Department for Work & Pensions

GSR GOVERNMENT SOCIAL RESEARCH
Social Science in Government

Automatic Enrolment evaluation report 2018

December 2018

Automatic Enrolment evaluation report 2018

DWP ad hoc research report no. 68

A report of research carried out by the Department for Work and Pensions

This document/publication is also available on our website at: https://www.gov.uk/government/organisations/department-for-work-pensions/about/research#research-publications

If you would like to know more about DWP research, please email: Socialresearch@dwp.gsi.gov.uk

First published December 2018.

ISBN 978-1-78659-117-3

Executive summary

Background

To support the millions of people not saving enough for retirement, the Government introduced legislation in Pensions Acts from 2007, with the aim of increasing private pension saving in the UK. In 2012 automatic enrolment was introduced as 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 implementation challenges for employers and the pensions industry.

The reforms require employers to automatically enrol eligible workers into a qualifying workplace pension scheme and make a minimum contribution. Workers are eligible provided they: are aged at least 22 and under State Pension age (SPa); earn over £10,000 per year in 2018/19 terms (these thresholds are reviewed annually); normally work in the UK and do not currently participate in a qualifying workplace pension scheme.

The automatic enrolment duties were staged in between October 2012 and February 2018 by employer size, starting with the largest employers. Since October 2017, all businesses employing someone for the very first time have to provide a workplace pension from the first day of their service.

In 2018, the first of two planned minimum contribution increases was implemented. Before April 2018, total minimum contributions were two per cent of a band of workers' earnings, of which at least one per cent came from the employer. This rose to five per cent in April 2018, of which at least two per cent must come from the employer. It will rise to eight per cent from April 2019, of which at least three per cent must come from the employer.

Evaluation Strategy

The Department for Work and Pensions (DWP) is committed to fully evaluating the effects of the workplace pension reforms, as set out in its evaluation strategy[1], which was refreshed in 2017. Evaluation reports have been published annually since 2013, following a baseline report in 2012 which described the landscape before the implementation of automatic enrolment.[2] This report brings together the latest evidence, including evidence published within the last 12 months and new analysis conducted for the report, showing what has happened since automatic enrolment began.

---

[1] DWP. (2017). *Automatic Enrolment Evaluation Strategy 2017.* At : https://www.gov.uk/government/publications/automatic-enrolment-evaluation-strategy-2017

[2] At: https://www.gov.uk/government/collections/workplace-pension-participation-and-savings-trends

Key findings

Existing evidence from the last 12 months

Since the start of automatic enrolment in 2012, more than 9.9 million workers have been automatically enrolled, and over 1.4 million employers have met their duties, with 591,000 workers having been automatically re-enrolled and 73,643 employers having met their re-enrolment duties.[3] The number of compliance notices issued by The Pensions Regulator (TPR) has risen from nearly 34,000 in 2016/17 to nearly 61,000 in 2017/18, however this is broadly in line with the increased number of employer declarations of compliance TPR received. The majority of employers subsequently complied when they were reminded of their duties.[4]

Levels of awareness and understanding of automatic enrolment are high. In particular, at least 93 per cent of micro, small and medium-sized employers were aware of each individual ongoing duty in relation to automatic enrolment.[5]

Virtually all medium and large employers (97 per cent and 99 per cent respectively), and the vast majority of small employers (84 per cent), stated that they had automatically enrolled employees into a qualifying pension scheme by late 2017. In 2017, just under one half (47 per cent) of employers currently had some form of workplace pension provision, up from 19 per cent in 2013. These organisations employed 91 per cent of all private sector employees.[6]

Some employers were contributing more than the minimum required contribution rate. In around one quarter (24 per cent) of schemes used for automatic enrolment, employers were contributing at least three per cent in 2017, ahead of the first planned increase.[7]

---

[3] TPR. (2018). *Automatic enrolment Declaration of compliance report July 2012 – end November 2018.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/automatic-enrolment-declaration-of-compliance-monthly-report.ashx

[4] TPR. (2018). *Automatic Enrolment Commentary and analysis: April 2017 – March 2018.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/automatic-enrolment-commentary-analysis-2018.ashx

[5] TPR. (2018). *Ongoing Duties Survey – Summer 2018*. At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/employer-automatic-enrolment-ongoing-duties-survey-summer-2018.ashx

[6] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

[7] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

Data collected up to 2017 found that the number of eligible employees participating in a workplace pension has increased to 17.7 million (84 per cent), up from 10.7 million (55 per cent) in 2012. Overall, eligible employees are continuing to save persistently.[8]

The annual total amount saved by eligible employees across both sectors stands at £90.3 billion in 2017, which is an increase of £4.3 billion from 2016. Annual total amounts increased in both public and private sectors from 2016. The public sector increased by around £0.3 billion and the private sector by £4.0 billion.[9]

New analysis within this report

Rates of opt-out and cessation (stopping saving into a pension after the opt-out period) have at the end June 2018 remained consistent with levels before the first planned contribution increase in April 2018. Those who are enrolled due to staging have higher opt-out rates than those enrolled due to starting a job with an employer who already has ongoing automatic enrolment duties.[10]

Males and females have the same levels of opt-out, but males have slightly higher levels of cessation. Generally, older age groups have higher opt-out rates, but those aged 22 to 29 and 60 to State Pension age have the highest cessation rates – although these rates are at relatively low levels.[11]

Higher earners tend to have higher opt-out rates than lower earners, while (with the exception of the highest earners who have the highest cessation rates) there is not much variation in cessation rates by earnings level.[12]

In 2017, over 7 million eligible private sector employees saving into a workplace pension received an employer contribution of two per cent or above (above the then-minimum contribution rate); of these, 5.5 million received an employer contribution of four per cent or above. More than 92 per cent of eligible employees in the private sector contributing between three and four per cent received a matching (or higher) employer contribution rate.[13]

Approximately 5.9 million eligible employees were already meeting the April 2019 minimum contribution rates, based on data from April 2017. However, around 5.1 million eligible employees were still contributing below April 2018 minimums at that

[8] DWP. (2018). *Official statistics on workplace pension participation and saving trends for eligible employees.* At: https://www.gov.uk/government/statistics/workplace-pension-participation-and-saving-trends-2007-to-2017

[9] DWP. (2018). *Official statistics on workplace pension participation and saving trends for eligible employees.* At: https://www.gov.uk/government/statistics/workplace-pension-participation-and-saving-trends-2007-to-2017

[10] See section 4.3.3 and 4.3.6.

[11] See section 4.3.3 and 4.3.6.

[12] See section 4.3.3 and 4.3.6.

[13] See section 4.6.1 and 4.6.2.

time, and around 6.1 million will have to increase their contributions by April 2019, if not earlier.[14]

The rate of levelling down (reducing the generosity of contributions or outcomes for existing pension scheme members) has increased slightly since 2012.[15] However findings from the Employers' Pension Provision Survey 2017 suggest that where employers have experienced increased contribution costs as a result of automatic enrolment, only one per cent of employers have adopted levelling down as a strategy to absorb increased contribution costs.

Findings from the DWP's communications tracking research (June 2018 wave) found that the majority of individuals interviewed viewed automatic enrolment as a good thing for them personally (82 per cent); agreed saving into a workplace pension was normal for them (80 per cent); and knew where to go if they wanted to find more about workplace pensions (83 per cent).[16]

The emerging findings from forthcoming DWP research with 'newborn' (new) employers, to be published in 2019, suggest that the reality of implementing automatic enrolment was usually less burdensome than employers had anticipated. The financial burden, over and above the ongoing cost of employer contributions, was either small or even non-existent.[17]

Next Steps

The latest evidence shows that automatic enrolment remains on track, with millions more employees enrolled into private pension saving in the UK. The staging of employers has completed, and evidence to date from the first contribution increase suggests consistent saving behaviours from prior to the increase.

The next evaluation report will set out further evidence from the first contribution increase and findings from the second increase in April 2019. Following the completion of the second increase, we will move from implementation of the reforms to steady state. The next evaluation report will review progress to date since implementation started in 2012, and update on future evaluation reporting plans for steady state.

[14] See section 4.6.3.

[15] See section 4.6.4.

[16] See section 4.4.1, 4.4.2 and 4.4.3.

[17] See section 4.7.5.

Contents

List of Figures

List of Tables

Acknowledgements

We would like to thank the many contributors to this report from the Department for Work and Pensions (DWP), The Pensions Regulator (TPR), and HM Revenue and Customs (HMRC).

We would also like to thank the cross-Government steering group that includes representatives from DWP, TPR, National Employment Savings Trust (NEST), Her Majesty's (HM) Treasury and the Office for National Statistics (ONS) for their support in producing this report.

The Authors

Lucy Allen	Research Officer, Department for Work and Pensions
Maisey Hodges	Government Social Research Placement Student, Department for Work and Pensions
Nicolas Kreitmair	Assistant Economist, Department for Work and Pensions
Mycroft Leitch	Economist Placement Student, Department for Work and Pensions
Fiona Lynch	Higher Statistical Officer, Her Majesty's Revenue and Customs
Lorraine Pearson	Principal Research Officer, Department for Work and Pensions
James Rees	Principal Scientific Officer, Department for Work and Pensions
Stephen Stack	Assistant Economist, Department for Work and Pensions

List of abbreviations

ABI	Association of British Insurers
AE	Automatic enrolment
ASHE	Annual Survey of Hours and Earnings
DB	Defined Benefit
DC	Defined Contribution
DWP	Department for Work and Pensions
EPP	Employers’ Pension Provision (Survey)
EQ	Evaluation Question
FCA	Financial Conduct Authority
FRS	Family Resources Survey
HMT	Her Majesty’s Treasury
HMRC	Her Majesty’s Revenue and Customs
IFA	Independent Financial Adviser
KGR	Key Governance Requirement
LEL	Lower Earnings Limit
NEST	National Employment Savings Trust
NI	National Insurance
ONS	Office for National Statistics
OPSS	Occupational Pension Schemes Survey
PAYE	Pay As You Earn
PLSA	Pensions and Lifetime Savings Association
RTI	Real Time Information
SPA	State Pension age
TPR	The Pensions Regulator (also referred to as ‘the regulator’)
UEL	Upper Earnings Limit
WPP	Workplace pensions

Glossary of terms

Active member	Individuals currently contributing to a pension scheme, or having contributions made on their behalf.
Automatic enrolment	In 2008, the Government introduced a law designed to help people save more for their retirement. This requires, from 2012, 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 (DB)	A type of occupational pension scheme. In a DB scheme the amount the member gets at retirement is based on various factors, but is predetermined (defined). 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 pension 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 (DC)	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.

Duties start date	An employer's automatic enrolment duties begin on the day an employers' first member of staff starts working for them. This is referred to as their 'Duties Start Date'.
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 and not already be a member of a **qualifying pension** scheme.
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.
Entitled worker	A **worker** who is aged at least 16 and under 75; works, or ordinarily works, in the UK; and earns below the lower earnings level of qualifying earnings (£6,032 for the 2018/19 tax year**).** Entitled workers are not eligible for **automatic enrolment**, although they can choose to join a **workplace pension**. Their employer is not required to make a contribution if they do so.
Group Personal Pension (GPP)	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 collective arrangement only; the contract is between the individual and the **pension provider**, normally an insurance company.
Group self-invested personal pension (GSIPP)	A **personal pension** in which the policy holder rather than the pension company chooses the investments. GSIPPs allow members to invest in a wide range of assets, including commercial property and individual shares.

Hybrid pension scheme	A private pension scheme which is neither purely a DB nor 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 **planned contribution increases**.
Levelling down	Strategies employers might use to reduce the generosity of contributions or outcomes for existing pension scheme members.
Lower Earnings Limit (LEL)	Under automatic enrolment individuals and their employers must contribute above a certain minimum amount. That minimum amount is based on a band of earnings – between the Lower Earnings Limit (LEL) and the **Upper Earnings Limit (UEL)**. Where an individual earns over the trigger of £10,000 and they are aged between 22 and State Pension age (SPA), they will automatically be enrolled into a pension and pay contributions on at least this band of earnings. The 2018/19 levels for the LEL and UEL are £6,032 and £46,350 respectively, reviewed annually.
Master trust	A multi-employer **trust-based pension** scheme, which is promoted to and used by a range of unconnected employers.
National Employment Savings Trust (NEST)	A multi-employer 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 and will be entitled to a mandatory employer contribution should they do so. 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	If a worker is not eligible for automatic enrolment, for example a **non-eligible jobholder** or **entitled worker**, they can ask their employer to become a member of the pension scheme. If the employer receives such a request then they must put the worker into the pension scheme and, in the case of the non-eligible jobholder, pay contributions to the scheme on their behalf.
Opt out	Where a jobholder has been automatically enrolled, they can choose to 'opt out' of a pension scheme. This has the effect of undoing active membership, as if the worker had never been a member of a scheme on that occasion. It can only happen within a specific time period, known as the '**opt-out period**'.
Opt-out period	A jobholder who becomes an **active member** of a pension scheme under the automatic enrolment provisions has a period of one calendar month during which they can **opt out** and get a full refund of any contributions made. This 'opt-out period' starts from whichever date is the later of the date active membership was achieved or the date they received a letter from their employer with their enrolment information. After this opt-out period a jobholder can still choose to leave the scheme at any time, but will not usually get a refund of contributions. These will instead be held in their pension until they retire. A jobholder cannot **opt out** before the opt-out period starts (i.e. they cannot opt out before they have been automatically enrolled).
PAYE	PAYE is the system that HM Revenue and Customs (HMRC) uses to collect Income Tax and National Insurance contributions from employees. They are deducted throughout the tax year based on employees' earnings and then paid to HMRC.
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 (PP)	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**.

