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Employers' Pension Provision survey 2015

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Summary

This report presents findings from the 2015 Employers' Pension Provision Survey (EPP 2015). The survey was conducted among a representative sample of 3,008 private sector employers in Great Britain and provided information about their provision, or non-provision, of pension schemes for their workers. EPP 2015 was the eleventh in a biennial series which began in the mid-1990s. EPP 2015 was commissioned by the Department for Work and Pensions (DWP) and undertaken by IFF Research. Fieldwork for the survey was conducted between 13 May and 11 September 2015.

The principal aim of each survey in this series has been to describe the extent and nature of pension provision among private sector employers. However, due to recent developments in the UK pension system (outlined below), a substantial part of the 2015 survey focused on the impact of automatic enrolment.

Part A of this report focuses on automatic enrolment and explores changes in pension provision and participation; employers' use of paid advice and implementation costs; workers' responses to automatic enrolment; and employer contribution rates amongst employers that have implemented the reforms. For employers that have not yet implemented the reforms we are able to report awareness and understanding of the reforms, degree of preparation and any planned or likely actions to implement automatic enrolment.

Part B of this report reviews the latest position in terms of employer pension provision and contributions across all employers, organised by scheme type.

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

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List of abbreviations

BPE	Business Population Estimates
Cascot	Computer assisted structured coding tool
CATI	Computer Assisted Telephone Interviewing
DB	Defined Benefit
DC	Defined Contribution
DWP	Department for Work and Pensions
EPP	Employers' Pension Provision Survey
FCA	Financial Conduct Authority
GPP	Group Personal Pension
GSIPP	Group Self-Invested Personal Pension
HMRC	Her Majesty's Revenue and Customs
IDBR	Inter Departmental Business Register
IFA	Independent Financial Adviser
NEST	National Employment Savings Trust
PAYE	Pay As You Earn
SIC	Standard Industry Classification
SMEs	Small and Micro Employers
SPa	State Pension age
TPR	The Pensions Regulator

Glossary of terms

Active member	Individuals currently contributing to a pension scheme, or having contributions made on their behalf.
Automatic enrolment	The Government has introduced a law designed to help people save more for their retirement. This requires all employers to enrol their eligible jobholders into a workplace pension scheme if they are not already in one. In order to preserve individual responsibility for the decision to save, workers have the right to **opt out** of the scheme.
Career average	A **Defined Benefit** (DB) scheme that gives individuals a pension based on their salary times the accrual rate in each year of their working life. Entitlements that are built up each year are revalued in line with inflation or earnings.
Ceasing active membership	If an eligible jobholder chooses to stop paying into an automatic enrolment scheme after the end of the opt out period, they are said to cease active membership.
Cessation	When a worker has **ceased active membership**.
Contract-based pensions	Pensions where the legal contract is between the individual and the pension provider, usually an insurance company. Also known as **personal pensions**.
Contributions	The amount (often expressed as a percentage of earnings) that a worker and/or employer pays into a pension.
Defined Benefit	A type of occupational pension scheme. In a DB scheme the amount the member gets at retirement is based on various factors. These could include how long they have been a member of the pension scheme and earnings. Examples of DB pension schemes include **final salary** or **career average** earnings-related schemes. In most schemes, some of the pension can be taken as a tax-free lump sum. The rest is then received as regular income, which might be taxable.
Defined Contribution	A type of pension scheme. In a DC scheme a member's pension pot is put into various investments such as shares (shares are a stake in a company).The amount in the pension pot at retirement is based on how much is paid in and how well the investments have performed. The pension can usually be accessed from age 55. These are also known as 'money purchase' schemes.

Eligible jobholder | A worker (sometimes referred to as an employee) who is 'eligible' for automatic enrolment. An eligible jobholder must be aged at least 22 but under **State Pension age**, earn above the earnings trigger for automatic enrolment, and work or usually work in the UK.

Eligible jobholder	A worker (sometimes referred to as an employee) who is 'eligible' for automatic enrolment. An eligible jobholder must be aged at least 22 but under **State Pension age**, earn above the earnings trigger for automatic enrolment, and work or usually work in the UK.
Employer size	Employer size is determined by the number of employees. For the purpose of staging dates, The Pensions Regulator categorises employer size based on number of employees in Pay As You Earn (PAYE) schemes as follows: Micro = 1 to 4 employees Small = 5 to 49 employees Medium = 50 to 249 employees Large = 250+ employees If any alternative definitions of employer size are used, they will be defined in the report.
Group Personal Pension	A type of personal pension scheme set up by an employer on behalf of its workers. Although the scheme is arranged by the employer, each pension contract is between the pension provider and the worker. The employer may also pay into the scheme, adding money to each worker's pension pot.
Group Stakeholder Pension	An arrangement made for the employees of a particular employer, or group of employers, to participate in a stakeholder pension on a group basis. This is a collecting arrangement only; the contract is between the individual and the **pension provider**, normally an insurance company.
Hybrid pension scheme	A private pension scheme which is neither purely a DB or DC arrangement. Typically a hybrid scheme is a DB scheme, which includes elements of DC pension design.
Implementation	Refers to the period in which employer duties are being introduced. This will take place between October 2012 and April 2019 by size of employer (from large to small). See also **staging** and **phasing**.
Independent Financial Advisor	An adviser, or firm of advisers, that is in a position to review all the available products and companies in the market as the basis for recommendations to clients. All IFAs are regulated by the Financial Conduct Authority (FCA).
Master trust	A multi-employer **trust-based pension** scheme, which is promoted to a range of employers.

NEST	A trust-based workplace pension scheme, established by legislation, to support automatic enrolment and ensure that all employers have access to a quality, low-cost pension scheme with which to meet the employer duties.
Non-eligible jobholder	A worker who is not eligible for automatic enrolment but can choose to 'opt in' to an automatic enrolment scheme. If they do opt in, their employer must still make a contribution. Non-eligible jobholders are in either of the following two categories: a worker who is aged at least 16 and under 75 and earns above the lower earnings level of qualifying earnings but below the earnings trigger for automatic enrolment; or is aged at least 16 but under 22, or between **State Pension age** and under 75; and earns above the earnings trigger for automatic enrolment.
Occupational Pension scheme	A type of workplace pension organised by an employer (or on behalf of a group of employers) to provide benefits for employees on their retirement and for their dependants on their death. In the private sector, occupational schemes are trust-based. Types of occupational scheme include **DB**, **DC** and **hybrid** schemes.
Opt in	**Eligible jobholders** can choose to opt into the pension scheme nominated by the employer for automatic enrolment during the postponement period, where applicable. **Non-eligible jobholders** have the right to do the same at any time.
Opt out	Where a jobholder has been automatically enrolled, they can choose to 'opt out' of a pension scheme. This has the effect of undoing active membership, as if the worker had never been a member of a scheme on that occasion. It can only happen within a specific time period, known as the '**opt out period**'.
Opt out period	A jobholder who officially becomes a member of a pension scheme under the automatic enrolment provisions has a period of time during which they can opt out. If a jobholder wants to opt out, they must do so within one month, from and including the first day of the opt out period. After this opt out period a jobholder can still choose to leave the scheme at any time.
Pension provider	An organisation, often a life assurance or asset management company, that offers financial products and services relating to retirement income.
Pension scheme	A legal arrangement offering benefits to members.

Personal pension	An arrangement where the pension is set up directly between an individual and a pension provider. This could be set up by an employer (see **Group Personal Pension**) or by an individual (sometimes referred to as an Individual Personal Pension). The individual pays regular monthly amounts or a lump sum to the pension provider who will invest it on the individual's behalf. The fund is usually run by financial organisations such as insurance companies or asset managers. Personal pensions are a form of **DC pension**. See also **Contract-based** pensions.
Phasing	The Government has set a minimum amount of money that has to be put into the pension by an employer and in total (i.e. employer and worker's contribution). Currently the total minimum contribution is two per cent of the worker's salary of which the employer must contribute at least one per cent and 0.2 per cent comes from the state in tax relief. From April 2018, the minimum contribution rises to five per cent of which the employer must contribute at least two per cent and the state contributes 0.6 per cent in tax relief. In April 2019, the contribution rate rises again to a total of eight per cent of which the employer must contribute at least three per cent and the state contributes one per cent through tax relief.
Postponement	An additional flexibility for an employer that allows them to choose to postpone automatic enrolment for a period of their choice of up to three months. Postponement can only be used for a worker on the employer's staging date; the first day of worker's employment; or on the date a worker employed by them meets the criteria to be an eligible jobholder. If an employer chooses to use postponement, they must provide written notice of this to their workers.
Private pension	All pensions that are not provided by the state. They include **occupational** and **personal pensions**, including those for public sector employees.
Qualifying scheme	To be a qualifying scheme for automatic enrolment a pension scheme must meet certain minimum requirements, which differ according to the type of pension scheme. **DC schemes** are based on the contribution rate and require a minimum total contribution based on qualifying earnings, of which a specified amount must come from the employer. The minimum requirements for **DB schemes** are based on the benefits a jobholder is entitled to under the scheme. **Hybrid pension schemes** contain elements of DB and DC and, depending on what type of hybrid they are, will have

	to meet either the same, or a modified version of, the minimum requirements for DB or DC pension schemes or a combination of both.
Staging	Refers to the staggered introduction of the new employer duties, starting with the largest employers, based on PAYE scheme size, in October 2012, to the smallest in 2017. New PAYE schemes from April 2012 will stage last, in 2017 and 2018.
Staging date	The date on which an employer is required to begin automatic enrolment. It is determined by the total number of employees in an employer's largest PAYE scheme on 1 April 2012.
Stakeholder pension	A type of personal pension arrangement introduced in April 2001 which could be taken out by an individual or facilitated by an employer. Where an employer had five or more staff and offered no occupational pension and an employee earned over the lower earnings limit, the provision of access to a stakeholder scheme, with contributions deducted from payroll, was compulsory. Stakeholder pensions are usually a contract-based pension scheme, subject to government regulations, which limited charges and allowed individuals flexibility about contributions and transfers, introduced in April 2001. These ceased to be mandatory after the workplace pension reforms were introduced.
Standard Industry Classification	Way of classifying businesses and organisations by the type of economic activity in which they are engaged.
State Pension age	The earliest age at which an individual can claim State Pension.
The Pensions Regulator	Referred to as 'the regulator' and is the UK regulator of workplace pension schemes, including limited aspects of workplace personal pensions. It is responsible for ensuring employers are aware of their duties relating to automatic enrolment, how to comply with them and enforcing compliance. It uses a programme of targeted communications and a range of information to help employers understand what they need to do and by when.
Trust-based pensions	Pension schemes set up under trust law by one or more employers for the benefit of workers. In a trust-based scheme a board of trustees is set up to run the scheme. Trustees are accountable for making decisions about the way the scheme is run, although they may delegate some of the everyday tasks to a third party. See also **Occupational pension scheme** and **master trust**.

Waiting period	A type of **postponement**, where new workers or newly eligible workers may have their automatic enrolment delayed for up to three months.
Weight(s)	Statistical term. Used in statistical analysis to better reflect the relative importance of a number or variable, for example a weight may be applied if a certain group is under-represented in a sample.
Worker	An employee or individual who has a contract to provide work or services personally and is not undertaking the work as part of their own business.
Workplace pensions	Any pension scheme provided as part of an arrangement made for the employees of a particular employer.
Workplace pension reforms	The reforms introduced as part of the Pensions Acts 2007, 2008 (and updated as part of the Pensions Act 2011 and 2014). Starting in 2012, the reforms include a duty on employers to automatically enrol all eligible jobholders into a qualifying workplace pension scheme.

Executive summary

Background

Millions of people in the UK are not saving enough for retirement. The legislative changes set out in the Pensions Acts 2007, 2008 (and updated as part of the Pensions Act 2011 and 2014), and associated regulations, aim to increase private pension saving in the UK. They form part of a wider set of pension reforms designed to ensure that the UK has a pension system that enables individuals to save towards achieving the lifestyle they aspire to in retirement, while minimising the burden on employers and the industry.

The reforms require employers to automatically enrol eligible workers into a qualifying workplace pension scheme and make a minimum contribution. Workers will be eligible provided they: are aged at least 22 and under State Pension age (SPa); earn over £10,000 per year in 2016/17 terms (these thresholds are reviewed annually); normally work in the UK and do not currently participate in a qualifying workplace pension scheme. The total minimum contributions are currently two per cent of a band of workers’ earnings, of which at least one per cent must come from the employer. This will rise to eight per cent, of which at least three per cent must come from the employer, by April 2019.

The automatic enrolment duties are being introduced in stages, by employer size, between October 2012 and February 2018. The date by which an employer must implement automatic enrolment is referred to as their ‘staging date’. Staging dates are allocated by employer size, based on a snapshot of the UK employer population in 2012.

Large employers (250 or more workers) had staging dates between October 2012 and March 2014. Medium employers (50-249 workers) had staging dates between April 2014 and March 2015. Small (5-49 workers) and micro employers (1-4 workers) are staging between June 2015 and April 2017. All new employers since 2012 are staging between May 2017 and February 2018 (the majority of these are expected to be micro employers).

Prior to the introduction of automatic enrolment there had been a long-term decline in workplace pension participation in the private sector; between 2004 and 2012, there was a general downward trend in eligible employees’ workplace pension participation, from 63 per cent to a low of 55 per cent[1]. Between 2012, when automatic enrolment was first introduced, and 2014, participation increased significantly to 70 per cent of eligible employees. By the time rollout completes in 2018, DWP estimate that nine million workers will be newly saving or saving more[2].

About the survey

This report presents findings from the 2015 Employers’ Pension Provision survey (EPP 2015), which explores private sector pension provision and the early impact of recent

1 DWP, (2015). *Workplace pension participation and savings trends: 2004 to 2014*. At: https://www.gov.uk/government/statistics/workplace-pension-participation-and-saving-trends-2004-to-2014

2 DWP, (2015). *Workplace pensions: Update of analysis on automatic enrolment*. At: https://www.gov.uk/government/statistics/workplace-pensions-update-of-analysis-on-automatic-enrolment

pension reforms. The survey was conducted among a representative sample of 3,008 private sector employers, who between them employed over 1.8 million workers, in Great Britain. EPP 2015 was commissioned by the Department for Work and Pensions (DWP) and undertaken by IFF Research.

Fieldwork for the survey was conducted between 13 May and 11 September 2015. Due to the staging profile for automatic enrolment, at the time of fieldwork almost all large and medium employers had reached their staging date whilst only a very small number of small and micro employers had done so. This has created two distinct populations of employer within the survey: employers that had implemented automatic enrolment (referred to as 'staged employers', mainly large and medium, but also a small number of small and micro employers that had implemented early); and those that had not yet implemented automatic enrolment (referred to as 'employers yet to stage', mainly small, micro, and new employers).

This is a large-scale and wide-ranging survey that provides us with a significant amount of data on:

- employer pension provision in Great Britain in 2015;
- the early impact and experiences of automatic enrolment for large and medium employers;
- the expectations, plans and experiences of small and micro employers, as well as new employers, who are yet to stage.

A complete set of tables is published alongside this report for information.

Key findings

Participation in workplace pensions has more than doubled following automatic enrolment

Before implementing automatic enrolment, two-thirds of staged employers offered pension provision, and around a third of their workforce were participating in workplace pensions. This increased to 93 per cent of employers offering provision, and 66 per cent of the total workforce were participating following automatic enrolment (this figure takes into account workers that were ineligible for automatic enrolment, as well as those that had opted out or left a scheme after having been enrolled). Prior to automatic enrolment there were significant differences between sectors in terms of both pension provision and participation, but these results show that there are no longer any significant differences between sectors.

The majority (72 per cent) of employers yet to stage, offered no pension provision, and only 22 per cent of their workforce were participating in a workplace pension.

Employers yet to stage had almost universal awareness of automatic enrolment, with over half already making plans

The vast majority (95 per cent) of employers yet to stage were aware of Automatic enrolment, 65 per cent were aware of the legal minimum contribution and 46 per cent were aware of the need to declare compliance with the Pensions Regulator. Awareness was slightly lower for the smallest employers, but much higher for those within six months of their staging date.

A majority (55 per cent) of employers yet to stage had begun planning for automatic enrolment, but had not yet taken action. The proportion of employers that had begun planning was much higher for employers within six months of their staging date.

Few employers are choosing to introduce automatic enrolment early, but half used flexibility to postpone

To date, six per cent of all employers had automatically enrolled in advance of their staging date.

Half of employers that had staged had used postponement, with the majority of these using the maximum period of three months. Just over two-fifths were using a waiting period for new workers, usually the allowed limit of three months.

Employers setting up a new scheme were most likely to use NEST

The majority (79 per cent) of staged employers that had offered a pension scheme prior to automatic enrolment were, as expected, using their existing scheme for automatic enrolment. Employers that had staged but previously offered no provision were most likely to have used National Employment Savings Trust (NEST) (40 per cent), or to have set up a new stakeholder, occupational or Group Personal Pension (GPP)/Group Self-Invested Personal Pension (GSIPP) scheme (36 per cent). The few small and micro employers that had staged were more likely to have used NEST than another type of scheme. Overall, 23 per cent of staged employers were using NEST.

Employers that had not yet staged and already offered pension provision were most likely to plan to use their existing scheme (36 per cent). Many employers yet to stage who offered no pension provision did not yet know where they would be likely to enrol their workers (53 per cent); those that did know were most likely to set up a new stakeholder, occupational or GPP scheme (29 per cent) or to use NEST (17 per cent).

The vast majority of employers sought advice or guidance, but less than half paid for advice

Only eight per cent of employers that had implemented automatic enrolment had done so without seeking some advice or guidance. The most commonly sought areas of advice were: understanding the legislation, choosing a type of pension scheme and choosing a pension provider. Of those employers that sought advice on choosing a provider or scheme type, the most commonly used sources of advice were Independent Financial Advisors (IFAs), pension providers and the Pensions Regulator.

Of staged employers, fewer than half (44 per cent) of those who sought advice had paid for any of the advice they received. The median cost of paid advice was £2,650, although larger employers tended to pay more for advice. These figures are heavily skewed by large and medium employers given the population of staged employers.

Employers yet to stage were similar to those who had staged in terms of their expected use of advice, and whether they would pay for advice. Those yet to stage were slightly more likely to say that they expected to use an accountant for advice, and less likely to expect to use the Pensions Regulator.

The median cost of implementation for staged employers who did not pay for advice was zero

Across all staged employers, the total median cost of implementation was £1,000, with costs tending to increase with employer size. A key factor driving this implementation cost was use of paid advice; employers that had paid for advice had a median implementation cost of £4,000, whilst those that did not pay for advice had a median cost of £0 to implement automatic enrolment.

The majority (83 per cent) of staged employers were facing increased contribution costs as a result of the reforms. The most common strategies employers have either taken, or plan to take, in order to absorb these increased costs were to reduce profits or absorb them as part of other overheads (which 49 per cent of these employers planned to do). Only 12 per cent of employers planned to make changes to their existing pension scheme, and only three per cent planned to reduce contributions to their existing scheme.

A majority (74 per cent) of employers yet to stage expected their contribution costs to rise as a result of automatic enrolment. These employers say they are most likely to absorb increased costs by reducing profits, increasing prices or having lower wage increases. Larger employers tended to rate implementation tasks as more burdensome than smaller employers.

Larger employers tended to rate implementation tasks as more burdensome than smaller employers.

Fewer than one in ten automatically enrolled workers opt out

To date, nine per cent of workers that had been automatically enrolled had opted out during the one month opt out period. Workers enrolled into NEST and single employer occupational schemes were slightly more likely to opt out than those enrolled into stakeholder schemes or GPP/GSIPPs.

After the one month opt out period, eight per cent of automatically enrolled workers have left the scheme, although this includes those who had left the employer and who may have started contributing to another scheme with a new employer. Employers estimate that around half of these scheme leavers (four per cent of automatically enrolled workers) had chosen to stop saving into a scheme after the opt out period, referred to as ceasing active membership.

Overall five per cent of workers that were ineligible for automatic enrolment had opted in. These workers were more likely to opt in to a stakeholder or single employer occupational scheme.

The majority of employers are phasing in increases to contribution rates in line with legislation, but one in three are already contributing above the legal minimum

Overall, 62 per cent of staged employers were phasing in contribution rate rises in line with the legislation, but around a third were contributing at least three per cent from the start. The majority (72 per cent) of staged employers were already contributing or planned to contribute the same rate for all workers.

Of those employers that were phasing in contributions, 85 per cent planned to contribute at the legal minimum following phasing (3%), nine per cent of employers planned to contribute between three per cent and six per cent and two per cent of employers planned to contribute more than six per cent. The average contribution rate for staged employers was three per cent (compared to current legal minimum of one per cent), this was higher for stakeholder schemes and GPP/GSIPPs and lower for NEST and other master trusts.

Employers that had not yet staged reported planned contribution rates that were similar to those who had already staged, with 14 per cent planning to contribute above the legal minimum.

Given the employer population and staging profile, the full impact of automatic enrolment is still to be felt in terms of overall access to workplace pension provision in Great Britain

At the time of fieldwork only a minority of all GB employers (25 per cent) offered workplace pension provision, although this has increased by six percentage points since 2013[3]. This was driven by smaller employers, the majority of whom were not yet required to offer a pension, as almost all employers with 50 or more workers offered a workplace pension. The most common provision offered was a stakeholder pension (13 per cent) or a GPP or GSIPP (eight per cent). Only three per cent of employers offered an occupational scheme or access to NEST, whilst only two per cent offered access to a master trust other than NEST. A small number of employers (12 per cent) also offered contributions to workers' personal pensions.

3 DWP, (2014). *Employers' Pension Provision survey 2013*. At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2013

1 Overview of survey

The Employers' Pension Provision survey is a biennial survey of private sector pension provision that has been conducted since the 1990s. The 2015 survey was very different to previous surveys, as it was conducted at in the middle of the staged roll-out of automatic enrolment duties to UK employers, and the questionnaire was re-designed to focus on automatic enrolment.

The survey interviewed a representative sample of 3,008 private sector employers, who between them employed a total of 1.8 million workers. 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. The sample was drawn from The Pension Regulator's data on number of workers based on Pay As You Earn (PAYE) data supplied by Her Majesty's Revenue and Customs (HMRC). As in previous years, the sample design placed a great emphasis on large organisations. Although such organisations are relatively few in number, they account for a large proportion of the total labour force and the vast majority of employers that had staged at the time of fieldwork.

Table 1.1 shows that 1,644 employers (55 per cent) in the sample had already staged and that these organisations employed 1.78m workers (98 per cent of total workers in the sample). 1,364 organisations (45 per cent) had not staged; these organisations employed 27,716 workers (just two per cent of total workers in the sample).

Table 1.1 Breakdown of sample proportions, by staging status

	Employers' staging status		
	Employers that had staged	**Employers that had not yet staged**	**All employers**
Total number of employers	1,644	1,364	**3,008**
Proportion of employers in sample	55%	45%	**100%**
Total number of workers	1,783,554	27,716	**1,811,270**
Proportion of workers in sample	98%	2%	**100%**

Fieldwork was conducted by IFF Research and took place between 13 May and 11 September 2015, with a total response rate of 41 per cent. To improve data quality employers were given an information sheet to populate in advance. Interviews were then conducted over the phone and took an average of 30 minutes to complete.

This report presents evidence from the first large scale employer survey since large and medium employers completed roll out of automatic enrolment and can be used to understand the early success of the programme. Given the legislation in place for employers, expected behavioural effects for employees, and national communications campaigns we would expect to see the following:

- Universal workplace pension provision amongst staged employers with eligible employees.
- Significant increase in participation of eligible employees.
- Staged employers making pension contributions on behalf of automatically enrolled workers in line with the legal minimum.
- High awareness of automatic enrolment for those yet to stage.

The data in this survey is weighted in order to address biases in the sample. As the populations of employers th at had implemented automatic enrolment and those that had not were very different at the time of fieldwork, three different weights have been used to produce meaningful results:

1 A weight to the overall population of employers, used for findings that apply to all employers. This weight was designed by IFF Research.

2 A weight to the population of the mostly large and medium-sized employers that had implemented automatic enrolment, used for findings that apply only to employers that had staged. This weight was designed by the Department for Work and Pensions (DWP).

3 A weight to the population of mainly small and micro employers that had not yet implemented automatic enrolment, used for findings that apply only to employers that had not yet staged. This weight was designed by DWP.

The weighting strategy used is noted beneath each table and chart that has used weighted data in this report.

1.1 Reporting conventions

Employer size is defined in terms of the number of workers at an employer.

'Staged' is used to refer to employers that have implemented automatic enrolment.

'Yet to stage' is used to refer to employers that have not yet reached their staging date, and have not implemented automatic enrolment.

Where statistically significant results are discussed, these are significant at the 95 per cent level.

Some findings are broken down by industry, however, some industries tend to have more larger employers on average than other industries, which may drive some industry differences.

