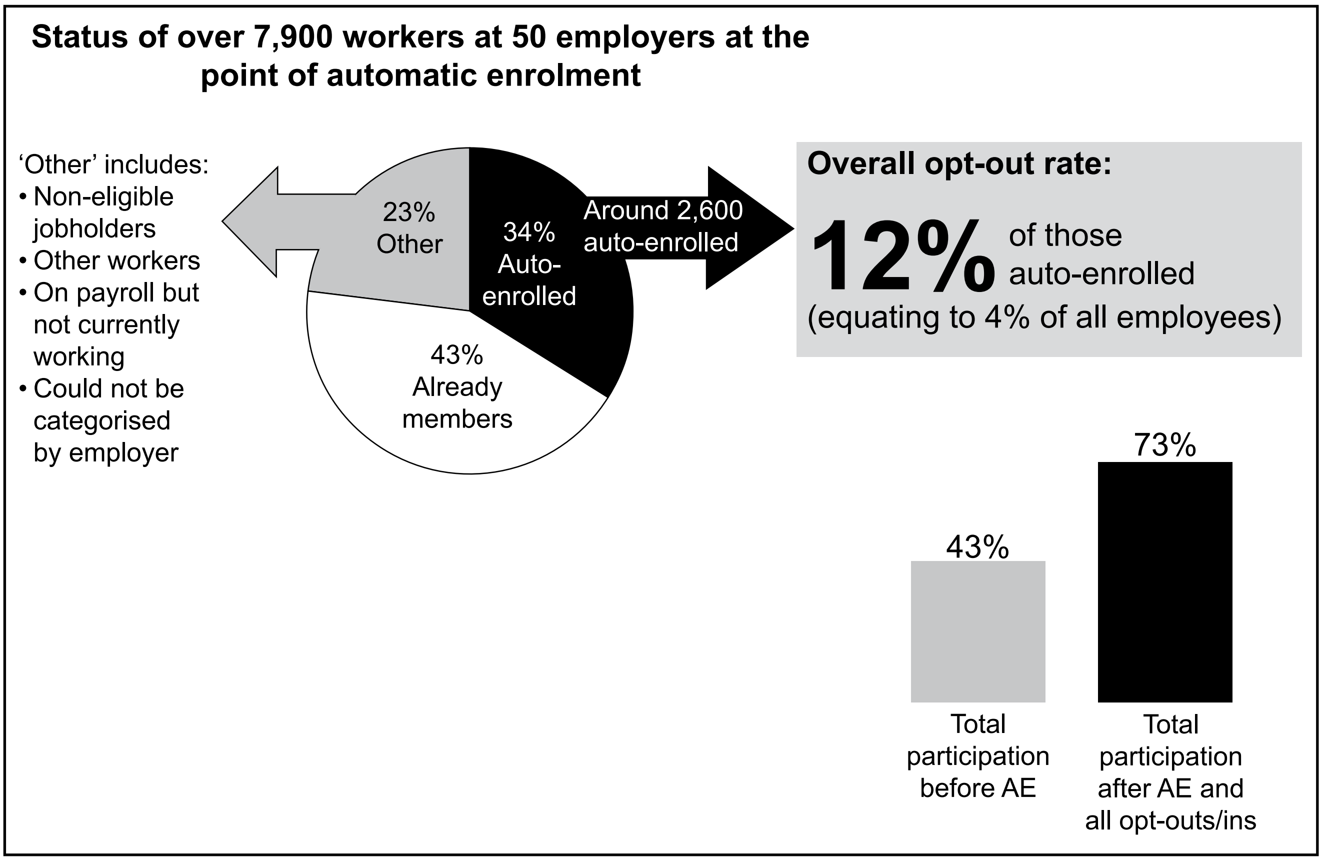
In other words, the opt-out period ends one month after the employer has enrolled the worker and provided them with written confirmation of this enrolment. If the employer's staging date was 1 July, and they informed workers of their enrolment at the end of July, workers would in fact have until the end of August to opt out. Workers can also leave the pension scheme at any point after the end of the opt-out period, although if they do so, their contributions remain invested.

The headline analysis presented in Figure 5.2 is based on the information provided by the 50 employers, who reported a combined total workforce of over 7,900 workers. Of these, 43 per cent, representing about 3,400 workers, already participated in a pension scheme before automatic enrolment came into force. Just over one-third, or 34 per cent, of the total workforce was made up of eligible jobholders, who were automatically enrolled: this represents a total of around 2,700 individuals. The remaining 23 per cent in the 'other' category included groups such as non-eligible jobholders, individuals who were nominally on the payroll but not currently working, and other workers who could not be categorised by the employer when providing the data for this study.

The overall opt-out rate was 12 per cent in the first month after automatic enrolment. There was some variation in opt-out rates which ranged from five per cent to 15 per cent across the most employers. Taking into account opt outs, automatic enrolment increased pension scheme participation rates from 43 per cent to 73 per cent across all the 50 employers that provided data.

Most employers who provided administrative data continued to monitor 'Month 1' opt-out rates for new joiners in the months after their initial staging date. Their data indicates that after the first month, the proportion of automatically enrolled jobholders opting out within their opt-out period remained fairly constant. While a few employers reported that opt-out rates fluctuated a little from month to month, there was no clear pattern in terms of an increase or decrease. A small proportion of eligible jobholders did leave the scheme they had been enrolled into after the opt-out period ended, and this ceasing of active membership is explored in more detail in Section 5.5.

Figure 5.2 Participation rate before and after automatic enrolment and opt-out rate

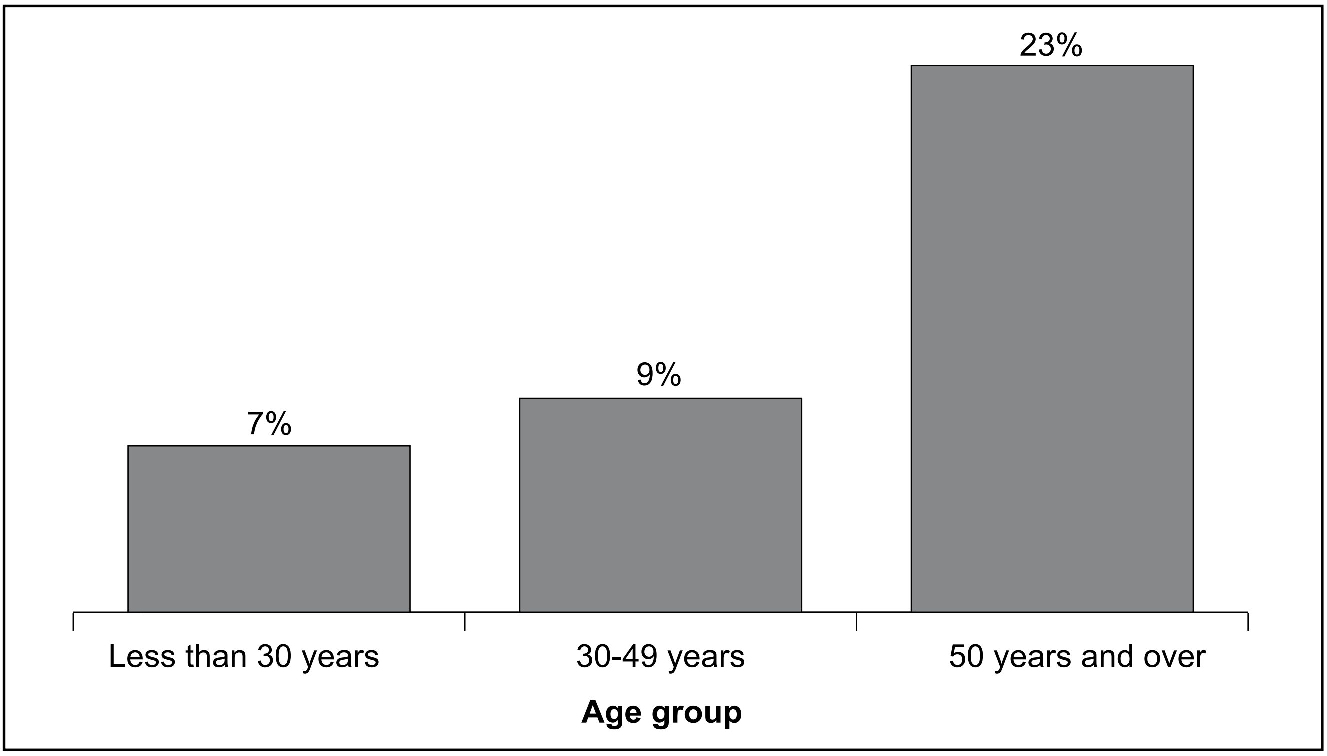


5.2 Variations in opt-out rates

Consistent with the findings of the Large Employers Study, the primary demographic characteristic that appeared to have a consistent impact on opt-out rates was age. In particular, opt-out rates were highest among the 50+ age group, and were often around twice as high here as among other age cohorts.

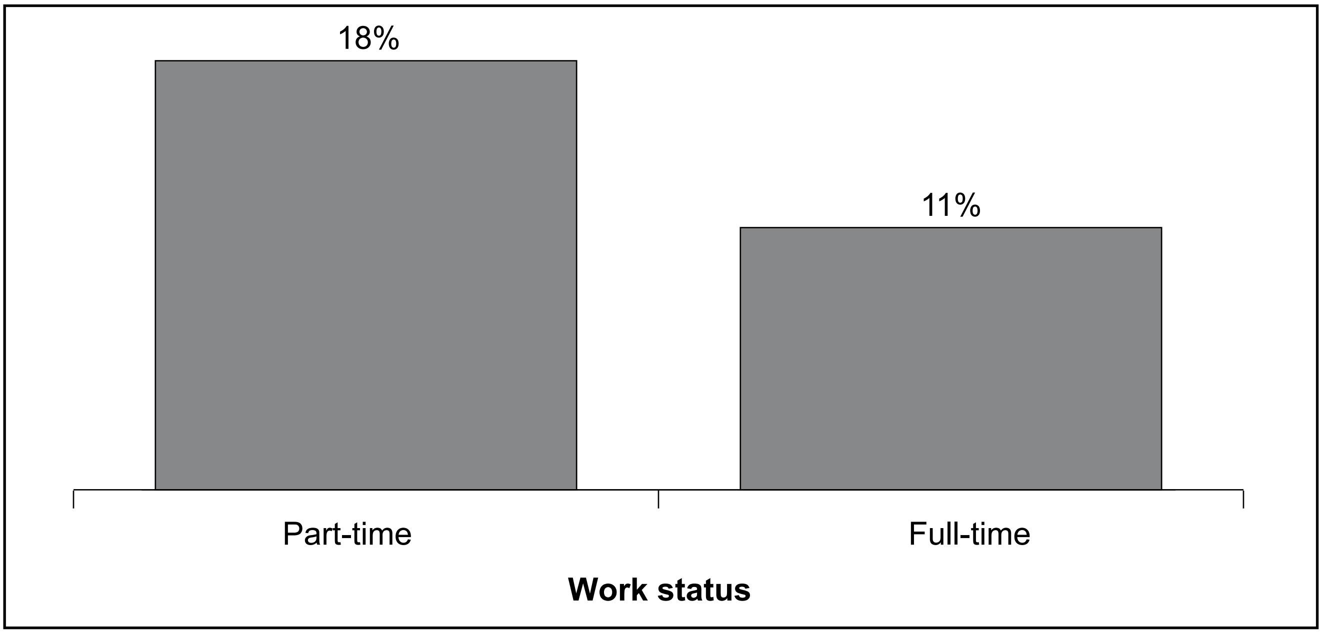
For example, one employer reported opt-out rates of three per cent among their youngest worker cohort of less than 30 years, and eight per cent among those aged 30 to 49 years, while the opt-out rate was 17 per cent among the 50+ cohort. These general trends were corroborated by the qualitative information shared by employers during the face-to-face interviews. Figure 5.3 shows differences in opt-out rates across the three age groups for whom employers provided a breakdown of data.

Figure 5.3 Differences in opt-out rate by age group



The detailed opt out data that employers provided also indicates differences in opt-out rate between full-time workers (those working more than 30 hours or more in a typical week), and those working part time (those working fewer than 30 hours), with part-time workers more likely to opt out than those working on a full-time basis.

Figure 5.4 Differences in opt-out rate by full-time or part-time status



Women were very slightly more likely to opt out: 14 per cent of women opted out, compared to nine per cent of men, but this was not a clear-cut difference in comparison to the impact of age and full-time/part-time status.

The research team also examined other possible factors, such as:

- the level of employer and worker contributions;
- worker salary bands; and
- the presence of an existing workplace scheme, and previous participation in that scheme or schemes.

No other demographic characteristic in the data supplied by the employers had a consistent, demonstrable impact on opt-out rates. Other individual worker characteristics that employers reported as factors influencing tendency to opt out are discussed in Section 5.3 and 5.4.

5.3 Employer feedback on reasons why workers opt out

Employers also shared their views about opt-out rates and about the reasons why some of their workers decided to opt out after being automatically enrolled into workplace schemes. As Chapter 6 will go on to describe, this study included 100 interviews with individual workers. In essence, the key reasons for workers to opt out included:

- financial constraints: workers needing to prioritise spending on essentials;
- concerns over the affordability of contributions: workers choosing to spend money elsewhere;
- workers' ages or life stage;
- the existence of alternative retirement provision;
- misgivings about pensions as a savings vehicle; and
- issues around particular career paths or plans: workers planning not to stay with that employer long term.

> *'A lot of them are older and have their pensions already, so they don't want to put a piddly amount away. That's the general consensus I'm getting.'*
>
> (Employer, retail, 90-159 workers)

> *'Some people don't trust* [pensions]*. There's been a lot of bad press, and I think there's a tendency for people not to trust financial services companies. I suspect the people downstairs have got other priorities in their lives, but I don't know. They clearly talk, because the people that do similar jobs here chat to each other downstairs. I suspect it's because they're not British and their plans may not be to stay here forever. They want to have the money at the moment.'*
>
> (Employer, retail, 62-89 workers)

5.4 Employers' feedback on opt-out rates

A large proportion of employers had enrolled workers without specific expectations about the opt-out rate they would see. As Chapter 2 has described, many employers had only limited personal interest in automatic enrolment or in the work they were doing to implement it. Many of the employer contacts we interviewed were relatively junior and were not, themselves, the ultimate budget-holder: the opt-out rate carried few implications for them or their day-to-day role. If, for example, all or most of the workers they had enrolled remained in the scheme and the cost of contributions was consequently relatively high, these individuals did not worry that they would need to ‘find’ budget to cover the cost of contributions. In contrast, relatively senior individuals in charge of implementation at other organisations tended to be busy with their other responsibilities. Like their more junior counterparts, these employer contacts had given little thought to the number of opt outs they expected to see, even though there were more direct consequences for them when the opt-out rate was low, with these individuals more likely to be budget-holders.

> *‘In practice it has cost more than we hoped for. Less than we budgeted, because we budgeted for worst-case scenario, but more than we had hoped it would be, because we have had a lower level of opt outs.’*
>
> (Employer, health and social care, 62-89 workers)

On the other hand, some employers had anticipated an approximate opt-out rate, based on workers’ initial reactions to automatic enrolment, and expressed surprise that the real opt-out rate was lower than anticipated. Many of these employers reported that when they first told workers they would be automatically enrolled and what this meant, some had been adamant that they would opt out straight away. In reality, they explained, most of these workers had not opted out.

These employers offered a number of explanations for why opt out rates turned out to be lower than they initially anticipated. One of the key factors was the power of inertia. They felt that once jobholders were automatically enrolled into a pension scheme, they tended to follow the path of least resistance by staying in the scheme as opposed to actively making an effort to opt out.

Some employers explained that many of their workers were low earners, who probably could not afford for their pay to be reduced by the worker contribution, while others speculated that many of their workers would opt out due to being employed on a casual basis, or not planning to remain at that employer on a long-term basis. They had anticipated that opt-out rates among these particular groups of workers would be relatively high.

In a few cases, employers believed that lower-than-anticipated opt-out rates were down to effective internal communications, and their success in persuading workers that saving in a workplace pension would be beneficial. Specifically, they had delivered information to workers individually and in person, either in the usual working environment or at a face-to-face event they had organised. These were typically employers who had used a variety of media to engage with workers, and who often had promoted their scheme prior to the introduction of automatic enrolment. They typically perceived the longevity and breadth of their communication efforts as instrumental in generating a pensions culture at their organisation.

> *‘Definitely we got their juices interested* [via our communications]*… I think younger people see the benefit a lot more rather than just the hindrance… The adverts on TV, the fact that everybody sees, “We’re all in,” the fact that they haven’t got a pension already. ’*
>
> (Employer, retail, 90-159 workers)

Regardless of their response to automatic enrolment generally, or to the opt-out rate they had experienced, all employers we spoke to were clear that they were not allowed to influence workers' decisions to opt out or remain in the workplace scheme, after being automatically enrolled. Many employers explained that they had taken particular care over this part of their duties, often making explicit to workers that they were not able to offer any advice about staying in or opting out.