Planned contribution increases

The Government has set a minimum level of contributions that have to be put into a pension scheme by a worker and an employer, and within that has set a minimum level for the employer contribution:

Date effective	Employer minimum contribution	Employee contribution (if employer pays minimum)	Minimum total contribution
Up until 5 April 2018	1%	1%	2%
6 April 2018 to 5 April 2019	2%	3%	5%
6 April 2019 onwards	3%	5%	8%

The state contributes to the worker's pension through tax relief, typically at their marginal tax rate.

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. This is also called 'deferral'.

Protected groups

Under the Equality Act 2010, protected groups share a particular characteristic against which it is illegal to discriminate. These include race, disability, age and gender.

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 scheme requirements 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.

Real Time Information (RTI)

Under RTI, information about tax and other deductions (including employee pension contributions) under the PAYE system is transmitted to HMRC by the employer every time an employee is paid.

Re-enrolment	Every three years, staff who were automatically enrolled but opted out of or ceased active membership of a pension scheme more than 12 months before an employer's re-enrolment date must be automatically re-enrolled into the scheme. Again, they have the choice to **opt out**. This is intended to prompt them to revisit their initial decision to **opt out**.
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 staged last, in 2017 and 2018. Staging has now completed, following the last staging date in February 2018.
Staging date	The date on which an employer was required to begin automatic enrolment. This date was 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.
State Pension age (SPA)	The earliest age at which an individual can claim their State Pension.
The Pensions Regulator (TPR)	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. TPR is also responsible for regulating **occupational pension schemes**, including **Master Trusts**.

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**.
Upper Earnings Limit (UEL)	Under automatic enrolment individuals and their employers must make contributions above a certain minimum amount. That minimum amount is based on a band of earnings – between the **Lower Earnings Limit (LEL)** and the Upper Earnings Limit (UEL). Where an individual earns over the trigger of £10,000 and they are aged between 22 and **State Pension age (SPA)**, they will automatically be enrolled into a pension and pay contributions on this band of earnings. The 2018/19 levels for the LEL and UEL are £6,032 and £46,350 respectively, reviewed annually.
Waiting period	A type of **postponement**, where new workers or newly eligible workers may have their automatic enrolment delayed for up to three months.
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 and 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.

1 Introduction

To support the millions of people not saving enough for retirement, the Government introduced legislation in Pensions Acts from 2007, with the aim of increasing private pension saving in the UK. In 2012 automatic enrolment into workplace pensions was introduced as 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 implementation challenges for employers and the pensions industry.

The reforms require employers to automatically enrol eligible workers into a qualifying workplace pension scheme and make a minimum contribution. Workers are eligible provided they: are aged at least 22 and under State Pension age (SPa); earn over £10,000 per year in 2018/19 terms (these thresholds are reviewed annually[18]); normally work in the UK and do not currently participate in a qualifying workplace pension scheme.

The automatic enrolment duties were staged in between October 2012 and February 2018 by employer size, starting with the largest employers. Since October 2017, all businesses employing someone for the very first time have to provide a workplace pension for their eligible staff from the first day of their service.

In 2018, the first of two planned minimum contribution increases was implemented. Before April 2018, total minimum contributions were two per cent of a band of workers' earnings, of which at least one per cent came from the employer. This rose to five per cent in April 2018, of which at least two per cent must come from the employer. It will rise to eight per cent from April 2019, of which at least three per cent must come from the employer.

In this evaluation report, the focus is on evaluation of automatic enrolment implementation to date, in line with the evaluation strategy[19] (see section 1.1). However, it is also worth noting that the 2017 Review of Automatic Enrolment[20] set out the Government's proposals to build on the success of automatic enrolment for the future.

This included the Government's ambition to make changes to the automatic enrolment framework in the mid-2020s by lowering the age threshold for automatic

---

[18] DWP. (2018). *Automatic Enrolment: review of the earnings trigger and qualifying earnings band for 2019/20.* At: https://www.gov.uk/government/publications/automatic-enrolment-review-of-the-earnings-trigger-and-qualifying-earnings-band-for-201920

[19] DWP. (2017). *Automatic Enrolment Evaluation Strategy 2017.* At: https://www.gov.uk/government/publications/automatic-enrolment-evaluation-strategy-2017

[20] DWP. (2017). *Automatic Enrolment Review 2017: Maintaining the Momentum*. At: https://www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum

enrolment from 22 to 18, and removing the lower earnings limit so that contributions are made from the first pound earned and everyone has access to a workplace pension with an employer contribution. It committed to continuing to monitor and evaluate the impact of increased contributions in 2018 and 2019, and to carry out further analysis to inform a longer-term debate on the right balance between statutory contribution rises and voluntary additional retirement savings. The Government continues to work to take forward this agenda, recognising the need to build renewed consensus to deliver the detailed design and implementation of change.

The 2017 Review also set out how the Government is taking forward the manifesto commitment to improve pension participation and retirement outcomes among self-employed people. Government has published a delivery plan setting out how it will trial a number of savings interventions aimed at the self-employed.[21] The pensions industry has responded to the Review call to take forward work to support individuals' better engagement with pension saving through development of a best practice example of a simplified annual benefit statement.

The work in taking forward the 2017 Review recommendations, whilst of relevance to the future automatic enrolment framework, is beyond the scope of this evaluation report.

1.1 Evaluation strategy

The Department for Work and Pensions (DWP) is committed to fully evaluating the effects of the workplace pension reforms, as set out in its evaluation strategy,[22] which was refreshed in 2017. Evaluation reports have been published annually since 2013, following a baseline report in 2012 which described the landscape before the implementation of automatic enrolment.[23] This report brings together the latest evidence showing what has happened since automatic enrolment began.

It is important to note that owing to time lags and data availability, the latest research and analysis in this report will capture different stages of automatic enrolment implementation (for example, analysis may fall before or after the planned contribution increase in April 2018). The period being captured is noted in the supporting commentary.

---

[21] DWP. (2018). *Enabling retirement savings for the self-employed: pensions and long term savings trials*. At: https://www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum

[22] DWP. (2017). *Automatic Enrolment Evaluation Strategy 2017.* At: https://www.gov.uk/government/publications/automatic-enrolment-evaluation-strategy-2017

[23] At: https://www.gov.uk/government/collections/workplace-pension-participation-and-savings-trends

1.2 Report structure

The structure of this year's report is as follows:

- Delivery of reforms (Chapter 2)
- Employers' implementation of reforms (Chapter 3)
- Impact of automatic enrolment (Chapter 4)
- Next steps (Chapter 5)

2 Delivery of reforms

This chapter updates key findings from research and analysis by the Department for Work and Pensions (DWP), The Pensions Regulator (TPR) and the National Employment Savings Trust (NEST). This relates to the following evaluation strategy question:

Do established delivery mechanisms support automatic enrolment objectives? (EQ1)

Summary

Existing evidence from the last 12 months

- Since the start of automatic enrolment in 2012, more than 9.9 million workers have been automatically enrolled, and over 1.4 million employers have met their duties, with 591,000 workers having been automatically re-enrolled and 73,643 employers having met their re-enrolment duties.
- As of the end of March 2018, National Employment Savings Trust (NEST) membership stood at 6.4 million members, with over 616,000 employers.

2.1 Role of The Pensions Regulator

The role of The Pensions Regulator (TPR) is to maximise compliance with the employer duties and safeguards set out in legislation, using a risk-based approach to deter, prevent or address non-compliance. It is also the UK regulator of workplace pension schemes, including limited aspects of workplace personal pensions.

2.1.1 Communicating reforms to employers and their advisers

TPR aims to help employers understand what they need to do, and when, in order to meet their automatic enrolment (AE) duties. For staged employers, TPR operated a communications strategy based on direct engagement with employers, and through their intermediaries, which involves writing (via emails and letters) at key intervals in relation to the date that their automatic enrolment duties start, and their declaration of compliance deadline.[24] In addition, these communications were accompanied by a

[24] Employers have a legal duty to complete a declaration of compliance online within five months after their duties start date, to tell TPR how they have met their duties.

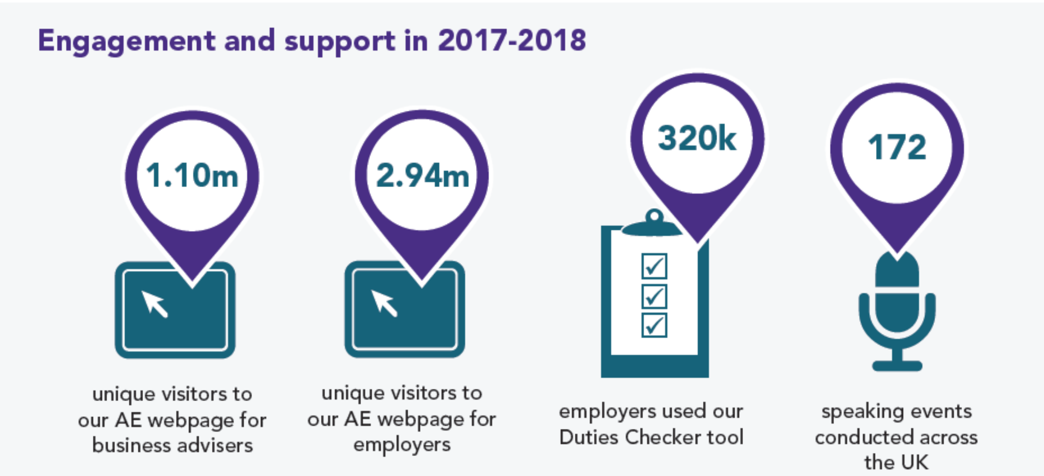
multi-channel advertising campaign (including television, radio, and social media advertising) in order to raise levels of awareness of the workplace pension reforms among new employers by referring them to the TPR website.

For all new employers, TPR sends them an information pack containing details of their duties start date and declaration of compliance deadline, based upon the first day of employment of their first worker. This pack contains guidance on how to complete their automatic enrolment duties, with links to relevant online tools and information on the TPR website.

Before the first planned increase in contributions that took place in April 2018, TPR wrote to every employer to inform them of the changes in contribution rates. TPR's research compared levels of awareness between those who had received the letter and those who were yet to receive it, which showed that the receipt of this letter significantly increased employers' awareness of the time and amounts by which the minimum contributions were planned to increase.[25]

Figure 2.1 shows that in 2017/18 the regulator's website received 2.94 million unique visitors to its automatic enrolment page for employers and 1.1 million unique visitors to the automatic enrolment webpage for business advisers. 320,000 employers used the Duties Checker tool, whilst 172 speaking events were conducted across the UK.

Figure 2.1 – Summary of TPR engagement activity in 2017-18



2.1.2 Declarations of compliance

TPR publishes monthly information about the number of employers who have complied with their duties by completing their declaration of compliance and reporting on the number of eligible jobholders automatically enrolled.[26] Since July 2012, up to

[25] TPR. (2018). *Automatic Enrolment Commentary and analysis: April 2017 – March 2018*. At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/automatic-enrolment-commentary-analysis-2018.ashx

[26] TPR. (2018). *Automatic enrolment Declaration of compliance report July 2012 – end November 2018.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/automatic-enrolment-declaration-of-compliance-monthly-report.ashx

the end of November 2018, 1,418,680 employers had declared their compliance with the duties, with over 9.9 million workers automatically enrolled. Similarly, 73,643 employers had confirmed that they had completed their re-declaration of compliance, with 591,000 workers having been automatically re-enrolled.

The data also show that 11.45 million workers were not automatically enrolled because they were already active members of a qualifying workplace pension scheme or had Defined Benefit (DB) or hybrid scheme transitional arrangements applied to them. A further 9.24 million workers were not automatically enrolled as they did not meet either the earnings or age criteria at the time (e.g. a worker who earned over £10,000 per year, but was aged under 22 years old would not be automatically enrolled).

Additional detailed analysis of declaration of compliance data is available in the regulator's 2018 '*Automatic enrolment: commentary and analysis*' report.[27]

2.1.3 Enforcement

TPR's approach is to tell employers what they must do to comply with the law in the first instance, but where it encounters non-compliance, TPR uses its powers to ensure that employers comply with their legal obligations. Its approach to maximising compliance is set out in its compliance and enforcement strategy[28] and policy.[29]

TPR publishes information on a quarterly basis about its cases and the powers it has used relating to automatic enrolment and associated employer duties.[30] From July 2012 to the end of June 2018, the regulator had concluded 204,680 cases investigating possible non-compliance by employers. Between July and September 2018, TPR continued to use its powers often: in Q2 2018/19 it served 14,997 compliance notices, with most employers subsequently complying when given this prompt to remind them of their duties.

