

# Workplace pensions: Update of analysis on Automatic Enrolment

Automatic enrolment obliges employers to enrol all workers who satisfy age and earnings criteria into a qualifying workplace pension arrangement and pay at least a minimum level of contributions. Individuals currently have to be earning over £10,000 and be at least 22 years old and under State Pension age (SPa) to be eligible for Automatic Enrolment.

## Main findings

- **10 million workers are estimated to be in the eligible target group<sup>1</sup> for Automatic Enrolment.**
- **9 million workers are estimated to be newly saving or saving more<sup>2</sup> as a result of Automatic Enrolment by 2018.**
- **Three quarters of the working population is estimated to meet the age and earnings criteria for Automatic Enrolment.**
- **£14 – 16 billion extra saving per year in a workplace pension as a result of Automatic Enrolment by 2019/20.**
- 70% of multiple jobholders, who are at least 22 years old and under SPa, meet the earnings criteria for Automatic Enrolment.
- Around 37% of the eligible target group are estimated to be female.
- Women, part-time workers, disabled people and those from an ethnic minority are less likely to be eligible; this is due to underlying labour market factors (such as earnings, working patterns and participation rates).
- Workers are more likely to be ineligible due to earnings criteria rather than the age criteria.
- Workers in smaller firms are more likely to be ineligible than those working in larger firms; this is predominantly due to earnings.

<sup>1</sup> The eligible target group is defined as workers who are aged between 22 and State Pension age, earning over £10,000 and either (i) not currently saving in a pension scheme; or (ii) saving in a pension scheme where the employer contributions are less than 3% of the worker's salary, and is not a defined benefit scheme.

<sup>2</sup> Workers who are newly saving or saving more are defined as being workers who are now saving as a result of Automatic Enrolment and previously were either (i) not saving in a pension scheme; or (ii) saving in a pension scheme where the employer contributions were less than 3% of the worker's salary, and was not a defined benefit scheme.



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# Introduction

This release contains estimates and analysis relating to Automatic Enrolment; it estimates the overall impact on pension saving and the number of workers affected by Automatic Enrolment. It also provides analysis on the characteristics of different groups of workers (such as eligibility and earnings).

## Background

Automatic enrolment mandates employers to provide a workplace pension for their eligible workers. Automatic enrolment commenced in 2012 beginning with the largest employers. All employers that existed in April 2012 are required to meet their duty to enrol their eligible workers into a qualifying workplace pension scheme by April 2017.

Workers are eligible for Automatic Enrolment if they are at least 22 years old and under State Pension age, earning over £10,000 a year and work, or usually work, in the United Kingdom. If a worker earns between £5,824 - £10,000, and is aged between 16-75, then they are eligible to opt in to a workplace pension and receive contributions from their employer. To date over 5 million workers have been automatically enrolled and almost 58,000 employers have completed their Automatic Enrolment duty.<sup>3</sup>

In October 2017, contributions rates increase from a minimum of 2% overall with at least 1% from the employer to a minimum of 5% overall with at least 2% from the employer. Minimum contribution rates increase again in October 2018 to a minimum of 8% total with at least 3% from employers. Tax relief is provided on the workers' contributions.

With small and micro employers beginning to meet their Automatic Enrolment duties (from June 2015) it is essential that DWP continue looking at how different workers may be affected by the changes and update its estimates of some of the impacts of Automatic Enrolment using the latest data available.

## In this document

This document provides estimates of the impact of Automatic Enrolment on pension saving. It also provides estimates of the number of workers affected by Automatic Enrolment and more detailed analysis of the characteristics of this population.

This publication is based on analysis of the Office for National Statistics Annual Survey of Hours and Earnings (ASHE), the Labour Force Survey (LFS) and DWP modelling. In general the analysis focuses on the eligible Automatic Enrolment population; that is those at least 22 years old and under State Pension age, and earning over £10,000.

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<sup>3</sup><http://www.thepensionsregulator.gov.uk/docs/automatic-enrolment-declaration-of-compliance-monthly-report.pdf>

As of August 2015.

## Future Releases

This release is planned as a one off publication. Future iterations may be published if deemed appropriate but there are no current plans to produce a future release.

## Summary of additional available data

All the information underlying the charts and figures featured in this summary are included in accompanying excel tables.

## Notes

All pension saving estimates have been rounded to the nearest £100 million. All participation volume estimates have been rounded to the nearest 1 million workers. All percentages have been rounded to the nearest 1 per cent. Analysis of multiple jobholders has been rounded to the nearest 10,000 workers. Analysis of earnings has been rounded to the nearest £1. Numbers have been rounded to prevent spurious accuracy.

