



# First Release

30 April 2013

Coverage: United Kingdom  
Frequency: Annual

**Theme**  
People and Places

## NATIONAL INSURANCE CONTRIBUTIONS & QUALIFYING YEARS AND SECOND TIER PENSION PROVISION: 2011/12

### Introduction

The Second Tier Pension Provision (STPP) and Contributions and Qualifying Years (C&QY) Tabulation Tools will be published at 9.30am on Tuesday 30th April 2013. The Tools can be accessed at: <http://83.244.183.180/NIRS/live/tabtool.html>

These data are based on analysis of National Insurance contributions using the Lifetime Labour Market Database (L2), which is created using a 1% sample taken from the National Insurance PAYE System (NPS). The sample is taken nine months after the end of the latest tax year to be analysed, to allow time for employers to make returns.

In some circumstances, contribution postings have a lengthy timeframe in which they can be paid and input onto the system. In order to capture the vast majority of postings, HMRC extract the data from NIRS nine months after the tax year has closed. To determine the amount of retrospection used, we look at providing an acceptable trade-off between quality and timeliness. The published numbers capture the vast majority of these retrospective entries to the computer systems but are classed as provisional for the most recent two tax years. See Notes section 2 for more details.

### Contributions and Qualifying Years Key Findings



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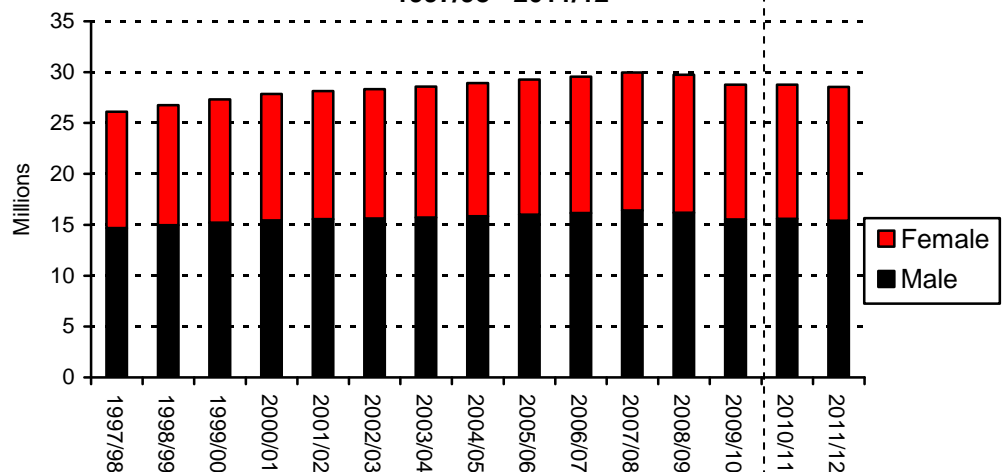
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**Next publication:**  
March/ April 2014

People making National Insurance contributions by gender:  
1997/98 - 2011/12



The 2 most recent years are provisional

In 2011/12 there were 28.6 million people making National Insurance contributions. As the 2011/12 tax year figure is provisional it is likely that the final numbers will be higher as additional returns are incorporated.