---

[27] TPR. (2018). *Automatic Enrolment Commentary and analysis: April 2017 – March 2018.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/automatic-enrolment-commentary-analysis-2018.ashx

[28] TPR. (2016). *Compliance and enforcement strategy for employers subject to automatic enrolment duties.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/pensions-reform-compliance-and-enforcement-strategy.ashx

[29] TPR. (2016). *Compliance and enforcement policy for employers subject to automatic enrolment duties.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/pensions-reform-compliance-and-enforcement-policy.ashx

[30] TPR. (2018). *Compliance and enforcement: Quarterly bulletin July to September 2018.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/compliance-and-enforcement-quarterly-bulletin-july-to-september-2018.ashx

TPR also recently confirmed that it continues to be led by data and intelligence analysis, and can now more quickly identify individual employers it believes are non-compliant and take action to ensure compliance.

Since 2016, TPR has embarked on a series of quarterly compliance validation exercises, or 'spot checks'. Employers are identified through data and intelligence analysis and scheduled for either desk-based investigation or an inspection in person at their place of business.

TPR has now undertaken compliance validation activity against over 3,000 employers suspected of non-compliance with their AE duties. More information can be found in its 2018 '*Automatic enrolment: Commentary and analysis*' report.[31]

Going forward, TPR expects to extend its compliance validation activity into different regulatory areas of focus. For example, whilst data suggests that the vast majority of employers are complying with the requirement to increase contributions following the first increase in contributions in April 2018, TPR will also engage with employers where there is insufficient data to indicate compliance, in order to evaluate compliance with the new minimum contribution level.

2.1.4 Employer forecast

To date TPR have largely been focused on compliance amongst large volumes of staged employers, and re-enrolment for the largest employers. This focus has now shifted to the steady volumes of new employers, and the re-enrolment of staged employers.[32]

TPR published an updated forecast of employers who are expected to have automatic enrolment duties to the end of 2020/21 in its 2018 '*Automatic enrolment: Commentary and analysis*' report.[33] This is a forecast, so the data are presented as a range of how many new employers may have automatic enrolment duties, as illustrated by Figure 2.2. As an example, the forecast suggests that between April and June of 2019 (Q1 of 2019/20), there are between 23,000 and 44,000 employers with eligible staff due to have automatic enrolment duties for the first time.

The forecast is, by its nature, uncertain and it does not account for future economic factors, threshold changes or the effect of the National Living Wage, to give a few

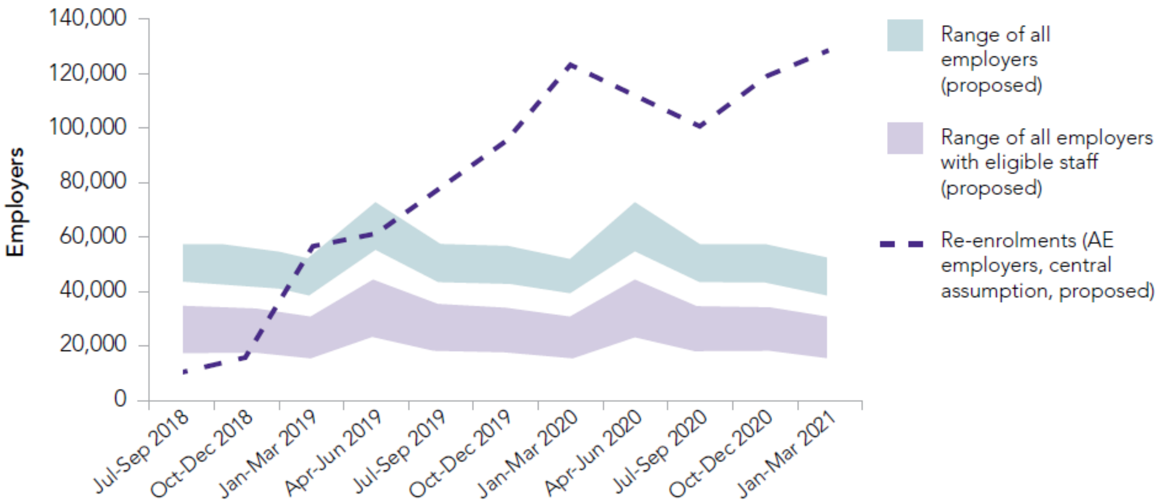
[31] TPR. (2018). *Automatic enrolment Commentary and analysis: April 2017 – March 2018.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/automatic-enrolment-commentary-analysis-2018.ashx

[32] Every three years, employers are required to assess certain staff and put those deemed eligible back into their pension scheme ('re-enrolment'). Employees already automatically enrolled but who subsequently opted out or ceased saving more than 12 months before their employer's re-enrolment date, who meet the earnings and age criteria for automatic enrolment, must be re-enrolled.

[33] TPR. (2018). *Automatic Enrolment Commentary and analysis: April 2017 – March 2018.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/automatic-enrolment-commentary-analysis-2018.ashx

examples. It also does not account for cases where employers may come into existence or cease to exist as a result of changes to financial or legal status.

Figure 2.2 – Quarterly forecast of employers due to comply with automatic enrolment



Source: TPR (2018) Automatic Enrolment Commentary and Analysis: April 2017 – March 2018

Figure 2.2 shows that the numbers of employers implementing automatic enrolment for the first time is projected to plateau, now that the staged rollout to employers has been completed. The dashed line shows the number of employers forecast to reach their re-enrolment window increasing substantially over time, as the large volume of small and micro employers staged between 2015 and 2018 reach their first re-enrolment window.

2.2 Communicating reforms to individuals

To assist the delivery of the reforms the DWP, working with TPR, has been running advertising campaigns to raise awareness and understanding of automatic enrolment among individuals and employers.

The latest iteration of the campaign was launched in October 2017. The call to action for individuals is ‘get to know your pension’ and for employers 'get to know your responsibilities’. Messages for individuals are benefits focused and include ‘You Work, Your Pension Works’, which reminds employees that a workplace pension is like having another you, at work, helping you earn money for when you retire. Campaign activity runs across multiple channels including television, video on demand, radio, press, digital, social media and outdoor.

The DWP monitors the impact of campaign targeting individuals through an independent tracking survey, against four key themes around awareness, positivity, social norms and intention. The most recent wave of the communications tracking survey, carried out in June 2018, showed that overall campaign recognition was 80 per cent, broadly consistent with previous waves.[34]

Results from the communications tracker survey are covered in more detail in section 4.4.

2.3 NEST

The National Employment Savings Trust (NEST) is a workplace pension scheme established in 2010 with a primary purpose to support the introduction of automatic enrolment. It is a trustee-governed automatic enrolment qualifying scheme. In 2011, NEST began on a voluntary basis in preparation for the first wave of employer duties from September 2012. It is subject to a Public Service Obligation (PSO) to accept all employers wanting to join the scheme to fulfil their AE duties.

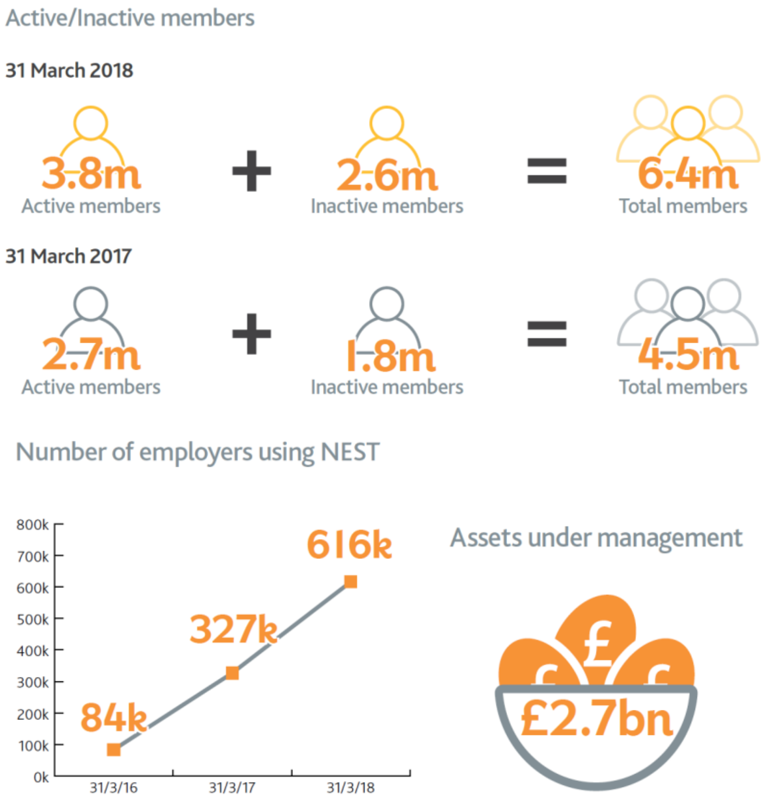
The NEST Corporation's annual report for 2017/18[35] outlined what NEST had achieved over the year from April 2017 to the end of March 2018 (Figure 2.3). Significant achievements, correct as at 31 March 2018, included:

- NEST's membership had risen to over 6.4 million members and over 616,000 employers, compared to 4.5 million members and 327,000 employers by the time of the 2016/17 NEST annual report.
- At the end of March 2018, NEST managed around £2.7 billion in assets, compared to approximately £1.7 billion at the end of March 2017.

[34] DWP. (2018). *Workplace Pension: research into saving for retirement*. At: https://www.ipsos.com/ipsos-mori/en-uk/workplace-pension-new-research-saving-retirement

[35] NEST. (2018). *National Employment Savings Trust Corporation annual report and accounts 2017-18.* At: https://www.nestpensions.org.uk/schemeweb/dam/nestlibrary/NEST-CARA-2017-18.pdf

Figure 2.3 – Information on NEST membership, number of employers using NEST and assets under management of NEST



3 Employers' implementation of reforms

This chapter examines how employers have responded to the requirement to implement automatic enrolment. This relates to the following evaluation strategy question:

Do employers know about, understand and comply with their employer duties? (EQ2)

Summary

Existing evidence from the last 12 months

- Levels of awareness and understanding of automatic enrolment are high. In particular, at least 93 per cent of micro, small and medium-sized employers were aware of each individual ongoing duty in relation to automatic enrolment.
- Virtually all medium and large employers (97 per cent and 99 per cent respectively), and the vast majority of small employers (84 per cent), stated that they had automatically enrolled employees into a qualifying pension scheme by late 2017.
- In 2017, just under one half (47 per cent) of employers currently had some form of workplace pension provision, up from 19 per cent in 2013. These organisations employed 91 per cent of all private sector employees.
- Positive attitudes towards automatic enrolment were associated with employers being more likely to contribute above the minimum requirements.
- Some employers were contributing more than the minimum required contribution rate. In around one quarter (24 per cent) of schemes used for automatic enrolment, employers were contributing at least three per cent in 2017.
- The number of compliance notices issued by The Pensions Regulator has risen from nearly 34,000 in 2016/17 to nearly 61,000 in 2017/18, however this is broadly in line with the increased number of employer declarations of compliance TPR received. The majority of employers subsequently complied when they were reminded of their duties.

3.1 Employer awareness, understanding and activity

In order to be able to comply with their duties, employers need to be aware of and understand how to discharge them. Previous evaluation reports focused on awareness and understanding of the reforms prior to employers' staging dates. Now that the staged implementation of automatic enrolment to existing employers has been completed, key measures have been revised to focus on awareness and understanding of ongoing duties.

3.1.1 Awareness and understanding of ongoing duties

Employers' awareness and understanding of automatic enrolment was assessed in a recent TPR-commissioned report.[36] There are five ongoing duties for employers (in addition to re-enrolment), which are as follows:

- Keeping accurate records related to administering the pension scheme;
- Assessing workers every time they are paid to check whether they are eligible for automatic enrolment;
- Enrolling staff if they reach the eligibility criteria and writing to them to explain how automatic enrolment applies to them;
- Managing requests from staff to join or leave the pension scheme;
- Calculating and paying correct pension contributions for every worker enrolled in the pension scheme.

Some of the key findings of the report included, as at summer 2018:

- At least 93 per cent of micro, small and medium-sized employers were aware of each individual ongoing duty in relation to automatic enrolment.
- Around half of micro employers (46 per cent) and around three-fifths of small employers (55 per cent) were aware of their re-enrolment duty, a decrease from previous surveys. However, almost all (95 per cent) were confident in their ability to comply fully with their re-enrolment duties.
- Two-thirds of micro employers (64 per cent), and the large majority of small (83 per cent) and medium (96 per cent) employers knew that minimum contributions would increase again in the future. Awareness of the second increase (April 2019) has risen steadily since the baseline survey in Spring 2017 (+20 percentage points for micro, +19 for small and +28 for medium employers).

[36] TPR. (2018). *Ongoing Duties Survey – Summer 2018*. At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/employer-automatic-enrolment-ongoing-duties-survey-summer-2018.ashx

The 2017 Employers' Pension Provision (EPP) Survey investigated awareness of specific elements of the reforms.[37] EPP 2017 found that nine in ten employers (90 per cent) were aware of the requirement to automatically enrol their eligible workers into a qualifying pension scheme. Levels of awareness were higher among the larger employers; 99 per cent of large employers were aware of the reforms, compared with 88 per cent of micro employers.