Numbers may not always sum due to rounding.

# Pension savings estimates

Estimates of additional annual pension saving in a workplace pension, in 2019/20, as a result of Automatic Enrolment: total pension saving and workers' contributions.

## There will be an estimated £15 billion extra saving a year in workplace pensions as a result of Automatic Enrolment by 2019/20

Table 1a: Estimates of total additional annual workplace pension contributions per annum (in 2019/20)

Employer size	Low	Principal	High
1 to 4	£1.1 bn	£1.3 bn	£1.4 bn
5 to 49	£3.7 bn	£4.3 bn	£4.5 bn
50 to 249	£2.6 bn	£2.7 bn	£2.7 bn
250 to 499	£1.0 bn	£1.0 bn	£1.0 bn
500+	£5.9 bn	£5.9 bn	£5.9 bn
<b>Total</b>	<b>£14.2 bn</b>	<b>£15.2 bn</b>	<b>£15.5 bn</b>

## Workers are estimated to be contributing £7 billion extra a year by 2019/20

Table 1b: Estimates of additional contributions by workers into a workplace pension per annum (in 2019/20)

Employer size	Low	Principal	High
1 to 4	£0.5 bn	£0.6 bn	£0.6 bn
5 to 49	£1.8 bn	£2.1 bn	£2.2 bn
50 to 249	£1.2 bn	£1.3 bn	£1.3 bn
250 to 499	£0.5 bn	£0.5 bn	£0.5 bn
500+	£2.8 bn	£2.8 bn	£2.8 bn
<b>Total</b>	<b>£6.8 bn</b>	<b>£7.3 bn</b>	<b>£7.4 bn</b>

## Main findings

**Annual saving in a workplace pension is estimated to increase by £15 billion as a result of Automatic Enrolment.** This is within a range of £14 – 16 billion. Of this workers are estimated to be saving an additional £7 billion a year in a workplace pension.

## Methodology

This analysis represents estimated annual pension saving in 2019/20; once Automatic Enrolment has been fully rolled out for all employers and contribution rates have risen to a total of 8%. This analysis assumes both the eligibility criteria and qualifying earnings remains the same.

These estimates are based on DWP modelling and analysis of ASHE. This analysis models the additional pension saving of individuals who would be newly saving or saving more as a result of Automatic Enrolment.

The difference in modelling of the low, principal and high scenario is different assumptions on the opt out rate of individuals. The low scenario models the opt out rate at 27.5%, the principal scenario models the opt out rate at 15% and the high scenario models the opt out rate at 10%. Medium and large employers have now staged and enrolled their workers; due to this, where possible, we have used the observed opt out rate for these employers in all 3 scenarios.

# Pension savings estimates

Estimates of additional pension saving in a workplace pension, in 2019/20, as a result of Automatic Enrolment: Employer contributions and tax relief on workers' contributions.

## Employers are estimated to be contributing £6 billion extra a year into workplace pensions by 2019/20

Table 1c: Estimates of additional contributions by employers into a workplace pension per annum (in 2019/20)

Employer size	Low	Principal	High
<b>1 to 4</b>	£0.4 bn	£0.5 bn	£0.5 bn
<b>5 to 49</b>	£1.4 bn	£1.6 bn	£1.7 bn
<b>50 to 249</b>	£1.0 bn	£1.0 bn	£1.0 bn
<b>250 to 499</b>	£0.4 bn	£0.4 bn	£0.4 bn
<b>500+</b>	£2.2 bn	£2.2 bn	£2.2 bn
<b>Total</b>	£5.4 bn	£5.7 bn	£5.9 bn

## Additional tax relief on workers' contributions is estimated to be around £2 billion a year by 2019/20

Table 1d: Estimates of additional tax relief on contributions by workers into a workplace pension per annum (in 2019/20)

Employer size	Low	Principal	High
<b>1 to 4</b>	£0.2 bn	£0.2 bn	£0.2 bn
<b>5 to 49</b>	£0.5 bn	£0.6 bn	£0.7 bn
<b>50 to 249</b>	£0.4 bn	£0.4 bn	£0.4 bn
<b>250 to 499</b>	£0.1 bn	£0.1 bn	£0.1 bn
<b>500+</b>	£0.8 bn	£0.8 bn	£0.8 bn
<b>Total</b>	£2.0 bn	£2.2 bn	£2.2 bn

## Main findings

**Employers are estimated to contribute an additional £6 billion per annum into workplace pensions once Automatic Enrolment has been fully rolled out.** Within this, small and micro employers (employers with 1-49 employees) are estimated to be contributing around an extra £2 billion a year.