5.5 Workers ceasing active membership

As Section 5.1 has explained, eligible jobholders have a right to opt out of the pension scheme they have been automatically enrolled into, within the specified opt-out period. If they wish to leave the scheme after this period, their departure is referred to as 'ceasing active membership.'

Over the two to three months following the opt-out period, the average 'ceasing active membership' rate was around two per cent. In other words, a typical 12 per cent opt-out rate might increase to around 14 per cent of all workers having left the scheme two or three months afterwards.

There were no measurable differences between different groups of workers.

5.6 Workers opting in

Eligible jobholders can also choose to opt in to the pension scheme nominated by the employer for automatic enrolment during the postponement period, where the employer has chosen to use one; and non-eligible jobholders can do the same at any time. Entitled workers can also choose to join this scheme at any time. The research also explored the incidence of these 'opt ins.'

Workers must give any opt-in notice to their employer in writing. It must be signed, or if sent by email, include a statement confirming that the worker submitted the notice personally. The employer must then assess the worker's age and earnings in order to determine whether they are a non-eligible jobholder or an entitled worker. If they are a non-eligible jobholder, the employer is required to make a contribution to their pension. The non-eligible jobholder may subsequently opt out again at any time during the opt-out period, if they decide they would like to.

Entitled workers must follow the same rules for submitting a joining notice to their employer. However, the employer must simply enrol them into any UK tax-registered pension scheme: it does not have to be one that qualifies for automatic enrolment. The employer may choose whether to make a contribution themselves in respect of entitled workers who decide to opt in.[23]

23 The procedures for employers to follow for workers opting in, or choosing to join a pension scheme are explained in detail here: The Pensions Regulator (2012). *Workplace Pensions Reform – Detailed Guidance: opting in, joining and contractual enrolment*. At: www.thepensionsregulator.gov.uk/docs/pensions-reform-opting-in-joining-contractual-v4.pdf

Twenty-seven of the 50 employers who provided data reported that workers had opted-in to the workplace scheme. These opt ins represented just over one per cent of the overall workforce at participating employers. Employers generally received joining notices in the course of the staging month itself. A small number of employers described taking particular care to make all workers aware of their right to opt in, and of the benefits of saving in a pension, and although opt ins still represented a low proportion of the worker base, these workers reported a slightly higher scheme opt-in rate than other employers did. These few employers explained that it had been easy for them to communicate to workers their right to opt in, because there were only a few workers in this category, and because the employer knew those workers individually.

6 Research with workers who opted out

6.1 Profile of participating workers

The 100 workers interviewed by the research team were based at 42 of the employers who participated in the research. Eight employers were unable to facilitate interviews with workers who had opted out, either because they did not have anybody who had opted out, or because workers were unwilling or unable to participate in an interview. Due to these limited numbers, the workers interviewed and their characteristics cannot be considered as statistically representative of all workers who opted out in the period covered by this study.

The breakdown of workers according to their employer's staging month, and the month in which their employer implemented automatic enrolment, is shown in Table 6.1.

Table 6.1 Number of workers by employers' staging dates

Anticipated staging month	Size of employers allocated staging dates	Number of workers whose employer implemented in this month	Number of workers whose employer postponed
January	350-499	2	1
February	250-349	12	0
March	Service break	0	0
April	160-249	7	13
May	90-159	34	8
June	Service break	0	0
July	62-89	23	0

Table 6.2 Sector split of workers interviewed

Sector (number of employers in brackets)	Number of workers	Typical examples
Professional services (13)	34	Call centre, recruitment, law firm
Retail (7)	16	Off-license, garden centre
Health and social care (5)	15	Dairy, textiles
Manufacturing (6)	13	Care home, private hospital
Education (4)	10	Independent school
Leisure (5)	8	Country club, sports team
Construction (2)	4	

The workers consisted of 51 women and 49 men. Eighty-seven were employed on a full-time basis (defined as 30 hours or more per week), while 13 worked part-time.

A range of ages and annual individual incomes were represented:

Age

- 17 were in their 20s;
- 16 were in their 30s;
- 21 were in their 40s;
- 32 were in their 50s;
- 14 were in their 60s.

Annual individual income

- 1 earned under £10,000[24];
- 16 earned between £10,000 and £14,999;
- 23 earned between £15,000 and £19,999;
- 30 earned between £20,000 and £29,999;
- 13 earned between £30,000 and 40,000;
- 14 earned over £40,000;
- 3 declined to state their income.

A broad range of educational levels were represented by the workers who participated in interviews. Some had no academic or professional qualifications; some had professional, but no academic qualifications; and some had bachelor or postgraduate degrees. Equally a range of housing situations were represented: some workers were paying off a mortgage, some were paying rent, and a small number were living with their parents. Some had paid off their mortgage, and some others had bought a second property.

24 Workers who are earning less than £10,000 per annum are normally classified as non-eligible jobholders and should not therefore be automatically enrolled. It is possible however that the worker who described himself as earning under £10,000 a year was earning slightly more in the month in which he was automatically enrolled.

The demographic background of the workers included in this research often influenced the reasons they gave for opting out, which were almost always related to a combination of their financial circumstances and life stage. These reasons will be explored in detail in Section 6.2.

6.2 Workers' reasons for opting out

The reasons that workers gave for opting out of the workplace scheme into which they had been automatically enrolled almost universally related to their personal circumstances, and had very little to do with any characteristics relating to their employer. Workers at small and large employers, across all the industry sectors included in the study, and with a wide variety of different pension schemes on offer, tended to cite some combination of the same key reasons for choosing not to contribute to the pension.

The six most common reasons for opting out are discussed in detail in Sections 6.2.1 to 6.2.6. These generally related to the worker's financial situation and the stage they had reached in their career, and are discussed below in the order of how frequently each reason was mentioned among the 100 workers. Some were concerned about whether they could afford to contribute to the pension (discussed in Section 6.2.1); or, conversely, felt they did not need to build up this pension because they already had other financial provision in place (discussed in Section 6.2.2).

For other workers, the hypothetical value they placed on the scheme into which they were being automatically enrolled was also conditioned by a consideration of how long they had to build up this new pension. Some workers felt that they were relatively close to retirement and therefore would not build up a large pension in the years left available to them. These workers are discussed in Section 6.2.3. Others felt that the employer contribution rate was too low for them to build up a large pension, even if they potentially had many years left before retiring. These workers are discussed in Section 6.2.4. A few workers were planning to look for a job with another employer and for this reason did not anticipate that they would build up much of a pension pot in the current scheme. These workers are discussed in Section 6.2.5.

Finally, Section 6.2.6 describes a few workers who had doubts about pensions as a means of saving. These workers typically felt that they were better off investing their money elsewhere, perhaps in property or other savings and investments.

It was relatively rare for workers to mention just one reason for opting out: typically, they would refer to several, often overlapping reasons, and the ways in which reasons tended to overlap is discussed in the sections relating to those reasons. Some workers found that there was more than one reason why they did not expect this workplace pension to be worth much to them, while other workers found that there was more than one reason why they wanted to use their money elsewhere. For some workers, a mix of 'push' and 'pull' factors were at work, leading them to compare different ways of making financial provision for retirement, or different uses for their money, and deciding that the workplace pension into which they had been enrolled was less attractive than other options.

The range of reasons workers gave for opting out was broadly the same as the reasons cited by those workers who opted out in 2012 and 2013 from a workplace pension at a larger employer.[25] Since these reasons were, in both the previous and the present study,

[25] DWP (2013). *Automatic enrolment: Experiences of workers who have opted out*. At: www.gov.uk/government/uploads/system/uploads/attachment_data/file/288530/rrep862.pdf

strongly dependent on individual workers' personal circumstances, it stands to reason that the personal circumstances mentioned most commonly by workers at those largest employers as their reasons for opting out, continued to be mentioned frequently in this study with workers at medium-sized employers. It was just as common, for example, to find workers who felt that they could not afford the pension contribution at these slightly smaller employers, as at the largest ones.

In broad terms, the reasons that were mentioned most frequently among workers in the 2012 and 2013 research were also mentioned most frequently by the workers who opted out in 2014: affordability, having other provision in place, or being relatively close to retirement.

A couple of new reasons for opting out also emerged, which were not mentioned by any workers in the Large Employers Study. A small number felt that they had not been given enough information about the pension scheme they were being enrolled into, to persuade them that it would benefit them to stay in. These workers tended to hesitate over the decision to opt out, but being conscious that they only had one month in which they could opt out and ensure that they had not paid into the scheme, they tended to opt out, rather than try to find out more. For three workers, this was their main reason for opting out.

> *'It took me some time* [to decide] *because I didn't really know what to do or what would be the best option… if I was to leave the company what would happen to it? Could I transfer it? It was things like that.'*
>
> (Worker, professional services, 20s, part time, £10,000-£14,999)

In addition to these workers, one worker opted out because, having done some research into the pension scheme chosen by her employer, she found that it was not Sharia-compliant. The more typical reasons for opting out will now be discussed in Sections 6.2.1-6.2.6.

6.2.1 Workers with concerns about affordability

The most common reason workers gave for opting out was that they were concerned that they could not afford the worker contributions. For some of the workers interviewed, this was their main reason for opting out, and for nearly as many more, it was a consideration that fed into their decision.

Workers who mentioned affordability as their main reason for opting out tended to describe themselves as needing most or all of their earnings to cover essential expenditure, such as housing, food and utility bills. Many mentioned that they were bringing up children, and needed to cover these expenses for their children, too, in the immediate future. A few workers also mentioned that they had debts that they wanted to repay. Some did not specify any outgoings in particular, but rather were concerned in a general way about 'the cost of living' which they felt was placing their household income under strain.

> *'A slight deduction out of my wages was massive. Preparing that far in advance and trying to fund that far in advance at the same time as funding a child on a small wage, it just wasn't something I could consider… I can see the benefits, but I can't afford the benefits. I can't afford the deductions at this time.'*
>
> (Worker, professional services, 30s, full time, £30,000-£39,999)

Workers in this category typically felt that their present-day financial needs were too pressing for them to give much consideration to any financial needs in the future. In some cases, they did not appear to have planned out their budget in detail before deciding that a pension contribution was not affordable. Rather, some workers relied on an instinctive knowledge that they needed the money for current outgoings, and to a certain degree this superseded their awareness of the need to plan ahead.

Workers who identified affordability issues as their main reason for opting out tended to have little or nothing in the way of retirement provision, either in the form of a pension or other savings or investments. The perception that they could not afford to put money aside for the future was typically not a recent development, but rather something that had grown out of longer-term circumstances, such as their general career development, or having relatively high outgoings over the long-term. A few workers mentioned that some of their outgoings had recently increased, such as their rent, household bills or food prices.

However, not all workers who were concerned about affording worker contributions were struggling with day-to-day necessities. Some had made a choice to prioritise other expenses, which were not necessarily essentials for everyday survival, but which the worker nevertheless considered to be more important to them than saving into a pension.

Some workers had decided to prioritise saving in some other way, which they saw as an investment for their future. These workers often perceived this alternative investment as a better way of providing for their retirement than a pension. Their reasons are discussed in further detail in Section 6.2.6.

> *'I have recently bought quite a big house. I am doing it up and that is why I can't afford my pension… I am looking at selling the house and downscaling and there will money there to live on, hopefully.'*
>
> (Worker, education, 30s, full time, £20,000-£29,999)

Workers who cited issues of affordability as a reason for opting out from their workplace pension were not necessarily workers on the lowest income brackets. Even those who identified this kind of issue as their main motivation for opting out typically had a personal annual income of around £20,000 – £30,000 before tax. Workers who mentioned affordability as contributing to their decision to opt out were split fairly evenly between those who were paying rent and those who were paying a mortgage. They were also spread evenly over a wide range of ages, around half of these being in their twenties and thirties. It was rare for workers who were concerned about affordability to feel that they were close to retirement: if the worker in question was relatively old, they had typically already considered working for longer as an option for increasing their financial provision. This will be discussed in further detail in Section 6.4.

For younger workers, the barriers to being able to afford a pension contribution were often specific to their life stage: some for example, often in their 20s, felt that they were yet to begin their 'real' career, which would be better paid than their current job and would therefore make it easier for them to afford pension contributions. For some, the financial barriers were short-term and would soon be resolved by a pay rise, or by paying off a debt, such as a student loan. Others described longer-term barriers, such as prioritising getting onto the property ladder or starting a family.

However, other workers had discovered additional financial barriers to making retirement provision, which had emerged after beginning their main career – typically mentioning buying a house or bringing up a family. A few workers found that by the time they had surmounted these financial hurdles, there was little time left in which to plan for retirement.

> *'When we were younger, obviously when you are bringing up three children, money is tight. We were paying a mortgage then, so everything was really tight because there wasn't enough money over then to start putting money by. Now the boys have flown the nest and we sold our house and we have come out of that with a lump sum so I have just invested that. I haven't got much time left to put in a pension. It is not going to benefit me.'*
>
> (Worker, professional services, 40s, full time, £15,000-£19,999)

Case study: Oliver

Oliver is in his thirties, and works full-time in the education sector, earning between £20,000 and £29,999 a year. He and his wife, who works part-time, have two young children. They have recently taken out a mortgage to buy a new house, which they are in the process of renovating. He expects to retire at the State Pension age at the earliest.

Oliver feels that he cannot afford to receive less take-home pay each month, because the couple's other financial priorities of the mortgage and their children must take precedence. He is therefore using his property as an investment for retirement, and he hopes to downscale in the future and make a profit from his renovations.

> *'The fact that the employer contributes, they do offer a good scheme here. It was tempting, but I just can't afford to do it. It's the low pay at my work and the cost of living, it is just the shock of the costs of having children really.'*

Having taken some time to consider his decision, Oliver recognises the benefits of the workplace pension his employer is offering, and admits that the employer contribution did tempt him to stay in the scheme. However due to his other financial commitments and salary, he feels that he simply cannot afford to make the employee contribution at the present time. Oliver suggests that he may opt back into the scheme in a few years if he is able to afford it, once his wife has resumed full-time work and his children have started school.

6.2.2 Workers with other provision in place

Workers' second most common reason for opting out was that they already had something in place that they were planning to use to fund their retirement, and did not feel the need to use the pension they were enrolled into as additional provision. Though described by some workers as the main reason for opting out, this was also described by many as something that influenced their decision to opt out.

Typically, workers in this category were older, most of them being aged 50 or over, and none being under 30. These workers tended to describe themselves as at a relatively advanced position in their careers, with many in senior roles and some on relatively high salaries. However, just as workers who were concerned that they could not afford the worker contribution were not necessarily on the lowest income brackets, workers who felt that they had sufficient retirement provision were not necessarily on the highest income brackets. Around half had a personal annual income above £30,000, and around half were earning less than this. It is worth noting that workers in both categories may have been taking into account other financial assets or outgoings, and were also making a subjective assessment of their own financial circumstances and what they would need to fund their retirement.

When asked what had prompted them to set up the provision they had in place, workers typically struggled to remember a particular event or circumstance that had prompted this decision. They tended to speak instead of following the advice or example of an authority figure, most commonly a parent.

> *'At the time my father took out a pension and I thought, "Surely the earlier you do it, the better." So I made the decision to do it, and got it started.'*
>
> (Worker, manufacturing, full time, £10,000-£14,999)

Workers who were happy with the provision they already had in place tended to have money invested in more than one savings vehicle. Most had had other long-term jobs before arriving at their current employer. These previous jobs had often allowed them to build up a previous workplace pension: around half of the workers in this category held at least one workplace pension. Others had used the income they had earned in previous jobs to pay into other savings vehicles: around half had a personal pension, and nearly all had some kind of savings or investments in one or more of a range of other financial products.

It was common for workers who mentioned their intention to rely on other provision to explain that they were investing instead, or as well, in property. These workers often thought of property as a 'safer' investment than a pension scheme, and one that would offer them a quicker return than a pension. Some workers in this category had paid off a mortgage, but most were still paying a mortgage off. These individuals still tended, however, to describe paying their mortgage as an investment that they were making in property. Some were relatively close to paying off the mortgage, while for others, still having a relatively large mortgage left to pay off made contributing to a new workplace pension feel less affordable.

Most workers with alternative retirement provision, did not, however, perceive the worker contributions to be unaffordable: it was more common for them to describe these contributions as being too small to make a worthwhile addition to the provision they already had in place. This was not necessarily because they had calculated how much the automatic enrolment pension was projected to be worth at retirement: it was often because they were comparing the contributions for this pension either to a higher contribution rate, or to a pot with a higher value, which they had accumulated in another savings vehicle.

This attitude was particularly prevalent among a few workers, who were already drawing on another pension they had set up previously. In the words of one worker,

> *'I don't need* [this pension] *because I have got the first one. I have got my police pension.'*
>
> (Worker, education, 50s, full time, over £40,000)

Some workers felt that once they had put some provision in place to act as retirement income in the future, they had resolved the issue of saving for retirement and did not need any other savings products to use for this purpose. The fact that workers had other savings vehicles set up did not, however, necessarily mean that they had accumulated enough provision to fund a comfortable retirement. While some of these workers were happy with the level of provision they had built up, others described themselves as either wanting or needing to save more – typically through one of their existing savings vehicles.