Awareness about specific aspects of the reforms was lower, with two-thirds of employers (66 per cent) aware of the minimum contribution requirements. The lower level of awareness was largely driven by micro employers; 59 per cent were aware of the minimum contribution requirements, compared with 96 per cent of large employers. There were similar patterns of awareness of the need to declare compliance with the regulator, with 91 per cent of large employers aware of this compared with 60 per cent of micro employers. Levels of awareness were higher among employers who reported having passed their staging date.

3.1.2 Employers' pension provision in 2017

EPP 2017 measured the extent and nature of pension provision among private sector employers in Great Britain in 2017. Virtually all medium and large employers (97 per cent and 99 per cent respectively), and the vast majority of small employers (84 per cent), stated that they had automatically enrolled employees into a qualifying pension scheme by the time of fieldwork for the survey (Table 3.1).[38] Micro employers were less likely to have automatically enrolled staff (31 per cent), reflecting that only around two-fifths (42 per cent) of micro employers stated they had passed their staging date at the time of interview.

[37] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

[38] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

Table 3.1 – Status of automatic enrolment, by size of organisation, 2017

Column percentages

	Size of organisation (employees)				
Status of automatic enrolment	**Micro (1-4)**	**Small (5-49)**	**Medium (50-249)**	**Large (250+)**	**All private sector employers**
Has automatically enrolled staff	31	84	97	99	43
About to start automatically enrolling staff	6	3	0	1	5
Not yet automatically enrolled	56	12	2	1	46
Don't know	7	1	0	0	5
Weighted base	*2,217*	*590*	*42*	*10*	*2,859*
Unweighted base	*498*	*1,169*	*402*	*790*	*2,859*

Base: All private sector employers

Note:
1. Percentages may not sum to 100 per cent due to rounding.

EPP 2017 also found that just under one half (47 per cent) of employers currently have some form of workplace pension provision, up from 19 per cent in 2013 (Table 3.2). Splitting the results by employer size, 99 per cent of large, 98 per cent of medium, 89 per cent of small and 35 per cent of micro employers provided a workplace pension scheme to their employees. These organisations employ 91 per cent of all private sector employees. Including personal pensions, 93 per cent of private sector employees work for an organisation that provides any form of pension provision.

Table 3.2 – Any pension provision, by size of organisation, 2013 and 2017

Cell percentages

	Private sector employers		Employees working for such employers	
Pension provision	**2013**	**2017**	**2013**	**2017**
Any pension provision[a]	**32**	**56**	**79**	**93**
Size of organisation:				
Micro (1-4 employees)	26	45	24	54
Small (5-49 employees)	47	91	57	95
Medium (50-249 employees)	84	100	86	99
Large (250+ employees)	96	100	99	100
Any workplace pension scheme[b]	**19**	**47**	**76**	**91**
Size of organisation:				
Micro (1-4 employees)	9	35	8	43
Small (5-49 employees)	41	89	51	92
Medium (50-249 employees)	80	98	83	98
Large (250+ employees)	96	99	99	100

Base: All private sector employers as indicated by row headings. Unweighted base for estimates for all employers is 2,713 in 2017 and 3,043 in 2013.

Note:

a. In 2017, 'Any pension provision' refers to the provision of an occupational scheme, a group personal pension (GPP) scheme, a workplace-based stakeholder pension scheme, access to the National Employment Savings Trust (NEST) scheme, access to a Master Trust scheme (other than NEST) and to arrangements whereby employers make contributions to employees' personal pensions. Access to a Master Trust scheme other than NEST is not included in the 2013 figures as this information is not available in the 2013 data.

b. 'Any workplace pension scheme' refers to the provision of an occupational scheme, a GPP scheme, a workplace-based stakeholder pension scheme, access to the NEST scheme or access to a Master Trust scheme (other than NEST). It thus excludes contributions to personal pensions.

3.1.3 Influence of employer attitudes to reforms on their behaviour

In 2017, the Department for Work and Pensions (DWP) carried out a survey with small and micro employers on automatic enrolment. The survey measured employer awareness, attitudes and understanding, and examined whether these factors had any influence on employer behaviour. Statistically significant differences were found in relation to employer contributions and communications.

Employers who agreed it was normal for staff like theirs to save into a workplace pension (i.e. with a stronger sense of social norms around pension saving) were more likely to contribute over one per cent (i.e. above the minimum employer contribution at the time) than those who did not (24 per cent vs. eight per cent).

Likewise, those who felt a sense of duty to ensure their staff could manage financially when they retired were more likely to contribute above the minimum than those who did not (25 per cent vs. 16 per cent).[39] Those who agreed that automatic enrolment was a good thing were more likely to contribute more than one per cent because they thought it would encourage participation in the scheme (15 per cent, vs. nine per cent overall).

Employer attitudes towards workplace pensions may have also influenced how they chose to communicate automatic enrolment to their workers. Those who disagreed that workplace pensions were good for staff were more likely not to have sent written communications (26 per cent, vs. 18 per cent overall), while employers who did not agree that saving into a workplace pension was a social norm for workers like theirs were more likely to send just one form of written communication (18 per cent, vs. 13 per cent on average).[40]

However, the reasons employers gave for choosing a given scheme were consistent, regardless of their attitudes towards workplace pensions, towards automatic enrolment, or their sense of personal responsibility towards workers' retirement saving.

3.1.4 Employers' awareness and response to TPR's enforcement powers

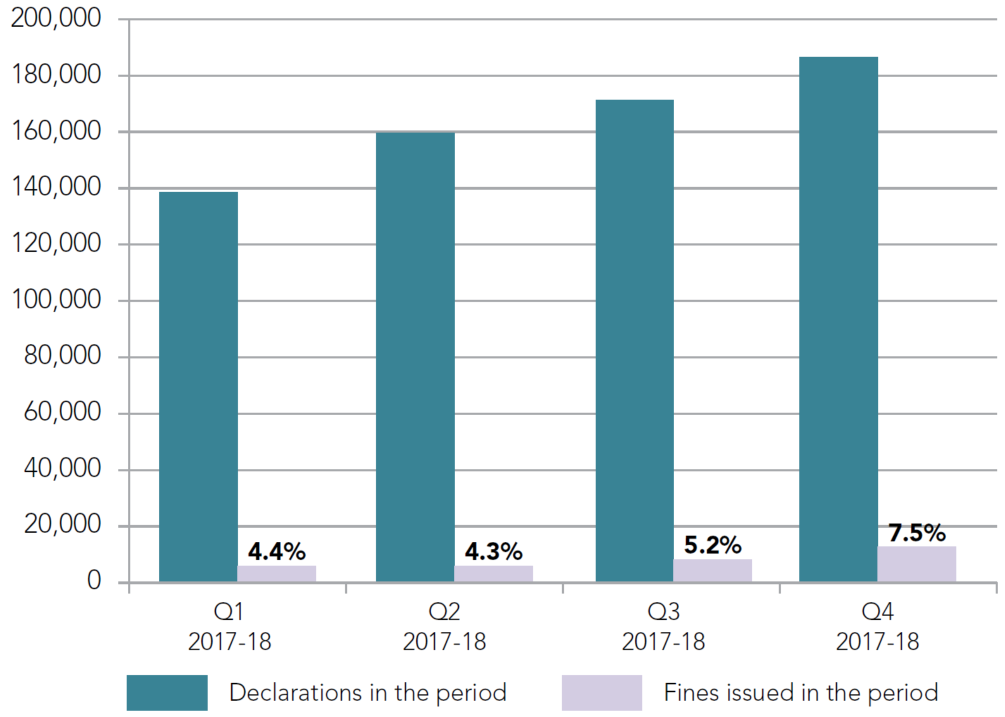
The Pensions Regulator includes information about the potential consequences of not complying with automatic enrolment duties on most communications with employers. The vast majority of employers do comply with their duties. As seen in Figure 3.1, the number of fines TPR issued in 2017/18 rose broadly in line with the number of employer declarations of compliance TPR received. However, the number of fines issued as a proportion of the number of declarations remains low.[41]

[39] DWP. (2018). *Automatic Enrolment: Quantitative Research with Small and Micro Employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-quantitative-research-with-small-and-micro-employers

[40] Providing written communications to employees is part of the legal requirements for automatic enrolment for employers.

[41] TPR. (2018). *Automatic Enrolment Commentary and analysis: April 2017 – March 2018.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/automatic-enrolment-commentary-analysis-2018.ashx

Figure 3.1 – Declarations of compliance received by TPR, compared with fines issued by TPR, during 2017/18



Source: TPR (2018) Automatic Enrolment Commentary and Analysis: April 2017 – March 2018

The number of notices issued by TPR continued to increase substantially in 2017/18, in line with the rise in micro employers staging and the behaviours expected from this group. Although the number of compliance notices has risen from nearly 34,000 in 2016/17 to nearly 61,000 in 2017/18, the majority of employers subsequently complied when they were reminded of their duties.

3.1.5 Employers going beyond the minimum requirements

The minimum contribution required from employers is being increased over time. Initially employers were required to contribute a minimum of one per cent on a band of qualifying earnings, with this increasing to two per cent in April 2018 and to three per cent by April 2019.

EPP 2017 asked employers whether they were currently phasing in the level of contributions, or whether they were already contributing at least three per cent. In two-thirds (66 per cent) of schemes used for automatic enrolment, contributions were being phased in, while in around one quarter (24 per cent) of such schemes, employers were contributing at least three per cent from the start.[42] This was more common among micro (30 per cent were contributing at least three per cent) and large employers (35 per cent) than small (17 per cent) and medium employers (26 per cent). The most common reason for contributing at least three per cent from the

[42] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

start was that employers wanted to offer a better option for their employees, applying for 44 per cent of such schemes.

The DWP's survey with small and micro employers, conducted at the same time as EPP 2017, found that 21 per cent of these employers offered more than the then-minimum contribution of one per cent.[43] The employers who had schemes in place before automatic enrolment were the ones who tended to have higher contribution rates (53 per cent offered more than the minimum requirement). Employers in some sectors were also more likely to offer more than the minimum, including the information and communications sectors (35 per cent), health, social care and social work sectors (37 per cent), financial or insurance sectors (37 per cent), and not-for-profit organisations or charities (42 per cent).

Of the small and micro employers offering more than the then-minimum contribution, three in ten (28 per cent) said they did this because they viewed higher contribution rates as a staff benefit or perk.

Further analysis of employer contributions above minimum levels in 2017 is included in section 4.6.

Recent TPR research, carried out after the first minimum contribution increase in April 2018, found that 21 per cent of micro, 19 per cent of small, and 34 per cent of medium employers were paying more than the current minimum employer contribution of two per cent for all their employees.[44]

[43] DWP. (2018). *Automatic Enrolment: Quantitative Research with Small and Micro Employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-quantitative-research-with-small-and-micro-employers

[44] TPR. (2018). *Ongoing Duties Survey – Summer 2018*. At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/employer-automatic-enrolment-ongoing-duties-survey-summer-2018.ashx

4 Impact of automatic enrolment

This chapter looks at the impact that automatic enrolment has had on individuals, employers and the pensions industry. This relates to the following evaluation strategy questions:

Has automatic enrolment increased the number of individuals saving in workplace pensions, and if so, how? (EQ3)

Has automatic enrolment increased the amount being saved in workplace pensions, and if so, how? (EQ4)

To what extent is delivery of automatic enrolment achieved with a minimal burden on employers? (EQ5)

How has the pensions industry reacted to automatic enrolment? (EQ6)

Summary

Existing evidence from the last 12 months

- Data collected up to 2017 found that the number of eligible employees participating in a workplace pension has increased to 17.7 million (84 per cent), up from 10.7 million (55 per cent) in 2012. Overall, eligible employees are continuing to save persistently.
- The annual total amount saved by eligible employees across both sectors (public and private) stands at £90.3 billion in 2017, which is an increase of £4.3 billion from 2016. Annual total amounts increased in both public and private sectors from 2016. The public sector increased by around £0.3 billion and the private sector by £4.0 billion.

New analysis within this report

- Rates of opt-out and cessation (stopping saving into a pension after the opt-out period) have at the end June 2018 remained consistent with levels before the first planned contribution increase in April 2018.
- Those who are enrolled due to staging have higher opt-out rates than those enrolled due to starting a job with an employer who already has ongoing automatic enrolment duties.
- Males and females have the same levels of opt-out, but males have slightly higher levels of cessation.

