Research Report

Employers' attitudes and likely reactions to the workplace pension reforms 2009: Report of a quantitative survey

by Helen Bewley and John Forth

DWP Department for Work and Pensions

Department for Work and Pensions

Research Report No 683

Employers' attitudes and likely reactions to the workplace pension reforms 2009: Report of a quantitative survey

Helen Bewley and John Forth

A report of research carried out by the National Institute of Economic and Social Research on behalf of the Department for Work and Pensions

First Published 2010.

ISBN 978 1 84712 808 9

Contents

Acknowledgements xi
The Authors xii
Glossary of terms xiii
Abbreviations xvii
Summary 1
1 Introduction 7
1.1 Introduction to the report 7
1.2 Background information on the workplace pension reforms and the survey 7
1.3 Survey methods 9
1.3.1 The sample 9
1.3.2 The questionnaire 9
1.3.3 Fieldwork 10
1.3.4 Weighting 10
1.4 Profile of the population and sample 10
1.5 Overview of the remainder of the report 15
2 Overview of pension provision 17
2.1 Introduction 18
2.2 Incidence of provision 18
2.2.1 Changes in provision 2007-09 20

2.3 Pension scheme membership and contribution rates 21

2.3.1 Membership and contribution rates within the largest workplace pension scheme...23

2.4 Payroll and pension scheme administration 27

2.5 Attitudes towards pension provision 30

2.6 Planned changes in pension provision 33

3 Awareness of, and attitudes towards, the workplace pension reforms........35

3.1 Current awareness of the reforms..36

3.2 Methods of raising awareness...45

3.3 Sources of, and desire for, advice 49

3.4 Attitudes towards the reforms 52

4 Expected impact of the workplace pension reforms...................................59

4.1 Preparedness for the reforms 60

4.2 Likely impact on total pension contributions 64

4.3 Strategies to deal with any increase in total contributions 68

4.4 Expectations in respect of employees' reactions 72

4.5 Interest in early registration for automatic enrolment 77

5 Employers with workplace pension schemes: intentions for current members..79

5.1 Introduction...80

5.2 Enrolment destination...80

5.3 Contribution rate...84

6 Employers with workplace pension schemes: intentions for non-members and new employees......................................91

6.1 Introduction...92

6.2 Enrolment destination...92

6.3 Contribution rate...96

7 The intentions of employers without a workplace pension scheme (non-providers)...103

7.1 Introduction...104

7.2 Enrolment destination....104

7.3 Contribution rate....106

8 Summary and conclusions....109

8.1 Introduction....109

8.2 Pension provision....109

8.3 Awareness of, and attitudes towards, the reforms....109

8.4 Expected impact....110

8.5 The intentions of employers with a workplace pension scheme: for current members....111

8.6 The intentions of employers with a workplace pension scheme: for non-members and new employees....111

8.7 The intentions of employers without a workplace pension scheme (non-providers)....112

8.8 Key changes between 2007 and 2009....112

Appendix A Technical report on survey methodology....115

Appendix B Estimates of pension provision from the 2009 Survey of Employers' Pension Provision....127

References....129

List of tables

Table 1.1 Profile of organisations and employment, by size of organisation....11

Table 1.2 Profile of organisations and employment, by industry....12

Table 1.3 Profile of organisations and employment, by age of organisation....12

Table 1.4 Profile of organisations and employment, by percentage of the workforce part-time....13

Table 1.5 Profile of organisations and employment, by percentage of the workforce temporary or casual....14

Table 1.6 Profile of organisations and employment, by percentage of the workforce earning less than £5,000 a year....15

Table 2.1 Incidence and type of current pension provision....19

Table 2.2 Active membership and incidence of employer contributions (all schemes), by type of provision....21

Table 2.3 Scheme type for the largest workplace pension scheme in each organisation....24

Table 2.4 Employer contributions to their largest workplace pension scheme.....25
Table 2.5 Profile of employers' current pension provision based on the largest workplace pension scheme.....27
Table 2.6 Payroll system administration, by type of pension provision.....28
Table 2.7 Method by which staff are paid, by type of pension provision.....29
Table 2.8 Method of administering pension scheme, by method of managing payroll.....30
Table 2.9 Reasons for providing pensions, by size of organisation.....31
Table 2.10 Employers' perceptions of employees' valuation of pension provision, by type of current provision.....32
Table 2.11 Reasons for non-provision, by size of organisation, 2009.....32
Table 3.1 Awareness of the workplace pension reforms, 2007-09.....36
Table 3.2 Awareness of the workplace pension reforms 2007-09, weighted by employment.....38
Table 3.3 Awareness of the workplace pension reforms, by industry.....39
Table 3.4 Awareness of the workplace pension reforms, by type of current provision.....40
Table 3.5 Awareness of the reforms, by whether recall of having seen or heard information on them.....43
Table 3.6 Source of information on the reforms for those who had seen or heard information, by size of organisation.....44
Table 3.7 Most useful methods of raising awareness of reforms.....45
Table 3.8 Most useful methods of raising awareness of reforms, by size of organisation.....46
Table 3.9 Preferred resource to deal with questions.....48
Table 3.10 Source of external advice when choosing pension provider, by size of organisation.....52
Table 3.11 Attitudes to the workplace pension reforms, 2007-09.....53
Table 3.12 Attitudes to the workplace pension reforms, by awareness of them.....54
Table 3.13 Attitudes to workplace pension reforms, by nature of current pension provision.....55
Table 3.14 Attitudes to workplace pension reforms, by reasons for providing a pension scheme.....57
Table 4.1 Preparations for the workplace pension reforms, by size of organisation.....62
Table 4.2 Preparations for the workplace pension reforms, by type of current provision.....63
Table 4.3 Views on the likely impact of a three per cent contribution rate on total pension contributions, 2007-09.....64

Table 4.4	Views on the likely impact of a three per cent contribution rate on total pension contributions, 2007-09, weighted by employment	65
Table 4.5	Likely impact of a three per cent contribution rate on total pension contributions, by pensions profile	66
Table 4.6	Likely impact of a three per cent contribution rate on total pension contributions, by type of largest workplace pension scheme	67
Table 4.7	Proportion of employees expected to opt out of pension provision after reforms, by likely impact of a three per cent contribution rate on total pension contributions	68
Table 4.8	Strategies in response to increase in total pension contributions 2007-09	69
Table 4.9	Strategies in response to increase in total pension contributions, by type of current provision	71
Table 4.10	Expected rate of employee opt-out, by industry sector	74
Table 4.11	Expected rate of employee opt-out, by type of current provision	75
Table 4.12	Interest in early registration, by size of organisation	77
Table 4.13	Interest in early registration, by type of current provision	78
Table 5.1	Likely enrolment destinations for current members of largest workplace scheme, by current contribution rate in largest workplace scheme	81
Table 5.2	Likely enrolment destination for current members of largest scheme (single-code), by current contribution rate in largest scheme	82
Table 5.3	Likely enrolment destination for current members of largest scheme (single-code), by size of organisation	83
Table 6.1	Likely enrolment destinations for non-members and new employees, by current contribution rate in largest workplace scheme	93
Table 6.2	Likely enrolment destination for non-members and new employees (single-coded), by current contribution rate in largest workplace scheme	94
Table 6.3	Likely enrolment destination for non-members and new employees (single-coded), by size of organisation	95
Table 7.1	Non-providers' enrolment plans	105
Table A.1	Number of private sector organisations in Great Britain and selection fractions applied, by size of organisation (as recorded on IDBR)	118
Table A.2	Pre- and post-trace sample, by size of organisation (as recorded on IDBR)	119
Table A.3	Sample allocation	119

Table A.4 Selected screener stage and main stage sample, by size of organisation (as recorded on IDBR) 120
Table A.5 Response rate for main stage sample 124
Table A.6 Main stage response rates, by size of organisation (as recorded on IDBR) 125
Table B.1 Incidence and type of pension provision (EPP 2007 and 2009) ..128

List of figures

Figure 2.1 Summary of employers' pension provision based on the largest scheme...26
Figure 3.1 Awareness of the workplace pension reforms, by size of organisation 37
Figure 3.2 Awareness of the workplace pension reforms, by provision of a workplace pension scheme within year 41
Figure 3.3 Awareness of reforms, by employer views on value employees place on pension provision 42
Figure 3.4 Preferred method of receiving information on the reforms, by size of organisation 47
Figure 3.5 Preferred resource to deal with questions, by size of organisation 49
Figure 3.6 Whether confident to choose pension scheme without advice, by size of organisation 50
Figure 3.7 Whether would prefer to gain views from independent adviser when making decisions on pension schemes, by size of organisation...51
Figure 3.8 Attitudes to workplace pension reforms, by size of organisation 55
Figure 3.9 Attitudes to workplace pension reforms, by expected profitability in the 2009/10 financial year 56
Figure 4.1 Likely impact of a three per cent contribution rate on total pension contributions, by size of organisation................65
Figure 4.2 Likely impact of a three per cent contribution rate on total pension contributions, by percentage of employees active members of all schemes...67
Figure 4.3 Strategies in response to increase in total pension contributions, by size of organisation..70
Figure 4.4 Strategies in response to increase in total pension contributions, by expected profitability in the 2009/10 financial year.................72
Figure 4.5 Expected rate of employee opt-out, by size of organisation.........73
Figure 4.6 Expected rate of employee opt-out by value employees thought likely to place on provision 76
Figure 4.7 Expected rate of employee opt-out, by attitudes towards reforms 76

Figure 5.1 Likely enrolment destinations for current members in largest scheme and other schemes..84
Figure 5.2 Likely contribution rate for current members in largest scheme, by likely enrolment destinations 85
Figure 5.3 Likely contribution rate for current members in largest scheme, by likely enrolment destination (single-code) 86
Figure 5.4 Likely contribution rate for current members in largest workplace scheme, by current contribution rate..........................87
Figure 5.5 Whether likely contribution rate for members in largest workplace scheme is more/less/same as current contribution rate, by current contribution rate 87
Figure 5.6 Whether likely contribution rate for members in largest scheme is more/less/same as current contribution rate, by likely enrolment destinations...88
Figure 5.7 Whether likely contribution rate for members in largest scheme is more/less/same as current contribution rate, by size of organisation...89
Figure 5.8 Likely contribution rate for current members in largest workplace scheme and other schemes.......................................90
Figure 5.9 Whether expected contribution rate for members in current largest scheme and other schemes is more same/less than current contribution rate for members in largest scheme 90
Figure 6.1 Likely enrolment destinations for current members in largest workplace scheme and for non-members and new employees...96
Figure 6.2 Likely contribution rate for non-members and new employees, by enrolment destinations..97
Figure 6.3 Likely contribution rate for non members and new employees, by enrolment destination (single-coded) 98
Figure 6.4 Likely contribution rate for non-members and new employees, by current contribution rate in largest workplace scheme...........98
Figure 6.5 Whether likely contribution rate for non-members and new employees is more/less/same as current contribution for largest workplace scheme, by current contribution rate 99
Figure 6.6 Whether likely contribution rate for non-members and new employees is more/less/same as current contribution rate for largest workplace scheme, by likely enrolment destinations 100
Figure 6.7 Whether likely contribution rate for members in largest scheme is more/less/same as current contribution rate, by size of organisation...100

Figure 6.8 Likely contribution rates for current members and for non-members and new employees 101
Figure 6.9 Whether expected contribution rates for current members and for non-members and new employees are more/same/less than current contribution rate for members in largest workplace scheme....................102
Figure 7.1 Enrolment plans, by whether non-providers plan to introduce pension scheme in the three years following interview....................106
Figure 7.2 Expected contribution rate, by planned scheme type....................107
Figure 7.3 Expected contribution rate, by whether plans to introduce pension scheme in next three years....................108

Acknowledgements

The authors would like to thank staff at TNS-BMRB for all of their hard work collecting the data, achieving a good response rate and ensuring the quality of the data collected. We would particularly like to thank Catherine Grant, Alice Fitzpatrick and Jeri-Lee Donovan.

We would also like to thank Jane Carr and Jane Francis who were responsible for managing the project within the Department for Work and Pensions (DWP). Thanks are also due to those DWP staff who attended the presentation of preliminary findings and the final presentation for all their insightful comments.

This research would not have been possible without the co-operation of survey respondents in giving up their time to participate in the survey.

The Authors

Helen Bewley is a Research Fellow at the National Institute of Economic and Social Research (NIESR).

John Forth is a Research Fellow at NIESR.

Glossary of terms

Active membership	Active members are current employees who belong to an organisation's pension scheme. The schemes may be open or closed to new members. Active members are distinct from current pensioners and deferred pensioners.
Design factor	A statistic which gives a measure of the extent to which the standard error of an estimate is inflated through the use of a complex sample design rather than a simple random sample.
Group personal pension (GPP)	A pension which is provided through a contract between an individual and a pension provider, access to which is facilitated by the employer. Employers typically make contributions to GPPs, but they are not obliged to do so.
Mean	The sum of all values divided by the number of these values. All data have equal influence on the mean, so it may not always be a very good measure of central tendency for data that include outlying values or which are unevenly distributed.
Median	The halfway point in a series of data, where equal numbers of values are above and below it. It is often preferred to the mean as a measure of central tendency, particularly for unevenly distributed data or data that include outliers.

Occupational pension schemes	Pension schemes set up by an employer for the benefit of employees, with the employer making contributions to the scheme and generally meeting administrative costs. The scheme is provided via the employer, but the pension scheme takes the form of a trust arrangement and is legally separate from the employer. Types of occupational scheme include defined benefit, defined contribution and hybrid schemes.
Personal pension (PP)	A pension which is provided through a contract between an individual and a pension provider. The survey only covered employees' PPs where the employer made a contribution. This report makes a distinction between PPs, which are arranged by individual employees, and GPPs, access to which is facilitated by an employer.
Stakeholder pension (SHP)	A personal pension scheme which complies with regulations which limit charges and allow individuals flexibility about contributions. Introduced in April 2001. Employers with five or more employees who do not provide an occupational scheme or a GPP with an employer contribution of three per cent or more have a legal obligation to provide access to SHPs, but are not obliged to make contributions.
Standard error	A measure of the statistical precision of a survey estimate. There is a 95 per cent probability that the true value of the statistic lies within two standard errors either side of the survey estimate.

Standard Industrial Classification (SIC) (2003)	A system for classifying industries. The major groups identified are as follows: A – Agriculture, hunting, forestry B – Fishing C – Mining and quarrying D – Manufacturing E – Electricity, gas and water supply F – Construction G – Wholesale and retail H – Hotel and restaurants I – Transport, storage and communication J – Financial K – Real estate, renting and business activities L – Public administration M – Education N – Health and social work O – Social and personal services
Statistical significance	Identifies whether or not observed differences are likely to be the result of chance alone. Unless otherwise stated, in this report we focus on differences that are statistically significant at the five per cent level. This means that if 100 samples were drawn from the same population, we would expect to find this difference in at least 95 out of 100 cases. In other words, we can be reasonably confident that the difference is present in the actual population.
Workplace pension scheme	An umbrella term used in this report to refer to occupational pension schemes, GPPs and workplace-based SHP schemes. The term thus excludes arrangements whereby employers make contributions either to employees' PPs or to employees' private SHPs.

Abbreviations

DWP	Department for Work and Pensions
EAS	Employers' attitudes and likely reactions to the workplace pension reforms
EPP	Employers' Pension Provision Survey
GPP	Group personal pension
IDBR	Inter-Departmental Business Register
IFA	Independent Financial Adviser
NEST	National Employment Savings Trust
NIESR	National Institute of Economic and Social Research
ONS	Office for National Statistics
PPs	Personal pensions
SHP	Stakeholder pension
SIC	Standard Industrial Classification (2003)

Summary

The workplace pension reforms

- The workplace pension reforms are set out in the Pensions Act 2008 and the Workplace Pension Reform Regulations 2010[1] and are planned to take effect from 2012. When fully implemented, they will require employers automatically to enrol all eligible workers aged between 22 and State Pension age into a workplace pension scheme, unless the worker chooses to opt out. For workers who are eligible for automatic enrolment, employers may choose either to: enrol them into an existing pension scheme which meets or exceeds the minimum requirements set out in the reforms; set up a new qualifying scheme; enrol them into the National Employment Savings Trust (NEST) scheme; or amend their existing pension arrangements to meet the qualifying standards.

The purpose of the survey and report

- The *Employers' attitudes and likely reactions to the workplace pension reforms 2009* (EAS 2009) was a nationally representative telephone survey of 2,550 private sector employers operating in Britain. Its purpose was to assess the extent of awareness of the forthcoming pension reforms among employers and to explore their attitudes and likely responses. This report describes the main findings of the 2009 survey and where possible, makes some comparisons with the findings of an earlier survey, conducted in 2007.[2]
- The patterns of current pension provision among private sector employers are examined in greater detail in a companion survey: the Employers' Pension Provision Survey 2009 (Forth J and Stokes L (2010) forthcoming).

---

1 Workplace Pension regulations are a package of regulations which includes: the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010, the Employers Duties (Implementation) regulations 2010 and the Employers' Duties (Registration and Compliance) Regulations 2010.

2 Improvements were made to the survey weighting in 2009 and the 2007 weights were revised at the same time so that robust comparisons could be made between the results of the two surveys. One consequence is that some 2007 figures in this report may differ from those published in the 2007 report.

Overview of pension provision

- In 2009, almost two-fifths (38 per cent) of private sector employers provided some form of pension for their employees. This may have been an occupational scheme, a group personal pension (GPP), a stakeholder pension (SHP) scheme or an arrangement whereby the employer made contributions to employees' personal pensions (PPs). The proportion of all private sector employees who worked for such employers was considerably higher, standing at over four-fifths (86 per cent).[3] Only one-fifth (19 per cent) of employers who did not make any form of pension provision said that their organisation had seriously considered introducing some form of pension provision for its employees within the next three years (in practice, by 2012).[4]
- Around one-third (32 per cent) of employers provided a workplace pension scheme; that is, they provided an occupational scheme, a group personal pension or SHP scheme. These employers employed 84 per cent of all private sector employees.
- When employers were categorised according to their largest workplace pension scheme (excluding employers' contributions to employees' PPs), seven per cent of all employers were providing a scheme that both had some current employees in membership and attracted an employer contribution of six per cent or more, whilst a further three per cent had a scheme that attracted an employer contribution of 3.1-5.9 per cent and one per cent had a scheme attracting an employer contribution of exactly three per cent. One per cent of all employers were providing a workplace pension scheme that both had some current employees in membership and attracted an employer contribution of less than three per cent.

Awareness of the reforms

- Around two-fifths (44 per cent) of all private sector employers had some awareness of the workplace pension reforms. This proportion had not changed since 2007. Larger employers were more likely to be aware of the reforms than smaller employers; almost three-quarters (73 per cent) of employees worked for an employer who had heard about the reforms. Awareness was particularly low amongst employers with no workplace pension scheme and among those with only shell schemes (workplace pension schemes without any members among current employees – typically SHP schemes).

---

3 It should not be inferred that all such employees necessarily had access to an employer pension scheme since some schemes are closed to new members or place restrictions on eligibility.

4 Fieldwork took place before the start of the DWP's communication campaign around the forthcoming reforms.

Attitudes towards the reforms

- After being told what their obligations would be under the workplace pension reforms, the majority of employers (56 per cent) said that they considered them a good idea. However, this proportion had fallen since 2007 (64 per cent). More than one-third (37 per cent) of employers thought the reforms a bad idea – an increase on 2007 (26 per cent).
- Half of all employees worked for employers who thought the reforms a good idea and one-third for employers who thought them a bad idea.
- More than three-quarters (78 per cent) of employers who already contributed at least three per cent for employees in their largest workplace pension scheme considered that the reforms were a good idea. This compared with only 44 per cent of employers who contributed less than three per cent and 51 per cent of employers without a workplace pension scheme. Employers whose main reason for offering a pension was because it was a legal requirement were less likely to think the reforms a good idea than employers with other motivations for providing pensions.

Preparations

- Three-fifths (61 per cent) of all private sector employers had not thought about the reforms and a further quarter (26 per cent) had given them some thought, but not taken action. This left 14 per cent of employers who had done something to prepare for them.
- Larger employers were more likely to have thought about the reforms or to have taken action than smaller employers, so that nearly two-fifths of employees (37 per cent) worked for organisations that had done some preparation. Only one-third (34 per cent) of those employers without any kind of existing pension scheme had either given the reforms some thought or done something to prepare for them.

Expectations about the impact of the reforms on total pension contributions

- More than four-fifths (84 per cent) of all private sector employers reported that contributing three per cent to the pensions of all employees who did not opt out of provision would increase total pension contributions. Three-quarters (75 per cent) of employees worked for organisations where the employer believed the reforms would increase total pension contributions.
- Employers already contributing three per cent or more for employees in their largest workplace pension scheme were less likely to expect the reforms to increase total pension contributions than those making lower level, or no, pension provision. Nevertheless, over one-third (37 per cent) of employers already contributing three per cent or more anticipated that total pension contributions would rise.

- If they were to be faced with a situation in which their total contributions increased, employers were most likely to consider that they would absorb the increase in profits or other overheads (31 per cent gave this response in 2009). When compared with the responses given in 2007, employers in 2009 were less likely to expect to respond by increasing prices (15 per cent in 2009, compared with 23 per cent in 2007) and more likely to expect to respond by restructuring or reducing the workforce (16 per cent in 2009, compared with eight per cent in 2007). The percentage who considered that they would absorb the increase through lower wage increases was stable (18 percent in 2009, compared with 14 per cent in 2007).

The intentions of employers with a workplace pension scheme

Intended provision for current members

- Around three-quarters (74 per cent) of employers with a workplace pension scheme expected to keep all current members within their largest scheme. A further ten per cent expected to retain some current members within their largest scheme but to enrol the remainder into NEST. Smaller proportions expected to move all current members into a new qualifying scheme (five per cent) or to move them all into NEST (four per cent). Those employers currently making a contribution of exactly three per cent to their largest scheme, and those currently making no contribution, were the most likely to expect to set up new schemes following the reforms.
- Just under one-third (31 per cent) of employers with a workplace pension scheme expected to make a contribution of exactly three per cent once the reforms are in place. A similar proportion (29 per cent) expected to make a contribution of 3.1-5.9 per cent and two-fifths (40 per cent) expected to make a contribution of six per cent or more. Among those employers currently contributing at least three per cent to their largest scheme, 90 per cent expected to retain the same contribution rate for existing members after the reforms, whilst six per cent expected to contribute less than their existing rate and four per cent expected to contribute more.

Intended provision for non-members and new employees

- The most common expectation among employers with a workplace pension scheme was that they would enrol all non-members and new employees into their existing pension scheme, but this option was cited by fewer than two-fifths (36 per cent) of all providers. A further fifth (19 per cent) expected to enrol all non-members and new employees into a new qualifying scheme, whilst around one in seven (15 per cent) expected to enrol them all into NEST. Eight per cent cited multiple destinations, whilst 21 per cent were either unclear or did not know what their response would be.

- Whilst 88 per cent of employers with a workplace pension scheme expected to keep at least some existing members in their current pension scheme, only 65 per cent expected to enrol some non-members or new employees in this scheme.

- Three-fifths (60 per cent) of employers with a workplace pension scheme expected to make a contribution of exactly three per cent for non-members and new employees, whilst one in eight (13 per cent) expected to contribute 3.1-5.9 per cent and one in six (17 per cent) expected to contribute six per cent or more. Ten per cent of employers did not know at what rate they might contribute. In organisations which had at least some current members in their existing pension scheme, employers were slightly more likely to expect to provide only the minimum of three per cent for non-members and new employees (42 per cent) than they were to do so for their existing members (33 per cent).

The intentions of employers without a workplace pension scheme

- More than one-third (35 per cent) of employers without a workplace pension scheme expected to respond to the pension reforms by enrolling all employees into NEST. One in eight non-providers (12 per cent) said they would enrol some employees into NEST and some into a new qualifying scheme, whilst 15 per cent planned to set up their own qualifying scheme for all employees. One-quarter (26 per cent) were unable to say what type of provision they would offer.

- Regardless of enrolment plans, most employers without a workplace pension scheme (75 per cent) intended to contribute three per cent to the pensions of employees following the introduction of the reforms. A further six per cent intended to contribute 3.1-5.9 per cent, with six per cent intending to contribute six per cent or more. The remaining one in eight (13 per cent) were uncertain as to what they would contribute.

About the survey

The survey sample was drawn in January 2009 from the Office for National Statistics' (ONS') Inter-Departmental Business Register (IDBR), which is considered to be the most comprehensive sampling frame available. Interviews were conducted by telephone between June and September 2009 with the main person responsible for making decisions about pension provision within the organisation. The response rate among organisations which were not found to be out of scope during the course of fieldwork was 51 per cent. All of the figures presented in this report are weighted to ensure that the survey sample is representative of the population of employers on the IDBR in terms of size and industrial sector. The research was funded by the Department for Work and Pensions (DWP) and fieldwork was undertaken by TNS-BMRB. The National Institute of Economic and Social Research (NIESR) was responsible for data analysis and reporting.

Reporting conventions

1. Row or column percentages may not sum to 100 due to rounding.
2. All reported items have less than ten per cent non-response, and all estimates have been calculated solely among respondents, unless otherwise stated.
3. Where multiple items appear in a single table, we report the lowest base that applies for any single row.

Symbols that appear in tables:

0 Less than 0.5 per cent, including none.

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

( ) Estimate based on between 50 and 99 observations; particular caution should be exercised over the precision of the estimate. Where the data are reported in a figure, the data label is shown in brackets.

Note on the precision of estimates:

With an estimated average design factor of 3.1 under the enterprise-based weighting scheme, an estimate of 50 per cent when based on the full sample of 2,550 observations would have a 95 per cent confidence interval of +/- six percentage points. An otherwise equivalent estimate based on 500 observations would have a 95 per cent confidence interval of +/- 13 percentage points.

Throughout the report, unless otherwise stated, the discussion of results focuses on findings that were statistically significant at the five per cent level or better.

1 Introduction

1.1 Introduction to the report

This report presents the findings of the survey, *Employers' attitudes and likely reactions to the workplace pension reforms 2009* (EAS 2009). This was a nationally representative survey of 2,550 private sector employers operating in Britain. Previous surveys on the same topic were carried out in 2006 and 2007 (Bolling *et al.*, 2006; Grant *et al.*, 2008).

This chapter provides background information on the workplace pension reforms and the survey. It outlines sampling methods and data collection and explains why the data collected can be considered representative of the population from which they are drawn. The main characteristics of the population and sample of survey respondents are described. Further technical information on the survey is provided in Appendix A.

1.2 Background information on the workplace pension reforms and the survey

The workplace pension reforms are set out in the Pensions Act 2008. It is planned that they will be introduced in stages between 2012 and 2016, with large employers being brought into the duties first. Under the reforms, employers will be required to automatically enrol all eligible workers (those aged between 22 and State Pension age and earning more than £5,035) into a workplace pension scheme, unless the worker is already in such a scheme. Employees can, however, choose to opt out of pension scheme membership.

Under the reforms, employers will also be required to make a contribution equivalent to at least three per cent of an eligible workers' gross annual earnings between £5,035 and £33,540.[5] Total contributions for each eligible worker must

5 These earnings limits are based on 2006/07 figures and will be uprated using the Average Earnings Index.

be equivalent to at least eight per cent of qualifying earnings, with any non-employer component coming from the individual's contribution and normal tax relief. For defined contribution schemes, the minimum contribution levels will be phased in between 2012 and 2017.

Employers may choose to enrol eligible workers into their own qualifying pension scheme which meets or exceeds the minimum requirements set out in the reforms, to set up a new qualifying scheme, to enrol workers in NEST (National Employment Savings Trust) or to amend their existing pension arrangements to meet the qualifying standards.[6] NEST will be available to all employers and operate as a not-for-profit trustee corporation. Employers and eligible workers will be allowed to contribute more than the minimum required rates into NEST, although contributions will be capped at £3,600 a year.[7]

The principal aims of EAS 2009 were to:

- investigate the extent of awareness of the reforms among employers;
- identify ways in which awareness could be increased;
- explore employers' attitudes towards the reforms; and
- identify any changes which employers might make to their pension provision as a result of the reforms.

Employers were also asked to provide some background information on the enterprise and its pension provision at the time of the survey. However, this was explored in greater depth in the *Employers' Pension Provision Survey 2009* (Forth J and Stokes L, 2010, forthcoming).

EAS 2009 was commissioned by the Department for Work and Pensions and the fieldwork was conducted by TNS-BMRB. Weighting, data analysis and reporting were undertaken by the National Institute of Economic and Social Research (NIESR). This survey fits within a wider programme of research undertaken by the Department on pension provision and responses to the workplace pension reforms. In addition to EAS 2009 and EPP 2009, the Department has commissioned qualitative research to explore the attitudes of employers towards the reforms in greater depth, quantitative analysis to understand the market for pension provision and research to understand the attitudes and behaviour of employees in relation to pension provision (Cannon and Tonks, 2009; Collard and Breuer, 2009; Dobson *et al.*, 2010; Jordon and Thomas, 2009; Malcolm *et al.*, 2009; Webb *et al.*, 2009; Wicks and Horack, 2009; Wood *et al.*, 2010; Hall and Floyd, 2009).

---

6 NEST was known as Personal Accounts at the time of the survey and was referred to as such in the survey instruments.

7 Again, this figure is based on 2006/07 earnings and will be uprated in line with the Average Earnings Index.

1.3 Survey methods

Appendix A provides a detailed technical report on the conduct of the survey. This section presents an overview of the survey methodology.

1.3.1 The sample

The survey sample was drawn from private sector employers (defined as having at least one employee) operating in Britain. The Office for National Statistics' (ONS') Inter-Departmental Business Register (IDBR) was used as the sampling frame and the sample was drawn in January 2009. The IDBR includes detailed information on the number of employees, legal status and standard industrial classification of each known enterprise in the UK and is considered the most complete register of businesses. However, few records include a telephone contact number, so these had to be traced after drawing the sample. An initial telephone call was used to identify the person responsible for making decisions about pension provision within the organisation.

Since the intention was to carry out fieldwork for the EPP 2009 alongside the EAS, the samples were drawn at the same time. It was necessary to seek to interview all employers with over 5,000 employees for both the EPP and the EAS. However, for all other organisations, the samples for EPP and EAS were independent, so that employers were not approached to participate in both surveys. The sample for EAS 2009 was drawn according to a variable probability design. Given the much larger number of small employers compared to large employers, it was necessary to vary the sampling fraction within size bands to ensure that sufficient numbers of large employers were observed in the achieved sample. This also ensured that employment-based estimates obtained a greater degree of precision than would have been the case under simple random sampling, given that a disproportionate share of employees work for larger employers.

1.3.2 The questionnaire

The person identified as being responsible for pension provision within the organisation was sent a letter to explain the purpose of the survey. They were also sent information on the workplace pension reforms and a data sheet which they were asked to complete before the interview. This data sheet contained a series of questions about pension arrangements within the organisation.

The structure of the EAS questionnaire was revised between 2007 and 2009 in order to take account of policy developments, but also to improve the measurement of current pension provision. Changes were made to questions, responses and the background information given to respondents during the course of the interview. We make a limited number of comparisons with EAS 2007, where this is possible, but the opportunities to do so are constrained by changes in the questionnaire since the previous survey. The questionnaire was piloted, first through face-to-face interviews, and then using telephone interviews as a rehearsal for the main stage.

1.3.3 Fieldwork

Fieldwork for the survey took place over the period from June to September 2009. This was similar to the timing of fieldwork in 2007 (which took place between July and September). After removing from the sample a small number of employers who opted out of the survey before the start of fieldwork, 5,647 cases were issued to interviewers. Of this sample, 616 cases were found to be out of scope, leaving an eligible sample of 5,031 employers. Computer Assisted Telephone Interviewing (CATI) software was used to administer the questionnaire to this sample. Complete interviews were obtained for 2,550 employers, giving a response rate of 51 per cent. This compared to 2,399 interviews in 2007 and a response rate of 50 per cent.

1.3.4 Weighting

Because of the need to over-sample larger organisations (see Section 1.3.1), it was necessary to weight the survey responses to ensure that survey respondents were observed in proportion to the composition of employers as a whole. The weighting process involved comparing the composition of the achieved sample, in terms of employer size and industrial sector, to the population as a whole as indicated on the IDBR. Once the data is weighted, responses are representative of the population of British employers. All estimates presented in this report use these enterprise weights, unless otherwise specified.

Weights were also derived to make it possible to estimate the proportion of employees working for employers giving particular responses to the survey. As a result, results weighted using the employment weights are representative of the population of private sector employees.

As there were some differences in the method of weighting the EAS 2009, compared to the methods used in the 2007 report, the 2007 weights were revised so that comparisons could be made between the 2007 and 2009 results. This explains why some of the figures that appear in this report differ from those published in the 2007 report (Grant *et al.*, 2008).

1.4 Profile of the population and sample

In January 2009, when the sample for EAS 2009 was drawn, there were more than 1.6 million private sector employers in Britain. Table 1.1 shows that nearly three-quarters (74 per cent) of private sector employers had fewer than five employees and 94 per cent had fewer than 20 employees. The table also demonstrates that the weights were effective in ensuring that the size composition of survey respondents closely matched that of the population of private sector employers as a whole. The final column of Table 1.1 shows that, although the vast majority of employers are small in size, nearly half of all employees (48 per cent) work for employers with at least 500 employees. Only around one-quarter (26 per cent) work for employers with fewer than 20 staff. Therefore, as far as employees are concerned, how large employers respond to the pension reforms has a greater impact than the response of small employers. Given the difference between the profile of enterprises and the profile of employment, the following chapters present key results using employment weights as well as enterprise weights.

Table 1.1 Profile of organisations and employment, by size of organisation

			Column percentages
Size of organisation (employees)	**IDBR Organisations**	**EAS 2009 Organisations**	**EAS 2009 Employment**
1-4	74	73	12
5-19	20	21	14
20-49	4	4	9
50-249	2	2	13
250-499	0	0	4
500 or more	0	0	48
Weighted base	-	*2,550*	*2,550*
Unweighted base	*1,632,690*	*2,550*	*2,550*

Base: All private sector employers.

Note: The profile of the EAS 2009 sample is shown after weighting.

Table 1.2 shows that in 2009, the other business services sector Standard Industrial Classification (2003) ((SIC(2003)) Section K) accounted for the largest proportion of employers (around one-third of the total). The wholesale and retail sector (Section G) also accounted for a relatively large proportion of employers (17 per cent). However, the fact that, in some sectors, employers were larger than average, meant that the employment-weighted figures are rather different. Although other business services and wholesale and retail were amongst the largest sectors in terms of the number of employees, other sectors are also important sources of employment, including hotels and restaurants (Section H), manufacturing (Section D) and health and social work (Section N).