> *'I will keep adding to it when I feel the need to add to it… It will never be enough, but then again, in an ideal world, we would all have enough to retire on. But I have managed on a daily basis. I keep a very close eye on the markets.'*
>
> (Worker, professional services, 40s, full time, over £40,000)

There were many workers throughout the research as a whole – whether or not they cited having alternative provision as a reason for opting out – who found it difficult to make decisions about providing financially for retirement because of their uncertainty about what the future held. This was due both to not knowing what the value of their various assets and investments might be by the time they retired, and also to not knowing what kind of outgoings they might have years or even decades into the future.

Case study: Alison

Alison is in her 50s, and works full time in the health and social care sector, earning between £20,000 and £29,999 a year. She is divorced with two adult children, and has a mortgage on her own house. Due to her mortgage commitments, Alison does not expect to retire before she reaches the SPa.

From previous jobs, Alison now has three pensions: two of these are Defined Benefit (DB) pensions from previous employers. The third is a private pension, which she set up with the help of a financial adviser as part of her divorce settlement, and to which her current employer contributes. Alison was already happy with the provision she had in place, and initially thought this would mean that automatic enrolment would not apply to her.

Alison is confident about her level of provision for retirement, and quickly made the decision to opt out, in the knowledge that she was already getting an employer contribution. She hopes that if she ever moved to a new employer, they would also be able to contribute to her personal pension, as she does not want to have to keep track of too many different pensions.

> *'My immediate reaction was that I didn't need it. I didn't think it would even include me, because I thought they were targeting people who didn't have pension provision… I am hoping that with the three other pensions that I have got, that I should have a fairly comfortable lifestyle.'*

6.2.3 Workers who were close to retirement

Just as prevalent as workers who opted out because they felt they already had sufficient provision for their retirement, were workers who felt that they did not have enough time left to save into a pension before they would retire, to make staying in worthwhile. Again, some of the workers interviewed described this as being their main reason for opting out, and more overall mentioned their advanced life stage as having contributed to their decision to opt out.

This qualitative finding is borne out by the detailed administrative data that we gathered from the 50 employers who participated in the study. As discussed in Chapter 5, while the opt-out rate among workers under 50 was under ten per cent, the number of workers aged over 50 rose to almost a quarter. Most of the workers who cited this as the main reason, or a contributing reason to their decision to opt out were aged over 50, but a few were in their forties, even among those who saw this as their main reason to opt out.

A few workers in this category had specific plans to retire within the next one or two years, most of these feeling confident that the provision they had built up would be sufficient to fund their retirement. For these workers, the decision to opt out was often due to a combination of being relatively close to retirement, and of confidence that they already had sufficient other provision in place, as to make the new scheme feel unnecessary.

> *'The main reason is because the system has come in too late for me because of my age, and the fact I have got my own private pension.'*
>
> (Worker, retail, 60s, full time, £20,000-£29,999)

However, it was more common for workers who felt they were close to retirement to have relatively vague plans as to when they would retire, typically suggesting that this would happen in around five to ten years. While some of these workers were relatively happy with their existing level of provision, others said explicitly that they did not know if they had enough for retirement, or in some cases, appeared to be relying on provision that was yet to be put in place.

For some workers, the perception that they would not be able to build up a 'good' pension pot before retiring stemmed from both an estimate of their number of working years left before retirement, and of the amount of income that would be going into this new pension each month, if they remained a member. The amount that would be invested each month was a product both of their level of income, and of the contribution rates in place at their employer. Some workers explained that their calculations were based on both of these factors, and that they therefore deemed the employer contribution to be too low to build up a worthwhile pot, taking into account that they would be retiring relatively soon.

> *'I think I should be entitled to what the State Pension is now because I have only got ten years left before I retire. So anything I could seriously contribute isn't going to be worth much. It is one per cent. I only earn about £800 a month so when you look at it that way, what is the point of saving £8 a month?'*
>
> (Worker, leisure, 50s, part time, £10,000-£14,999)

On the other hand, a few workers mentioned both being relatively close to retirement and finding the pension contributions unaffordable as reasons for opting out. Most of the workers who were concerned about being able to afford the worker contribution were at an earlier stage in their career, as discussed in Section 6.2.1. This small group of older workers who were struggling to afford pension contributions had typically not built up much retirement provision over their lifetime, feeling that they had rarely or never been able to afford paying into a pension.

Workers who felt they were close to retirement tended to describe pensions as being 'a good thing in principle,' and something that was certainly worthwhile for younger people. In some cases, they had contributed to a pension themselves from a relatively young age, while for others it was something they regretted not having done when they were younger. In either scenario, these workers typically appreciated the importance of pensions as being something that would make, or would have made, a difference to their lives in the immediate future.

Case study: Kate

Kate is in her fifties and is divorced, with two adult children who have left home. She joined her current employer four years ago, and works full-time earning between £15,000 and £19,999 a year.

Kate did not worry much about the future when she was married, as her husband had a pension, but now finds herself with a mortgage, no pension and little in the way of savings. Kate considers saving for retirement to be her personal responsibility, but *'it is not really something I am going to have a lot of control over.'*

Kate would like to retire as soon as possible, but thinks she will have to wait until she is 67, when she will be entitled to receive the State Pension. She is reluctant to work any later than this.

> *'Because I think I will be too old to be working then. It is something that I do think about and I do worry about it, but then I think you have got a house so if the worst comes to the worst, I can sell my house to live on.'*

Kate attended a presentation run by the pension provider her employer had chosen. She could not remember the information that had been provided in this presentation, but felt like she knew everything she needed to know to make up her mind.

Kate opted out from her employer's pension because she thought it was too late for her to start saving. She is aware that she would have received a contribution from her employer, but does not think that the contributions for the next few years would add up to a significant or worthwhile amount.

6.2.4 Workers who felt the contribution rate was too low

For some workers, the level of employer contribution on offer simply was not high enough to attract them to stay in the pension scheme. Some workers mentioned this as contributing to their decision to opt out, but only around one in eight described this as being their primary motivation for doing so. Almost all workers who had opted out were aware that an employer contribution was offered if they remained in the pension scheme, and almost all could state how much that contribution was: only very rarely were workers unclear about there being an employer contribution, or how much it was.

As mentioned in Sections 6.2.3 and 6.2.5, when assessing how much they could expect to build up as a pot in the pension scheme on offer, workers tended to factor in the amount of time they would remain at that employer in their calculations – either because they planned to retire or because they intended to move to another employer. A few considered the contribution rate for this pension to be relatively low compared to other savings products that they had already (discussed in Section 6.2.2) or could potentially have (discussed in Section 6.2.6). In other words, if a worker perceived the employer's contribution to be low, this was rarely sufficient motivation in and of itself to opt out: it was only when the employer contribution on offer was put in the context of the worker's personal circumstances and perceived options that it tended to prompt him or her to opt out.

'Based on those contribution rates, it will be miniscule and I do not see the point in having your money tied up to a time when you have no control of it, to buy an annuity that amounts to not a lot of money… Because I am a higher earner the employer contribution amounts to a fair amount of cash, so that is the only thing that made me reconsider my earlier decision to opt out. Still, on reflection, realistically it was still going to amount to not a great deal of pension fund come the end.'[26]

(Worker, manufacturing, 40s, full time, over £40,000)

However, not all workers who mentioned a low contribution rate as influencing their decision to opt out were being offered a scheme with one per cent matched contributions. The rest were being offered a range of single-figure employer contributions, typically with a minimum worker contribution of two or three per cent. While these employer contributions were higher than the statutory minimum, the absolute amount still was not enough to convince these workers to stay in the workplace scheme. Employers sometimes described the employer contribution as 'free money,' something worth having even if the amount was not particularly high, but a few workers felt that this money was not exactly 'free' since they had to put in a certain amount of their own money to secure it – money that they could spend or invest elsewhere.

Some workers used a pension calculator on the scheme provider's website or elsewhere on the internet to help them understand what kind of return the pension projected giving to them. However it was more common for workers to do their own calculation, based more roughly on the contribution rate and the length of time over which they would be paying into the scheme.

'Getting something that just saves one per cent seems a bit pointless to me. I have got a pension already… Say I contribute for 15 years, I think I worked out that I might get an income of £50 a month from it, which just seems a bit pointless.

(Worker, professional services, 50s, full time, over £40,000)

[26] This worker was interviewed in February, before the announcement in the 2014 Budget that pension scheme members would no longer be required to buy an annuity.

Case study: Steven

Steven is in his forties, and works full-time in a call centre, earning between £15,000 and £19,999 a year. He lives on his own, and has paid off his mortgage. He also has some savings and investments, and expects to inherit something from his parents.

Steven finds it difficult to predict at this stage when he will retire, or whether the provision he has in place will be sufficient to fund his retirement. He does not think the State Pension will be enough to live on, and also perceives the days of generous pensions offered by employers to be over.

Steven describes himself as having 'reservations about the scheme itself' being offered by his employer. He feels that in the current climate, all investments are subject to low returns: he is not confident of identifying any type of investment that would be likely to produce a high income for retirement. However he also has specific concerns about the fees being charged for the pension scheme on offer and what return this would translate into.

> *'I believe if you opt into the scheme it is one per cent rising to three per cent. Cynically speaking, you could even argue, will that even be invested to keep pace with inflation?*

Steven did not perceive this pension as something his employer was offering him willingly, so much as something the government was forcing his employer to offer him. Consequently he prefers to trust his own judgement as to how to spend or invest his money.

> *'It is not, "We're selling you this because we think this is a good idea and this company has told us they will get you a good return on your money." It was simply, "We're doing this because we have got to do it by law. We have got to offer you an opt in pension so here it is. This is your opt in pension. Under the government law you have got to pay one per cent." That is a figure plucked out of the air.'*

> *'I would rather get to the money myself now than have a pension scheme … If I was working for another ten years, then I would have opted in, yes. But for the two or three years that they would administer the scheme it is not worth the effort.'*

6.2.5 Workers who planned on moving to another employer

A few workers opted out from the pension scheme because they did not plan on continuing to work at the same employer for much longer. For a small number of workers, this was their main reason for opting out, and a contributing reason for a handful more. This category of workers excludes those who were planning to retire: rather, these are workers who typically anticipated finding another job with a different employer.

A few workers were working with their current employer on a fixed-term contract, and either had plans to look for work elsewhere or were uncertain whether their current position would turn into something permanent. These workers usually felt that it was not worthwhile accumulating a small pot with one employer, which they might then forget to keep track of once they were employed elsewhere.

'Because it is a short-term contract, I am going to be moving onto something else… I just looked on my payslip and saw this amount of money being taken out each month and thinking to myself, "Where is it actually going? Am I going to benefit from it?" Because what happens when I leave here? Will it be transferred over to something else? I just thought, "No, not until I am in a stable job, maybe."'

(Worker, education, 20s, full time, £15,000-£19,999)

Workers in this category were typically in their 20s or early 30s, with just a few in their 40s or 50s. These workers often saw their current job as a kind of stop-gap until they found a job that was better-paid or had more opportunities for career progression. They tended to perceive a pension as something that they wanted and planned to get, but that would fit better with a job where they earned more, and in which they planned to stay for a reasonable number of years. Their decision to opt out was also often influenced by the affordability of pension contributions. Workers in this category typically had a personal annual income of less than £30,000.

'This is just a part-time job until I get something proper so there is no point paying [into a pension] *yet. I wanted to earn every penny that I could to be able to afford to do anything else and then when the time came I would then start putting it into a pension. It was an immediate no on that basis.'*

(Worker, leisure, 20s, part time, £10,000-£14,999)

It was very rare for workers to feel that they were simply too young in principle to be thinking about paying into a pension: more commonly they described the barrier to staying in the pension scheme in terms of the circumstances they found themselves in now due to their current job and income.

When asked how they felt about being automatically enrolled if they started working for another employer, these workers usually welcomed the opportunity to reconsider their decision. They tended to suggest that they were likely to stay in another pension scheme once they were in a better financial position, or found a job they planned on staying in over the long term.

A few workers in this category were foreign nationals who perceived their job in the UK as a temporary and sometimes short-term position. Because they planned to return to their native country, they tended to be sceptical about the value of accumulating a small pot in a British pension scheme. One mentioned being concerned that she might not be able to access a British pension once she had returned to the country in which she planned to live in over the longer term.

'I am too young and I wanted to be more safe with my job and also I am not convinced to stay here. I have been away from my family and at any time I could maybe go back…'

(Worker, retail, 30s, full time, £10,000-£14,999)

6.2.6 Workers with concerns about pensions as a savings vehicle

Around one in five workers mentioned that they had concerns about pensions as a means of saving. These workers typically felt more attracted to other types of savings and investments. However, scepticism specifically about pensions was only the primary motivation for opting out for a small number of workers.

The most common concerns that workers had about pensions related to uncertainties about the kind of return they would get from it. This was partly due to the fact that putting this money away for a long period of time made it difficult for them to predict how much the pot would grow, and how much risk their pot would be exposed to on the financial markets.

> *'I don't know a great deal about pensions, but my understanding is there is sometimes risk to them; whereas if I have a consistent saving on my own, then there is no risk to what I am putting away.'*
>
> (Worker, professional services, 20s, full time, over £40,000)

A small number of workers had become cynical about pensions, because schemes that they had joined earlier in life had not grown as much as they had hoped.

> *'Too many charges. They don't tell you about the charges. I lost half my real pension through the stock market fluctuations and not only did I get half but they then deducted that from my State Pension.'*
>
> (Worker, professional services, 60s, part time, £10,000-£14,999)

For these workers, other forms of investment, particularly property, seemed to offer a faster and safer return than a pension did. Some workers were concerned not only about knowing how well their pension would grow over many years, but also specifically about the way annuities worked. They sometimes described annuities as offering a relatively low income, assuming that they would have to live a long time for an annuity to constitute a good return.

> *'The money I was spending on my pension, I prefer to put that into something that I know is solid, where I can get for sure the money, whereas there are no guarantees with a pension. You don't know how long you are going to live for after that point. The whole point of how a pension company can actually exist is that they are hoping that you will die as soon as possible, so they don't have to pay the money!'*
>
> (Worker, education, 40s, full time, over £40,000)

Concerns around the value for money offered by annuities – when combined with the value of a relatively low contribution rate – were more common among workers at larger employers – those staging in 2012 and 2013 – than in this study.[27] It is possible therefore that the reforms to annuities announced in the 2014 Budget have done something to alleviate this concern, although it should be noted that the previous quotation comes from a worker interviewed in July 2014.

Occasionally, an individual worker's scepticism about pensions was due to their awareness of a previous scandal, in which scheme members had lost money due to a provider failing. This was either due to coverage in the media or personal involvement – sometimes somebody they knew had lost out, and a couple of workers had themselves lost money.

Scepticism about pensions only usually became a strong motivation for opting out once it was combined with the worker's perception that the particular pension being used for automatic enrolment offered poor value for money. This was usually for one of two reasons: firstly, because – as is the case in the previous quotation – the contribution rate was perceived to be relatively low, leading the worker to conclude that their money was therefore

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[27] DWP (2014). *Automatic enrolment: Experiences of workers who have opted out*. At: www.gov.uk/government/uploads/system/uploads/attachment_data/file/288530/rrep862.pdf

better off invested elsewhere. Alternatively, scepticism about pensions tended to be more common among workers who had already built up provision elsewhere. Those workers who had already invested in property, a personal pension, or other products, and done well out from them, sometimes felt that this confirmed their view that workplace pensions were not the best way to save for their retirement.

> *'Any benefit that I would gain from the contribution that I would be making and the business contribution is outweighed by my interest in other ways of funding my future.'*
>
> (Worker, health and social care, 40s, full time, £30,000-£39,999)

Case study: Maria

Maria is in her 40s, and works full time in the retail sector, earning between £20,000 and £29,999 a year. She is married with no children, and she and her husband each own a house, one with the mortgage paid off, and the other with very little left to pay. They both expect to retire at the SPa, but they hope that as their properties appreciate in value, they may be able to retire slightly earlier.

Maria is aware that the State Pension would not be sufficient to fund the comfortable retirement she wants for herself. She believes firmly in taking personal responsibility for her retirement, and takes pride in not relying upon the State or her employer for financial support. She dislikes the idea of saving into a company pension, as she would have no control over the choice of pension provider or what was done with the money. Maria also plans to move to a new employer in the near future, and is concerned that she would not be able to take this pension with her.

> *'I am not reliant on this company. My own private pension is with me rather than a company pension. If something happens, then OK, it is a government pension, but years down the line it could be something else. The Government keep changing their mind.'*

While Maria has a personal pension, she expects to rely principally on their properties as an investment for retirement, and will consider renting one if they need an additional income.

6.3 Individual experiences of opting out

This section explores workers' experiences of automatic enrolment: we will look firstly at how workers first found out that they would be automatically enrolled, and their reactions to this, before going on to discuss their response to specific pieces of information they used in making their decision, looking at information that came from their employer, as well as research the worker did independently. Finally, we will explore what happened when workers submitted their request to opt out from the scheme.