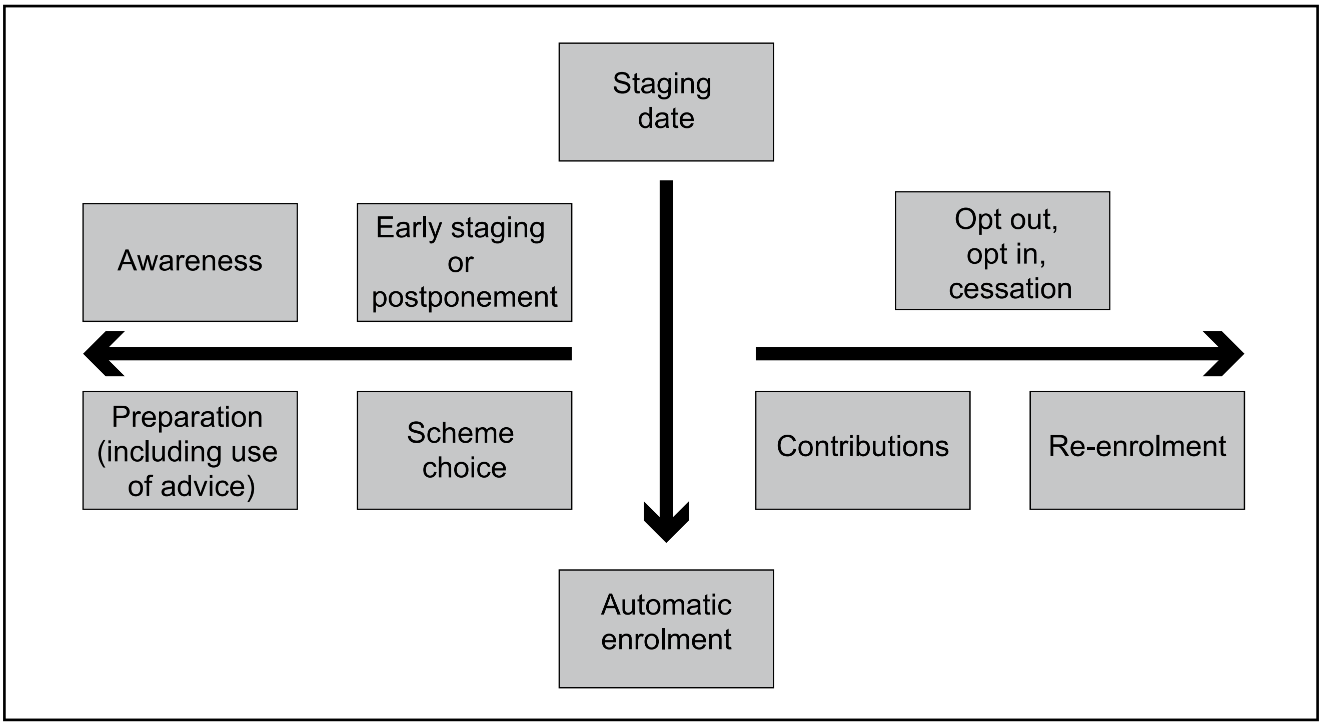
For more information on the survey method and analysis, see Appendix A.

The remainder of this report is structured as follows:

Part A: Automatic enrolment

This section focuses on automatic enrolment, and presents results for staged and yet to stage employers from an employer journey perspective:

Figure 1.1 Automatic enrolment



Chapter 2 presents results on the actions employers take before staging, including: awareness, preparation, use of early staging or postponement, and use of advice.

Chapter 3 explores scheme choice.

Chapter 4 looks at the impact of automatic enrolment on pension provision and participation, (including opt outs, opt ins, and cessations), and contribution rates.

Chapter 5 reports the impact in terms of employer costs and burden, and awareness of re-enrolment.

Part B: Employers' pension provision in 2015

Chapter 6 discusses pension provision across all employers in 2015.

Part A: Automatic enrolment

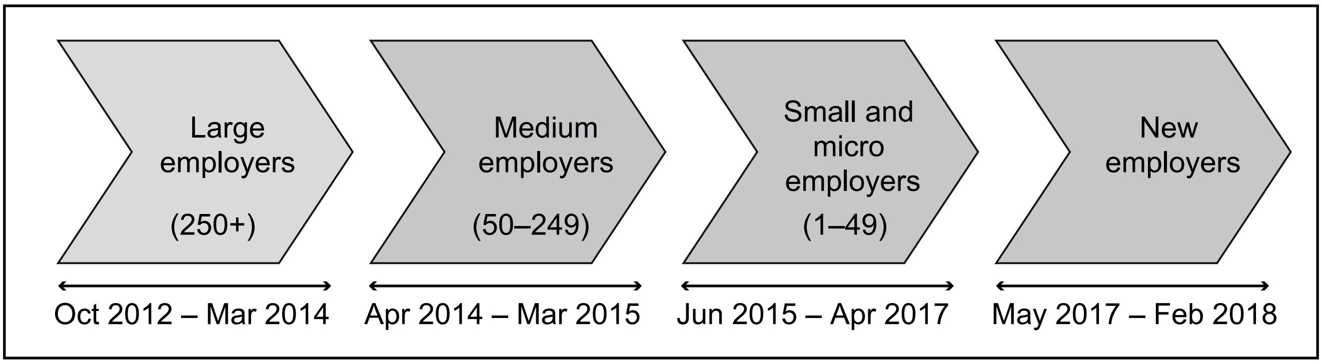
This section of the report discusses employers' preparations, responses and the early impact of automatic enrolment, with most findings having been split and weighted according to whether an employer had staged. The weighting strategy used is provided for all figures and tables.

About automatic enrolment

Millions of people in the UK are not saving enough for retirement. The legislative changes set out in the Pensions Acts 2007, 2008 (and updated as part of the Pensions Act 2011 and 2014) and the packages of associated regulations aim to increase private pension saving in the UK. They form part of a wider set of pension reforms, including the introduction of a new State Pension and increases to the State Pension age (SPa), designed to ensure that the UK has a pension system that enables individuals to save towards achieving the lifestyle they aspire to in retirement while minimising the burden on employers and the industry.

Automatic enrolment duties are being staged in between October 2012 and February 2018 by employer size. As of April 2015 all employers that had 50 or more workers in 2012 have staged. Between June 2015 and February 2018 employers of 49 or fewer workers, as well as those that came into existence after 2012, are staging.

Figure 1.2 Automatic enrolment stages



When an employer stages, they are required to automatically enrol all eligible workers into a qualifying workplace pension scheme. Workers will be eligible provided they:

- are aged at least 22 and under SPa;
- earn over £10,000 per year in 2016/17 terms (these thresholds are reviewed annually);
- usually work in the UK; and
- are not already participating in a qualifying workplace pension scheme.

The rates at which individuals and employers are required to contribute to a workplace pension are being phased in over time: until April 2018, the minimum employer contribution is set at one per cent of a band of worker's earnings (£5,825- £43,000 in 2016/17 terms) as part of a total minimum contribution of two per cent. From April 2018 employers will be required to contribute a minimum of two per cent on a band of earnings for eligible jobholders, as part of a total minimum contribution of five per cent. Once fully phased in, in April 2019, minimum contributions will total eight per cent on a band of earnings which must be paid in respect of the member. Of this eight per cent, at least three per cent must come from the employer, with the remainder coming from individual contributions and tax relief.[4]

4 Basic rate taxpayers will contribute four per cent of banded earnings, with one per cent coming from the Government through tax relief.

Once fully implemented, automatic enrolment is expected to increase the number of individuals newly saving or saving more in a workplace pension by around nine million and increase the amount that is being saved in workplace pensions by around £15 billion a year, within a range of £14 billion to £16 billion[5].

[5] DWP, (2015). *Workplace pensions: Update of analysis on Automatic enrolment*. At: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/460867/workplace-pensions-update-analysis-auto-enrolment.pdf

2 Preparing for automatic enrolment

- There is almost universal awareness of automatic enrolment amongst employers yet to stage, at 95 per cent.
- The majority of employers yet to stage (65 per cent) were aware of the minimum contribution rate, but only 46 per cent were aware of the need to declare compliance with the Pensions Regulator. However, understanding of these components rose above 75 per cent for employers that were within six months of their staging date.
- Most employers that had yet to stage had begun planning for automatic enrolment, whilst nine per cent were already implementing their plans.
- Across all employer sizes only six per cent of employers have implemented automatic enrolment before their staging date, although this figure may rise as some employers have over two years left to comply with their duties.
- Half of staged employers have taken up the opportunity to postpone their staging date and 43 per cent are choosing to use a waiting period for new workers to delay automatic enrolment for new workers for up to three months.
- Almost all employers had used advice (92 per cent), or planned to (93 per cent). The most common topics were; 'understanding the legislation', 'administering the scheme or payroll' and 'choosing a type of scheme or pension provider'.
- Just under half of staged employers (44 per cent) had paid for any advice. The median cost of this advice was £2,650. The same proportion of employers yet to stage thought that they would pay for advice.
- Staged employers had most commonly sought advice on choosing a scheme or pension provider from an Independent Financial Advisor (IFA) (63 per cent), a pension provider (43 per cent) or the Pensions Regulator (35 per cent). Those yet to stage were more likely to seek advice from an accountant (66 per cent) and less likely to plan to use the Pensions Regulator.

2.1 Awareness and understanding of automatic enrolment for employers yet to stage

Almost all employers yet to stage (95 per cent) were aware of automatic enrolment prior to the survey. For the purpose of this survey, employers' understanding of automatic enrolment was defined in terms of whether employers are aware of the legal minimum contribution rate and the need to declare compliance with the Pensions Regulator (TPR). Table 2.1 shows that 65 per cent of employers are aware of the minimum contribution rate for automatic enrolment, and just under half (46 per cent) are aware of the need to declare compliance with TPR. However, both of these figures varied substantially by employer size, as small, medium and large employers generally had a much higher rate of understanding than micro employers.

Table 2.1 Awareness of automatic enrolment for employers yet to stage, by employer size

Column percentages

	Number of workers									All employers yet to stage
	1-2	**3**	**4**	**5-9**	**10-19**	**20-29**	**30-39**	**40-49**	**50+**	
Whether employer was aware of automatic enrolment	93*	93	96	98	99*	100	99	100	98	**95**
Whether was aware of minimum contribution	53*	56*	70	70	77*	85*	92*	97*	95*	**65**
Whether was aware of need to declare compliance	35*	44	40	51	56*	64*	72*	86*	86*	**46**
Weighted number of employers[1]	436	203	203	257	147	43	29	23	23	**1,363**
Unweighted number of employers	152	99[u]	99[u]	289	272	164	112	87[u]	90[u]	**1,364**

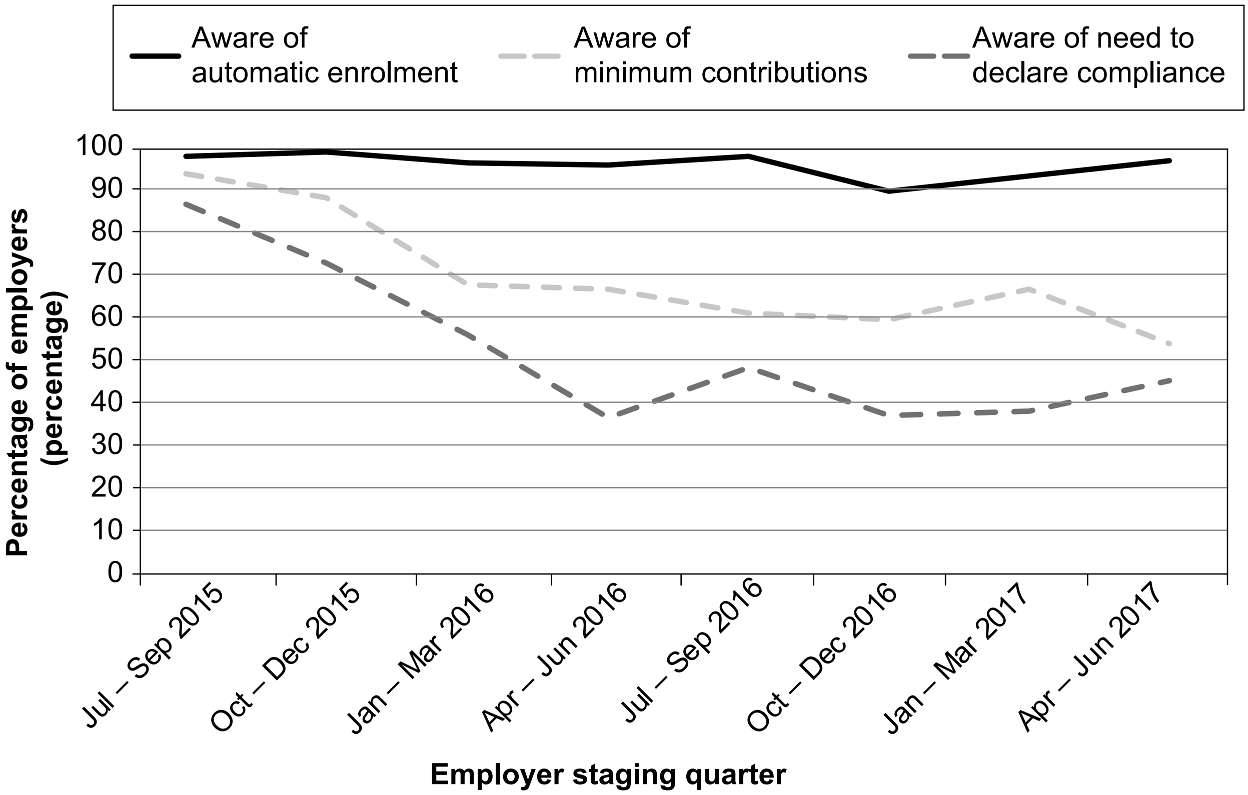
[1] This table was weighted using the population of employers yet to stage.

* denotes significant difference.

[u] Number of employers less than 100 – treat as indicative.

Although levels of understanding of automatic enrolment were lower than levels of awareness, particularly for micro employers, this appears to be driven by most employers still being relatively far from their staging date, as both awareness and understanding of automatic enrolment were much higher for employers within six months of their staging date (see Figure 2.1). This suggests that, despite low overall understanding at the time of fieldwork, most employers do engage with their duties as they approach their staging date.

Figure 2.1 Employers' awareness and understanding of automatic enrolment by staging quarter

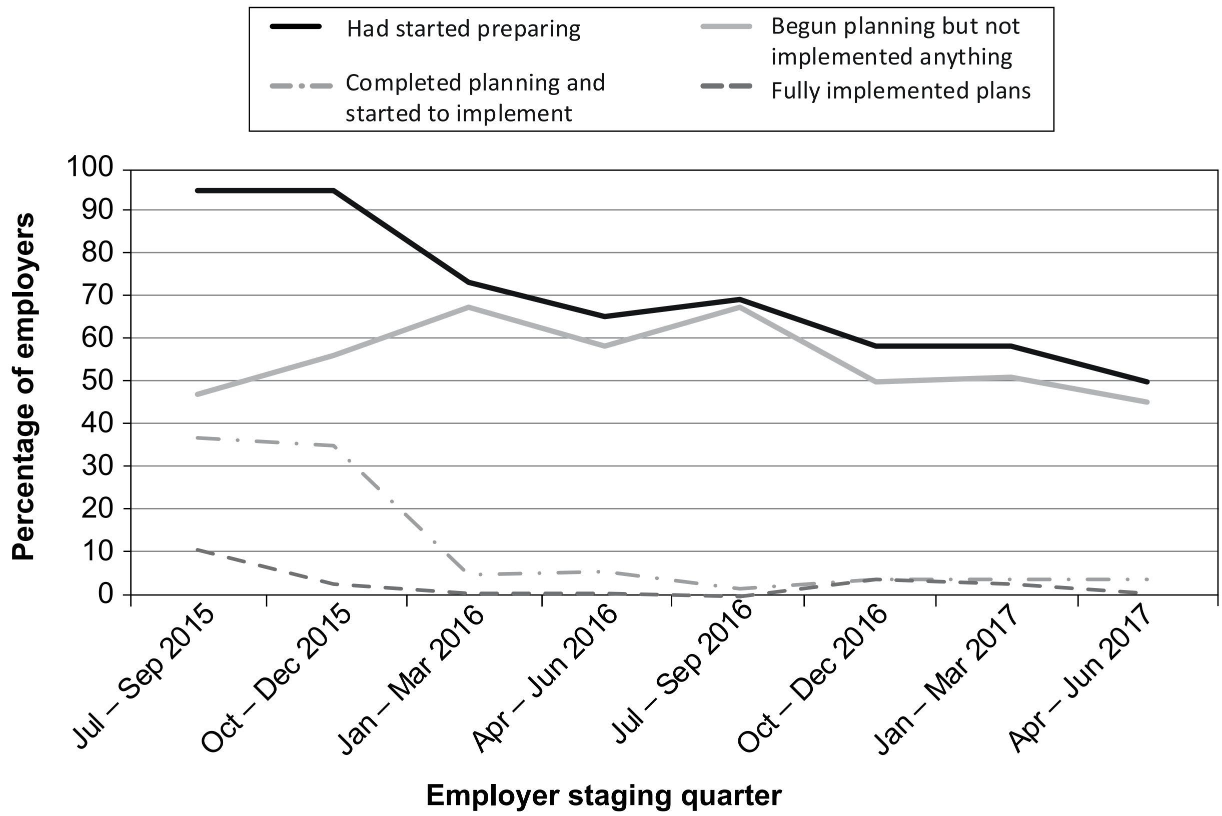


This figure was weighted using the population of employers yet to stage. Unweighted number of employers: Jul-Sep 2015: 103, Oct-Dec 2015: 206, Jan-Mar 2016: 169, Apr-Jun 2016: 135, Jul-Sep 2016: 131, Oct-Dec 2016: 168, Jan-Mar 2017: 268, Apr-Jun 2017: 164.

2.2 Preparations of employers yet to stage

Employers yet to stage were asked about the extent to which they were prepared for their staging date. Overall 37 per cent of employers had not yet begun preparing, 55 per cent had begun planning but not yet implemented plans and eight per cent had completed planning and fully or partially implemented their plans. However, as Figure 2.2 shows, employers within six months of their staging date were much more likely to have completed their planning and much less likely to have done nothing, which suggests that employers become most engaged with their automatic enrolment duties in the six month run up to their staging date.

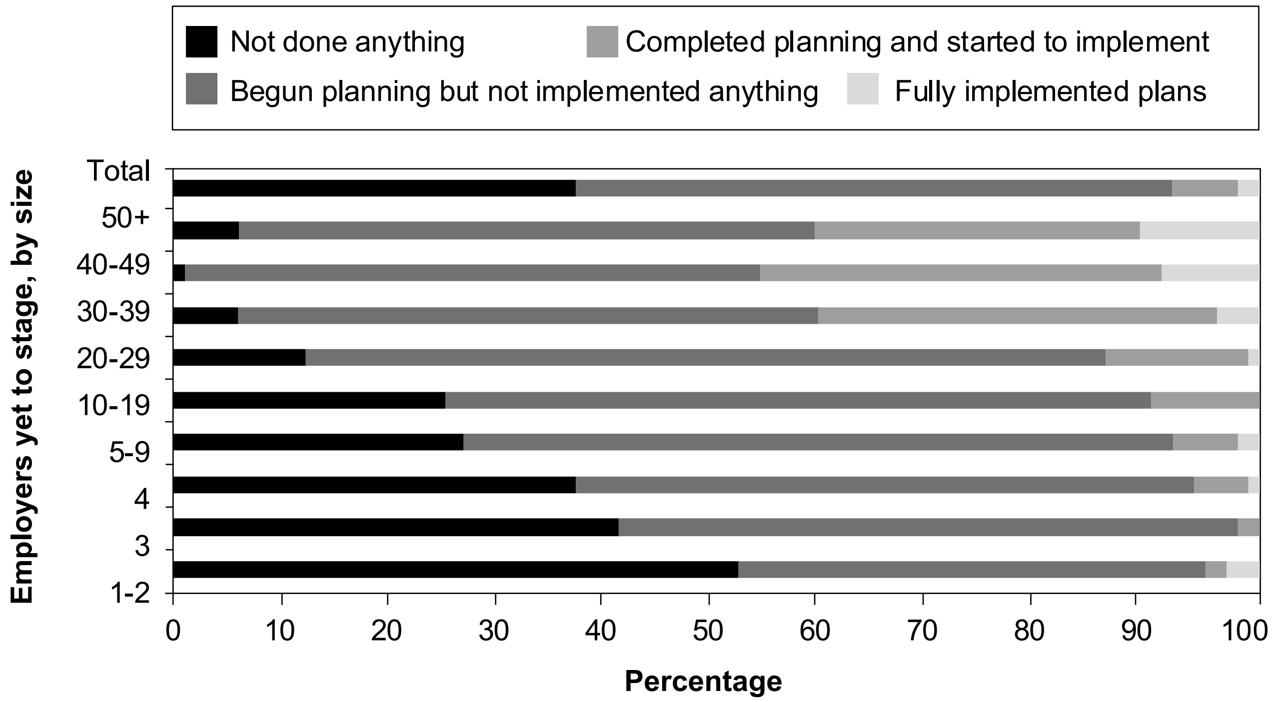
Figure 2.2 Yet to stage employer preparations, by staging quarter



This figure was weighted using the population of employers yet to stage. Unweighted number of employers: Jul-Sep 2015: 103, Oct-Dec 2015: 206, Jan-Mar 2016: 169, Apr-Jun 2016: 135, Jul-Sep 2016: 131, Oct-Dec 2016: 168, Jan-Mar 2017: 268, Apr-Jun 2017: 164.

The level of preparation varied significantly by employer size (Figure 2.3), with micro employers showing the lowest level of preparedness. However, at the time of fieldwork employers with 30 or more workers were staging much sooner (in August or October 2015) than employers with fewer than 30 workers (who are staging between January 2016 and 2017), which is likely to be driving greater preparedness amongst this group.

Figure 2.3 Preparedness of employers yet to stage, by employer size



This figure was weighted using the population of employers yet to stage. Unweighted number of employers: 1–2 (152); 3 (99); 4 (99); 5–9 (289); 10–19 (272); 20–29 (164); 30–39 (112); 40–49 (87); 50+ (90); All (1,364).

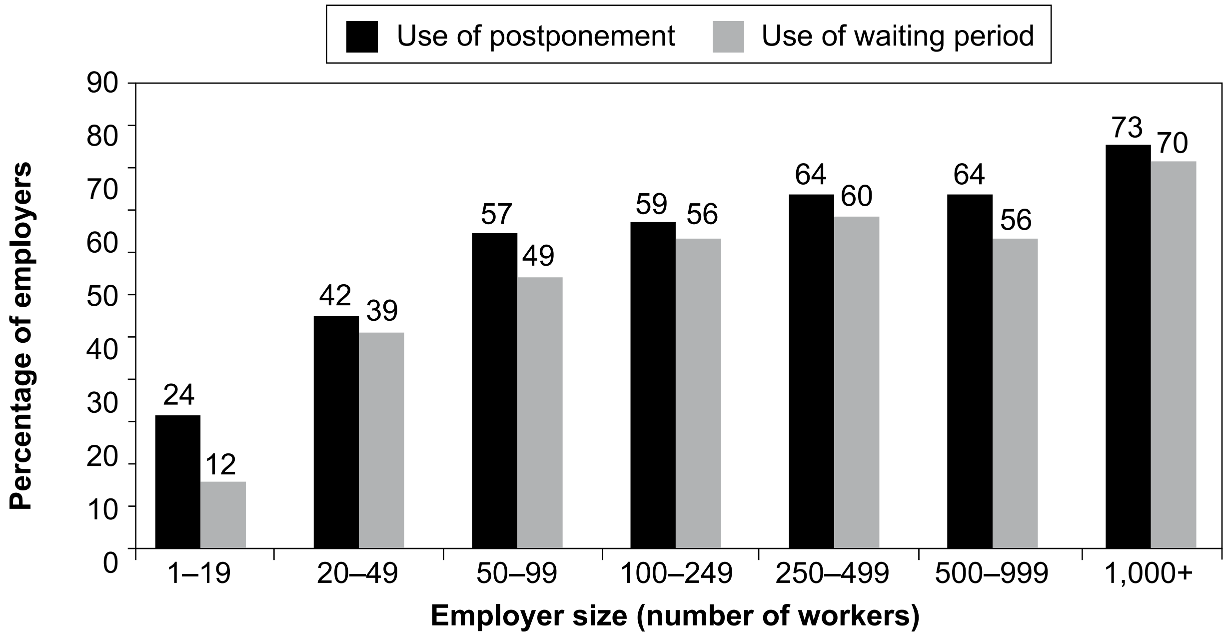
2.3 Use of early staging dates, postponement and waiting periods

Although employers are assigned a date by which they must implement automatic enrolment and declare compliance with TPR, they have the freedom to automatically enrol workers earlier if they wish to do so. Across all employers, both those staged and those yet to stage, to date six per cent of employers have automatically enrolled early, although this figure is expected to rise as the majority of employers have not yet staged and some employers have over two years left before their deadline.

Employers can also choose to delay automatic enrolment for some or all of their workers for up to three months. Where employers delay staging this is referred to as postponement, and where employers delay for new workers joining their organisation this is referred to as a waiting period.

Half of staged employers used postponement (with considerable variation from 24 per cent of the smallest, to 73 per cent of the largest employers choosing postponement).This is broadly what we would expect, as larger employers are likely to have more resource available to administer postponement for some or all of their workers. There may also be greater advantages associated with postponement for larger employers, for example, more significant benefits from aligning with existing business processes.

Figure 2.4 Proportion of staged employers that used postponement and/or waiting periods, by employer size



This figure was weighted using the population of staged employers. Unweighted number of employers: 1–19 (110); 20–49 (164); 50–99 (230); 100–249 (307); 250–499 (251); 500–999 (275); 1,000+ (307).