Table 1.2 Profile of organisations and employment, by industry

		Column percentages
	EAS 2009	
Industry	**Organisations**	**Employment**
ABC - Agriculture, Fishing and Mining	3	1
D – Manufacturing	9	13
E – Energy and water supply	0	1
F – Construction	9	6
G – Wholesale and retail	17	12
H – Hotels and restaurants	7	14
I – Transport, storage and communication	4	9
J – Financial intermediation	1	2
K – Other business services	33	22
M – Education	1	1
N – Health and Social Work	6	11
O – Other community, social and personal services	10	9
Weighted base	*2,550*	*2,550*
Unweighted base	*2,550*	*2,550*

Base: All private sector employers.

Table 1.3 shows that almost one-third (32 per cent) of organisations in 2009 had been operating in Britain for at least 20 years. Organisations that were not in existence at the time of the last EAS survey (in 2007) only made up a small proportion of the weighted sample, with only one in 20 employers having been in business for less than two years. The employment-weighted figures reflect the fact that organisations tend to grow with age, with those that had been in business for 20 years or more accounting for nearly two-thirds (64 per cent) of employees.

Table 1.3 Profile of organisations and employment, by age of organisation

		Column percentages
	EAS 2009	
Age of organisation	**Organisations**	**Employment**
Less than 2 years	5	1
2 to less than 5 years	22	8
5 to less than 10 years	21	10
10 to less than 20 years	21	16
20 years or more	32	64
Weighted base	*2,520*	*2,496*
Unweighted base	*2,487*	*2,487*

Base: All private sector employers.

It is also useful to have an understanding of the profile of the workforce of private sector employers in order to explore how the attitudes of employers to the pension reforms are likely to shape the experiences of employees. One-third (33 per cent) of private sector organisations did not employ any part-time staff (Table 1.4).[8] At the opposite end of the spectrum, at least half the workforce was part-time in 47 per cent of organisations. As a result, the average (mean) percentage of employees in each workplace that was employed on a part-time basis was relatively high, at 40 per cent, although the median was lower. The employment-weighted figures reflect the greater prevalence of part-time working in larger workplaces, with only around one in ten employees (11 per cent) working for organisations without any part-time staff. The mean shows that around one-third (32 per cent) of employees working in the private sector were part-time, with the median employee working for a organisation where one-quarter of the workforce was part-time.

Table 1.4 Profile of organisations and employment, by percentage of the workforce part-time

		Column percentages
	EAS 2009	
Percentage of workforce part-time	**Organisations**	**Employment**
None	33	11
1-24 per cent	8	39
25-49 per cent	12	21
50-74 per cent	23	18
75 per cent or more	23	11
Mean	40	32
Median	33	25
Weighted base	*2,550*	*2,478*
Unweighted base	*2,531*	*2,531*

Base: All private sector employers.

Three-quarters (75 per cent) of private sector employers did not have any temporary or casual employees and as a result, the median employer did not have any temporary or casual staff (Table 1.5). The average (mean) proportion of employees that were temporary or casual within each organisation was only 12 per cent. Once again, the use of temporary and casual staff was clearly more common amongst larger employers - three-fifths (61 per cent) of employees worked for organisations with some temporary or casual staff. However, only around one in eight employees (13 per cent) worked for organisations where temporary and casual staff made up one-quarter or more of the workforce. Overall, around one in ten private sector employees (11 per cent) were temporary or casual.

8 Employees were classed as part-time if they worked less than 30 hours a week.

Table 1.5 Profile of organisations and employment, by percentage of the workforce temporary or casual

		Column percentages
	EAS 2009	
Percentage of workforce temporary or casual	**Organisations**	**Employment**
None	75	39
1-24 per cent	4	47
25-49 per cent	6	7
50-74 per cent	10	3
75 per cent or more	5	3
Mean	12	11
Median	0	2
Weighted base	*2,549*	*2,377*
Unweighted base	*2,512*	*2,512*

Base: All private sector employers.

Since the requirement for employers to contribute to the pensions of workers only applies if the workers are earning more than £5,035 (at 2006/07 prices), it is relevant to consider the proportion of employers who would not be required to make contributions for all their staff.

Table 1.6 shows that more than two-thirds of employers (70 per cent) would have to contribute to the pensions of all employees who chose not to opt-out of provision (assuming that all were also eligible in terms of their age). However, around one in ten employers (11 per cent) would only need to contribute for less than one-quarter of their workforce. The median employer would be obliged to contribute for all staff. However, the average (mean) proportion of employees for which an employer would need to contribute would be around four-fifths (82 per cent). The employment-weighted figures show that just over half (53 per cent) of all employees worked for organisations that did not have any staff earning less than £5,000. Overall, around one in eight private sector employees (13 per cent) earned less than £5,000, but the median employee worked for an organisation where none of the workforce earned less than £5,000 a year.

Table 1.6 Profile of organisations and employment, by percentage of the workforce earning less than £5,000 a year

		Column percentages
	EAS 2009	
Percentage of workforce earning less than £5,000	**Organisations**	**Employment**
None	70	53
1-24 per cent	4	24
25-49 per cent	7	13
50-74 per cent	8	6
75 per cent or more	11	4
Mean	18	13
Median	0	0
Weighted base	*2,543*	*2,460*
Unweighted base	*2,496*	*2,496*

Base: All private sector employers.

1.5 Overview of the remainder of the report

Chapters 2 to 7 describe in detail the findings of the EAS 2009, making comparisons with the 2007 data, where possible. Chapter 2 provides background information on the existing pension arrangements of private sector employers, membership levels and contribution rates. It also explores how pensions are currently administered and the attitudes of employers towards providing pensions (including their views on the value that employees place on pension provision). It concludes by examining employers' plans to make changes to their pension arrangements.

Chapter 3 examines the extent to which employers are aware of the forthcoming pension reforms and ways in which awareness could be raised. It also considers the attitudes of private sector employers towards the reforms.

Chapter 4 describes the actions taken by employers to prepare for the workplace pension reforms and their expectations about their likely impact. It sets out their likely strategies to respond to any increase in total pension contributions and also describes the views of employers on likely rates of opt-out by employees.

Chapter 5 explores how employers with a workplace pension scheme expect to respond to the reforms in terms of the provision that they make for their current members. Chapter 6 then describes their intentions for employees who are not currently members of a pension scheme and for new employees. Chapter 7 looks at how employers without a workplace pension scheme intend to respond to the reforms.

Chapter 8 summarises the main findings of the survey and draws out the main implications of these findings.

The technical report on the survey methodology follows in Appendix A, whilst a comparison of the estimated incidence of pension provision from EPP 2009 follows in Appendix B. Bibliographic references are provided at the end of the report.

2 Overview of pension provision

Purpose

- This chapter provides a broad overview of pension provision among employers. It examines the extent and nature of provision that employers are currently making and also looks at employers' general attitudes towards the provision of workplace pensions.

Summary

- In 2009, almost two-fifths (38 per cent) of employers made some form of pension provision for their employees. The proportion of all employees who worked for a pension-providing employer was considerably higher, standing at over four-fifths (86 per cent).[9]
- Around one-third (33 per cent) of employers provided a workplace pension scheme; that is, they made some form of provision other than making contributions to employees' personal pensions (PPs).
- When employers were categorised according to their largest workplace pension scheme (excluding employers' contributions to employees' PPs), seven per cent of all employers were providing a scheme that both had some current employees in membership and attracted an employer contribution of six per cent or more, whilst a further three per cent had a scheme that attracted an employer contribution of 3.1-5.9 per cent and one per cent of employers had a scheme attracting an employer contribution of exactly three per cent. One per cent of all employers were providing a workplace pension scheme that both had some current employees in membership and attracted an employer contribution of less than three per cent.

Continued

9 The equivalent estimates from the *Employers' Pension Provision Survey 2009* (EPP 2009) are somewhat lower, however. See Section 2.2 for further details.

- Just under one-fifth (17 per cent) of pension-providing employers considered that their employees valued pension provision 'a lot', whilst around two-fifths (37 per cent) considered that their employees 'did not value pension provision at all'.
- Only one-fifth (19 per cent) of non-providers said that their organisation had seriously considered introducing some form of pension provision for its employees within the next three years (in practice, by 2012).

2.1 Introduction

This chapter provides a broad overview of pension provision among employers. It examines the extent and nature of provision that employers are currently making and also looks at employers' general attitudes towards the provision of workplace pensions. This serves to set the scene for subsequent chapters, in which employers' reactions to the forthcoming pension reforms are investigated in some detail. Specifically, some employers already have at least one workplace pension scheme to which they contribute an average of at least three per cent of employees' earnings; some have workplace schemes to which they do not currently contribute at this level; others make no provision for workplace pensions. This chapter outlines the proportions of employers which fit into each of these categories. The chapter also examines the ways in which pension-providing employers administer their schemes. Finally, the chapter reports on the changes that employers reported they will make to their provision over the next two years, including non-providers' expectations about future provision.

2.2 Incidence of provision

Employers were asked about the different pension arrangements that they had in place at the time of the survey. Table 2.1 shows that, in 2009, almost two-fifths (38 per cent) of private sector employers made some form of pension provision for their employees.[10] Pension provision is more common among larger organisations than among smaller ones and, consequently, the proportion of all private sector employees who worked for a pension-providing employer was considerably higher, standing at over four-fifths (86 per cent).[11]

10 The equivalent estimate from EPP 2009 was somewhat lower, however. See Section 2.2.1 for a discussion.

11 This does not necessarily imply that they were either eligible to join the scheme or had joined it, however. We discuss pension scheme membership in Section 2.3.

Table 2.1 Incidence and type of current pension provision

	Private sector organisations		Employees working for private sector organisations	
Cell percentages	2007	2009	2007	2009
Any pension provision	37	38	86	86
Type of pension provision				
Occupational scheme	4	4	48	49
Group personal pension (GPP)	6	5	37	30
Stakeholder pension (SHP)	24	27	65	59
Contributions to employees' personal pensions	15	14	21	21
Any workplace pension scheme	29	33	85	84
Contributions to employees' personal pensions only	8	5	2	2
No provision	63	62	14	14
Weighted base	*2,388*	*2,534*	*2,372*	*2,534*
Unweighted base	*2,383*	*2,522*	*2,383*	*2,522*

Base: All private sector employers.

Note: 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based SHP scheme. It thus excludes contributions to either personal pensions or private stakeholder pensions.

The most common form of provision was an SHP scheme (provided by 27 per cent of employers), followed by contributions to employees' PPs (14 per cent of employers). Small proportions of employers provided either GPPs or occupational pension schemes; the figure was around one in 20 in each case. The providers of occupational schemes and GPP schemes tend to be relatively large, however, and so sizeable proportions of employees work for organisations with such types of provision (49 per cent in the case of occupational schemes and 30 per cent in the case of GPP schemes.

If an employer makes contributions to employees' PPs, this is not, strictly speaking, a form of workplace pension scheme as the employer has no role in the establishment or administration of the scheme, nor in the enrolment of members. Accordingly, contributions to employees' PPs will not constitute a qualifying scheme under the forthcoming workplace pension reforms, irrespective of the level of contributions. Table 2.1, therefore, also shows the provision of 'workplace pension schemes' once these arrangements are ignored (thus, focusing solely on the provision of occupational schemes, GPPs and workplace-based SHPs). One-third (33 per cent) of employers had some form of workplace pension scheme in 2009; these organisations employed 84 per cent of all employees.

2.2.1 Changes in provision 2007-09

Table 2.1 also permits a comparison with the level of provision identified in the previous survey in 2007. Whilst there are some differences in some individual estimates between 2007 and 2009, none of these are statistically significant at the five per cent level. In other words, the differences are not sufficiently large to enable us to say with a reasonable degree of confidence that the incidence of provision changed between 2007 and 2009.[12]

The extent and nature of employers' pension provision is, however, also explored in the DWP-funded EPP – a survey which has also been conducted in both 2007 and 2009 (Forth and Stokes, 2008; 2010 forthcoming). A comparison between the *Employers' attitudes and likely reactions to the workplace pension reforms* (EAS) and EPP reveals some notable differences. EPP suggests that there has been a fall in the overall extent of pension provision, with the percentage of employees working for an organisation which provides any form of pension scheme (including contributions to PPs) falling from 87 per cent in 2007 to 82 per cent in 2009: a decline that is statistically significant at the five per cent level. The percentage of organisations that provide pensions has fallen more dramatically, from 41 per cent to 28 per cent. The declines have been driven to a large degree by an apparently sharp reduction in the proportion of small employers who make contributions to employees' PPs (see Table B.1).[13] If one focuses only on the provision of workplace pension schemes, as we have done in the lower half of Table 2.1, EPP indicates a smaller decline in provision (from 86 per cent of employees in 2007 to 81 per cent in 2009, and from 33 per cent of organisations to 27 per cent). These figures are more in line with those provided by the EAS 2007 and EAS 2009. EAS 2009 and EPP 2009 utilised very similar methodologies, were conducted by the same fieldwork agency, were in the field at the same time and obtained similar response rates. The different trends evident in the two surveys are thus somewhat surprising, but can at least partly be explained by the sampling error that surrounds any survey estimate (see footnote 11 and Section A.11). The true extent of the change in provision is likely to lie somewhere between the estimates from the two surveys, that is: approximate stability in both the proportion of organisations providing a workplace pension scheme (remaining at around three in ten) and in the proportion of employees working in such organisations (remaining at just over four-fifths). The scale of any change in the provision of contributions to PPs, and thus in the overall extent of provision, is more difficult to determine, but the overall picture is suggestive of

---

12 Some of the differences are, of course, non-negligible. However, any survey estimate comes with a degree of uncertainty (termed 'sampling error'), arising from the fact of having surveyed only a random subset of the full population. See Section A.11 for further comments on the precision of the estimates from EAS 2009.

13 As this occurred among smaller employers, it has a more noticeable impact on enterprise-weighted estimates than on employment-weighted estimates.

a small decline. Nevertheless, it may be noted that contributions to PPs will not constitute a qualifying scheme under the forthcoming workplace pension reforms; the incidence of workplace pension schemes is therefore the more pertinent indicator from this perspective.

2.3 Pension scheme membership and contribution rates

One-third (33 per cent) of all pension-providing organisations had no active members in their pension schemes (Table 2.2). If one focuses on those organisations with a workplace pension scheme, thereby excluding those organisations which only made contributions to employees' PPs, the proportion with no active members rises to 38 per cent. In the vast majority of cases (93 per cent), those pension-providing organisations with no active members were providers of an SHP scheme. In a further five per cent, their provision consisted of a GPP scheme and in the remaining two per cent an occupational scheme.

In just over one-third (36 per cent) of all pension-providing organisations, the majority of employees were active members of a pension scheme. The equivalent figure among organisations with a workplace pension scheme was 34 per cent. In aggregate, 32 per cent of employees were reported by their employer to be an active member of a workplace pension scheme, a figure which rose to 37 per cent once organisations which only make contributions to employees' personal pensions were excluded.

Table 2.2 Active membership and incidence of employer contributions (all schemes), by type of provision

Column percentages

	Type of provision		
	Any workplace pension scheme	**Contributions to employees' personal pensions only**	**Any pension scheme**
Active members as a percentage of all employees			
None	38		33
1-24%	11	(11)	11
25-49%	6	(25)	8
50-74%	13	(42)	17
75-100%	21	(7)	19
Some but don't know percentage	7	(9)	7
Not known	3	(7)	3
Weighted base	*838*	*131*	*970*
Unweighted base	*2,140*	*53*	*2,193*

Continued

Table 2.2 Continued

			Column percentages
		Type of provision	
	Any workplace pension scheme	Contributions to employees' personal pensions only	Any pension scheme
If some active members			
Employer contributes for at least some employees	85	100	88
No employer contributions	15	0	12
Weighted base	*493*	*122*	*614*
Unweighted base	*1,667*	*50*	*1,716*

Base: All private sector employers with a pension scheme.

It is thus apparent that, in 2009, there were many pension-providing organisations in which there was either no take-up among current employees, or in which the degree of take-up was rather low. In some cases (very small employers in particular, who are not bound by the requirement to provide general access to a pension scheme), this may be because of entry restrictions; for example, an employer's current provision may consist only of a scheme which is closed to new entrants or a scheme to which only certain employees are eligible to join. In other cases, low take-up may be the result of a lack of interest among eligible employees.

One reason for a lack of interest among employees may be that the employer does not make contributions on behalf of any of their active members. Table 2.2 shows that a small minority of providing organisations with active members made no contributions to the pensions of any of these employees. The figure was 12 per cent among all employers with a pension scheme and 15 per cent among those with a workplace scheme. Thus, the vast majority of organisations contributed for at least some active members. Rates of active membership were higher in such organisations: on average three-fifths (58 per cent) of employees were active members in organisations that made some contributions, compared with around two-fifths (43 per cent) where organisations made no contributions.

Variations in the rate at which employers contribute may serve to further explain variations in the level of active membership, but such variations in contribution rates are best explored with the EAS data through a focus on the largest scheme (see Section 2.3.1).[14]

[14] EAS 2009 did ask questions that would allow one to identify the modal contribution rate across all schemes within each organisation. However, many organisations with multiple schemes could not identify this rate. Questions about the average rate of contributions to the largest scheme were more readily answered.

2.3.1 Membership and contribution rates within the largest workplace pension scheme

In those sections of the EAS questionnaire which asked pension-providing employers to report on their likely reactions when the workplace pension reforms are introduced, the focus was typically upon employers' intentions in respect of their largest workplace pension scheme. Accordingly, we now provide an outline of provision when characterised in terms of these schemes. The features of the largest workplace pension scheme – in particular the rate of employer contributions – also provide a useful means of categorising employers when, in Chapters 3 and 4, we examine variations in employers' awareness of and attitudes towards the workplace pension reforms.

The largest workplace pension scheme within a particular organisation was designated as the scheme with the largest number of active members. Contributions to employees' PPs will not constitute a qualifying scheme under the forthcoming workplace pension reforms and so these were ignored. The second largest pension scheme was therefore chosen in cases where contributions to employees' PPs accounted for the largest number of active members within an organisation.

The majority (79 per cent) of organisations with a workplace pension scheme in 2009 had a single workplace scheme. The identification of the largest scheme in such organisations was necessarily straightforward. Among those organisations with more than one workplace pension scheme, many (52 per cent) had workplace schemes of more than one type, perhaps offering an occupational scheme to one group of employees and a SHP scheme to another group. The remainder had multiple schemes but all of the same type. The provision of multiple workplace schemes was more common in larger organisations and, for this reason, most of the employees (64 per cent) in organisations with workplace pension schemes were employed by an organisation with more than one workplace scheme. Around half (52 per cent) of all private sector employees worked for an organisation with more than one workplace pension scheme.

The largest workplace pension scheme was typically a SHP scheme. This was the case in 79 per cent of organisations with a workplace scheme (Table 2.3). In a further 13 per cent, the largest scheme was a GPP and in eight per cent it was an occupational scheme. However, it has been noted above that occupational schemes are more prevalent in larger organisations and one consequence is that they tend to have larger numbers of active members, on average, than SHP schemes. Around three-fifths (57 per cent) of all active members who belonged to their organisation's largest workplace scheme were members of an occupational scheme. Around one-quarter (27 per cent) were members of a GPP scheme and around one in six (16 per cent) were members of an SHP scheme. To reflect this, our analysis often refers to estimates that have been weighted to reflect the distribution of active members, as well as the distribution of enterprises and employment.

Table 2.3 Scheme type for the largest workplace pension scheme in each organisation

		Column percentages
Type of scheme	**Largest schemes**	**Active members in the largest scheme**
Occupational scheme	8	57
GPP	13	27
SHP	79	16
Weighted base	*819*	*2,075*
Unweighted base	*2,104*	*2,048*

Base: Largest workplace pension scheme in each organisation.

The vast majority (90 per cent) of largest schemes were open to new members. Some 92 per cent of SHPs and 91 per cent of occupational schemes were open to new members, compared with just 74 per cent of GPPs. Access may, nonetheless, be restricted to open schemes through the use of eligibility rules (e.g. based upon grade, or a requirement to have worked for the employer for some minimum period). Some 12 per cent of employers did not know what percentage of their employees were eligible to join their largest scheme but, information provided by the remainder indicated that eligibility was typically widely defined. On average, 84 per cent of employees were said to be eligible to join the largest scheme.[15] Access was less restricted for SHPs than for GPPs and occupational schemes. In aggregate, 91 per cent of employees in organisations where SHPs were the largest scheme were eligible to join that scheme, compared with 82 per cent where the largest scheme was a GPP and 78 per cent where it was an occupational scheme.

Turning to levels of membership within the schemes, 50 per cent of those schemes designated as the largest had at least some active members (42 per cent of stakeholder schemes, 81 per cent of GPPs and 88 per cent of occupational schemes).[16] Around one quarter (27 per cent) of all employees in the private sector belonged to one of the schemes designated to be the largest in each organisation. Since 32 per cent of all private sector employees were noted above to belong to some form of workplace pension scheme, this implies that the largest schemes within each organisation accounted for 86 per cent of all active members in the private sector. A categorisation based on each organisation's largest workplace scheme, as used in this report, therefore provides a reasonably good approximation to the pattern of overall provision.

---

15 This may, of course, be one factor which may explain why this scheme was the largest within the organisation.

16 The 'largest scheme' in an organisation could have no active members only if it was the sole scheme present.

The employer was asked whether they made contributions to their largest workplace pension scheme and, if so, at what rate (within specified ranges). Around four-fifths (79 per cent) made a contribution, with the contribution rate most commonly being at least six per cent of an employees' salary (Table 2.4). Contribution rates were highest, on average, for occupational schemes: 84 per cent of employers contributed six per cent or more in cases where the largest scheme was an occupational scheme (and had at least some active members). Contributions were least likely in the case of SHP schemes, where only 71 per cent of employers made a contribution. However, the majority of these (40 per cent of all employers with an SHP scheme as their largest workplace scheme) contributed six per cent or more. In aggregate, 85 per cent of active members who belonged to their employers' largest scheme belonged to a contributory scheme.

Table 2.4 Employer contributions to their largest workplace pension scheme

Column percentages

	Largest workplace pension scheme			
	SHP scheme	**GPP**	**Occupational pension scheme**	**All**
Any employer contribution	71	94	93	79
Contribution rate:				
Zero	29	6	7	21
0.1-2.9%	7	5	2	6
3.0% exactly	7	19	1	9
3.1-5.9%	18	39	6	21
6.0%+	40	30	84	44
Weighted base	*260*	*79*	*58*	*397*
Unweighted base	*543*	*590*	*390*	*1,523*

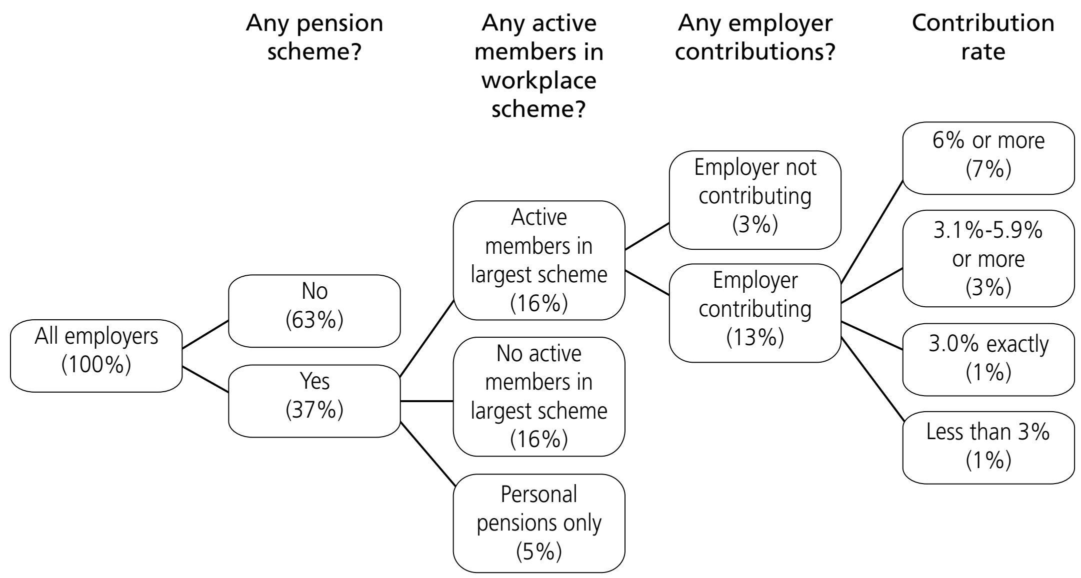
Base: Largest workplace pension scheme, where some active members.

The preceding tables in this chapter have presented information on the proportions of employers who provide a workplace pension scheme and on the membership and contribution rates for each employer's largest workplace pension scheme. This information is summarised in Figure 2.1 to provide an overall categorisation of employers' provision.[17] The figure shows that, overall, seven per cent of employers were providing a workplace scheme that both had some active members and attracted a contribution rate of six per cent or more, whilst a further three

[17] Figure 2.1 indicates that 37 per cent of employers offered some form of pension scheme. This estimate differs slightly from that shown in Table 2.1 (38 per cent) since this estimate is computed only among those employers who provided answers to the other items shown in the figure.

per cent had a scheme that attracted a contribution rate of 3.1-5.9 per cent and one per cent of employers had a scheme attracted a rate of exactly three per cent. It was therefore the case that, for around one in ten private sector employers, their largest workplace pension scheme appeared (from its contribution rate) to meet the requirements of the forthcoming reforms.

Figure 2.1 Summary of employers' pension provision based on the largest scheme



Base: All private sector employers.

The information in Figure 2.1 is reprised in column one of Table 2.5, which goes on to show the proportions of employees and active members accounted for by each category of employer. It is evident that, although only a minority of employers had workplace pension schemes to which they were contributing three per cent or more, such organisations employed a relatively large share of all private sector employees (54 per cent) and accounted for the vast majority of all active members (84 per cent).

Table 2.5 Profile of employers' current pension provision based on the largest workplace pension scheme

Column percentages

Current provision	Private sector organisations	Employees working for private sector organisations	Active members in all schemes	Active members in the largest scheme
No provision	63	15		
Contributions to employees' PPs only	5	2	2	
Largest workplace scheme				
No active members	16	13		
Active members, but no contributions	3	12	12	15
Average rate of 0.1-2.9%	1	4	3	3
Average rate of 3.0%	1	4	4	4
Average rate of 3.1-5.9%	3	14	18	19
Average rate of 6.0%+	7	36	62	58
Weighted base	*2,507*	*2,452*	*1,650*	*2,070*
Unweighted base	*2,443*	*2,443*	*1,612*	*2,039*

Base: All private sector employers.

2.4 Payroll and pension scheme administration

To provide further context in understanding how employers will adapt to the workplace pension reforms, employers were asked in EAS 2009 how they managed their payroll systems. Those with a pension scheme were also asked how they manage their scheme(s).

The majority of employers (54 per cent) managed their payroll wholly in-house (Table 2.6), although employers with workplace pension schemes were slightly more likely to do so than employers without a pension scheme (60 per cent, compared with 51 per cent). Employers without a pension scheme were more likely than those with workplace schemes to wholly outsource their payroll (35 per cent, compared with 23 per cent). A more notable difference was that employers without pension schemes were less likely to have computerised systems: a fact which is undoubtedly related to their smaller average size.

Table 2.6 Payroll system administration, by type of pension provision

								Column percentages
	Private sector organisations				**Employees of private sector organisations**			
Payroll administration	**Any workplace scheme**	**Contributions to PPs only**	**No pension provision**	**All**	**Any workplace scheme**	**Contributions to PPs only**	**No pension provision**	**All**
Wholly in-house and all computerised	48	(35)	25	33	63	(38)	36	59
Wholly in-house and partly/wholly clerical	12	(11)	26	21	2	(8)	15	4
Partly outsourced; in-house element all computerised	14	(19)	12	13	17	(25)	13	17
Partly outsourced; in-house element partly/ wholly clerical	3	(6)	2	3	1	(5)	2	1
Wholly outsourced	23	(30)	35	31	17	(24)	34	19
Weighted base	*838*	*131*	*1,554*	*2,522*	*2,137*	*47*	*353*	*2,538*
Unweighted base	*2,136*	*53*	*348*	*2,537*	*2,136*	*53*	*348*	*2,537*

Base: All private sector employers.

Table 2.7 Method by which staff are paid, by type of pension provision

Column percentages

	Private sector organisations				Employees of private sector organisations			
Payment method	**Any workplace scheme**	**Contributions to PPs only**	**No pension provision**	**All**	**Any workplace scheme**	**Contributions to PPs only**	**No pension provision**	**All**
File transfer (e.g. BACS or CHAPS)	70	(40)	32	45	94	(54)	44	87
Online banking	33	(39)	28	30	17	(33)	31	19
Telephone banking	4	(7)	3	3	2	(7)	5	2
Direct debit	12	(36)	10	12	5	(35)	11	6
Manually (e.g. cash, cheque)	25	(34)	59	47	11	(31)	53	18
Weighted base	*836*	*131*	*1,571*	*2,538*	*2,097*	*47*	*354*	*2,498*
Unweighted base	*2,133*	*53*	*351*	*2,537*	*2,133*	*53*	*351*	*2,537*

Table 2.7 goes on to show how employers paid their staff. Most organisations used more than one method, but file transfer was clearly the most popular method among employers with a workplace pension scheme (70 per cent used it) whilst manual payment by cash or cheque was clearly the most popular method amongst employers without a pension scheme (59 per cent of such employers used this method). Again, this is likely to be related to the smaller relative size of non-providers. Greater proportions of employers were using online banking in 2009 than in 2007, and there was also greater use of multiple methods of payment.

Those employers with at least one open pension scheme were asked whether their pension provision was administered wholly in-house, partly outsourced or wholly outsourced. Around one half (53 per cent) of such employers wholly outsourced their pension provision. This was most common if the employer also wholly outsourced their payroll system (Table 2.8). Nevertheless, around half (51 per cent) of pension-providing employers who managed their payroll system wholly in-house still wholly outsourced the administration of their pension scheme.

Table 2.8 Method of administering pension scheme, by method of managing payroll

				Column percentages
	Payroll administration			
Scheme administration	**Wholly in-house**	**Partly outsourced**	**Wholly outsourced**	**All**
Wholly in-house	29	40	11	27
Partly outsourced	20	33	12	20
Wholly outsourced	51	27	77	53
Weighted base	*413*	*138*	*161*	*713*
Unweighted base	*1,268*	*375*	*246*	*1,893*

Base: Pension-providing employers with at least one open scheme.

2.5 Attitudes towards pension provision

EAS 2009 sought to gauge the motivations of employers in either providing, or not providing, workplace pensions. Employers with any type of pension scheme (including those only making contributions to employees' PPs) were asked to list the reasons why they provided pensions for their employees; their answers are tabulated in Table 2.9. The most frequently mentioned reasons for provision were that: it is a legal requirement (particularly common among employers with 5-49 employees – the lowest size band affected by the current requirement to provide access to a workplace pension); to look after employees in retirement (a common reason for employers with 1-4 employees); and to recruit and retain staff (a common reason for large organisations).

Table 2.9 Reasons for providing pensions, by size of organisation

						Column percentages
	Number of employees					
Reasons for provision	**1-4**	**5-49**	**50-249**	**250-499**	**500+**	**All**
A legal requirement	(16)	52	32	20	7	34
To look after employees in retirement	(43)	14	25	16	19	28
To recruit and retain staff	(13)	20	24	47	59	17
To provide benefits for employees in addition to salary	(14)	5	9	13	9	10
Other reasons	(14)	9	9	5	6	11
Weighted base	*448*	*444*	*41*	*4*	*5*	*941*
Unweighted base	*77*	*746*	*659*	*249*	*389*	*2,120*

Base: All employers with a pension scheme (including those only making contributions to employees' PPs).

All employers with a pension scheme were also asked to what extent they thought their employees valued the pension provision that was being made for them. Just under one-fifth (17 per cent) of pension-providing employers considered that their employees valued pension provision 'a lot', whilst a further fifth (19 per cent) said 'a fair amount' and around one-quarter (27 per cent) said 'a little'. The remaining 37 per cent did not think that their employees valued pension provision at all. Higher valuations were positively correlated with levels of active membership within the organisation, as one might expect. Employers were more likely to consider that employees valued their provision if that provision was more generous (and vice versa) (Table 2.10).

Table 2.10 Employers' perceptions of employees' valuation of pension provision, by type of current provision

				Column percentages
	Current provision			
Employees' valuation	**Contributing 3.0% or more**	**Contributing 0.1 to 2.9%**	**Not contributing/ no active members**	**All**
A lot	39	15	2	17
A fair amount	29	21	12	19
A little	27	46	21	27
No value at all	5	19	65	37
Weighted base	*293*	*22*	*448*	*918*
Unweighted base	*1,163*	*115*	*683*	*2,102*

Base: All employers with a pension scheme (including those only making contributions to employees' PPs) .

Note: 'All' column includes 51 employers only making contributions to PPs and 90 employers with uncertain forms of provision.

Turning finally to non-provision, those employers that were not providing any kind of pension in 2009 were asked their reasons for not doing so. The most commonly cited reason was that the organisation was too small (41 per cent) (Table 2.11). The next most commonly cited reasons were that pension provision was too costly (17 per cent) or that staff did not want a pension scheme (10 per cent).

Table 2.11 Reasons for non-provision, by size of organisation, 2009

			Column percentages
	Number of employees		
Reasons for non-provision	**1-4**	**5-49**	**All**
Organisation is too small	43	19	41
Too costly	17	20	17
Staff don't want/never asked for pension scheme	8	25	10
Organisation is too new	6	2	6
Mainly part-time/ temporary staff	4	10	5
Other reasons	22	24	22
Weighted base	*1,362*	*159*	*1,523*
Unweighted base	*145*	*139*	*319*

Base: All employers who were not providing any kind of pension.

Note: 'All' column includes 35 employers with 50 or more employees; no other single reason accounted for more than four per cent of all responses.

2.6 Planned changes in pension provision

In the final section of this chapter we briefly consider planned changes to pension provision. Employers with any kind of pension provision (including those only making contributions to employees' PPs) were asked if they planned to make changes in their provision in the next two years, whilst employers without any kind of scheme were asked if they planned to begin providing a pension within the next three years. Each of these questions was located in the survey questionnaire before the questions about the workplace pension reforms, and so the responses are not conditioned by any increased awareness of the reforms that may have occurred during the survey interview.