6.3.1 Finding out about automatic enrolment

Most workers reported that they had first found out about automatic enrolment through verbal or written information from their employer. A few workers first became aware of automatic enrolment in a general way through exposure to the Government's media campaign, but they did not typically learn a great deal from these advertisements. It was rare for workers to mention automatic enrolment advertising spontaneously, but when prompted, it was relatively usual for workers to remember having seen or heard some form of advertising.

> *'They were upbeat. That was quite good, because it was obviously aimed at young people. They didn't tell you an awful lot, but adverts don't, often. They drew your attention to it.'*
>
> (Worker, professional services, 50s, part time, £20,000-£29,999)

Sometimes, workers mentioned that they had not paid much attention to the media coverage because they already knew that they did not want to begin contributing to a workplace pension. Because their decision to opt out had been almost entirely dependent on their personal circumstances, they tended to 'filter out' any details that they then saw about how automatic enrolment would work in practice.

> *'Yes,* [I saw something] *vaguely on TV but I hadn't really taken much notice of it because I had made my decision as to what I wanted to do.'*
>
> (Worker, health and social care, 40s, full time, £30,000-£39,999)

Those workers who remembered seeing publicity around automatic enrolment had typically seen this on television, with a few workers also mentioning coverage in the press or on billboards. Most had an indifferent or positive impression of what they had seen. A few workers remembered the media personalities that they had seen in advertisements, or the 'We're in' tagline. Since some employers had reported using these posters around their workplace, it was not always clear whether workers were referring to advertisements they had come across independently, or from their employer.

> *'I think it was on TV when they started doing these adverts saying, "I am in" or "Everybody is in," that the employer would pay so much… They would enrol you into it whether you want to or not and then unless you want to opt out.'*
>
> (Worker, leisure, 50s, part time, £10,000-£14,999)

In a small number of cases, the worker had been involved in implementing automatic enrolment. They had therefore become aware of the new employer duties through researching their own professional obligations. These workers tended to have developed a more detailed understanding of automatic enrolment than the typical worker, beginning months before their staging date. This meant that they had typically been aware for much longer of information such as the contribution rate, when they would be enrolled and how they should go about opting out.

6.3.2 Responses to official notification

At a minimum, all workers received one written communication from their employer within six weeks of the employer's staging date, and an enrolment pack from the provider once they had been put into the workplace pension scheme. For a number of workers, this was not the first time they had been offered the chance to join a pension scheme by an employer. Many of these were in a relatively advanced position in their career and had held long-term jobs with previous employers. However, for many workers, automatic enrolment represented their first experience of being offered a workplace pension. This was more common in this study than among workers at larger employers staging in 2012 and 2013: some workers in the 2014 had spent most or all of their working life working for small employers where there was little or no take-up of pensions.

Some workers read through the letter from their employer relatively carefully. This was common among workers who perceived the scheme to be potentially beneficial to them, or who felt that the barriers they perceived to staying in the scheme were potentially surmountable. These workers tended to take their time in making up their minds that they did in fact want to opt out.

> *'I had to give it great thought, because obviously I wanted something in place. I understood it anyway, but I did give it great thought and went through it a few times… I just want to read everything through, because I am always umming and ahhing whether I wanted to stay in or not.'*
>
> (Worker, health and social care, 40s, full time, £15,000-£19,999)

In contrast, other workers admitted that they read very little of the official notification. This was typically because they were already relatively confident that they wanted to opt out: a decision that was almost always based on personal circumstances such as their financial position and their life stage, as we have seen. Those workers who had already received other communications from their employer about automatic enrolment – before the official notification – also tended to feel that they already knew enough to make their decision, and therefore did not necessarily have to read the letter carefully.

> *'Even before I received the letter, I had no intention of going into this pension scheme, so I probably didn't pay an awful lot of attention to it, because I knew that I would be opting out.'*
>
> (Worker, retail, 30s, full time, £15,000-£19,999)

Some workers misunderstood how automatic enrolment would work, and thought it would not be possible to opt out, or alternatively that they would be able to opt out pre-emptively and thereby avoid ever being enrolled into the pension scheme. A few misinterpreted the phrase 'opt out' to mean that one could choose not to be enrolled into the scheme. These basic misunderstandings were more common among workers who did not read the employer's communications carefully, than among those who had read them in detail.

> *'We actually got a letter to come through to say that. I did write a letter to personnel to say that at my time of life I didn't really want it, but obviously it has still come out. I have actually opted out online now and I have cancelled it online. It has actually been cancelled.'*
>
> (Worker, retail, 60s, full time, £20,000-£29,999)

Some workers found it frustrating that they could not request in advance not to be enrolled in the pension scheme. These workers typically felt that they were a better judge of their personal circumstances and financial needs than a 'one size fits all' system imposed by central government. This attitude will be explored further in Section 6.4. Some were also unclear on how long they had to opt out, or when their opt-out window would begin. This tended to make them anxious to opt out as soon as possible.

> *'The only thing people started to get a little bit worried about were the letters that we got through to opt out with the reference number on. Some people got those straight away and others were quite late and I think people were getting a little bit panicky, trying to opt out before the date.'*
>
> (Worker, health and social care, 40s, full time, £15,000-£19,999)

In contrast, those workers who read the letter carefully tended to have a fair understanding of how automatic enrolment would work, and consequently to approach the decision to opt out more calmly. They were somewhat more likely to wait a few days, or even weeks, before making up their mind to opt out. For example, the first worker quoted in Section 6.3.2 read her letter carefully because she was relatively hesitant about whether she would opt out – but the fact that she therefore had a good understanding of how automatic enrolment worked meant that she knew she had a month in which to consider her decision at leisure.

Most workers fell somewhere in the middle of the spectrum between those who thought about the pension on offer carefully and those who did not fully understand how automatic enrolment would work. Most commonly, workers would read the official notification relatively quickly, or just scan it for the information that seemed most relevant to them. Most of workers were aware that there was an employer contribution, most could quote accurately the contribution rates and many mentioned who the pension provider was. A small number of workers were not aware that they would be automatically enrolled again in three years' time, or if they began working for a new employer. A few workers were not aware that they would have received tax relief by putting some of their income into the pension before paying income tax.

> *'You were given a letter saying that there was a new government pension, and it is our choice to opt out if we wanted, and we have to do it ourselves. One per cent would be taken out, and there will be an increase next year, and then the following year. I didn't pay that much attention. There was no forecast given.'*
>
> (Worker, retail, 40s, full time, £20,000-£29,999)

Nearly all workers reported feeling no pressure at all from their employer either to stay in the scheme or to opt out. Some of these were aware that their employer was not allowed to persuade them to make a decision one way or the other. A small number had a very general impression that their employer wanted them to stay in the scheme, insofar as they had explained the benefits of the employer contribution and tax relief.

> *'They were quite neutral because they can't advise you. It is your own decision and what is best for you.'*
>
> (Worker, education, 60s, full time, £15,000-£19,999)

6.3.3 Using information and advice

The workers interviewed were asked about any information they used to help them with their decision to opt out from the pension scheme. Very few workers did any research themselves or tried to source information independently of their employer. Some workers did not engage to a great extent with the information their employer provided, while others did absorb this information, and felt that it was sufficient to help them come to a decision relatively easily. In either scenario, the worker felt that their personal circumstances took precedence over any information they could be given about the pension scheme.

> *'There was also a letter of how much they would be putting in, calculated on my salary, how it would rise. By year five it would be such-and-such. We would be putting in so much and they would be putting in so much. It was a fully detailed letter, based on each person's salary… That's what directly related to me at this point, so I didn't look at anything else apart from what was on offer for me at that point.'*
>
> (Worker, retail, 50s, full time, £20,000-£29,999)

A few workers who had opted out did some research themselves. Typically they would go online, and browse the pension provider's website to learn a bit more about the scheme on offer. The kind of information they were usually interested in related to how much they would be putting into the scheme, how much they would be likely to get out of it when they retired, and, in a very small number of cases, what the terms and conditions were with regard to leaving the scheme, entering it again in the future and drawing on it at retirement.

Some reported that they had been to other sites as well as that of the automatic enrolment scheme provider: the most common ones they mentioned visiting were the Government's main site GOV.UK including HMRC's pages (HM Revenue and Customs), and websites or forums discussing pensions and money advice more generally.

> *'I used the information they gave me and I also went on the Government website, into the pension sections. I was scanning through it to find the information I needed to know.'*
>
> (Worker, education, 60s, full time, £15,000-£19,999)

However, it was common for workers to have difficulty remembering precisely which sites they had visited. Workers typically did not have a particularly sophisticated understanding or high level of personal interest in pensions, and often struggled to recollect specifically which internet sites they had browsed through sometime before the interview took place.

Workers who had decided to opt out of the pension scheme had rarely talked through that decision with other people in any great detail. Typically, those who were married or co-habiting would briefly mention being automatically enrolled to their spouse or partner, while younger workers in their 20s or 30s might ask the advice of their parents. Those who had consulted their parents usually reported that their parents had encouraged them to save for the future if they were able to do so. Workers who had decided to opt out had usually already made up their mind, but sometimes their partner or parent would have some input into their decision.

> *'I took advice from my husband and he had done a bit of research about it, and he is already getting a National Health Service (NHS) pension, which has been disappointing. It has dropped and dropped and dropped over the year that he has been retired.'*
>
> (Worker, health and social care, 50s, part time, £10,000-£14,999)

A small number of workers took financial advice from a qualified adviser, either privately or through their employer. Typically these were workers who already had provision in place, and who were trying to assess how worthwhile it would be to contribute to this pension in addition to their existing investments.

While workers tended to be more willing to take on board an opinion if it was offered by someone – typically a parent or a partner – who they planned to depend on financially for their retirement provision, their conversations with people whose financial circumstances were entirely separate from their own tended to be more superficial. Most workers we interviewed reported that they did not discuss their decision to opt out with any colleagues, friends or other peers. Some felt quite strongly that the decision to stay in the scheme or to opt out was a personal one, and they wanted neither to advise others, nor for others to advise them.

'Is it my place to advise them? If a work colleague asked me, I would say, "It's not for me to advise you. You need to take private advice or take advice from HR [Human Resources].*" I don't think it would be appropriate to advise a work colleague. For a friend outside of work, again, I don't think I would advise them one way or another, because somebody else's circumstances are different to your own circumstances.'*

(Worker, professional services, 40s, full time, £15,000-£19,999)

A few workers mentioned that they had discussed automatic enrolment in general terms with the colleagues with whom they worked most closely. These conversations were brief: they focused mainly on establishing who would or would not be enrolled, and the worker who was planning to opt out would usually state briefly that this was their intention, typically without explaining in much detail their reasons for doing so.

There was very little evidence indeed of anybody seeking to persuade a colleague to opt out: workers usually reported that they simply stated their intention to opt out as a matter of fact. A very small number of workers reported somebody in their workplace making a case for opting out.

Workers did not tend to discuss their decision with other people because they considered it a personal matter – both in the sense of being something private, as discussed above, and in the sense of depending on the individual's circumstances. It was common for workers to suggest that, while they had identified barriers to staying in the scheme arising from their own situation, remaining a member was worthwhile for anybody who did not face similar barriers. When asked what advice they would hypothetically give to somebody who was deciding whether to remain in their workplace pension after being automatically enrolled, workers who had opted out because they felt they were too old typically said that younger workers should stay in the scheme; while workers who had opted out because they felt they already had enough provision said that workers who did not already have some kind of provision should consider this a good opportunity to begin saving into a pension.

'I would say to really, really review absolutely everything, and make sure that opting out is the right decision, because had it not been for just my salary and not having the money, I would have definitely been in.'

(Worker, professional services, 30s, full time, £20,000-£29,999)

It was very rare for workers who had opted out to feel that they had not had enough information to make the decision with confidence. Workers were occasionally aware of not knowing everything they might have wanted to know, but rarely showed enough concern about this to make a prolonged effort to find that information. For example, very few workers who had opted out mentioned having found out what the pension was projected to be worth at retirement, either from the provider or using an online pensions calculator, even among those workers who said that their main reason for opting out was that they felt the contribution rate was too low to yield a worthwhile retirement income.

'I worked it out roughly myself. I felt within the funds I am putting in, I don't think I would have put in more than £2,000 [before reaching retirement]. You know and I know that £2,000 is not going to go very far on a pension. If you are 20-odd then it is a totally different ball-game isn't it?'

(Worker, retail, 60s, full time, £20,000-£29,999)

6.3.4 The process of opting out

The time taken to decide to opt out from the pension scheme varied considerably between different workers. At one end of the scale, some workers described the decision as being more or less instantaneous, something they thought about for minutes, or even less. These workers often described the decision as having been 'made for them' by the specific personal barriers of which they were already aware. At the other end of the scale, some workers thought over the decision for weeks, often discussing it with their family, and opted out relatively late within the one month window.

> *'I literally opted out the day before we were allowed to get our money back. It was just under a month* [after being enrolled]*. Up until that point I was going to stay in but then I worked out finances and at the moment it makes more sense not to be in it but it won't be that way forever.'*
>
> (Worker, retail, 20s, full time, £20,000-£29,999)

Most workers reported that they had been to the scheme provider's website to opt out. Most workers found this process very straightforward to complete, and had received confirmation of opting out by email from the provider, or occasionally from their employer. Some workers reported that the provider's website did not immediately opt them out of the scheme in response to their first request, but instead used a pop-up message to confirm that opting out was indeed what they wanted to do.

> *'Opting out was quite simple. I was provided with a link on the [provider] website. I put in my policy code. I think it was my surname, date of birth and I basically selected "submit" and then I was navigated to a page that said that I have been opted out of the pension scheme. I then received an email from HR to inform me that I have opted out of the pension scheme and they will remove me from the scheme.'*
>
> (Worker, professional services, 30s, full time, £30,000-£39,999)

A small number had technical difficulties when using the provider's website, but these were almost always resolved quickly and easily. Sometimes the worker had difficulties locating the web page they needed to navigate to in order to opt out. Typically, the worker would then phone the provider instead, who would respond by sending the form by an alternative channel.

A few workers chose to opt out by filling in a paper form. Workers typically got the form by phoning the provider, but sometimes collected the form from their employer instead. This again was almost always a smooth process that resulted in the worker receiving a confirmation that they had been opted out within a few days. A small number did not receive their form promptly, but again found an alternative method of opting out.

Most workers had received a message from the provider, either by email or by post to confirm in writing that they had now opted out of the scheme. A few workers mentioned that it was too early at the time of interview for them to have yet received a confirmation message or to have checked their payslip. However, no worker reported any concerns that they might not have successfully completed the opt-out process.

6.4 Attitudes to saving for retirement

This section examines the general attitudes toward saving for retirement that workers who had opted out expressed. Here, we explore the extent to which workers perceived saving for retirement to be a personal responsibility, and how they balanced that against the roles they ascribed to their employer, the State and their family in generating financial provision for their retirement. In Section 6.4.1, we examine workers' views on the role employers should play in helping workers to provide financially for retirement. Section 6.4.2 goes on to consider the role workers envisaged their family playing, while Section 6.4.3 explores the extent to which workers were expecting, consciously or unconsciously, to rely on the State in retirement. Finally, Section 6.4.4 discusses how workers went about deciding when to retire.

Some workers expressed awareness that the state was paying pensions to larger numbers of retired people who were living longer, and therefore that each person's allowance in terms of the State Pension was likely to fall, to be accessed later in life, or even to disappear altogether. A few also understood that automatic enrolment sought to exploit the apathy with which many people approached saving for their retirement, in order to encourage them to save into a pension.

> *'I feel that the lump sum I am going to get, and the pension, is relevant, really, because the State Pension I expect to be next to nothing… Even if there was no State Pension when it comes to our time, I really don't think that would provide for us, so I feel like we have both made enough provision.'*
>
> (Worker, professional services, 50s, full time, £15,000-£19,999)

Nearly all the workers interviewed agreed in principle that it was important for individuals to assume a degree of personal responsibility for supporting themselves financially after they stopped working. It was relatively rare, however, for workers to object in strong terms to the State interfering with their personal choices. More commonly, workers registered a mild sense of coercion while explaining that they understood why they were being nudged into saving into a pension.

While not every worker realised that they would be enrolled again in three years' time, they typically appreciated that their circumstances might have changed by then, and it was therefore reasonable to offer them another opportunity to stay in the scheme. A few, though, expressed frustration that having opted out once, their decision would not be assumed to be final unless they informed their employer otherwise.

While there was a broad consensus that everybody should be putting aside their own savings for retirement, some objected that not everybody could afford to save for retirement. A few felt that it was not appropriate for the State to interfere in people's private financial arrangements, or for their employer to nudge them towards a specific financial product when they themselves might be better placed to judge what savings products were best suited to their circumstances. In both cases, workers tended to combine a moral objection – 'this infringes on my freedom' – with a practical objection – 'I have better oversight of my financial position than the Government does.'

'I do think the Government shouldn't keep pushing. I know the cost of living goes up and all the rest of it. I don't agree with the Government trying to get more money out of people… I feel strongly that you shouldn't be automatically enrolled. Your freedom of speech has gone, isn't it? I have already said I don't want to be in the system. I think maybe you should be offered the chance, but I don't think you should be automatically enrolled.'