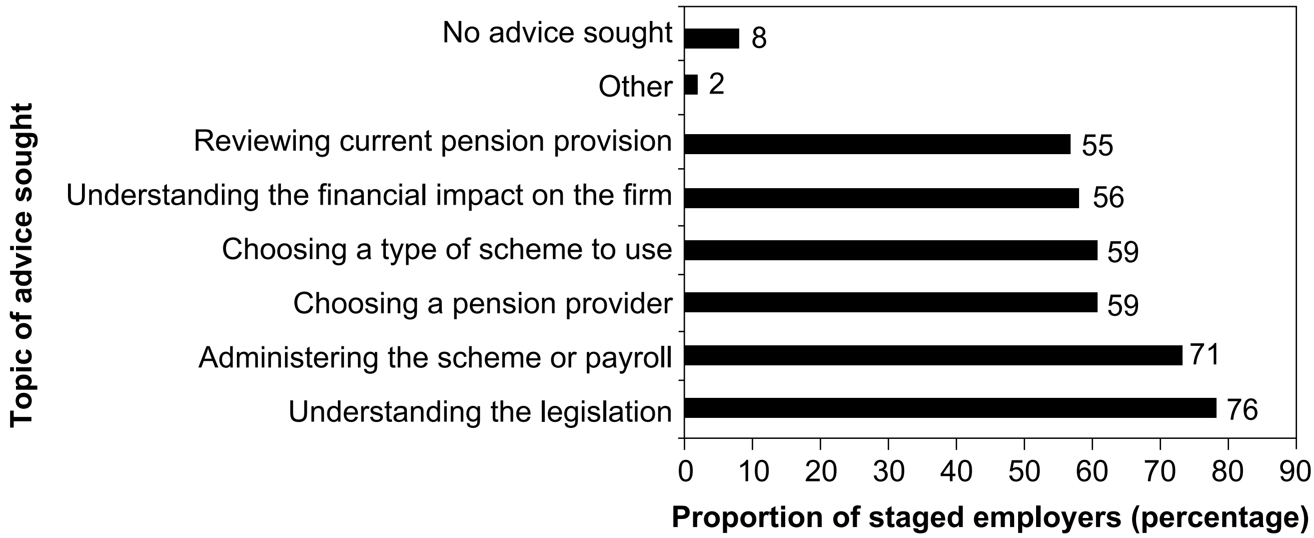
2.4 Employers' use of advice

When implementing automatic enrolment, some employers may choose to seek advice, or assistance, from an external organisation. This can be free guidance, such as that available online from TPR, or it can involve paying an external adviser for their services.

2.4.1 Types of advice and advisors used by staged employers

Employers that had staged were asked about the nature of advice sought; only 8 per cent of employers had not sought any advice at all. Figure 2.5 shows that the most common topics of advice were; 'understanding the legislation' (76 per cent), 'administering the scheme or payroll' (71 per cent) and 'choosing a pension provider or type of scheme' (59 per cent). Employers with fewer than 20 workers were more likely to have sought no advice, however employers in this size band that had staged at the time of fieldwork may not be representative of all employers in this size band. Large employers were more likely to have reviewed their current pension provision than medium, small and micro employers.

Figure 2.5 Topics of advice sought by staged employers

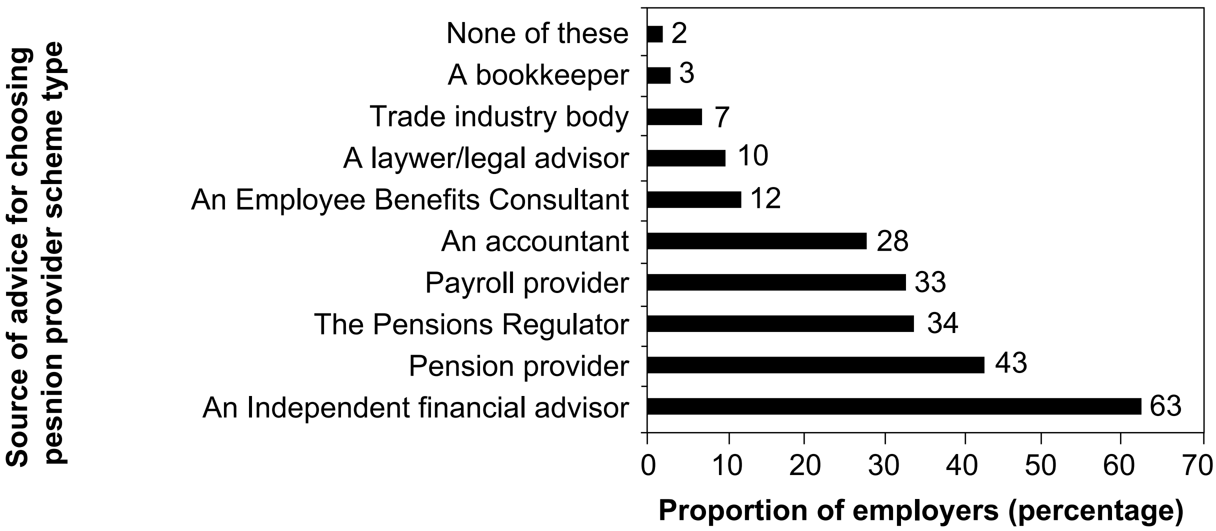


This figure was weighted using the population of staged employers.
Unweighted number of employers: 1,644.

Employers that had sought advice on choosing a pension provider or scheme type were asked what the source of this advice was. Overall the most common source of advice was an Independent Financial Advisor (IFA) (used by 63 per cent of employers).

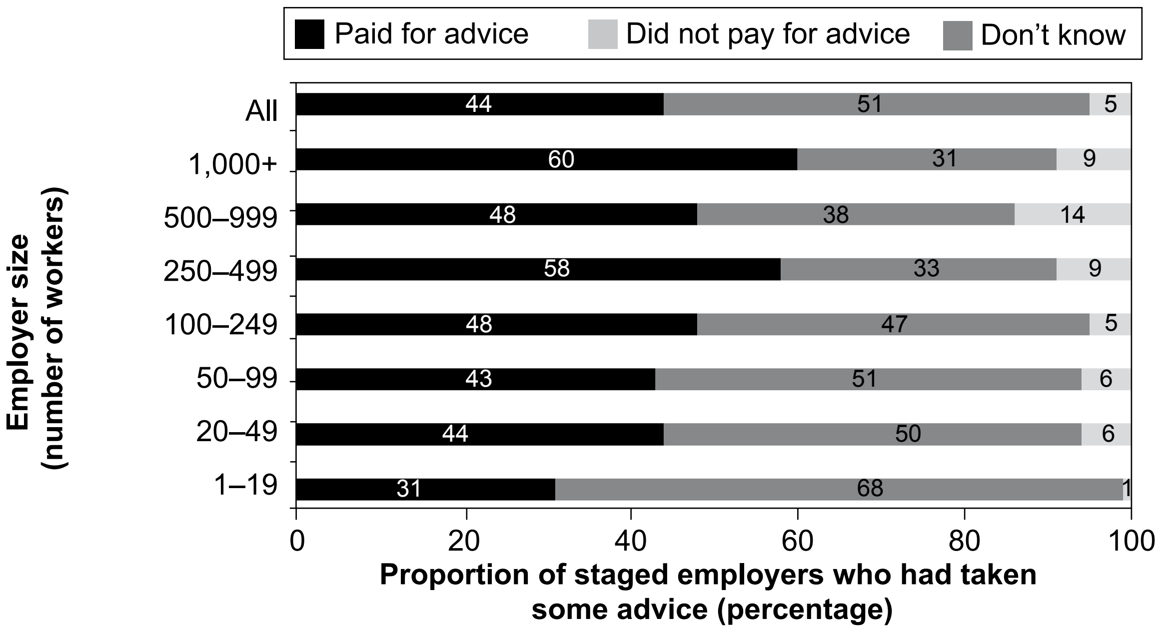
Some advice, such as that available from TPR, is available free of charge, whilst other advice has a cost. Employers that had used advice were asked whether they had paid for any of it. Overall, 44 per cent had paid for advice, 51 per cent had not and the remainder were unsure. Figure 2.7 shows that the smallest employers are significantly less likely to pay for advice, and large employers are significantly more likely to do so.

Figure 2.6 Source of advice on choosing a pension provider or scheme type



This figure was weighted using the population of staged employers. Unweighted number of employers: 1,106.

Figure 2.7 Use of paid advice amongst staged employers



This figure was weighted using the population of staged employers. Unweighted number of employers: 1–19 (98); 20–49 (135); 50–99 (208); 100–249 (306); 250–499 (247); 500–999 (275); 1,000+ (307); All (1,576).

Employers that had paid for advice were asked how much they had paid in total. Table 2.2 shows the median costs of this advice, by employer size. The overall median cost of paid advice was £2,650, although this varied considerably by employer size; indeed the largest employers paid a median of £20,000 for advice.

Table 2.2 Median cost of paid advice, by employer size

	Number of workers							All staged employers that paid for advice
	1-19	20-49	50-99	100-249	250-499	500-999	1,000+	
Median cost	-	-	£2,500*	£4,375*	£5,000*	£8,500	£20,000*	£2,650
Weighted number of employers[1]	87	54	129	110	47	18	24	469
Unweighted number of employers	26[x]	48[x]	69[u]	92[u]	93[u]	75[u]	101	504

[1] This table was weighted using the population of staged employers.
[x] Number of employers size below 50 – cell has been suppressed.
* denotes significant difference.
[u] Number of employers less than 100 – treat as indicative.

Overall there were no significant differences in cost between different topics of advice. However, as Table 2.3 shows, there were differences between the median costs of different types of advisors used by employers that paid for advice on choosing a pension scheme or scheme type. Accountants had a lower median cost than lawyers/legal advisors and employee benefits consultants. As the choice of advisor varied by employer size, we know that the cost of advice relates to employer size and to source of paid advice, however it is unknown whether this is primarily driven by larger employers paying more, or larger employers choosing more expensive sources of advice.

Table 2.3 Median cost of paid advice, by source of advice

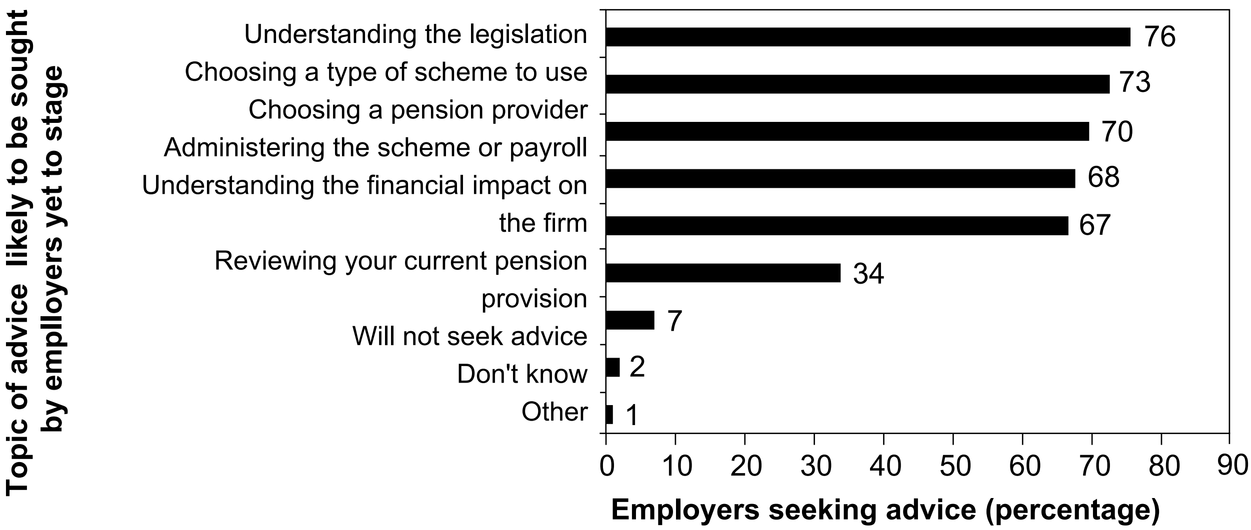
	Number of workers									All sources of advice on choosing a scheme type or provider
	An Independent financial advisor	Pension provider	An accountant	A bookkeeper	A lawyer/legal advisor	An Employee Benefits Consultant	*Trade industry body*	*Payroll provider*	None of these	
Median cost	£2,500*	£3,000	£1,000*	-	£4,000*	£6,000*	-	£2,000	-	£2,500[1]
Weighted number of employers[2]	297	122	111	12	46	58	29	115	5	394
Unweighted number of employers	265	141	79[u]	8[x]	73[u]	99[u]	26[x]	124	6[x]	384

[1] Median cost is different to previous tables, due to fewer employers seeking paid advice on choosing a type of scheme or provider.
[2] This table was weighted using the population of staged employers.
[x] Number of employers size below 50 – cell has been suppressed.
* denotes significant difference.
[u] Number of employers less than 100 – treat as indicative.

2.4.2 Types of advice and advisors likely to be used by employers yet to stage

Employers yet to stage were asked what areas of the reforms they had, or would be likely to, seek advice on. Similar to the staged employers, only seven per cent of employers yet to stage did not plan to seek any advice and the most likely topics of advice to be sought were: understanding the legislation (76 per cent), choosing a type of scheme (73 per cent) and choosing a pension provider (70 per cent). Employers of 1-2 workers were slightly more likely to not plan to seek advice.

Figure 2.8 Topics of advice likely to be sought by employers yet to stage

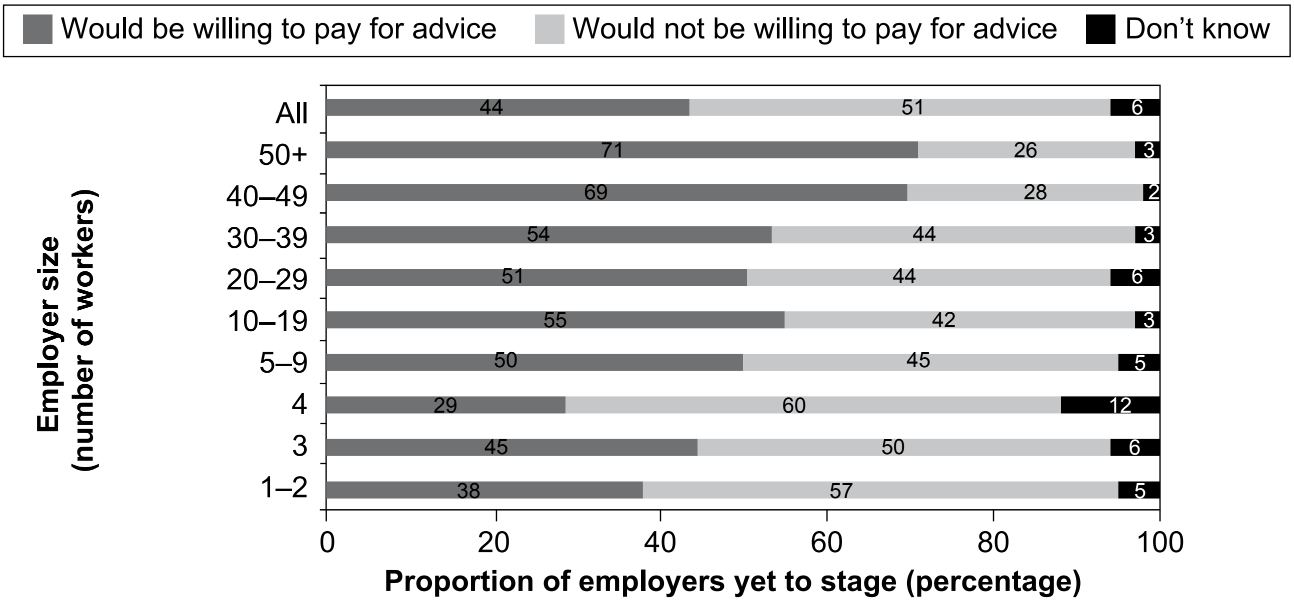


This figure was weighted to the population of employers yet to stage. Unweighted number of employers: 1,364.

Employers who said that they would be likely to seek advice on choosing a pension provider or scheme type were asked where they would be likely to seek this advice from. For these employers, the most likely source of advice was an accountant, which 66 per cent of employers were likely to use. The differences between the types of adviser used by staged employers are likely due to employers yet to stage being much smaller than staged employers.

Similar to staged employers, 44 per cent of employers yet to stage would be willing to pay for advice, 51 per cent would not, and the smallest employers tended to be least willing to pay for advice. This is shown by employer size in Figure 2.9.

Figure 2.9 Employers yet to stage willingness to pay for advice, by employer size



This figure was weighted to the population of employers yet to stage. Unweighted number of employers: 1,291. Figures may not sum due to rounding.

3 Scheme provision and choice

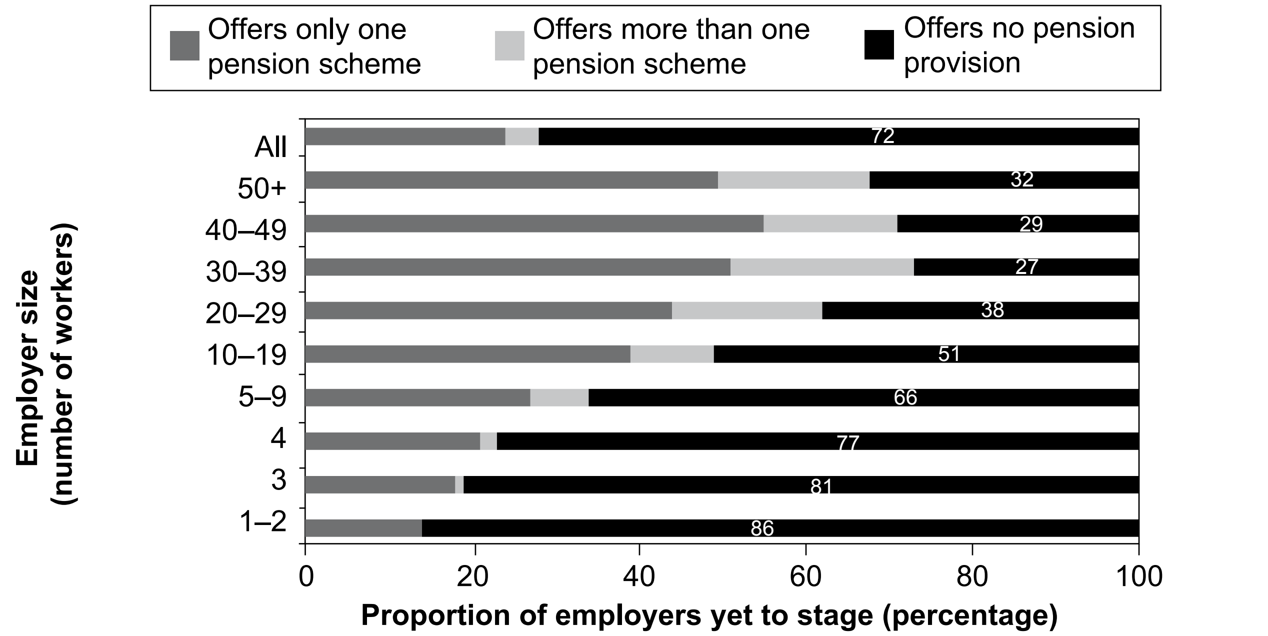
- Only 28 per cent of employers yet to stage offer any pension provision, including access to personal pensions.
- Just under half (45 per cent) of employers yet to stage either didn’t know (33 per cent) or had not yet decided (11 per cent) the type of scheme they would use for automatic enrolment.
- Those employers yet to stage that did have some existing pension provision were most likely to plan to use their existing scheme (36 per cent), although 24 per cent of these employers had not yet decided what scheme they would use.
- The majority (53 per cent) of employers yet to stage without existing pension provision had not yet decided which scheme to use.
- Staged employers were much more likely than those yet to stage to have had some existing pension provision prior to automatic enrolment (66 per cent).
- The majority of these employers (69 per cent) used their existing pension scheme for automatic enrolment; though a minority (ten per cent) were choosing to use National Employment Savings Trust (NEST).
- Staged employers with no existing pension provision tended to have used NEST (40 per cent) or to have set up a new single-employer qualifying scheme (36 per cent).
- Of all staged employers, almost one in four (23 per cent) are using NEST.

3.1 Scheme choice amongst employers yet to stage

3.1.1 Current scheme provision amongst employers yet to stage

At the time of fieldwork, the vast majority of the UK’s 1.8 million small and micro employers (SMEs) had not yet reached their staging date. As we would expect, overall pension provision amongst these employers was much lower, with only 28 per cent offering any pension provision and only 24 per cent offering access to workplace pensions. This was largely driven by small and micro employers, as the majority of employers with 20 or more workers offered some pension provision. Figure 3.1 shows considerable variation by employer size, as micro employers had much lower rates of provision than small employers.

Figure 3.1 Pension provision amongst employers yet to stage, by employer size



This figure was weighted using the population of employers yet to stage. Unweighted number of employers: 1–2 (152); 3 (99); 4 (99); 5–9 (289); 10–19 (272); 20–29 (164); 30–39 (112); 40–49 (87); 50+ (90); All (1,364).

Amongst employers yet to stage there were also significant differences in provision by industry, as shown in Figure 3.2. Employers in 'Manufacturing' and 'Finance and professional' industries were more likely to offer a scheme, whilst those in 'Wholesale and retail', 'Admin and support services' and 'Entertainment and other services' were less likely to do so.

Figure 3.2 Pension provision amongst employers yet to stage, by industry

This figure was weighted using the population of employers yet to stage. Unweighted number of employers: Manufacturing (151); Finance and Professional (248); Education and Health (202); Transport and Communication (89); Construction (129); Agriculture, Mining and Utilities (72); Wholesale and Retail (239); Admin and Support Services (73); Hotels and Restaurants (66); Entertainment and Other services (95); All (1,364).

For employers yet to stage, stakeholder pensions (12 per cent) and contributions to workers' personal pensions (11 per cent) were most common. A small minority (from 0 to 9 per cent) of employers yet to stage were already using NEST (see Figure 3.3).

Figure 3.3 Pension provision amongst employers yet to stage by employer size and scheme type

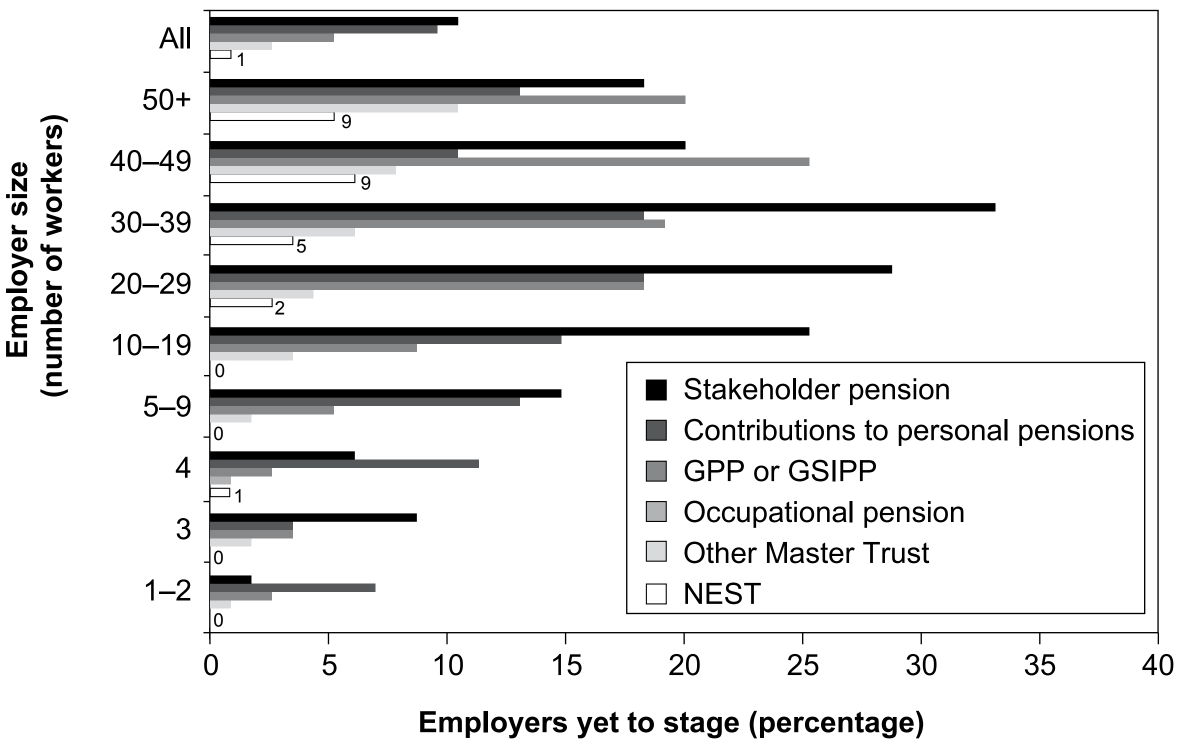
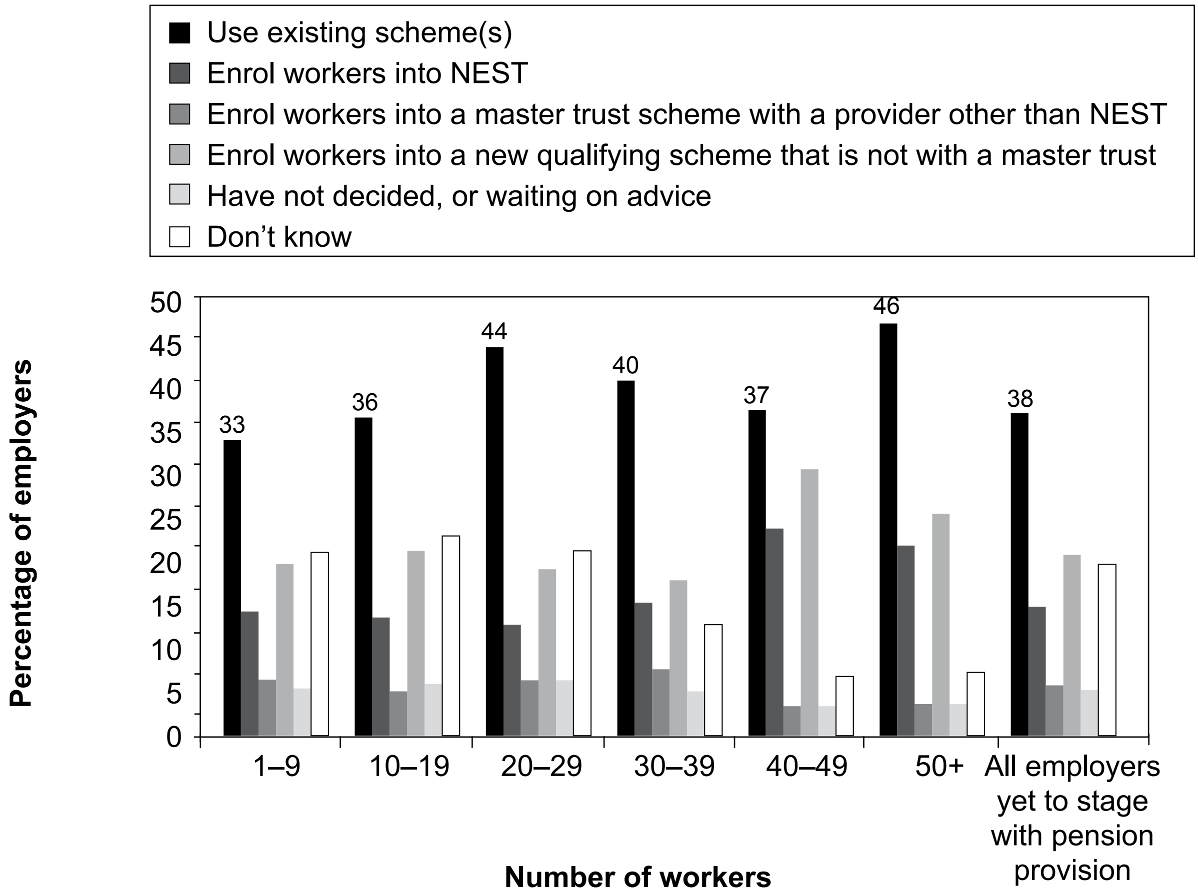


Figure has been weighted using the population of employers yet to stage. Unweighted number of employers: 1–2 (152); 3 (99); 4 (99); 5–9 (289); 10–19 (272); 20–29 (164); 30–39 (112); 40–49 (87); 50+ (90); All (1,364).