Just over one-tenth (12 per cent) of pension-providing employers were considering changes to their provision in the next two years. Some 16 per cent of these (two per cent of all pension-providing employers) said that they planned to reduce the level of employer contributions or funding, whilst a similar proportion (14 per cent of those considering changes) said they planned to increase it. Other common answers concerned plans to: reduce employee contributions (15 per cent); introduce a GPP or contributions to PPs (eight per cent); and to bring their provision into line with legislation (six per cent). No other single answer accounted for more than four per cent of responses. Around one-quarter (23 per cent) of those planning changes said they were prompted to do so by the Government's proposals for pension reform. Other commonly cited reasons were to reduce costs (30 per cent) and to improve benefits (20 per cent).

Only one-fifth (19 per cent) of non-providers said that their organisation had seriously considered introducing some form of pension provision for its employees within the next three years (in practice, by 2012). There was no difference between very small non-providers (those with fewer than five employees) and larger ones (those with five or more employees). This would, therefore, appear to signal a general lack of awareness of the forthcoming workplace pension reforms.[18] Employers' awareness of the workplace pension reforms is explored in more detail in Chapter 3.

18 It may be noted that fieldwork took place before the start of the DWP's communication campaign around the forthcoming reforms.

3 Awareness of, and attitudes towards, the workplace pension reforms

Purpose

- This chapter explores the extent to which employers are aware of the forthcoming pension reforms. It reports the views of employers on ways in which awareness might be raised. It also assesses the attitudes of employers towards the reforms.

Summary

- More than two-fifths (44 per cent) of employers had some awareness of the workplace pension reforms. This proportion had not changed between 2007 and 2009.
- Larger employers were more likely to be aware of the reforms than smaller employers so almost three-quarters (73 per cent) of employees worked for an employer who had heard about the reforms. Awareness was particularly low amongst employers with no current pension provision and among those with only shell schemes (pension schemes without any active members).
- The majority of employers (56 per cent) considered the pension reforms a good idea, but this proportion had fallen since 2007 (64 per cent). More than one-third (37 per cent) of employers thought the reforms a bad idea – an increase on 2007 (26 per cent).

Continued

- Around half (54 per cent) of all employees worked for employers who thought the reforms a good idea and around one-third (35 per cent) worked for employers who thought them a bad idea.
- Employers who already contributed at least three per cent for employees in their largest pension scheme were more likely to think the reforms a good idea than those who offered less. Providers whose main reason for offering a pension was because it was a legal requirement were less likely to think the reforms a good idea than employers with other motivations.

3.1 Current awareness of the reforms

Prior to the survey interview, employers had been sent an information sheet providing them with background information on the workplace pension reforms.[19] In the interview, they were asked to report how much they had heard about the workplace pension reforms **before** the receipt of this information sheet.

Table 3.1 shows a decrease between 2007 and 2009 in the proportion of employers who said that they knew either a lot or a fair amount about the reforms (from 15 per cent in 2007 to eight per cent in 2009); this decline is statistically significant. However, the proportion of employers who said that they knew nothing at all about the reforms stayed fairly stable over this period.

Table 3.1 Awareness of the workplace pension reforms, 2007-09

		Column percentages
Awareness of reforms	**2007**	**2009**
A lot	3	2
A fair amount	12	6
A little	30	35
Nothing at all	55	56
Weighted base	*2,391*	*2,530*
Unweighted base	*2,393*	*2,536*

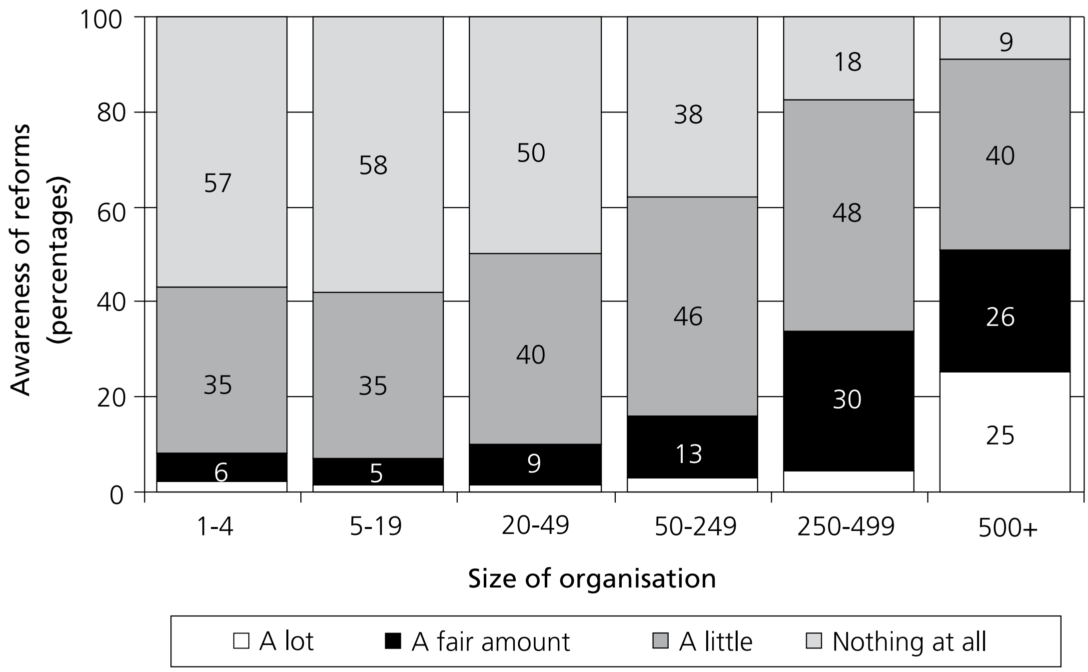
Base: All private sector employers.

Since the distinction between having no awareness of the reforms and some awareness is clearer than that between the more subjective ratings of the level of awareness ('a lot' compared with 'a fair amount' compared with 'a little'), it could be argued that it is more informative to focus on the proportions of employers with no or some awareness, rather than looking in detail at the other three categories of awareness. As a result, the distinction between any awareness of the reforms and no awareness is the main focus in the following sections.

19 The information sheet is provided within the separate volume of interview materials.

It is apparent from Figure 3.1 that there was a clear link between organisation size and awareness of the workplace pension reforms. More than nine out of ten employers with 500 or more employees (91 per cent) were aware of the reforms, compared to only around four out of ten employers with fewer than 20 employees (43 per cent). Having a human resources department or dedicated pensions manager may increase the likelihood of larger organisations being aware of the reforms.

Figure 3.1 Awareness of the workplace pension reforms, by size of organisation



Base: All private sector employers.

Table 3.2 shows that only around one-quarter (27 per cent) of employees worked for employers who were unaware of the reforms. Therefore, although a sizeable proportion of employers were not aware of the reforms, they accounted for a relatively small share of employment. There was no statistically significant change in the proportion of employees working for employers who were not aware of the reforms between 2007 and 2009.

Table 3.2 Awareness of the workplace pension reforms 2007-09, weighted by employment

		Column percentages
Awareness of reforms	**2007**	**2009**
A lot	21	24
A fair amount	26	17
A little	28	31
Nothing at all	26	27
Weighted base	*2,396*	*2,538*
Unweighted base	*2,393*	*2,536*

Base: All private sector employers.

Table 3.3 shows how awareness of the pension reforms varied between sectors. Although awareness of the reforms appeared to be particularly high in the financial intermediation sector Standard Industrial Classification (2003) (SIC(2003) Section J) and transport, storage and communication sector (Section I), this finding must be treated with caution, since the estimates are based on less than 100 observations in each sector. However, some variations in awareness are nonetheless apparent between other sectors. For example, almost four-fifths (79 per cent) of employers in the other community, social and personal services sector (Section O) were unaware of the reforms, compared with less than half (46 per cent) of all employers in the health and social work sector (Section N) and a similar proportion (49 per cent) of employers in the other business services sector (Section K).

Table 3.3 Awareness of the workplace pension reforms, by industry

					Weighted base	Unweighted base
	Row percentages					
Industry	**A lot**	**A fair amount**	**A little**	**Nothing at all**		
Manufacturing	0	3	26	71	*226*	*464*
Construction	2	2	34	61	*214*	*166*
Wholesale and retail	0	7	37	55	*433*	*380*
Hotels and restaurants	0	1	41	58	*188*	*150*
Transport, storage and communication	(0)	(5)	(56)	(39)	*101*	*96*
Financial intermediation	(39)	(3)	(42)	(17)	*22*	*70*
Other business services	4	9	37	49	*821*	*642*
Health and social work	3	11	40	46	*161*	*316*
Other community and personal services	0	3	17	79	*262*	*173*

Base: All private sector organisations.

Notes: The following sectors were excluded from the table due to the small number of respondents in these groups: Agriculture, Fishing and Mining; Electricity, gas and water supply; Education.

It is apparent from Table 3.4 that there was considerable variation in awareness of the pension reforms between employers with different levels of existing pension provision. Levels of awareness were lowest amongst employers with no pension provision, those with workplace schemes that had no active members and, at the other end of the spectrum, those with workplace schemes to which they contributed six per cent or more. Levels of awareness were highest amongst employers contributing three per cent to a workplace scheme, those contributing 0.1-2.9% and those with workplace schemes which did not attract an employer contribution. The lack of awareness amongst those already contributing six per cent or more to a workplace pension scheme is perhaps less of a cause for concern, given that this group is less likely to need to make changes to become compliant with the reforms. The signs that at least some of the groups likely to need to adjust their existing pension arrangements are aware of the reforms are also positive. However, there is a clear lack of awareness amongst employers with little or no current provision.[20]

[20] It may be noted that fieldwork took place before the start of the DWP's communication campaign around the forthcoming reforms.

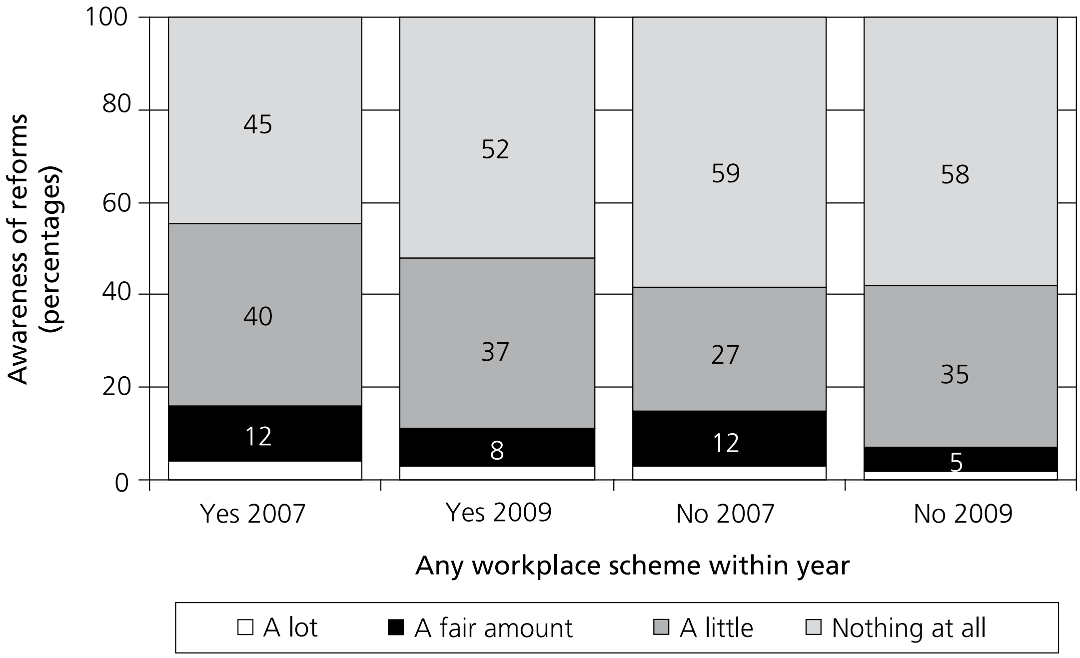
Table 3.4 Awareness of the workplace pension reforms, by type of current provision

			Row percentages		Weighted base	Unweighted base
Current provision	**A lot**	**A fair amount**	**A little**	**Nothing at all**		
Contributing 6.0% or more	1	19	19	61	*179*	*570*
Contributing 3.1 to 5.9%	2	6	51	41	*83*	*467*
Contributing 3.0% exactly	1	18	53	28	*34*	*155*
Contributing 0.1 to 2.9%	7	4	56	33	*23*	*118*
Not contributing	3	12	54	30	*73*	*205*
No active members	4	3	35	58	*404*	*498*
Providing only PPs	(5)	(1)	(45)	(49)	*125*	*52*
No pension provision	2	5	34	59	*1,567*	*348*
All	2	6	35	56	*2,487*	*2,413*

Base: All private sector employers.

Figure 3.2 indicates the extent to which awareness of the reforms has changed since 2007 amongst employers with and without workplace pension schemes. Although it appears that awareness of the reforms fell amongst employers with a workplace pension scheme between 2007 and 2009, this change was not statistically significant. There was also no evidence that the proportion of non-providers who were aware of the reforms changed between 2007 and 2009. Although it is probably wise to avoid detailed comparison of other more subjective categories (for the reasons set out on page 36) there was a statistically significant decrease in the proportion of non-providers who said that they had 'a lot' or 'a fair amount' of knowledge of the pension reforms between 2007 and 2009. This was not the case for those employers already providing a workplace scheme. Although non-providers appeared to be more likely than other employers to say that they knew nothing about the reforms in both years, this difference was not statistically significant.

Figure 3.2 Awareness of the workplace pension reforms, by provision of a workplace pension scheme within year

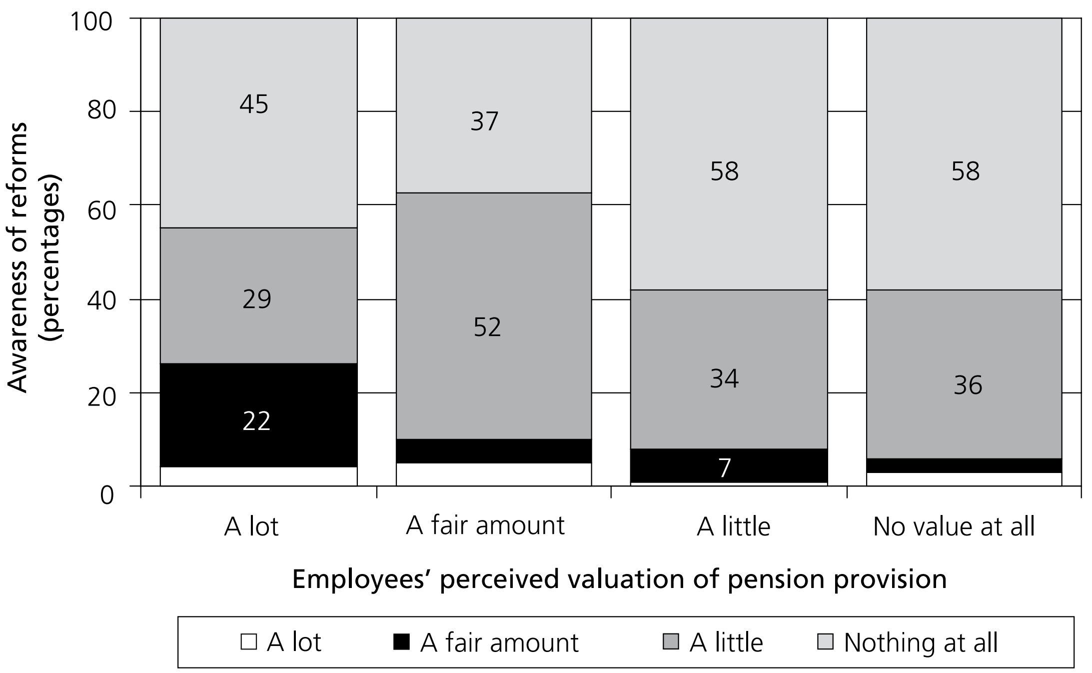


Base: All private sector employers.

Employers who had some form of pension arrangement in place for employees at the time of survey (including those only making contributions to employees' personal pensions) were asked to state how much they thought employees valued this pension provision.[21] Figure 3.3 indicates the extent to which awareness of the workplace pension reforms varies with the views of employers on the value attached to pension provision by their employees. Employers who felt that their employees valued pension provision 'a fair amount' were more likely to be aware of the reforms than employers who thought employees valued their provision less. However, it is not possible to say whether having employees who clearly value pension provision increases the likelihood that employers acquaint themselves with the reforms, or whether the sorts of employers who are aware of developments in the field of pension provision are more inclined to think that pensions are important to their employees.

[21] Employees' perceived valuations of pension provision are discussed further in Section 2.5.

Figure 3.3 Awareness of reforms, by employer views on value employees place on pension provision



Base: All employers with any kind of pension scheme.

One might expect that employers who had serious plans to change their existing pension provision within the two-year period following the survey would know more about the pension reforms than those employers with no intention of changing their provision, either because they had been prompted to make changes because of the reforms, or because of the need to ensure that any changes made would be compliant. However, whilst there were some signs that employers with plans to change their current pension provision appeared to be slightly more likely than those without plans to know something about the reforms, the difference was not statistically significant. This implies that the reforms were not a major driver of decisions to make changes to existing pension arrangements.

Since larger employers were more likely to have existing pension provision in place at the time of the survey, it was possible that this accounted for their greater likelihood of being aware of the workplace pension reforms. A multivariate analysis was used to test whether there was any independent association between organisation size and awareness of the pension reforms, once the nature of existing provision, as well as other factors associated with awareness, such as the value employees were thought to place on pension provision and industrial sector, was taken into consideration. This showed that larger employers were indeed more likely to be aware of the reforms than the very smallest employers, regardless of other differences between the two groups. Also, employers with a shell scheme, those contributing between 0.1 and 2.9 per cent and those contributing three per cent exactly were more likely to be aware of the reforms than those employers with no pension scheme, irrespective of other differences between them. Employers who thought that their employees placed more value on pension provision were also more likely to be aware of the reforms than employers who thought their employees valued provision less, after controlling for other employer characteristics. There were also some differences between employers in different industrial sectors which remained after controlling for the other factors noted above. When compared with employers the other business services sector (Section K), employers in agriculture (Section A), fishing (Section B) and mining (Section C) were more likely to be aware of the reforms and those operating in the hotels and restaurants sector (Section H) were less likely to be aware of them.

As well as asking employers to rate how much they had heard about the workplace pension reforms before the survey, *Employers' attitudes and likely reactions to the workplace pension reforms 2009* (EAS 2009) also asked whether they had seen or heard any information about the reforms and about the sources of this information. Nineteen per cent of employers recalled having seen or heard some information about the reforms. As would be expected, there was a clear link between having seen or heard information on the reforms and the level of awareness of them. The vast majority (97 per cent) of those that were not aware of the reforms could not remember having seen or heard information on them (Table 3.5). At the other extreme, 80 per cent of those who knew a lot about the reforms could recollect having seen some information. The fact that 20 per cent of those who knew a lot about the reforms could not recollect seeing any information is likely to reflect the fact that it was possible for employers to know that reforms were planned without actually being able to recall specific sources of information.

Table 3.5 Awareness of the reforms, by whether recall of having seen or heard information on them

Row percentages

Awareness of reforms	Some recollection	No recollection	*Weighted base*	*Unweighted base*
A lot	80	20	*55*	*177*
A fair amount	67	33	*152*	*391*
A little	33	67	*896*	*1053*
Nothing at all	3	97	*1425*	*912*
All	19	81	*2,529*	*2,533*

Base: All private sector employers.

Table 3.6 shows the sources of information cited by those employers who remembered having seen or heard information on the workplace pension reforms. Employers were allowed to give multiple responses where they recalled having seen or heard information from more than one source. The results for employers with less than five employees are excluded from the table, due to the low number who recalled having seen or heard information about the reforms. The most common source of information on the reforms across all the size categories was newspapers or magazines (cited by 52 per cent of all employers who recalled having seen or heard information about the reforms). External advisers and online sources were also mentioned by sizeable proportions of employers (25 per cent and 33 per cent respectively). It is apparent from the table that overall, larger employers mentioned receiving information from a greater variety of sources than smaller employers.

Table 3.6 Source of information on the reforms for those who had seen or heard information, by size of organisation

Cell percentages

	Size of organisation					
Sources of information	**5-19**	**20-49**	**50-249**	**250-499**	**500+**	**All**
Online	23	36	44	43	67	33
On TV	19	19	12	19	23	23
Over the radio	15	16	8	16	14	10
In a newspaper or magazine	55	56	49	67	80	52
From an external adviser	32	38	45	62	68	25
From work colleagues	4	9	14	20	31	8
From friends and family	2	2	4	3	2	5
From a professional body	6	4	2	4	2	4
Training course or seminar	0	5	1	3	3	0
Leaflets or in the post	1	1	1	1	1	2
Received information from DWP	0	0	0	0	0	0
Trade publication	3	0	1	4	2	3
Other answers	3	1	1	2	1	7
Weighted base	*126*	*27*	*20*	*2*	*4*	*489*
Unweighted base	*129*	*131*	*340*	*152*	*319*	*1,112*

Base: All employers who recalled having seen or heard information on the workplace pension reforms.

Note: This question was multi-coded; the percentages represent the proportion of employers giving each response. Only 41 employers with less than five employees recalled having seen or heard information on the reforms; this column was dropped from the table (although these employers are included in the 'All' column).

Employers who said that they had seen something about the pension reforms online were asked where they had seen this information. Again, employers were able to list multiple sources. Around two-fifths (41 per cent) of employers who had seen information on the reforms online recalled having seen this on the

Department for Work and Pensions (DWP) website, whilst more than one-quarter (28 per cent) reported that they had found information on another government website. However, the most common online source of information was other non-government websites, with 70 per cent of those saying that they had seen information online stating that these had been the source.[22]

3.2 Methods of raising awareness

Employers were asked which two communication methods they thought would be the most useful for raising awareness of the pension reforms.

Table 3.7 shows that the methods most commonly mentioned were through TV programmes and adverts (51 per cent) or websites (45 per cent). In addition, more than one-third (35 per cent) of employers thought that mail shots would be effective and just over one-quarter (28 per cent) thought that newspaper articles or adverts would be useful. In 2007, employers were only asked to state the single method that they thought would be most useful in raising awareness. This means that it is not possible to compare the percentage of employers mentioning each method in 2007 and 2009. However, TV programmes or adverts and mail shots also emerged as the methods of raising awareness most commonly mentioned by employers in 2007, but a much smaller proportion of employers mentioned websites in 2007 compared to 2009.

Table 3.7 Most useful methods of raising awareness of reforms

	Cell percentages
TV programmes or adverts	51
Websites	45
Mail shots (e.g. leaflets, etc)	35
Newspaper articles or adverts	28
Radio programs or adverts	11
Trade press	11
Journals	9
E-mail	1
Visit in person or presentation	0
Personalised letter or e-mail	0
Through industry bodies/networks	0
Other answers	1
Weighted base	*2,550*
Unweighted base	*2,.550*

Base: All private sector employers.

Note: Employers could cite up to two methods.

22 Respondents were not asked to provide any details of the non-government websites where this information was seen.

Table 3.8 indicates that there was relatively little difference between employers of different sizes in the methods they thought would be most useful in raising awareness of the pension reforms. Certainly there did not appear to be a clear linear relationship between the perceived usefulness of particular methods and the size of the organisation. Once again, there was little evidence of a pronounced difference between employers with a pension scheme and those without in terms of the methods of raising awareness of the workplace pension reforms that were considered likely to be most useful.

Table 3.8 Most useful methods of raising awareness of reforms, by size of organisation

Cell percentages

	Size of organisation						
Method of raising awareness	**1-4**	**5-19**	**20-49**	**50-249**	**250-499**	**500+**	**All**
TV programmes or adverts	52	49	53	57	66	43	51
Websites	46	43	41	46	49	48	45
Mail shots (e.g. leaflets, etc)	34	37	41	38	23	35	35
Newspaper articles or adverts	29	29	22	23	26	26	28
Radio programmes or adverts	10	12	12	14	7	8	11
Trade press	11	13	12	9	13	18	11
Journals	10	5	5	4	6	8	9
E-mail	1	1	1	0	1	0	1
Visit in person or presentation	0	0	0	0	0	1	0
Personalised letter or e-mail	0	1	0	0	0	0	0
Through industry bodies/networks	0	1	0	0	1	0	0
Other answers	0	2	1	1	0	1	1
Weighted base	*1,867*	*524*	*103*	*47*	*5*	*5*	*2,550*
Unweighted base	*234*	*501*	*428*	*722*	*262*	*403*	*2,550*

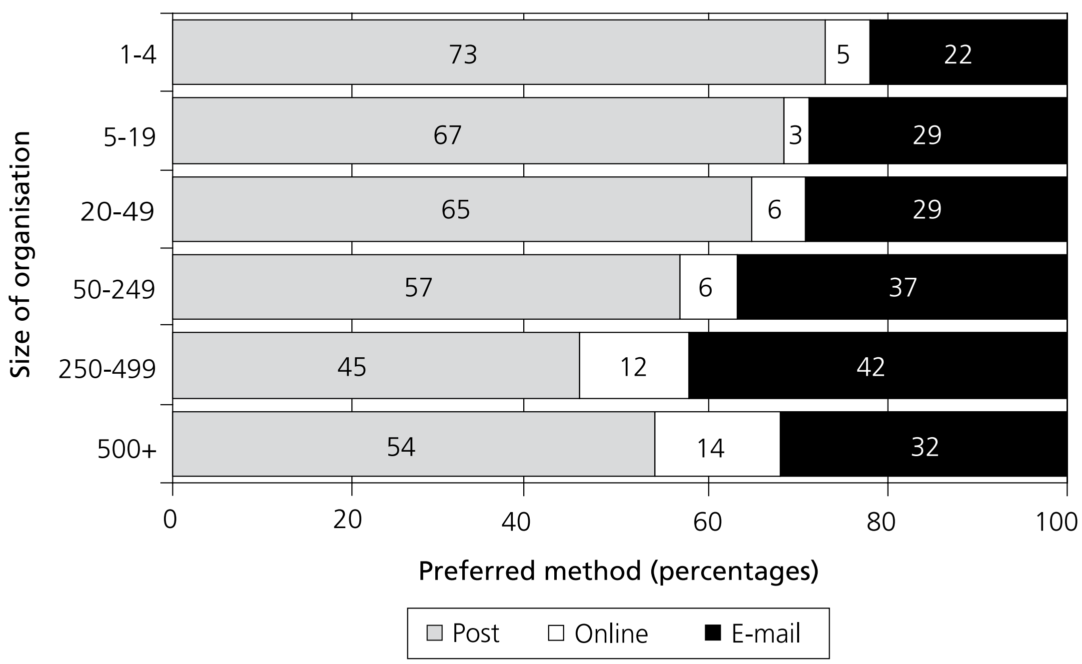
Base: All private sector employers.

Note: Employers could cite up to two methods.

Employers were told that, prior to the implementation of the workplace pension reforms, they would be sent information on what they would need to do to comply with the requirements. They were then asked how they would like to receive this information. In this case, they were only asked to mention a single method. Seventy-one per cent of employers said that they would prefer to receive the information by post, 24 per cent preferred to receive it via e-mail and the remaining five per cent preferred to access the information online through a website. Since a very similar question was asked in 2007, it is possible to compare whether the proportion of employers preferring different sources of information has changed over time. However, there were no statistically significant changes in the proportion of employers mentioning each particular method between 2007 and 2009.

It is clear from Figure 3.4 that smaller employers had a preference for receiving information about the workplace pension reforms through the post, whereas larger employers were more likely to say that they would like to use online sources. There were also some differences by organisation size in the preference for using e-mail to provide information on the reforms, with smaller, and the very largest employers being less keen on the use of e-mail than medium-sized employers. There were, however, no statistically significant differences between employers with workplace pension schemes and those without.

Figure 3.4 Preferred method of receiving information on the reforms, by size of organisation



Base: All private sector employers.

Employers were asked what type of source they would like to be able to consult for further information on the reforms if they had a question about them. Just over half of all employers (52 per cent) thought a designated telephone helpline would be the most useful resource if they had questions, whilst one-third (33 per cent) said that a specifically designated website would be the best option. Only around one-eighth (13 per cent) of employers thought that e-mail would be the best way of getting any questions answered. Table 3.9 shows that there was hardly any change in the proportion of employers mentioning each of the different sources between 2007 and 2009.

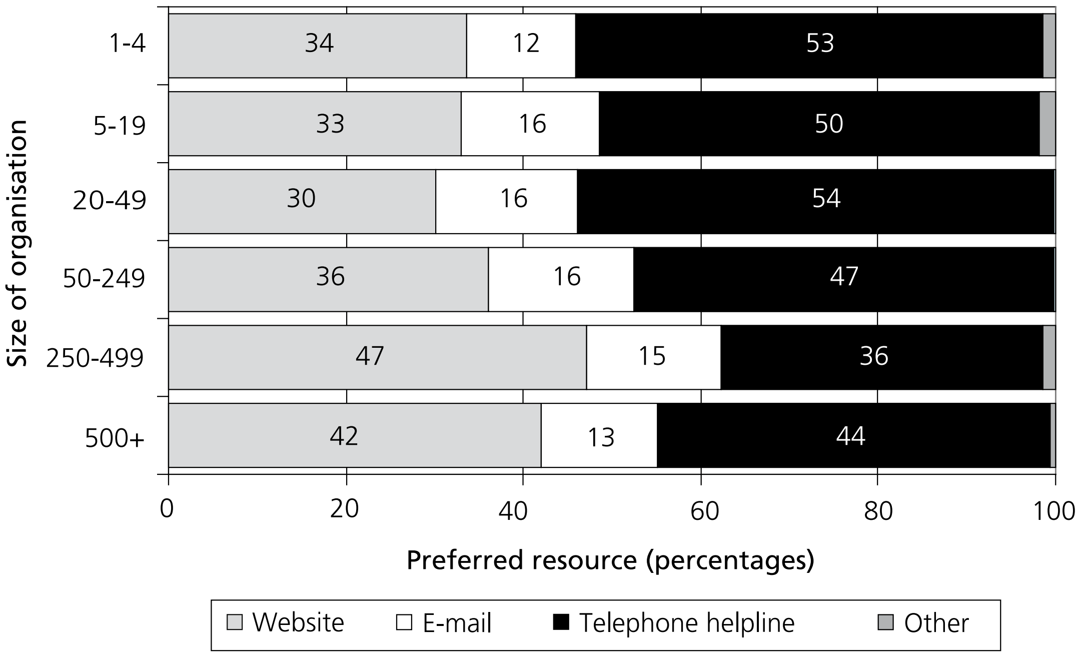
Table 3.9 Preferred resource to deal with questions

		Column percentages
Preferred resource	**2007**	**2009**
A designated telephone helpline	54	52
A specifically designated website	32	33
E-mail	13	13
Other	1	1
Weighted base	*2,385*	*2,545*
Unweighted base	*2,387*	*2,531*

Base: All private sector employers.

Figure 3.5 shows that half or more of all employers with fewer than 50 employees felt that a telephone helpline would be the most useful way of having any questions on the pension reforms answered. Larger employers expressed a weaker preference for this particular source of information, with more than two-fifths of those with 250 or more employees saying that they would like to be able to consult a dedicated website. There were, again, no statistically significant differences between the preferences of employers with workplace pension schemes and those without.

Figure 3.5 Preferred resource to deal with questions, by size of organisation



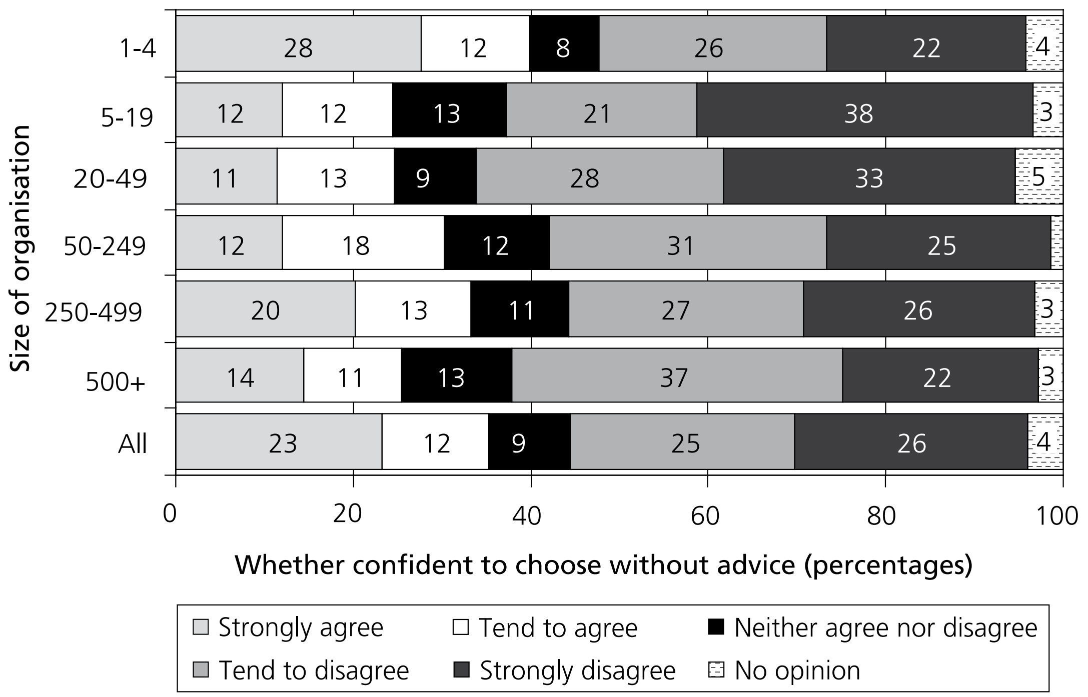
Base: All private sector employers.

3.3 Sources of, and desire for, advice

Employers were asked to rate their agreement with the statement 'I feel confident to shop for pension schemes on my own and do not need any advice'. Around half (51 per cent) of all employers 'tended to disagree' or 'strongly disagreed' that they felt confident to choose a pension scheme without advice. However, over one-third (36 per cent) either 'strongly agreed' or 'tended to agree' that they would be able to choose one on their own (Figure 3.6).

There was no clear linear pattern between confidence in choosing a pension scheme without advice and organisation size. As Figure 3.6 shows, employers with less than five employees were the group most likely to strongly agree that they felt confident to shop for pension schemes on their own. The degree of confidence in choosing a pension scheme without advice was actually lowest amongst employers with between five and 49 employees and amongst the very largest employers (with 500 or more employees). It is perhaps unsurprising that large employers would be reluctant to make decisions about pension arrangements without seeking advice, whilst the higher degree of confidence amongst the smallest employers may be due to the knowledge that only a very small number of employees would be affected by any decision.