- Generally, older age groups have higher opt-out rates, but those aged 22 to 29 and 60 to State Pension age have the highest cessation rates – although these rates are at relatively low levels.
- Higher earners tend to have higher opt-out rates than lower earners, while (with the exception of the highest earners who have the highest cessation rates) there is not much variation in cessation rates by earnings level.
- In 2017, over 7 million eligible private sector employees saving into a workplace pension received an employer contribution of two per cent or above (above the then-minimum contribution rate); of these, 5.5 million received an employer contribution of four per cent or above.
- More than 92 per cent of eligible employees in the private sector contributing between three and four per cent received a matching (or higher) employer contribution rate.
- Approximately 5.9 million eligible employees were already meeting the April 2019 minimum contribution rates, based on data from April 2017. However, around 5.1 million eligible employees were still contributing below April 2018 minimums at that time, and around 6.1 million will have to increase their contributions by April 2019, if not earlier.
- The rate of levelling down (reducing the generosity of contributions or outcomes for existing pension scheme members) has increased slightly since 2012. However findings from the Employers' Pension Provision Survey 2017 suggest that where employers have experienced increased contribution costs as a result of automatic enrolment, only one per cent of employers have adopted levelling down as a strategy to absorb increased contribution costs.
- Findings from the DWP's communications tracking research (June 2018 wave) found that majority of individuals interviewed viewed automatic enrolment as a good thing for them personally (82 per cent); agreed saving into a workplace pension was normal for them (80 per cent); and knew where to go if they wanted to find more about workplace pensions (83 per cent).
- The emerging findings from forthcoming DWP research with 'newborn' (new) employers, to be published in 2019, suggest that the reality of implementing automatic enrolment was usually less burdensome than employers had anticipated. The financial burden among those interviewed, over and above the ongoing cost of employer contributions, was either small or even non-existent.

4.1 Trends in workplace pension participation

This section looks at measures to indicate the effects of automatic enrolment on increasing the number of savers involved in workplace pensions. The Department for Work and Pensions' (DWP) analysis of the Office for National Statistics (ONS) Annual Survey of Hours and Earnings (ASHE) data estimates the pension participation trends of eligible employees[45] [46] over time; this is broken down according to public and private sector, employer size, employee earnings, and protected groups (gender, age, disability and ethnicity).[47] The DWP Family Resources Survey (FRS)[48] provides specific characteristic breakdowns that are not accounted for by ASHE.

Together these annual surveys can monitor shifts in workplace pension participation since the reforms were introduced. The most recent ASHE data including pension information[49] were collected with reference to April 2017, showing significant increases in participation and pension saving. The FRS data were collected throughout the 2016/2017 financial year. Therefore any potential impact of automatic enrolment may be lessened because not all employees will have been automatically enrolled due to the staged implementation approach.[50]

4.1.1 Overall number of savers

Between 2007 and 2012 there was a general downward trend in workplace pension participation, from 60 per cent (12 million eligible employees) to just 55 per cent (10.7 million). However, since the reforms there has been a significant increase in the number of eligible employees participating in a workplace pension, up to 84 per cent (17.7 million) in 2017.

---

[45] Throughout this report *eligible employees* are defined as employees who meet the automatic enrolment age (currently 22 to SPA) and earnings criteria (currently over £10,000 p.a.), and includes employees already a member of a workplace pension scheme.

[46] ASHE collects information from employers on employee jobs, although they are referred to as 'employees.'

[47] For additional breakdowns consult DWP. (2018). *Official statistics on workplace pension participation and saving trends for eligible employees*. At: https://www.gov.uk/government/statistics/workplace-pension-participation-and-saving-trends-2007-to-2017

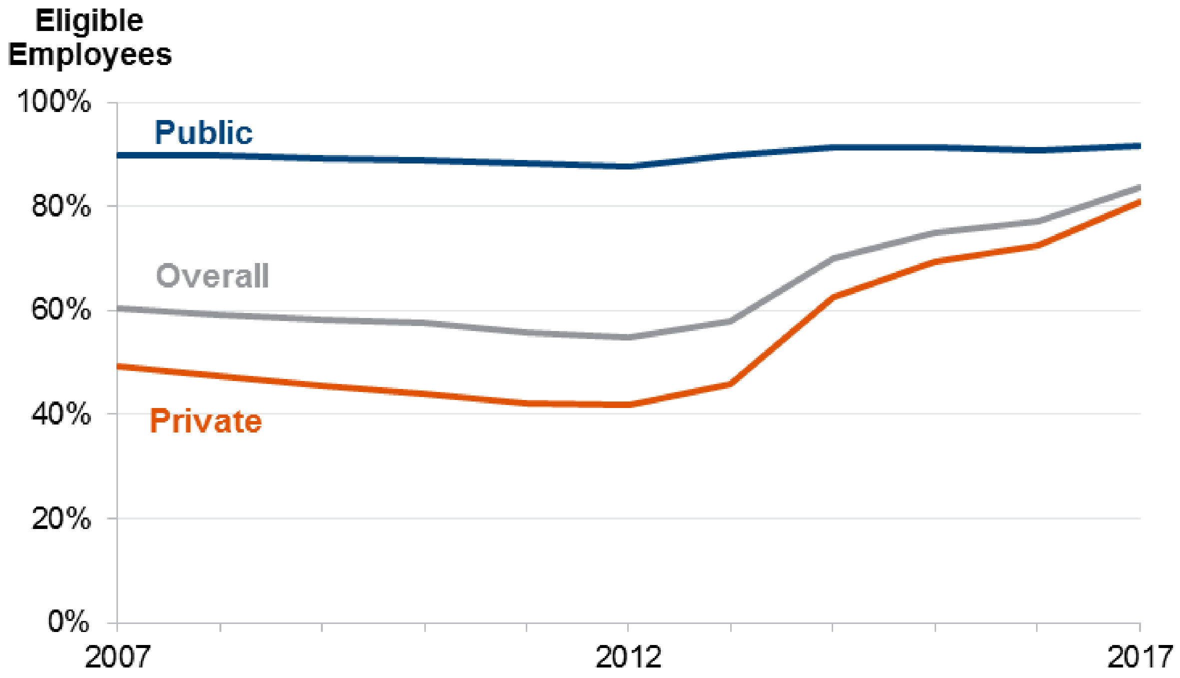
[48] FRS data for 2016/17 was collected between April 2016 and March 2017 and published 22 March 2018. At: https://www.gov.uk/government/statistics/family-resources-survey-financial-year-201617

[49] Statistical bulletin: 2017 Annual Survey of Hours and Earnings: Summary of Pensions Results published on 24 October 2017. At: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2017provisionaland2016revisedresults

[50] By April 2017 540,919 employers had declared compliance, and 7,787,000 eligible employees had been automatically enrolled. By November 2018 a further 877,761 employers had declared compliance and an additional 2,171,000 eligible employees had been enrolled.

Figure 4.1 illustrates trends in workplace pension participation for eligible employees by sector over time. Public sector pension participation remained high in 2017 at 92 per cent (4.8 million employees), an increase of four percentage points since 2012. Within the private sector, participation has increased by 39 percentage points since 2012, up to 81 per cent of eligible employees participating (12.9 million) in 2017.

Figure 4.1 – Eligible employees participating in workplace pensions, by sector



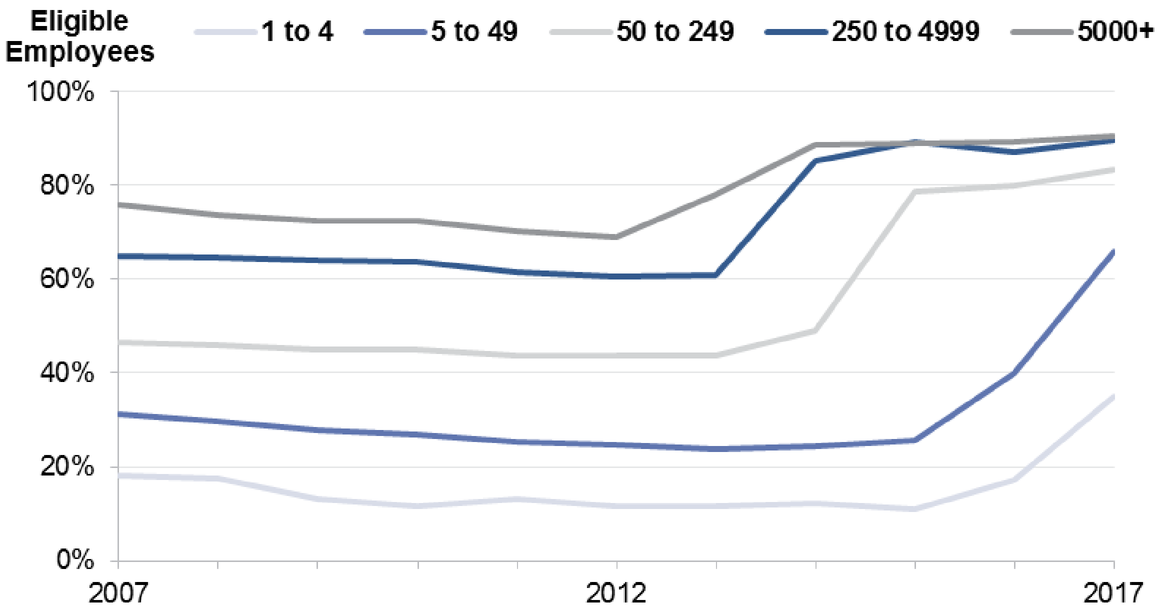
Source: DWP estimates derived from the ONS ASHE, GB, 2007–2017.

4.1.2 Employer size

Figure 4.2 displays the proportion of eligible employees participating in workplace pension schemes by employer size. The graph demonstrates the close relationship between employer size and workplace pension participation. In 2017, the largest employers (5,000 or more employees) had the highest participation rate at 91 per cent participation, compared with 35 per cent for micro employers (one to four employees). This may historically be explained by the high proportions of employees working for large public sector employers where participation rates have always been high, whereas, the more recent increases correspond with the staged implementation of automatic enrolment which began with large employers.

Overall, participation amongst eligible employees in 2017 was: 90 percent for employers with 250 to 4,999 employees; 83 per cent for those with 50 to 249 employees; and 66 per cent for those with five to 49 employees (an increase of 26 percentage points since 2016). Increases in participation clearly align with the staging profile for implementing automatic enrolment, with the largest increases in participation from 2016 to 2017 being amongst the small and micro companies, who were undergoing staging during this period. It is notable that at the time of survey, the staging of micro and small employers was not yet completed.

Figure 4.2 – Eligible employees participating in workplace pensions, by employer size

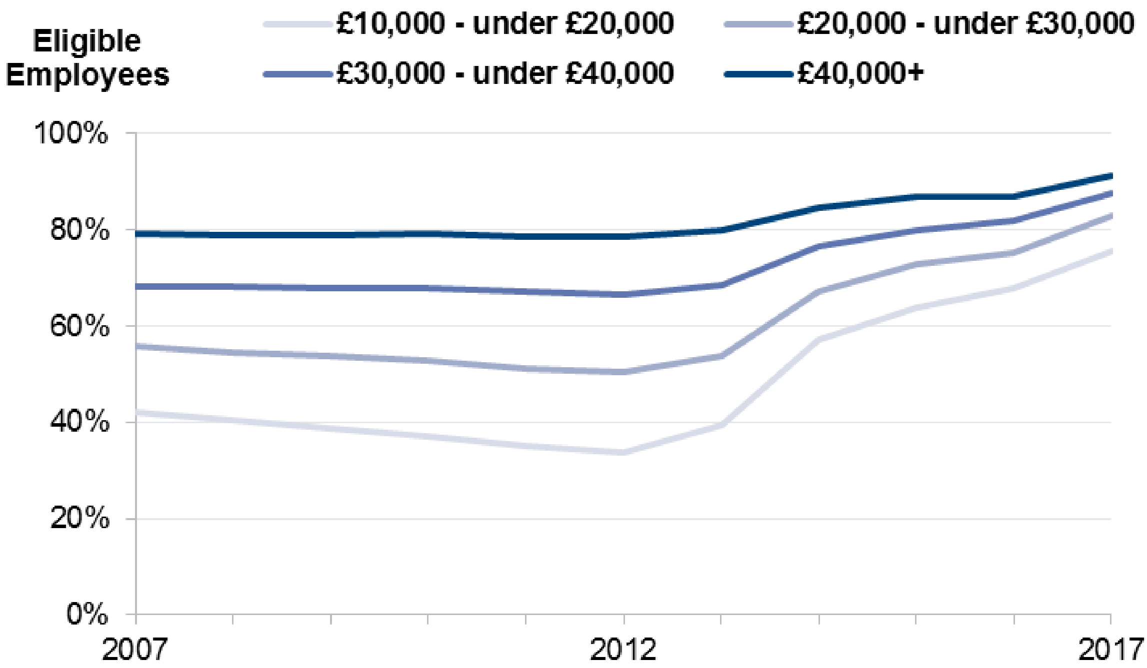


Source: DWP estimates derived from the ONS ASHE, GB, 2007–2017.

4.1.3 Earnings

Figure 4.3 shows the relationship between pension participation and earnings. Those who earn the most (over £40,000) also have the highest participation levels at 91 per cent. However, the introduction of automatic enrolment has seen larger increases in participation amongst lower earners. For example, those earning between £10,000 (the current earnings trigger for automatic enrolment) and £20,000 now have a participation rate of 76 percent, an increase of 42 percentage points since 2012. As a result the differences in participation rates between earning bands have narrowed since 2012.