(Worker, health and social care, 60s, full time, £15,000-£19,999)

6.4.1 The role of the employer

It was common for workers at larger employers staging in 2012 and 2013 to describe their employer as having a positive attitude toward pensions and providing for their workers' future. This was partly because many of these employers had a long tradition of offering a pension scheme to most workers before automatic enrolment was introduced, and some also provided relatively generous employer contributions. However, even those larger employers who introduced a scheme for the first time in 2012 and 2013 to fulfil their automatic enrolment obligations were often described by their workers as having done 'something generous' to provide for workers' future. These workers did not always appear to be aware that their employers had a legal obligation to enrol them into these schemes.

In contrast, workers being enrolled in 2014 were less likely overall to describe their employer as being in favour of workplace pensions and wanting to encourage their workers to save. Workers whose employer already had a scheme in place before automatic enrolment was introduced, or who offered relatively generous contributions were more likely to describe pensions as being 'a priority' for their employer. Some of these workers relayed that their employer had explained the benefits of the scheme and encouraged their workers to stay in the scheme if they could afford to do so.

'I think they do see pensions as important, because the one that they have in place is relatively generous.'

(Worker, professional services, 40s, full time, £30,000-£39,999)

In contrast, if their employer had not offered a pension scheme prior to automatic enrolment, or if this scheme had had very low participation, workers in this study tended to be more aware than those enrolled at larger employers that their employer was only enrolling them because they were legally obliged to do so.

'They haven't even raised the issue until this auto-enrolment came along. It hasn't been something that they have provided or discussed at all… I suppose if you join an employer who hasn't got a pension scheme, you know what the terms are when you join them.'

(Worker, professional services, 40s, full time, £15,000-£19,999)

Although many workers thought their employer was only providing a workplace pension because they were now obliged to, they did not necessarily feel their employer should be offering a pension. The lack of an existing 'pensions culture' at many of these employers meant that workers were less likely to feel a sense of entitlement to a pension, as one of a range of standard benefits. For many workers, automatic enrolment represented the first time they had been offered any kind of benefit other than their normal salary. Some workers felt that it was a good idea for employers to make a pension scheme available, but rarely felt strongly that their employer should have to contribute to the pension for them.

Some workers perceived employer contributions to represent more of a financial burden for small and medium-sized organisations than for very large corporations, and viewed relatively low employer contributions as a generous offer. This attitude was more common among workers who occupied relatively senior positions within their organisation.

When asked to what extent it should be the responsibility of the State, or the individual, to provide financially for people in retirement, workers typically had an existing opinion, which they found easy to articulate. When asked to what extent it was their employer's responsibility to generate income for their retirement, they usually hesitated in formulating an opinion, and in some cases, struggled to give a decisive viewpoint. It was common for workers to describe their employer's obligations toward them as only lasting for the duration that they were actually working for them.

> *'It is not down to your employer, I don't think. While you are at work, with the cost of living and everything going up, I think everything should go along in the sense of a conveyor belt, but once you are not with your employer any more, it is not their responsibility. They have to look after who they have got at the time, I suppose.'*
>
> (Worker, retail, 30s, full time, £20,000-£29,999)

Others felt that the extent to which their employer was obliged to support them depended on the longevity of the working relationship. Some employers had a good retention rate, with workers often staying with them for a decade or more: at these employers, it was relatively usual for workers to refer to a paternalistic responsibility for their employer to support them in retirement. If the employer had also offered a pension scheme before automatic enrolment, workers were more likely to perceive pensions as having a role in strengthening recruitment and retention rates.

> *'I think they should have some responsibility for making employees aware of a pension and providing for your retirement. They do contribute to your pension, and I think that is quite correct, and it does build up a relationship with the company as well if you have a good pension scheme in place. That was something that was always good for me in the bank, that I knew there was a good pension. It wasn't to be sniffed at, really.'*
>
> (Worker, professional services, 50s, part time, £20,000-£29,999)

At other employers, a higher staff turnover meant that workers were less likely to form an attachment to their employer, and tended to have a transactional view of the relationship, expecting simply the payment of a wage, in exchange for the hours they were contracted to work. Some workers felt that, since it had become normal to work for several employers over the course of their working lifetime, it was difficult to ascribe responsibility for retirement provision to a single employer.

6.4.2 Relying on family to provide for retirement

When asked directly about the extent to which they perceived saving for retirement to be the responsibility of the individual, most workers were very clear that they saw it as being entirely, or almost entirely, their personal responsibility.

It became evident during the interview, however, that a few workers were relying partially or heavily on provision that would come from their family or the State. These workers did not always consciously perceive this as 'relying on someone else' or as depending on something that might prove to be uncertain: rather, they appeared to see these things as entitlements. A few workers mentioned that they were expecting to inherit property when their parents died, and were hoping that this would provide a 'nest egg' to fund their retirement.

A few workers mentioned that their partner or spouse had provision on which they were planning to rely. This was more common among workers whose partners were better paid than they were, or whose partners had a more generous pension on offer at their employer. A small number of female workers anticipated that they would raise a family while their husband assumed greater responsibility for saving part of his income to support both of them through retirement.

> *'My husband was in the medical profession so I suppose I can assume that he has got it covered really. He has an NHS pension.'*
>
> (Worker, health and social care, 50s, part time, £10,000-£14,999)

A few workers were already supporting older relatives, or anticipating that they would do this in the near future. This typically led them to hope that their children would adopt a similar responsibility toward them in due course.

6.4.3 The role of the State versus the role of the individual

Most workers we interviewed admitted that they did not know how much the State Pension was currently worth; a few had an approximate idea, through knowing people who currently received it. Most had a very general impression that the State Pension would only provide them with a minimum standard of living during their retirement. It was common for workers to speculate that the State Pension would fall in value, and that it might have disappeared altogether by the time they retired. Those who had any kind of provision set up for their retirement – whether this was a pension, property or another kind of investment – tended to assume that this would be sufficient to fund their retirement.

> *'It has got to come down to myself. The State give a basic pension, but they can only do so much. I do believe that people should take a pension as early as they can so they are paying in a fair bit. There will come a stage when the Government will not be able to pay out a pension because there are too many people living too long and the pot will not go around. People should provide for themselves at an earlier age, and not rely that there will be a pension when they get to pensionable age.'*
>
> (Worker, health and social care, 60s, full time, £20,000-£29,999)

It was common for workers to describe the State Pension as a 'safety net': something that they thought the State should provide as a last resort, but which they hoped not to end up in a position of having to rely upon themselves. Most workers aspired to a more comfortable retirement than they expected the State Pension on its own would be able to afford them.

> *'I certainly couldn't rely on the State Pension to give me the kind of life that I think I would like to have… It wouldn't be enough to live on at all. I don't know how the elderly do it without having their own other income or certainly not to have a decent quality of life. I don't want to be old and cold. You definitely need to have something else in place.'*
>
> (Worker, professional services, 30s, full time, £30,000-£39,999)

Some workers, in contrast, were aware that they had little or nothing in the way of savings and investments to fund their retirement. Among this group, some were optimistic that their financial position might improve before they came to retire. However, a few mentioned that they would be relying on the State Pension for some or most of their retirement income.

It was common for workers to suggest that they had contributed a lot of money to the Government in the form of taxes over their working life, and to feel that they were therefore entitled to receive something in return, once they reached SPa. A few felt that the money they had paid as National Insurance (NI) contributions should have been ring-fenced to pay for their own State Pensions. Some of these had the attitude that as taxpayers, they had themselves paid to support others and were thereby entitled to claim something back once they had retired. However, even the latter usually suggested that they were not expecting to rely primarily on the State Pension during retirement.

'I just don't see why I should pay for everything now, and for when I retire, when I have paid all that tax and all that national insurance, which will then be over 50 or 60 years' time. There must be a lot of money going into the government that I have not seen any rewards from.'

(Worker, professional services, 30s, full time, £30,000-£39,999)

6.4.4 Planning when to retire

Workers were asked when they thought they were likely to retire: a question that many found difficult to answer, as they saw it as dependent on a number of factors which for many were relatively uncertain. For younger workers, retirement was too far in the future even to estimate: even workers in their 40s and 50s sometimes found it difficult to picture when and how they would go about making this decision. Older workers tended to give a more specific time range, and often mentioned that it depended on how their financial position, or their health, developed over the next few years. It should be noted that this research did not measure the provision workers had put, or planned to put, in place in objective numbers: these findings are therefore based on workers' own subjective impressions as to how much provision they would have in place, and how much they needed to have in place.

When asked at what age they expected to retire, many workers responded by quoting the SPa. A few workers were planning to retire earlier than their SPa. This was normally because they had provision in place: some of these suggested for example that they would retire around the time that they began drawing another workplace or private pension. Others saw retirement as something that would follow a few years after paying off their mortgage, as doing so would allow them to save the money they were currently using for that purpose.

'I don't know what the normal retirement age is nowadays. Maybe around 60. I will be mortgage-free by then so maybe around 60.'

(Worker, professional services, 20s, full time, over £40,000)

It was common, however, for workers to suggest that they would retire at SPa, without necessarily having made financial provision to secure a comfortable retirement, or knowing that they would have done so by that point in time. Some of these workers still had some working years left ahead of them, and were optimistic that they would be able to generate financial provision in the future. Although most were reluctant to state explicitly that they would be dependent on the State Pension, most felt that they would retire at that point either because they appeared to be more or less consciously expecting to rely to some degree on the State Pension for income, or because they would be falling in line with a cultural norm.

'I wouldn't mind retiring at about 60, but I don't think that will happen because I won't have enough money. [I think I will retire] *probably at the retirement age – 66.'*

(Worker, construction, 40s, full time, £20,000-£29,999)

For many workers, the assumption that they would retire at the 'normal' age was not based solely, or even perhaps principally, on their building up sufficient financial provision. Many also mentioned that their health was a key driver of this decision. Some felt that a long working life would entitle them to 'a rest,' during their retirement, when that came. A few workers who had opted out expressed pessimism about their life expectancy and the state of their health in their later years. These workers therefore wanted to retire at a point where they would could expect to enjoy at least a few years of leisure.

> *'I think I will know when the time is right. Maybe two or three years but I don't know. It just depends on health for me and my husband. You never know… I am quite happy just to tick along at the moment but at the same time I will just know and I will say bye-bye.'*
>
> (Worker, professional services, 50s, part time, £20,000-£29,999)

In a small number of cases, the worker appeared to justify their decision to opt out by calling into question their longevity, and prospects for long-term health. They preferred to make the most of their earnings in the present, than to make sacrifices by setting money aside for an uncertain future.

> *'You don't know how long you are going to live after your retirement. I have got to potentially work until I am 67 before I get the State Pension. It could be longer couldn't it? I might not live that long. I am not ill or anything. My dad died in his 60s, and my granddad, and my auntie. I have taken that into consideration when I have thought about it.'*
>
> (Worker, professional services, 50s, full time, £15,000-£19,999)

It was common, however, for workers to describe themselves as open to the idea of working beyond the age at which they would be entitled to receive the State Pension. Some of these felt that they would keep working in order to generate further financial provision for their retirement; either out of necessity or because they wanted some more savings to fall back on.

> *'Realistically I can't see myself retiring until I am at least 70. I think people have to accept that you have to keep working, as long as you are mentally and physically fit, obviously… That house will be sold. I do have very small pensions with the university and with the police, but there is not a lot there.'*
>
> (Worker, manufacturing, 40s, full time, £20,000-£29,999)

Some workers reported that they expected to keep working beyond the age where they would receive the State Pension, but because they enjoyed working rather than being driven specifically by financial need.

> *'If you ask me when I would want to retire, I would tell you that I don't want to retire. I am quite happy, and when I get to 65 I think I will continue working. I enjoy working. I have never been one to sit about. I have always been an "up and go out and get it" guy.'*
>
> (Worker, health and social care, 60s, full time, £15,000-£19,999)

7 Next steps: automatic enrolment declaration of compliance (registration) and ongoing duties

This chapter explores two specific aspects of employers' post-implementation duties covered in the research: the need for them to complete a declaration of compliance with The Pensions Regulator (TPR) – formerly known as 'registration' – and the ongoing administration of automatic enrolment.

Once employers have enrolled their first workers, they are legally required to submit information to the regulator about how they have complied with their duties. This process is known as the 'automatic enrolment declaration of compliance,' and it must be completed within five calendar months of an employer's staging date. Employers' experiences of completing the declaration of compliance are discussed in Section 7.1.

In addition to the declaration of compliance, employers have a set of ongoing duties, including identifying and assessing worker types on a regular basis, automatically enrolling any new joiners or existing workers who become eligible, and processing opt-out notices. Employers also need to send out all appropriate communications to workers on an ongoing basis. They must continue to make monthly contributions into their workers' pensions, and to keep accurate records of who is in the scheme and how much is being paid in on behalf of each worker every month. Section 7.2 describes how employers are dealing with these ongoing administration requirements of automatic enrolment.

7.1 Completing the automatic enrolment declaration of compliance

Submitting the declaration of compliance entails the employer providing a variety of information to the regulator, such as:

- the employer's contact details;
- its Companies House or Value Added Tax (VAT) registration number;
- Pay As You Earn (PAYE) scheme reference(s);
- the type of pension scheme(s) used for automatic enrolment; and
- the employer pension scheme reference.

In addition, employers must submit information about their workers, including:

- the total number of workers employed;

- the number of workers who were already active members of a qualifying scheme on the staging date;
- the number of eligible jobholders automatically enrolled into a qualifying pension scheme

All of this information must be provided online via the Government Gateway,[28] an online portal giving access to a variety of government sites and services, which can also be accessed via the regulator's website. The process can either be completed by employers, or by third parties – such as accountants or advisers – working on employers' behalf. Employers must complete their declaration of compliance within five calendar months of their staging date, and they cannot complete it before that date. If the declaration is not completed in time, they may receive a fine.

The regulator provides a range of employer information resources available online, to help employers through the process of declaring compliance. These include a declaration of compliance checklist, a guide to completing your declaration of compliance, a video demonstration and a webinar.

Declaring compliance is a legal obligation for all employers implementing automatic enrolment, and most employers we spoke to were aware of this, understanding why it was necessary both for both the regulator and themselves. They appreciated that the regulator needed to know that they had fulfilled their duties, and from the employer's perspective, having an official record of their compliance could provide reassurance that they had completed the process correctly.

> *'It is only that way that they will know what we are up to isn't it? That is fundamental really'.*
>
> (Employer, education, 250-349 workers)

However, a few employers were not aware that they had to complete this process. One employer contact we interviewed had never heard of the regulator.

Employers typically took part in an interview around a month after their staging date and consequently many of the employers had not yet completed their declaration of compliance. Those who were yet to complete the declaration of compliance had typically already logged onto the regulator's site to see what was required of them, and did not anticipate having any difficulties completing this.

Some, however, had completed their declaration, and most of these employers had found it a relatively straightforward process, commenting that the information, and amount of information it required, were not difficult for them to generate.

A couple of employers made reference to the declaration of compliance checklist, which is provided by the regulator and can be found on the regulator's website.[29] These employers had found the checklist to be a helpful guide.

28 The Government Gateway can be accessed at: www.gateway.gov.uk/

29 The Declaration of compliance (registration) checklist can be accessed at: www.thepensionsregulator.gov.uk/docs/automatic-enrolment-online-registration-checklist.pdf

7.2 Ongoing administration of automatic enrolment

Employers' ongoing duties under the workplace pension reforms include automatically enrolling any new eligible jobholders they employ; any existing workers who become eligible, and any non-eligible jobholders or entitled workers who decide to opt into or join the scheme. Employers must also continue to process any opt-out notices they receive, to send relevant communications to workers at the correct time, to pay employer contributions, and to keep records both about workers and about the pension scheme.

However, in comparison to the main process of planning and implementing automatic enrolment, most employers expected ongoing administration to involve much less effort. Some employers were interviewed a few weeks after their staging month, and were already finding that, having enrolled all the current members of their workforce who were eligible or had opted in, there was comparatively little administration to do in subsequent months. Typically, employers needed to enrol only a very small number of workers after their staging month: employers in the scope of this study tended only to have a handful of new starters or people with a pay increase each month.

> *'Implementing something that is so new, and just being absolutely certain it is right, it has taken more time than we expected – which we hope going forward will get less and less.'*
>
> (Employer, leisure, 90-159 workers)

Most employers mentioned that they expected the administrative tasks associated with automatic enrolment to get quicker and easier as they themselves became more accomplished at running these processes. The widespread use of payroll software to help with tasks such as assessment also meant that the approach to handling different categories of workers, which had seemed difficult for some to understand in theory, proved much easier when it came to practice. Many employers perceived the ongoing administration of automatic enrolment to become another routine task, for which they felt comfortable taking responsibility.

> *'I would say ongoing it is going to be adding maybe two or three hours to my normal payroll run, which takes me normally four days. It is not massive. It is there. It is an additional task that needs to be done but with the help of the payroll provider, I don't see it ongoing as being a massive problem.'*
>
> (Employer, health and social care, 90-159 workers)

8 Employers’ thoughts on the future

This chapter examines employers’ thoughts and expectations for the future with automatic enrolment in place. It will first look at the range of attitudes employers had towards automatic enrolment, exploring the reasons why different employers held relatively positive or negative attitudes. The chapter will go on to examine the potential financial challenges employers face in the future, in terms of how they will meet the scheme running costs, and the costs of employer contributions going forward. The final section of this chapter will explore the advice employers in this study had for employers staging in the future, based upon their own experiences of planning for and implementing automatic enrolment.