Figure 3.6 Whether confident to choose pension scheme without advice, by size of organisation

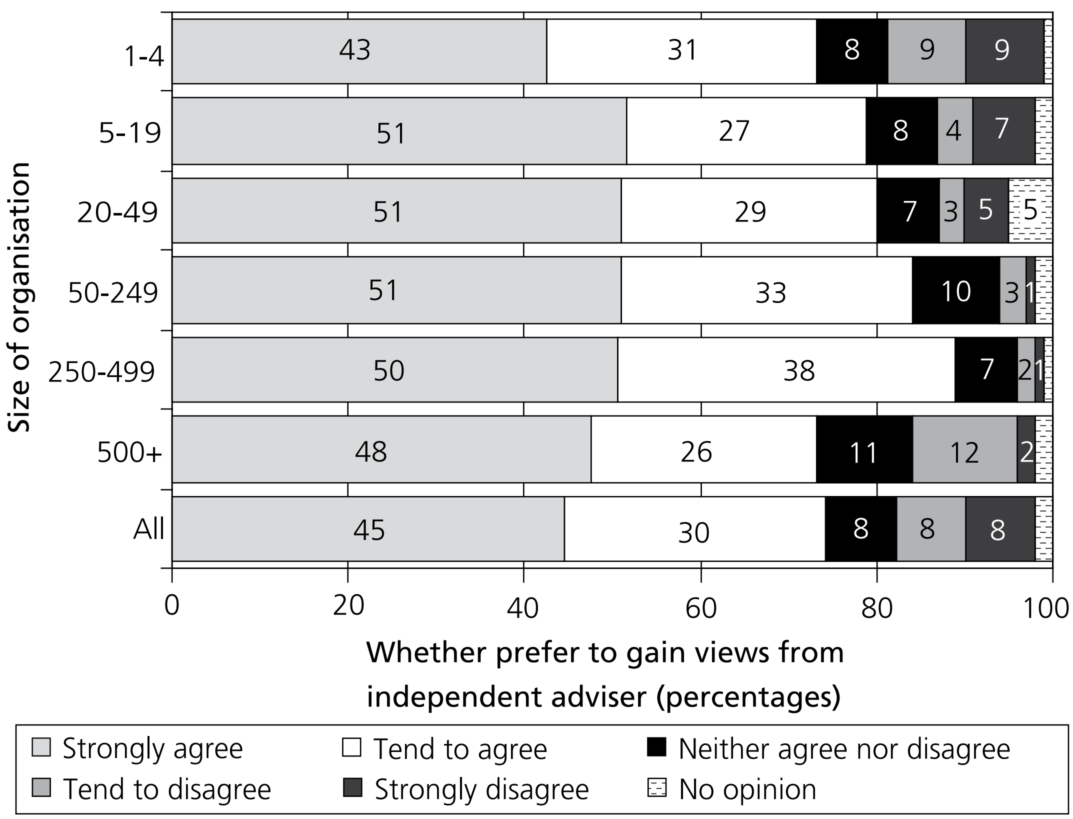


Base: All private sector employers.

Employers were asked to rate their level of agreement with the statement 'I prefer to gain views from an independent adviser when making decisions on pension schemes'. Three-quarters (75 per cent) of employers agreed that they would prefer to consult an independent adviser when deciding on pension schemes (see Figure 3.7). Only one in six (16 per cent) disagreed that they would want to do this.

Employers of different sizes had fairly similar views on the importance of gaining views from an independent adviser before making decisions on pension schemes (Figure 3.7). However, the very smallest and the very largest employers were least likely to seek advice. It is possible that the costs of consulting an independent adviser discourage employers with less than five employees from taking this course of action before making decisions on pension schemes, whilst those with 500 or more employees may be more likely to have access to in-house expertise on pension provision.

Figure 3.7 Whether would prefer to gain views from independent adviser when making decisions on pension schemes, by size of organisation



Base: All private sector employers.

Employers were asked who they would be likely to seek external advice from when choosing a pension provider. Employers were able to mention multiple sources if they wished, but they were also asked which one they thought would have most influence on their decision (shown in Table 3.10). The source of external advice most commonly mentioned by employers was an accountant (mentioned by 42 per cent of all employers), with a slightly lower proportion (37 per cent) saying that they would be most influenced by an independent financial adviser. Four-fifths of employers mentioned either of these two sources. A fairly small proportion of employers (five per cent) said that they would seek advice from other professionals, such as an employee benefits consultant, legal adviser, banker, a pensions actuary or adviser or some other external consultant. A similar proportion (six per cent) thought that they would seek advice from The Pensions Regulator, whilst trade and industry bodies were a likely source of guidance for three per cent of employers. Six per cent of employers said that their main source of advice would come from other sources, such as friends and family or pensions providers, or that they would not seek external advice.

Table 3.10 Source of external advice when choosing pension provider, by size of organisation

Column percentages

	Size of organisation						
Source of advice	**1-4**	**5-19**	**20-49**	**50-249**	**250-499**	**500+**	**All**
Independent Financial Adviser (IFA)	36	40	46	51	55	37	37
Other professional	3	10	8	12	27	47	5
The Pensions Regulator	6	6	8	15	8	8	6
Trade/industry body	2	8	8	5	3	3	3
Other	7	2	3	1	4	3	6
Weighted base	*1,801*	*499*	*99*	*45*	*4*	*5*	*2,454*
Unweighted base	*226*	*479*	*411*	*687*	*249*	*384*	*2,436*

Base: All private sector employers.

Table 3.10 shows that there were some clear differences in preferences by size, with smaller employers much more likely to consult an accountant than those with 250 or more employees, perhaps due to differences between larger and smaller organisations in the use of external accountants and the function that they served for the organisation. Larger organisations were much more likely than smaller employers to seek external advice on pensions providers from other professionals. It is apparent that employers with between 50 and 249 employees were quite heterogeneous in terms of the main source of external advice that they were likely to use, with sizable proportions saying that they would seek advice from The Pensions Regulator or other professionals, as well as IFAs and accountants.

3.4 Attitudes towards the reforms

As noted in Section 3.1, employers had been sent an information sheet prior to the survey interview, providing them with background information on the workplace pension reforms. In the interview itself, they were reminded of certain key features of the reforms and were then asked whether, from the employer's perspective, they thought the reforms a good or bad idea.[23] Table 3.11 shows that

[23] The information provided in the interview was as follows: *'You may be aware that pension legislation is going to change. From 2012 all employers must offer a qualifying pension scheme to their employees and must automatically enrol all workers who are over 22 years old and earn over £5000 into a qualifying scheme. Workers can opt out of the pension scheme if they wish. Employers can use their existing pension scheme provided it meets relevant quality requirements. All employers will be required to make a contribution of at least 3% for all workers who do not opt out and workers will pay contributions of at least 4% of their earnings with the Government making a 1% contribution in the form of tax relief.'*

the majority of employers in both 2007 and 2009 considered the reforms to be a good idea. However, the proportion fell by eight percentage points between 2007 and 2009 (from 64 per cent to 56 per cent). This was almost matched by a rise in the proportion of employers who thought the reforms a bad idea – from just over one-quarter (26 per cent) to more than one-third (37 per cent). Employers expressed less uncertainty over their attitudes to the reforms in 2009 compared to 2007: the percentage saying 'it depends' fell from seven per cent in 2007 to two per cent in 2009. It is possible that the stronger and less favourable views voiced in 2009 reflected the changed economic climate. Nevertheless, it is also important to remember that general levels of awareness of the reforms were lower in 2009 than in 2007 so, although survey respondents were told what the reforms entailed immediately before being asked their opinion of them, this view may have been less considered amongst those who had only just heard about the reforms.

Table 3.11 Attitudes to the workplace pension reforms, 2007-09

Column percentages

Attitude to reforms	2007	2009
Good idea	64	56
Bad idea	26	37
It depends	7	2
No opinion	4	5
Weighted base	2,278	2,550
Unweighted base	2,338	2,550

Base: All private sector employers.

Given the possibility that the attitudes of employers to the reforms may have been shaped by their level of awareness about them prior to being told about them during the course of the survey interview, Table 3.12 shows how attitudes varied by awareness. Those employers who said that they knew nothing at all about the reforms were more likely than those with a lot of awareness to report that they had no opinion on the reforms. Otherwise, none of the differences shown in the table were statistically significant.

Table 3.12 Attitudes to the workplace pension reforms, by awareness of them

Column percentages

	Awareness of reforms				
Attitude to reforms	**A lot**	**A fair amount**	**A little**	**Nothing at all**	**All**
Good idea	73	69	61	50	56
Bad idea	24	26	34	40	37
It depends	3	1	1	3	2
No opinion	0	4	3	7	5
Weighted base	*55*	*152*	*897*	*1,426*	*2,530*
Unweighted base	*177*	*392*	*1,054*	*913*	*2,536*

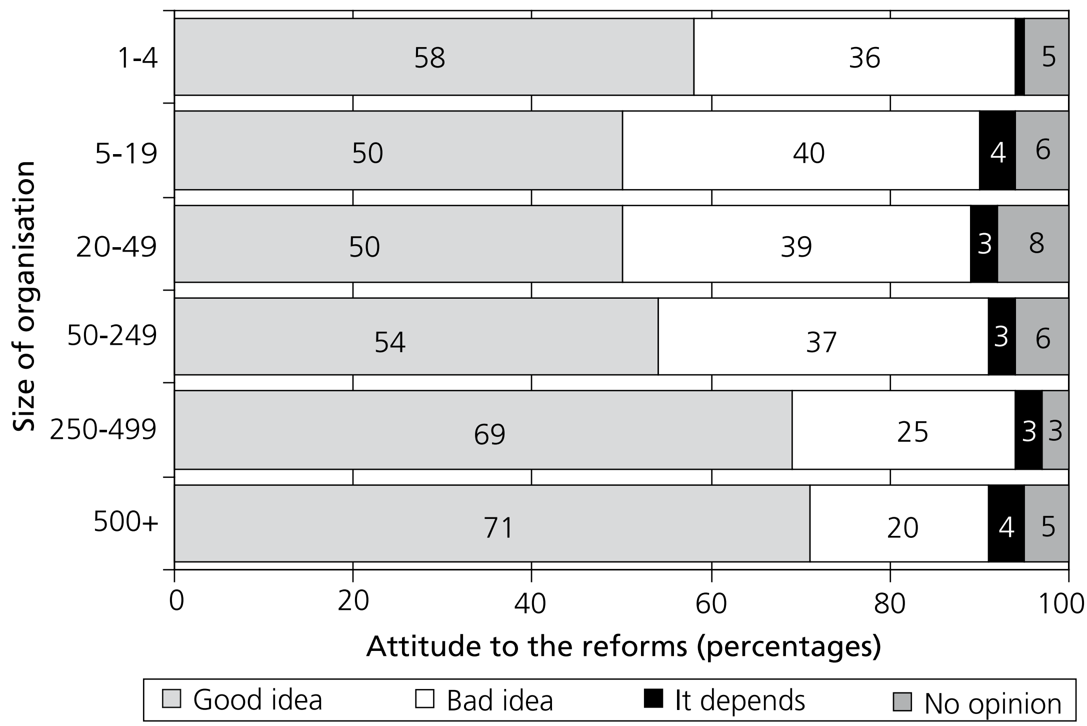
Base: All private sector employers.

Figure 3.8 indicates that attitudes towards the workplace pension reforms varied with the size of the organisation. Employers with 250 employees or more were more likely than smaller employers to think the reforms a good idea, perhaps because they were more likely to already have pension arrangements in place which would need little or no modification to comply with the reforms. The proportion of employers across all the size bands who were uncertain in their views on the pension reforms, or had no opinion, was small and there was little evidence of variations according to employer size in this respect. Therefore, employers with 250 or more employees were much less likely than employers with fewer staff to think the pension reforms a bad idea.

In 2009, just over half (54 per cent) of all employees worked for employers who thought the workplace pension reforms were a good idea. About one-third of employees (35 per cent) worked for an employer who considered them a bad idea, whilst one in ten (11 per cent) worked for an employer who was uncertain, or did not have a view on the reforms.

Table 3.13 shows that employers who were already making a contribution of three per cent or more for employees in their largest pension scheme were more likely to think the pension reforms a good idea than those who offered employees less. This is unsurprising, given that this group would need to do least in response to the reforms and may also benefit if any competitors previously with pension arrangements below the minimum level required were obliged to increase their provision.

Figure 3.8 Attitudes to workplace pension reforms, by size of organisation



Base: All private sector employers.

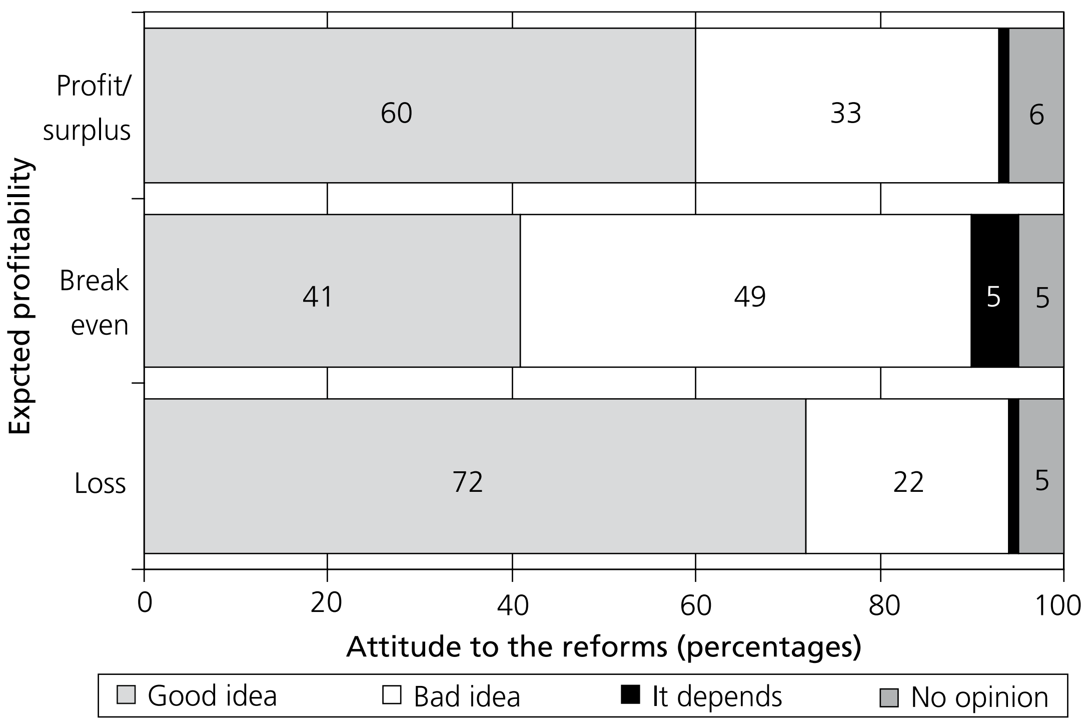
Table 3.13 Attitudes to workplace pension reforms, by nature of current pension provision

				Row percentages	*Weighted base*	*Unweighted base*
	Attitude to reforms					
Current provision	**Good idea**	**Bad idea**	**It depends**	**No opinion**		
Contributing 3.0% or more	78	14	2	6	*297*	*1,198*
Contributing 0.1-2.9%	44	47	8	1	*23*	*118*
Not contributing	61	33	2	3	*78*	*206*
No active members	56	36	2	6	*404*	*499*
Providing only PPs	(55)	(33)	(3)	(9)	*(125)*	*(52)*
No pension provision	51	42	2	5	*1,575*	*352*
All	56	37	2	5	*2,501*	*2,425*

Base: All private sector employers.

The link between attitudes towards the reforms and affordability is explored further in Figure 3.9. Employers were asked whether they expected the organisation to make a profit or loss in the 2009/10 financial year. Somewhat surprisingly, it was organisations that expected to break even that were least likely to think the reforms a good idea (41 per cent did so, compared with 60 per cent of those expecting to make a profit and 72 of those expecting to make a loss). A multivariate analysis was used to test whether this association was still apparent after controlling for current pension arrangements, employer size, industrial sector and awareness of the reforms. This showed that, irrespective of these other employer characteristics, employers who expected to break even were less likely to think the reforms a good idea than those who expected to make either a profit or a loss. The analysis also indicated that, regardless of other characteristics, employers already contributing three per cent or more to the pensions of employees in their largest scheme were more likely than those with no pension provision to think the reforms a good idea. Also, employers with less than five employees were more likely than those with more employees to approve of the reforms, having controlled for current provision, expected profits, awareness of the reforms and industrial sector. There was some limited evidence of an association between industrial sector and attitudes to the reforms once other characteristics of the employer were taken into account, with employers in the construction sector (Section F) being less likely to think the reforms a good idea compared to those in the other business services sector (Section K). There was no association, however, between the level of awareness of the reforms and attitudes towards them.

Figure 3.9 Attitudes to workplace pension reforms, by expected profitability in the 2009/10 financial year



Base: All private sector employers.

Employers with an existing pension scheme were asked their main reason for providing this (see Chapter 2 for an initial discussion). It is clear from Table 3.14 that employers who said that their main reason for providing a pension scheme was because it was a legal requirement were much less likely to think the reforms a good idea than employers providing a pension for other reasons. It is perhaps unsurprising that employers who had a positive motivation for providing a pension (such as the value that their employees attached to it) would be more likely to approve of the reforms than employers who provided a pension mainly because they believed that they were obliged to by law.

Table 3.14 Attitudes to workplace pension reforms, by reasons for providing a pension scheme

				Row percentages	*Weighted base*	*Unweighted base*
	Attitude to reforms					
Reasons for providing pensions	**Good idea**	**Bad idea**	**It depends**	**No opinion**		
Because employees value pension contributions	73	20	0	7	*27*	*110*
To recruit and retain staff	76	20	2	2	*103*	*442*
Because it is a legal requirement	39	49	4	8	*316*	*626*
To look after our employees after retirement	71	18	1	10	*268*	*415*
Other	77	19	2	2	*228*	*527*
All	63	29	2	6	*941*	*2,120*

Base: All employers with some form of pension provision.

4 Expected impact of the workplace pension reforms

Purpose

- This chapter describes the actions taken by employers to prepare for the workplace pension reforms and employers' expectations about their likely impact. It sets out the strategies that employers intend to follow in order to respond to any increase in total pension contributions which may result from the reforms. It also describes the views of employers on likely rates of opt-out by employees.

Summary

- Three-fifths (61 per cent) of employers had not thought about the reforms and a further quarter (26 per cent) had given them thought, but not taken action. This left 14 per cent who had done something to prepare for the reforms.
- Larger employers were more likely to have thought about the reforms or to have taken action than smaller employers, so that nearly two-fifths of employees (38 per cent) worked for organisations that had done some preparation. Only one-third (34 per cent) of those employers without any kind of existing pension scheme had either given the reforms some thought or done something to prepare for them.
- More than four-fifths (84 per cent) of employers reported that contributing three per cent to the pensions of all employees who did not opt out of provision would increase total pension contributions. Three-quarters (75 per cent) of employees worked for such organisations where the employer believed the reforms would increase pension contributions.

Continued

- Employers already contributing three per cent or more for employees in their largest workplace pension scheme were less likely to expect the reforms to increase total pension contributions than those making lower level, or no, pension provision. Nevertheless, over one-third (37 per cent) of employers already contributing three per cent or more anticipated that total pension contributions would rise.
- Employers were less likely to expect to increase prices to cover an increase in total pension contributions in 2009 compared to 2007 and were more likely to expect to respond by restructuring or reducing the workforce.
- Employers with existing pension provision expected a lower proportion of employees to opt out than employers without arrangements in place.
- Only one-fifth (22 per cent) of employers would consider early registration for automatic enrolment, with a further ten per cent saying that they would need more information before making a decision.

4.1 Preparedness for the reforms

Employers were asked to choose from a list of statements the one which best described their preparations for the workplace pension reforms. Table 4.1 shows that more than three-fifths of all private sector employers (61 per cent) had not thought about the reforms at all. Just over a quarter (26 per cent) had thought about the reforms, but not taken any action, leaving 14 per cent who had done something to prepare for them. Only two per cent of employers had developed a plan to comply with the reforms. Organisations whose existing pension arrangements were more generous than would be required by the reforms would not necessarily need to do anything to prepare for the reforms, but the levels of activity are low nonetheless, given that only 11 per cent of employers were making contributions of three per cent or more for some employees.

It is clear from Table 4.1 that larger employers were much more likely than smaller employers to have either thought about the workplace pension reforms or to have taken some form of action in response to them. Only one in ten employers with 500 or more employees had not thought about them at all, compared to nearly two-thirds of employers with less than five employees. Half of all employers with 500 or more employees had taken some form of action in response to the reforms, compared to only around of those with less than 50 employees. Even amongst those with between 250 and 499 employees, only around a third of employers had actually taken any action.

Nearly two-fifths of employees (38 per cent) worked for organisations that had done something to prepare for them (see the final column of Table 4.1). Nevertheless, over one-quarter (28 per cent) of employees worked for employers who had not thought about the reforms at all and a further one-third (35 per cent) were employed by companies that, despite having given some thought to the reforms, had not taken any action. Just four per cent of employees worked for a organisation that had put a plan in place to comply with the reforms.

Table 4.2 shows that only one-third (34 per cent) of those employers without any kind of existing pension scheme had either given the reforms some thought or done something to prepare for them. Those employers with a workplace pension scheme to which they were not contributing at the time of the survey were most likely to have either thought about the reforms or taken some type of action (71 per cent had done either of these things). Although employers that were already contributing three per cent or more appeared to be the group most likely to have put a plan in place to comply with the reforms, the differences between this group and others were not statistically significant. Similarly, a relatively high percentage of those with an existing scheme to which they were not contributing appeared to have sought external advice, but again the differences between this group and others on this item were not statistically significant.

Table 4.1 Preparations for the workplace pension reforms, by size of organisation

Column percentages

	Size of organisation							
Preparations for reforms	**1-4**	**5-19**	**20-49**	**50-249**	**250-499**	**500+**	**All organisations**	**All employees**
Not thought about them at all	63	57	53	45	22	10	61	28
Thought about them but not done anything yet	24	28	33	32	46	40	26	35
Had informal discussions	7	8	8	12	15	27	8	20
Had formal discussions	0	0	0	2	1	4	0	4
Sought advice from external sources	4	5	3	7	11	13	4	10
Put a plan in place to comply with the reforms	2	1	2	1	5	5	2	4
Weighted base	*1,857*	*518*	*102*	*46*	*4*	*5*	*2,532*	*2,512*
Unweighted base	*231*	*491*	*424*	*705*	*257*	*393*	*2,501*	*2,501*

Base: All private sector employers.

Table 4.2 Preparations for the workplace pension reforms, by type of current provision

Column percentages							
	Current provision						
Preparations for the reforms	Contributing 3% or more	Contributing 0.1-2.9%	No contributions	No active members	Providing only PPs	No provision	All
Not thought about them at all	51	58	29	59	(50)	66	61
Thought about them but not done anything yet	28	35	39	29	(43)	22	25
Had informal discussions	5	5	3	8	(5)	8	8
Had formal discussions	1	0	0	0	(1)	0	0
Sought advice from external sources	4	1	28	3	(0)	3	4
Put a plan in place to comply with the reforms	11	0	1	0	0	0	2
Weighted base	*294*	*23*	*72*	*403*	*125*	*1,568*	*2,485*
Unweighted base	*1,173*	*118*	*200*	*495*	*52*	*346*	*2,384*

Base: All private sector employers.

4.2 Likely impact on total pension contributions

Employers were asked whether contributing a minimum of three per cent for all employees who do not opt out of a qualifying scheme would mean an increase in the total pension contributions that their organisation would have to make. Table 4.3 shows that more than four-fifths (84 per cent) of employers anticipated that this would result in an increase in their total pension contributions. This proportion did not change to a statistically significant degree between 2007 and 2009.

Table 4.3 Views on the likely impact of a three per cent contribution rate on total pension contributions, 2007-09

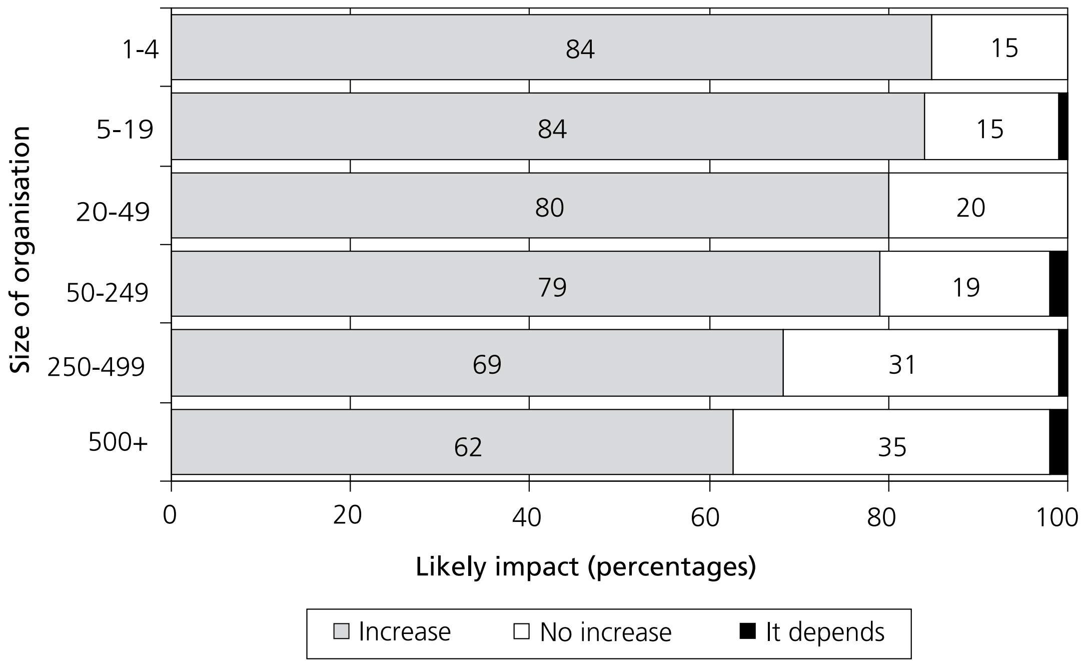
		Column percentages
Likely impact	**2007**	**2009**
Increase	80	84
No increase	18	16
It depends	2	0
Weighted base	*2,302*	*2,466*
Unweighted base	*2,325*	*2,479*

Base: All private sector employers.

The expected impact of a three per cent contribution rate varied with the size of the organisation, with employers with 500 or more employees less likely to say that it would increase their total contributions than employers in the smallest size bands (Figure 4.1). This is likely to reflect the fact that larger employers would be most likely to already contribute three per cent or more for at least some employees.

Table 4.4 shows that three-quarters (75 per cent) of employees worked for organisations where the employer anticipated that the pension reforms would oblige them to increase total pensions contributions. There was little change between 2007 and 2009 in the proportion of employees who worked for organisations that would be likely to need to increase total pensions contributions as a result of the reforms.

Figure 4.1 Likely impact of a three per cent contribution rate on total pension contributions, by size of organisation



Base: All private sector employers.

Table 4.4 Views on the likely impact of a three per cent contribution rate on total pension contributions, 2007-09, weighted by employment

		Column percentages
Likely impact	**2007**	**2009**
Increase	76	75
No increase	22	24
It depends	2	1
Weighted base	*2,360*	*2,479*
Unweighted base	*2,325*	*2,479*

Base: All private sector employers.

Unsurprisingly, employers already contributing three per cent or more to the pensions of employees in their largest pension scheme were less likely to say that the workplace pension reforms would result in an increase in their total pensions contributions than employers making lower level, or no, pension provision (Table 4.5). However, the fact that more than one-third (37 per cent) of employers already contributing three per cent or more for staff in their largest pension scheme still anticipated that their total pensions contributions would increase as a result of the reforms, implies that they were either not contributing at this level for all current active members or that they expected a higher rate of membership after the reforms.

Table 4.5 Likely impact of a three per cent contribution rate on total pension contributions, by pensions profile

			Row percentages	*Weighted base*	*Unweighted base*
	Likely impact				
Current provision	**Increase**	**No increase**	**It depends**		
Contributing 3.0% or more	37	62	0	*296*	*1,184*
Contributing 0.1-2.9%	91	9	0	*23*	*118*
Not contributing	98	1	0	*68*	*198*
No active members	92	8	0	*394*	*485*
Providing only PPs	(84)	(16)	(0)	*124*	*51*
No pension provision	91	9	0	*1,525*	*331*
All	84	15	0	*2,429*	*2,367*

Base: All private sector organisations.

Employers with a workplace pension scheme were least likely to believe that the reforms would result in an increase in their total pensions contributions if they already offered an occupational pension scheme as their largest pension arrangement (Table 4.6). Only one-third (32 per cent) of this group expected their total contributions to increase. In contrast, the majority of employers (78 per cent) whose largest workplace scheme was a stakeholder pension (SHP) scheme expected their total pensions contributions to increase. This is likely to be because employers with occupational pension schemes were much more likely to be contributing at least three per cent, with most contributing more than six per cent.

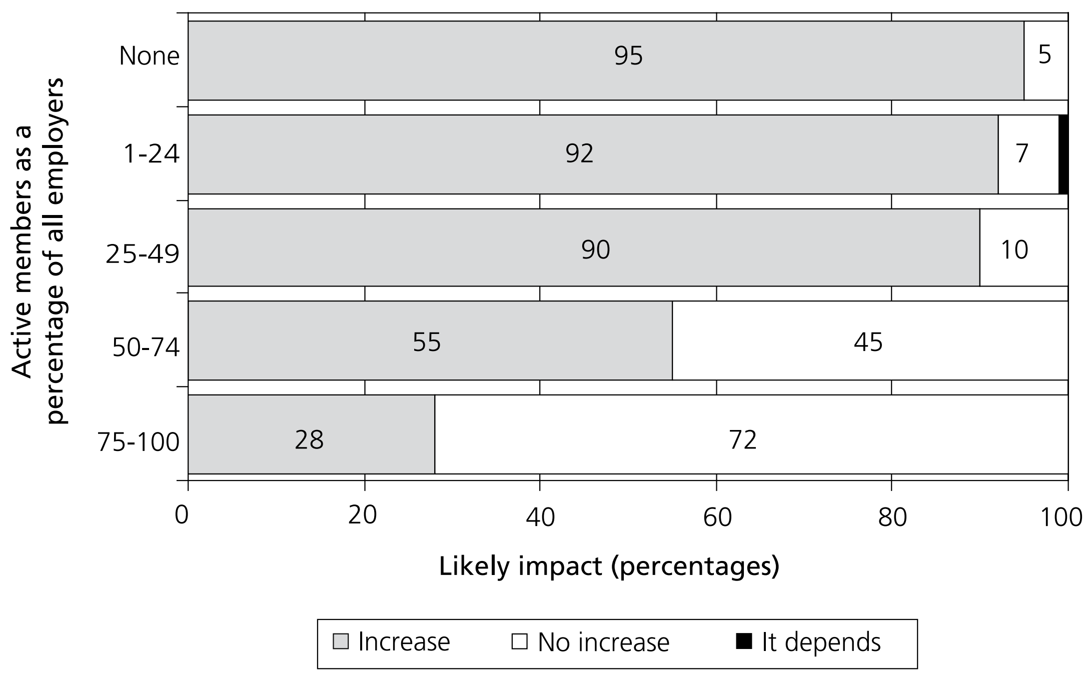
Figure 4.2 shows that the likelihood that the employer expected total pension contributions to rise following the reforms varied with the proportion of employees who were active members of existing pension schemes. Unsurprisingly, where less than half of all employees were members of an existing pension scheme, the vast majority of employers expected total pension contributions to increase following the reforms. At the other end of the spectrum, only just over a quarter of employers who reported that three-quarters or more of employees were already active members of a pension scheme expected their total pension contributions to increase.

Table 4.6 Likely impact of a three per cent contribution rate on total pension contributions, by type of largest workplace pension scheme

			Row percentages	*Weighted base*	*Unweighted base*
	Likely impact				
Type of largest scheme	**Increase**	**No increase**	**It depends**		
Stakeholder	78	22	0	*627*	*1,027*
GPP	57	42	1	*101*	*622*
Occupational	32	67	1	*66*	*411*
All	72	28	0	*795*	*2,060*

Base: All employers with a workplace pension scheme.

Figure 4.2 Likely impact of a three per cent contribution rate on total pension contributions, by percentage of employees who are active members of all schemes



Base: All employers with a pension scheme.

It appeared that employers who did not expect their total pension contributions to increase as a result of the workplace pension reforms were more likely to be aware of the reforms than employers who expected contributions to increase, however the difference was not statistically significant. Therefore, there was no firm evidence that those employers who were most likely to be affected by the reforms were more or less aware of them.

Employers were asked to estimate the proportion of employees they thought would opt out of pension arrangements after the workplace pension reforms are introduced.[24] Those who thought that the reforms would increase their total pension contributions typically expected a higher proportion of their employees to opt out of pension arrangements than employers who did not expect the reforms to affect total pensions contributions (Table 4.7). It may be that, as many of those employers who expected an increase in contributions were not providing pensions at the time of the survey (see Table 4.5), they also typically expected employees to be disinterested in pension membership once the reforms are in place.

Table 4.7 Proportion of employees expected to opt out of pension provision after reforms, by likely impact of a three per cent contribution rate on total pension contributions

Row percentages

	Expected rate of opt-out				*Weighted base*	*Unweighted base*
	Zero	**1-49%**	**50-99%**	**100%**		
Increase	32	9	22	37	*1,468*	*1,433*
No increase	67	13	11	9	*300*	*460*

Base: All private sector employers.

Notes: This excludes all private sector employers where the respondent was uncertain whether a three per cent contribution rate would raise total pension contributions.

4.3 Strategies to deal with any increase in total contributions

All employers were asked how they would be likely to respond to any increase in the total cost of pension contributions, should this be the case. In both 2007 and 2009, around one in ten employers did not know how they would be likely to respond (Table 4.8). Almost one-third of employers said that they would seek to absorb the increase in costs out of profits, or higher overheads. This proportion remained fairly constant between 2007 and 2009. Other responses that were commonly mentioned were to increase prices (15 per cent in 2009), offer lower wage rises (18 per cent in 2009), or to restructure the workforce (16 per cent in 2009). However, employers were less likely in 2009 than in 2007 to say that they would seek to increase prices and were more likely to say that they would seek to cover the increase in total pensions contributions by restructuring or reducing the size of the workforce. This suggests that changes in the economic climate between 2007 and 2009 may have affected the ways in which employers expect to respond to the reforms. It seems that employers feel less able to pass on any

24 Employers' expectations in respect of employee opt-out rates are discussed in more detail in Section 4.4.

increase in costs to customers through higher prices and instead are more likely to expect employees to bear some of the cost increase.