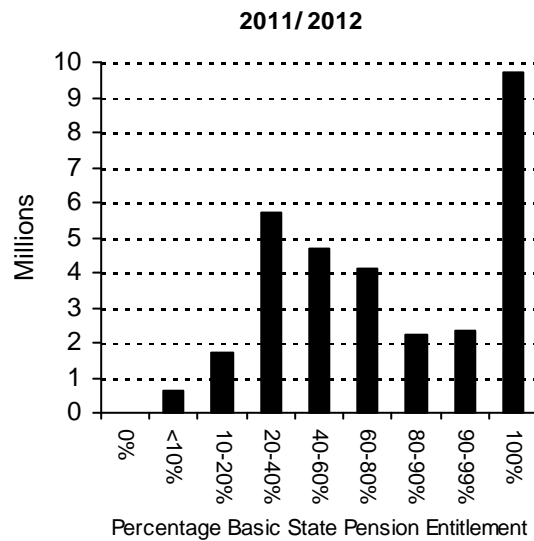
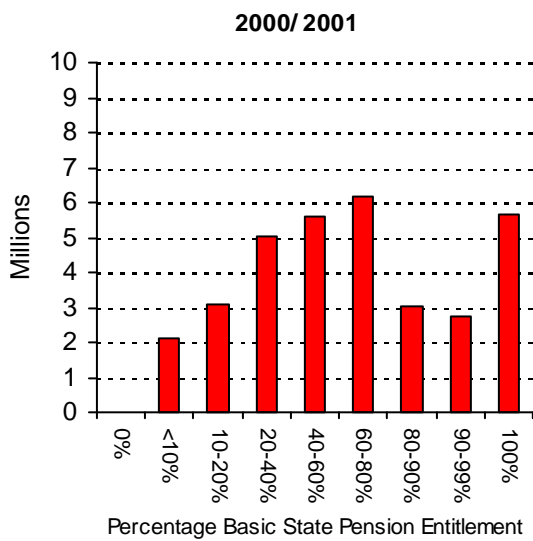
Generally the impact of retrospective changes on provisional figures results in a small percentage increase but varies depending on which breakdown you are looking at. Please see note 2 for further understanding.



For non-provisional years the number of people accruing qualifying years toward State Pension has been stable and rising slowly throughout the series. The Pension Reform Act 2007 has meant a substantial change in the proportion of basic State Pension people can expect to receive at State Pension age by reducing the number of qualifying years for a full State Pension from 39 for women and 44 for men to 30 for everyone retiring after April 2010. However, the Act also removed, from 2010/11 onwards, automatic credits for those having their 16<sup>th</sup>, 17<sup>th</sup> or 18<sup>th</sup> birthdays in the relevant tax year. This is seen in the numbers receiving a qualifying year in 2010/11 being lower than in previous years. This needs to be offset against the requirement for fewer qualifying years.

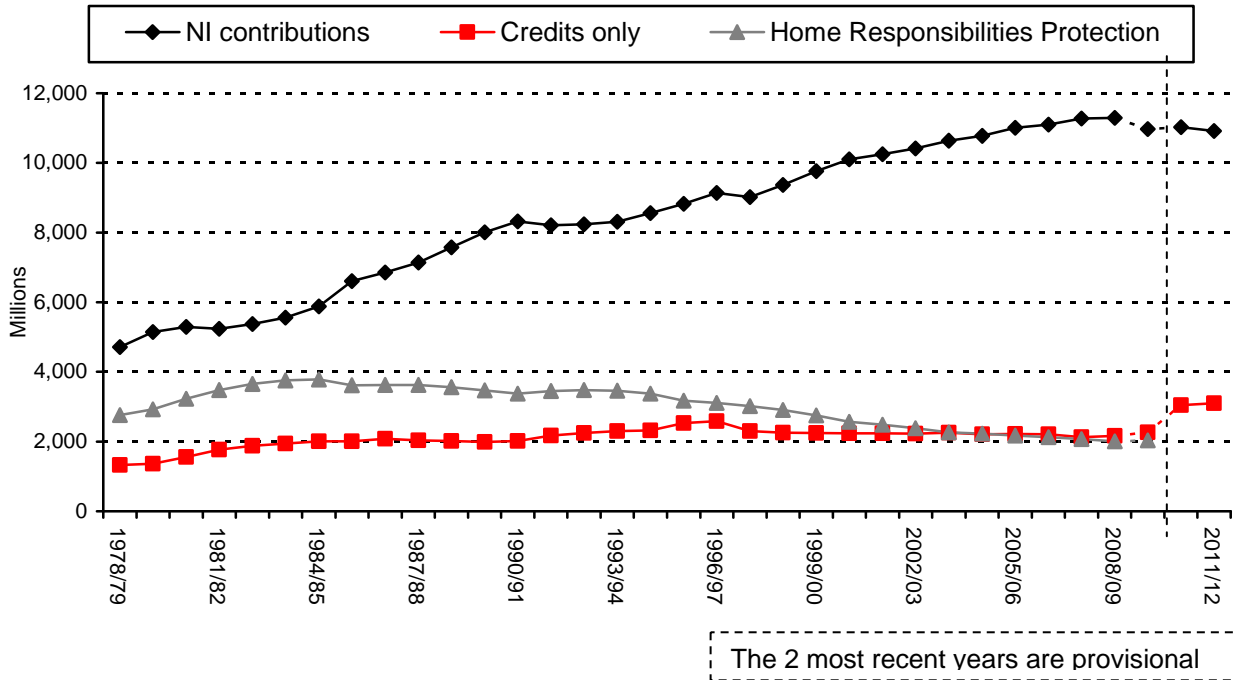
**People under State Pension age with at least one qualifying year for Basic State Pension, by percentage entitlement: 2000/2001 and 2011/2012**