8.1 Attitudes to automatic enrolment

Similar to employers who participated in the Large Employers Study, employers in this study expressed a range of attitudes toward automatic enrolment. This varied from employers who felt that it pushed unwelcome extra responsibility onto them, to those who were happy to take the new responsibility on. However, in general, most employers were in favour of the principle of automatic enrolment. Most recognised that the basic State Pension was unlikely to provide sufficient income on its own, and therefore most generally considered automatic enrolment as a good strategy for addressing this problem, and one that was very positive for workers.

> *‘I think it is a good idea, and I think everybody should be willing to sacrifice a bit for their security.’*
>
> (Employer, health and social care, 160-249 workers)

Despite being in favour of automatic enrolment in principle, a few employers felt that it placed too much onus on the employer, both in terms of the responsibility upon them to administer it, and from a financial perspective with the obligatory employer contribution. A few employers who had issues with their provider felt frustrated with the way the pension was set up as a separate process to the employers’ existing payroll procedures. These employers reported that the schemes were not simple to administer with their payroll software, and as such, did not easily fit into their existing payroll duties. This is described in more detail in Section 3.6.2.

> *‘I think in principle it is a good idea. The way that it has been introduced though and the legislation and the way that* [provider] *has set it up, I have not been very happy with that at all. It has been a massive headache… It is not a straightforward admin. It is not like Pay As You Earn (PAYE) national insurance where it just goes through and I pay it every month on the P32. It is, every week there are schedules to go through.’*
>
> (Employer, manufacturing, 90-159 workers)

On the other hand, a few employers had a more negative attitude toward automatic enrolment in general. They felt that it placed a financial challenge upon them as a company: those who did not offer a pension scheme prior to automatic enrolment, or who had an existing scheme with very little participation tended to perceive the pension contributions as a new expense that they would have to incorporate into existing budgets. Many employers also perceived the processes involved in automatic enrolment to be complex and time-consuming, and were concerned both about the burden this placed on their time, and the potential for making mistakes. A few employers worried about falling short of compliance, simply because they did not fully understand a particular part of the requirements, and found it difficult to predict how lenient the regulator would be under these circumstances.

A small number of employers who began the process with the initial perception of automatic enrolment as a highly complex and time-consuming task actually changed their attitude towards it after implementation. They explained that it had not, in fact, been as onerous and financially impactful as they expected, and they were therefore more favourable to the idea now the pension was in place.

A few employers also explained that their negative attitude towards automatic enrolment stemmed from it placing responsibility upon them to ensure that workers had enough income during retirement. They felt that ultimately it was the responsibility of workers to generate their own provision for retirement.

Most employers were pleased that the minimum employer contribution levels were low at one per cent, because this meant that the financial impact on the company was as low as possible. However, it was also common for employers to express concern that the level of contributions typically being made was not enough to make a substantial difference to workers in their retirement. Some felt this would change when the contributions increased. A couple of employers nevertheless indicated that for those workers on very low earnings, these increased contribution rates would still not be enough to make a real difference to their provision. These employers occasionally suggested that automatic enrolment could be misleading to workers, and unrealistically raise expectations of what they will receive when they come to retire.

> *'I do worry that people think, "Tick the box, auto-enrolment, I am sorted. That and anything the Government gives me – that will sort me for the rest of my life." I think there is a risk that people will think that, and they won't think they have got to make additional provision or they have got to look at the way they are planning to live in retirement and work out whether they have got enough funds to do that.'*
>
> (Employer, leisure, 62-89 workers)

8.2 Potential challenges in future years: meeting the scheme running costs going forward

Most employers felt that the cost of running the pension scheme in the future would not cause an issue. As the pension was now implemented and the initial settling-in period was over, they expected the running costs to be small and stable. Most employers also handled the administration of the scheme themselves, and so knew there would be little financial costs to come. Typically, these employers had very few new starters to enrol each month, keeping administration time to a minimum.

> *'I can't see any real significant increase in costs or demands upon my time* [of running the scheme] *now that it has happened. I don't really see any huge difficulties or costs. I don't think there will be anything massive other than the actual costs of the employer contributions.'*
>
> (Employer, manufacturing, 250-349 workers)

Employers sometimes referred to regular ongoing costs they would have in the form of fees paid to either the pension provider or the provider of their payroll software. Most employers handled payroll internally themselves using payroll software, and many of the employers included in this study were using Sage. Employers typically viewed the fee paid for using the pensions module issued by their provider to be a manageable cost, and necessary to the successful running of their scheme.

Another employer explained that they had to pay a monthly administration fee to the pension provider for each worker in the scheme. This was to cover the provider's costs of running the pension scheme, and also to allow the provider to profit from the business the company placed with them. Importantly, many employers had schemes without administration fees, since they often used the master trusts which could not request these charges. However, with correct planning and budgeting, this employer felt that they could manage meeting the costs of this fee.

8.3 Potential challenges in future years: meeting the ongoing costs of employer contributions going forward

While employers did not consider the running costs of automatic enrolment to be a cause for concern, many employers had concerns that meeting the ongoing costs of employer contributions would be more of a challenge. Most felt that meeting the minimum contributions at the time of the interview was manageable, because it did not typically equate to a large sum. They explained that the contributions were fairly easily incorporated into monthly budgets, and had sometimes even been budgeted for in previous pension arrangements.

> *'It is just part of our normal budgeting now. The cost as it currently sits, it is still not a big number. Our payroll is, say, £150,000 a month and this is about £1,000 to £2,000 a month, so it is not a huge number in terms of our budget.'*
>
> (Employer, professional services, 90-159 workers)

However, many employers reported that when the minimum employer contributions increase in coming years, this could potentially present a financial challenge for the company. Some felt that the increase was rather steep, and as such they would have to develop more formal, long-term arrangements in order to meet the requirements.

A handful of employers explained that as the cost of employer contributions rose, they would need to reassess the opportunity for salary and earnings increases. They asserted that it would not be possible to afford the increase in workers' pension contributions as well as in their pay, and as the pension contributions were mandatory, this would have to take precedence over any pay rises.

A small number of employers speculated that in order to meet the increase in employer contributions, they might eventually have to review their recruitment of new workers and the job opportunities they offered. They explained that the pension contributions were effectively paid from the budget that would otherwise have been used to pay additional worker wages, and they therefore would not be able to recruit as many new members of staff as expected in future. For a couple of employers, this impact on the number of workers they were able to employ could possibly affect the productivity of the company, and consequently its turnover.

They were concerned that meeting the increase in employer contributions could initiate a negative cycle of having fewer workers than they needed, reduced productivity, and reduced company turnover.

Two recruitment agencies planned to increase their fees, in order to cover the costs of increasing employer contributions. These employers noted that the cost of contributions directly increased the marginal cost on each worker for whom they found a position.

Smaller employers taking part in this study were more likely to have identified the need for these longer-term strategies to meet the increased employer contributions than larger employers. These employers typically expressed more concern because their profit margins were more vulnerable to increased internal costs than was the case for slightly larger companies. Several of these smaller employers explained their concerns for organisations even smaller than themselves, and questioned how they would be able to meet the cost of automatic enrolment.

> *'Financially at least we are in a position where the cost* [of contributions] *is just horrendous, really. I can imagine it is quite a shock, really, if you are only a little employer and times are hard at the moment. I went to a seminar, and one man said that he was a small company and was absolutely struggling to keep his head above water at the moment, and this extra cost was going to be a 'make or break' to them next year.'*
>
> (Employer, professional services, 90-159 workers)

It should be noted that employers who did not perceive pensions to be a responsibility that they should have to shoulder, or who perceived pensions to be a burden upon their personal time were more likely to voice concerns about how organisations smaller than themselves would cope with implementing automatic enrolment. Employers who had experienced difficulties themselves – either in terms of the financial burden, or the burden upon their time and expertise – were also more likely to project these difficulties as applying to smaller employers staging in the future.

> *'We are going through a tough time at the moment, so we have needed it like a hole in the head, in all honesty. So that is the big downside. The problem is for smaller companies in a difficult economic climate, it has been really tough… We said we could see a lot of businesses coming into financial difficulty because of it.'*
>
> (Employer, professional services, 90-159 workers)

A couple of employers also expressed concern about how workers would cope with increased contribution levels in future. These employers felt that higher contributions would be challenging for those on low wages, and wondered whether they might see more workers opt out because they could not afford to absorb any further reduction to their take-home pay.

> *'I do know that some of our staff are going to find it quite hard when the staging goes up to the next percentage. That is going to be quite difficult because a lot of them are on the breadline already.'*
>
> (Employer, manufacturing, 90-159 workers)

While many employers explained their concern over the higher cost of contributions in the future, a small number chose to incorporate those higher contributions from the start of automatic enrolment. Typically, these were employers who had already budgeted for high or full participation in the pension scheme, and usually already offered higher contributions than the minimum in previous workplace pension schemes. Thinking forward, these employers wanted to be confident that they had already budgeted for, and would comply with, what was required of them in the future.

8.4 Advice for other employers

Employers gave various recommendations for other employers who were yet to implement automatic enrolment. Most advised others to start preparing for automatic enrolment early. In particular, they felt that gaining an understanding of the legislation and its requirements in advance of the staging date was imperative. However, with smaller numbers of workers to organise and enrol, employers in this study gave a shorter timeframe for preparations than those in the Large Employers Study. Here they generally recommended around six to nine months before the employer's staging date, compared to around a year to a year and a half recommended by the larger employers who staged in 2012 and 2013.

> *'Prepare in advance. Get as much done beforehand as you possibly can.'*
>
> (Employer, professional services, 90-159 workers)

Some employers also stressed the importance of preparing management information databases before the staging date to ensure that all worker data was collated and up-to-date. Employers explained that this was a key part of preparing for automatic enrolment, and essential in order to assess workers and calculate contributions with ease.

> *'Beforehand, make sure your data is clean, and if you are using external companies then make sure that all your data matches... Check it and check it.'*
>
> (Employer, professional services, 90-159 workers)

In line with the regulator's guidance, employers asserted that preparations for automatic enrolment should involve research into providers and deciding on one that was appropriate for the organisation's own circumstances. As a specific part of this research, some employers who experienced issues with payroll compatibility advised others to investigate thoroughly whether their payroll software would work with the pension provider's systems, and to seek out training on how the two would work in conjunction. Employers explained the importance of this for the systems to run smoothly each month and for the correct contributions to be taken on time, as discussed in detail in Section 3.6.2.

> *'Be absolutely sure that your payroll software is robust enough and that it will pick people up that should be auto-enrolled and it will work with your pension. Make sure you get the training on your software.'*
>
> (Employer, leisure, 62-89 workers)

Although employers advised starting preparations early, many employers also highlighted the limit as to how much they could actively do ahead of the last month before staging. Employers who gave this advice tended to have workers on variable earnings, with some having experienced changes in workers' eligibility from the preceding month to the staging month. They explained that it was impractical and counterproductive to spend time looking at workers' eligibility ahead of the staging month, as they could not predict with certainty who would be working for them and how much they would be earning until they reached the month in which they would have to be automatically enrolled.

Some employers also recommended that where budgets permitted, other employers should seek the advice and guidance of external bodies with expertise in workplace pensions. Many of the individuals in charge of automatic enrolment in this study explained that their lack of pensions experience made the process difficult to understand and administer at least initially, and where used, the guidance of an external adviser was greatly appreciated. A few employers therefore felt that employers staging in the future, with similar or less knowledge of pensions would find automatic enrolment challenging without external help.

Finally, many employers recognised the importance of communicating openly with workers about automatic enrolment. They felt that workers needed to be given time to absorb and understand its benefits, and that future employers should think carefully about how and when they communicated with workers. The employers in this study therefore advised others to ensure they were approachable to workers, and to promote the idea that automatic enrolment could be a positive and beneficial influence on workers' retirement prospects.

> *'Keep an open door for your staff, so that if anyone has got any queries, you can answer them. It is only by talking to them and being fair and honest and open that they will understand. If we hadn't communicated with the worker well enough, and I didn't have the information and the credibility to persuade them that this is legislation, we could have had a problem.'*
>
> (Employer, health and social care, 160-249 workers)

Appendix Materials used in conducting this study

A.1 Employer screening questionnaire

Introduction for switchboard/gatekeeper: named contact

Good morning/afternoon. Please could I speak to [FIRST CONTACT]?

If unavailable and alternative names in sample: Could I then speak to [NEXT SAMPLE CONTACT]?

If unavailable and no alternative names available: Could I then speak to the person with overall responsibility for pensions at [EMPLOYER]?

Introduction for switchboard/gatekeeper: no named contact

Good morning/afternoon. Please could I speak to your Pensions Manager?

If positions do not exist: In that case, could I speak to the most senior person responsible for employee salaries and benefits?

Interviewer: if the gatekeeper is uncertain about how to direct the call, ask to speak to the FD or head of HR.

If necessary: explain who you are, and that you are calling from RS Consulting on behalf of the Department for Work and Pensions.

The person best placed to answer questions about automatic enrolment may be in the pensions team or payroll department.

If payroll is outsourced, ask to speak to the person who handles payroll administration.

When connected to appropriate contact: My name is….. and I'm calling from RS Consulting, on behalf of the Department for Work and Pensions.

I'd like to talk to you about some research that the DWP has commissioned us to carry out, with a view to seeing whether this is something you and your company would be interested in taking part in.

The research is to understand employers' and employees' experiences of automatic enrolment. We understand that [EMPLOYER] is currently implementing automatic enrolment, or will be doing so shortly – is that the case?

If employer is currently implementing – continue

If employer explains that they will be using a waiting period/are postponing, use the following text and then continue:

We recognise that a lot of employers will plan to use the three-month waiting period: that's not a problem. Would it be OK for me to tell you a bit more about the research and what it entails, to see whether it's something you might be prepared to consider when you've gone live with automatic enrolment?

For all:

Our research will explore how both employers and employees are responding to automatic enrolment, and if you decide to take part, you'd be helping to shape the Government's understanding of how things work for employers in practice.

Taking part would involve telling us about how things relating to automatic enrolment are progressing at [EMPLOYER], about any issues that you might encounter along the way, and about how you and your employees are feeling about the processes involved. One of the main things we're interested to know about, is the number of workers who are opting out after being automatically enrolled.

We're planning to involve 50 employers, in a range of different sectors and locations, who have staging dates between January and July this year, and to be in touch with them occasionally over the course of a few months. We are offering £200 to all employers who agree to take part – I'll explain more about what would be involved in a moment.

The research that we're doing has high Ministerial interest. You'll probably be aware that automatic enrolment is one of the major programmes being carried out by the Government, and DWP would really appreciate your help. It's very important that they understand how it works for employers and employees in practice, so the research is also an opportunity for you to provide feedback and share your views.

If you agree to take part in the research, you'll have a dedicated contact on our research team, who will work with you to collect the data that we need, and who you'll also be able to tell about any issues you're encountering or questions that you have.

I'm keen to stress, though, that the research is absolutely confidential in nature, and your identity will never be revealed to DWP or anyone else, if you don't want it to be.

If respondent asks where we got their contact details: Details were provided by The Pensions Regulator, solely for the purposes of this research. The details we've been given indicate that you are responsible for dealing with pension schemes at [EMPLOYER].

If at any point the respondent says they do not want to discuss the research:

There's no obligation for any employer to take part, but since this is a high-profile piece of research we would really like to talk to you about taking part. Could I perhaps leave you to consider it, and call back in a couple of days' time?

If at any point the respondent makes clear that they do not want to participate:

There's no obligation to take part in the research. Could you perhaps explain to me why [EMPLOYER] would not be able to participate? I won't share these details with anyone outside the research team at DWP, and I would of course keep your name and your company's completely confidential – but any feedback from you would be really helpful.

If respondent is happy to continue the conversation:

We would very much like to include [EMPLOYER] in this study and hear about your experiences of automatic enrolment. I'll tell you a bit more about what we're asking for. But first of all, can you tell me whether you are beginning automatic enrolment this month?

If automatic enrolment is going ahead this month, talk the respondent through what is required.

If contact explains they are postponing automatic enrolment, find out when it is now planned, and ask about why they are using postponement. Note the details/reasons in full in the spreadsheet. Then:

If respondent is happy to continue the conversation: talk them through what is required.

If respondent wants to end the conversation: check whether OK to call back at the beginning of the relevant month.

There are three elements to taking part in this research: firstly, we would ask you/the person responsible for implementing automatic enrolment to undertake a face-to-face interview with us, to discuss how you have found the experience. (This would last approximately one hour, and we would come to your offices at a time of your choosing).

Secondly, we would need you to send us a small amount of data to help us understand how many employees are opting out, and any patterns in the types of people who choose to do so. This would be in the form of a short spreadsheet, to be filled in for the first few months of automatic enrolment. We ask for counts and simple breakdowns in this spreadsheet: we won't ask you for anyone's name, or personal details.