Table 4.8 Strategies in response to increase in total pension contributions 2007-09

		Column percentages
Strategies in response to increase in total contributions	**2007**	**2009**
Absorb in profits/other overheads	30	31
Lower wage increases	14	18
Restructure workforce	8	16
Increase prices	23	15
Other	16	7
Don't know/no answer	10	13
Weighted base	*2,397*	*2,550*
Unweighted base	*2,399*	*2,550*

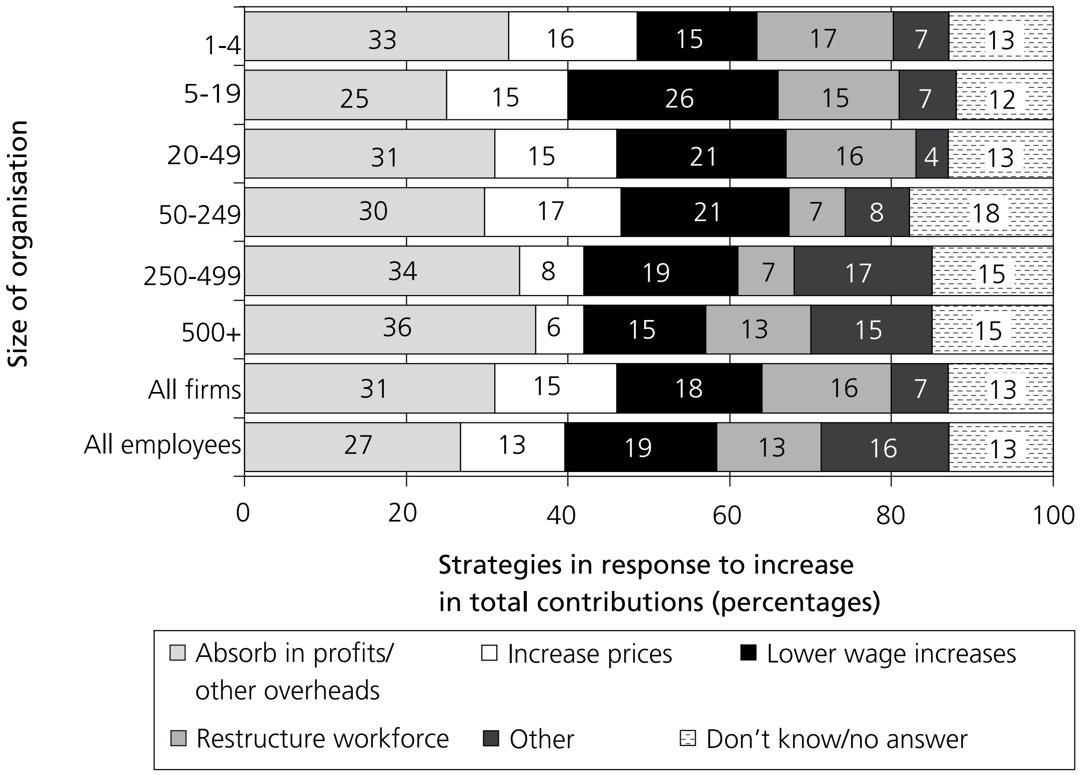
Base: All private sector employers (whether they expected an increase or not).

There was little clear evidence of a linear association between organisation size and the strategies that organisations considered that they were likely to adopt (Figure 4.3). However, employers with less than 250 employees were more likely to say that they would seek to respond to the reforms by raising prices than larger employers. The very largest and very smallest employers appeared to be less likely to seek to pass on the costs of an increase in total pension contributions to their workforce through lower wage rises compared to other employers, whereas employers with between 50 and 499 employees were least likely to reduce or restructure the workforce.

The final row of Figure 4.3 shows that two-fifths (40 per cent) of employees worked for employers who expected to be able to absorb the cost of an increase in total pension contributions as a result of the workplace pension reforms into overheads, through profits, or by passing on the increase in costs to customers. A further one-third (32 per cent) worked for employers who expected to respond by either offering lower wage rises or restructuring the workforce.

There were some signs that employers who were already contributing three per cent or more to the pensions of employees in their largest pension scheme expected to act differently in response to any increase in total pension contributions than other employers (Table 4.9). For example, they were more likely to say that they would seek to absorb any increase into profits or overheads and were less likely to say that they would increase prices or restructure the workforce than those with no current pension provision. However, since a smaller proportion of employers already contributing in excess of three per cent anticipated that the reforms would result in an increase in total pension contributions (see Table 4.5), the difference in the strategies that they expected to follow may be due to an expectation of lower-level increases compared to employers with less generous existing pension arrangements.

Figure 4.3 Strategies in response to increase in total pension contributions, by size of organisation



Base: All private sector employers (whether they expected an increase or not).

Figure 4.4 shows that there were some differences in likely responses to the workplace pension reforms depending on the employers' expectations about likely financial performance in the 2009/10 financial year. Eight per cent of employers expecting to make a loss said that they would respond to any increase in total contributions by increasing prices, compared with 18 per cent of employers expecting to make a profit. Presumably this reflects the fact that those operating in more competitive product markets are less able to pass on any increase in costs to customers. Also, those expecting to make a profit were less likely to say that they would be likely to reduce or restructure the workforce (nine per cent) than employers expecting to only break even (22 per cent) or make a loss (33 per cent).

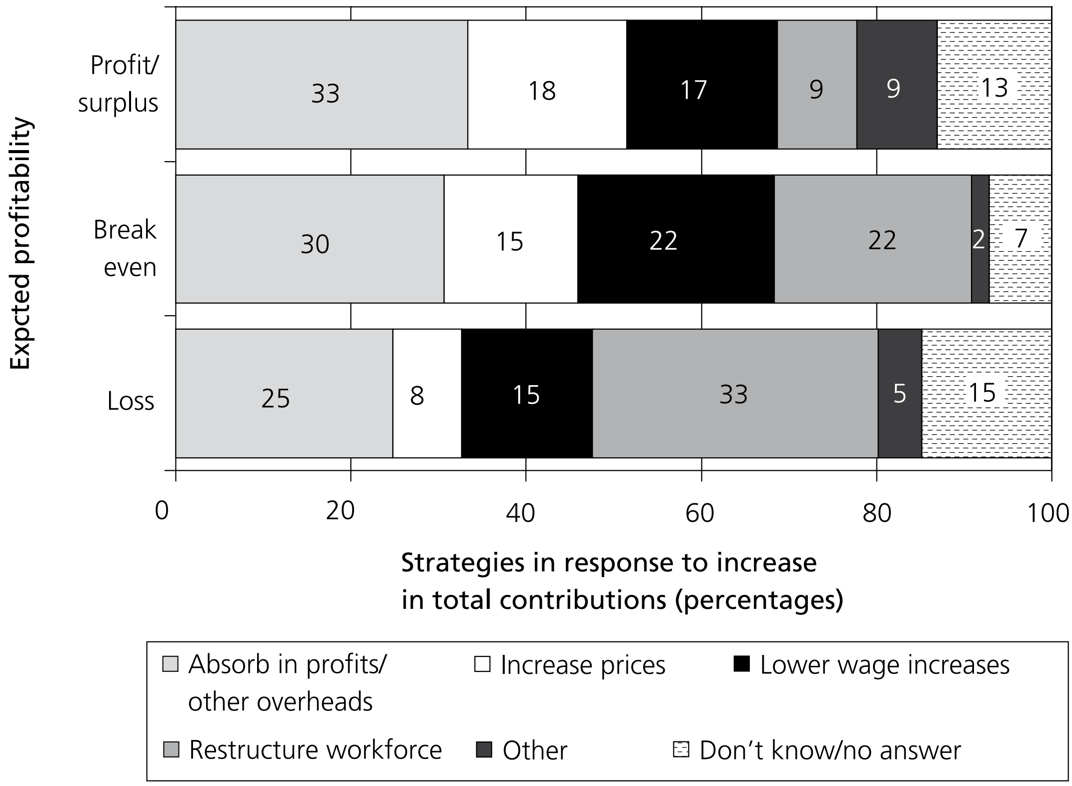
Table 4.9 Strategies in response to increase in total pension contributions, by type of current provision

Column percentages

	Current provision						
Strategies in response to increase in total contributions	**Contributing 3% or more**	**Contributing 0.1-2.9%**	**No contributions**	**No active members**	**Providing only PPs**	**No provision**	**All**
Absorb in profits/overheads	53	35	26	29	(31)	28	31
Increase prices	5	10	10	13	(18)	19	16
Lower wage increases	15	24	19	27	(27)	15	18
Restructure workforce	3	18	15	14	(3)	21	17
Other	6	1	8	1	(3)	8	7
Don't know/no answer	19	12	21	17	(18)	9	12
Weighted base	*297*	*23*	*78*	*404*	*125*	*1,575*	*2,501*
Unweighted base	*1198*	*118*	*206*	*499*	*52*	*352*	*2,425*

Base: All private sector employers (whether they expected an increase or not).

Figure 4.4 Strategies in response to increase in total pension contributions, by expected profitability in the 2009/10 financial year



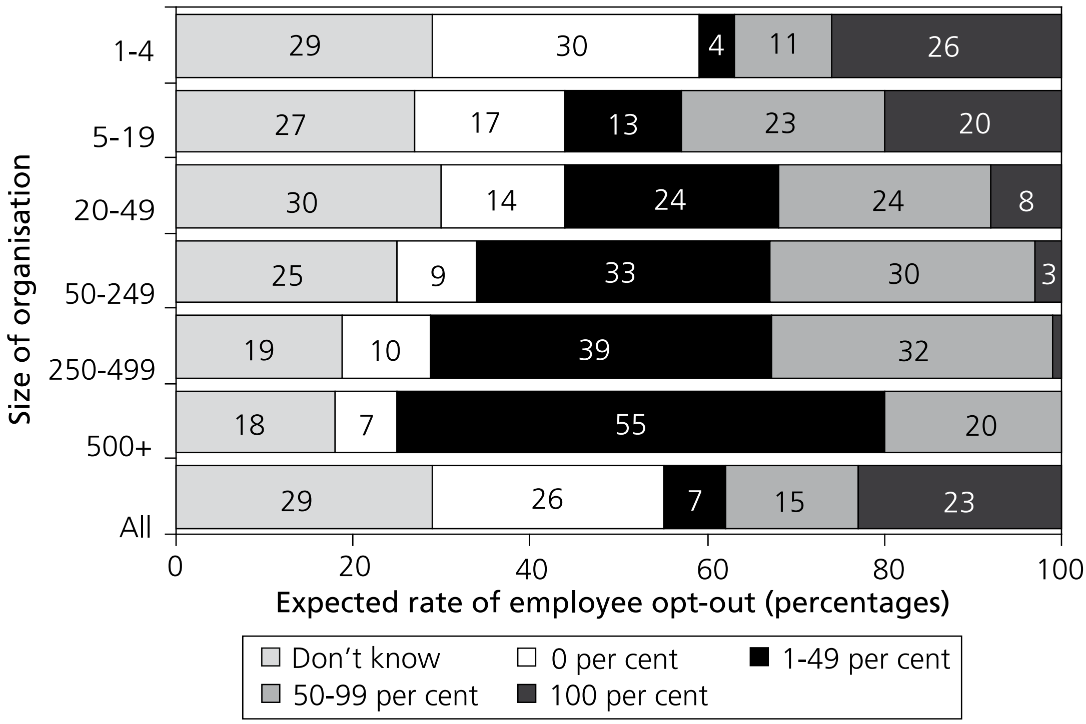
Base: All private sector employers (whether they expected an increase or not).

4.4 Expectations in respect of employees' reactions

Employers were asked to estimate the proportion of employees in their organisation who would be likely to opt out of any pension scheme after the introduction of the workplace pension reforms. The final row of Figure 4.5 shows that a little under one-third (29 per cent) of all employers were unable to say what proportion of employees would be likely to opt out. Around one-quarter (26 per cent) of employers did not expect any employees to opt out of pension provision, whilst a further quarter (23 per cent) expected all employees to choose not to participate. On average, employers who estimated the proportion of employees likely to opt-out of pension provision following the introduction of the workplace pension reforms expected that just over one-third of the workforce (36 per cent) would choose to opt out.[25]

[25] In complementary research among individuals (Bourne *et al.*, 2010), the majority of eligible workers (65 per cent) said that they would stay in a workplace pension scheme if automatically enrolled, including one in three (31 per cent) who said they would definitely stay in. Fifteen per cent of eligible workers were unsure of what they would do, saying *'it depends'*.

Figure 4.5 Expected rate of employee opt-out, by size of organisation



Base: All private sector employers.

Smaller employers appeared to find it more difficult than larger employers to estimate the proportion of employees who could be expected to opt out of pension provision after the workplace pension reforms (Figure 4.5). This may be because larger employers were more likely to already have pension arrangements in place and so were already aware of the extent of their workforce's interest in pensions. The very smallest employers (those with fewer than five employees) were more likely than others to expect no employees to opt-out of the pension arrangements, but it is unsurprising that there should be greater divergence in what employees would be expected to do in organisations with more employees. Likewise it is unsurprising that larger employers were less likely to expect all employees to opt-out of pension provision. However, Figure 4.5 does suggest that larger employers expected lower rates of opt-out than smaller employers, with more than three-fifths (62 per cent) of all employers with 500 or more employees expecting less than half of the workforce to opt-out of pension provision after the reforms, compared to only around one-third (34 per cent) of employers with less than five employees.

There was some variation in employers' expectations across industry sectors (Table 4.10). Expected opt-out rates were comparatively high among employers in Section J (financial intermediation) and comparatively low in Section G (wholesale and retail). Employers in Sections H (hotels and restaurants) and N (health and social work) were least likely to be willing to estimate the rate of employee opt-out.

Table 4.10 Expected rate of employee opt-out, by industry sector

Row percentages

	Expected rate of employee opt-out						
Industry	**Don't know**	**0%**	**1-49%**	**50-99%**	**100%**	*Weighted base*	*Unweighted base*
Manufacturing	25	16	13	29	15	*227*	*465*
Construction	29	25	7	19	20	*219*	*168*
Wholesale and retail	22	39	4	17	18	*433*	*380*
Hotels and restaurants	49	7	5	13	26	*188*	*150*
Transport, storage and communication	28	12	18	18	24	*101*	*97*
Financial intermediation	5	24	33	1	36	*22*	*72*
Other business services	24	33	7	10	26	*833*	*648*
Health and social work	44	19	9	17	10	*163*	*317*
Other community and personal services	33	26	3	11	26	*262*	*174*

Base: All private sector employers.

Table 4.11 shows that employers with no current pension provision were less likely to be able to estimate the proportion of employees likely to opt out of pension arrangements after the reforms than employers with some sort of provision already in place. There were signs that employers with existing pension arrangements expected a lower rate of opt-out than employers without arrangements in place, and were much less likely to expect all employees to opt out following the reforms. This suggests either that employees who worked for employers who offered low, or no, pension provision at the time of the survey were different to those who worked for employers with some pre-existing arrangements, or that their employers were less aware of likely rates of opt-out because they did not have experience of pension provision.

Table 4.11 Expected rate of employee opt-out, by type of current provision

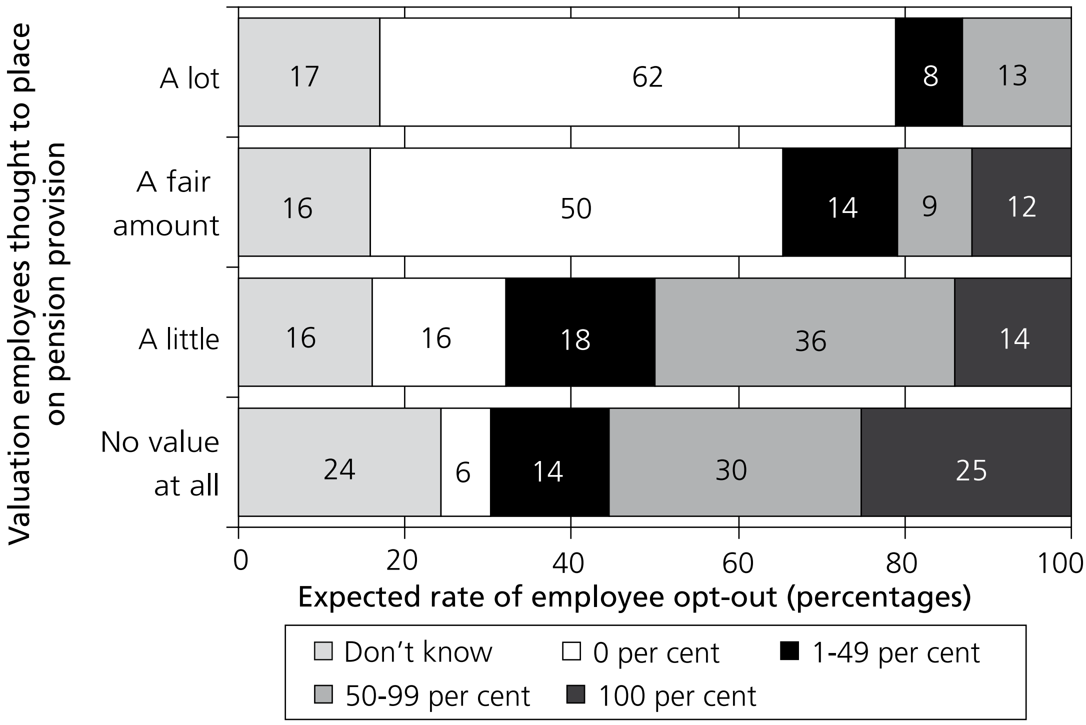
				Row percentages		*Weighted base*	*Unweighted base*
Current provision	**Don't know**	**0%**	**1-49%**	**50-99%**	**100%**		
Contributing 3.0% or more	16	51	18	15	1	*297*	*1,198*
Contributing 0.1-2.9%	25	48	9	18	0	*23*	*118*
Not contributing	20	30	14	31	4	*78*	*206*
No active members	21	10	11	29	29	*404*	*499*
Providing only PPs	(15)	(9)	(15)	(37)	(23)	*125*	*52*
No pension provision	34	26	3	8	28	*1,575*	*352*
All	29	26	7	15	24	*2,501*	*2,425*

Base: All private sector organisations.

It is apparent from Figure 4.6 that employers who believed that their employees attached greater value to pension provision expected a lower rate of opt-out by employees following the workplace pension reforms. It is unsurprising that employees who were thought to value pension provision would be less likely to choose not to take it up. However, even amongst those employers who did not think that their employees valued pension provision, the majority expected at least some take-up.

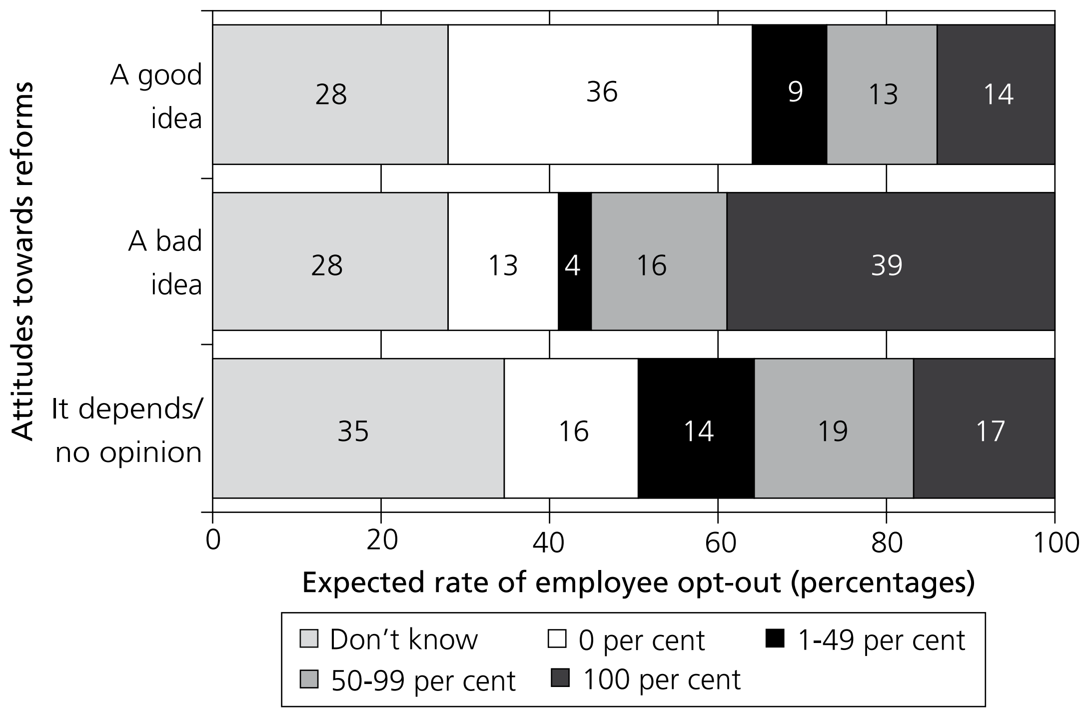
Employers who thought the pension reforms a good idea expected a lower rate of opt-out by employees than employers who considered them a bad idea (Figure 4.7). This may reflect the fact that a high proportion of employers who stated that they did not offer pension provision at the time of the survey interview as there was no demand from employees, thought that the pension reforms were a bad idea.

Figure 4.6 Expected rate of employee opt-out by value employees thought likely to place on provision



Base: All private sector employers.

Figure 4.7 Expected rate of employee opt-out, by attitudes towards reforms



Base: All private sector employers.

4.5 Interest in early registration for automatic enrolment

Employers were asked whether they would like to be able to automatically enrol their employees into a qualifying pension scheme before they are required to as part of the workplace pension reforms. They were told that they would need to register the scheme with the Regulator, would not be able to change their mind once they had notified them and would have to comply with all the requirements.

Table 4.12 shows that only around one-fifth (22 per cent) of employers said that they would consider early registration, with a further one in ten saying that they would need more information before making a decision. Two-thirds (67 per cent) of employers said that they would not consider early registration. As employers were not told of any advantages from choosing to register early, it is unsurprising that a high proportion were not willing to register for automatic enrolment in advance of the reforms.

Table 4.12 Interest in early registration, by size of organisation

Column percentages

	Size of organisation							
Interest in early registration	**1-4**	**5-19**	**20-49**	**50-249**	**250-499**	**500+**	**All firms**	**All employees**
Yes	22	20	21	26	31	32	22	28
No	69	63	60	55	53	51	67	58
Would need more information	8	16	18	17	15	14	10	12
Don't know	1	1	2	2	1	3	1	2
Weighted base	*1,835*	*509*	*99*	*46*	*4*	*5*	*2,497*	*2,454*
Unweighted base	*225*	*483*	*410*	*689*	*250*	*378*	*2,435*	*2,435*

Base: All private sector organisations.

Employers who were contributing three per cent or more for employees in the largest pension scheme at the time of the survey interview were more likely to say that they would consider early registration for automatic enrolment than employers who did not provide pensions at all (Table 4.13). The relative willingness of employers already contributing three per cent or more to register before the reforms take effect is likely to be due to the fact that they would need to do least in order to comply with the reforms and may already use some form of streamlined joining for an existing pension scheme.

Table 4.13 Interest in early registration, by type of current provision

Column percentages

	Current provision						
Interest in early registration	**Contributing 3% or more**	**Contributing 0.1-2.9%**	**No contributions**	**No active members**	**Providing only PPs**	**No provision**	**All**
Yes	37	22	13	24	(22)	18	21
No	50	57	51	63	(73)	72	67
Would need more information	9	16	30	13	(5)	9	10
Don't know	3	5	7	0	(0)	1	1
Weighted base	*291*	*23*	*73*	*397*	*125*	*1,545*	*2,454*
Unweighted base	*1143*	*116*	*198*	*482*	*52*	*332*	*2,323*

Base: All private sector employers.

5 Employers with workplace pension schemes: intentions for current members

Purpose

- This chapter outlines how employers with workplace pension schemes expect to react to the workplace pension reforms in respect of the current members of their pension scheme(s). It covers the type of pension scheme(s) they intend to provide for these members after the reforms are implemented and the rate at which they expect to contribute.

Summary

- Around three-quarters (74 per cent) of employers with workplace pension schemes expected to keep all current members within their largest workplace scheme. A further ten per cent expected to retain some current members within their largest scheme but to enrol the remainder into the National Employment Savings Trust (NEST). Smaller proportions expected to move all current members into a new qualifying scheme (five per cent) or to move them all into NEST (four per cent).
- Those employers currently making a contribution of exactly three per cent to their largest workplace scheme, and those currently making no contribution, were the most likely to expect to set up new schemes following the reforms.

Continued

- Just under one-third (31 per cent) of employers expected to make a contribution of exactly three per cent once the reforms are in place. A similar proportion (29 per cent) expected to make a contribution of between 3.1 and 5.9 per cent, and two-fifths (40 per cent) expected to make a contribution of six per cent or more.
- The expected contributions to NEST schemes and new qualifying schemes were lower, on average, than the expected contributions to retained schemes.
- Among those employers currently contributing at least three per cent to their largest workplace scheme, 90 per cent expected to retain the same contribution rate for existing members after the reforms, whilst four per cent expected to contribute more than their existing rate and six per cent expected to contribute less.
- Most employers did not expect to treat the members of smaller schemes differently from existing members in the largest schemes, either in terms of the enrolment destination or the expected rate of contributions.

5.1 Introduction

This chapter – and the two which follow – focus on the types of pensions that employers are likely to provide once the workplace pension reforms are introduced. The chapters focus on two specific elements of provision: first, the type of scheme into which employees are likely to be enrolled; and second, the size of the contribution that employers are likely to make. This chapter and Chapter 6 focus on employers that already have a workplace pension scheme: this chapter looks at their likely actions for employees who are already members of an existing pension scheme, whilst Chapter 6 considers their likely actions for non-members and new employees. Chapter 7 then considers the likely reactions of those employers who do not currently provide a workplace pension scheme ('non-providers').

As noted in Chapter Two, contributions to employees' personal pensions (PPs) are not considered to be a form of workplace pension provision. Accordingly, those employers which only make contributions to employees' PPs, and have no other form of pension provision, appear in Chapter 7 rather than in this chapter and Chapter 6.

5.2 Enrolment destination

Employers with an existing workplace pension scheme were asked about the type of scheme into which they would be likely to enrol the current members of their largest workplace pension scheme. Specifically, they were asked whether they would be likely to keep some or all of these members within their current scheme, enrol some or all of them into NEST, enrol some or all of them into a new qualifying scheme, or do something else.[26] Respondents were allowed to provide more than one answer, to account for instances in which their intentions differed for subsets of their current members. Table 5.1 shows that almost nine in ten employers with a workplace scheme (87 per cent) intended to keep some or all of the current members of their largest scheme within that scheme. Fifteen per cent expected to enrol at least some of the members into NEST, whilst eight per cent expected to enrol some into a new qualifying scheme. Four per cent cited some other action.[27] It was apparent that those employers currently making a contribution of exactly three per cent to their largest workplace scheme, and those currently making no contribution, were the most likely to expect to set up new schemes following the reforms.

Table 5.1 Likely enrolment destinations for current members of largest workplace scheme, by current contribution rate in largest workplace scheme

Cell percentages

	Contribution rate for current largest scheme					
Likely destinations (multiple response)	**6.0%+**	**3.1-5.9%**	**3.0%**	**0.1-2.9%**	**None**	**All**
Retain some/all in existing scheme	97	92	77	90	65	87
Some/all into NEST	3	15	32	15	37	15
Some/all into new qualifying scheme	4	9	12	8	16	8
Other unspecified action	0	0	2	1	14	4
Weighted base	*168*	*77*	*33*	*22*	*74*	*384*
Unweighted base	*538*	*431*	*141*	*105*	*189*	*1,429*

Base: All employers with active members in largest workplace scheme.

Note: 'All' column also includes 25 providers who did not know their contribution rate.

It was noted above that respondents could necessarily cite more than one destination for current members in their largest scheme. Table 5.2 unpacks this information in order to present the most commonly cited combinations.[28] Overall, around three-quarters (74 per cent) of employers who had some active members in their largest workplace scheme expected to keep all of these members in that

26 NEST was known as Personal Accounts at the time of the interview and was referred to as such in the survey instruments.

27 No further information was collected on what these employers planned to do.

28 Less common combinations are grouped in the row titled 'Other specific combinations'.

scheme. The type of provision made for current members would thus remain unchanged for this group. A further ten per cent expected to retain some current members within their largest scheme but to enrol the remainder into NEST. Smaller proportions expected to move all current members into a new qualifying scheme (five per cent) or to move them all into NEST (four per cent). Retaining all current members within their existing scheme was the overwhelming option chosen by current providers contributing at least six per cent to their current largest scheme (93 per cent chose this option). Table 5.3 shows that there was no strong association between the expected enrolment destination and organisation size.

Table 5.2 Likely enrolment destination for current members of largest scheme (single-code), by current contribution rate in largest scheme

Column percentages

	Contribution rate for current largest scheme					
Likely destination (single code)	**6.0%+**	**3.1-5.9%**	**3.0%**	**0.1-2.9%**	**None**	**All**
Retain all in existing scheme	93	76	55	79	37	74
All into NEST	0	4	15	4	8	4
All into new qualifying scheme	3	4	6	5	12	5
Retain some in existing; others to NEST	3	11	16	9	25	10
Other specific combinations	1	5	6	3	4	3
Other unspecified action	0	0	2	1	14	4
Weighted base	*168*	*77*	*33*	*22*	*74*	*384*
Unweighted base	*538*	*431*	*141*	*105*	*189*	*1,429*

Base: All employers with active members in largest workplace scheme.

Note: 'All' column also includes 25 providers who did not know their contribution rate.

Table 5.3 Likely enrolment destination for current members of largest scheme (single-code), by size of organisation

Column percentages

	Size of organisation					
Likely destination (single-code)	**1-19**	**20-49**	**50-249**	**250-499**	**500+**	**All**
Retain all in existing scheme	76	67	66	78	76	74
All into NEST	3	6	4	3	3	4
All into new qualifying scheme	5	8	7	8	4	5
Retain some in existing; others to NEST	11	6	10	3	4	10
Other specific combinations	1	9	11	6	12	3
Other unspecified action	4	3	1	2	2	4
Weighted base	*300*	*46*	*31*	*3*	*5*	*384*
Unweighted base	*180*	*210*	*498*	*203*	*338*	*1,429*

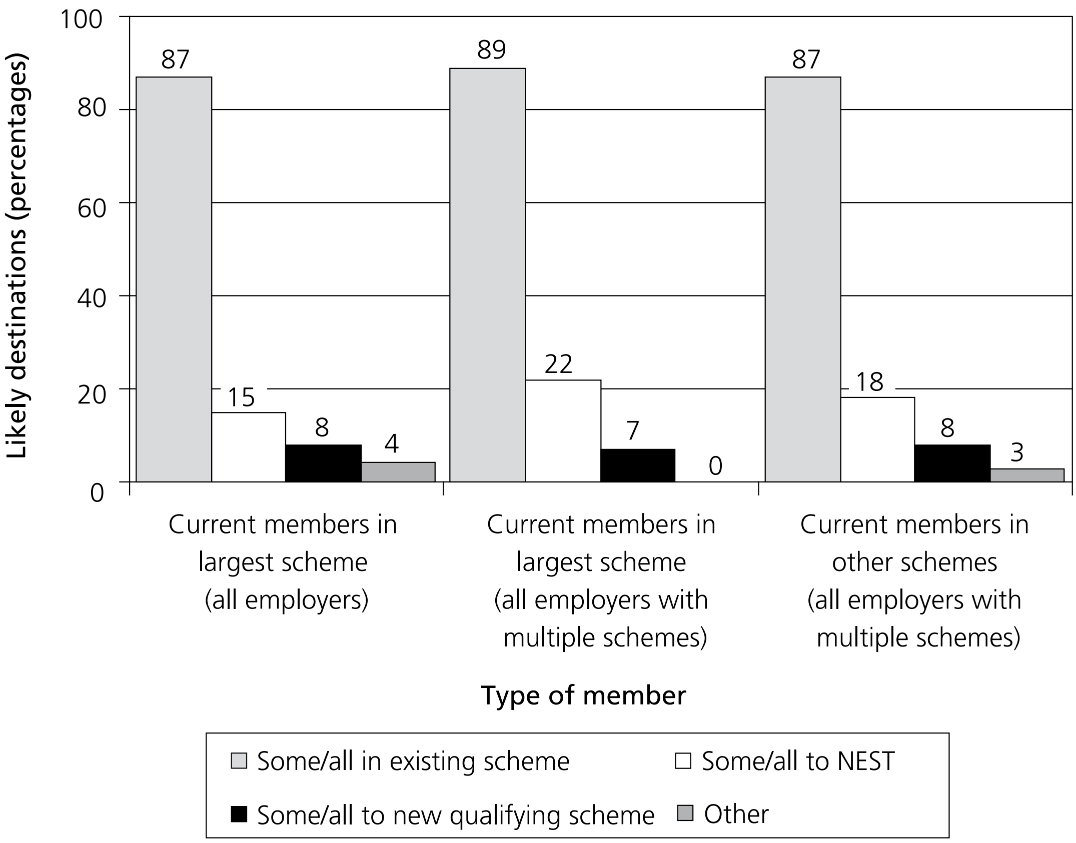
Base: All employers with active members in largest workplace scheme.

Employers who noted that they expected to enrol at least some of their existing members into NEST were asked to state the reasons for this choice. Many (48 per cent) could not give a specific reason, implying that they had not given the issue much thought prior to the interview. The most common specified reasons were ‘ease and convenience’ (17 per cent) and ‘to consolidate schemes’ (12 per cent).

Employers with multiple pension schemes were also asked about their intended destination for members in schemes other than the current largest scheme.

Figure 5.1 presents the results. The first set of columns presents the responses given by all employers (a repeat of the final column of Table 5.1). The second column then presents the responses given in respect of members of the largest scheme by the subset of employers with multiple schemes. Finally, the third column presents the responses given by this subset in respect of members of schemes other than the largest. A comparison of the second and third sets of columns indicates that employers had very similar expectations in respect of members of their largest scheme and members of smaller schemes. Most employers were therefore not expecting to treat the members of smaller schemes differently in terms of the type of scheme, once the reforms are in place.