Tax relief on the additional pension contributions made by workers as a result of Automatic Enrolment is estimated to be around £2 billion a year.

## Methodology

This analysis represents estimated annual pension saving in 2019/20; once Automatic Enrolment has been fully rolled out for all employers and contribution rates have risen to a total of 8%. This analysis assumes both the eligibility criteria and qualifying earnings remains the same.

These estimates are based on DWP modelling and analysis of ASHE. This analysis models the additional pension saving of individuals who would be newly saving or saving more as a result of Automatic Enrolment.

The difference in modelling of the low, principal and high scenario is different assumptions on the opt out rate of individuals. The low scenario models the opt out rate at 27.5%, the principal scenario models the opt out rate at 15% and the high scenario models the opt out rate at 10%. Medium and large employers have now staged and enrolled their workers; due to this, where possible, we have used the observed opt out rate for these employers in all 3 scenarios.

# Participation estimates

Estimates of those eligible for Automatic Enrolment, and estimates those who will be newly saving or saving more as a result of Automatic Enrolment (after accounting for opt out).

## 10 million workers are estimated to be in the eligible target group for Automatic Enrolment

Table 2a: Estimates of Automatic Enrolment and participation

<b>Eligible target group for Automatic Enrolment:</b>	<b>10 million</b>
<i>Of which women:</i>	<i>4 million</i>
After accounting for opt out	
<b>Newly saving or saving more:</b>	<b>9 million</b>
<i>Of which women:</i>	<i>3 million<sup>4</sup></i>

## The majority of the eligible target group is male



## Approximately half of the eligible target group is aged under 40

Table 2b: Age breakdown of eligible target group

Age group	% of Eligible target group
<b>22-29</b>	27%
<b>30-39</b>	26%
<b>40-49</b>	25%
<b>50-59</b>	18%
<b>60-SPa</b>	4%

<sup>4</sup> 9 million and 3 million represent principal estimates. For newly saving and saving more both the high and low estimates round to 9 million. For the estimate of the proportion of this group that is women the range is 3-4 million.

## Main findings

**The eligible target population is estimated at 10 million workers.** This has remained stable over recent years.

**9 million workers are estimated to be newly saving or saving more as a result of Automatic Enrolment.** Our estimate of those who will be newly saving or saving more as a result of Automatic Enrolment has narrowed in range as we progress through the rollout of Automatic Enrolment. Opt out has remained lower than initially predicted (currently around 10%).

**37% of the eligible target group is female.** This reflects underlying labour market factors (such as earnings, working patterns and participation rates).

## Methodology

These estimates are a forward look to the end of staging for Automatic Enrolment in 2018 (once all employers have enrolled their workers) and are based on DWP modelling.

Estimates are based on the eligible target population. This covers workers who are at least 22 years old and under State Pension age, earning over £10,000 and either (i) not saving in a pension scheme; or (ii) saving in a pension scheme where the employer contributions are less than 3% of the workers salary, and is not a defined benefit scheme. Average opt out is assumed to be 15%.

# Analysis of the eligibility of workers for Automatic Enrolment

Not all workers are eligible for Automatic Enrolment. This is primarily for two reasons: they are not earning over the earnings trigger (£10,000); they are aged under 22 or over State Pension age (SPa).

## Three-quarters of workers are eligible for Automatic Enrolment

Table 3a: Age and earnings breakdown of all workers

Age	Earning below £10,000	Earning £10,000 +	Total
18-21	5%	4%	9%
22-64	14%	75%	89%
65+ (SPa)	1%	1%	2%
<b>Total</b>	20%	80%	100%

## Female workers are less likely to meet both the age and earnings criteria

Table 3b: Age and earnings breakdown of female workers

Age	Earning below £10,000	Earning £10,000 +	Total
18-21	7%	4%	11%
22-64	24%	63%	87%
65+ (SPa)	1%	1%	2%
<b>Total</b>	32%	68%	100%

## Main findings

**75% of workers meet the eligibility criteria for Automatic Enrolment.** 14% are not eligible because they do not meet the earnings criteria; of these over half earn over £5,824 and have the right to opt-in to a workplace pension and receive contributions from their employer. 5% are not eligible because they do not meet the age criteria. A further 6% do not meet either the age or earnings criteria.