Figure 4.3 – Eligible employees participating in workplace pensions, by gross annual earnings



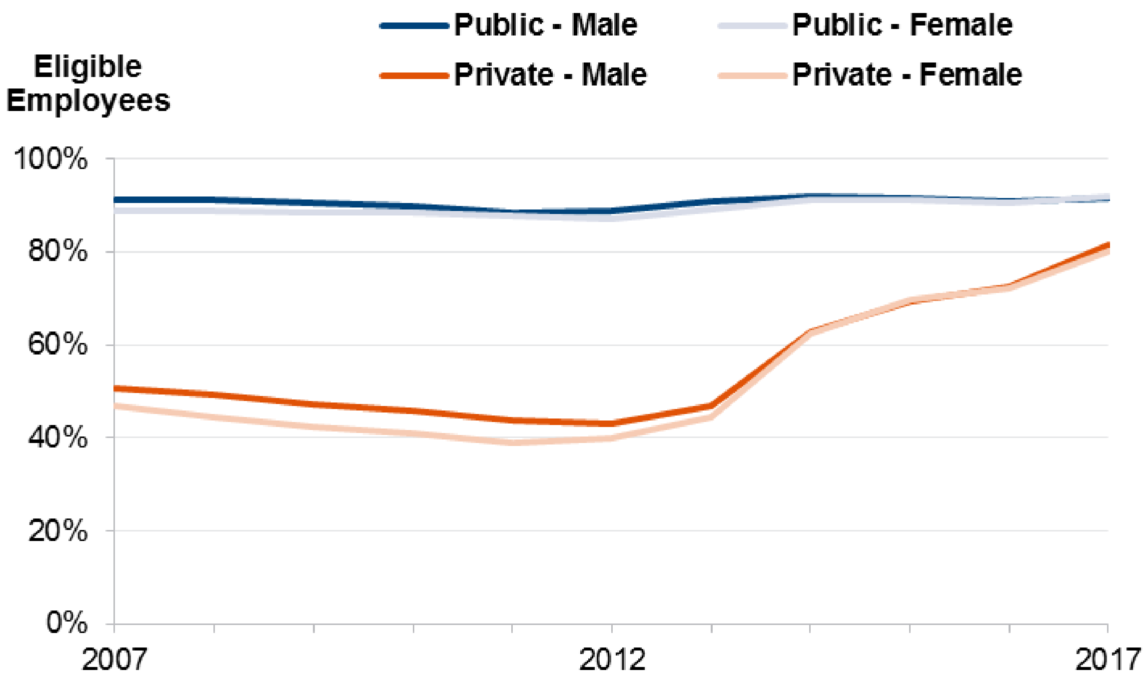
Source: DWP estimates derived from the ONS ASHE, GB, 2007–2017.

4.1.4 Gender

Figure 4.4 illustrates pension participation by gender and sector. Overall, women have higher participation rates than men (84 per cent compared to 83 per cent). In the public sector in 2017, participation was 92 per cent for both men and women.

Since the introduction of automatic enrolment, the private sector has seen the largest increases in participation, and in 2017 there was very little gender gap, with 81 per cent of men and 80 per cent of women participating. This represents an increase of 38 percentage points for males and 40 percentage points for females since 2012.

Figure 4.4 – Eligible employees participating in workplace pensions, by gender and sector



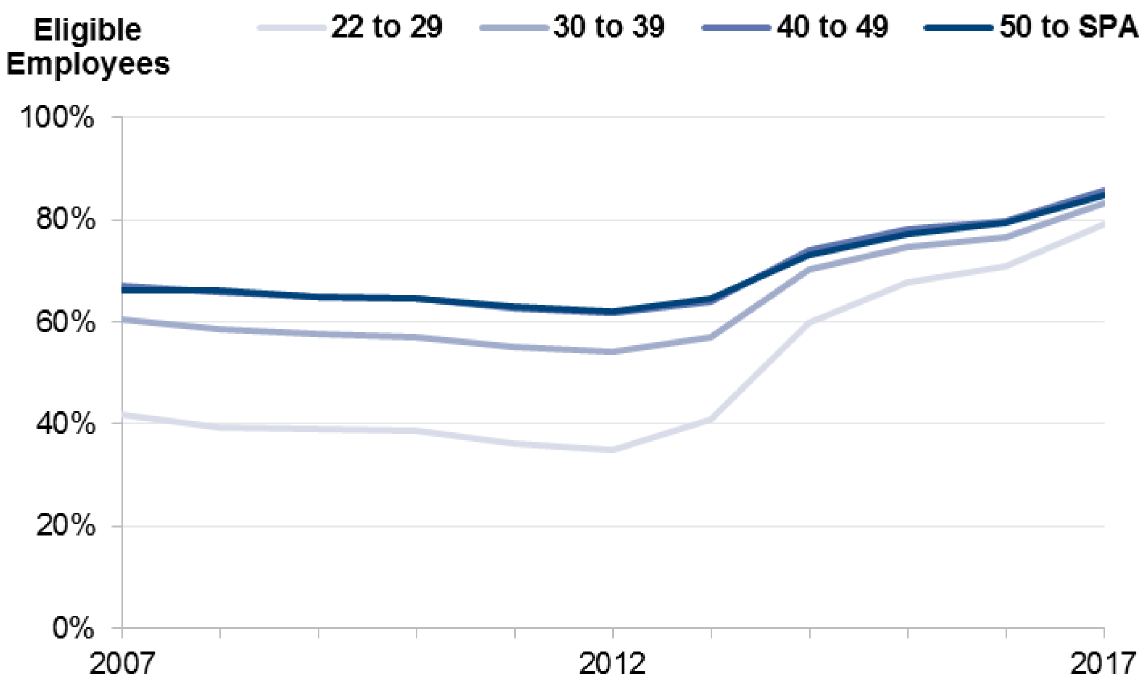
Source: DWP estimates derived from the ONS ASHE, GB, 2007–2017.

4.1.5 Age

Figure 4.5 shows pension participation of eligible employees by age group. Overall, participation remained the highest for older employees, although in recent years there have been significant increases in participation amongst younger age bands, and as a result, some convergence in participation levels between age bands.

The largest increase between 2012 and 2017 was in the youngest age band; those aged 22 to 29 saw a 44 percentage point increase in participation to 79 per cent. All other age groups also saw an increase over the same period; participation for those aged 30 to 39 increased by 29 percentage points to 83 per cent; for those aged 40 to 49 there was a 24 percentage point increase to 86 per cent; and for those aged between 50 and State Pension age (SPA) participation increased by 23 percentage points to 85 per cent.

Figure 4.5 – Eligible employees participating in workplace pensions, by age band



Source: DWP estimates derived from the ONS ASHE, GB, 2007–2017.

4.1.6 Economic status

Figure 4.6 shows changes to pension participation for eligible employees compared to non-eligible employees and the self-employed. Participation of eligible employees increased from 56 per cent in 2012/13 to 75 per cent in 2016/17, reversing the decline in participation seen prior to automatic enrolment.

Participation of non-eligible employees has increased from 16 per cent in 2012/13 to 27 per cent in 2016/17. In contrast, participation of self-employed workers has declined by 16 percentage points since 2007/08, falling to 14 per cent in 2016/17.[51] In general, self-employed workers are not captured by automatic enrolment.[52] [53] Other categories remained relatively stable, with participation of unemployed and inactive workers extremely low as would be expected.

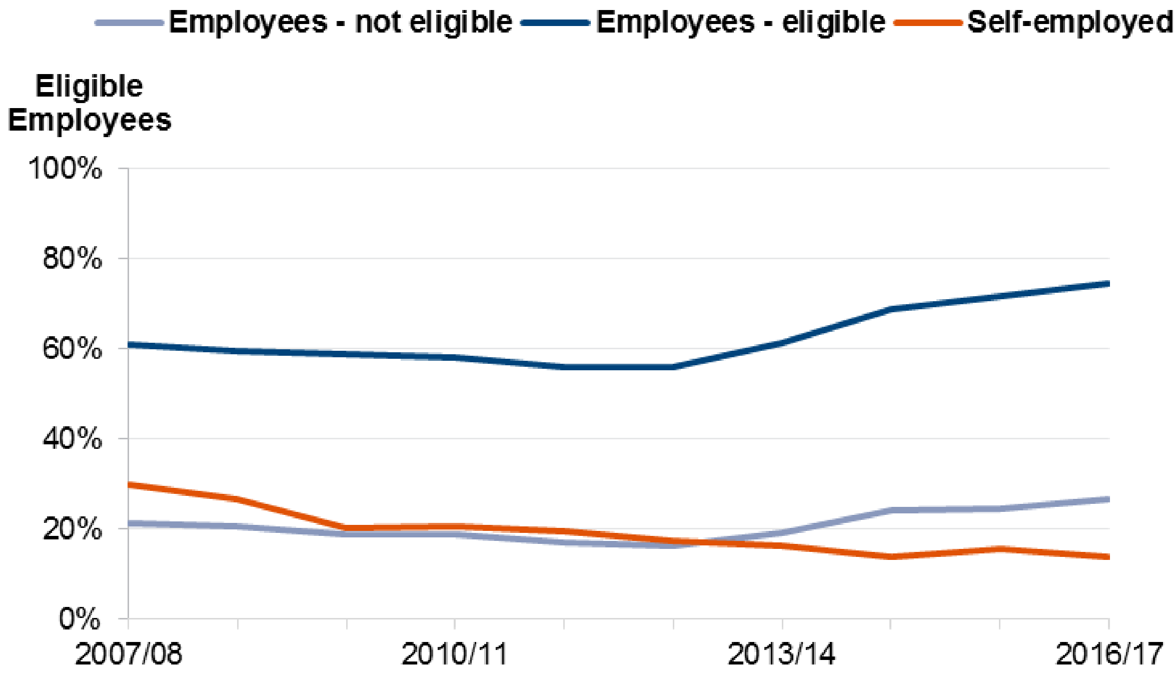
---

[51] We do not know whether this is a true reduction in propensity to save amongst the self-employed or compositional effects, given the growth in self-employed population over the same time period.

[52] Individuals can usually join NEST if they are self-employed or the sole director of a company that does not employ anyone else (a group known as 'single person directors'). https://www.nestpensions.org.uk/schemeweb/dam/nestlibrary/NEST-CARA-2017-18.pdf

[53] Government has published a delivery plan setting out how it will trial a number of savings interventions aimed at the self-employed.

Figure 4.6 – Participation in all pensions, by economic status

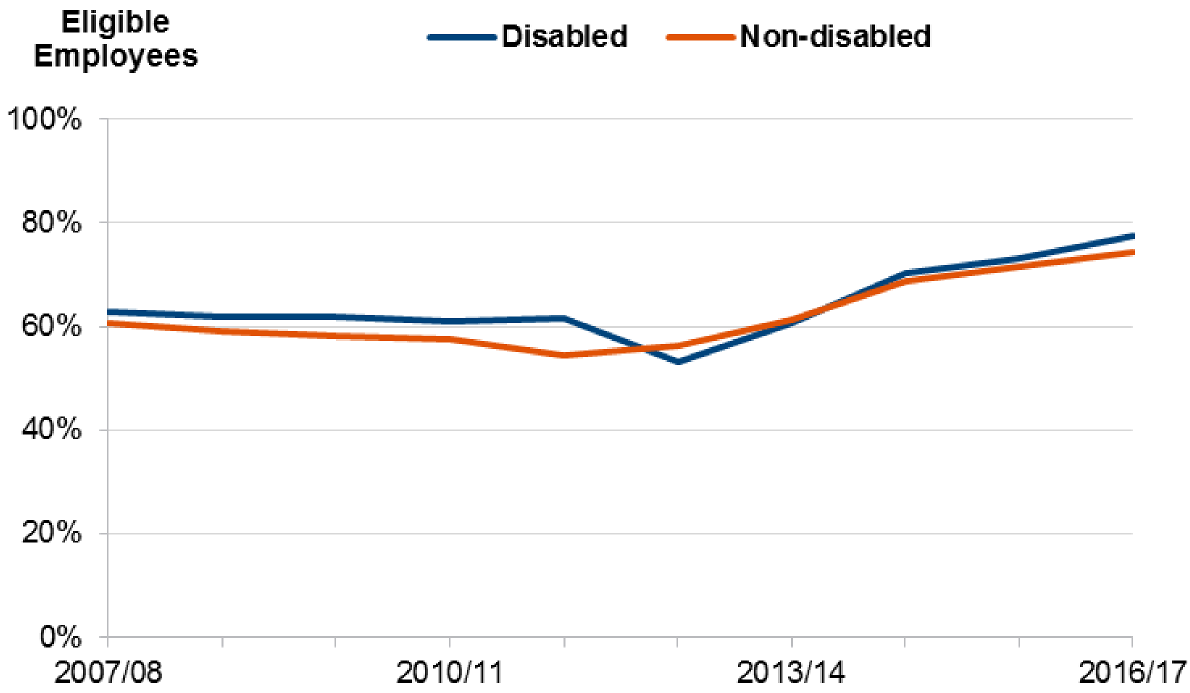


Source: Modelled analysis derived from the FRS, UK, 2007/08 to 2016/17

4.1.7 Disability

Figure 4.7 shows trends in pension participation for disabled and non-disabled employees. In 2016/17 there was a small difference between these groups: the participation rate for disabled employees was 77 per cent (an increase of 24 percentage points from 2012/13), and 74 per cent for non-disabled employees (an increase of 18 percentage points from 2012/13).