3.1.2 Schemes likely to be used for automatic enrolment by employers that had yet to stage

Employers yet to stage who already offered pension provision were most likely to plan to use their existing scheme (36 per cent), although a quarter (24 per cent) of these employers had not yet decided which scheme to use. One in five (20 per cent) planned to use a new single-employer scheme, 15 per cent planned to use NEST and six per cent planned to use a non-NEST master trust. Figure 3.4 shows this by employer size, which in turn shows that larger employers tended to plan to use their existing scheme more than smaller employers, and also tended to plan to use a non-NEST master trust more than smaller employers. Employers with fewer than 30 workers tended to say that they didn't yet know what scheme they would use more than did employers with 30 or more workers.

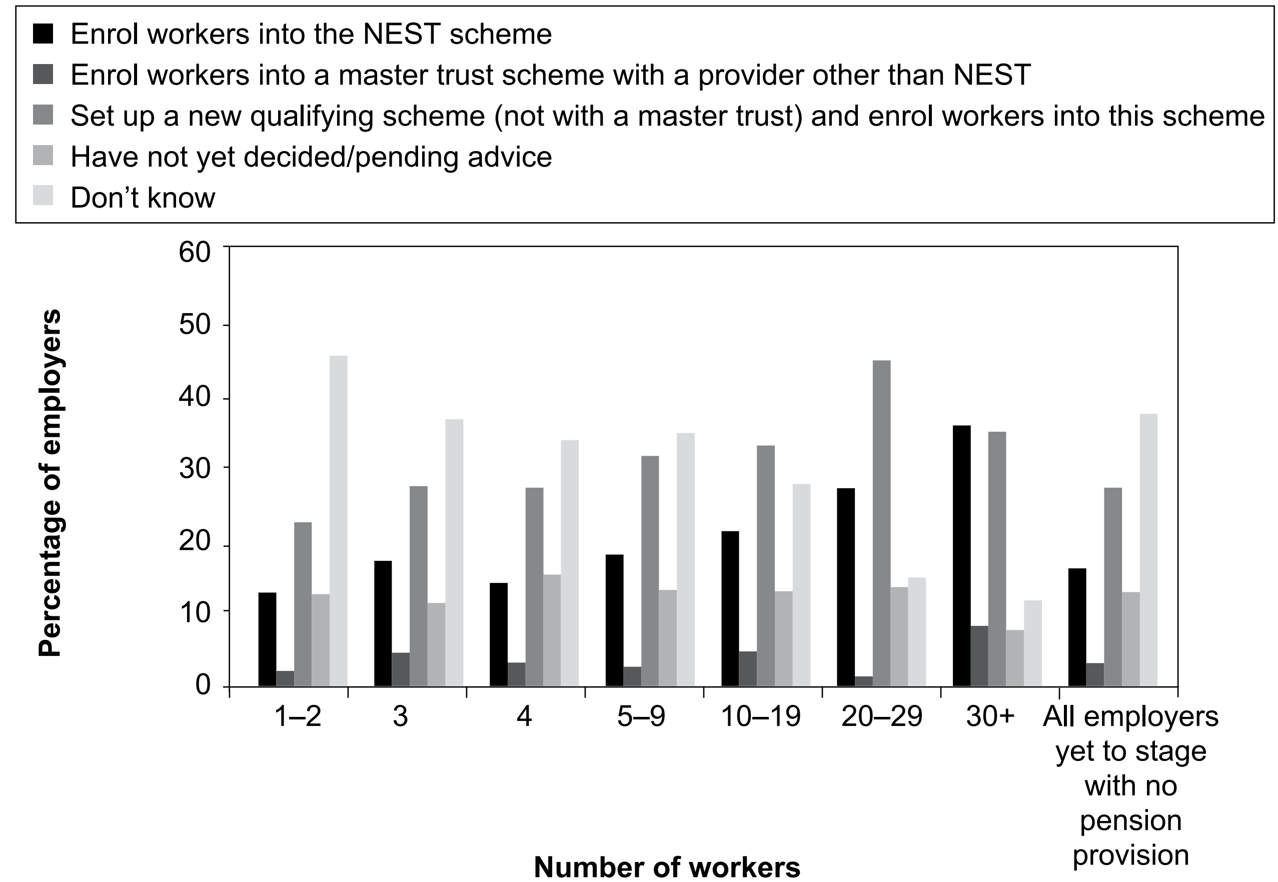
Figure 3.4 Schemes likely to be used by employers yet to stage with existing pension provision, by employer size



Figures were weighted to the population of employers yet to stage. Unweighted number of employers (by size of employer): 1–9: 113, 10–19: 111, 20–29: 94, 30–39: 75, 40–49: 57, 50+: 54; All employers yet to stage with pension provision: 504.

Employers yet to stage with no existing pension provision were most likely to not know where they would enrol their workers (39 per cent) and an additional 14 per cent reported that they had not yet decided or were awaiting advice. Again just under a third (29 per cent) planned to use a single employer scheme,17 per cent planned to use NEST, three per cent planned to use a non-NEST master trust and 29 per cent planned to set up a new qualifying scheme that was not with a master trust. Figure 3.5 shows this by employer size; overall micro employers tended to not know what they would do to a greater extent than small employers. It was much more common for employers of 30 or more workers to already have a plan to use NEST or another master trust than for smaller employers.

Figure 3.5 Planned scheme choice for employers yet to stage who do not currently offer pension provision, by employer size



Figures were weighted using the population of employers yet to stage. Unweighted number of employers (by size of employer): 1–2: 140, 3: 83, 4: 87, 5–9: 216, 10–19: 161, 20–29: 70, 30+: 103. All employers yet to stage with no pension provision: 860.

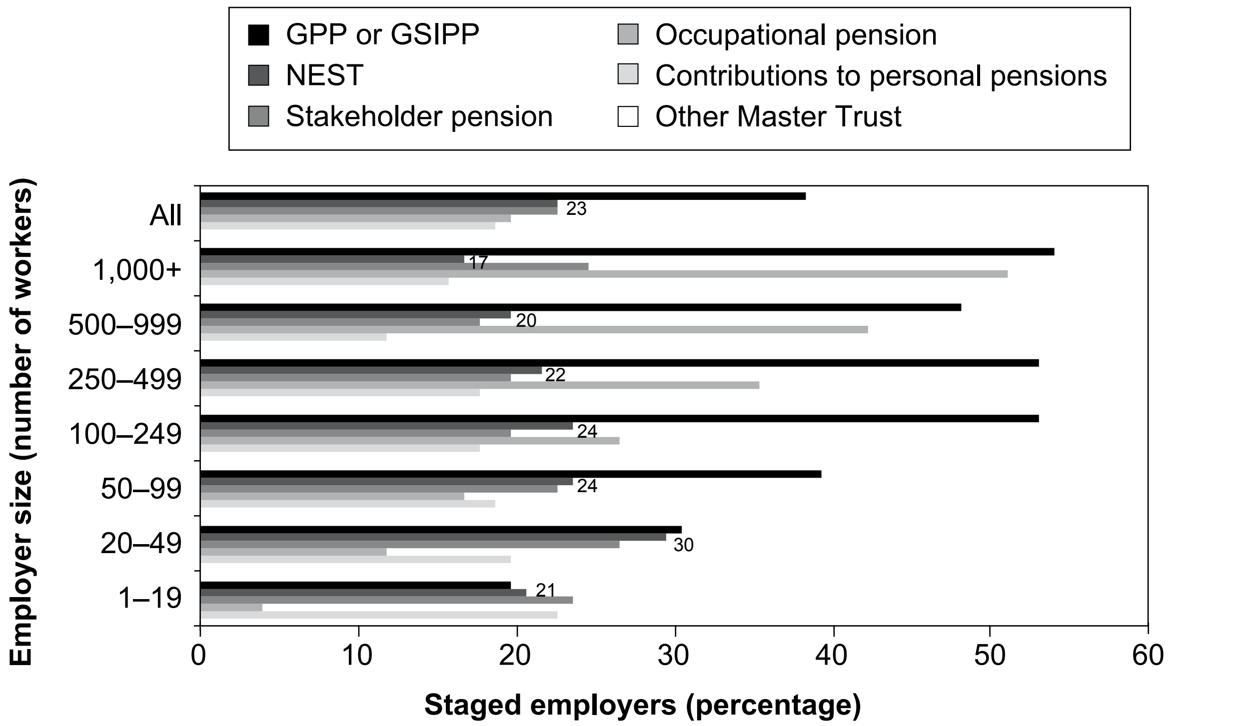
3.2 Schemes used for automatic enrolment by staged employers

When employers automatically enrol eligible workers, they have the freedom to choose from any scheme that qualifies with the legislation. Some employers may wish to use different schemes for different types of worker.

3.2.1 Scheme provision amongst staged employers

The vast majority of staged employers (93 per cent) now offer access to a workplace pension, and many of these offer more than one type of scheme. The most common type of scheme was a Group Personal Pension (GPP) or Group Self-Invested Personal Pension (GSIPP) (39 per cent), followed by NEST (23 per cent), stakeholder pensions (23 per cent, although many of these may be shell schemes not currently used for automatic enrolment) and single employer occupational pensions (20 per cent)[6]. Almost one-fifth (19 per cent) of staged employers also offered contributions to personal pensions. This is shown by employer size in Figure 3.6.

Figure 3.6 Staged employers' scheme provision (figures shown for NEST)



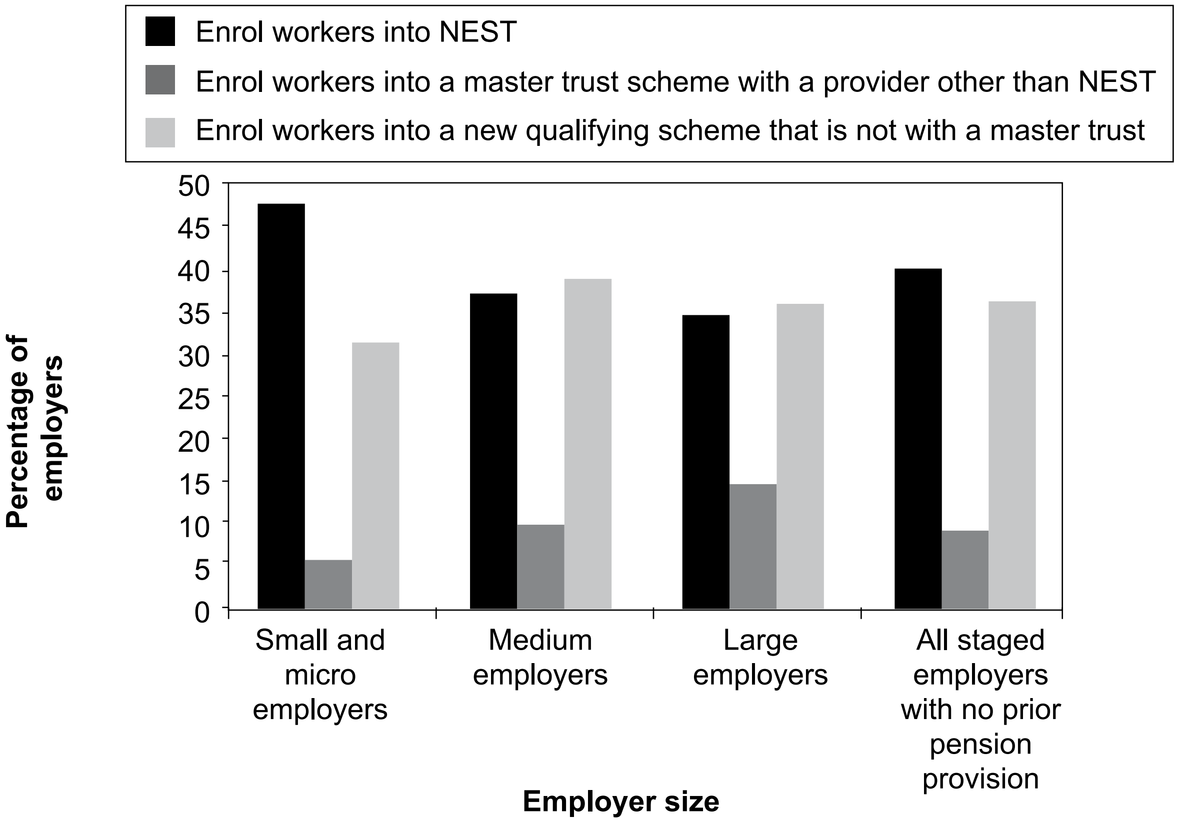
This figure has been weighted using the population of staged employers. Unweighted number of employers: 1–19 (110); 20–49 (164); 50–99 (230); 100–249 (307); 250–499 (251); 500–999 (275); 1,000+ (307); All (1,644).

The majority (66 per cent) of employers who had offered pension provision before staging were asked where they would enrol both existing members of the scheme, and non-members who had been automatically enrolled. Overall 69 per cent planned to use their existing scheme(s) for automatic enrolment, 10 per cent planned to use NEST, 4 per cent planned to use a master trust other than NEST and 13 per cent planned to set up a new qualifying scheme that was not with a master trust.

Staged employers with no pension provision prior to automatic enrolment were asked where they had enrolled eligible jobholders. For this group NEST was the most popular choice (40 per cent), followed by a new single-employer qualifying scheme (36 per cent). Figure 3.7 shows that small and micro employers were more likely to use NEST and less likely to use other master trusts or single employer qualifying schemes than medium and large employers.

6 Although these schemes were briefly defined in the survey, it is possible that employers could have been mistaken about what type of scheme they had used for automatic enrolment. Manual checks were performed to attempt reduce this as much as possible.

Figure 3.7 Scheme use amongst staged employers with no prior provision, by employer size



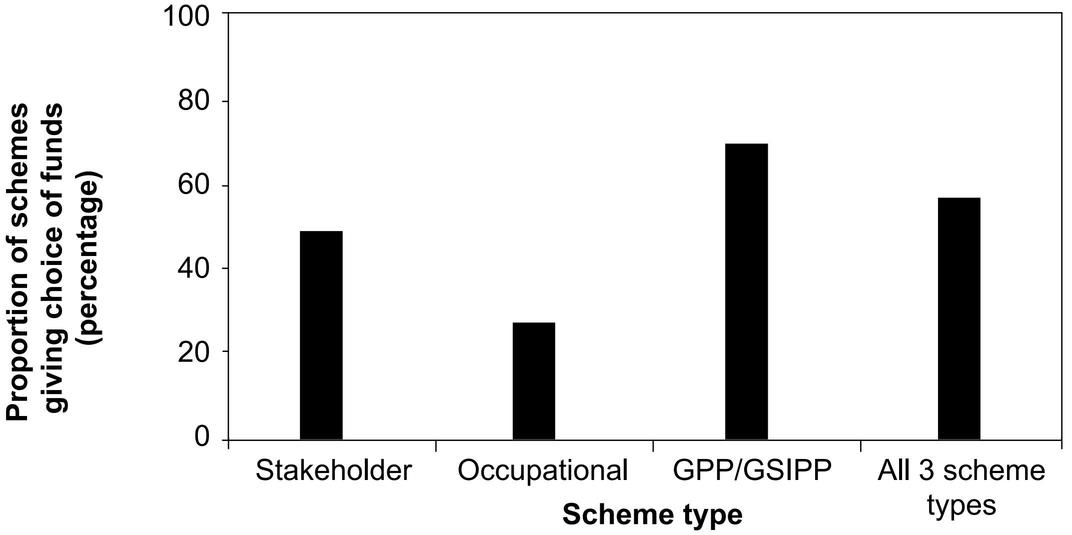
Figures weighted using the staged employer population. Unweighted number of employers: Small and micro employers: 73, Medium employers: 176, Large employers: 153, All staged employers with no prior pension provision: 402.

3.2.2 Fund investment choices for automatically enrolled workers

To protect members who made no active choice about joining a pension scheme or the fund in which they were invested, the Government introduced a charge cap which applies to the default arrangements of schemes used for automatic enrolment from 6 April 2015. Any scheme member who contributes to such an arrangement from this point onwards is protected by the cap. Some schemes may offer automatically enrolled workers the option to choose to invest their contributions into a non-default fund, to which the charge cap does not apply.

Employers that had staged and offered stakeholder, occupational or GPP/GSIPP schemes were asked whether their schemes offered automatically enrolled workers a choice of funds in which to invest their contributions. Figure 3.8 shows the proportion of different schemes offering a choice of funds. Overall, 58 per cent of employers offered employees a choice of funds, but this varied considerably by scheme type.

Figure 3.8 Schemes offering a choice of funds to automatically enrolled workers, by scheme type



Figures weighted to staged employer population. Unweighted number of employers: Stakeholder schemes: 149; Occupational schemes: 237; GPP/GSIPPs: 580; All three scheme types: 919.

Although 58 per cent of employers with non-master trust schemes offered a choice of fund, only seven per cent of employers had any workers actively choose a fund in which to invest. The fact that a very small number of workers make active decisions suggests that members may generally be unwilling to accept higher charges in exchange for closer control of their investments.

4 Changes to workplace pension provision and participation

- Prior to the reforms around 66 per cent of staged employers offered a pension scheme. This has since increased to 93 per cent.
- Participation in workplace pensions has more than doubled, with overall participation amongst staged employers now at 66 per cent, up from 31 per cent before automatic enrolment.
- Fewer than one in ten (nine per cent) automatically enrolled workers are choosing to opt out of pension saving.
- Since being automatically enrolled, eight per cent of workers have subsequently left their scheme. It is estimated that around half of these (four per cent) have ceased active membership, whilst the other half have left the employer (and may have been enrolled with another employer).
- Around five per cent of workers ineligible for automatic enrolment have chosen to opt in to a scheme.
- The majority (62 per cent) of staged employers are phasing in contribution rate rises in line with the legislation.
- The vast majority of staged employers (85 per cent) plan to contribute at the legal minimum of three per cent by the end of phasing. One in ten employers (11 per cent) plan to contribute more than three per cent.
- Only 28 per cent of employers yet to stage offer any pension provision, including access to personal pensions, and only 22 per cent of their workforce are participating in a workplace pension
- Two-thirds (66 per cent) of employers yet to stage plan to phase in contribution rate rises in line with the legislation, but 17 per cent plan to contribute at least three per cent from the start.
- The majority of employers yet to stage (77 per cent) plan to contribute at the legal minimum of three per cent by the end of phasing, but 14 per cent plan to contribute above three per cent.

4.1 Changes to workplace pension provision and participation following automatic enrolment

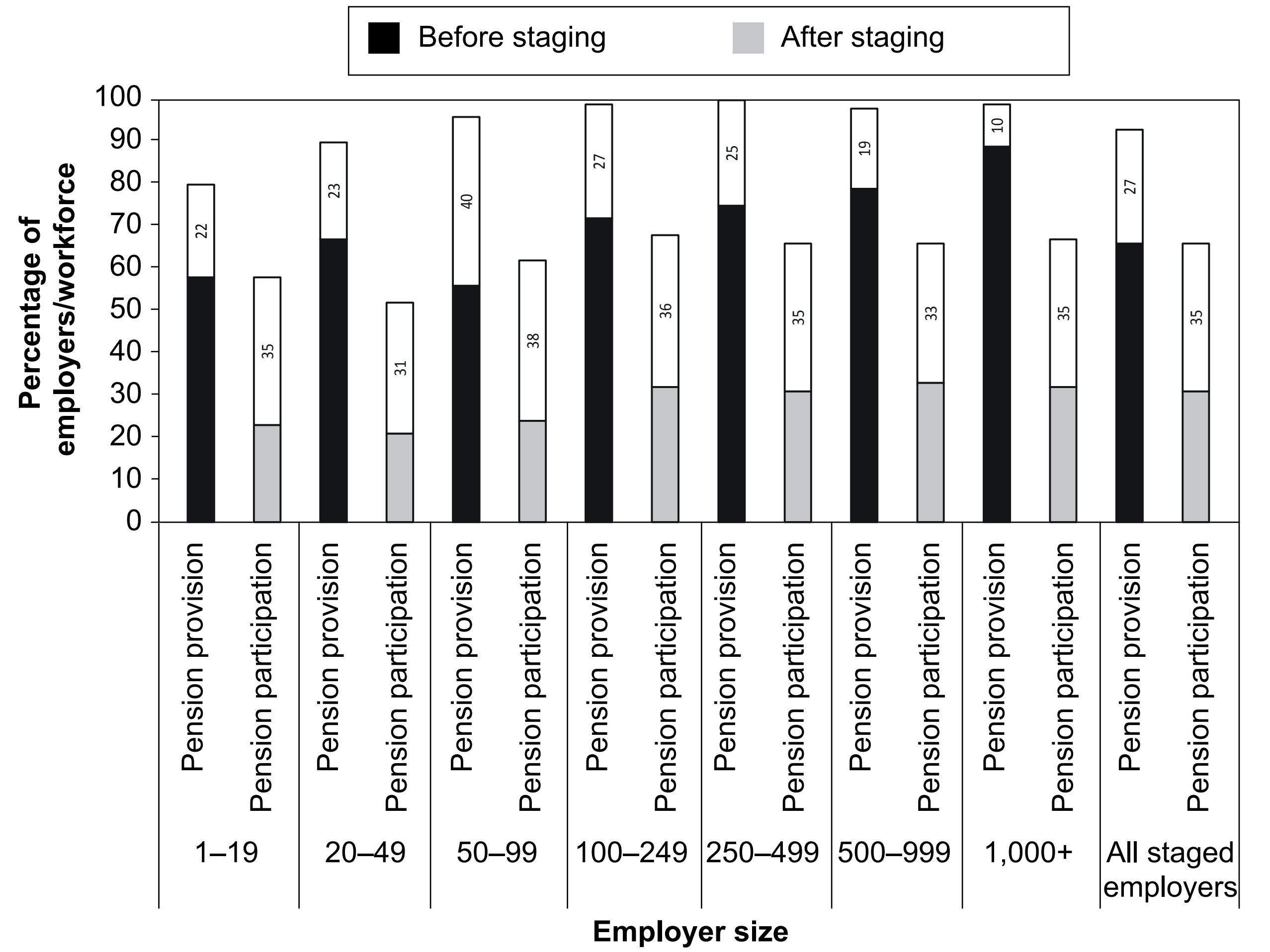
The workplace pension reforms aim to increase access to, and participation in workplace pension savings for all workers who are likely to benefit. The first report of the 2005 Pensions Commission noted that workers at smaller employers have historically been disadvantaged in terms of access to and participation in workplace pensions saving[7]. Figure 4.1 shows that,

[7] The Pensions Commission, (2004). *Pensions: Challenges and Choices The first report of the Pensions Commission*. At: http://www.webarchive.org.uk/wayback/archive/20070717120000/http://www.pensionscommission.org.uk/publications/2004/annrep/fullreport.pdf

prior to the reforms, around 66 per cent of staged employers offered a pension scheme. Larger employers were generally more likely to offer a pension scheme than smaller employers. After staging, 93 per cent of employers offered a pension scheme. This varied slightly by employer size, 80 per cent of those with 1-19 workers offered a pension following staging, compared to over 98 per cent of those with 100 or more workers. Employers that continued to have no provision following staging are likely to have no eligible workers.

Figure 4.1 also shows that before staging only around one in three (31 per cent) workers were participating in a workplace pension scheme, and there were some small differences in participation by employer size. After staging, around 41 per cent of the workforce was automatically enrolled and workplace pension participation rose to 66 per cent (the remainder will include ineligible workers who have not chosen to opt in, and eligible workers who either opted out or have since left the scheme), with no significant differences by size of employer.