**63% of female workers meet the eligibility criteria for Automatic Enrolment.** 24% are not eligible because they do not meet the earnings criteria; of these over half earn over £5,824 and have the right to opt-in to a workplace pension and receive contributions from their employer. 5% are not eligible because they do not meet the age criteria. A further 8% do not meet either the age or earnings criteria.

## Methodology

These estimates are based on analysis of the 2014 Annual Survey of Hours and Earnings.

This analysis does not reflect what pension provision an individual either has or is offered by an employer; it only reflects the age and earnings characteristics of individuals. For example, this analysis does not account for employers who offer workers that are not eligible for Automatic Enrolment a workplace pension. Workers may already be in a qualifying pension scheme and so not in the target group for Automatic Enrolment.

Further breakdowns of age and earnings can be found in the supplementary tables.

# Demographic analysis of workers

Workers with a disability comprise 12% of the eligible population whilst black and minority ethnic groups (BME) comprise 10%.

## Two thirds of workers with a disability are eligible for Automatic Enrolment

Table 4a: Age and earnings breakdown of workers with a disability

Age	Earning below £10,000	Earning £10,000 +	Total
18-21	3%	2%	6%
22-64	24%	66%	90%
65+ (SPa)	3%	2%	5%
<b>Total</b>	30%	70%	100%

## Over two-thirds of BME workers are eligible for Automatic Enrolment

Table 4b: Age and earnings breakdown of BME workers

Age	Earning below £10,000	Earning £10,000 +	Total
18-21	6%	2%	8%
22-64	21%	69%	91%
65+ (SPa)	1%	1%	1%
<b>Total</b>	28%	72%	100%

## Main findings

**66% of workers with a disability meet the eligibility criteria for Automatic Enrolment.** 24% are not eligible because they do not meet the earnings criteria; of these over half earn over £5,824 and have the right to opt-in to a workplace pension and receive contributions from their employer. 4% are not eligible because they do not meet the age criteria. A further 6% do not meet either the age or earnings criteria.

**69% of BME workers meet the eligibility criteria for Automatic Enrolment.** 21% are not eligible because they do not meet the earnings criteria; of these over half earn over £5,824 and have the right to opt-in to a workplace pension and receive contributions from their employer. 3% are not eligible because they do not meet the age criteria. A further 6% do not meet either the age or earnings criteria.

## Methodology

These estimates are based on analysis of the Labour Force Survey (LFS) from April 2014 to March 2015.

This analysis does not reflect what pension provision an individual either has or is offered by an employer; it only reflects the age and earnings characteristics of individuals. For example, this analysis does not account for employers who offer workers that are not eligible for Automatic Enrolment a workplace pension. Workers may already be in a qualifying pension scheme and so not in the target group for Automatic Enrolment.

Further breakdowns of age and earnings can be found in the supplementary tables.



# Analysis of workers with multiple jobs

Automatic enrolment eligibility is assessed at a worker level rather than at an individual level. As such, an individual with multiple jobs which, when combined, would meet the earnings criteria, may be assessed as ineligible by their employers for Automatic Enrolment.

## 340,000 multiple jobholders are eligible for Automatic Enrolment as they earn over £10,000 in at least one job

Table 5a: Estimated earnings of multiple jobholders

Earnings	2012/13	2013/14	2014/15
<b>Earn more than £10,000 in each job</b> <i>of which female</i>	<b>90,000</b> 50,000	<b>90,000</b> 50,000	<b>90,000</b> 60,000
<b>Earn more than £10,000 in only one job</b> <i>of which female</i>	<b>250,000</b> 160,000	<b>250,000</b> 160,000	<b>250,000</b> 160,000
<b>Earn more than £10,000 only when both jobs are combined and earn over £5,824 from one job</b> <i>of which female</i>	<b>70,000</b> 50,000	<b>70,000</b> 60,000	<b>70,000</b> 50,000
<b>Earn less than £10,000 when both jobs are combined and earn over £5,824 from one job</b> <i>of which female</i>	<b>20,000</b> 20,000	<b>20,000</b> 20,000	<b>30,000</b> 20,000
<b>Earn more than £5,824 only when both jobs are combined</b> <i>of which female</i>	<b>30,000</b> 30,000	<b>30,000</b> 30,000	<b>40,000</b> 30,000
<b>Earn less than £5,824 when both jobs are combined</b> <i>of which female</i>	<b>20,000</b> 20,000	<b>20,000</b> 20,000	<b>20,000</b> 20,000
<b>Total</b> <i>of which female</i>	<b>490,000</b> 330,000	<b>490,000</b> 340,000	<b>490,000</b> 340,000