Finally, we would ask you to identify two or more employees who have opted out, to participate in a short interview about their experience of automatic enrolment. This could be either face-to-face or by telephone, at a time of their choosing (and would last approximately 20-30 minutes).

As a thank you for your time and effort in helping DWP with this research, we would offer you as the employer £200, and £20 to each employee who undertook an interview with us.

Let me assure you that anything you or your employees tell us during the course of the research will be treated in confidence by the project team. It will not be attributed to you, or your organisation, unless you agree to it. We will not tell anyone outside the research team at DWP the names of any organisations who participate in the research, unless you explicitly give us permission to do so.

Only if respondent is concerned about burden of providing data:

We can send you the spreadsheet in advance so you can look at what we are asking for, and decide whether this is something you can manage.

We would really appreciate it if you could fill this in once a month, for the next few months.

Only if absolutely necessary – if respondent is very concerned about facilitating worker interviews:

The idea of interviewing employees is to understand what automatic enrolment looks like from a worker's perspective, and to understand why they have decided not to stay in the workplace scheme after being automatically enrolled. At no point would we express any judgement of their decision to opt out. This is an opportunity for your workers to tell us their thoughts about automatic enrolment and saving for retirement.

Would you perhaps feel more comfortable if we spoke both to employees who have opted out and to one who has remained a member of the workplace scheme after being automatically enrolled?

(If employer feels happier with this solution) These employees who have remained in the pension scheme would also receive £20 to thank them for their time, and the interview could be conducted either face-to-face or by telephone, at a time of their choosing.

Ensure that respondent is clear on this, and allow them to ask any questions.

Say to all:

Taking part is entirely voluntary and would not affect your future dealings with the DWP. You would be able to withdraw from the research at any time.

We really hope you will be able to be involved.

At this stage it would be helpful to know your thoughts on this research and whether it is something that [EMPLOYER] might be prepared to take part in?

If respondent is happy to continue the conversation:

The next step is for me to send you a letter from the Department for Work and Pensions, which summarises what I have said about the research, talking to you today.

If you do not wish to participate in the research you can let the team at RS Consulting know at any time; the letter includes a telephone number you can use for this.

We will contact you again in a few days' time to check that you are happy to participate.

Confirm contact details and send letter. Arrange a suitable time to re-contact respondent.

A.2 Invitation letter sent to employers

Retirement Income Strategy and
Analysis Team
Department for Work and Pensions
Level 1 East
Rockingham House
123 West Street
Sheffield S1 4ER

Framework Ref: RF1512

Tel: 0114 293 XXXX
Email: XX.XX@dwp.gsi.gov.uk

[EMPLOYER]

[DATE]

Dear [NAME]

Research to Evaluate Automatic Enrolment

We are writing to you to ask for your help in a research study that has been commissioned by the Department for Work and Pensions. The research is being conducted on DWP's behalf by RS Consulting, an independent research organisation.

This study will explore how both employees and employers at 50 organisations are responding to automatic enrolment. As an employer who is introducing automatic enrolment, we are keen to listen and learn from your experiences, and to understand any challenges you may have faced.

The research has high Ministerial interest. You may be aware that automatic enrolment is one of the major programmes being carried out by the Government, and DWP would really appreciate your input in allowing us to understand how it works for employers and employees in practice. Similarly, taking part in our study is also an opportunity for you to provide feedback and share your views.

The RS Consulting project team are contacting employers who are scheduled to implement automatic enrolment between January and July 2014, to invite them to participate. The attached fact sheet explains more about what taking part will entail.

The research is confidential: your identity will never be revealed to DWP or to anyone outside the research team at RS Consulting, if you don't want it to be. Your company has been selected at random from The Pensions Regulator's database and we are contacting you for research purposes only. Any information you provide will be held by RS Consulting in the strictest of confidence and will be handled securely throughout the study. Unless you agree explicitly, **the research findings will not identify you or your organisation, and no personal information will be shared with any third parties**.

If you have any questions about the research please contact RS Consulting: you can reach the project team on 0207 627 77XX or 020 7627 77XX between 9am and 5pm, Monday to Friday. You can also use these contact details to tell RS Consulting that you do not wish to participate, or that you would like to take part. If you have any wider questions about the research study, my own contact details are at the top of this letter.

Your contribution will provide us with valuable information that will help to inform and improve the implementation of this key policy. We very much hope that you will decide to take part.

Yours sincerely,

Retirement Income Strategy and Analysis Team

Department for Work and Pensions

A.3 Self-completion template for employers' data

DWP: Study of automatic enrolment – your organisation's profile

Company information		
Date you are completing this form	***Select from dropdown***	
Your company name		
Your industry sector		
Total number of employees		*This should include all permanent members of staff, as well as those on short-term contracts.*
Your staging date	***Select from dropdown***	*Even if you are postponing auto-enrolment, please enter your original staging date.*
Are you using postponement?	***Select from dropdown***	*Please select the option that best applies. You may postpone automatic enrolment by up to 3 months for some or all of your eligible jobholders..*

You can either give absolute numbers of staff (e.g. 14 are male and 28 are female), or percentages (e.g. 33% are male and 66% are female)

Choose one …
- (●) Absolute numbers
- ( ) Percentages

Breakdown of your employees …									
… by gender		… by gender			… by hours worked		… by annual salary		
Male	Female	< 30	30 - 49	50+	< 30 hours/week	30+ hours/week	<£20,000	£20,000 - £39,999	£40,000+

Your pension scheme(s)

	Pension provider	Are you using this scheme for auto-enrolment	Were there any members before your staging date?	If yes, how many?	Average employer contribution under auto-enrolment *(% of salary)*	Average employee contribution under auto-enrolment *(% of salary)*	What type of scheme is it? (e.g. a GPP/a stakeholder pension)
Scheme 1							
Scheme 2							
Scheme 3							

Breakdown of your employees …

Please state the month this data applies to: *Select from dropdown*

		… by gender		… by age			… by hours worked		… by annual salary		
How many staff …	TOTAL	Male	Female	< 30	30 - 49	50+	< 30 hours/week	30+ hours/week	<£20,000	£20,000 - £39,999	£40,000+
Were automatically enrolled?											
Opted-out, during the opt-out period?											
Left the scheme, after the opt-out period?											
Opted in to the scheme?											

Any information you provide will be held in the strictest confidence and will be handled securely throughout the study in line with the requirements of the Data Protection Act (2008).

The information you provide will be used only for reasearch purposes and for the purpose of analysis and reporting will merge together information collected from all employers in aggregate form.

No information identifying you or your company will be reported or passed to the DWP or any other organisation.

A.4 Employer interview discussion guide

Introduction

Introduce self and RS Consulting

Research on behalf of DWP to understand how employers such as yourselves are responding to automatic enrolment

Interviewing around 50 employers throughout the UK who are currently bringing in automatic enrolment; as you know, we are also carrying out interviews with some of your workers and asking you to provide admin data

The discussion will take approximately 1 hour

Confidentiality: Our responsibility is to produce an overall report for DWP which will draw together all the information and opinions we gather. Nevertheless, unless you agree otherwise, I can assure you that anything you tell me will be treated in confidence by the RS Consulting project team. It will not be attributed to you, or your organisation, either in our presentations or in the final project report which will be published by DWP

Ask for permission to record for our analysis purposes. Recording will not be passed onto any third party, including DWP, and will be destroyed after the project finishes

Confirm respondent's job title

Before we start our discussion, would you like to ask me any questions?

Preparing for the reforms

To begin our discussion, I'd like to get an understanding of where employee pension provision fits in at [EMPLOYER].

Before automatic enrolment, did you offer a pension scheme to any of your employees?

[If not], can you tell me a little about why not?

Now skip to 'What role do you, as an employer…'

[If yes] Could you summarise for me the workplace pension arrangements that [EMPLOYER] had in place, <u>before</u> your preparations began? And could you tell me what's still in place, that was set up previously

What types of pension? What levels of employer/employee contribution?

Did you/do you still contractually enrol some or all of your workers into this/these scheme(s)?

What was the level of participation in this scheme/these schemes, before automatic enrolment?

Can you outline for me how arrangements varied/vary, for different types of worker?

Did you/do you administer those schemes yourselves, or outsource the administration?

How much of a priority are employee pensions, relative to other benefits?

Why do you offer a pension to your employees? How important a part of your overall employment package is your pension scheme?

ASK ALL

What role do you, as an employer, feel you should play when it comes to pension provision?

Should the employer help to look after the employee's future interests, or should it be the employee's decision to save?

Generally speaking, what are your thoughts on the automatic enrolment?

I'd like to understand what preparing for and implementing automatic enrolment has entailed for [EMPLOYER].

Can you tell me when you began your preparations for automatic enrolment?

I have some questions about the way [EMPLOYER] has gone about preparing for and implementing automatic enrolment. Could you describe to me the process that the organisation has gone through?

Who was in charge of the overall process?

Who was involved, internally? *(Payroll, HR, administrators, finance?)* What were their roles?

Do you outsource payroll or handle it yourself? (If handle themselves) What payroll software do you use?

Who was involved externally? *(trustees, intermediaries, TPR, EBCs, advisers from providers, payroll providers/consultants)* What were their roles?

[If not already clear] What can you tell me about the role the adviser(s) played in the preparations and implementation of automatic enrolment?

[If not already clear] And what does [EMPLOYER] see the role of The Pensions Regulator to be, in this process?

What contact did you have with The Pensions Regulator – what form did it take?

Was your contact with The Pensions Regulator useful? How could it have been improved?

More generally, what do you see The Pensions Regulator's wider role as being? Are you aware of TPR as an enforcement body?

Looking back at your previous workplace pension arrangements, to what extent have things changed as a result of implementing automatic enrolment?

Can you tell me about the information or advice you have used, in preparing for and implementing automatic enrolment?

Did you do any research on the internet, for example? Where did you look?

Did you look at The Pensions Regulator's site?

At what point did you stop using TPR's site?

For each kind of information used …

What was the source of each kind of information? *(where it came from, as opposed to what it told them.)*

Did you use guidance from TPR or materials from DWP at all? *(If didn't, or stopped using them, probe to find out why.)*

Where did each kind of information fit into preparations – was it used at a particular point?

What influence did each kind of information have on [EMPLOYER]'s approach to implementing automatic enrolment?

Have you had any help or support from any other third parties we haven't discussed already?

For example, have you had any communication with other employers who are preparing for, or implementing automatic enrolment? What form did this communication take?

What information or advice did they give you? How did this information influence your approach to automatic enrolment?

To sum up the different types of information, which types and sources played the most important role in helping you to prepare and implement automatic enrolment? Why would you say that was?

What is the general feeling at [EMPLOYER] – do you feel that you've got the implementation 'right'? Is there anything you're not sure has been implemented correctly? Tell me about that. [If necessary] This is solely so that I can understand any aspects that aren't clear to employers, or any sticking points that have emerged. We won't link what you say back to [EMPLOYER's] name, unless you agree to that.

[If not mentioned] Has [EMPLOYER] registered how you've complied with your automatic enrolment duties with The Pensions Regulator?

[If not] Do you know when you will do this?

Can you tell me a little about your understanding of the registration process? What will you need to do?

Why is registering important?

Probe if appropriate on any issues around the employer having multiple PAYE schemes.

Your choices in fulfilling your duties

I'd like us to talk now about some of the decisions that [EMPLOYER] has made in the run-up to automatic enrolment – you have already sent me some of the details of your schemes – and I'd like to look at how you decided upon the approach you took.

Where information in this section is already known, re-confirm details with respondent and obtain further details.

ONLY ASK IF THEY DO NOT REQUIRE A WORKER CONTRIBUTION:

Does [EMPLOYER] automatically enrol all employees, or only certain groups/types of worker?

Can you tell me about the decisions EMPLOYER has made about which employees to enrol? How and why were these taken? Were employees involved in these decisions?

Specifically, has [EMPLOYER] chosen to automatically enrol employees that it is not required to under the reforms? What type of employees? How many does this affect?

ASK ALL:

How did you find the process of identifying the different sorts of workers – eligible and non-eligible jobholders, and entitled workers?

Can you summarise for me the scheme or schemes that employees who are automatically enrolled, are enrolled into?

Which provider(s) are you using/what types of provision are in place?

Did you consider any other providers? Why/why not?

Could you tell me more about why you chose the scheme(s) that you did? What did you take into consideration, when you made this decision?

How did the cost of the scheme play into your decision? What about the provider's reputation? Did you consider how easy that scheme would be to set up and use?

Was the scheme changed or introduced, specifically in preparation for automatic enrolment?

[If relevant] did you make any changes to the arrangements for members of existing schemes – for example, moving them to another scheme, or making changes to their contributions?

Can you tell me about how much is being contributed to the scheme(s)?

Tell me about that decision – how and why was it taken?

[Depending on whether single or multiple employer contribution levels given]
How did you come to give the same level/different levels of contribution to your employees?

[If not mentioned], probe to understand how far charges and member outcomes drove the choice of scheme.

[If not mentioned] Can you explain to me the role of any advisers/intermediaries that [EMPLOYER] has involved in its preparations?

[If not already clear] Why just one scheme/more than one scheme? Was this a conscious decision? Be clear on all reasons e.g. different benefits offered to different staff/company merger/change of pensions provider or intermediary.

Did you consider enrolling some employees in one scheme, and others in another?

[If not already clear] Did you consider NEST or a similar multi-employer scheme? If not, why not?

Is [EMPLOYER] making use of a waiting period for any of your workers or schemes?

Please can you give me a brief overview: how long is/are the waiting period(s), and who does it apply to?

Can you tell me about that decision – how and why it was taken?

Communicating the reforms

I'm going to ask you a few questions about whether you communicated the introduction of automatic enrolment to your employees, and if so how. If necessary: By this I mean communicating what automatic enrolment is and the fact that it is coming, as opposed to individuals' specific automatic enrolment dates.

Could you summarise for me how you went about communicating that to employees?

Did you use (or adapt) materials created by TPR, or from your pension provider? Fact sheets, booklets, case studies, posters, or anything else?

Did you create any of your own materials? Tell me a little about this.

What has the process been – what sorts of communications have employees received? At what points in time? How did the timing work? Was the timing successful, do you think?

Did you communicate this information to all staff, or just those who you knew were eligible for automatic enrolment?

How do you go about telling individuals that they have been automatically enrolled? E.g. email, letter (to home or at work?) or something else?

[If necessary, may need to prompt the employer that they have a statutory obligation to inform workers when they have been automatically enrolled.]

And did [EMPLOYER] handle sending that communication itself, or did you use a third party (for example, the provider)? Why was that?

Did you talk about the benefits of saving into a pension to your employees? For example, did you mention that there would be an employer contribution, or that they would get tax relief?

Where did you point employees to, for further information about pension and saving for retirement?

How did employees respond to the communications? Did you field any questions from employees? If so, were you able to answer them?

Probe here to understand whether any issues were to do with knowledge, capacity or both.

Employees who have chosen to opt out/opt in

I know that you have agreed to provide/have started to provide us with data about the number of opt outs you are receiving, and the way those break down across different types of worker.

What I'd like to as you for now, is for some feedback to go alongside any numerical data you send to us.

So firstly, can you give me any estimate of the number, or a rough proportion, of employees who have opted out of the scheme, after being automatically enrolled? *(Interviewer: i.e. based on those who were enrolled, not based on total number of employees, and those who opted out within a month, not those who left the scheme later.)*

What do you base that on?

I'm really interested to know what type of employee is opting out. What are your thoughts on that – is there any pattern in the sort of person? *(prompt if necessary for patterns by gender, age, pay, working in particular locations or job roles.)*

And is there any trend in when they opt out? (prompt if necessary – as soon as they receive notification? After seeing their monthly pay? Early in the window, or nearer to the end? Anything else?)

And do you receive any feedback on the reasons behind the decision to opt out? What sorts of things do you hear?

How has the opt out process worked? Have you had any feedback on the process from employees?

And do you track this information? How – using existing systems? Do you just record the number of opt outs (the minimum requirement) or do you capture more detail than that? What?

How does this compare with any expectations you might have had? Do you have any thoughts on why it might be higher/lower than you anticipated?

[If necessary] How do you feel about the opt-out levels you've seen?

[Whether higher or lower] Do you feel that the communications had an impact on the level of opt outs that you experienced? What was that?

Do you have any employees that DWP would consider to be 'non-eligible jobholders', who have the right to opt into the pension scheme? If so: Could you estimate what proportion of these employees are choosing to opt in?

What can you tell me about the employees who have decided to opt in? Are they under 22? Earning below the threshold of £10,000? Both?

What are your thoughts on why they are opting in? What do you think has triggered this?

[If not mentioned] What effect do you think the employer contribution is having?

[If not mentioned] What about the process you have in place for opting in – do you think that could be affecting the number of opt ins you are receiving? Or could the communications you have sent out be having an effect?

The degree of burden you face, in fulfilling your responsibilities

The government is keen to understand the impact on employers of implementing the reforms – and so we're interested to know about the administrative and other costs that compliance to the reforms have incurred for [EMPLOYER].