Figure 4.7 – Participation in all pensions, by disability

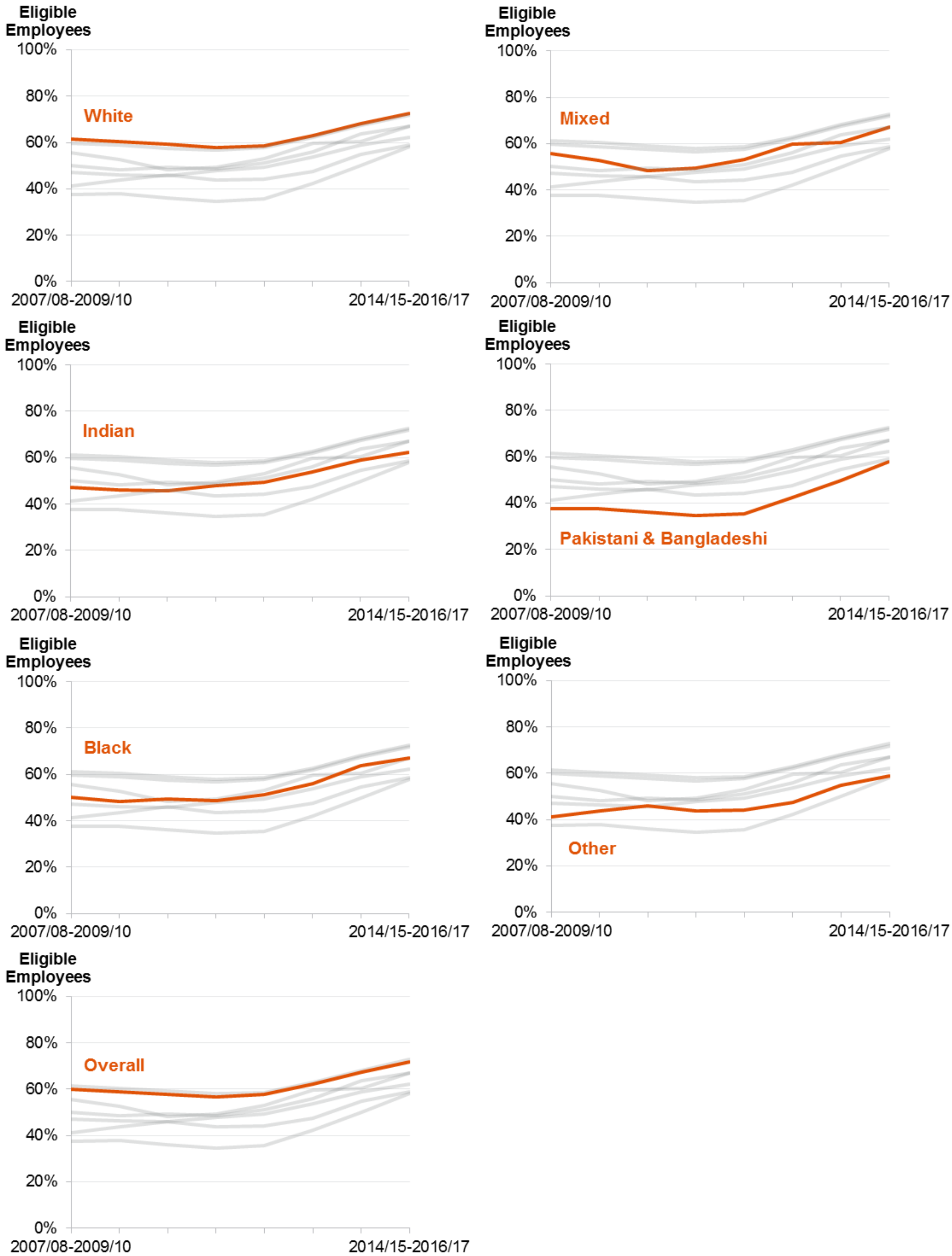


Source: Modelled analysis derived from the FRS, UK, 2007/08–2016/17
Note: Impairment types changed 2012/13 - caution needed

4.1.8 Ethnicity

Figure 4.8 presents trends in the pension participation rate by ethnic group. The White ethnic group still had the highest participation rate of 73 per cent in 2014/15-2016/17, remaining very slightly above the average participation rate of 72 per cent across all groups over this three year period. Between the 2011/12-2013/14 period and 2014/15-2016/17 there were large increases amongst all ethnic groups. The Pakistani & Bangladeshi ethnic group showed the largest increase from 36 per cent to 58 per cent (22 percentage point increase). In comparison the lowest increase in the same period, 2011/12-2013/14 and 2014/15-2016/17, occurred in the Indian ethnic group. This group saw a 13 percentage point increase from 49 per cent to 62 per cent.

Figure 4.8 – Participation in all pensions, by ethnicity



Source: Modelled analysis derived from the FRS, UK, 2007/08–2016/17

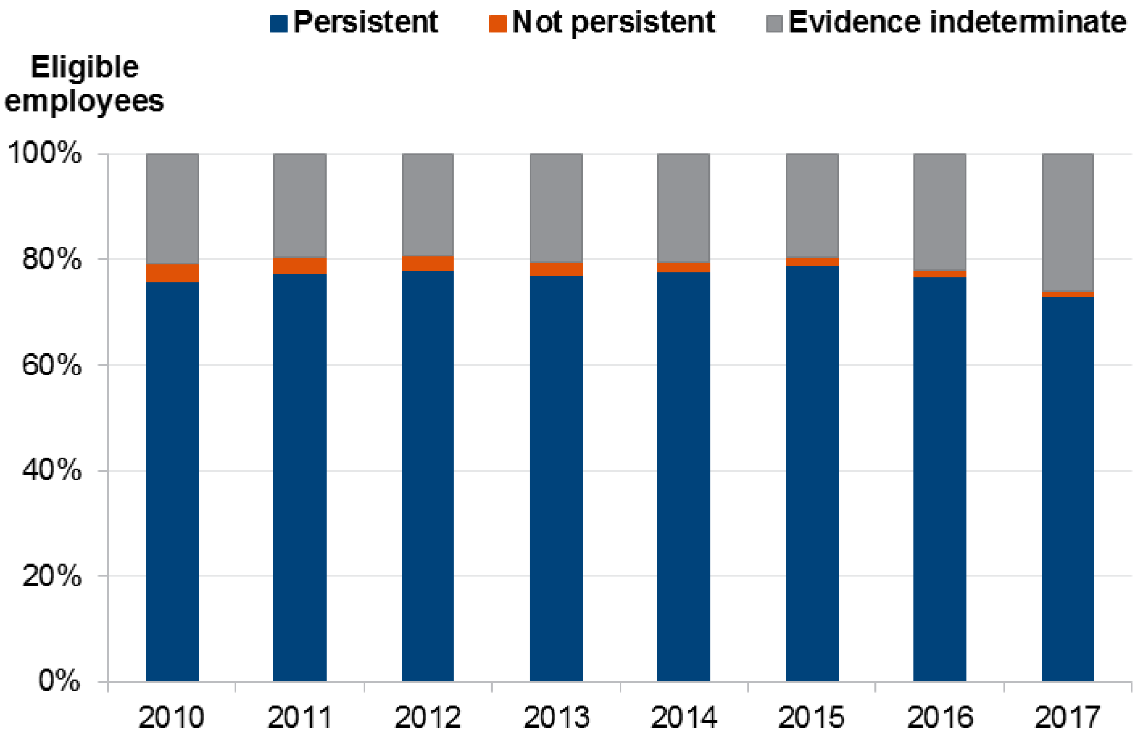
Note:

1. Data points use a three year rolling average, which is used to account for volatility in a single year that results from small sample sizes and clustering effects.
2. “Other” ethnic group includes Chinese

4.1.9 Persistency of saving

In this report, persistency of saving is defined as saving into a pension in at least three out of a period of four years, calculated using ONS ASHE data. Figure 4.9 shows the estimates of persistency based on the number of years an eligible saver had been saving in a four-year period. This means the 2017 estimate is based on the number of years an employee has been saving between 2014 and 2017 and this measure will be slow to reflect the effect of the increasing trend in workplace pension participation.[54]

Figure 4.9 – Persistency of eligible employees participating in workplace pensions



Source: DWP estimates derived from the ONS un-weighted longitudinal ASHE, GB, 2010 to 2017
Note:
1. This analysis shows the persistency measure from 2010, as the ASHE sample was cut in the 2007 and 2008 surveys and resulted in employees for these years moving into the evidence indeterminate group due to a lack of data.
2. An eligible employee can disappear from the cohort either through stopping saving, leaving the labour market, staying with or moving to an employer who does not return the ASHE questionnaire.

Figure 4.9 illustrates that overall, the majority of eligible employees are continuing to save persistently, but the rate has fallen slightly since 2015 from 79 per cent to 73 per cent in 2017. The proportion of eligible savers not saving persistently remained at one per cent in 2017, and for the remaining 26 per cent there is an indeterminate amount of evidence in the ASHE dataset to judge either way. The ‘evidence

---

[54] To see a breakdown of persistency of saving by sector, consult DWP. (2018). *Official statistics on workplace pension participation and saving trends for eligible employees.* At: https://www.gov.uk/government/statistics/workplace-pension-participation-and-saving-trends-2007-to-2017

indeterminate group' has been increasing in recent years. The reasons for this are not clear, although there has been a small decrease in the ASHE response rate since 2014. The growth in this evidence indeterminate group appears to be the driver of the decrease in those identified as persistent savers.

4.2 Trends in occupational pension scheme provision

The Occupational Pension Schemes Survey (OPSS) is an annual survey of occupational pension schemes in the UK that is run by the Office for National Statistics (ONS).[55] Unlike much of the analysis in this report, the OPSS covers all employees and not just those eligible for automatic enrolment.[56] Whilst the OPSS covers all employees, it also differs from other sources in that occupational pensions are only a subset of the group of pension schemes defined as workplace pensions.

Overall, the survey suggests that the total membership[57] of occupational pension schemes in the UK is at its highest recorded level, with 41.1 million memberships.[58] This represents an increase of 4.9 per cent from the previous year's figure (39.2 million). As illustrated by Figure 4.10, active membership[59] of occupational pension schemes was 15.1 million in 2017, split between the private (8.8 million) and public sector (6.3 million).

[55] ONS. (2018). *Occupational Pension Schemes Survey, UK: 2017*. At: https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/pensionssavingsandinvestments/bulletins/occupationalpensionschemessurvey/uk2017

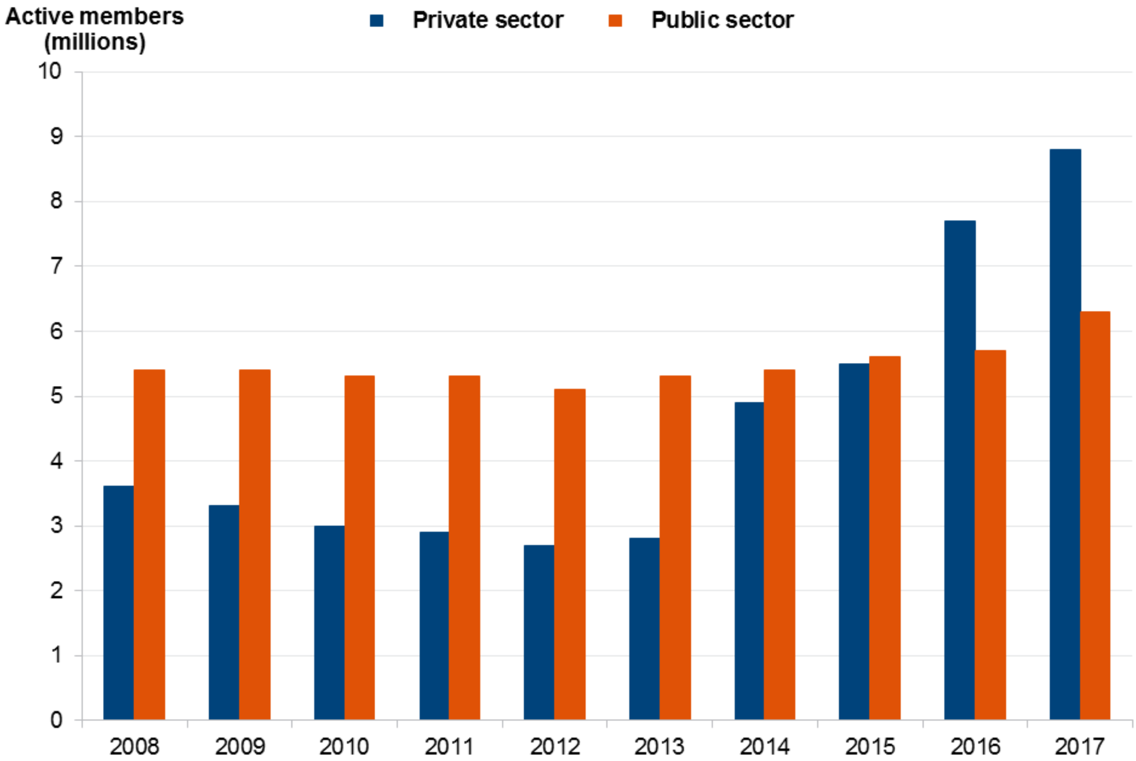
[56] However, the OPSS does not include state pensions or personal pensions, the latter being based on individuals entering into a contract with a pension provider. OPSS does not cover group personal pension (GPP) arrangements, such as stakeholder and group self-invested personal pensions (GSIPP), where the contract is facilitated by the employer(s). Based on TPR's 2018 'Automatic enrolment: commentary and analysis' report, 11 per cent of pension schemes with less than 30 members used for automatic enrolment are contract-based (personal pensions); for pension schemes with 30 or more members, this proportion is 35 per cent.