Figure 5.1 Likely enrolment destinations for current members in largest scheme and other schemes



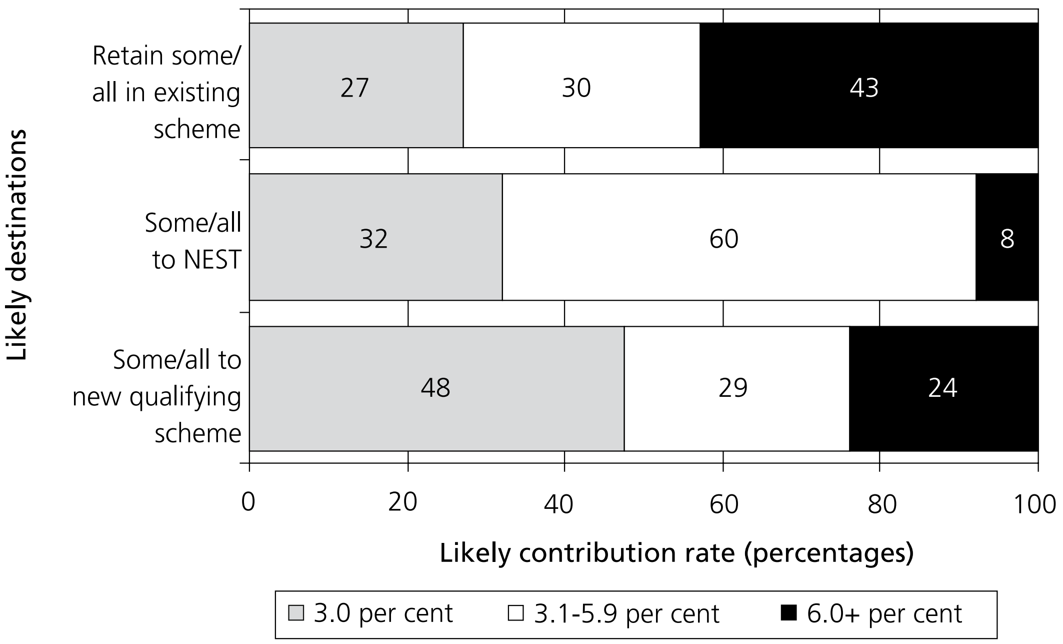
Base: All employers citing the relevant enrolment destination for at least some current members in their largest workplace scheme.

Those employers that had multiple schemes and which expected to retain their smaller existing schemes were asked whether they expected to consolidate their existing schemes. Only five per cent said that they did expect to do so, whilst 84 per cent did not and 11 per cent did not know.

5.3 Contribution rate

In addition to being asked about the type of scheme that they were likely to provide for current members, providers were also asked about the rate at which they expected to contribute for these members. Overall, just under one-third (31 per cent) of providers expected to make a contribution of exactly three per cent, a similar proportion (29 per cent) expected to make a contribution of 3.1-5.9 per cent and two-fifths (40 per cent) expected to make a contribution of six per cent or more. Figure 5.2 shows how the expected contribution rate varied by the expected enrolment destination. Around four-fifths (73 per cent) of those employers who expected to retain their largest scheme were expecting to contribute more than the required minimum of three per cent to that scheme once the reforms were in place. The expected contributions to NEST schemes and new qualifying schemes were lower, on average. Around two-thirds (68 per cent) of those employers who were expecting to enrol at least some of their existing members into NEST were expecting to contribute more than three per cent. The same was true of only half (52 per cent) of those employers expecting to set up a new qualifying scheme.

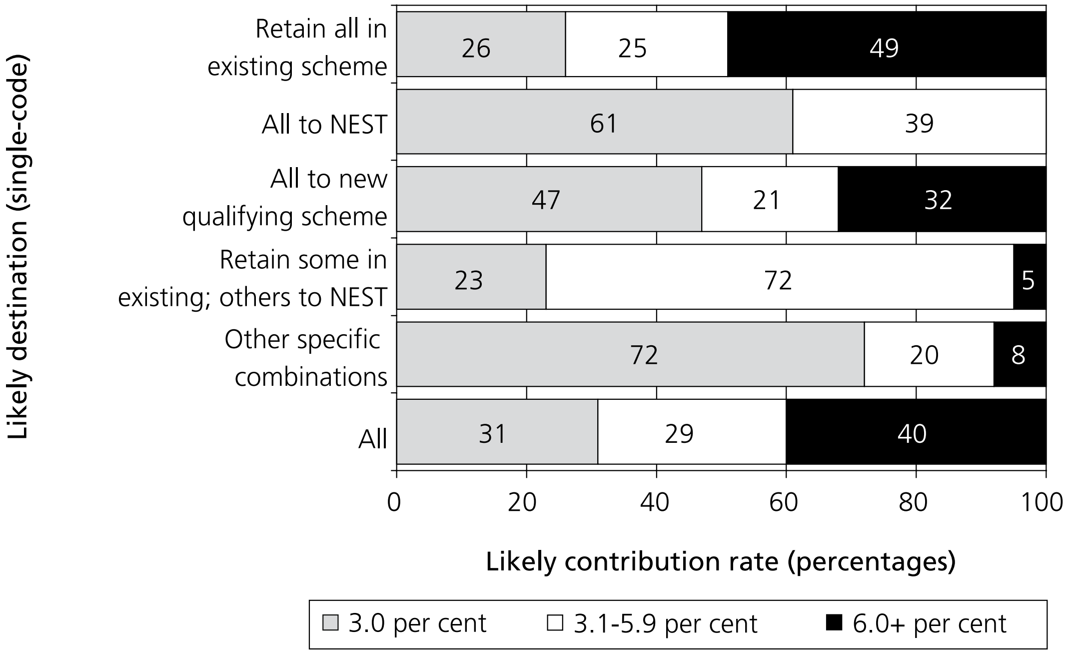
Figure 5.2 Likely contribution rate for current members in largest scheme, by likely enrolment destinations



Base: All employers citing the relevant enrolment destination for at least some current members in their largest workplace scheme.

Figure 5.3 adds to the analysis by identifying the expected contribution rate according to the combination of destinations reported by the employer. In cases where an employer cited multiple destinations, the figure identifies the minimum contribution rate specified across those destinations. The expected contribution rates among employers aiming to make use of NEST schemes differed according to whether the employer expected to move all of their existing members into NEST or to move only a subset of their existing members. The majority (61 per cent) of those employers expecting to move all of their existing members to NEST were expecting to make a contribution of only three per cent, whereas the majority (77 per cent) of those moving only a subset were expecting to contribute more than three per cent.

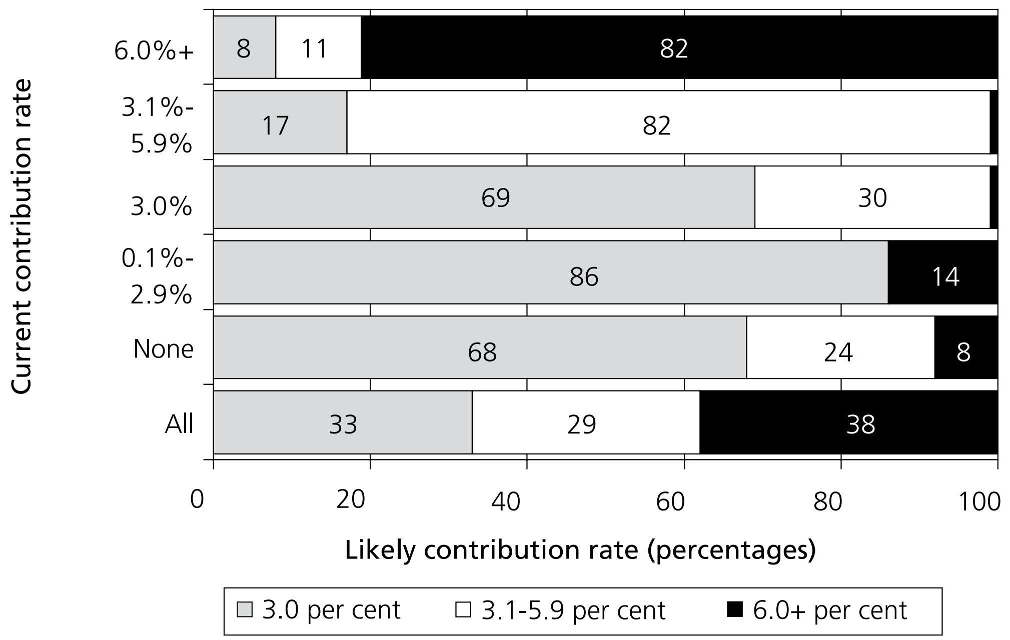
Figure 5.3 Likely contribution rate for current members in largest scheme, by likely enrolment destination (single-code)



Base: Employers citing the relevant enrolment destination for at least some current members in their largest workplace scheme.
Notes: 'All' category excludes 27 cases where the enrolment destination was unspecified. Categories 'All into NEST', 'Retain some in existing; others to NEST' and 'Other specific combinations' each based on between 50 and 99 cases.

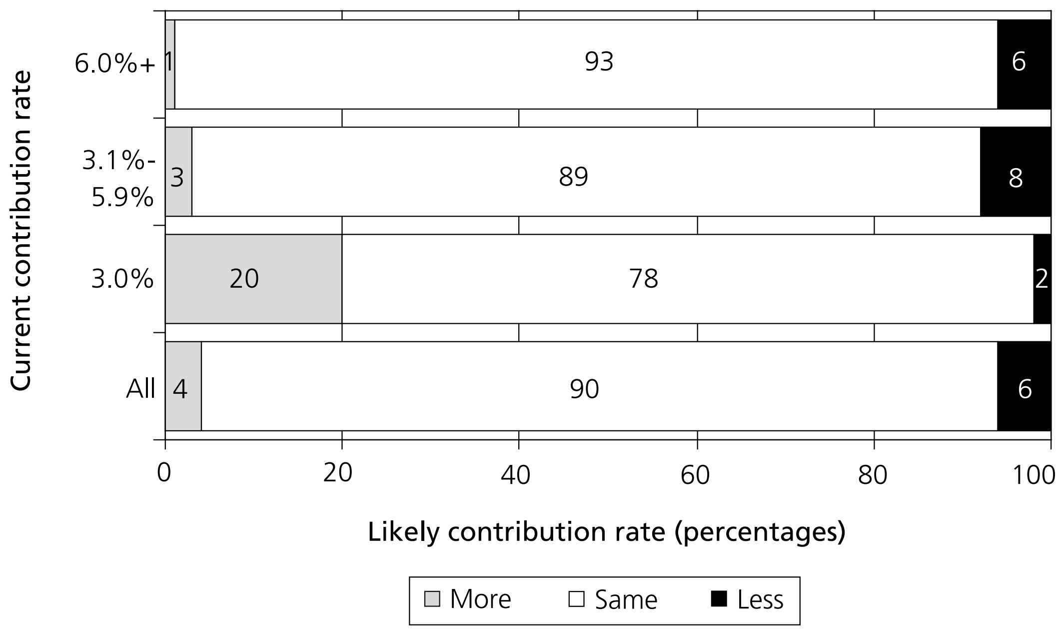
Clearly, one might expect the anticipated contribution rate for existing members, post-reform, to be influenced by the employer's current contribution rate for those members. Figure 5.4 shows this to be the case. For example, some 82 per cent of those employers currently contributing at least six per cent for members in their largest workplace scheme expected to continue to contribute at least six per cent after the reforms are in place. However, small proportions of employers did expect their contribution rate for existing members to change from its current level. Figure 5.5 presents a direct comparison between the current and anticipated contribution rate for existing members in the largest scheme. It shows that overall, among those employers currently contributing at least three per cent to their largest scheme, some 90 per cent of employers expected to retain the same contribution rate for existing members after the reforms, whilst four per cent expected to contribute more than their existing rate and six per cent expected to contribute less. One can also note, in Figure 5.4, that a minority of those employers whose contributions are currently below the minimum of three per cent that will be required after the reforms are in place nevertheless expect to contribute more than three per cent after the reforms.

Figure 5.4 Likely contribution rate for current members in largest workplace scheme, by current contribution rate



Base: All employers with active members in largest workplace scheme.
Note: 'All' category excludes 30 cases who did not know their contribution rate.

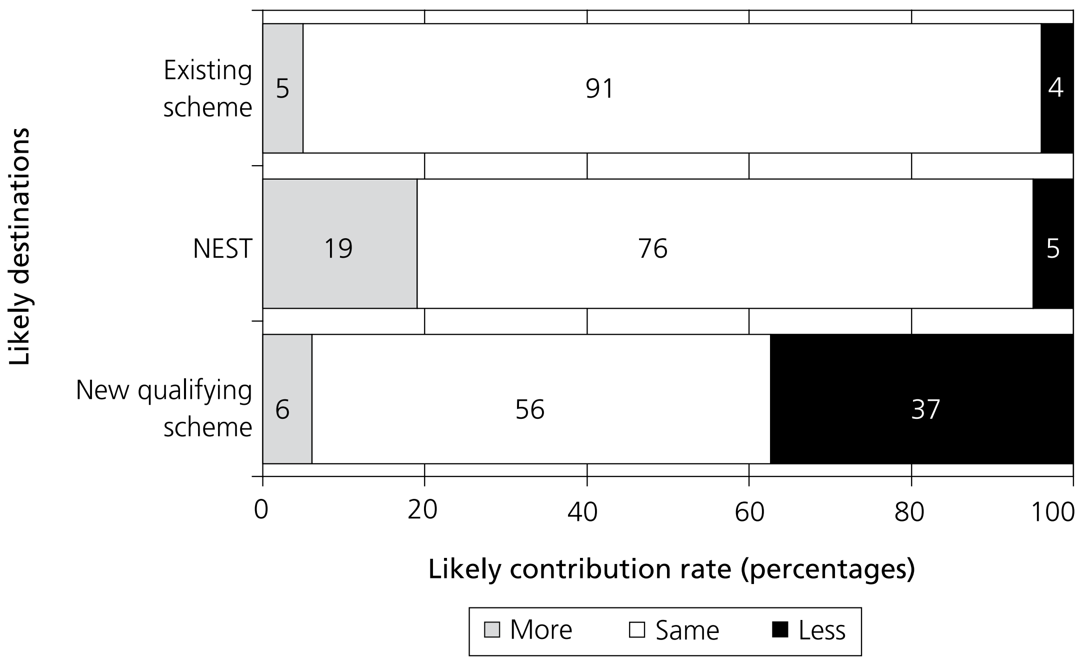
Figure 5.5 Whether likely contribution rate for members in largest workplace scheme is more/less/same as current contribution rate, by current contribution rate



Base: Employers contributing at least three per cent for current members in their largest workplace scheme.

Figure 5.6 goes on to show how the expected contribution rate compares with the current contribution rate across each of the three main enrolment destinations. It is apparent that members who remain in their current scheme will typically receive the same contribution as they did in 2009. Only nine per cent of employers who expected to retain some members in their existing scheme intended to change the rate at which they contribute to this scheme, with broadly equal proportions expecting to raise or lower the rate. Around one-quarter (24 per cent) of those employers expecting to enrol some existing members in NEST intended to change their contribution rate, with more expecting to raise it (19 per cent) than lower it (five per cent). Some 56 per cent of those employers expecting to enrol some existing members in a new qualifying scheme intended to change their contribution rate, with most of these (37 per cent in total) expecting to lower it.

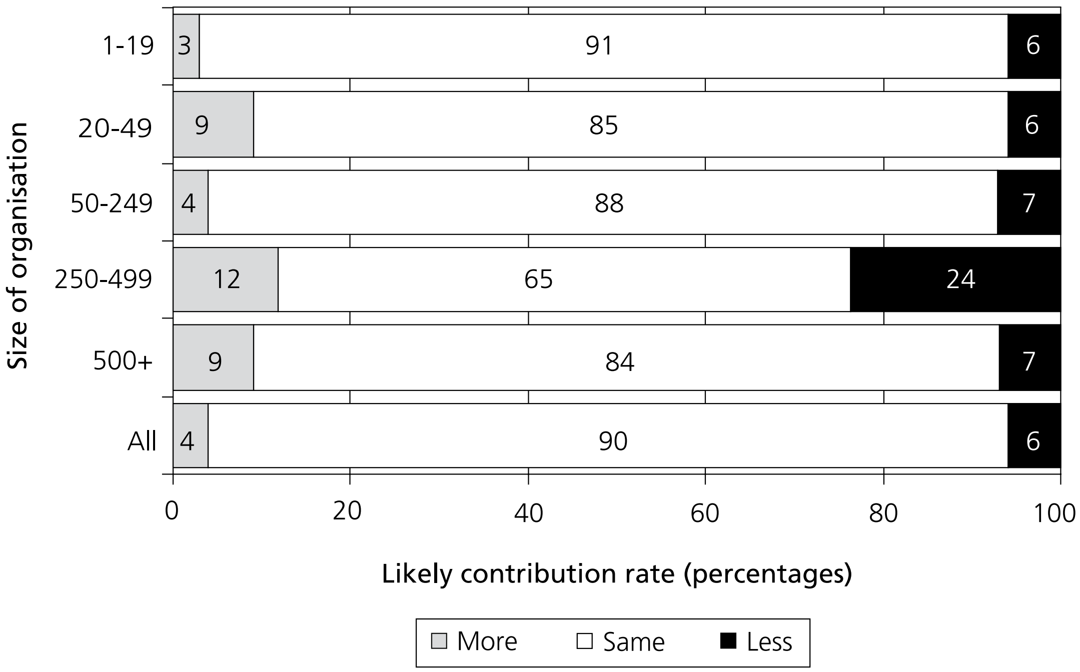
Figure 5.6 Whether likely contribution rate for members in largest scheme is more/less/same as current contribution rate, by likely enrolment destinations



Base: Employers contributing at least three per cent for current members in their largest workplace scheme.

When tabulated by size of organisation, the comparison between the current and expected contribution rate showed no clear association with organisation size (Figure 5.7). The only notable feature was that organisations with 250-499 employees were the most likely to intend to lower their rate of contributions for existing members in their largest workplace scheme.

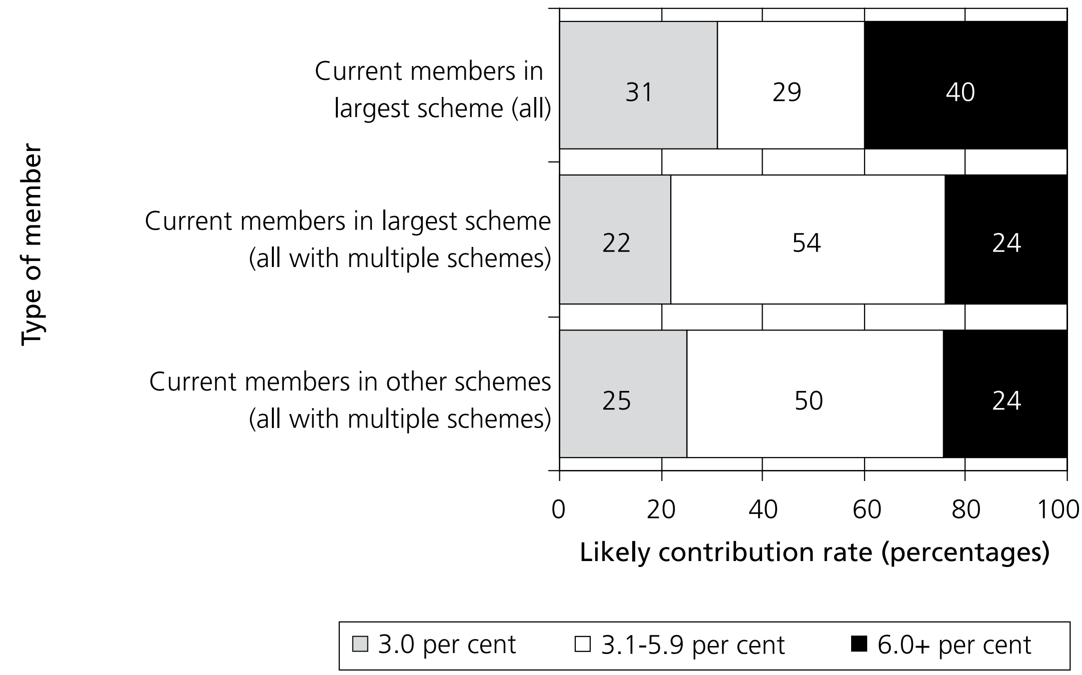
Figure 5.7 Whether likely contribution rate for members in largest scheme is more/less/same as current contribution rate, by size of organisation



Base: Employers contributing at least three per cent for current members in their largest workplace scheme.

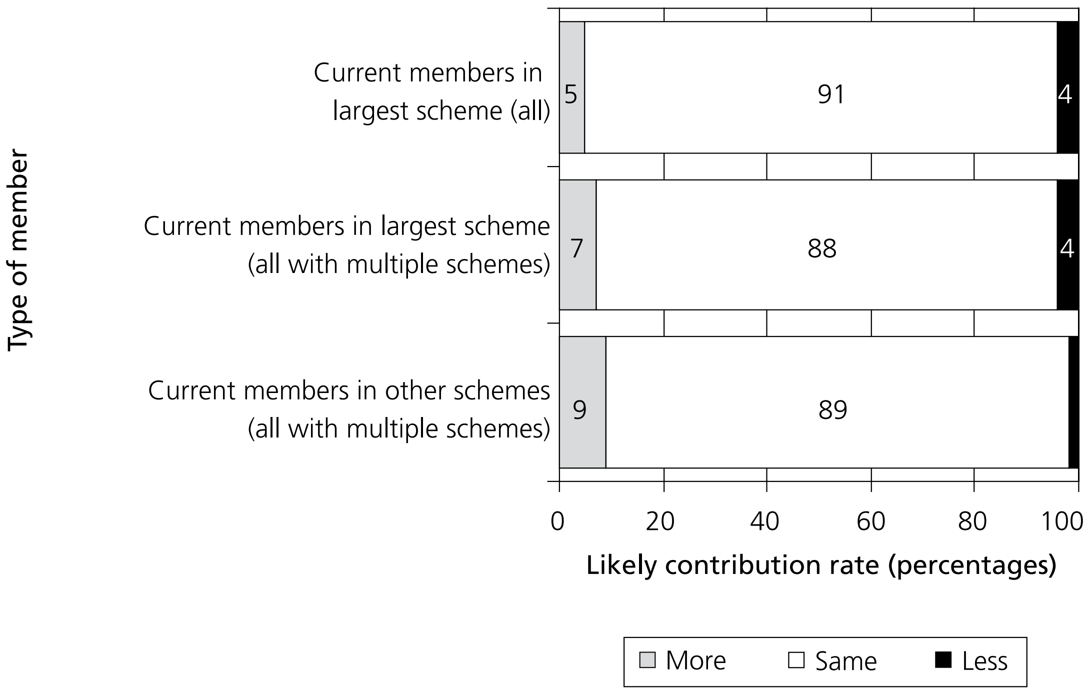
We conclude this section in the same way as Section 5.2, by looking at employers with multiple pension schemes and assessing how their intended contribution rates for existing members in the largest workplace scheme compare with their intended contribution rates for existing members in smaller schemes. The first bar in Figure 5.8 presents the expected contribution rate for members in the largest workplace scheme when tabulated among all employers (a repeat of the final bar in Figure 5.3). The second bar then presents the equivalent responses given in respect of members of the largest scheme by the subset of employers with multiple schemes. Finally, the third bar presents the responses given by this subset in respect of members of schemes other than the largest. A comparison of the second and third bars indicates that – as in the case of enrolment destinations – employers had very similar expectations in respect of members of their largest scheme and members of smaller schemes. Providers therefore appeared to be expecting to make similar contributions for all existing members once the reforms are in place. This is confirmed in Figure 5.9, which shows that the expected contribution rate for existing members – whether those in the largest scheme or those in smaller schemes – was invariably expected to be the same as the existing contribution rate for members in the largest scheme.

Figure 5.8 Likely contribution rate for current members in largest workplace scheme and other schemes



Base: All employers with active members in largest scheme.

Figure 5.9 Whether expected contribution rate for members in current largest scheme and other schemes is more same/less than current contribution rate for members in largest scheme



Base: Employers contributing at least three per cent for current members in their largest workplace scheme.

6 Employers with workplace pension schemes: intentions for non-members and new employees

Purpose

- This chapter outlines how employers with workplace pension schemes expect to react to the workplace pension reforms in respect of non-members and new employees. It covers the type of pension scheme(s) they intend to provide for these members after the reforms are implemented and the rate at which they expect to contribute.

Summary

- Around two-fifths (42 per cent) of employers with a workplace pension scheme expected to enrol at least some non-members or new employees into their existing pension scheme. A further quarter (24 per cent) expected to enrol at least some non-members or new employees into a new qualifying scheme and a similar proportion (22 per cent) expected to enrol some into National Employment Savings Trust (NEST).
- Thirty-six per cent of employers with a workplace pension scheme expected to enrol all non-members and new employees into their existing pension scheme. A further fifth (19 per cent) expected to enrol all non-members and new employees into a new qualifying scheme, whilst around one in seven (15 per cent) expected to enrol them all into NEST.

Continued

- Employers were more likely to retain current members in their existing pension schemes than they were to use these existing schemes for non-members and new employees. Whilst 88 per cent of employers with a workplace pension scheme expected to keep some existing members in their current pension scheme, only 65 per cent expected to enrol some non-members or new employees in this scheme.
- Three-fifths (60 per cent) expected to make a contribution of exactly three per cent, whilst one in eight (13 per cent) expected to contribute 3.1-5.9 per cent and one in six (17 per cent) expected to contribute six per cent or more. Ten per cent did not know at what rate they might contribute. Contributions were expected to be highest, on average, for those non-members and new employees enrolled into employers' existing schemes.
- Employers with a workplace pension scheme were slightly more likely to expect to provide only the minimum of three per cent for non-members and new employees than they were to do so for existing members.

6.1 Introduction

This chapter outlines how employers with workplace pension schemes expect to react to the workplace pension reforms in respect of non-members and new employees. It covers the type of pension scheme(s) they intend to provide and the rate at which they expect to contribute. Comparisons are also made with the same employers' intentions for existing members (as presented in Chapter 5).[29]

The report from the survey, *Employers' attitudes and likely reactions to the workplace pension reforms 2007* (EAS 2007) (Grant *et al.*, 2008) presented separate analysis of employers' intentions in respect of non-members and new employees. However, differences in employers' intentions across these two groups were relatively minor and so a single line of questioning was adopted for EAS 2009 in which the two groups were dealt with together.

6.2 Enrolment destination

Table 6.1 shows the expected enrolment destinations for non-members and new employees once the reforms are in place. Thirteen per cent of employers with a workplace pension scheme did not know where they would enrol non-members and new employees. Among those who did have an expectation, the anticipated destinations were quite heterogeneous – more so than in respect of existing members (where providers typically expected to keep them within their

[29] Contributions to employees' personal pensions (PPs) are not considered to be a form of workplace pension provision. Accordingly, those employers which only make contributions to employees' PPs, and have no other form of pension provision, appear in Chapter 7. See Section 2.2 for further details.

existing scheme). Around two-fifths (42 per cent) of employers expected to enrol at least some non-members or new employees into their existing pension scheme. A further quarter (24 per cent) expected to enrol some non-members or new employees into a new qualifying scheme and a similar proportion (22 per cent) expected to enrol some into NEST.[30] Eight per cent cited some other action.[31] It was apparent that those providers currently making no contribution to their existing scheme were the least likely to know where they would enrol non-members and new employees, closely followed by those providers with 'shell schemes'. When these types of providers did express an expectation, it was typically to set up a new scheme for non-members and new employees, rather than to enrol them in their existing scheme. Those providers currently making relatively generous contributions (of six per cent or more) to their largest schemes were also quite likely to expect to enrol non-members and new employees in a new scheme.

Table 6.1 Likely enrolment destinations for non-members and new employees, by current contribution rate in largest workplace scheme

Cell percentages

Likely destinations (multiple response)	Contribution rate for current largest scheme						
	6.0%+	3.1-5.9%	3.0%	0.1-2.9%	Zero	No members	All
Some/all into existing scheme	52	83	77	76	40	23	42
Some/all into NEST	15	11	30	3	14	29	22
Some/all into new qualifying scheme	13	13	6	16	12	37	24
Other unspecified action	15	1	2	1	19	5	8
Don't know	6	8	2	9	21	17	13
Weighted base	*179*	*83*	*34*	*23*	*83*	*404*	*831*
Unweighted base	*573*	*469*	*156*	*118*	*224*	*499*	*2,136*

Base: All employers with a workplace pension scheme.

Note: 'All' column also includes 36 employers who did not know the contribution rate for their largest workplace scheme and 61 employers who did not know the number of active members.

30 NEST was known as Personal Accounts at the time of the interview and was referred to as such in the survey instruments.

31 No further information was collected on what these employers planned to do.

Table 6.2 assigns employers to a single category, thereby presenting the most commonly-cited combinations of destinations from Table 6.1.[32] The most common expectation among providers was to enrol all non-members and new employees into the employer's existing pension scheme, but this option was cited by fewer than two-fifths (36 per cent) of all providers. A further fifth (19 per cent) expected to enrol all non-members and new employees into a new qualifying scheme, whilst around one in seven (15 per cent) expected to enrol them all into NEST. Only a small proportion of providers (three per cent) expected to treat some non-members and new employees differently from others by enrolling some into their existing pension scheme and others into NEST. Table 6.3 shows that the smallest providers (those with fewer than 20 employees) were less likely than the largest (those with 500 or more employees) to expect to utilise their existing scheme – a pattern which is likely to be related to the greater propensity of smaller employers to have shell schemes or schemes that currently attract no contributions.

Table 6.2 Likely enrolment destination for non-members and new employees (single-coded), by current contribution rate in largest workplace scheme

Column percentages

Likely destinations (multiple response)	Contribution rate for current largest scheme						
	6.0%+	**3.1-5.9%**	**3.0%**	**0.1-2.9%**	**Zero**	**No members**	**All**
All into existing scheme	51	68	61	72	36	17	36
All into NEST	14	4	15	2	10	20	15
All into new qualifying scheme	12	5	4	12	10	30	19
Some into existing; others to NEST	0	6	14	0	2	3	3
Other specific combinations	1	9	2	4	2	8	5
Other unspecified action	15	1	2	1	19	5	8
Don't know	6	8	3	9	21	17	13
Weighted base	*179*	*83*	*34*	*23*	*83*	*404*	*831*
Unweighted base	*573*	*469*	*156*	*118*	*224*	*499*	*2,136*

Base: All employers with a workplace pension scheme.

Note: 'All' column also includes 36 employers who did not know the contribution rate for their largest workplace scheme and 61 employers who did not know the number of active members.

32 Less common combinations are grouped in the row titled 'Other specific combinations'.

Table 6.3 Likely enrolment destination for non-members and new employees (single-coded), by size of organisation

Column percentages

	Size of organisation					
Likely destination (single code)	**1-19**	**20-49**	**50-249**	**250-499**	**500+**	**All**
All into existing scheme	34	42	46	45	52	36
All into NEST	16	11	10	7	8	15
All into new qualifying scheme	20	18	14	25	6	19
Some into existing; others to NEST	3	4	4	3	3	3
Other specific combinations	5	7	11	5	13	5
Other unspecified action	9	2	2	1	2	8
Don't know	13	16	13	13	16	13
Weighted base	*693*	*85*	*44*	*4*	*5*	*831*
Unweighted base	*429*	*371*	*680*	*258*	*398*	*2,136*

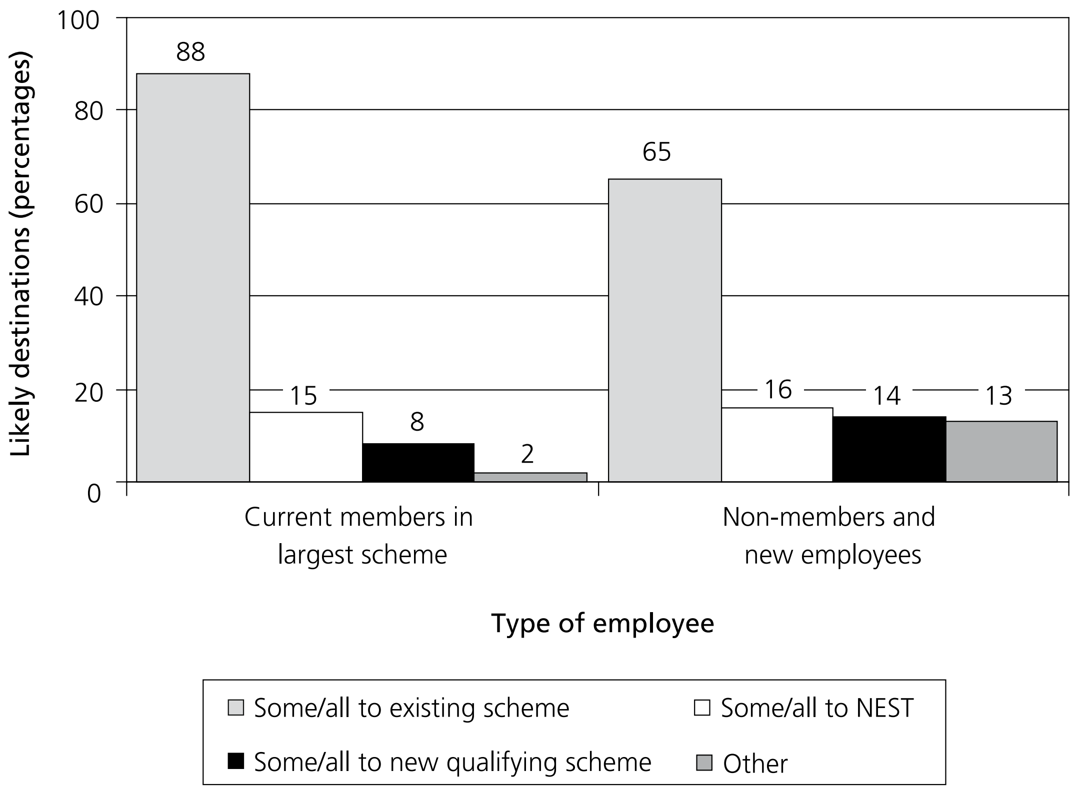
Base: All employers with a workplace pension scheme.

Employers who noted that they expected to enrol at least some non-members or new employees into NEST were asked to state the reasons for this choice. Just over one-tenth (12 per cent) could not give a specific reason. However, the most common specified reasons were 'ease and convenience' (30 per cent), 'to comply with legislation' (14 per cent) and 'low cost' (10 per cent).