Figure 4.1 Pension provision and participation pre and post staging, by employer size

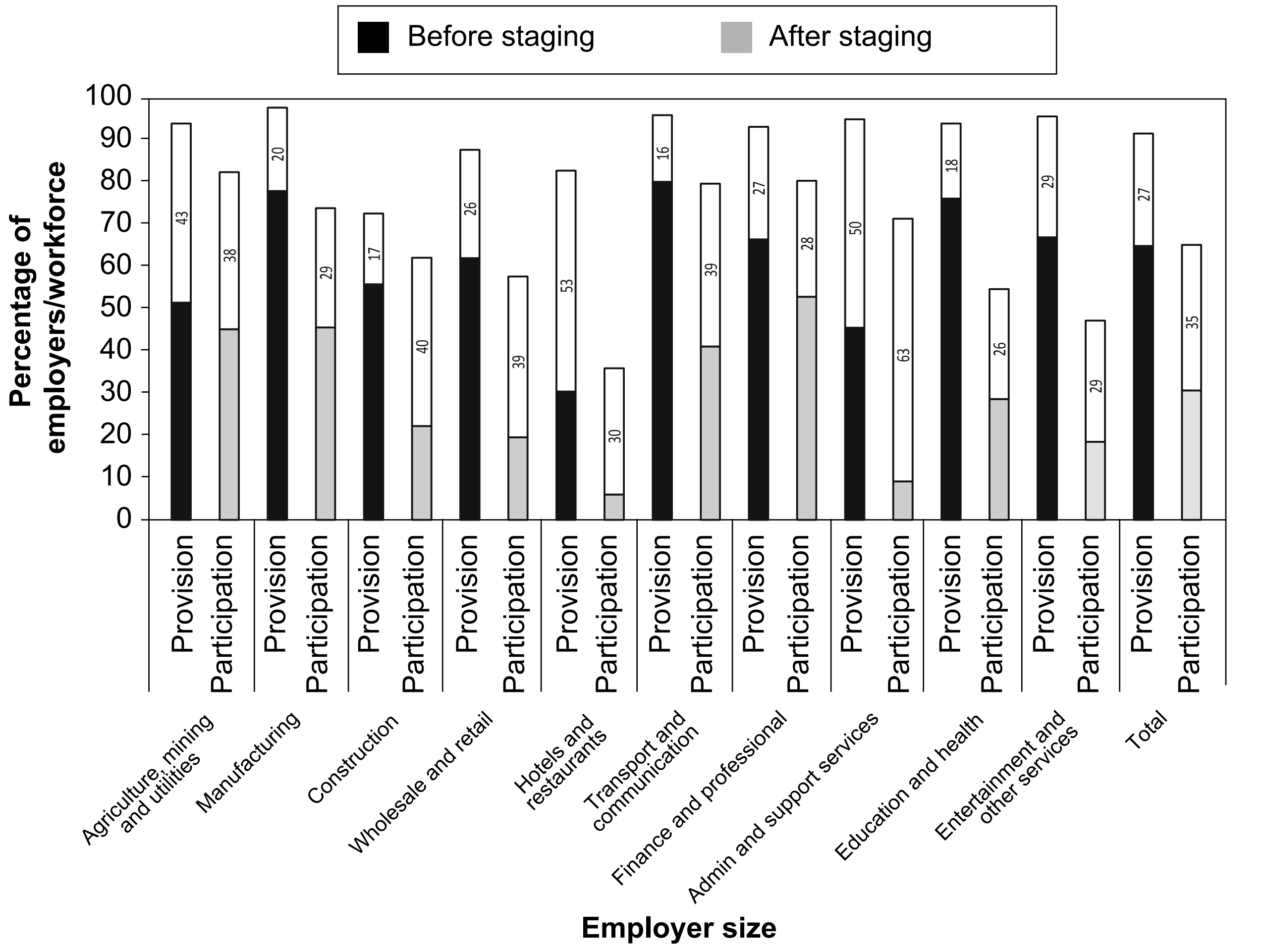


This figure was weighted using the population of stagd employers.Unweighted number of employers (by size of employer): 1–19: 110; 20–49: 164; 50–99: 230; 100–249: 307; 250–499: 251; 500–999: 275; 1,000+: 307; All staged employers: 1,644.

The majority of staged small and micro employers (SMEs) (58 per cent of those with 1-19 workers and 67 per cent of those with 20-49 workers) offered a workplace pension prior to the reforms, compared to only 24 per cent of employers that had not yet staged. The high incidence of prior pension provision (and high use of early staging) amongst this group provides further evidence that these SMEs are atypical and therefore not representative of the vast majority of SMEs yet to stage.

Prior to automatic enrolment there were significant differences in pension provision and participation between industries. Staged employers in 'Agriculture, mining and utilities', 'Hotels and restaurants' and 'Admin and support services' were significantly less likely to offer pension provision before automatic enrolment, and a significantly lower proportion of workers were participating in the 'Hotel and restaurants', 'Admin and support services', 'Wholesale and retail' and 'Construction' industries. Since the introduction of automatic enrolment overall pension provision increased by 27 percentage points (see Figure 4.2), and workforce participation is up by 35 percentage points. Employers in 'Wholesale and retail' and 'Hotels and restaurants' were still more likely to not offer a pension scheme, as these employers are less likely to have any eligible workers.

Figure 4.2 Pension provision and participation pre and post staging, by industry



This figure was weighted using the population of staged employers. Unweighted number of employers: Agriculture; Mining and Utilities (167); Manufacturing (218); Construction (52); Wholesale and Retail (194); Hotels and Restaurants (52); Transport and Communication (116); Finance and Professional (273); Admin and Support Services (158); Education and Health (298); Entertainment and Other services (99); All (1,627).

Following automatic enrolment, there were no longer any significant differences between industries in terms of pension participation, which suggests that automatic enrolment may have brought parity between industries in levels of pension participation.

4.2 Opt out, cessations, and opt in

When workers are automatically enrolled into a pension scheme, they have a one month period in which they can opt out. Workers who leave a scheme after this one month period are referred to as having 'ceased active membership'.

Workers who do not meet the age or earnings criteria for automatic enrolment may choose to opt in to a pension and receive an employer contribution, subject to certain criteria (see Non-eligible jobholder).

4.2.1 Opt out

The opt out rate is calculated as the proportion of automatically enrolled workers that have chosen to leave a scheme within the one month opt out period. Across all staged employers nine per cent of automatically enrolled workers chose to opt out. Figure 4.3 breaks down opt out rates by employer size, and scheme type. Although there are no statistically significant differences in opt out by employer size, it suggests that employers with fewer than 20 workers may have higher rates of opt out than larger employers.

Figure 4.3 Automatic enrolment opt out rate by employer size and scheme type

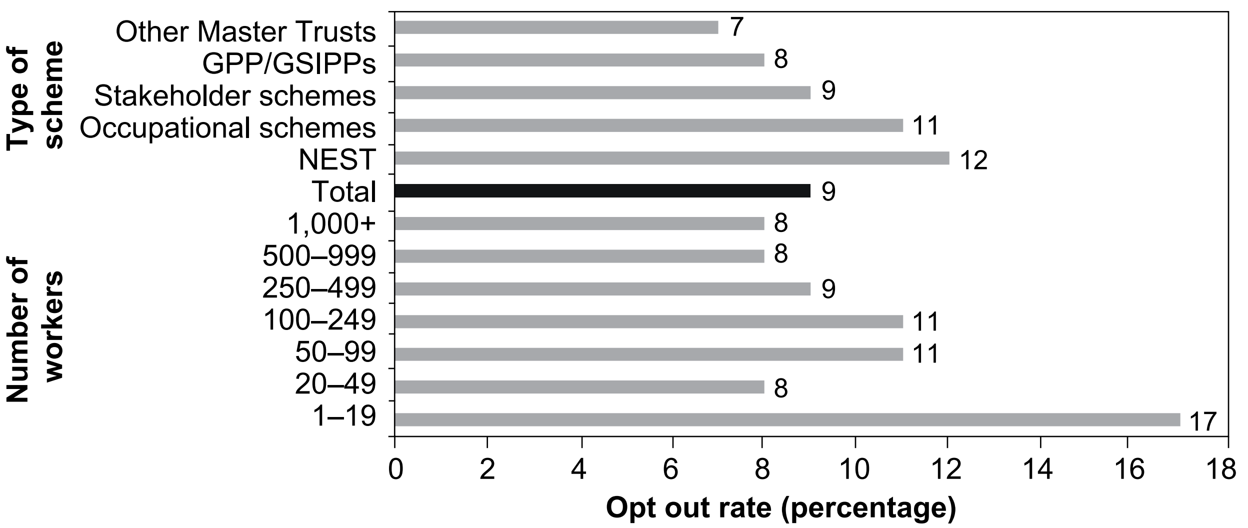


Figure has been weighted using the population of staged employers. Unweighted number of employers: 1–19 (66); 20–49 (110); 50-99 (183); 100–249 (272); 250–499 (223); 500–999 (230); 1,000+ (267); Other master trusts (204); GPP/GSIPPs (500); Stakeholder schemes (145); Occupational schemes (213); Total (1,351).

There are some significant differences between type of scheme: workers in NEST and single employer occupational schemes have slightly higher rates of opt out than those enrolled into stakeholder schemes or Group Personal Pension (GPP)/Group Self-Invested Personal Pension (GSIPP) schemes (although it is important to clarify that this is just drawn from those employers in the sample using NEST and may not reflect the opt out rate across all employers using NEST).

There are no significant differences in opt out rates between industries, region, between employers with different proportions of casual workers, or between employers with different salary distributions.

4.2.2 Cessations of active membership and scheme leavers

The cessation rate is calculated as the proportion of automatically enrolled workers that have left the scheme following the one month opt out period. However, many employers responding to this survey struggled to differentiate between the number of workers that had left a scheme whilst remaining at the employer and the number of workers that had left the scheme because they had left the employer. Employers were therefore asked to estimate what proportion of automatically enrolled workers had ceased active membership. This allows us to estimate a 'leaving rate' as the total number of workers who had left a scheme following the opt out window.

Overall, employers estimated that around four per cent of automatically enrolled workers had ceased active membership. There were no significant differences in these estimates by employer size, or across staging dates (where we might have expected higher cessations for employers where workers had been automatically enrolled for longer). However, there were significant differences by region, with cessation rates estimated by employers in Scotland significantly higher than average, at 13 per cent. As we might expect, cessation rates are higher for employers with a higher proportion of casual workers: employers where 75 per cent or more of their workforce were casual workers had an estimated cessation rate of 12 per cent, compared to three to four per cent for those where less than half their workers were casual.

The scheme 'leaving rate' was calculated as the proportion of automatically enrolled workers that have left a scheme following the opt out window. This will include workers ceasing active membership and job churn. In total, eight per cent of automatically enrolled workers have left a scheme following the opt out window, of which around half are estimated to have ceased active membership with the remainder assumed to have left the employer (and may since have been enrolled again with a different employer). Table 4.1 shows that smaller employers tended to have lower leaving rates than larger employers, which may reflect greater job churn at larger employers, or may be a result of these employers having staged less recently than smaller employers.

Table 4.1 Leaving rate, by employer size

Percentages

	Number of workers							All staged employers that automatically enrolled workers
	1-19	20-49	50-99	100-249	250-499	500-999	1,000+	
Leaving rate	4	4*	6	5*	7*	6*	10*	**8**
Weighted number of employers[1]	233	123	342	326	112	55	64	**1,256**
Unweighted number of employers	66[u]	110	183	272	223	230	267	**1,351**

[1] This table was weighted using the population of staged employers.

* denotes significant difference.

[u] Number of employers less than 100 – treat as indicative.

There were no significant differences in leaving rate by industry, but some significant differences by scheme type with occupational schemes having a much higher leaving rate, whilst GPP and GSIPP schemes had a slightly lower leaving rate. This is likely to reflect that occupational schemes are more likely to be used by larger employers who have higher leaving rates.

In terms of regional differences, the leaving rate was highest in Scotland (11 per cent), but this difference was not statistically significant.

4.2.3 Opt in

The opt in rate was calculated as the proportion of workers ineligible for automatic enrolment that had opted in to a scheme. In total five per cent of ineligible workers have chosen to opt in. Table 4.2 breaks down opt in rates by employer size and shows that there were no significant differences.

Table 4.2 Opt in, by employer size

Percentages

	Number of workers							All staged employers that enrolled workers
	1-19	20-49	50-99	100-249	250-499	500-999	1,000+	
Opt in rate	13	9	6	8	14	5	4	5
Weighted number of employers1	233	123	342	326	112	55	64	1,256
Unweighted number of employers	66[u]	110	183	272	223	230	267	1,351

[1] This table was weighted using the population of staged employers.

[u] Number of employers less than 100 – treat as indicative.

Due to the design of the questionnaire, opt in rates could only be broken down by scheme type for those employers that only offered one pension scheme. However, for this group there were differences in opt in by scheme, as stakeholder schemes and occupational schemes both had higher rates of opt in, whilst GPP and GSIPP schemes had very low rates of opt in.

Findings suggest some significant differences in terms of whether the majority of the workforce are earning below the trigger for automatic enrolment (£10,000 in 2015/16 terms), or above the upper limit of the qualifying earnings band (£42,385 in 2015/16). Employers with less than 25 per cent of the workforce not earning enough to be eligible for automatic enrolment had significantly higher opt in rates.

Opt in rates were also significantly higher for employers with a majority of workers earning above £42,385. This may reflect an embedded culture of saving at these employers, being carried over to those workers ineligible for automatic enrolment.

There were no significant differences in opt in rates by region.

4.3 Contribution rates and phasing

The automatic enrolment legislation specifies minimum contributions that employers are required to make on a band of employee earnings (between £5,825 and £42,385 in 2015/16). At the time of fieldwork for this survey the minimum total contribution was three per cent of banded earnings, at least one per cent of which must come from the employer. This legal minimum will rise to five per cent, with at least two per cent from the employer, in April 2018 and then to eight per cent, with at least three per cent from the employer, in April 2019.

4.3.1 Contributions for employers that have staged

Staged employers were asked whether they were phasing in increased contribution rates in line with statutory minimums, or whether they were already contributing at least three per cent on behalf of their workers. The majority (62 per cent) of staged employers are phasing in contributions, but one-third (32 per cent) are contributing at least three per cent.

Figure 4.4 shows that staged employers with fewer than 20 workers are less likely to be phasing in contributions, but also more likely to not know whether they were phasing.

Figure 4.4 Whether staged employers are phasing in contribution rate rises, by employer size

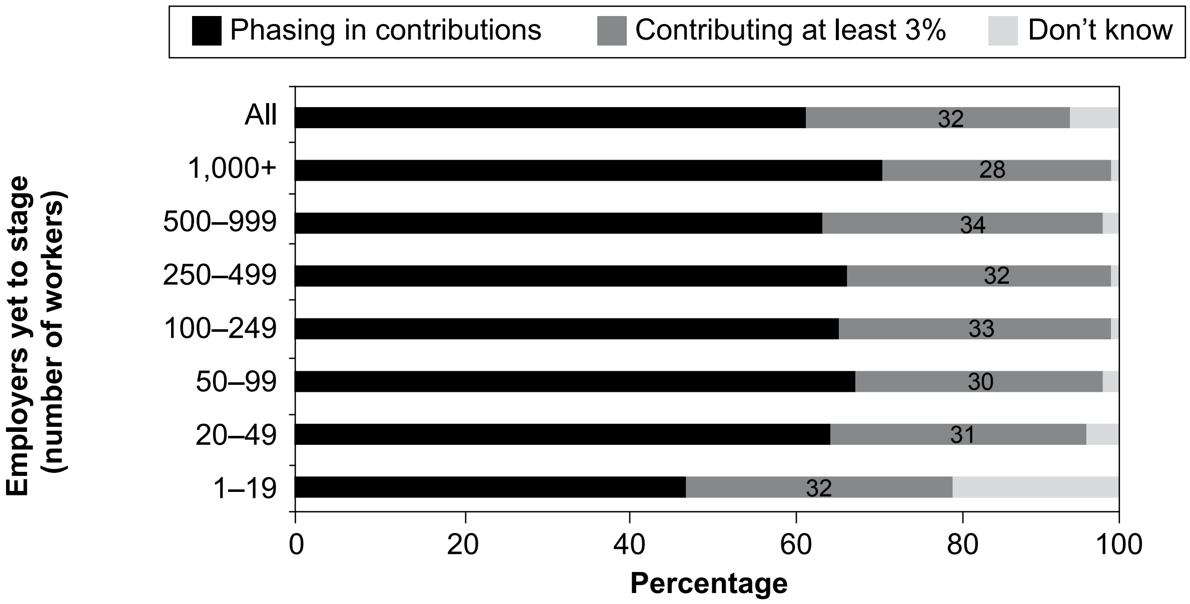


Figure has been weighted using the population of staged employers. Unweighted number of employers: 1–19 (98); 20–49 (135); 50–99 (208); 100–249 (306); 250–499 (247); 500–999 (275); 1,000+ (307); All (1,576).

The current average employer contribution for staged employers across all scheme types was three per cent for those phasing in contributions (this is likely to have been driven up by pre-existing members receiving employer contributions above one per cent) and five per cent for those not phasing in contributions. Figure 4.5 breaks this down by scheme type and use of phasing. Average employer contributions were slightly lower for NEST and other master trusts (two per cent) than for stakeholder schemes (four per cent) and they were slightly higher for GPP/GSIPPs (five per cent). This may reflect the fact that employers using NEST and other master trusts are more likely to be offering pension provision for the first time as a result of automatic enrolment, and therefore more likely to contribute the required legal minimum.

Figure 4.5 Staged employers' average contribution rates, by scheme type and use of phasing

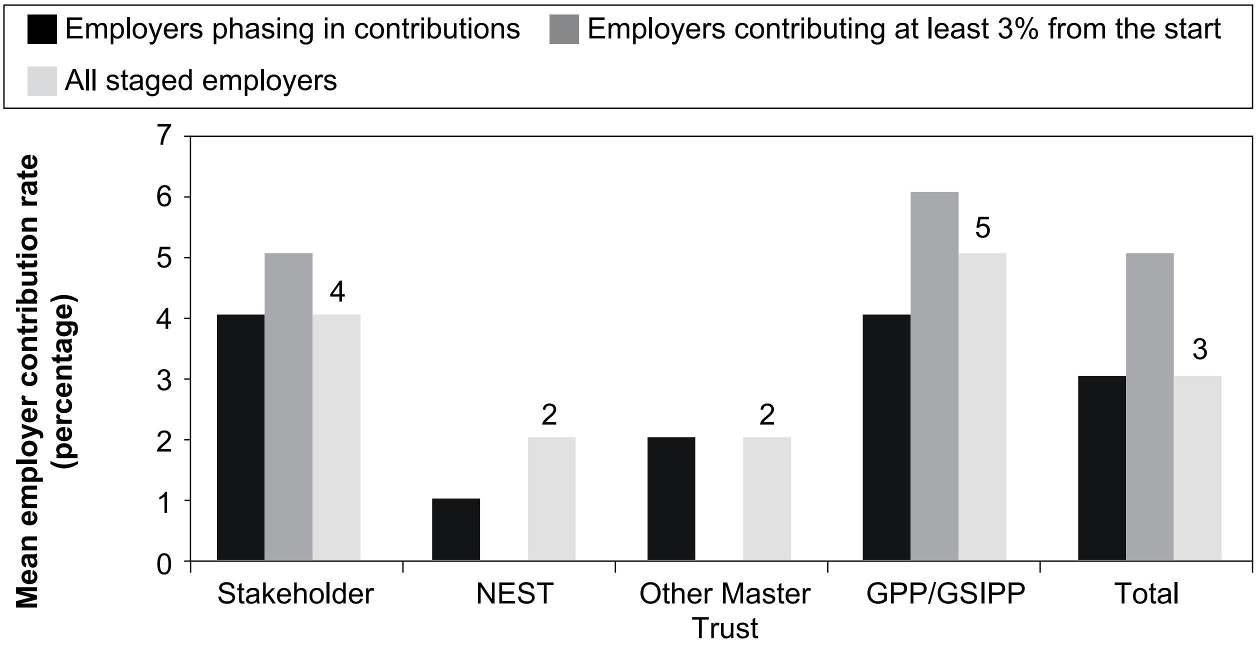


Figure weighted using the population of staged employers. Unweighted number of employers: Stakeholder (270); NEST (310); Other master trust (183); GPP/GSIPP (625); Total (1,098).

Staged employers not choosing to phase in contribution rate increases were much more likely to be planning to contribute more than three per cent. As shown in Figure 4.6, almost two-fifths (39 per cent) were planning to pay between three per cent and six per cent and just under a third (29 per cent) were planning to pay above six per cent; compared to just nine per cent and two per cent (respectively) of the majority of staged employers choosing to phase in contributions.

Figure 4.6 Planned contribution rates for staged employers following phasing

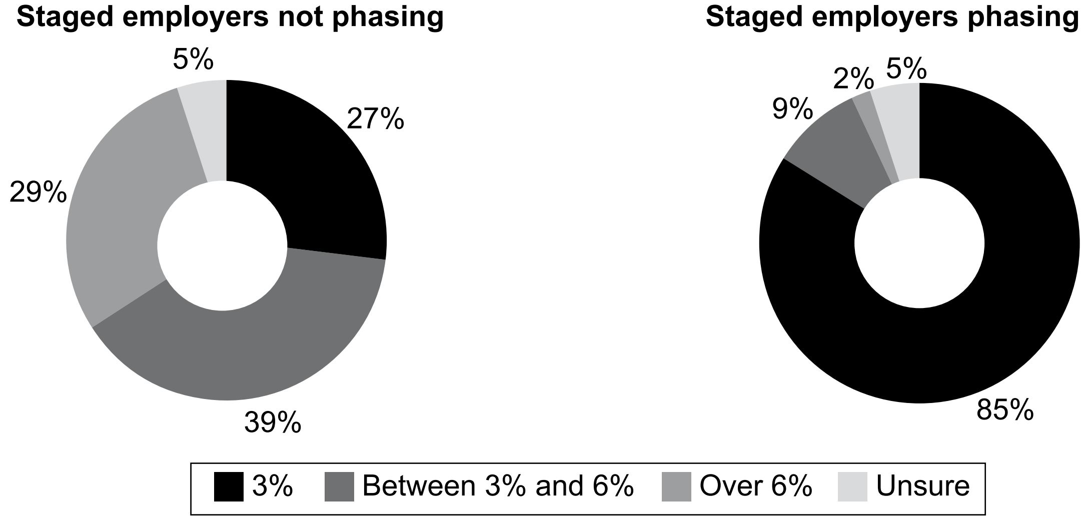


Figure has been weighted using the population of staged employers. Unweighted number of employers: 1,576.

Table 4.3 shows that employers with 20–49 workers are more likely to plan to contribute at the legal minimum, whilst employers of 1,000 or more workers are more likely to contribute between three per cent and six per cent following phasing.

Table 4.3 Planned contribution rates for staged employers following phasing, by employer size

Column percentages

Planned contribution rate following phasing Column per cent	Number of workers 1-19	20-49	50-99	100-249	250-499	500-999	1,000+	All employers that plan to contribute the same rate for all staff following phasing
The minimum required amount (3%)	-	93*	85	84	84	83	71*	85
Between 3 and 6%	-	6	10	9	10	12	19*	9
Over 6%	-	2	2	3	1	3	7	2
Don't know	-	0*	4	5	5	3	3	5
Weighted number of employers[1]	118	75	209	175	55	28	34	694
Unweighted number of employers	36[x]	67[u]	112	146	109	117	143	730

[1] This table was weighted using the population of staged employers.
[x] Number of employers size below 50 – cell has been suppressed.
* denotes significant difference.
[u] Number of employers less than 100 – treat as indicative.

Staged employers were also asked whether they will be contributing at the same rate for all workers, or whether they will offer different contribution rates to different types of workers. The majority (72 per cent) reported that they are contributing at the same rate for all workers, 18 per cent are offering different rates to different workers and 10 per cent of employers did not know. Employers with fewer than 20 workers are less likely to offer different rates to different workers and more likely to not know, whereas employers of more than 100 workers are more likely to offer different rates.

4.3.2 Expected contributions for employers yet to stage

Two-thirds of employers yet to stage planned to use phasing, 17 per cent planned to contribute at least three per cent from the start and 17 per cent did not know. The smallest employers were less likely to say they planned to use phasing, but more likely to not know what they would do.

The majority (71 per cent) of employers yet to stage said they planned to contribute at the same rate for all workers, and again the smallest employers were more likely to not yet know what they will do.

Figure 4.7 shows that for employers yet to stage who plan to offer the same rate to all workers, 14 per cent say they plan to contribute above the legal minimum by the end of phasing (compared to 11 per cent for staged employers who are phasing, and 68 per cent for staged employers not phasing and already contributing at least three per cent).

Figure 4.7 Planned contribution rates for employers yet to stage (who plan to offer the same rate to all workers)

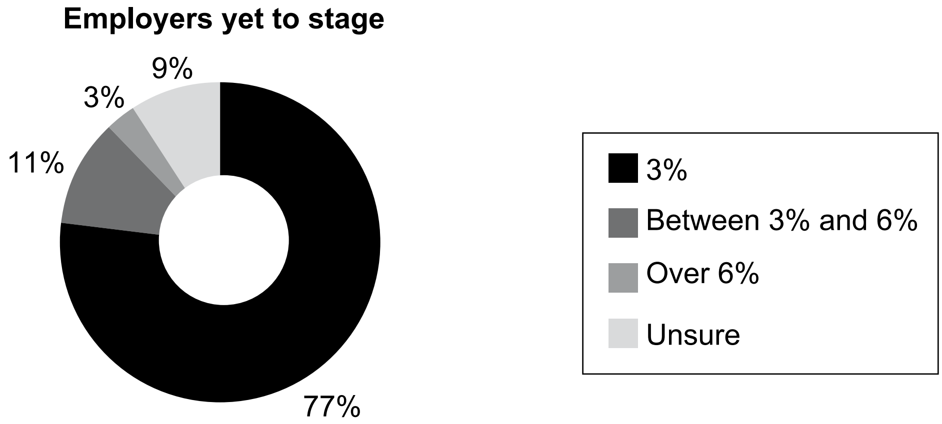


Figure has been weighted using the population of employers yet to stage. Unweighted number of employers: 1,014.