Figures shown for 2011/2012 are provisional



The charts above show snapshots of all people who are under State Pension age in the relevant years, by the percentage of Basic State Pension already accrued (taking in to account retirement age and the Pension Reform Act 2007 changes). As each cohort contains a mixture of ages, the lower percentages tend to contain younger people who could not possibly have worked for long enough to accrue a full State Pension. However, the effect of Pension Reform Act 2007 can be clearly seen in the higher proportion of the 2011 cohort already having a full State Pension entitlement. As the 2011/12 tax year figure is provisional it is likely that the final numbers will be higher as additional returns are incorporated.

**Number of women who have accrued a qualifying year for State Pension, by method of accrual: 1978/79 - 2011/12**



The distribution of women accruing qualifying years for basic state pension has changed between 1978/79 and 2011/12. In 1978/79, 31% of females accrued qualifying years through being awarded Home Responsibilities Protection (HRP) for children up to the age of 16 <http://www.hmrc.gov.uk/forms/cf411-notes.pdf>. In the same year, the percentage of women accruing qualifying years through paying National Insurance (NI) contributions was approximately 54%. From April 2010, HRP was replaced with parenting credits given to those in receipt of child benefit for children up to the age of 12. In 2011/12, 21% of women were awarded credits, compared to 79% of women accruing a qualifying year through paying NI contributions.

*Following the introduction of National Insurance credits for those previously awarded HRP we intend to show separately those awarded credits for childcare and caring responsibilities in future publications.*

## Second Tier Pension Provision key findings

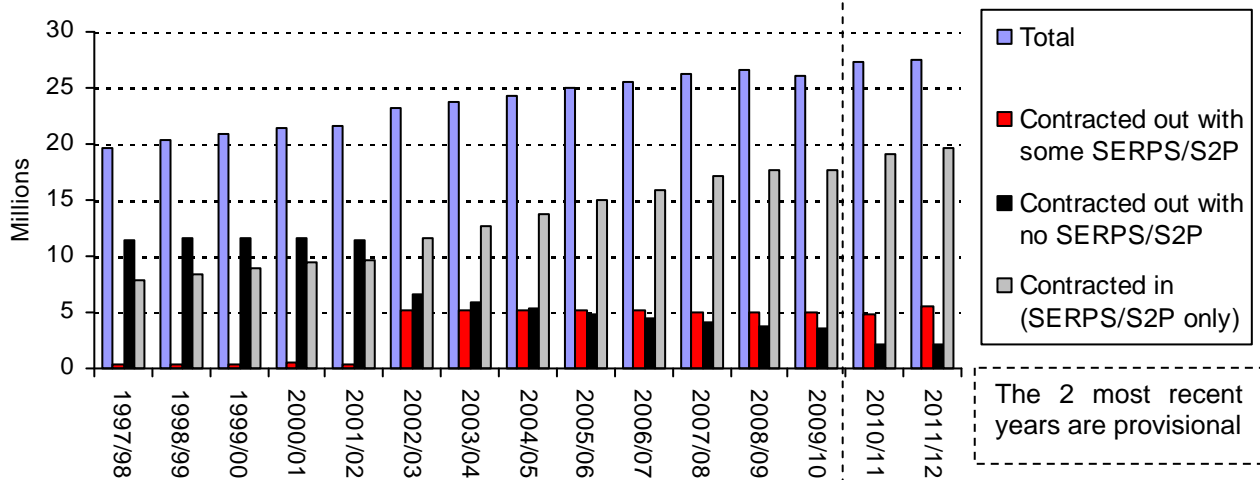
Between 1978/79 and 2011/12, second tier cover rose from 17.7 million to 27.4 million. These increases have primarily been amongst women. The introduction of State Second Pension (S2P) in April 2002 brought in more generous rules for low earners plus those who cannot work due to disability or caring responsibilities. Details can be found at:

[www.parliament.uk/briefing-papers/SN00255.pdf](http://www.parliament.uk/briefing-papers/SN00255.pdf).

This has caused a step jump in second tier membership.

Please note that the “Contracted out with some SERPS / S2P” category relates to people who are contracted out (and therefore a member of an occupational pension scheme or a stakeholder / personal pension) but have accrued an amount of S2P / SERPS during that tax year.

**People with Second Tier Pension Provision provision during the year, by Contracted Out/In status: 1997/98 - 2011/12**



In April 2002, low to moderate earners began to accrue S2P whilst still members of their contracted out scheme. See the Notes section for details on the UK pension system.

Between 1997/98 and 2009/10 (the most recent non-provisional year) there had been a 29% fall in the number of people with some form of contracted out cover, 11.9 million in 1997/98 compared to 8.5 million in 2009/10. This reflects a long term trend of falling contracted out memberships. Provisional figures for 2011/12 indicate this trend is likely to continue. This move to State Second Pension is especially true of women as in 1978/79 under 2.4 million women were covered by State Earnings Related Pension Scheme (SERPS), however by 2009/10 11.7 million women were covered by the State Second Pension (S2P). There were 9.9 million people with some form of contracted out cover in 2011/12.

The number of people moving to the State Second Pension (S2P) has risen over time. 25.3 million people are covered under the S2P in 2011/12, up 1.1% on the 2010/11 figure of 25 million. 72% of people were covered principally through S2P in 2011/12 compared to 40% of people principally gaining cover through SERPS in 1997/98. At the same time 18% had cover principally through public sector schemes, 5% through private sector schemes and 5% through an APP or Stakeholder scheme



Due to the entitlement conditions for the State Second Pension, in 2011/12 an extra 5.1 million people gained cover from the rules for carers and long term sick or disabled compared to if SERPS arrangements were still in place. This has risen since 2009/10 due to additional cover being granted to those claiming Child Benefit and whose youngest child is 12 or under. More details on this change can be found at:

<http://www.hmrc.gov.uk/childbenefit/start/claiming/protect-pension.htm#4>.

In addition to those having entitlement to S2P during periods when they cannot work, a further 5.8 million people in 2011/12 who were contracted out were potentially accruing some extra second tier entitlement under the new scheme. This brought the total number of new people who potentially accrued extra pension benefits under the S2P arrangements to 11.1 million in 2011/12.



## NOTES

### 1. The Lifetime Labour Market Database

The Lifetime Labour Market Database (L2) publications are published annually and aim to give users a structured overview of National Insurance Contributions and Qualifying years as well as Second Tier Pension Provision.

Alongside the First Release, there are a number of tables which enable the user to delve in to the detail:

- The DWP Tabulation Tool - for National Insurance Contributions and Qualifying years as well as Second Tier Pension Provision with an interactive tool to select one of many possible tabulations. Some statistics remain outside the scope of the Tabulation Tool but will continue to be available via the internet as pre-defined summary tables.
- Other tables and background information via links on the Tabulation Tool pages

This publication can be used for:

- Obtaining numbers of people qualifying for state pension and numbers of people with some kind of second tier pension cover.
- Exploring the characteristics of those qualifying for state pension or with second tier pension cover.
- Statistics on the numbers of people paying various classes of National Insurance in each tax year.