A comparison with the figures presented in Chapter 5 clearly suggests that employers were more likely to retain current members in their existing pension schemes than they were to use these existing schemes for non-members and new employees. Figure 6.1 presents a direct comparison, focusing on the subset of employers with at least one active member in their largest workplace scheme. It compares their expected enrolment destinations for their existing members (discussed in Chapter 5) with the expected enrolment destinations for non-members and new employees. Whilst 88 per cent of such employers expected to keep at least some existing members in their current pension scheme, only 65 per cent of providers expected to enrol some non-members or new employees in this scheme.[33]

33 The figures presented in the earlier tables in this chapter indicate a lower use of 'existing schemes' because those tables also include employers without any members in their current schemes. These types of employer were among the least likely to expect to use their existing schemes for non-members and new employees.

Figure 6.1 Likely enrolment destinations for current members in largest workplace scheme and for non-members and new employees



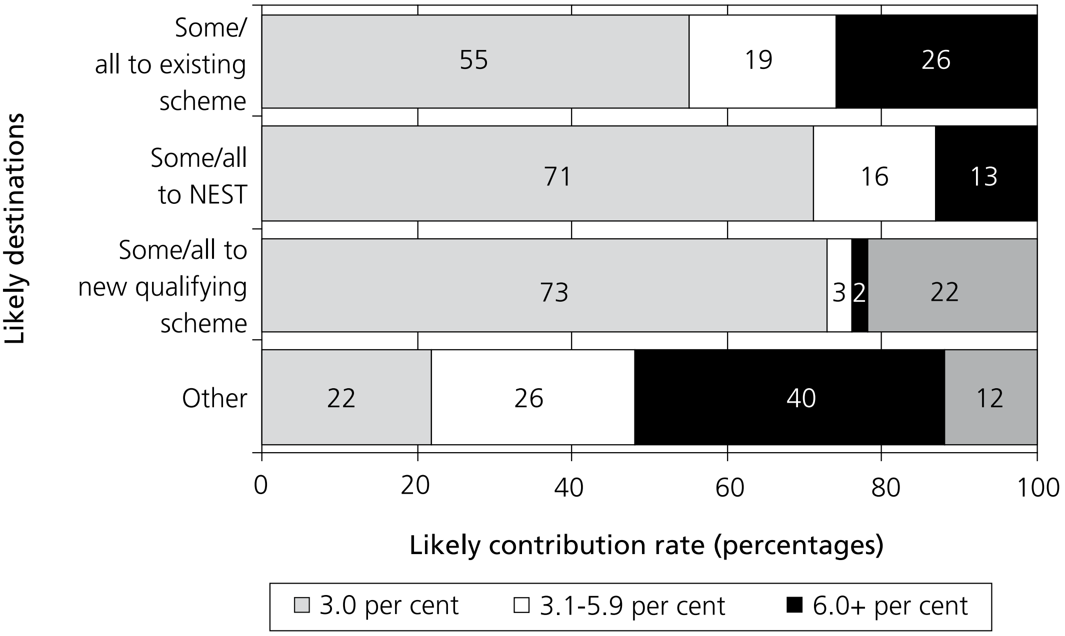
Base: All employers with active members in largest workplace scheme.

6.3 Contribution rate

Employers with a workplace pension scheme were also asked about the rate at which they expected to make contributions for non-members and new employees once the reforms were in place. Ten per cent did not know at what rate they might contribute. A further three-fifths (60 per cent) expected to make a contribution of exactly three per cent, whilst one in eight (13 per cent) expected to contribute 3.1-5.9 per cent and one in six (17 per cent) expected to contribute six per cent or more.

Figure 6.2 presents the results for each enrolment destination. It indicates that, among the three defined destinations (existing scheme, NEST scheme and new qualifying scheme), contributions were expected to be highest, on average, for those non-members and new employees enrolled into providers' existing schemes.

Figure 6.2 Likely contribution rate for non-members and new employees, by enrolment destinations

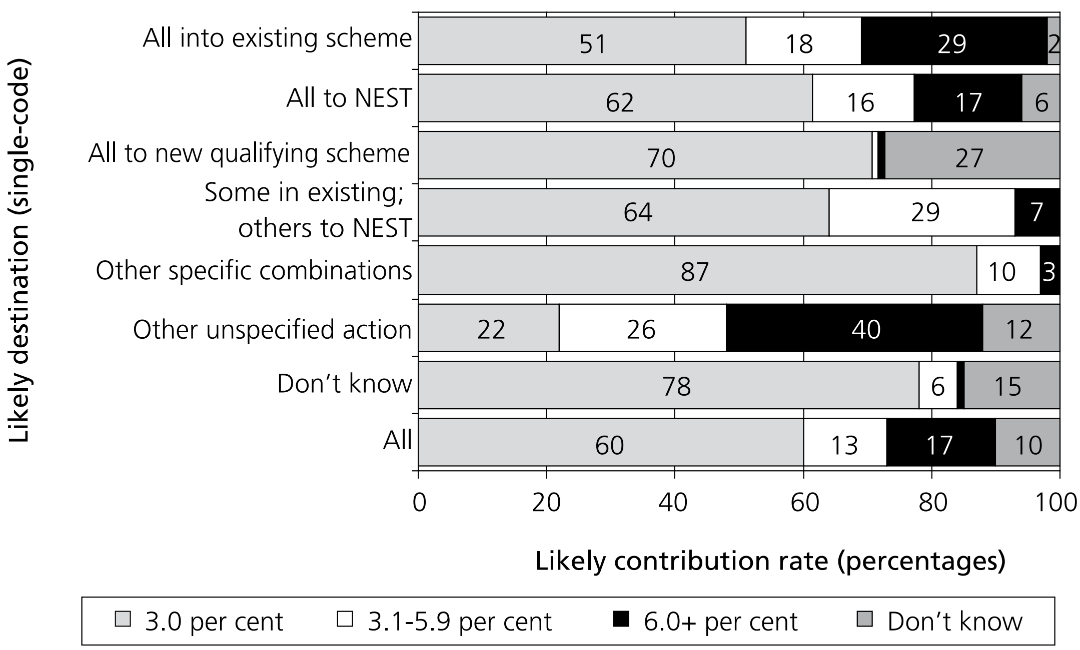


Base: Employers citing the relevant enrolment destination for at least some non-members or new employees.
Note: 'Other' category based on only 58 cases.

Figure 6.3 goes on to identify the expected contribution rate according to the combination of destinations reported by the employer. In cases where an employer cited multiple destinations, the figure identifies the minimum contribution rate specified across those destinations. The pattern of results is broadly similar to that which was apparent from Figure 6.2.

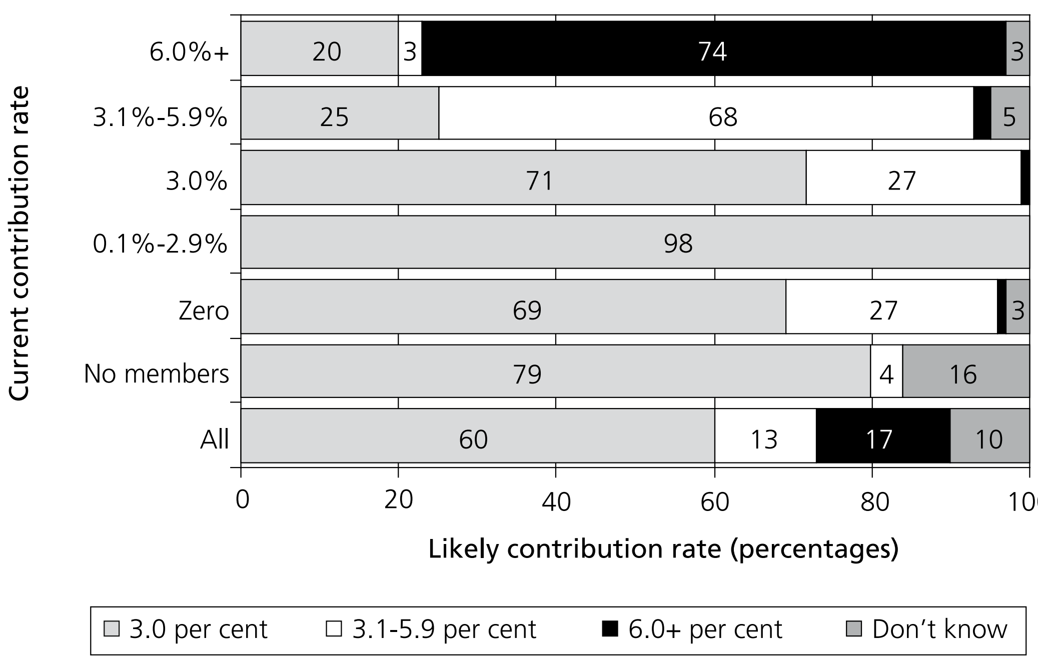
In cases where the current contribution made by employers for existing members was already at or above the minimum of three per cent required by the reforms, it was typically the case that employers expected to apply a similar contribution rate for non-members and new employees once the reforms are in place (Figure 6.4). Around three-quarters (74 per cent) of those currently contributing six per cent or more for existing members expected to contribute six per cent or more for non-members and new employees once the reforms are in place. Similarly, 68 per cent of those currently contributing 3.1-5.9 per cent expected to contribute within that range, and 71 per cent of those currently contributing three per cent expected to contribute at that level. Nevertheless, substantial minorities of those who were currently contributing more than three per cent expected to contribute at a lower rate for non-members and new employees (Figure 6.5). Overall, 19 per cent of employers expected to contribute at a lower rate than they did currently, whilst 68 per cent expected to offer the same contribution rate and 12 per cent expected to contribute at a higher rate. Unsurprisingly, the proportion expecting to contribute at a lower rate was highest (25 per cent) among the subset with relatively generous current contributions of six per cent or more.

Figure 6.3 Likely contribution rate for non members and new employees, by enrolment destination (single-coded)



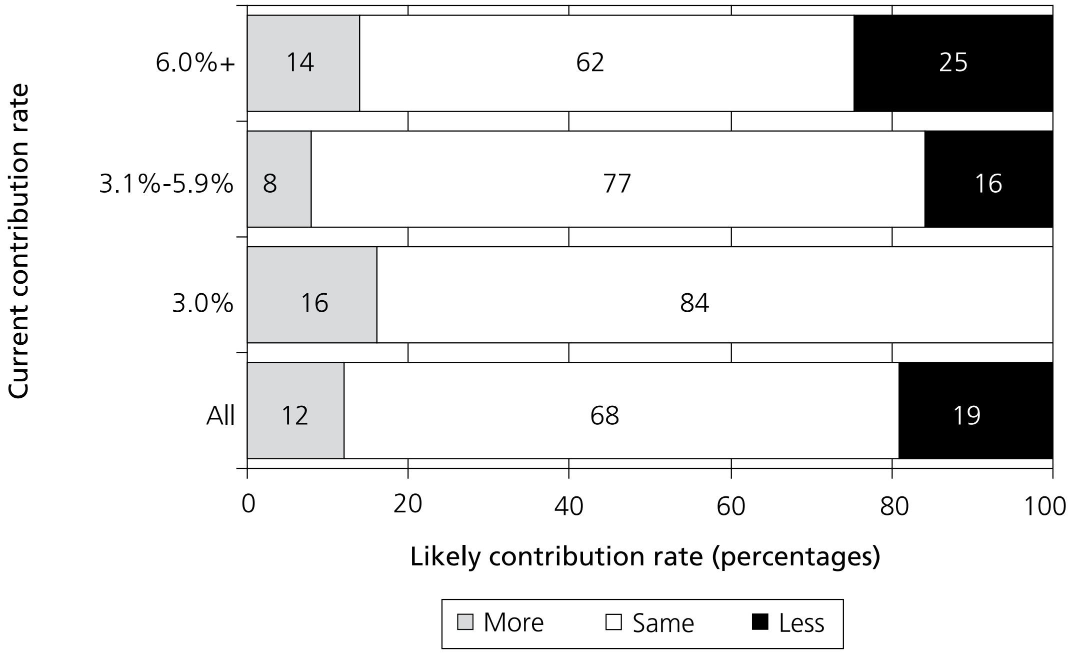
Base: Providers citing the relevant enrolment destination for at least some non-members or new employees.

Figure 6.4 Likely contribution rate for non-members and new employees, by current contribution rate in largest workplace scheme



Base: All employers with a workplace pension scheme.
Note: 'All' column includes 36 providers who did not know the contribution rate for their largest scheme and 61 providers who did not know the number of active members.

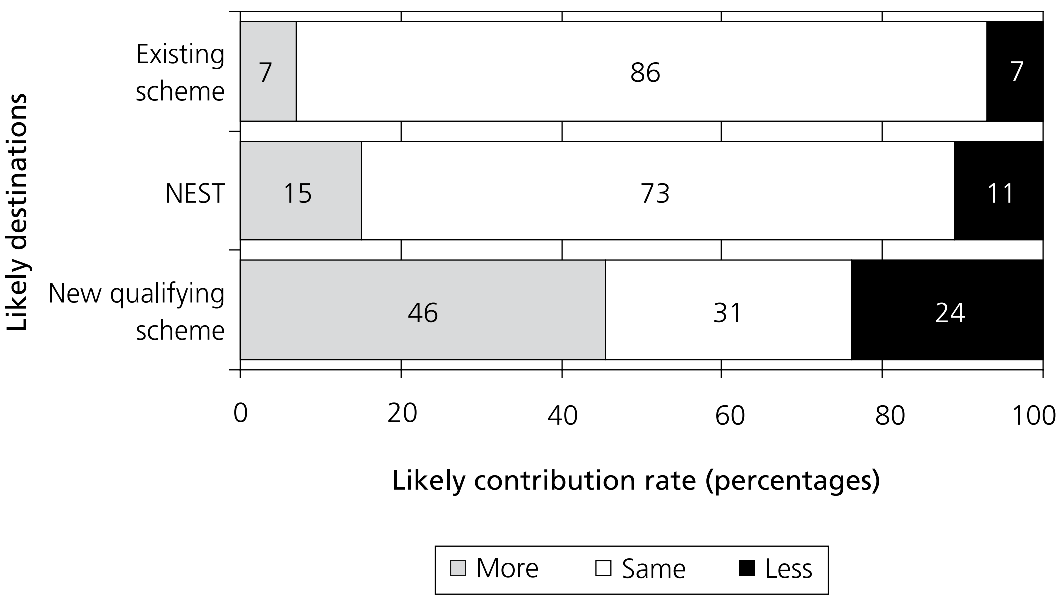
Figure 6.5 Whether likely contribution rate for non-members and new employees is more/less/same as current contribution for largest workplace scheme, by current contribution rate



Base: Employers contributing at least three per cent for current members in their largest workplace scheme.

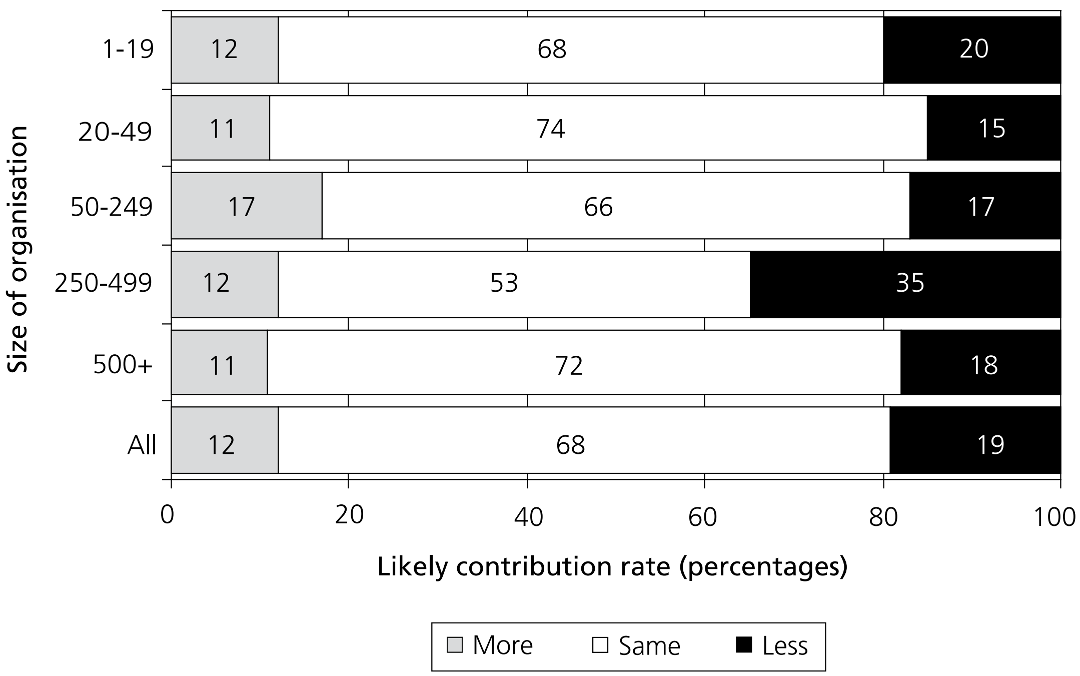
Figure 6.6 shows that those non-members and new employees who are likely to be enrolled into a new qualifying scheme are the least likely to receive the same contribution rate as current members, but in many cases they can expect to receive a higher rate. When tabulated by size of organisation, the comparison between the expected contribution rate for non-members and new employees and the current rate for existing members showed no clear association with organisation size (Figure 6.7). The only notable feature was that organisations with 250-499 employees were the most likely to intend to lower their rate of contributions for non-members and new employees. However, it can be noted that this size group was also the most likely to expect to lower their rate of contributions for existing members once the reforms are in place (see Chapter 5).

Figure 6.6 Whether likely contribution rate for non-members and new employees is more/less/same as current contribution rate for largest workplace scheme, by likely enrolment destinations



Base: Employers contributing at least three per cent for current members in their largest workplace scheme.

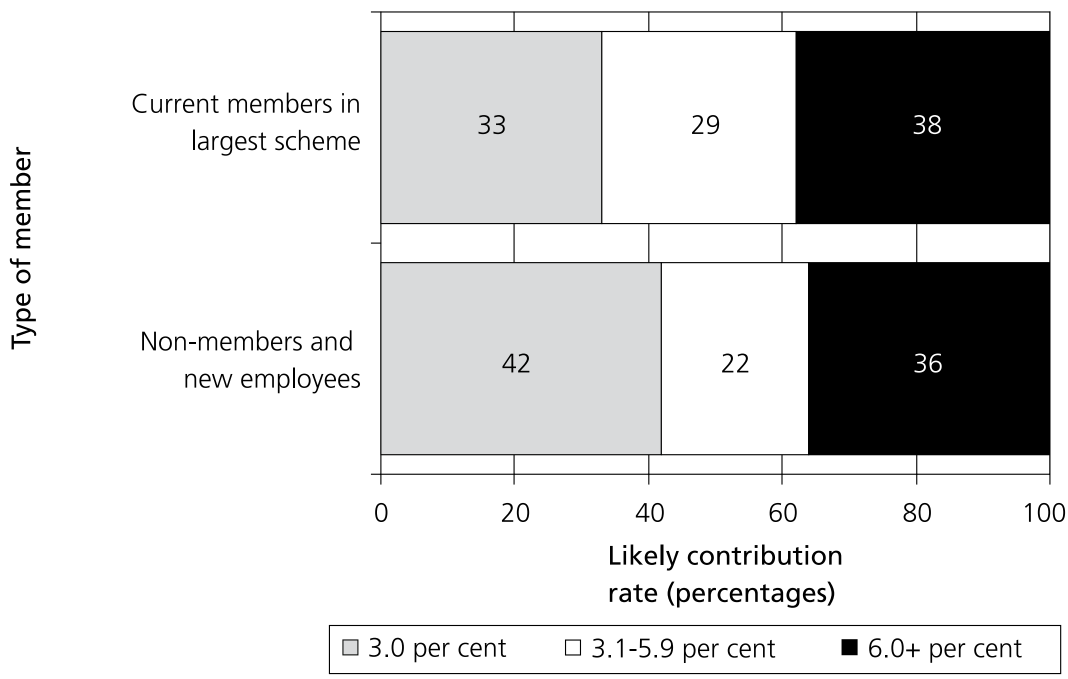
Figure 6.7 Whether likely contribution rate for members in largest scheme is more/less/same as current contribution rate, by size of organisation



Base: Employers contributing at least three per cent for current members in their largest workplace scheme.

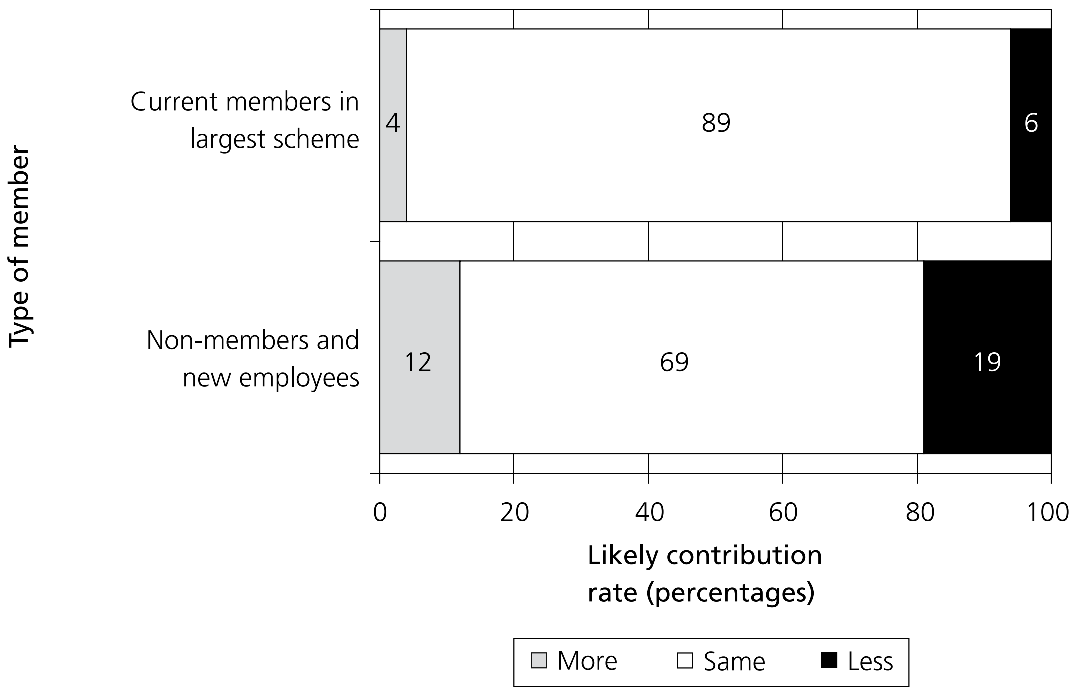
Figure 6.8 and Figure 6.9 conclude the chapter by focusing on the subset of providers with at least one active member in their current largest scheme (as in Figure 6.1) and comparing their intended contribution rates for existing members and for non-members and new employees. Figure 6.8 indicates that providers had similar expectations in respect of contribution rates for these two groups, but they were slightly more likely to expect to provide only the minimum of three per cent for non-members and new employees. Indeed, Figure 6.9 shows that only six per cent of providers expected their contributions for existing members to be lower than their current contribution rate once the reforms are in place, but around one fifth (19 per cent) expected it to be lower for non-members and new employees.

Figure 6.8 Likely contribution rates for current members and for non-members and new employees



Base: All employers with active members in largest scheme.

Figure 6.9 Whether expected contribution rates for current members and for non-members and new employees are more/same/less than current contribution rate for members in largest workplace scheme



Base: Employers contributing at least three per cent for current members in their largest workplace scheme.

7 The intentions of employers without a workplace pension scheme (non-providers)

Purpose

- This chapter outlines the intentions of those employers who were not providing a workplace pension scheme at the time of the survey. It covers the type of pension scheme(s) they intend to provide and the rate at which they expect to contribute.

Summary

- More than one-third (35 per cent) of employers without a workplace pension scheme expected to respond to the pension reforms by enrolling all employees into the National Employment Savings Trust (NEST). One in eight (12 per cent) said they would enrol some employees into NEST and some into a new qualifying scheme, whilst 15 per cent planned to set up their own qualifying scheme for all employees. One-quarter (26 per cent) were unable to say what type of provision they would offer.
- Regardless of enrolment plans, most of those employers without a workplace pension scheme (75 per cent) intended to contribute only three per cent to the pensions of employees following the introduction of the reforms. A further six per cent of employers without a workplace scheme intended to contribute 3.1-5.9 per cent, with six per cent intending to contribute six per cent or more. The remaining 13 per cent of employers without a workplace pension scheme were uncertain as to what they would contribute.

7.1 Introduction

This chapter focuses on the intentions of those employers who were not providing a workplace pension scheme at the time of the survey interview. This group of 'non-providers' includes those employers who were only contributing to personal pensions (PPs).

7.2 Enrolment destination

During the course of the interview respondents were told about the requirements of the workplace pension reforms. Non-providers were then asked whether, as a means of complying with the reforms, they would: set up their own qualifying pension scheme and enrol all employees into that; enrol all employees into NEST; or enrol some employees into a qualifying pension scheme and some into NEST.[34] Although respondents were told about the reforms and NEST in the course of the survey interview, Chapter 3 showed that three-fifths of non-providers had not heard anything at all about the reforms prior to the interview and only a small proportion of employers had given them any thought. Therefore, this chapter is best thought of as giving only an indication of what employers expected to do following the reforms, rather than outlining developed plans. It is also important to note that, as non-providers only formed a small proportion of all survey respondents[35], this limits the ability to observe statistically significant differences between particular groups of non-providers (for example, looking at differences in responses by non-providers of different sizes). It is thus only feasible to explore a small number of break variables in this chapter.

Table 7.1 shows that there was a high degree of uncertainty amongst non-providers about how they would seek to offer pension provision for all staff following the reforms, with more than one-quarter (26 per cent) of this group unable to say what type of provision they would offer. The most common response by non-providers was to say that they would enrol all employees into NEST. More than one-third (35 per cent) of non-providers expected to respond in this way. In addition, a further one in eight non-providers (12 per cent) said that they would enrol some employees into NEST and some into a new qualifying scheme. Fifteen per cent of non-providers planned to set up their own qualifying scheme for all employees.

34 NEST was known as Personal Accounts at the time of interview and was referred to as such in the survey instruments.

35 Only 414 of the 2,550 survey respondents were non-providers.

Table 7.1 Non-providers' enrolment plans

	Column percentages
Enrol all employees into NEST	35
Enrol all employees into new qualifying scheme	15
Enrol some into new scheme and some into NEST	12
Would not do anything	5
Act on external advice	3
Ensure only have non-qualifying staff	2
Other	2
Don't know	26
Weighted base	*1,719*
Unweighted base	*414*

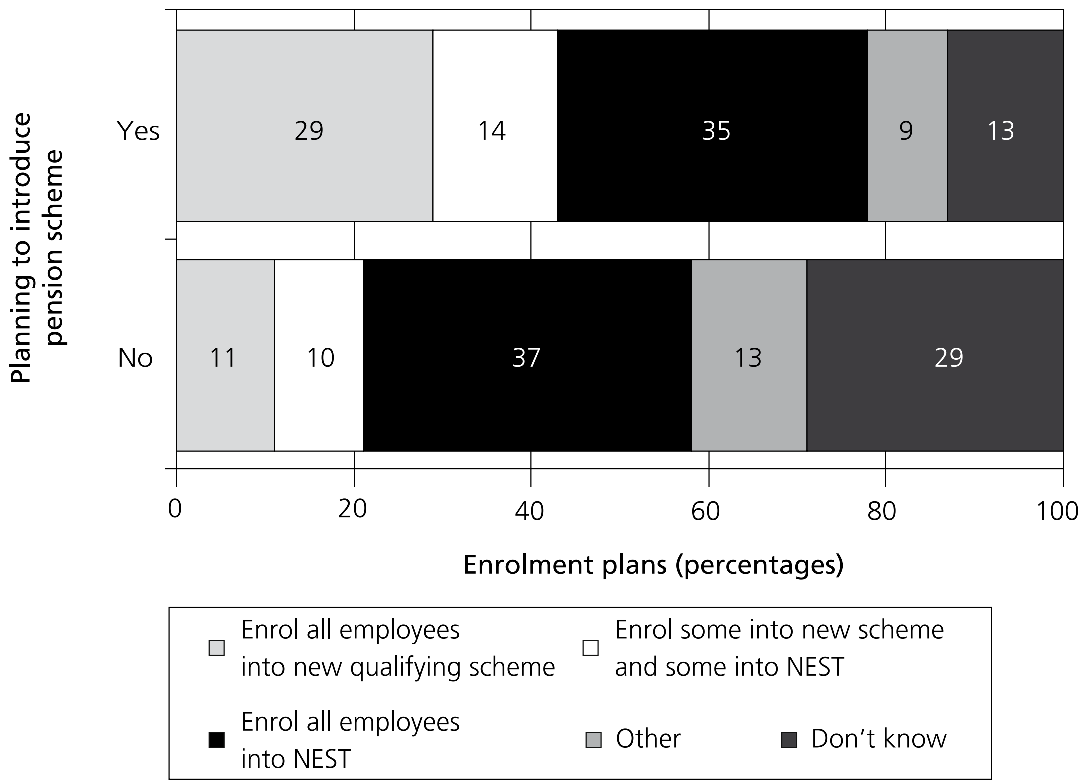
Base: All private sector employers without a workplace pension scheme.

Only a small proportion of non-providers appeared to be thinking of ignoring or avoiding the reforms, with one in 20 (five per cent) saying that they would not do anything in response and one in 50 (two per cent) saying that they would ensure that they only had non-qualifying staff. Given that a large proportion of employers did not appear to be aware of the reforms before the interview, it is possible that these responses were down to employers not realising that pension provision would be mandatory, rather than the responses representing a deliberate intention to avoid compliance, although that is also possible.

Small sample sizes meant that, when comparing with 2007, it was only possible to say with a reasonable degree of certainty that a greater proportion of non-providers expected to use a combination of a new qualifying scheme and NEST in 2009 compared to 2007 (an increase from four per cent to 12 per cent). There were no statistically significant differences between non-providers of varying sizes in their enrolment plans.

When compared with non-providers who had no plans to introduce a pension scheme in the three years following the survey, non-providers who did plan to introduce a pension scheme were less likely to be uncertain about their enrolment plans for employees following the workplace pension reforms (Figure 7.1). However, the small number of respondents in this category meant that all other apparent differences between those planning to introduce a pension scheme and employers without such plans were not statistically significant.

Figure 7.1 Enrolment plans, by whether non-providers plan to introduce pension scheme in the three years following interview



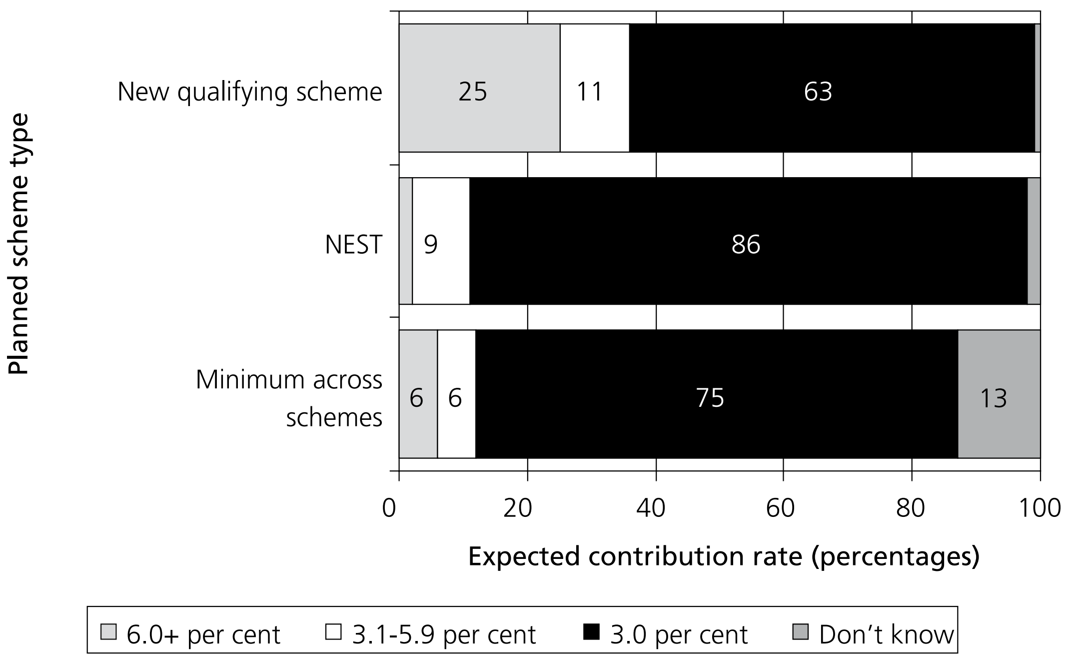
Base: All private sector employers without a workplace pension scheme.
Notes: The figure excludes organisations where it was not known whether there were plans to introduce a pension scheme within the next three years.

7.3 Contribution rate

Non-providers were asked how much they would contribute for employees enrolled in their own qualifying scheme or enrolled into NEST. Non-providers who said that they would do something other than enrol employees into a new qualifying scheme or NEST, or were uncertain what they would do, were also asked what they would contribute towards the pensions of their employees 'following the reforms'. Figure 7.2 shows that regardless of enrolment plans, most non-providers only intended to make a contribution of three per cent to the pensions of employees following the introduction of the reforms. However, those who expected to set up their own qualifying scheme and enrol at least some employees in this were more likely than employers who intended to enrol some employees in NEST to say that they would contribute six per cent or more. One-quarter (25 per cent) of those employers who intended to set up their own qualifying scheme for at least some employees planned to contribute at least six per cent, with around one-third (36 per cent) expecting to contribute more than the statutory minimum for some staff.

In the same way that employers could choose to make alternative pension arrangements for different groups of employees following the workplace pension reforms, they could also contribute different amounts for particular groups of employees. The third row in Figure 7.2 shows the minimum rate that non-providers intended to contribute across all schemes following the reforms. Six per cent of non-providers intended to contribute at least six per cent in their least generous pension scheme for all employees following the reforms. A further six per cent intended to contribute more than three per cent but less than six per cent, whilst 75 per cent intended to contribute exactly three per cent in their least generous scheme. Around one in eight non-providers (13 per cent) were uncertain what they would contribute for some employees.