5 Implementation costs and employer responses

- Larger employers tended to find automatic enrolment implementation more burdensome than smaller employers.
- Across all staged employers, the median cost to implement automatic enrolment was £1,000, which is heavily driven by employers using paid advice who had a median cost of £4,000. Employers that did not pay for advice had a median implementation cost per worker of £0.
- The median implementation cost per worker across all staged employers was £16. Smaller employers tended to pay more per worker than larger employers. Again, employers that did not pay for advice had a median implementation cost of £0.
- As expected, the majority (83 per cent) of staged employers were facing higher pension contribution costs as a result of automatic enrolment.
- The most common responses to increased contribution costs amongst staged employers were to have reduced profits (49 per cent), absorb as part of other overheads (49 per cent) and lower wage increases (18 per cent).
- The vast majority (82 per cent) of staged employers are aware of the requirement to re-enrol eligible workers every three years. Around one-fifth (21 per cent) of staged employers have already begun planning for re-enrolment.
- Almost three-quarters (74 per cent) of employers yet to stage expect their pension contribution costs to increase following automatic enrolment.
- The strategies that employers yet to stage were most likely to use to absorb these increased costs were to reduce profits (38 per cent), to increase prices (24 per cent) and to have lower wage increases (13 per cent).

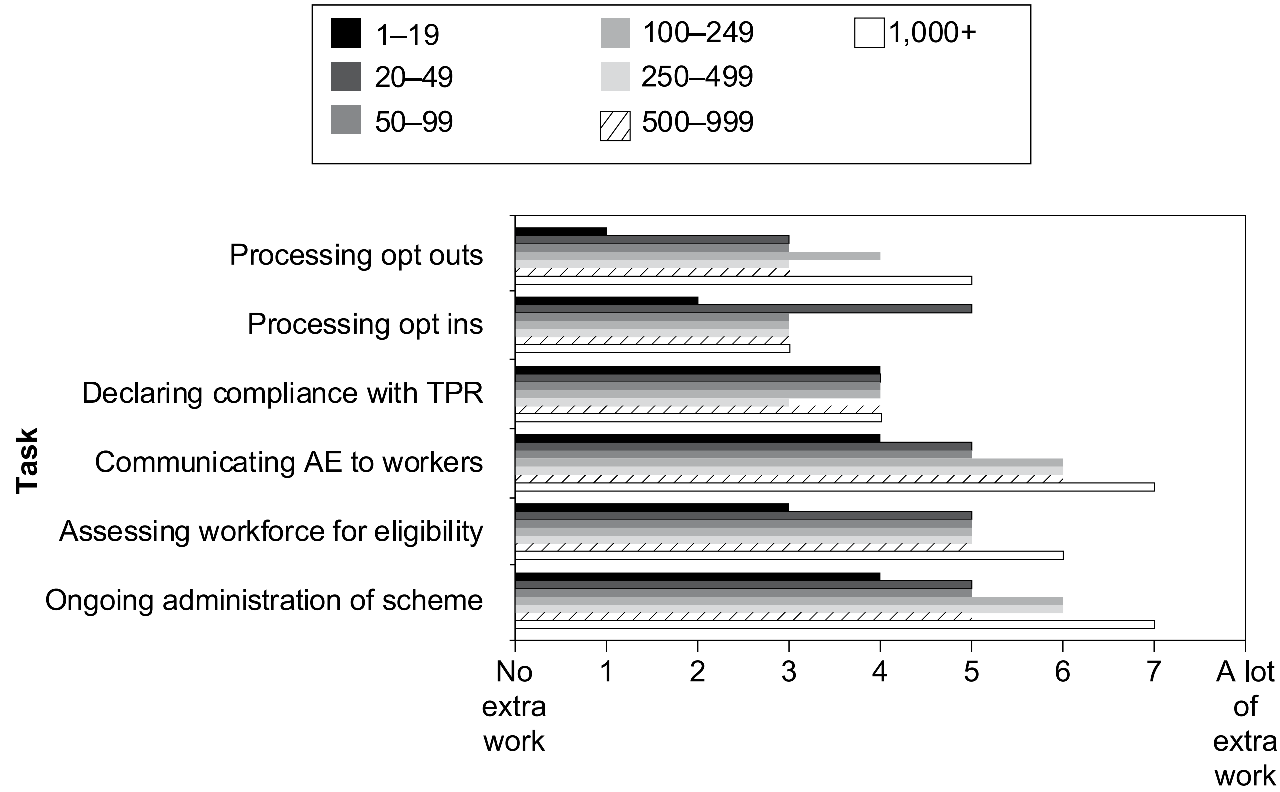
5.1 Costs to staged employers

Staged employers were asked how much they had spent to implement automatic enrolment, what level of subjective burden they experienced, and how the reforms would affect their overall pension contribution costs.

5.1.1 Implementation costs for staged employers

To explore the burden of implementing automatic enrolment, employers were asked to rate how much extra work had been created by particular tasks on a scale of 1-10, with 1 being very little extra work and 10 being a lot of extra work. Figure 5.1 shows that larger employers tended to rate tasks as creating more additional work than smaller employers. Across all employer sizes, the most burdensome tasks were 'Ongoing administration of the scheme', 'Assessing the workforce for eligibility', and 'Communicating automatic enrolment to workers'.

Figure 5.1 Level of extra work produced by implementing automatic enrolment, by employer size



Figures weighted using the population of staged employers. Unweighted number of employers: 1–19: 110, 20–49: 164, 50–99: 230, 100–249; 307, 250–499: 251, 500–999: 275, 1,000+: 307.

There was little difference in reported burden by industry, though employers in the 'Hotels and restaurants' industry reported scheme administration to be particularly burdensome.

Staged employers were asked to give the total implementation costs associated with automatic enrolment, including the cost of any paid advice but excluding the cost of pension contributions. The median implementation cost was £1,000, but this varied substantially by employer size, as shown in Table 5.1. Employers with fewer than 20 workers had a much lower median cost of £200, compared to a median cost of £20,000 for employers of 1,000 or more workers.

A key factor driving implementation cost was use of paid advice, as the median implementation cost for employers that paid for advice was £4,000. This compares to employers that did not pay for advice where the median cost was £0 and the majority of employers did not pay anything to implement automatic enrolment.

Table 5.1 Implementation costs, by employer size and use of paid advice

Whether employer paid for advice	Median implementation cost	Number of workers 1-19	20-49	50-99	100-249	250-499	500-999	1,000+	All staged employers with eligible jobholders
Paid for advice	Median	-	£2,500*	£3,250*	£5,000*	£5,750*	£11,000*	£30,000*	£4,000
	Weighted number of employers[1]	112	67	168	176	72	32	44	672
	Unweighted number of employers	34[x]	60[u]	90[u]	147	144	132	183	790
Did not pay for advice	Median	£0*	£0*	£0*	£0*	£1,000	£0	£850*	£0
	Weighted number of employers[1]	246	75	198	173	41	25	23	780
	Unweighted number of employers	63[u]	67[u]	106	144	81[u]	105	96[u]	662
All staged employers	Median	£200*	£1,000*	£1,000*	£2,500*	£5,000*	£5,000*	£20,000*	£1,000
	Weighted number of employers[1]	361	151	389	367	124	66	74	1,531
	Unweighted number of employers	98[u]	135	208	306	247	275	307	1,576

[1] This table was weighted using the population of staged employers.
[x] Number of employers size below 50 – cell has been suppressed.
* denotes significant difference.
[u] Number of employers less than 100 – treat as indicative.

Table 5.2 shows the median implementation costs per worker, with overall median cost per worker of £16, rising to £43 per worker for those that paid for advice. Cost per worker varied substantially by employer size, as larger employers faced a lower cost per worker (although higher absolute costs) than smaller employers. However micro, small and medium employers that did not pay for advice still had a median implementation cost of £0. As the majority of small and micro employers have yet to stage, the cost per worker to implement automatic enrolment may change over time.

Table 5.2 Implementation costs per worker, by employer size and use of paid advice

		Number of workers							
Whether employer paid for advice	**Median implementation cost per worker**	**1-19**	**20-49**	**50-99**	**100-249**	**250-499**	**500-999**	**1,000+**	**All staged employers with eligible jobholders**
Paid for advice	Median	-	£56*	£50*	£36*	£17*	£17*	£11*	£43
	Weighted number of employers[1]	112	67	168	176	72	32	44	672
	Unweighted number of employers	34[x]	60[u]	90[u]	147	144	132	183	790
Did not pay for advice	Median	£0*	£0	£0*	£0*	£3	£0	£0.25	£0
	Weighted number of employers[1]	246	75	198	173	41	25	23	780
	Unweighted number of employers	63[u]	67[u]	106	144	81[u]	105	96[u]	662
All staged employers	Median	£25*	£30*	£16*	£18*	£13*	£6*	£8*	£16
	Weighted number of employers[1]	361	151	389	367	124	66	74	1,531
	Unweighted number of employers	98[u]	135	208	306	247	275	307	1,576

[1] This table was weighted using the population of staged employers.

[x] Number of employers size below 50 – cell has been suppressed.

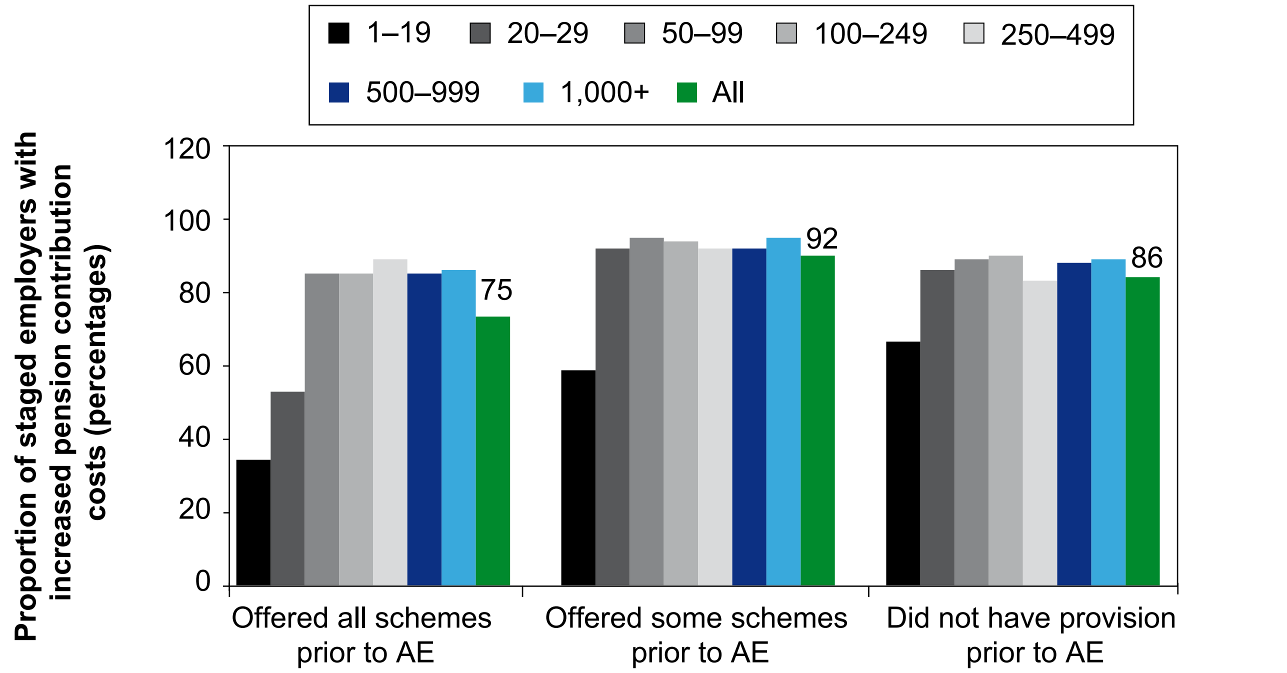
* denotes significant difference.

[u] Number of employers less than 100 – treat as indicative.

5.1.2 Contribution costs for staged employers

Given that automatic enrolment duties require employers to make minimum contributions on a specified band of employee earnings for all eligible jobholders, we would expect the cost of employer pension contributions to rise. Across all staged employers, 83 per cent reported that the cost of contributions had increased since the introduction of automatic enrolment. This ranged from 75 per cent of employers that had offered all of their current schemes prior to staging, to 92 per cent of employers that had offered some of their current schemes prior to staging. Small and micro employers were significantly less likely to report facing an increase in contribution costs than medium and large employers. This could be because small and micro employers are more likely to have no eligible jobholders.

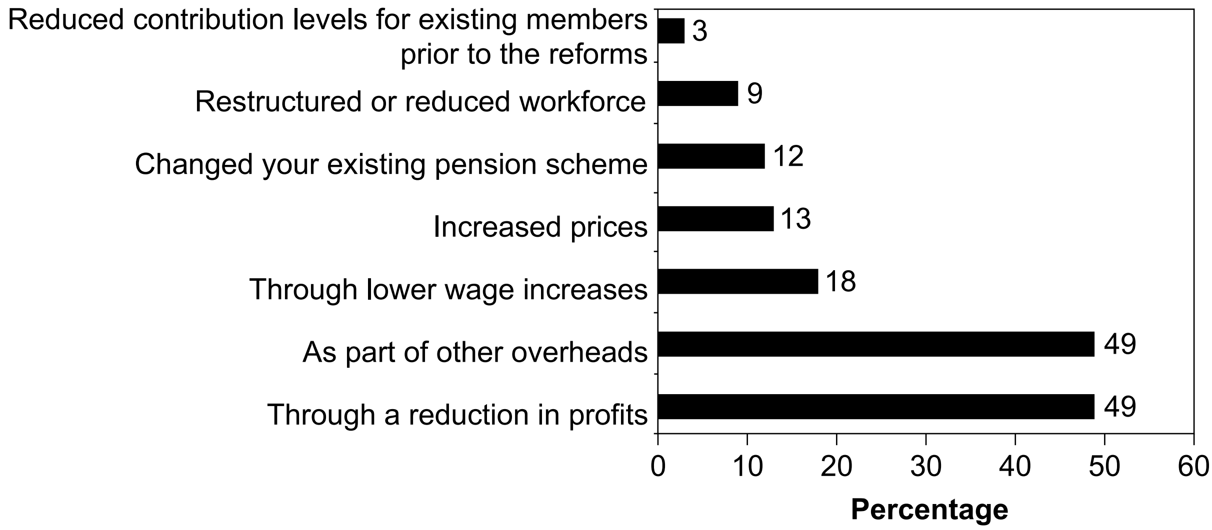
Figure 5.2 Whether automatic enrolment has increased contribution costs for staged employers, by employer size and scheme provision prior to staging



This figure has been weighted using the population of staged employers. Unweighted number of employers: 1–19 (76); 20–49 (121); 50–99 (203); 100–249 (303); 250–499 (243); 500–999 (271); 1,000+ (304); All (1,521).

Employers that said they would face increased costs as a result of the reforms were asked what actions they had taken, or would be likely to take, to absorb these increased costs. Overall, around half of staged employers said they were reducing profits or absorbing costs as part of other overheads, around one in five had or would absorb increased costs through lower wage increases, and around one in ten would restructure or reduce their workforce. There is significant interest in whether employers may 'level down' pension provision in response to automatic enrolment. This survey finds that just over one in ten (12 per cent) staged employers report that they would either change their existing pension scheme or reduce contribution levels for existing members.

Figure 5.3 Strategies to absorb increased costs reported by staged employers facing increased contribution costs



This figure has been weighted using the population of staged employers. Unweighted number of staged employers facing increased contribution costs: 1,379.

5.1.3 Staged employers preparations for re-enrolment

Under automatic enrolment, employers are required to re-enrol any eligible workers who have opted out or ceased active membership every three years, in order to give these individuals more opportunities to save into a workplace pension. As the first employers staged in October 2012, re-enrolments began in October 2015 (shortly after the fieldwork period for this survey).

The majority (82 per cent) of staged employers were aware of re-enrolment but only 21 per cent had begun preparing for it. Awareness varied considerably by employer size, from only 54 per cent of employers with fewer than 20 workers, to 82-98 per cent of employers with more than 20 workers. This is most likely due to larger employers being closer to their re-enrolment date, who will already have received communication from (TPR) about their re-enrolment duties.

The minority of staged employers that had begun preparing for re-enrolment were asked what they had done to prepare. The most common actions taken were to purchase or install new software, take advice from an external consultant or engage in on-going monitoring of workforce eligibility.

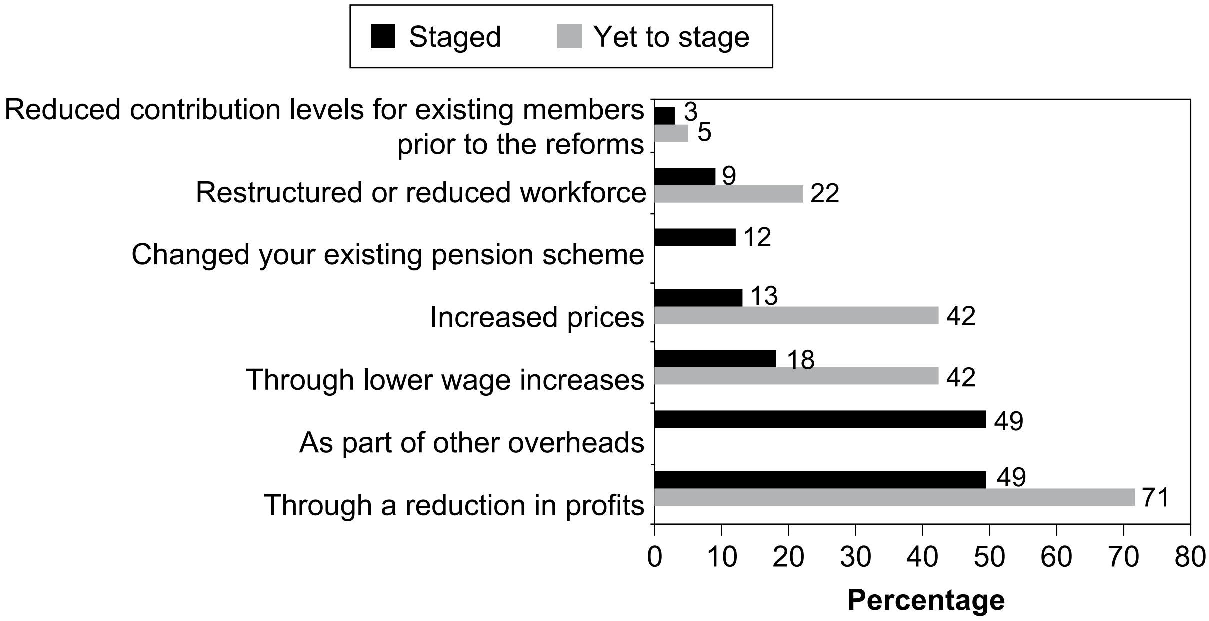
Staged employers that had not yet begun preparations for re-enrolment were asked whether they had a plan for when they would begin preparations. Overall, 35 per cent of employers had a plan, ranging from 19 per cent of employers with fewer than 20 workers, to over 50 per cent of employers with over 500 workers. At least some of this difference is likely to result from the largest employers having staged sooner and therefore being closer to their re-enrolment date.

5.2 Expected costs for employers yet to stage

Employers that had not yet staged were also asked whether implementing automatic enrolment and contributing at least three per cent of banded earnings to pensions for eligible jobholders would increase their total pension contribution costs. The majority (74 per cent) believed that automatic enrolment would increase costs, 17 per cent did not know or said that it would depend, and nine per cent did not expect costs to increase.

Employers that did expect to face increased contribution costs were then asked what actions they would consider to absorb these increased costs. Responses are shown in Figure 5.4 and compared to results for staged employers. Overall the strategy most commonly considered by employers yet to stage was a reduction in profits (71 per cent), followed by increasing in prices and having lower wage increases (42 per cent each).

Figure 5.4 Strategies to absorb costs reported by employers yet to stage



This figure has been weighted using the population of staged employers, and those yet to stage.
Unweighted number of employers: Staged (1,379); Yet to stage (1,075).

Employers were also asked which of these actions they would be most likely to take to absorb increased costs. The most common overall strategy was a reduction in profits (cited by 38 per cent of employers), followed by an increase in prices (24 per cent) and lower wage increases (13 per cent).

Part B: Employers' pension provision in 2015

This section reports on the overall landscape of employer provided pensions in 2015. Findings in this section have been weighted to the overall population of employers (see section A3 in the technical appendix).

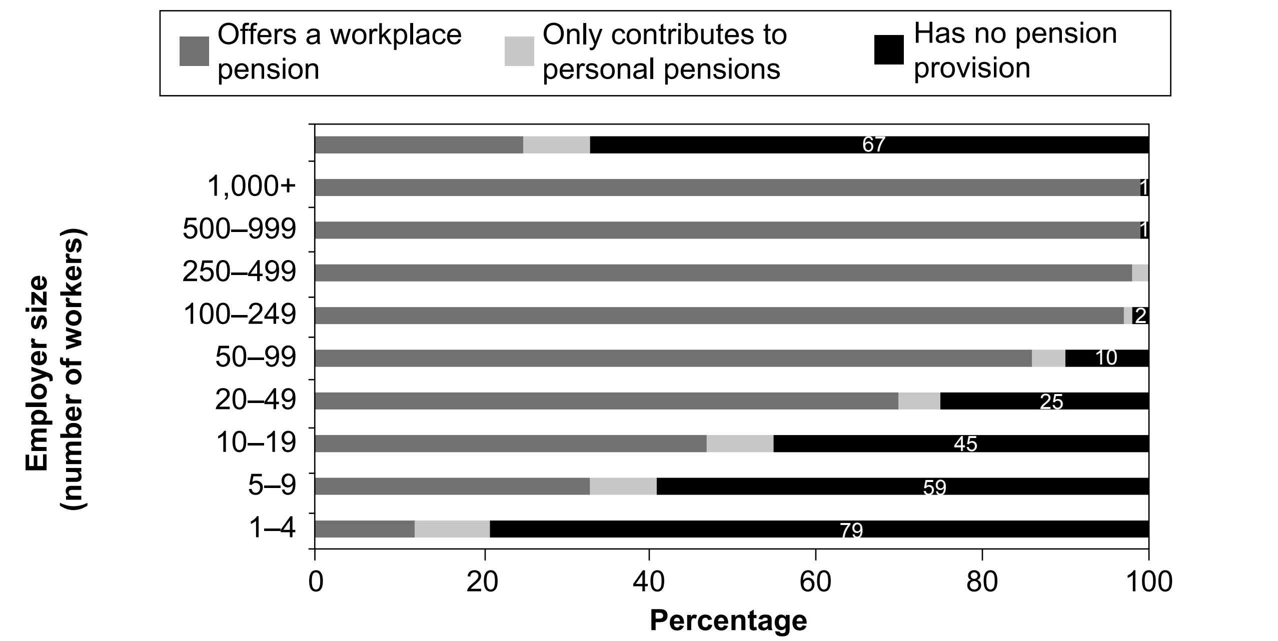
6 Employer pension provision in 2015

This chapter provides a broad overview of pension provision across all GB employers, regardless of whether or not they had implemented automatic enrolment.

6.1 Overall scheme provision

At the time of the survey most large and medium employers had staged, and most small and micro employers (who constitute the majority of employers, but only two per cent of the workforce) were not yet required to automatically enrol their workers. In this context, Figure 6.1 shows that 25 per cent of all GB employers offered a workplace pension[8], an increase of six percentage points since 2013[9], whilst eight per cent offered contributions to workers’ personal pensions only, and 67 per cent had no pension provision at all.

Figure 6.1 Overall level of pension provision, by employer size



This figure has been weighted using the total employer universe. Unweighted number of employers: 1–4 (371); 5–9 (332); 10–19 (318); 20–49 (527); 50–99 (307); 100–249 (315); 250–499 (254); 500–999 (276); 1,000+ (307); All (3,008).

8 This total of 25 per cent is largely driven by the employers yet to stage, who made up around 97 per cent of the weighted universe and amongst whom only 24 per cent offered a workplace pension.