Have you needed to allocate internal resource to prepare for and implement automatic enrolment?

What sort of resources were these? What sorts of task have needed to be undertaken?

[If mentioned earlier in the discussion] Did you find that dealing with staff queries used up internal time/resource? How did you feel about that?

Have you measured the resource that you have allocated, at all – for example the staff time that you have put into ensuring compliance with the reforms? And what have you found? Might you have any examples you could share with us? *[This could be by email, after the interview.]*

And what financial outlays have you had to make, in order to prepare for and implement the reforms/ensure [EMPLOYER] is compliant with the requirements of the reforms?

What did you need to pay for?

Have you tried to measure the different costs involved – for example, the cost of payroll software, or using advisers/creating additional job roles, or creating communications? (please exclude the cost of contributions here) And what have you found?

Were any of these needs – either for resource or budget – unforeseen, or higher/lower than anticipated? Why was that?

Have there been any issues relating to payroll or administrative systems or software? What type of payroll/MI systems do you use?

For example, have you needed to implement changes to more than one system?

Did anything we have mentioned, in discussing these impacts, make it difficult for [EMPLOYER] to comply with the reforms on time? Tell me about that.

How much of a financial impact has there been, in ensuring [EMPLOYER] is complying with the reforms? *[We just need a general summary – has there been a huge impact; a smaller impact than expected; something else?]*

Setting aside the cost of contributions for a moment, how do you plan to meet scheme running costs and compliance costs, once this initial settling-in period is over?

For example, might you meet costs through profits, or lower wage increases?

And turning now to the cost of employer contributions: how do you expect this to change, following the implementation of automatic enrolment?

Do you have any strategies in mind to make the cost of automatic enrolment more affordable?

Probe if appropriate here to understand whether the employer is planning to level down its contributions, and exactly how they plan to do so.

Conclusion

To finish our discussion, I'd like to summarise your experience, and also ask you about advice you'd give to other employers, now that you have gone through the process of implementation.

What would be your overall evaluation of these first weeks with automatic enrolment in place?

Is there anything TPR – or DWP – could do to help employers to better prepare for and implement automatic enrolment?

If you were to give tips or advice to other employers on preparing for, or implementing automatic enrolment, what would that be?

What would be your advice on the process of opt outs, in particular?

Is there anything else that you would like to tell DWP about how automatic enrolment, or the reforms more generally, will affect your organisation?

As you know, we will not disclose [EMPLOYER's] participation in the research unless you agree to this.

Can we name you as an employer who took part?

Can we attribute quotes to your organisation?

Can we attribute quotes to you specifically – this would be by showing your job title and the name of your organisation, alongside quotations from you.

If respondent declines, reassure them that none of their comments will be attributed to them/their organisation, as relevant.

Ask all:

Occasionally, it is very helpful for us to be able to re-contact people we have spoken to, either to clarify certain issues, or to get a bit more detail where the information we are given is particularly interesting. Would you be happy for us to call you back briefly if necessary?

A.5 Worker information sheet

Research about automatic enrolment

RS Consulting, working on behalf of the Department for Work and Pensions, is carrying out a programme of research to understand how employers and workers have chosen to respond to automatic enrolment.

We are conducting interviews with staff in companies throughout the UK – at all levels of seniority and in many different locations. We are speaking both to people who have chosen to stay in their workplace scheme, and to those who have decided to opt out, in order to understand their experiences.

Why do we want to speak to you?

We're interested in talking to workers such as yourself to understand your experiences of being automatically enrolled into a pension and choosing to opt out.

As someone who has chosen to opt out, we are interested in speaking with you to discuss things like:

- How you found out that you would be automatically enrolled into a workplace scheme.
- Any sources of information you used in finding out about automatic enrolment.
- How you decided to opt out of the scheme.
- What happened when you opted out.
- Some of your thoughts about planning for retirement.

We would like to ask you for your thoughts on these topics, even if you have not given the issue much thought.

What will we do with the information?

Eventually we will write a report for DWP which will draw together all the information and opinions we gather. We will use the information you give us **anonymously** when we come to write our report.

Everything you say will be treated as **strictly confidential** by the RS Consulting project team, and your comments will not be attributed to you in any way that could possibly identify you in the report or the information we give to DWP. **Nothing of what you tell us will be repeated back to your employer.**

We are conducting the interviews under the terms of the Market Research Society (ESOMAR) Code of Conduct. They are being carried out for research purposes only.

Interviews will take approximately 20-30 minutes and to thank you for your time we will give you £20 in cash.

Your participation in the research is entirely voluntary: you can end the interview at any time.

We would be happy to answer any questions, or talk to you about the research or your participation. You can ask the interviewer in person, telephone us on [redacted], or email us at [redacted].

You can check we are a genuine market research company with our industry body, the Market Research Society: Freephone 0500 39 69 99.

A.6 Worker interview discussion guide

Introduction

Introduce self and RS Consulting

We're carrying out research on behalf of DWP to understand how different people – employers and workers – have chosen to respond to automatic enrolment.

We are interviewing at least 100 workers across many different companies about their experiences of being automatically enrolled – both workers who have opted out and some who have stayed in the scheme.

DWP wants to understand a bit more about the people who are now being automatically enrolled into a pension – and about how and why people are staying in the workplace scheme, or leaving it. I'm going to be asking some questions about your personal circumstances, so that we can put a face to the numbers, and understand why a workplace pension scheme might not feel right for you.

Ask for permission to record for our analysis purposes. Recording will not be passed onto DWP or any other third party and will be destroyed after the project finishes.

Before we start our discussion, would you like to ask me any questions?

Please feel free to tell me anything. **Nobody will make any judgement about anything that you tell us – we want to understand your opinions and your experiences.**

About you

I'd like to start off by understanding a bit more about you.

Tell me a bit about yourself. Who do you live with? Do you have a spouse/partner/family? Are you paying rent, or a mortgage…?

Can you tell me a little bit about your role at [employer]?

Do you work full time (more than 30 hours per week) or part time (fewer than 30 hours in a typical week)?

Do you work in a team? How many people do you work closely with?

Planning for retirement

I'd like you to tell me about any thoughts you've had about your retirement

To start, how much thought have you given to your retirement, would you say? Did you think about it a lot before being automatically enrolled?

When would you *like* to retire?

When do you think you *will* retire, in practice?

Why do you think you'll retire at that point?

[If not mentioned] Do you know at what age you'll be entitled to receive a State Pension? How do your plans fit in with that?

Do you have anything in place, to fund your retirement?

[If respondent has nothing in place]

Can you tell me if there are specific reasons for that? [probe for: too early to think about it; will rely on partner's provision; reject pensions as a savings vehicle; need money now.]

Ask whether they are saving in another way.

If respondent is not saving for retirement in another way, skip to next section.

[If yes]

Can you tell me a bit about what you've got in place? *Interviewer: probe to understand whether they have pensions, other savings, or alternative provision, e.g. property. If respondent mentions using their property as income, check whether they are paying a mortgage, paying rent, or own their home outright.*

Interviewer: check if not clear whether this is the respondent's own provision, or that of a partner/someone else

How did you come to have the savings/provision that you have? Did anything specific trigger you setting them up?

Do you have a broader plan for providing for your retirement – perhaps an idea about provision that you intend to put in place one day, but not yet? How does what you already have fit into that?

Do you feel that what you've got at the moment will be enough? Can you tell me what you're basing that on?

[If not yet clear] Are you going to make other provision? What might that be? When do you see yourself putting that in place?

[If respondent has mentioned other ways of saving for retirement – not pensions]

You've mentioned getting an income from [another form of provision].

Where did you get that idea from – what was your thinking?

Do you prefer the idea of that to a pension? Why is that?

I'd like to ask a bit more about your general views on saving for retirement.

How much of a responsibility do you feel that you have, for providing your own income after you stop work? ***Probe for:*** **versus your husband/wife/partner; the State?**

Who do you think should be responsible for making sure you have enough income in retirement? Specifically, how much responsibility do you think your employer should have?

How far do you think you'll be supported by the basic State Pension?

ASK ALL

And how does your employer feel about pensions? Is this something that it sees as important for its workers? Why do you say that?

Your reaction to automatic enrolment

I'll ask in a moment about how you first heard you'd be automatically enrolled into a workplace pension scheme. But first, I'd like to know if you'd been offered the chance to join a pension by your employer before?

Let's think back to the point where you first became aware that you'd be enrolled into a workplace pension scheme.

When did you first hear that you were going to be automatically enrolled? How did you hear? Did you first find out from your employer when people were told officially, or in another way – such as from your colleagues, friends or someone else?

[If not already mentioned] Do you remember seeing any advertising on TV or the radio, or anything in the press or online, telling you that automatic enrolment was coming? What do you remember seeing/hearing? What did you think about that?

Firstly, I'd like you to tell me what your immediate reaction was …

What did you understand by this term, 'automatic enrolment'?

What did you do, after you had heard that you were going to be automatically enrolled?

Ask all

And when your employer first told you, what information were you given?

What form did the information take? Verbal, letter, presentation, meeting, noticeboard?

Did your employer give you any other information? When did you receive it? What did you think, when you received it?

Did you read it?

And what was your reaction – how did you feel about the idea?

Did you see any potential benefits to being enrolled?

If you had stayed in the pension scheme, would your employer have been contributing, as well as you?

[If aware that they would have received an employer contribution] As you'll know, by deciding to opt out, you aren't getting that contribution. Did you consider that, as you made your decision? Was something else more important to you?

[If not aware of employer contribution] To begin with, your employer would have had to make a contribution worth one per cent of your earnings. If you had known that, might you have stayed in the scheme? Why/why not?

Were you aware that you could have paid less income tax, by diverting some of your income into the pension before tax was calculated according to the remaining income? Do you know which part of the Government is involved with that? (Explain if necessary it's HMT/HMRC)

Did you consider this as you made your decision? How important was it?

If found out another way before being informed by employer:

When did you first hear from your employer that you were going to be enrolled into a pension scheme at work?

Using information in your decision

Interviewer, note distinction between information and communications. Some messages will have been intended to persuade/raise awareness, and others to provide more objective information/guidance. Probe if appropriate, to understand whether the respondent thinks the information they used was intended just to inform them, or to persuade them to stay opted in.

Let's talk about any sources of information that you have used, to find out anything about automatic enrolment. Can you tell me about any that you have used? For example, from your employer; from the Government; from talks or meetings you might have been to; leaflets, letters, emails you might have been sent …

For each sort of information, ask:

Was this something you were given at work, or something that you found independently?

If found independently: How did you hear about it?

How much attention did you pay to it – was it something you spent time reading/thinking about/listening to carefully, or did you just skim it/consult it in passing/listen more passively?

What kinds of things did it tell you? What did it help you to understand? How could it have done that better?

Can you give me an example of something you found out from this information?

How easy for people to understand, would you say it was? What made it easy/difficult to understand?

Did you discuss this information with anyone else? Who? What did you talk about? *[Probe, if not clear, on who they spoke to – e.g. colleagues, family; anyone they know who had opted out, etc.]*

Did it play a part in your deciding to opt out? Why was that?

Did you feel like your employer wanted you to stay in the scheme, or opt out? Or did they seem quite neutral?

If respondent has not used any information sources, other than employer letter.

Did you think about finding any information yourself, independently of your employer?

Did anything stop you from doing so, or did you just not get round to it/not have time before you needed to tell your employer you were opting out?

What questions did you have? What kind of information would have been helpful in answering them?

Where do you think you might have looked for information?

Your decision to opt out

So, now that we've talked about any information that you have used, I'd like to understand more about how you came to opt out of your workplace scheme.

Interviewer note: in this section, if interviewing a public sector worker, start by checking whether they had previously left a scheme as a result of public sector pension reform – specifically, increased contributions from April 2012. Automatic enrolment would mean them being re-enrolled in a workplace scheme around two years later.

Was the decision to opt out something you thought about for a long time, or one you came to quickly, or even straightaway? How long did it take?

What would you say was your main reason for opting out of the scheme?

Did you have other priorities/other financial responsibilities that you took into consideration? (e.g. paying bills, cost of living, supporting family etc.)? Please tell me a bit about them.

To what extent did you consider each of these when deciding to opt out?

What about any personal views you have on saving and pensions? How much faith do you have in pensions as a means of saving?

[If relevant from previous responses] And what about your other provision – where did that fit into the decision?

[If not mentioned] If you had stayed in the pension scheme, your take-home pay would have been slightly lower each month/week, as some of it would have been saved into the pension. How important was the fact that you'd have less money to spend each month, in your decision to opt out?

What else fed into the decision?

If not mentioned, probe on:

How important were any savings for retirement that you already have, in your decision?

[If they have one] How about any provision that your spouse/partner has, and that you might use in retirement?

How about the fact that your employer was going to be involved with your pension arrangements – did that play any part in the decision?

Did you discuss the decision with anyone?

Who – partner, colleagues, friends, family?

How did those discussions go – did anyone you talked to tell you what they'd done in this kind of situation?

All in all, did you have enough information to make the decision confidently?

Why do you say that?

At the point where you made the decision to opt out of the scheme, was there anything you wanted to know, but hadn't been told?

How would you have felt, if you had been given the option to delay being enrolled into the pension scheme, and automatically enrolled six months or a year later?

What do you think you might have done, a little further down the line? Would you have responded differently to being enrolled? Why?

Do you know that you will be automatically enrolled again, if you change employers, or in three years' time if you're still working for the same employer ? What do you think about that?

What do you think you will do, the second time around?

Do you think there's a chance you might opt back into the scheme in the future – or, if you were to go and work for another employer, stay in the scheme after being automatically enrolled?

When would that be?

What do you think might cause you to opt back in/stay in?

The current rules around pensions say that when you save into a pension it is locked away until you retire. Suppose that you had the option of accessing part of your pension fund before your retirement date in certain circumstances. Might this have changed your decision to opt out?

Why do you say that?

If required: circumstances might include particular financial hardship, or the need to put down a deposit for a house.

If asked: If you withdrew funds from your pension, they wouldn't continue to grow as part of your pension fund, and so this would reduce the amount of pension you could get at retirement.

Did you find out how much this pension would have been worth at retirement, if you hadn't opted out?

[If not] Did you try to find out? (Why not?)

[If so] What was your reaction to that? How did this information feed into your decision?

[If so] And was that forecast more, less or about the same as you expected?

Your experience of opting out

The last part of the decision that I'd like to ask you about is what happened when you actually went about opting out.

What arrangements did your employer make, for people who wanted to opt out? For example, did you fill something in on paper, online, or in some other way? Tell me about that.

Did anything you hadn't anticipated happen?

How straightforward was the process, would you say?

For example, were there any problems or issues, during the process? What were they?

Have you had something to confirm that you've been opted out? Have you checked your pay, to make sure no deductions have been made?

If respondent does not feel they have sufficient provision

You mentioned earlier in our conversation that you don't think the provision you have in place will be enough to provide the income you want during your retirement.

Do you plan on taking steps to increase your provision?

[If not mentioned] Might working for longer be one way in which you increase provision?

When do you think you will start saving/saving more for your retirement – at what point in your life?

Do you think it could rest on something else happening, or being in place? (examples might be earning more, being married, having two incomes, having fewer outgoings?)

How far into the future might that be?

How do you think you'll go about it?

Conclusion

Has your decision to opt out led you to make any other changes to your retirement provision?

- To finish our discussion, there are a few last things I'd like to ask you about.

If you were to give advice to other people who are deciding whether to remain a member of their workplace scheme, or to opt out, what would you say? What should they be thinking about?

Is there anything else that you would like to tell DWP about how being automatically enrolled will affect people?

- I'm going to read out some age bands, and I'd like to ask which you belong to. Your answers you give will help us to see if what's important differs, for people in different age and income groups. You don't need to answer these questions, if you don't want to:
  - Twenties;
  - Thirties;

- Forties;
- Fifties; or
- Sixties.

• And thinking about your annual income (before tax and other deductions), which of these categories do you fall under?

• Here I mean your own income – please just tell me about income you earn yourself, either here or in any other paid job that you have:
  - Less than £10,000 per year;
  - £10,000 to £14,999 per year;
  - £15,000 to £19,999 per year;
  - £20,000 to £29,999 per year;
  - £30,000 to £39,999 per year; and
  - £40,000 or more per year.

• Are you the main income earner at home?

• If respondent is main income earner:
  - Check you know what the employer they work for does.
  - Roughly how many people work for this employer?
  - [If not already known] What job do you do/what's your job title?
  - Do you have any qualifications? If so, what's the highest qualification that you hold?

• If someone else is the main income earner, ask:
  - What type of company is it – what sector is it in?
  - Roughly how many people work for the Chief Income Earner's employer?
  - What job does the chief income earner do/what's their job title?
  - Do they have any qualifications? If so, what's the highest qualification that they hold?

• Code respondent's gender here (do not ask):
  - Male; or
  - Female.

• As you know, we will not reveal your identity as someone who took part in the research.

Occasionally, it is very helpful for us to be able to re-contact people we have spoken to, either to clarify certain issues, or to get a bit more detail where the information we are given is particularly interesting. Would you be happy for us to call you back briefly if necessary?

What would be the best number to reach you on?

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