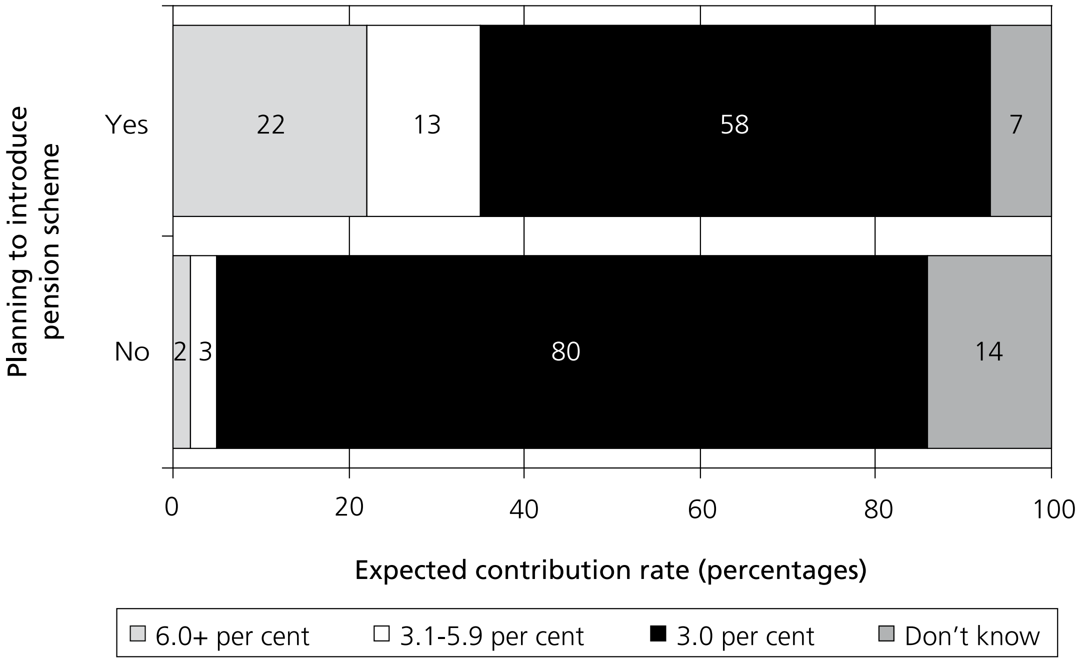
Figure 7.2 Expected contribution rate, by planned scheme type



Base: All private sector employers without a workplace pension scheme.
Note: For employers expecting to enrol some eligible workers into a new qualifying scheme and some into NEST, the 'minimum across schemes' is the minimum of the rates specified for either destination. For employers expecting to enrol all eligible workers into one type of scheme, it is the rate specified for that scheme.

The amount that non-providers expected to contribute to the pensions of employers in their least generous scheme did not vary with the size of the employer. There were, however, some signs that non-providers who had plans to introduce a pension scheme within the next three years were more likely to say that they would contribute at least six per cent than non-providers who had no such plans (Figure 7.3). They were also less likely to say that they would only contribute three per cent. This finding was only statistically significant at the ten per cent level, but does suggest that a sizeable proportion of employers who had plans to introduce a pension scheme had a general interest in offering pensions to their employees, rather than being solely motivated by the reforms.

Figure 7.3 Expected contribution rate, by whether plans to introduce pension scheme in next three years



Base: All private sector employers without a workplace pension scheme.
Notes: The figure excludes organisations where it was not known whether there were plans to introduce a pension scheme within the next three years.

8 Summary and conclusions

8.1 Introduction

The *Employers' attitudes and likely reactions to the workplace pension reforms 2009* (EAS 2009) was a nationally representative survey of 2,550 private sector employers operating in Britain. It followed similar surveys which took place in 2006 and 2007. The main aims of the survey were to assess the extent of awareness of the forthcoming pension reforms among employers and to explore their attitudes and likely responses.

This chapter summarises the main findings from the survey (detailed in the preceding chapters). It also examines what these findings reveal about the state of readiness for the workplace pension reforms.

8.2 Pension provision

One-third (33 per cent) of employers in 2009 provided some form of workplace pension scheme (i.e. other than making contributions to employees' personal pensions (PPs)). Around half of these employers (16 per cent of all employers) had no workplace pension scheme containing active members. A further four per cent were making contributions of less than three per cent; the remaining 11 per cent were making contributions of three per cent or more. The vast majority of employers will therefore need to increase their pension provision – either by introducing some form of workplace scheme or by increasing their contribution rate – once the workplace pension reforms are in place.

8.3 Awareness of, and attitudes towards, the reforms

The majority of employers (56 per cent) had no awareness of the workplace pension reforms and there was no evidence that this proportion had decreased since 2007.[36] There was a particular lack of awareness among small employers and

---

36 It may be noted that fieldwork took place before the start of the Department for Work and Pensions' (DWP's) communication campaign around the forthcoming reforms.

those with little or no current pension provision. The methods of raising awareness thought most effective by employers were through TV programmes and adverts or websites, but also the use of mail shots and newspaper articles or adverts. Post is likely to be the most useful way of providing employers with detailed information on their obligations in the run-up to implementation. Employers would also like a telephone helpline and specific website to be available to answer their questions on the reforms.

After being told what their obligations would be under the workplace pension reforms, the majority of employers (56 per cent) said that they considered them a good idea. However, this proportion had fallen since 2007 (64 per cent). This change in attitudes may reflect the changed economic climate. Just over half (54 per cent) of all employees worked for employers who thought the reforms a good idea whilst one-third (35 per cent) worked for an employer who considered them a bad idea. Since small employers were less likely than large employers to think the workplace pension reforms a good idea, promoting awareness of the reasons for introducing the reforms amongst small employers may be necessary to enhance the acceptance of the reforms in the eyes of this group.

8.4 Expected impact

The majority of employers (61 per cent) had not given any thought to the workplace pension reforms prior to taking part in the survey. One in seven (14 per cent) had done something to prepare for them and a further quarter (26 per cent) had given them some thought. It was very unusual for employers to have developed a plan to comply with the reforms: only two per cent had done so. Employer activity to prepare for the reforms therefore appeared to be low. There was a particular lack of activity amongst smaller employers and those with no existing pension provision. These groups may therefore benefit most from targeted activities to raise awareness of the reforms and their likely implications for employers.

The majority of employers (84 per cent) expected that the requirement to contribute three per cent or more to the pensions of all employees who chose not to opt-out of provision after the introduction of the workplace pension reforms would result in them having to increase their total pensions contributions. This proportion remained stable between 2007 and 2009. Smaller employers were particularly likely to think that their total pension contributions would increase, indicating a differential impact of the reforms by size of organisation.

A large proportion of employers (29 per cent) found it difficult to estimate the proportion of employees likely to opt out of the workplace pension reforms, but of those that were able to provide a figure, the average expected rate of opt-out was around one-third (36 per cent). The survey did not explore whether employers had taken any action to seek the views of employees in order to estimate likely rates of opt-out, and so it is unclear whether these figures were based on objective information. Smaller employers found it more difficult to estimate likely opt-out rates than larger employers, probably because they were less likely to have existing pension arrangements and to therefore know current opt-out rates. Consequently, there may be value in providing smaller employers with information on likely opt-out rates to assist with their preparations.

Employers showed a fairly low degree of interest in early registration for automatic enrolment, with only one-fifth (22 per cent) of employers willing to consider it. There is perhaps a need to identify the benefits to employers of early registration and to make employers aware of these benefits. Interest in early registration was greatest amongst employers who were already making a contribution of at least three per cent for employees in their largest pension scheme, probably because they would need to do less to comply than employers with lower levels of current provision.

8.5 The intentions of employers with a workplace pension scheme: for current members

Employers commonly intended to keep all current members within their largest scheme after the reforms are introduced (74 per cent intended to do so). A further ten per cent expected to retain some current members within their largest scheme but to enrol the remainder into the National Employment Savings Trust (NEST). Smaller proportions expected to move all current members into a new qualifying scheme (five per cent) or to move them all into NEST (four per cent). Around one-quarter of employers with a workplace pension scheme thus expect to set up a new scheme (or schemes) for their existing members following the reforms.

Just under one-third (31 per cent) of employers with a workplace pension scheme expected to make a contribution of exactly three per cent once the reforms are in place. A similar proportion (29 per cent) expected to make a contribution of 3.1-5.9 per cent and two-fifths (40 per cent) expected to make a contribution of six per cent or more. Among those employers currently contributing at least three per cent to their largest scheme, 90 per cent expected to retain the same contribution rate for existing members after the reforms, whilst six per cent expected to contribute less than their existing rate and four per cent expected to contribute more. The proportion of employers expecting to reduce their contribution rate for existing members was therefore relatively small.

8.6 The intentions of employers with a workplace pension scheme: for non-members and new employees

The most common expectation among employers with a workplace pension scheme was to enrol all non-members and new employees into their existing scheme, but this option was cited by fewer than two-fifths (36 per cent). A further fifth (19 per cent) expected to enrol all non-members and new employees into a new qualifying scheme, whilst around one in seven (15 per cent) expected to enrol them all into NEST. Only a minority of employers therefore expected to rely on their existing scheme as the sole destination for non-members and new employees.

Three-fifths of employers with a workplace pension scheme (60 per cent) expected to make a contribution of exactly three per cent for non-members and new employees, whilst one in eight (13 per cent) expected to contribute 3.1-5.9 per cent and one in six (17 per cent) expected to contribute six per cent or more. Ten per cent did not know at what rate they might contribute. Employers were slightly more likely to expect to provide only the minimum of three per cent for non-members and new employees than they were to do so for existing members. The proportion of employers expecting to offer a lower contribution rate to non-members and new employees than that offered to current members was therefore greater than the proportion who expected to lower their contribution rate for existing members.

8.7 The intentions of employers without a workplace pension scheme (non-providers)

More than one-third of employers without a workplace pension scheme expected to respond to the workplace pension reforms by enrolling all employees into NEST. One in eight non-providers said they would enrol some employees into NEST and some into a new qualifying scheme, whilst 15 per cent planned to set up their own qualifying scheme for all employees. There was a high degree of uncertainty amongst non-providers about the type of pension provision they would make following the reforms, with more than one-quarter unable to say what they would offer.

Most non-providers (75 per cent) only intended to make the minimum contribution of three per cent. Six per cent of non-providers intended to contribute at least six per cent in their least generous pension scheme. A further six per cent intended to contribute 3.1-5.9 per cent. Around one in eight non-providers were uncertain what they would contribute for some employees.

The relatively high degrees of uncertainty among non-providers as to their likely reactions to the workplace pension reforms no doubt reflects the lack of awareness of the reforms by these employers and also the large proportion who stated that they had not thought about the reforms at all.

8.8 Key changes between 2007 and 2009

It was noted in Chapter 1 that changes to the EAS questionnaire place some limitations on our ability to make comparisons between the results of the 2007 and 2009 surveys. In particular, it is not possible to make robust comparisons of employers' specific intentions in respect of enrolment destinations and contribution rates. However, on broader issues, such as employers' levels of awareness of, and attitudes towards, the workplace pension reforms, comparisons are possible.

The 2007 and 2009 surveys indicated no marked changes in the levels of employer awareness of the workplace pension reforms. In particular, there was no statistically significant change in the proportion of employers who reported knowing at least something about the workplace pension reforms (45 per cent in 2007; 44 per cent in 2009). There was, however, a small decrease in the proportion of employers who professed to know either 'a lot' or 'a fair amount' about the reforms (15 per cent in 2007; eight per cent in 2009).[37]

In respect of employers' attitudes towards the reforms, the surveys did indicate a slight hardening of views. As noted in Section 8.3, the majority of employers in 2009 (56 per cent) said that they considered the workplace pension reforms a good idea. However, this represented a decline from 2007 when almost two-thirds (64 per cent) had said that they considered them to be a good idea. It is possible that this change may partly reflect the less favourable economic climate which pertained at the time of the 2009 interviews, however the survey data do not allow us to investigate this hypothesis further.

Finally, the surveys allow us to compare employers' expectations in 2007 and 2009 over the likely impact of the key element of the workplace pension reforms, that is the requirement to contribute a minimum of three per cent for all employees who do not opt out of a qualifying scheme. In 2007, 80 per cent of employers considered that this requirement would lead to an increase in their total pension contributions; the figure of 84 per cent in 2009 was slightly higher but the increase was not statistically significant. There was a change, however, in the strategies which employers said they would adopt to address any increase that may occur in their total pension contributions. In both 2007 and 2009, around 30 per cent of employers said that they would seek to absorb the increase in costs out of profits, or higher overheads. However, employers in 2009 were less likely to say that they would seek to increase prices (15 per cent, compared with 23 per cent in 2007) and were more likely to say that they would restructure or reduce their workforce (16 per cent, compared with eight per cent in 2007). Again, it may be hypothesised that this may reflect the changed economic climate under which the 2009 survey was conducted.

37 The remainder were those employers who professed to know 'a little' (30 per cent in 2007; 35 per cent in 2009).

Appendix A Technical report on survey methodology

A.1 Introduction

The Department for Work and Pensions (DWP) commissioned TNS-BMRB to conduct the survey, *Employers' attitudes and likely reactions to the workplace pension reforms* (EAS) among private sector employers in 2009. This was the third survey amongst employers to examine their reactions to the workplace pension reforms. The focus of the EAS has evolved over time to reflect this fast-moving policy area. The 2006 survey measured employers' initial attitudes towards the proposals outlined in the Pensions Commission report published in November 2005. The 2007 survey was updated to reflect the details outlined in the Government's White Paper on pension reform in May 2006, which set out more detailed proposals for the reforms.

Specific objectives of the 2009 survey were to:

- provide up-to-date information on employers' awareness, attitudes and likely reactions to the reforms;
- assess the likely impact of the reforms on existing pension provision, including where employers plan to enrol their workers, and what levels of contribution they plan to offer;
- provide up-to-date evidence on how employers plan to manage any increase in costs;
- provide evidence in specific areas such as employers' preferences and needs for sources of advice and information and their level of reliance on intermediaries.

A.2 Overview of survey method

The survey interviewed a representative sample of 2,550 private sector employers in Great Britain to measure awareness of the workplace pension reforms and the likely impact these reforms would have on pension provision made by employers. The survey population comprised all private sector employers in Great Britain with one or more employees. The sample for the survey was obtained from the Inter-Departmental Business Register (IDBR). After an initial screening stage to collect the contact details of the most suitable person to complete the survey, employers were sent a letter and datasheet by DWP inviting organisations to participate in the survey.

The survey was conducted using Computer Assisted Telephone Interviewing (CATI) and achieved an effective response rate of 51 per cent. The use of CATI for this type of survey had a number of advantages: the telephone research was easily controlled and supervised; and it allowed for a relatively short fieldwork period.

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

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

A.3 Sample selection

The survey is intended to provide an indication of employers' likely reactions towards the Governments proposals for workplace pension reform. It was designed to be representative of private sector employers in Great Britain in 2009.

For the 2009 survey, as for the previous surveys, the sample was obtained from the IDBR. The IDBR is a Government database maintained by the Office for National Statistics (ONS) which is based on Value Added Tax (VAT) and Pay As You Earn (PAYE) records. It was preferred over alternative sampling frames due to its greater coverage, particularly of smaller companies, and the amount of detail that could be obtained from the frame such as number of employees, legal status, and industry classification. The main drawback with the IDBR for this particular survey was that only a small proportion of records had telephone numbers. Therefore, telephone numbers had to be obtained after the sample was drawn through a tracing exercise.

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

The Survey of Employers' Pension Provision (EPP) was being conducted by TNS-BMRB for DWP at the same time as EAS. Sample was drawn for both surveys in a single exercise, thereby ensuring that respondents could not be selected for both surveys. In both surveys there was a requirement to interview all companies with over 5,000 employees (termed 'census companies' for the purposes of the survey). As a result all census companies were selected to take part in both the EAS and the EPP surveys. To reduce employer burden, the survey interviews were combined and the average interview length targeted at 45 minutes.

In previous years the EAS sample design placed a greater emphasis on interviewing smaller employers. Whilst this has had some advantages in reducing the design effect of the weighting, the increasing importance of producing employee estimates meant that it was appropriate to place a greater emphasis on larger organisations in 2009. Although large organisations are relatively few in number, they account for a large proportion of the total labour force and so they are important in terms of providing estimates for the number of employees who will be affected by any changes organisations may make, due to the workplace pension reforms. The 2009 sample design was therefore brought into line with the EPP sample design.

Table A.1 shows the total population taken by number of employees, as indicated by the IDBR, in January 2009. In order to achieve the required initial sample in each size band, a different sampling fraction was applied to each. This ranged from drawing one in 78 companies with 1-4 employees up to virtually all companies with 250 or more employees. As the sample selection for EAS and EPP was submitted as a single request, the sample fractions stated overleaf cover both the EAS and the EPP surveys.

Table A.1 Number of private sector organisations in Great Britain and selection fractions applied, by size of organisation (as recorded on IDBR)

	IDBR population count		Selection fractions	
Size of organisation	Number of units	Percentage	1 in N	Percentage of population
1-4	1,201,636	73.6%	77.66	1.3%
5-12	268,719	16.5%	50.25	2.0%
13-19	60,817	3.7%	19.19	5.2%
20-49	64,677	4.0%	14.84	6.7%
50-99	18,886	1.2%	5.29	18.9%
100-249	10,897	0.7%	3.06	32.7%
250-499	3,474	0.2%	1.00	100.0%
500-999	1,789	0.1%	1.00	99.6%
1,000-4,999	1,429	0.1%	1.00	100.0%
5,000 or over	366	0.02%	1.00	98.4%
Total	1,632,690	100.0%	38.40	2.6%

Prior to the telephone number look-up, a number of records were excluded from the sample. As in the 2007 survey there were a number of industry sectors where it seemed likely that the majority of employees would be covered by a public sector pension scheme. These were mainly in the education sector. Thus, all organisations with Standard Industrial Classification (SIC(2003)) codes 80100, 80210, 80220, 80301, 80302, or 80303 were excluded from the sample at this stage.[38] This represented a total of 1,031 organisations across both the EAS and the EPP surveys.

Table A.2 shows how the initial sample of 42,523 for both surveys was broken down by size band both pre- and post-tracing for telephone numbers. Telephone numbers were obtained for 50 per cent of the original sample. This was achieved through a variety of methods and sources. These included both electronic tracing and, where this failed to generate a number, manual tracing of numbers[39]. Additionally, where a telephone number was provided on the IDBR record, this was used if the tracing process failed to generate a number. Finally, once the tracing process was exhausted, researchers working on the survey re-examined the small number of large companies (those with 1,000 or employees) where a number had not already been obtained and tried to obtain a contact number through company websites. The success rate in obtaining numbers for small employers was lower than for larger employers, but this had been anticipated in advance and had been taken into account when specifying the initial sample sizes by size band.

38 SIC(2003) is available on the ONS website at: http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14012

39 Not all of the sample was sent for manual look-up as target numbers had already been achieved within some size bands.

Table A.2 Pre- and post-trace sample, by size of organisation (as recorded on IDBR)

	Initial sample from IDBR		Final sample after telephone matching		Percentage of sample selected with telephone number
Size of organisation	Number of units	Percentage	Number of units	Percentage	Percentage
1-4	15,473	36.4%	3,315	15.5%	21.4%
5-12	5,348	12.6%	2,303	10.8%	43.1%
13-19	3,169	7.5%	2,061	9.7%	65.0%
20-49	4,357	10.3%	2,798	13.1%	64.2%
50-99	3,567	8.4%	2,795	13.1%	78.4%
100-249	3,566	8.4%	2,792	13.1%	78.3%
250-499	3,473	8.2%	2,626	12.3%	75.6%
500-999	1,781	4.2%	1,310	6.1%	73.6%
1,000-4,999	1,429	3.4%	1,034	4.8%	72.4%
5,000 or over	360	0.9%	332	1.6%	92.2%
Total	42,523	100.0%	21,366	100.0%	50.3%

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

Once the process of eliminating ineligible and duplicate records was completed, the initial screening stage sample for EAS was drawn by applying a selection probability specific to each size band so that the profile of the screening sample by size band matched the profile of the initial sample shown in Table A.1. All employers with 5,000 or more employees were allocated to the census survey as these companies were selected to take part in both the surveys.

The sample was randomly allocated in the manner outlines in Table A.3.

Table A.3 Sample allocation

Survey name	Numbers allocated	Percentage
EAS	10,179	47.6
EPP	10,180	47.6
Census	332	1.6
EAS Pilot[1]	675	3.2
Total	21,366	100

[1] Only organisations with less than 500 employees were included in the pilot sample.

At the initial screening stage a number of businesses (1,635) were identified as being out of scope either because they had gone out of business, they were a public sector organisation, they had no employees, or the telephone number was unobtainable or incorrect. Contact names were obtained and contact details confirmed for 5,891 records.

The successful in scope sample was again stratified by size band and within each size band further stratified by number of employees, SIC(2003) division, legal status and alphabetically by postcode. The sample was randomly allocated to batches for the main stage and was loaded batch by batch. In total 5,647 cases were loaded into the main stage and were mailed a letter and data sheet. Table A.4 shows the distribution of the sample of employers who were mailed a letter and data sheet by size band.

Table A.4 Selected screener stage and main stage sample, by size of organisation (as recorded on IDBR)

	Final sample loaded into screener		Successful screener outcome		Selected main stage sample	
Size of organisation	Number	Percentage	Number	Percentage	Number	Percentage
1-4	1,625	15.2%	571	9.7%	568	10.1%
5-12	740	10.3%	606	10.3%	494	8.8%
13-19	681	9.3%	586	10.0%	584	10.3%
20-49	831	12.5%	793	13.5%	678	12.0%
50-99	822	12.6%	811	13.8%	806	14.3%
100-249	818	12.6%	795	13.5%	792	14.0%
250-499	750	11.9%	751	12.8%	748	13.3%
500-999	484	7.0%	400	6.8%	399	7.1%
1,000-4,999	452	5.1%	302	5.1%	301	5.3%
5,000 or over	323	3.7%	276	4.7%	277	4.9%
Total	7,526	100.0%	5,891	100.0%	5,647	100.0%

A.4 Fieldwork

The main survey fieldwork was conducted between 17 June 2009 and 28 August 2009 and the census survey of organisations with over 5,000 employees was conducted between 29 June 2009 and 18 September 2009.

Fieldwork involved three main stages.

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

Stage Two: Despatching an advance letter, an information sheet about the workplace pension reforms and a paper 'data sheet' to the person identified at Stage One.

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

A.5 Advanced letter, data sheet and website

As in previous years, an advanced letter, information sheet and data sheet were sent to the person identified at Stage One of the fieldwork before they took part in the main interview at Stage Three. The letter was despatched on DWP-headed paper, this helped to reassure respondents of the genuine nature of the research and therefore encourage response. The letter explained the purpose of the research in terms of collecting information to help inform key Government policies on future pension arrangements. The letter also explained that organisations had been randomly selected to participate in the research and that an interviewer would be in touch in the future. Contact details were provided for a member of the research team at TNS-BMRB so that any organisation could get in touch if they had any queries about the research.

Before taking part in the survey respondents were asked to record some information about their organisation on a data sheet to use as a guide during the interview. The data sheet provided a description of the main types of pension schemes the organisation might provide and contained some of the key factual questions asked during the survey. This allowed respondents to gather the more complex and detailed information required before taking part in the survey.

As in 2007, alongside the letter employers were sent an information sheet, which provided employers with background information on the Government's proposals for workplace pension reform.

To help encourage response, a website was created for respondents to access. The website was mentioned in the advance letter and respondents were encouraged to access the site if they wanted more detailed information on the survey.

A.6 Questionnaire

The questionnaire consisted of six main sections

Section A: About the organisation

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

Section B: Existing pension provision

This section collected information on the type of pension schemes the organisation had in place and the level of contributions made to the largest scheme. This section also gathered details of scheme joining mechanisms, eligibility criteria, scheme participation rates, and reasons for providing pensions.

Section C: Administration arrangements

This section collected information on employers' current administration arrangements for pension provision and payroll

Section D: Employer's awareness of and attitudes to private pension reform, and likely actions to cope with costs

This section collected information on employers' awareness of and broad attitudes to the proposed private pension reforms. It also looked at the actions employers said they would be likely to take in order to cope with any increase in costs resulting from the introduction of the reforms.

Section E: Employers' likely behaviour in response to the reforms

This section looked at what employers thought they might do once the new requirements were introduced in terms of what pension scheme they would enrol staff into and the rate at which they would contribute. Employers were asked in turn what they would be likely to do in relation to current employees who were already members of the employers pension provision and employees who were not members – this was made up of both new employees and employees who are not currently a member of existing pension provision provided by the employer.

Section G: Information

This section looked at the sources of advice and information that employers would prefer at different stages in the implementation of the proposals and beyond. Specifically, it examined the sort of advice and information that employers would find useful prior to the implementation of personal accounts and how such information could be delivered.

A.7 Piloting

The first stage of piloting for the EAS survey involved five semi-structured face-to-face interviews with respondents from a range of private sector employers in London. The sample was drawn from the remaining screened sample not selected for the main stage of the research. Pre-testing the questionnaire allowed for a better assessment of how well the target group were able to understand and respond to the survey questions.

A telephone pilot using the same three-tiered method as the main stage, was conducted prior to the start of the main fieldwork. Interviewing took place on two separate days, a few days apart to allow for improvements to be made to the questionnaire after the first interviewing session.

Before the pilot interviewers were briefed face-to-face by researchers from TNS-BMRB and detailed interviewer instructions were issued. Researchers from TNS-BMRB and DWP also monitored the telephone interviews as they took place to understand how the questionnaire was working in practice and how respondents understood specific concepts and ideas. Forty-five organisations were interviewed during the pilot, covering a range of size bands and sectors. The sample for the pilot was drawn from the IDBR sample provided by ONS and these organisations were then excluded from the main stage sample. The pilot interviews took place on the 19 May and the 21 May 2009. The principal outcome of the pilot was the deletion of a small number of questions from the interview schedule, in order to limit the length of the interview.

A.8 Response rate

After the initial letter was sent out to employers a total of 38 organisations contacted either DWP or TNS-BMRB to opt out of the survey before the start of the main stage fieldwork and these respondents were removed from the sample. The sample was loaded in batches and closely monitored to ensure a good response rate was achieved. The remainder of this section focuses on the 5,647 cases (the 'issued sample') remaining at the start of the main telephone interviewing stage.

Table A.5 shows from the initial issued sample of 5,647 a total of 616 cases (11 per cent) were established as being out of scope for various reasons. From the remaining sample a total of 2,550 interviews were achieved, representing a response rate of 51 per cent. The main reasons for non-response were refusal (24 per cent) and respondents being unavailable to do the survey during the fieldwork period (21 per cent).

Table A.5 Response rate for main stage sample

	Number	Percentage
Total issued sample	5,647	100
Out of scope		
Number incorrect/unobtainable	61	1
Fax/computer line	13	0.2
Duplicate record	23	0.4
Ineligible company[1]	110	2
No reply after at least ten calls	172	3
No answer/answering machine	237	4
Total out of scope	616	11
Total eligible sample	5,031	100
Unproductive outcomes		
Abandoned/incomplete interviews	147	3
Refused	1,184	24
Away during fieldwork period	1,034	21
Incapable of doing interview	25	0.5
General call back	91	2
Total unproductive	2,481	49
Total complete interviews	2,550	51

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

Table A.6 shows response rate broken down by size band. The response rate was fairly even by size and the response generally ranged from 48-52 per cent. This shows that there were few obvious biases. The overall response rate for the census companies (with 5,000 or more employees) was lower than the overall response (46 per cent compared to 51 per cent). This could possibly be a result of the census companies being asked to take part in both the EAS and the EPP.

Table A.6 Main stage response rates, by size of organisation (as recorded on IDBR)

Size of organisation	Issued sample	Out of scope		Total in scope	Total non-effective	Achieved interviews[1]	Response rate
	Number	Number	Percentage	Number	Number	Number	Percentage
1-4	568	90	15	478	237	241	50
5-12	494	40	6	454	238	216	48
13-19	584	62	10	522	265	257	49
20-49	678	52	8	626	270	356	57
50-99	806	71	12	735	373	362	49
100-249	792	83	13	709	344	365	51
250-499	748	77	13	671	331	340	51
500-999	399	54	9	345	173	172	50
1,000-4,999	301	45	7	256	122	134	52
5,000 or over	277	42	7	235	128	107	46
Total	5,647	616	100	5,031	2,410	2,550	51

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

A.9 Data preparation and data output

The CATI questionnaire incorporated a number of checks to try and resolve any discrepancies during the interview. For this reason post-interview edits were kept to a minimum.

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

The data was produced in one SPSS files and consisted of 2,550 records.

A.10 Weighting

The weighting process involved three main stages.

1. Design weights

These were attributed to each enterprise group based on their probability of selection. This was dependent on the number of employees stated in the sampling frame. This accounted for the over-sampling of enterprise groups with larger numbers of employees.

2. Overall weights

After applying the weights to take account of the over-sampling by employee size, further weights were applied to the entire sample to calibrate it to be nationally representative by SIC group and employee size reported by the group. This used the statistical technique of rim weighting. The matrices that were used to derive the rim weights were based on the known distribution of the IDBR population by size of organisation (11 categories[40]) and industry group (ten categories[41]).

3. Scaling and capping

Finally the weights were rescaled so that the weighted total was the same size as the number of enterprises that responded.

Due to the under-representation in the selected sample of small employers from some industry groups and forms of legal status a small number of cases received very large weights in the rim weighting procedure. To reduce the influence of a very small number of cases on individual estimates, very large weights were capped (fixed) at a maximum value.

The weight for employees was derived by multiplying the organisation weight by the number of employees. The weight was also re-scaled to ensure that the weighted sample size was the same as the unweighted sample size (n=2,550).

The 2007 data set was re-weighted in the same way to allow comparisons to be made across the two surveys.

A.11 The precision of survey estimates

With an estimated average design factor of 3.1 under the enterprise-based weighting scheme, an estimate of 50 per cent when based on the full sample of 2,550 observations would have a 95 per cent confidence interval of +/- six percentage points. An otherwise equivalent estimate based on 500 observations would have a 95 per cent confidence interval of +/- 13 percentage points.

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

41 Categories (SIC(2003) Divisions): A&B&C, D, E&F, G, H, I, J, K, M&N, O.

Appendix B Estimates of pension provision from the 2009 Survey of Employers' Pension Provision

The extent and nature of employers' pension provision is also explored both in the *Employers' attitudes and likely reactions to the workplace pension reforms* (EAS) and the DWP-funded *Employers' Pension Provision* (EPP) surveys. A comparison between the estimates arising from EAS and EPP in 2007 and 2009 is presented in Chapter 2. Table B.1 presents a full set of comparative estimates from EPP.

The fall in the percentage of organisations providing occupational schemes (from five per cent in 2007 to two per cent in 2009) is statistically significant at the five per cent level, as is the fall in the percentage of organisations making contributions to personal pensions (PPs) (from 12 per cent to five per cent) and the fall in the overall extent of provision (from 41 per cent to 28 per cent). The fall in the extent of provision once contributions to PPs have been ignored (from 33 per cent to 27 per cent) is statistically significant at the ten per cent level. Among the employment-weighted estimates, the only statistically significant differences between 2007 and 2009 are in the percentages of employees working for: (i) employers who only make contributions to PPs; (ii) employers with any form of provision; and (iii) employers with any form of provision excluding contributions to PPs. Each of these declines is statistically significant at the five per cent level.

Table B.1 Incidence and type of pension provision (EPP 2007 and 2009)

Column percentages

	Private sector organisations		Employees working for private sector organisations	
	2007	**2009**	**2007**	**2009**
Any provision	41	28	87	82
Type of pension provision:				
Occupational scheme	5	2	42	42
Group Personal Pension scheme	5	5	29	30
Stakeholder pension	27	23	61	55
Contributions to employees' PPs	12	5	19	12
Any provision – excluding those only making contributions to employees' PPs	33	27	86	81
Contributions to employees' PPs only	8	2	1	1
No provision	59	71	13	18
Weighted base	*2,359*	*2,499*	*2,357*	*2,512*
Unweighted base	*2,355*	*2,508*	*2,355*	*2,508*

Source: Forth J and Stokes L, 2010, forthcoming

References

Bolling, K., Grant, C., Fitzpatrick, A. and Sexton, M. (2006). *Employer attitudes to personal accounts: Report of a quantitative survey*. DWP Research Report No. 397. Leeds: Corporate Document Services.

Bourne, T., Shaw, A. and Butt, S. (2010). *Individuals' Attitudes and likely reactions to the workplace pension reforms 2009*. DWP Research Report No 669. Leeds: Corporate Document Services.

Cannon, E. and Tonks, I.(2009). *Money's Worth of Pension Annuities*. DWP Research Report No. 563. Leeds: Corporate Document Services.

Collard, S. and Breuer, Z. (2009) *Attitudes towards investment choice and risk within the personal accounts scheme: Report of a qualitative study*. DWP Research Report No. 565. Leeds: Corporate Document Services.

Dobson, C., Hogan, S., Horsfield, S. and Winstanley, M. (2010). Default options in Workplace Personal Pensions: Report of a qualitative study. DWP Research Report No. 628. Norwich: Department for Work and Pensions.

Forth J and Stokes L (2008). *Employers' Pension Provision Survey 2007*. DWP Research Report No. 545. Leeds: Corporate Document Services.

Forth J and Stokes L (2010). *Employers' Pension Provision Survey 2009*. DWP Research Report No.687. Leeds: Corporate Document Services (forthcoming).

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

Hall, S. and Floyd, W. (2009). *Understanding why some employers don't participate in employer pension schemes*. DWP Research Report No. 570. Leeds: Corporate Document Services.

Jordon, E. and Thomas, A. (2009). *Employer attitudes to collective defined contribution pension schemes*. DWP Research Report No. 623. Leeds: Corporate Document Services.

Malcolm, K., Wilsdon, T. and Xie, C. (2009). *Workplace Pension Market model*. DWP Working Paper No. 74. Leeds: Corporate Document Services.

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

Wick, R. and Horack, S. (2009). *Incentives to save for retirement: understanding perceptions and behaviour. A literature review*. DWP Research Report No. 562. Leeds: Corporate Document Services.

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

This report presents findings of a quantitative survey carried out in 2009 to explore employer's attitudes and likely reactions to the workplace pension reforms. It involved telephone interviews with 2,550 private sector employers across Great Britain, selected to reflect diversity in terms of employer's size, current level of provision and likely future contribution levels. The research was carried out by TNS-BMRB and NIESR on behalf of the Department for Work and Pensions.

The study was commissioned as part of a programme of research and analysis to inform policy development, implementation and estimation of the likely impacts of the workplace pension reforms.

If you would like to know more about DWP research, please contact:
Paul Noakes, Commercial Support and Knowledge Management Team,
3rd Floor, Caxton House, Tothill Street, London SW1H 9NA

http://research.dwp.gov.uk/asd/asd5/rrs-index.asp

Research Report No. 683
ISBN 978-1-84712-808-9