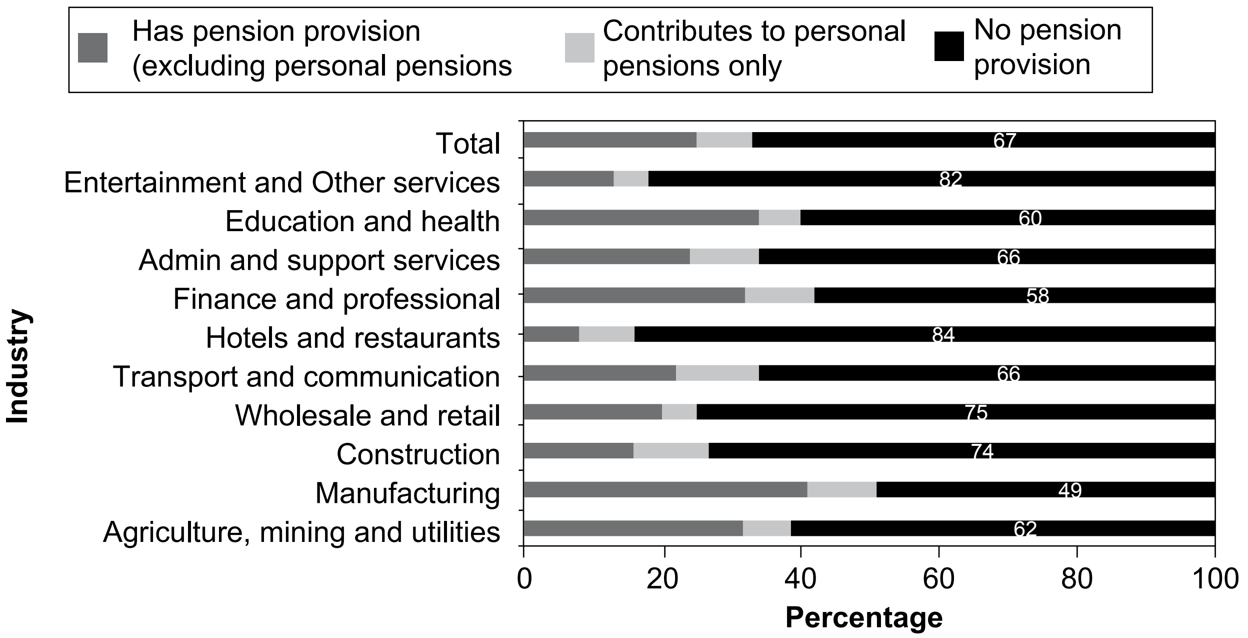
9 DWP, (2014). Employers’ Pension Provision survey 2013. At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2013

This shows significant variation between employers of different sizes, as we would expect given long-standing differences in employer pension provision prior to reform, exacerbated by the staging profile. Smaller employers were far more likely to have no pension provision: 79 per cent of employers with between 1-4 workers and 59 per cent of employers with between 5-9 workers had no provision, compared to just one per cent of employers with over 500 workers.

There are also significant differences in employer pension provision by industry, though this in part will reflect the different mix of employer size between industries (see Table A.2 in the technical appendix).

Figure 6.2 shows that employers in 'Hotels and Restaurants' and 'Entertainment and Other services' industries were least likely to offer pension provision (84 per cent and 82 per cent respectively offered no provision). The industries significantly more likely to offer pension provision were 'Education and Health' (34 per cent), 'Finance and Professional' (32 per cent) and 'Agriculture, Mining and Utilities' (32 per cent).

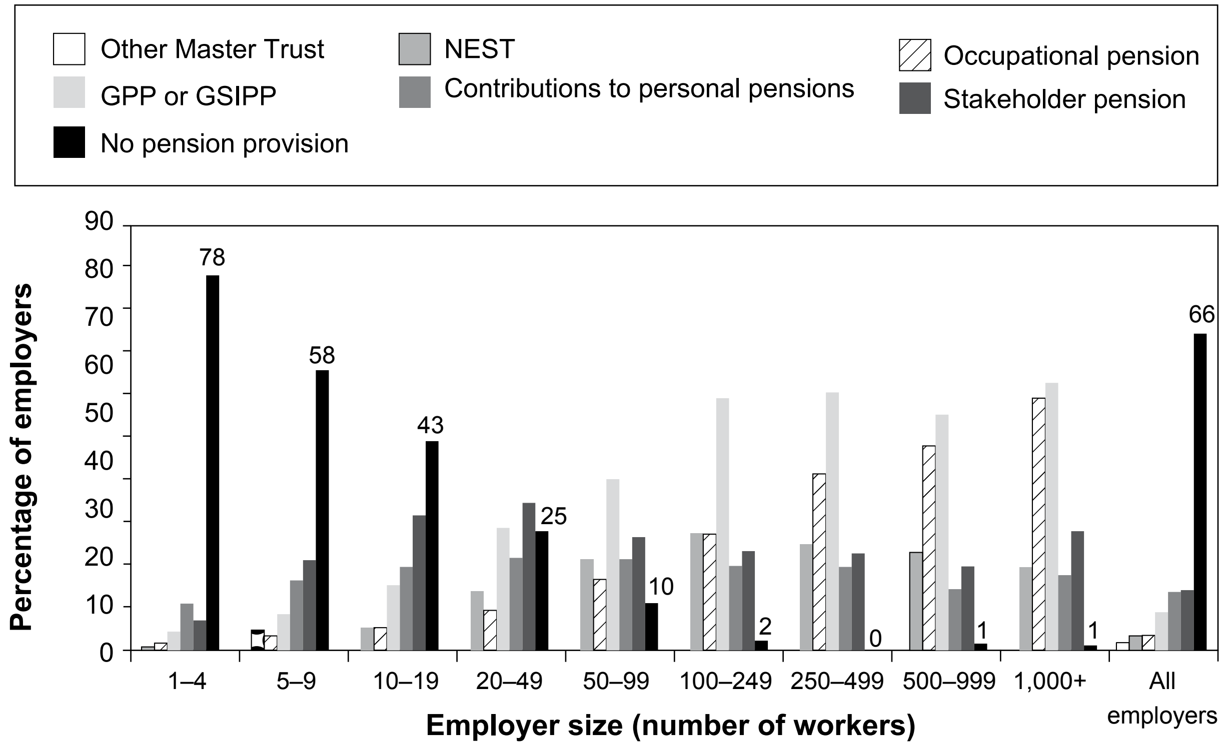
Figure 6.2 Employer pension provision, by industry



This figure has been weighted using the total employer universe. Unweighted number of employers: Agriculture, Mining and Utilities (230); Manufacturing (369); Construction (181); Wholesale and Retail (433); Transport and Communication (205); Hotels and Restaurants (118); Finance and Professional (521); Admin and Support Services (231); Education and Health (500); Entertainment and Other services (283); Total (3,008).

Figure 6.3 provides a breakdown of pension provision by employer size and scheme type. This shows that the most common type of pension scheme offered by employers is a stakeholder pension (offered by 13 per cent of all employers), followed by a Group Personal (GPP) or Group Self-Invested Personal Pension (GSIPP) (offered by eight per cent of all employers. Less common were occupational pension schemes (only offered by three per cent of employers), National Employment Savings Trust (NEST) (also three per cent) or a master trust scheme which was not NEST (two per cent). Overall 12 per cent of employers offered contributions to workers' personal pensions.

Figure 6.3 Employer pension provision by size and scheme type



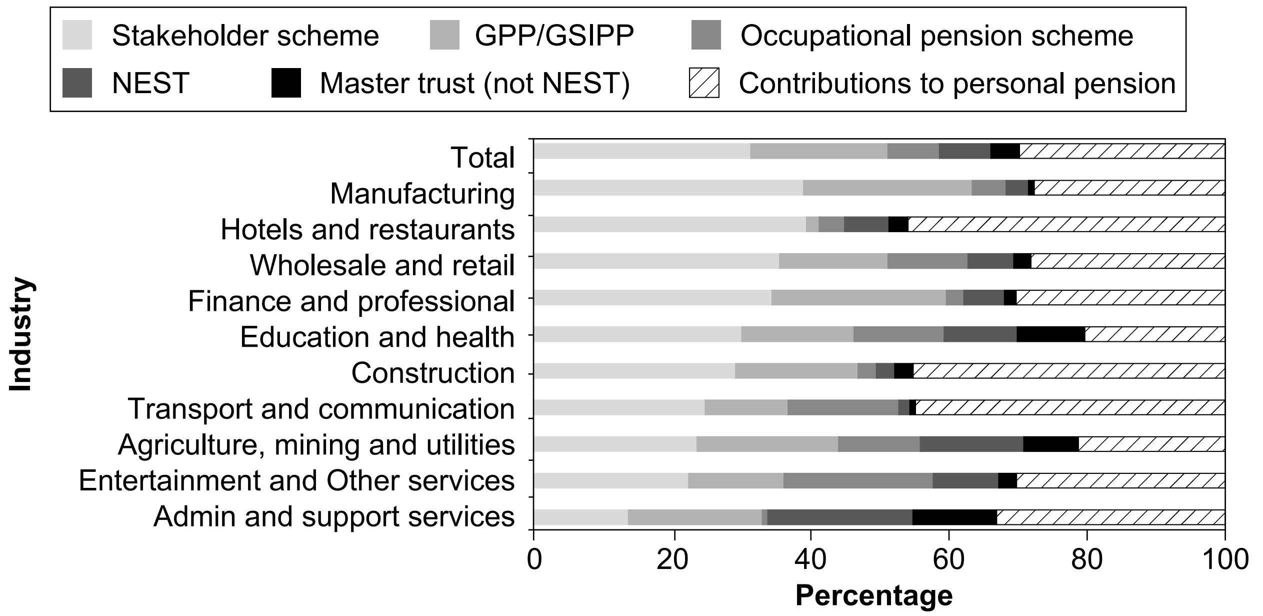
This figure has been weighted using the total employer universe. Unweighted number of employers: 1–4 (371); 5–9 (332); 10–19 (318); 20–49 (527); 50–99 (307); 100–249 (315); 250–499 (254); 500–999 (276); 1,000+ (307); All (3,008).

Access to a stakeholder scheme was most likely to be offered by employers with between 10 and 49 workers (28 per cent of employers with 10-19 workers and 31 per cent of employers with 20-49 workers). Employers with 50 or more workers were most likely to offer access to a GPP or GSIPP. Micro employers (1-4 workers) were the least likely to offer any form of pension provision.

As we would expect, there are also significant differences in the type of schemes offered by industry. In the current pensions landscape NEST and other master trust schemes were most typically offered in the following industries: 'Administration and Support services' (26 per cent NEST; 15 per cent other master trust); 'Agriculture, Mining and Utilities' (19 per cent NEST; ten per cent other master trust) and 'Education and Health' (13 per cent NEST; 12 per cent other master trust).

Employers were asked to provide the main reason for not making pension provision. Table 6.1 shows that unaffordability is the most common reason (18 per cent), followed by the company being too small, with too few workers or that they just employed directors (15 per cent).

Figure 6.4 Employer pension provision by industry and scheme type



This figure has been weighted using the total employer universe. Unweighted number of employers: Agriculture, Mining and Utilities (230); Manufacturing (369); Construction (181); Wholesale and Retail (433); Transport and Communication (205); Hotels and Restaurants (118); Finance and Professional (521); Admin and Support Services (231); Education and Health (500); Entertainment and other services (283); Total (3,008).

Table 6.1 Main reason employers do not provide a pension, by employer size

Column percentages

	Number of workers								All employers who offer no pension provision
	1-4	5-9	10-19	20-49	50-99	100-249	250-499	1,000+	
Unafforable	18	15	25	20	-	-	-	-	18
Small company	15	13	6	7	-	-	-	-	15
Haven't looked/felt no obligation	9	14	8	11	-	-	-	-	10
Lack of employee interest	7	14	18	16	-	-	-	-	9
Workers have private pensions	10	2	4	3	-	-	-	-	8
Not staged	7	12	8	9	-	-	-	-	8
Mainly part-time/ temporary staff	8	6	6	4	-	-	-	-	7
Workers earning below NI lower earnings limit	4	2	2	1	-	-	-	-	4
Low paid employees/not worth it	2	2	1	2	-	-	-	-	2

continued

Table 6.1 Continued

Column percentages

	Number of workers								All employers who offer no pension provision
	1-4	5-9	10-19	20-49	50-99	100-249	250-999	1,000+	
Admin too complicated/ time consuming	1	3	1	1	-	-	-	-	1
High staff turnover	1	2	3	6	-	-	-	-	1
New company	1	2	0	3	-	-	-	-	1
Weighted base[1]	1,490	337	134	40	5	1	<1	<1	2,007
Unweighted base	290	195	142	134	31[x]	7[x]	4[x]	3[x]	806

[1] This table was weighted using the total population of employers.

[u] Base less than 50 – figures not shown.

6.2 Provision of trust-based schemes

Trust-based schemes are pension schemes set up by one or more employers for their workers. In a trust-based scheme, a board of trustees is responsible for decisions made by the scheme. Trust-based schemes include single employer occupational schemes, as well as master trusts (like NEST) which cover multiple employers.

6.2.1 Occupational schemes

Overall three per cent of employers offered access to an occupational pension scheme. Two-thirds of employers with occupational schemes were not using these schemes to fulfil their automatic enrolment duties, of which 58 per cent said that their occupational scheme was closed to new members. However, for those employers who are either using their schemes for automatic enrolment, or whose schemes are open to new members, 87 per cent said that their schemes were open to all workers. Of the 13 per cent of employers who restricted their occupational pension scheme to certain types of workers, 71 per cent restricted them to workers at a certain grade or level; 11 per cent restricted them to those in a particular business group; and seven per cent restricted them to permanent staff only.

Table 6.2 shows that a majority of occupational schemes had some salary-related component, with 49 per cent being Defined Benefit (DB) and 13 per cent being hybrid schemes. A further 27 per cent of schemes were Defined Contribution (DC) schemes.

Table 6.2 Type of occupational scheme, by employer size

Column percentages

	Number of workers									All employers with an occupational pension scheme
	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1,000+	
A salary-related scheme (Defined Benefit)	-	-	-	56	63*	61*	68*	68*	59*	49
A money-purchase scheme (Defined Contribution)	-	-	-	27	30	25	23	22	25	27
A scheme where benefits are calculated using both methods (hybrid)	-	-	-	8	6	8	3*	6*	13	13
Other	-	-	-	0	0	3	0	1	1	2
Don't know	-	-	-	10	2*	2*	6	2*	2*	10
Weighted number of employers[1]	28	22	15	16	9	7	3	2	2	105
Unweighted number of employers	6[x]	13[x]	16[x]	52[u]	54[u]	99[u]	104	126	169	639

[1] This table was weighted using the total population of employers.

* denotes significant difference.

[u] Number of employers less than 100 – treat as indicative.

[x] Number of employers less than 50 – figures not shown.

Figure 6.5 shows, for employers with occupational schemes, what proportion of the workforce are current active members, by employer size. It shows that a majority (55 per cent) of employers with occupational schemes have less than 40 per cent of their workforce participating in the scheme.

Figure 6.5 Current active members of occupational schemes as a proportion of workforce, by employer size

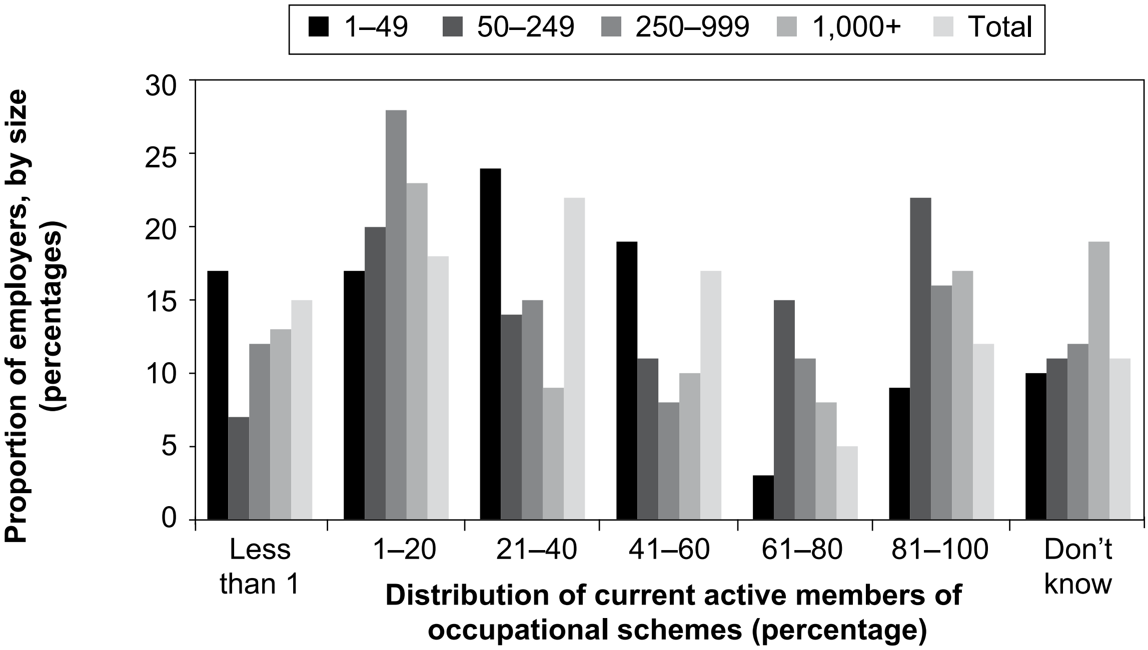


Figure has been weighted using the total population of employers. Unweighted number of employers: 639.

As shown in Figure 6.6, employers with hybrid or DB occupational schemes were most likely to have no current active members in these schemes (36 per cent and 20 per cent respectively). Employers with DC occupational schemes were most likely to have between 21 and 60 per cent of their workforce in the scheme (58 per cent had 21-60 per cent of their workforce in one of these schemes).

Two in five employers with an occupational scheme required their workers to wait a minimum amount of time before they were eligible to join the scheme, usually three (40 per cent) or six months (33 per cent).

Figure 6.6 Current active members of occupational pension schemes as a proportion of workforce, by type of occupational scheme

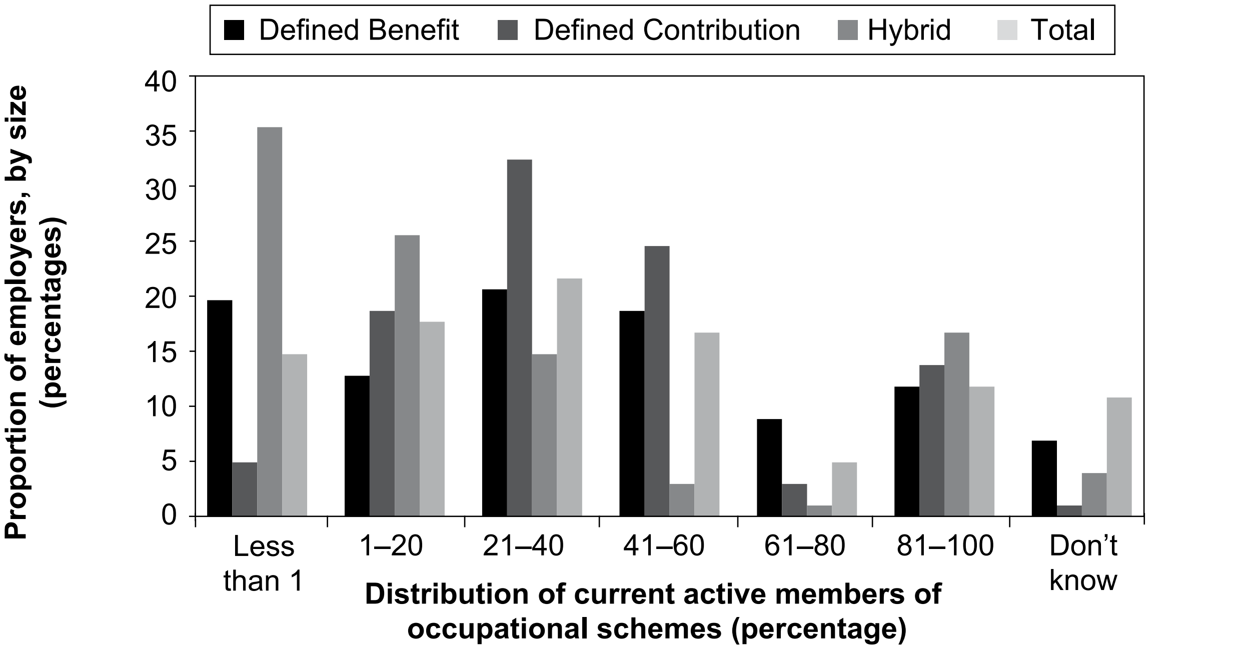


Figure has been weighted using the total population of employers. Unweighted number of employers: 639.

6.2.2 NEST

Overall, three per cent of all employers offered NEST, the majority (77 per cent) of whom were currently using it to fulfil their automatic enrolment duties, as we would expect. Figure 6.8 shows that 29 per cent of employers using NEST had less than one per cent of their workforce participating in it, which could be because NEST is being used as the default option for employers with few eligible workers, or because some employers may be using NEST to enrol particular types of workers.

Figure 6.7 Proportion of workers participating in NEST, by employer size

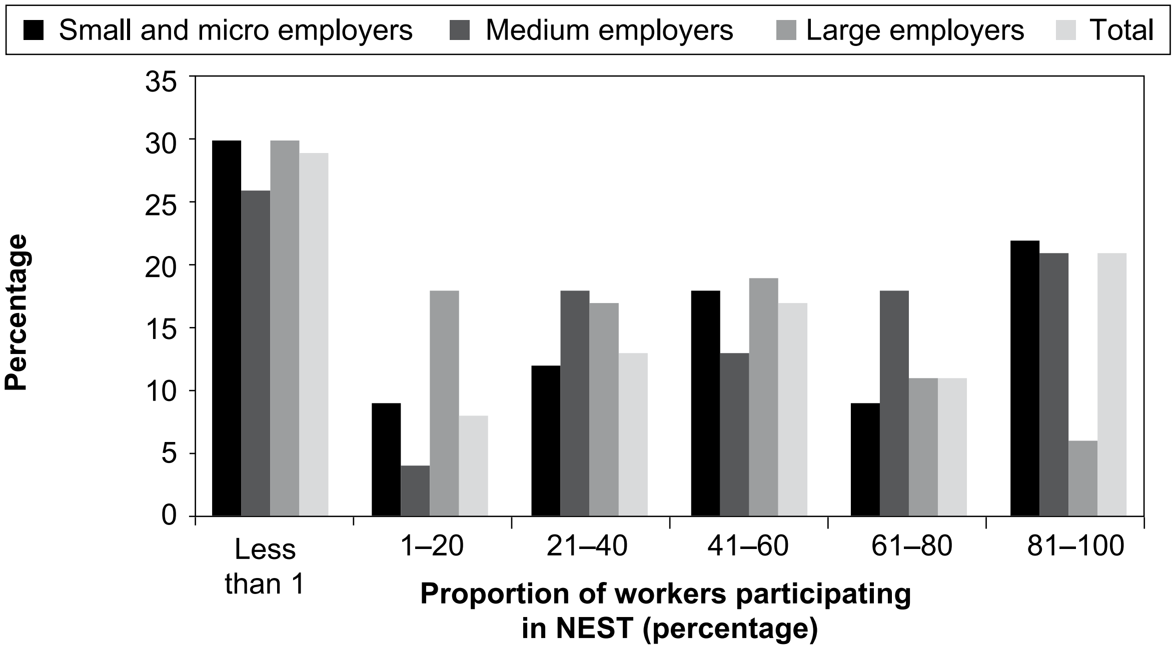


Figure has been weighted using the total population of employers. Unweighted number of employers: 348.

Overall, the average contribution rate to NEST was one per cent (in line with the legal minimum contribution for automatic enrolment), we would expect average contributions to NEST to rise in April 2018 when the minimum employer contribution increases to two per cent, and again in April 2019 when it rises to three per cent.

6.2.3 Other master trusts

Overall, only two per cent of employers offered access to a master trust scheme other than NEST. Similar to NEST, the majority (72 per cent) of these master trusts were being used for automatic enrolment. Figure 6.8 shows that 20 per cent of these employers had less than one per cent of workers participating in a non-NEST master trust scheme.

The average contribution rate to a master trust other than NEST was three per cent, which varied between two and four per cent by employer size. As the majority of employers with a master trust scheme are using them for automatic enrolment duties, this suggests that master trusts other than NEST are being used by employers who are choosing not to phase in contribution rate rises, and are therefore contributing at least three per cent from the start.

Figure 6.8 Proportion of workers participating in a master trust other than NEST, by employer size

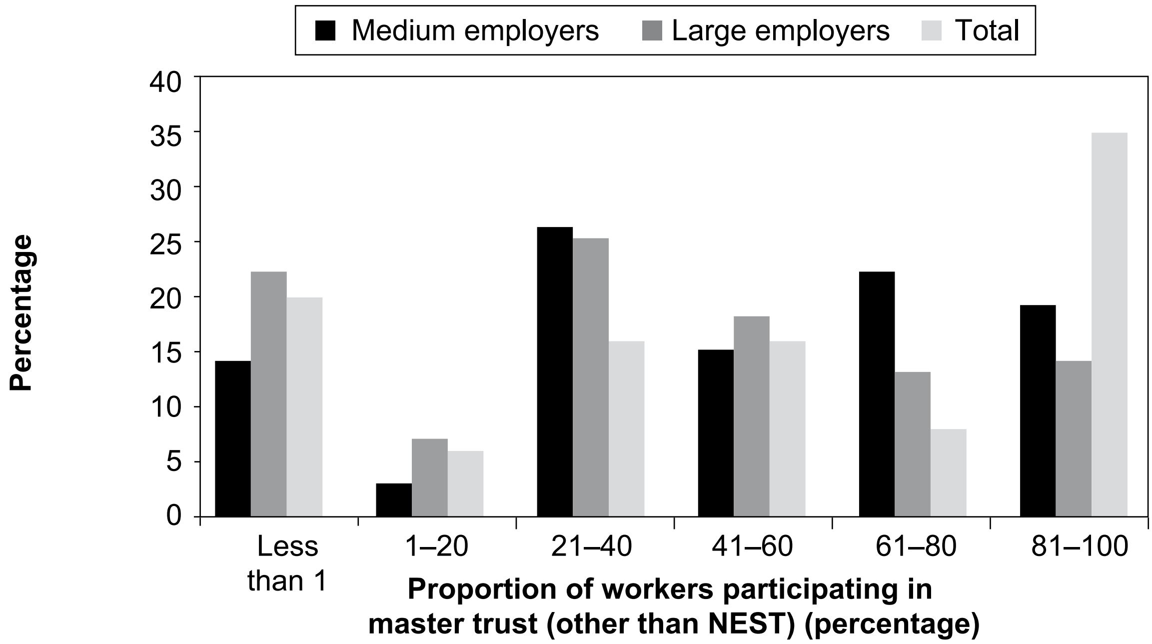


Figure has been weighted using the total population of employers. Unweighted number of employers: Small and micro employers (34 – not shown); Medium employers (62); Large employers (94); Total (194).