## Each year around 14% of multiple jobholders become eligible for Automatic Enrolment who were not eligible the previous year

Table 5b: Annual churn of multiple jobholders who do not earn over £10,000 in at least one job

Earnings status after a year	2010/11 - 2011/12	2011/12 - 2012/13	2012/13 - 2013/14	2013/14 - 2014/15	Average
<b>Earn over £10,000 in at least one job</b>	13%	14%	13%	14%	14%
<b>Earn less than £10,000 in both jobs</b>	87%	86%	87%	86%	86%

## Main findings

There are around half a million multiple jobholders who meet the age criteria for Automatic Enrolment. Of these 340,000 earn over £10,000 in at least one job and are eligible for automatic enrolment. A further 100,000 individuals earn over £5,824 and are eligible to opt-in to a workplace pension and receive contributions from their employer.

Around 14% of multiple jobholders who do not earn over £10,000 in at least one job move to earning over £10,000 after one year. This annual churn rate of multiple jobholders is fairly constant over the last 4 years.

## Methodology

These estimates are based on analysis of ASHE. Profiles of multiple jobholders were created using personal identifiers in the data set. This allowed for analysis of the characteristics of multiple jobholders. This analysis only covers individuals who are at least 22 years old and under SPa.

These profiles were then tracked over several years of data to look at movement in the earnings and eligibility of multiple jobholders. This analysis only captures individuals who have at least two jobs in both years of the comparison period. For example an individual with two jobs in 2012/13 and two jobs in 2013/14 would be counted whilst an individual with two jobs in 2012/13 and one job in 2013/14 would not.



# Analysis of Earnings

Given that Automatic Enrolment has an earnings threshold it is important to understand the earning distributions of workers.

## Workers are more likely to earn over £10,000 if they are working for a larger employer

Table 6a: Earnings distribution by firm size

Employer size	Below £5,824	£5,824 - £9,999	£10,000 - £19,999	£20,000 - £29,999	£30,000 - £39,999	£40,000 - £49,999	£50,000 - £59,999	£60,000+	Total
1-4	15%	30%	28%	16%	6%	3%	1%	2%	100%
5-9	11%	16%	32%	25%	10%	3%	1%	2%	100%
10-49	6%	9%	31%	27%	14%	6%	3%	4%	100%
50-249	4%	5%	28%	28%	16%	8%	4%	6%	100%
250+	5%	8%	26%	24%	15%	9%	5%	8%	100%
<b>Total</b>	6%	9%	28%	25%	14%	8%	4%	7%	100%

### Main findings

**45% of workers, aged at least 22 and under SPa, and employed by micro employers (1-4 employees) earn below the earnings trigger.** Similarly, 27% of workers employed by employers with 5-9 workers earn below the earnings trigger. Workers are more likely to earn over the earnings trigger if they are working for a larger employer. 15% of all workers aged at least 22 and under SPa earn below £10,000.

### Methodology

This analysis is based on ASHE 2014 and covers earnings of those who meet the age criteria for Automatic Enrolment.

# Notes

## Useful links

More information can be found about Automatic Enrolment at:  
<http://www.thepensionsregulator.gov.uk/automatic-enrolment.aspx> or  
<https://www.gov.uk/workplace-pensions>

Other official statistics and analysis relating to Automatic Enrolment can be found at:  
<https://www.gov.uk/government/collections/workplace-pension-participation-and-savings-trends>

## Other National and Official Statistics

Details of other National and Official Statistics produced by the Department for Work and Pensions can be found on the DWP website at the following links:

- A list of Tabulation Tools: <https://www.gov.uk/government/organisations/department-for-work-pensions/series/dwp-statistics-tabulation-tool>;
- A schedule of statistical releases over the next 12 months and a list of the most recent releases: <https://www.gov.uk/government/organisations/department-for-work-pensions/about/statistics>;
- In accordance with the Code of Practice for Official Statistics, all DWP National Statistics are also announced via the UK Statistics Authority publication hub at:  
[http://www.statistics.gov.uk/hub/statistics-producers/publications/index.html?newquery=\\*%&source-agency=Work+and+Pensions&pagetype=release-landing-page](http://www.statistics.gov.uk/hub/statistics-producers/publications/index.html?newquery=*%&source-agency=Work+and+Pensions&pagetype=release-landing-page)

In addition, users can find links to DWP additional statistical analyses that have not been included in our standard publications at <https://www.gov.uk/government/organisations/department-for-work-pensions/series/ad-hoc-statistical-publications-list>

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