This publication should not be used for:

- Statistics on earnings. This series presents “earnings on which class 1 contributions are paid”. This can be a subset of total earnings and is capped at the upper earnings limit set by HM Revenue and Customs. Statistics on earnings can be obtained from: <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/labour-market/annual-survey-of-hours-and-earnings/index.html>
- Statistics on pensions paid to those over State Pension Age. Statistics on State Pension can be found at: [http://statistics.dwp.gov.uk/asd/index.php?page=statistical\\_summaries](http://statistics.dwp.gov.uk/asd/index.php?page=statistical_summaries). Statistics on second tier pensions in payment can be found at: <http://www.ons.gov.uk/ons/guide-method/method-quality/guide-to-pension-statistics/private--non-state--pensions/index.html>

### 2. Planned revisions due to retrospection

These statistics are produced from a longitudinal database (Lifetime Labour Market Database) which is revised each year. These database revisions completely refresh the contribution history for each person, so that the statistics show the most up-to-date information from the National Insurance Recording System. For example, postings made after the last set of statistics will now be included; corrections made to the database will also be included.

The magnitude of these revisions varies from year to year and for different types of information. For example, employers are required to submit details of class 1 National Insurance within 2 months of the end of the tax year; whilst class 3 contributions can be paid up to 6 years after the end of the tax year. Changes in employer and HMRC administrative practice can also change the number of retrospective changes. The level of changes seen in previous years can serve as a useful guide to the level of increase that might be expected.

For example, using 2008/09 numbers:

When the figures for 2008/09 tax year were first published in 2010 they were marked as provisional as there would be further P14 returns made and amendments to early records. Our 1% extract showed that 29,390 people made National Insurance contributions in 2008/09 according to the information we had in 2010.

In 2011 the figures for 2008/09 were still marked as provisional to allow for further P14 returns and amendments. Our 1% extract showed that 29,607 people made National Insurance contributions in 2008/09 according to the information we had in 2011, an increase of 0.73% from the original reporting of this data in 2010.



In 2012, we are confident the vast majority of returns and amendments have been made for the 2008/09 tax year and take away the provisional status. However, the figures will continue to be revised each year in accordance with the revision policy. Our 1% extract showed that 29,649 people made National Insurance contributions in 2008/09 according to the information we had in 2012, an increase of 0.88% from the original reporting of this statistic in 2010.

However, for class 3 contributions the final figures are likely to be up to twice the value of the original provisional statistic.

A detailed table of these retrospective revisions can be found in the [Quality document](#).

### 3. Sampling errors

The database from which these statistics are produced is based on a 1% sample from the National Insurance Recording System (NIRS). Numbers derived from this 1% sample are subject to sampling error and are estimates of the true population value. By chance, an estimate of the population value, obtained from the 1% sample data, may be slightly lower or slightly higher than the true population value.

A confidence interval provides a range of values which, it is estimated, includes an unknown value. In the context of these statistics, the confidence intervals summarise the variability in the estimates caused by the calculation from a 1% sample. It is therefore important to look at the confidence intervals as well as the estimate when using these statistics. The range of a confidence interval is expressed in terms of lower and upper limits. If many independent 1% samples were drawn from the HMRC NIRS system and the same value calculated, 95% of those samples would produce estimates which lie within the limits in the table below.

A more detailed table can be found in the [Quality document](#).

<b>Estimated value</b>	<b>95% Confidence Interval</b>	<b>Confidence interval as a % of the estimate</b>
1,000	+/-650	+/-65%
5,000	+/-1,350	+/-27%
10,000	+/-1,950	+/-20%
50,000	+/-4,350	+/-9%
1,000,000	+/-19,500	+/-2%
5,000,000	+/-43,650	+/-1%
10,000,000	+/-61,650	+/-1%

### 4. National Statistics Code of Practice

DWP complies with the Code of Practice for Official Statistics and supporting Principles. Detailed policy statements and statement of compliance with the pre-release access to official statistics order 2008 are given below:

[DWP policy statements](#)

Detailed policy and methodology relating to these National Statistics can be found at:

- [Quality](#)
- [Methodology](#)
- [Uses and Users](#)
- [Ad hocs and pricing](#)

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods, and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.