6.3 Contract-based schemes

Contract-based schemes are pensions with a legal contract between the individual worker and the provider who invests contributions on the member's behalf. Contract-based pensions include stakeholder schemes, GPPs and GSIPPs. Individual personal pensions are also a type of contract-based scheme.

6.3.1 Stakeholder pensions

Stakeholder schemes were the most common form of pension provision offered by employers (13 per cent). This is likely to be linked to previous legislation which required all employers of a certain size to offer access to a stakeholder scheme for their workers. As Figure 6.9 shows, nearly half of all employers with a stakeholder scheme had less than one per cent of their workers participating in the scheme. Additionally, 83 per cent of employers offering a stakeholder scheme were not using them for automatic enrolment, which suggests that usage of stakeholder schemes is likely to decline over time.

Figure 6.9 Proportion of workers participating in the stakeholder pension scheme

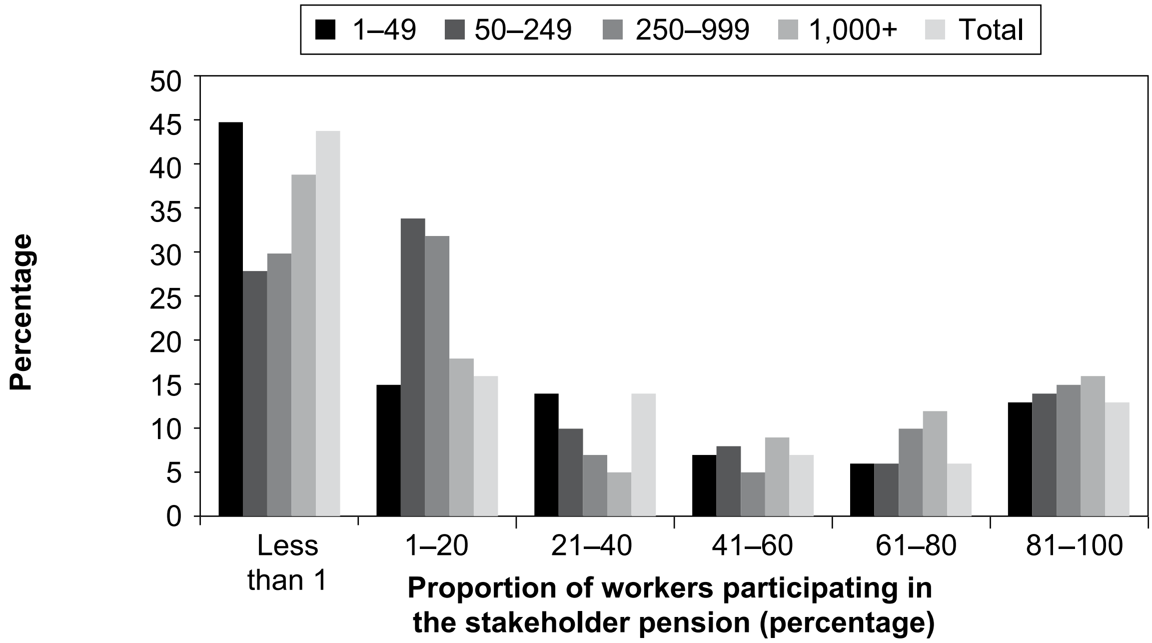


Figure has been weighted using the total employer population. Unweighted number of employers: 646.

Just over half of employers with a stakeholder scheme were making contributions on behalf of their workers to the scheme. However, of those employers that did offer contributions, the average contribution rate was five per cent, which suggests either that a sub-set of employers offering stakeholder schemes are making a relatively generous contribution, or that stakeholder schemes are less likely to be used for automatic enrolment.

6.3.2 Group Personal Pensions and Group Self-Invested Personal Pensions

GPP or GSIPP schemes were offered by eight per cent of all employers. Overall, 72 per cent of employers with a GPP or GSIPP schemes had a GPP, 18 per cent were GSIPPs and 10 per cent didn't know. Of these employers, 35 per cent were using their GPP or GSIPP to fulfil their automatic enrolment duties.

As shown in Figure 6.10, levels of participation in GPP schemes were considerably higher than for other scheme types, as at least half of these schemes had over 60 per cent workforce participation, and only 10 per cent had fewer than one per cent participation.

Figure 6.10 Proportion of current workers who participated in GPP or GSIPP schemes as a proportion of workforce, by employer size

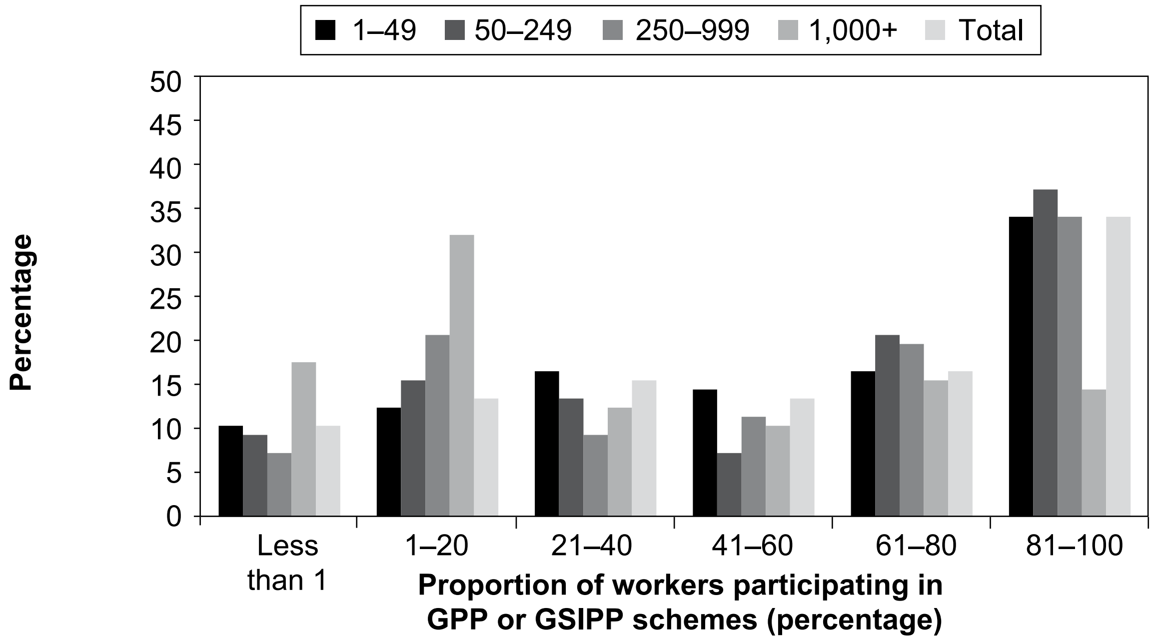


Figure has been weighted using the total population of employers. Unweighted number of employers: 946.

The average employer contribution rate to GPP or GSIPP schemes was six per cent, which is likely to reflect that the majority of GPP or GSIPP schemes are not currently currently being used for automatic enrolment. Where GSIPPs are offered, the average contribution rate for these schemes (10 per cent) is double that of GPP schemes, although this figure is drawn from a relatively low base size and should therefore be treated as indicative only.

6.3.3 Availability of contributions to personal pensions

Figure 6.11 shows that the vast majority of employers who contribute to workers' personal pension pension schemes contribute for less than half of their workers (39 per cent contribute for up to a quarter of their workforce and 28 per cent contribute for between a quarter and half of their workers).

Large employers contributed for the smallest proportion of their workforce (81 per cent contributed to the personal plans of a quarter or less of their workforce, compared to 77 per cent of medium employers and 56 per cent of small employers).

Figure 6.11 Proportion of workers for whom employer contributes to a personal pension plan, by employer size

Figure has been weighted using the total population of employers. Unweighted number of employers: 480.

6.4 Communications about pension flexibilities

Since April 2015, individuals aged at least 55 years old have had the freedom to access their DC pension saving however they wish. Employers in this survey were asked whether they had sent any communications to workers about the new flexibilities. Overall, only 18 per cent of employers had and 80 per cent had not, however, a majority of large employers and half of medium employers had done so, as shown in Figure 6.12.

Figure 6.12 Whether employer has sent any communications to workers in relation to the new pensions flexibilities

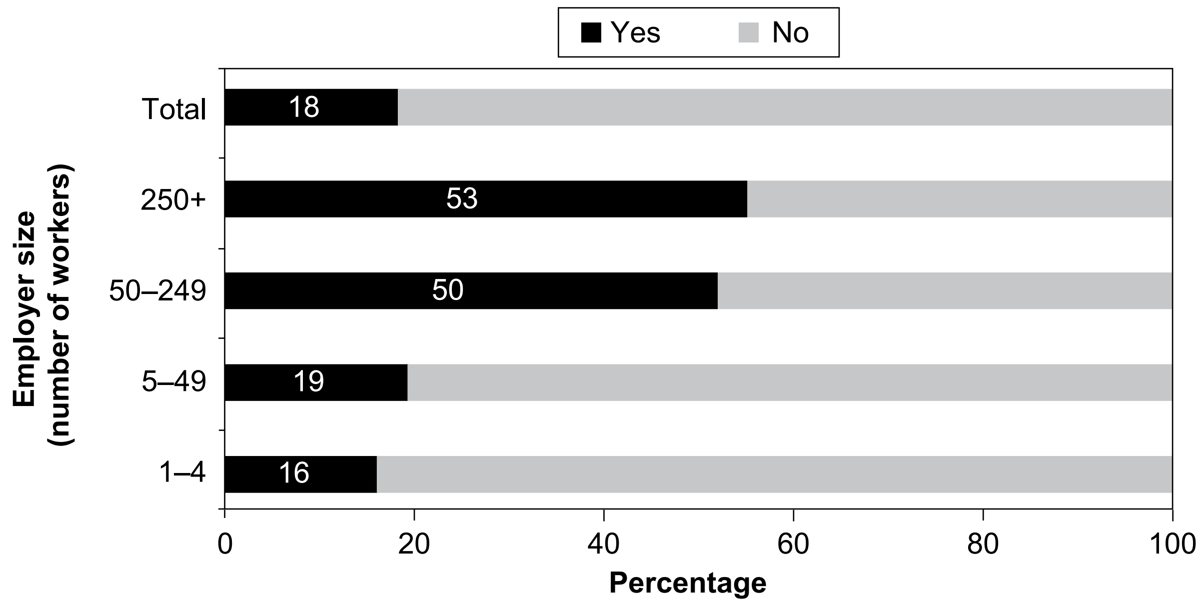


Figure has been weighted using the total population of employers. Unweighted number of employers: 1–4 (371); 5–49 (1,177); 50–249 (622) 250+ (838); Total (3,008).

Appendix A
Technical Report

A.1 Overview of survey method

The survey interviewed a representative sample of 3,008 private sector employers in Great Britain. The sample for the survey was obtained from The Pensions Regulator's database of employers. 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 an interview preparation sheet, inviting organisations to participate in the survey.

The survey was conducted using Computer Assisted Telephone Interviewing (CATI) and achieved a response rate of 41 per cent. Conducting the interview by telephone ensured methodological consistency with past versions of the survey. Telephone interviewing also offers a number of advantages, namely that it benefits from higher response rates than self-completion methodologies and the quality of data collected is more reliable as the telephone interviewer can help respondents with any queries they may have during the interview.

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

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

A.2 Sampling

The survey is intended to provide estimates of pension provision that were to be representative of private sector employers in Great Britain in 2015.

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

The Pension Regulator's (TPR's) own database of businesses was used as the sampling frame for this wave, replacing the Inter Departmental Business Register (IDBR) Government database used in previous waves. One of the main reasons for switching to this new source was the high proportion of cases in the TPR database with a contact and telephone number. The database includes data on size of company, by number of employees. The larger proportion of cases with contact telephone numbers balanced the loss of data on SIC07 code (company status) which were previously indicated on the Inter IDBR database.

TPR's database is derived from PAYE schemes rather than separate company records and therefore a certain degree of cleaning and de-duplication of records has been undertaken on this database by TPR to ensure that the largest companies, with multiple PAYE schemes are not duplicated. However, given the break from the original IDBR sampling frame, further profiling and checking was undertaken on this source at the analysis stage to determine whether it is suitable to be used for weighting the survey data (see section on weighting).

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

The number of interviews achieved is set out in Table A.1.

Table A.1 Number of interviews achieved for GB businesses with more than one worker, by employer size

Number of worker	Achieved Interviews (frequency)	Achieved Interviews (%)
1	45	1.5%
2	118	3.9%
3	102	3.4%
4	106	3.5%
5 – 9	332	11.0%
10 – 19	318	10.6%
20 – 29	206	6.8%
30 – 39	162	5.4%
40 – 49	159	5.3%
50 – 99	307	10.2%
100 – 159	169	5.6%
160 – 249	146	4.9%
250 – 499	254	8.4%
500 – 999	276	9.2%
1,000 – 1,249	66	2.2%
1,250 – 3,999	149	5.0%
4,000 – 4,999	18	0.6%
5,000+	75	2.5%
Total	**3,008**	

A.3 Weighting

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

Data was initially weighted to the total population of employers, using the Department for Business Innovation and Skills' Business Population Estimates (BPE) for the UK and regions 2014 (BPE). At the time of fieldwork only a small number of employers with fewer than 50 workers had staged, however, these employers comprised the overwhelming majority of the total employer universe. This meant that, for staged employers, a small number of cases were being significantly upweighted and there were doubts about the representativeness of these cases. The decision was therefore made to design split weights to the population of staged employers and that of employers yet to stage in order to avoid this issue when examining variables related to automatic enrolment. These weights were designed using TPR's database of employers.

All three weights were designed according to company size and the proportions of various sizebands in the employer population (according to either the BPE or TPR).

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

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

Checks were then made to ensure that there are no large employment weights. This is achieved by first applying the rebalanced company weight and then investigating number of GB employees (QA4) to ensure that the number of employees for any particular company accounts for no more than:

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

If a firm was found to exceed these thresholds, its firm-level weight was scaled back accordingly and the same checking procedure performed again.

After the application of the initial company size weight, the thresholds above were obtained using a manual weight balancing procedure. In practice, the derivation of the weights is an iterative process involving repeated adjustments in order to identify a set of weights that perform best in bringing the sample profile into line with the population profile in respect of both firms and employment. These weights must then be examined in detail to identify dominant weights that exceed the thresholds noted above. The final capped versions must then be evaluated against each other. The derivation of weights that meet each of the stated objectives is far from easy and is an inherent challenge of the survey.

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

A.4 Calculating opt in, opt out and cessations of membership rate

These calculations were based on data weighted to company level – ensuring that different sized companies reflected their universe proportions.

The calculations were based on sums across cases of the numbers of employees in the numerator and denominator of each rate calculations. Sums were taken across all cases in the total sample or subgroup of interest.

So, for example, opt out rate was calculated by summing the number of workers opting out (A) and then summing the number of workers enrolled into the scheme (B), both summed over all cases or the group of interest. In aggregate the rate was then calculated as A/B expressed as a percentage.

Cases that were missing or flagged 'Don't know' for a specific scheme in either the top or bottom part of the rate calculation we assigned a 'zero' and effectively excluded from the sums used to calculate the rate in aggregate. For opt in rate, given that the denominator for all schemes was 'Number of workers ineligible for automatic enrolment' we excluded companies from the calculation that flagged a 'don't know' for any specific scheme; missing were still included and assumed zero.

This method is based on an estimated aggregate of ALL employees (either automatically enrolled or ineligible for automatic enrolment depending on the calculation) and so provides the rate at an 'employee level'.

A.5 Fieldwork

Fieldwork was conducted by IFF Research and took place between 13 May and 11 September 2015.

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, was still trading and was not a public sector organisation.

- Stage Two (**for those with more than 20 workers**): Despatching an 'interview preparation form' by email for employers to fill out, to help them answer interview questions.
- Stage Three: The main interview.

Response rate and fieldwork outcomes

Table A.2 shows that from the initial issued sample of 9,794 a total of 2,459 cases (25 per cent) were established as being out of scope. From the remaining sample a total of 3,008 interviews were achieved, representing a response rate of 41 per cent. The main reason for non-response was refusal (35 per cent), followed by unsuccessful call attempts (13 per cent), and respondents being away during fieldwork (eight per cent).

Table A.2 Response rate for mainstage sample

	Screened sample	
	N	**%**
Total issued sample	**9,794**	**100%**
Out of scope		
Number incorrect/unobtainable	436	4.45%
Fax/computer line	69	0.70%
Ineligible company[1]	1,954	19.95%
Total out of scope	**2,459**	**25.12%**
Total eligible sample	**7,335**	**100%**
Unproductive outcomes		
Abandoned/incomplete interviews	16	0.22%
No reply/engaged	18	0.25%
Unsuccessful call attempts	934	12.73%
Refused	2,624	35.04%
Away during fieldwork	560	7.63%
General call back	229	3.12%
Total unproductive	**4,381**	**58.99%**
Total interviews	**3,008**	**41.01%**

[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.

A.6 Profile of interviews achieved

Table A.3 outlines what type of companies employers classified themselves as.

Table A.3 Type of company by employer size

Type of company	Micro (1-4 workers) %	Small (5-49 workers) %	Medium (50-249 workers) %	Large (250+ workers) %	Total %
Private limited company	57	69	75	64	62
A sole proprietor	20	7	0	0	15
A partnership	13	10	5	3	12
Non-profit making organisation	7	11	15	20	9
A public limited company	1	2	3	11	1
Other	1	<1	1	1	1

Table A.4 outlines the proportion of employers in each industry.

Table A.4 Industry of company by employer size

Industry	Micro (1-4 workers) %	Small (5-49 workers) %	Medium (50-249 workers) %	Large (250+ workers) %	Total %
A Agriculture, Forestry and Fishing	5	3	2	1	4
B Mining and quarrying	1	2	11	3	2
C Manufacturing	7	10	17	13	
D Electricity, gas, air con supply	0	<1	0	1	8
E Water Supply	<1	1	1	1	<1
F Construction	12	7	4	3	<1
G Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	17	19	10	13	17
H Transportation and Storage	1	2	4	5	2
I Accommodation and Food Service Activities	4	5	1	4	5
J Information and Communication	5	2	3	5	4
K Financial and Insurance Activities	3	2	2	4	3
L Real Estate Activities	3	2	1	4	2
M Professional, Scientific and Technical Activities	18	16	10	9	17
N Administrative and Support Services	6	6	10	10	6
P Education	2	4	6	8	3
Q Human Health and Social Work Activities	4	13	11	11	7
R Arts, Entertainment and Recreation	1	3	4	3	2
S Other Service Activities	10	4	3	2	8

A.7 Questionnaire

The EPP 2015 questionnaire took an average of 30 minutes to complete. The structure of the questionnaire is such that an employer offering access to a higher number of pension schemes will have a slightly longer interview length.

The questionnaire consisted of 16 sections:

Section A: About the employer

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

Section B: Awareness of workplace pension reforms

This section assessed whether the employer had started automatic enrolment or not and awareness of the workplace pension reforms.

Section C: Current scheme provision

This section details the number and type of schemes currently offered to workers at the organisation, including access to:

- stakeholder schemes;
- NEST;
- other master trusts;
- GPP/GSIPPs; and
- individual personal pensions the employer contributes to.

Section D: Scheme setup for those yet to stage

This section details the following information among employers that hadn't yet started automatically enrolling workers:

- Scheme setup amongst those that have not reached their staging date.
- Degree of preparation.
- Expectations about the process.
- Who they would be likely to seek advice from.
- How far ahead they will make preparations.

Section E: Postponement

This section looked at organisations use of postponement and waiting periods.

Section F: Intermediaries

This section collected details on the type of things organisations have or would seek advice about in relation to the reforms and who they had or would seek this advice from. It also collected details on how influential this advice was or would be and the cost of the advice.

Section G: Enrolment destinations: Already past staging date and automatically enrolling employees

This section details what schemes employers who have staged used for automatic enrolment and why they used these schemes.

Section H: Enrolment destinations: Non-members and new employees at employers who have reached their staging date and started automatically enrolling eligible employees

This section details what schemes employers who have staged used for non-members and new employees.

Section I: Enrolment destinations for employers who had no provision prior to reforms

This section details arrangements for employers past staging date who currently have no pension provision.

Section J: Enrolment destinations for employers who had not reached their staging date and had not started automatically enrolling eligible employees

This section details likely employment destinations for employers who have not yet staged.

Section K: Enrolment destinations of non-members and new employees at employers who had not started automatically enrolling employees

This section details what schemes these employers will use for non-members and new employees.

Section L: Likely pension arrangements for employers who currently have no provision and have not passed their staging date

This section details likely arrangements for employers who have no existing provision and have not passed their staging date.

Section M: Opt out process

This section details how many members have opted out of pension schemes offered by the employers and what type of workers these were that were opting out. It also looks at the number of members who ceased active membership at schemes offered by employers, including what type of workers these were, and the number of ineligible workers who had opted in to schemes offered by employers, including what type of workers these tended to be.

Section N: Contribution rates of employers that had already started automatically enrolling workers

This section details whether or not employers that had started automatically enrolling workers were phasing in contributions, whether or not they were offering the same contribution rate to all employees, and if not, on what basis these rates differed.

Section O: Contribution rates of employers that had not started automatically enrolling worker

This section details whether or not employers that had not yet started automatically enrolling workers would phase in contributions, whether or not they would offer the same contribution rate to all employees, and if not, on what basis these rates would differ.

Section P: Response to increase in costs from the reforms and administration among employers who had already started automatically enrolling workers

This section details whether the reforms had increased the cost contributions and if so, how this increase in cost would be absorbed. It also details whether the reforms had resulted in increased administration costs and which areas of complying with the new reforms had produced the most work.

Section Q: Response to increased costs for those who have not yet started automatically enrolling workers

This section details whether employers thought the reforms would increase the cost contributions and if so, how this increase in cost would be absorbed.

Section R: Stakeholder pension schemes

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

Section S: NEST scheme

This section collected detailed information about enrolment into NEST at the organisation, including details on contributions.

Section T: Master trusts other than NEST

This section collected detailed information about enrolment into NEST at the organisation, including details on contributions.

Section U: Occupational schemes (not including master trusts)

This section collected detailed information on any occupational schemes the organisation had in place, including type, size and details on contributions.

Section V: GPP/GSIPP schemes

This section collected detailed information on any GPP or GSIPP the organisation had in place, including type, size and details on contributions.

Section W: Multiple pension membership

This section details whether employers had any employees that were members of multiple pension schemes, and if so, how many employees this applied to and the type of schemes they were multiple members of.

Section X: Re-enrolment

This section details the awareness of need for re-enrolment.

A.8 Data preparation and output

The survey included a number of open questions for which interviewers recorded answers verbatim; these were later coded.

'Other – please specify' questions

Throughout the questionnaire there were a number of questions where an 'other – please specify' option was included to allow interviewers to record verbatim responses if they did not fit into the existing code frames assigned to each question.

In many cases it was possible to code these responses back into the existing code frame. Where this was not possible – and if similar or identical responses emerged among the 'other' answers – additional codes to be added to the code frame were suggested by the coding team for approval or amendment by the research team.

Open questions

Some questions had no pre-developed code frame and these required the interviewer to record verbatim what was said by the respondent. Once 1,000 interviews had been completed, the IFF Research coding teams drew up code frames to reflect the common themes recorded.

Standard Industrial Classification coding

When collecting workplace characteristics during the survey, respondents were asked to provide details of the industry they were involved in and interviewers transcribed the responses recorded. This information was coded to the Standard Industrial Classification (SIC 2007) at a four-digit level. The Cascot (Computer Assisted Structured Coding Tool) software was used for this purpose by the IFF coding team.

Editing

The CATI set-up removed much of the requirement for post-fieldwork data editing as range, logic and consistency checks were built into the programme, thus interviewers could resolve the majority of inconsistencies with the respondent during the interview.

Nevertheless, quality assurance checks were carried out during the data preparation stage. Post-fieldwork data checks are often necessarily subjective in nature in determining what data should be amended or removed. Recognising this, the IFF research team adopted a ‘conservative’ approach to the data checking/editing process by only editing data where it was deemed an ‘obvious’ error/contradiction had been made.

A.9 Reporting conventions

Survey results are presented on weighted data.

Where differences are referred to in the report, these are statistically significant at the 95 per cent confidence level.

Where the report states that particular sub-groups are the most or the least likely to have experienced something or to have a particular view, for example, ‘Large employers were more likely to seek advice from an Employee Benefit Consultant’ then the result in this size band is significantly different (here higher) to the figure among all other employers (i.e. excluding large employers).

Tables displaying column percentages were tested using a cell Chi Square test at the 95 per cent confidence level. Tables displaying costs or percentage rates were tested using a T-test at the 95 per cent confidence level.

When a ‘*’ is shown next to a figure in the data tables it denotes a significant difference from the average figure (for column percentages) or from other columns (for costs and percentage rates).

Where ‘u’ is shown next to a base size in the data tables it indicates that the unweighted number of employers size is less than 100 and should therefore be treated as indicative results only.

Where an ‘x’ is shown next to a base size in the data tables it indicates that the unweighted number of employers size is less than 50 and not robust enough to detail in the table. Where data is supressed from the table on this basis it is marked with a ‘-’.