DWP would like to hear your views on our statistical publications. If you use any of our statistics publications, we would be interested in hearing what you use them for and how well they meet your requirements. Please email DWP at [stats-consultation@dwp.gsi.gov.uk](mailto:stats-consultation@dwp.gsi.gov.uk). If you would like to receive occasional e-mails from DWP to directly inform you of documents seeking the views of users.

An ongoing questionnaire, enabling DWP to target future consultations at interested users; shaping the future direction of statistics development to address user needs; and helping ensure value for money, whilst giving users a structured way of expressing their views is available at:

[http://research.dwp.gov.uk/asd/l2\\_internet\\_questionnaire.doc](http://research.dwp.gov.uk/asd/l2_internet_questionnaire.doc)

Completed questionnaires can be returned by e-mail to [stats-consultation@dwp.gsi.gov.uk](mailto:stats-consultation@dwp.gsi.gov.uk) or by post to the following address:

Stuart Grant  
Information, Governance and Security Directorate  
Department for Work and Pensions  
Room BP5201  
Benton Park Road  
Longbenton  
Newcastle Upon Tyne  
NE98 1YX

## 5. Guide to Pensions in the United Kingdom

The UK pension system is complex and many changes over the year have changed entitlement and types of provision. The website listed below describe the system and those changes in detail:

- Complete UK pension system: <http://www.pensionspolicyinstitute.org.uk/default.asp?p=97>
- State Pensions: <http://www.ifs.org.uk/bns/bn105.pdf>
- Historical timeline: <http://www.pensionsadvisoryservice.org.uk/pensions-timeline.aspx>

Details of the changes following the 2007 Pension Reform Act can be found at:

<http://webarchive.nationalarchives.gov.uk/20121125084459/http://www.dwp.gov.uk/policy/pensions-reform/the-pensions-act-2007/> and  
<http://www.legislation.gov.uk/ukpga/2007/22/introduction>

Details of the changes following the 2011 Pension Reform Act can be found at:

<https://www.gov.uk/government/publications/pensions-act-2011-supporting-documents>

Details of additional State Pension (State Earnings Related Pension Scheme (SERPS) and State Second Pension (S2P)) can be found at:

<https://www.gov.uk/additional-state-pension/overview>

Details to PAYE in real time (RTI) can be found at

<http://www.hmrc.gov.uk/payerti/getting-started/index.htm>

Information on Pensions and the Aging Society can be found at

<https://www.gov.uk/government/topics/pensions-and-ageing-society>

## 6. Known Issues, Changes and Revisions to National Insurance Contributions & Qualifying Years and Second Tier Pension Provision

The following changes and revisions are included in this issue:

- Revisions to reflect updated data from HMRC
- Some additional changes to commentary and background information as a result of the recent UK Statistics Authority review of these statistics. The United Kingdom Statistics Authority has now designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.
- The change correctly reflects cases where both contributions and credits have been accrued throughout the year. Previously they had been categorised as Credits only but are now classified as either Class 1 with Credits or the relevant qualifying year type with Credits.





## **7. Notification of future changes to National Insurance Contributions & Qualifying Years and Second Tier Pension Provision**

As the next publication is some months away, DWP will post the exact changes on the Landing Page [http://research.dwp.gov.uk/asd/index.php?page=stpp\\_cq](http://research.dwp.gov.uk/asd/index.php?page=stpp_cq) one month before the release. However, at the time of writing, DWP expect that the next release will include:

- Following the introduction of National Insurance credits for those previously awarded HRP we intend to show separately those awarded credits for childcare and caring responsibilities.
- As of April 2012, contracting out of State Second Pension from a Defined Contribution scheme will no longer be possible. This may impact on future publications.
- The introduction of PAYE in real time (RTI) will provide more timely data so our treatment of provisional figures may change. For information on RTI click [here](#)

Comments from users are welcome on these planned changes using the contact details in Notes section 4 above or via email to [stats-consultation@dwp.gsi.gov.uk](mailto:stats-consultation@dwp.gsi.gov.uk)