[57] Total membership of occupational pension schemes consists of: 1) active members (current employees who are currently contributing to the scheme, or having contributions made on their behalf); 2) pensioner members (those receiving pension payments); 3) members with preserved pension entitlements (members who are no longer actively contributing into the scheme but have accrued rights that will come into payment at some point in the future).

[58] Estimates of pension scheme membership are not counts of individuals as an individual may have more than one type of occupational pension scheme membership. For example, an individual might be working and contributing to a scheme while being entitled to a preserved pension from a previous employer's scheme.

[59] Active members of an occupational pension scheme are those who are contributing to the scheme, or having contributions made on their behalf. They are usually current employees of the sponsoring employer.

Figure 4.10 – Active membership of occupational pension schemes by sector

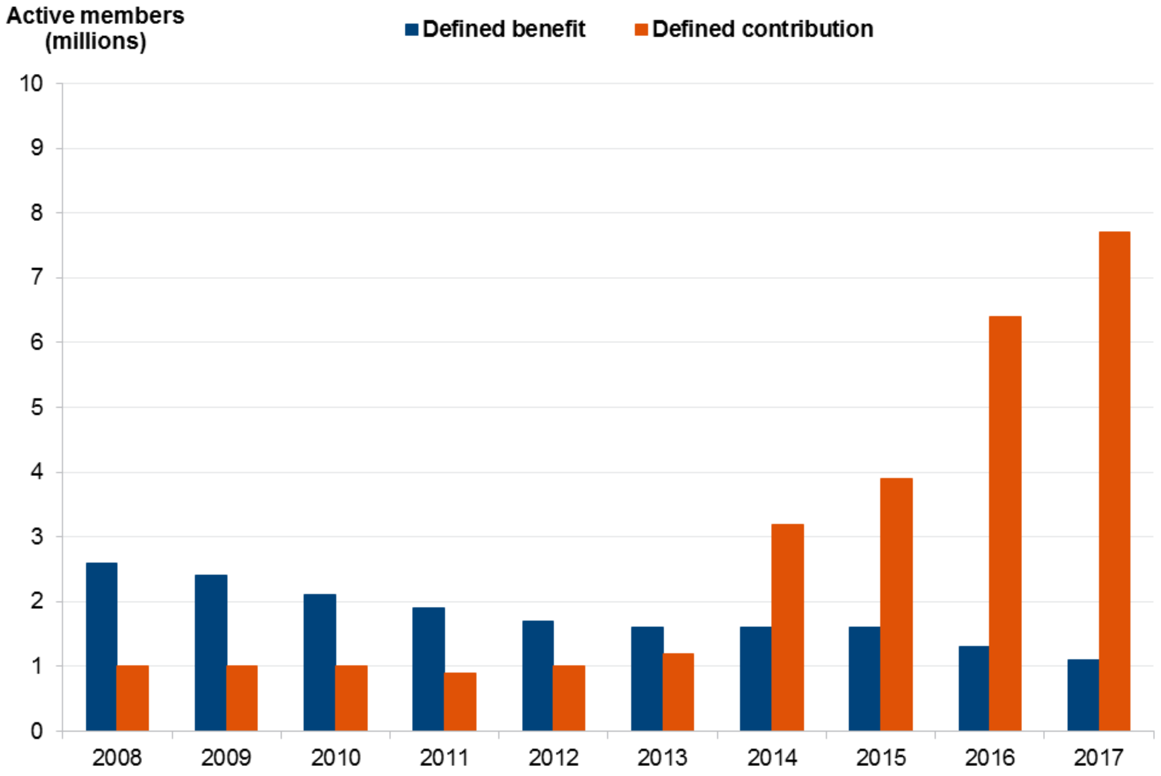


Source: Office for National Statistics

Looking specifically at private sector occupational pension membership by type of scheme, the survey suggests that active membership of private sector Defined Contribution (DC) schemes, which remained around 1 million from 2008 to 2012 (Figure 4.11), rose to 3.2 million in 2014, 3.9 million in 2015, 6.4 million in 2016, and 7.7 million in 2017, following the roll-out of automatic enrolment.[60] In contrast, active membership of private sector Defined Benefit (DB) schemes remained at around 1.6 million between 2013 and 2015, before falling to 1.3 million in 2016 and 1.1 million in 2017. While employers could use DB schemes for automatic enrolment, the minimum requirements for a qualifying scheme focus on DC provision.

[60] It should be noted that AE will lead to a bigger increase in memberships than the numbers of individual savers because over time people will have multiple pots.

Figure 4.11 – Active membership of private sector occupational pension scheme by benefit structure



Source: Office for National Statistics

4.3 Opt-out, cessation, re-enrolment and non-eligible employee enrolment

4.3.1 Overall opt-out in 2017

Automatic enrolment harnesses individuals' inertia in thinking about retirement and pension saving, while preserving individual responsibility for the decision about whether to save in a workplace pension, by giving people the option to opt out. Opt-out rates[61] are important in providing an early indication of whether automatic

---

[61] Opt out is defined as 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 rates are the proportion of automatically enrolled employees that opted out, as captured by the Employers' Pension Provision Survey.

EPP 2013 and 2015 calculated opt-out rates for all employees automatically enrolled since the employer staged. EPP 2017 calculated rates for all employees automatically enrolled in the last financial year (2016/17) to ensure accuracy of data, given some employers staged several years ago, and enable comparisons to be made with future EPP waves.

enrolment is effective in increasing participation, by monitoring what newly enrolled employees do at the point of enrolment.

The 2017 Employers' Pension Provision (EPP) Survey was conducted between July and October 2017, by which time many small and micro employers who had been employers prior to 2012 had staged.

Overall, among employers with a scheme used for automatic enrolment, EPP 2017 found that nine per cent of employees who were automatically enrolled in the last financial year (2016/17) decided to opt out within one month.[62] Direct comparisons with earlier surveys in the EPP series are not possible due to changes in question wording, but this figure does not suggest any notable increase in average opt-out rates since 2015.

Opt-out rates varied slightly by employer size (average of ten per cent for employees of micro employers; 12 per cent for those at small employers; nine per cent for medium employers; and eight per cent for large employers), however these differences by employer size were not statistically significant.

4.3.2 Using Real Time Information to measure opt-out and cessation

Real Time Information (RTI) is the reporting system for earnings taxed via Pay As You Earn (PAYE). Under RTI, employers are required to report to HMRC information about payments made to their employees through the PAYE system, including details of tax and other deductions from pay. Since April 2014, employers have been required to report in real time with around 2.3 million PAYE schemes covering a total of 45 million employments and pensioners reporting through RTI[63] (see Annex 6.1.2 for more details).

RTI is an employment-level dataset, so an individual would appear multiple times in the data if they had multiple jobs.

RTI collects information on the amount of employee pension contributions deducted from each payment. By looking longitudinally across payments for a given employment, we use the presence and absence of employee pension contributions to identify when an employment starts and stops pension saving. Applying this method to all employments appearing on RTI, we can count the numbers stopping saving each month, and calculate opt-out and cessation[64] rates.

---

[62] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

[63] HMRC. (2018). *UK Real Time Information, Experimental Statistics*. At: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727796/UK_Real_Time_Information_Experimental_Statistics.pdf

[64] Cessation is where a jobholder has been automatically enrolled, but stops saving into a pension after the opt-out window has elapsed.

Because RTI does not collect information on employer pension contributions, it cannot identify employments with employer-only pension contributions. Additionally, pension contributions made via salary sacrifice[65] cannot be identified within RTI as pension contributions. Evidence from ASHE 2017 suggests that RTI therefore can be used to identify around 62 per cent of workplace pension savers (see Annex 6.1.1 for more details). As such, RTI does not give a complete picture of all employments who have been automatically enrolled.[66]

There are two important differences to note between RTI and other sources used to measure opt-out and cessation.

First, using RTI we define the opt-out window differently than the standard definition set out within this report, and used in the EPP. As a consequence, some employments who would be classified as cessations in other data sources may be opt-outs in RTI.

Typically, the opt-out rate window runs one calendar month from when an employee is enrolled into a pension scheme; if they stop saving after that point it is classified as a cessation. In RTI, the opt-out window runs six weeks from when an employment makes a first pension contribution (i.e. starts saving[67]) (see Annex 6.1.2 for an explanation of the rationale behind this difference).

Second, RTI cannot identify cases where employments have been enrolled but opt out before making their first contribution. Since these employments have not made any pension contributions, we cannot identify that they have been enrolled. This group is captured in other measures such as those in the EPP.

Given the differences in population coverage, definitions, and methodology, the opt-out/cessations figures produced by RTI will not be directly comparable with other data sources. Therefore, the focus of this section is to look for changes in the RTI measures over time and between groups to evaluate savings behaviour.

The figures presented through section 4.3 are based on employments eligible[68] for automatic enrolment, both in the public and private sector.

[65] A salary sacrifice arrangement is an agreement to reduce an employee's entitlement to cash pay, usually in return for a non-cash benefit – in this case, employer pension contributions.

[66] There is currently no evidence to suggest that savings behaviour differs for employees saving via salary sacrifice arrangements.

[67] We define someone as 'newly saving' in a given month if they have made a pension contribution in that month and had not made a pension contribution in the preceding 12 month period. If they had made a pension contribution in that period, it is defined as a continuation of saving rather than a new start.

[68] An employment is defined as eligible at the point of a particular payment if they are aged between 22 and State Pension age and their earnings rate is equivalent to £10,000 or higher annually. Annex 6.1.2 has more detail on how earnings variables are calculated.

Annex 6.1.6 contains counts of the number of employments on RTI saving into a workplace pension each month, broken down by different characteristics. This provides additional evidence on the impact of changes to minimum contribution rates.

4.3.3 RTI analysis of opt-out trends

This section presents RTI opt-out rates from April 2014 to June 2018[69]. This is a cohort-based rate: for a given month, the opt-out rate is the percentage of the cohort who made their first pension contribution that month who subsequently opted-out within the 6 week window.

The results are broken down by three reasons for stopping saving (see Annex 6.1.2 for further on how these reasons are defined):

1. End of employment;
2. Became non-eligible[70];
3. Active decision to opt out[71].

Our primary focus in this section is on the active decision to opt out, as the other two reasons are likely to be driven by factors unrelated to automatic enrolment, e.g. labour market conditions.

The opt-out rates are additionally compared for several key characteristics: method of enrolment, gender, age, and earnings level. The results show how behaviour differs by these characteristics, but do not test causality.

RTI overall opt-out rates

Figure 4.12 shows the overall[72] RTI opt-out rates from April 2014 to June 2018, split by reason for stopping saving. Figure 4.13 presents the monthly active decision opt-out rate by financial year to aide comparison across years.

There has been no overall increase in active decision opt-out rates from April 2018 onwards, when minimum contribution rates increased. The active decision opt-out rate for those enrolled in April, May, and June 2018 (4.7 per cent) is lower than the rate for those enrolled in the previous four years (5.6 per cent). As shown in Figure

---

[69] The RTI analysis presented is based on tax months and tax years. Tax months run from the 6th of a given calendar month to the 5th of the following calendar month. The tax year runs from the 6th of April to the 5th of April.

[70] Note that becoming non-eligible flags an instance where an employee becomes non-eligible (whether falling below the earnings trigger or moving over the upper age limit) at the same time as stopping saving. This could imply that an employee is un-enrolled by their employer or that they made an active decision due to their change in circumstance.

[71] An employee is inferred to have made an active decision to stop saving when their employment is still active and eligible, but they stop contributing to a workplace pension.

[72] The figures in this section include both those who start saving because their employer has reached their staging date and those starting saving due to starting an employment with an employer who already has automatic enrolment duties (the difference between these groups is discussed in more detail below).

4.13, April, May and June 2018 rates are at equivalent levels or lower than in previous financial years.

Additionally, Figure 4.13 shows that active decision opt-out rates remained low at the end of 2017/18, showing that there did not appear to be either an increase in those enrolled in March opting out when contribution rates increased in April, or a rise in opt-out in anticipation of imminent contribution rate rises.

The active decision opt-out rate peaked in 2016/17 at 6.5 per cent, and has declined since.

Of the 12.7 per cent of new savers who stopped saving within the opt-out window between April 2014 and June 2018, 41.8 per cent were due to the end of employment, 43.6 per cent made an active decision to opt out, and becoming non-eligible accounted for the remaining 14.6 per cent.

Figure 4.12 – Proportion of those enrolled each period stopping saving within opt-out window, by reason for stopping saving

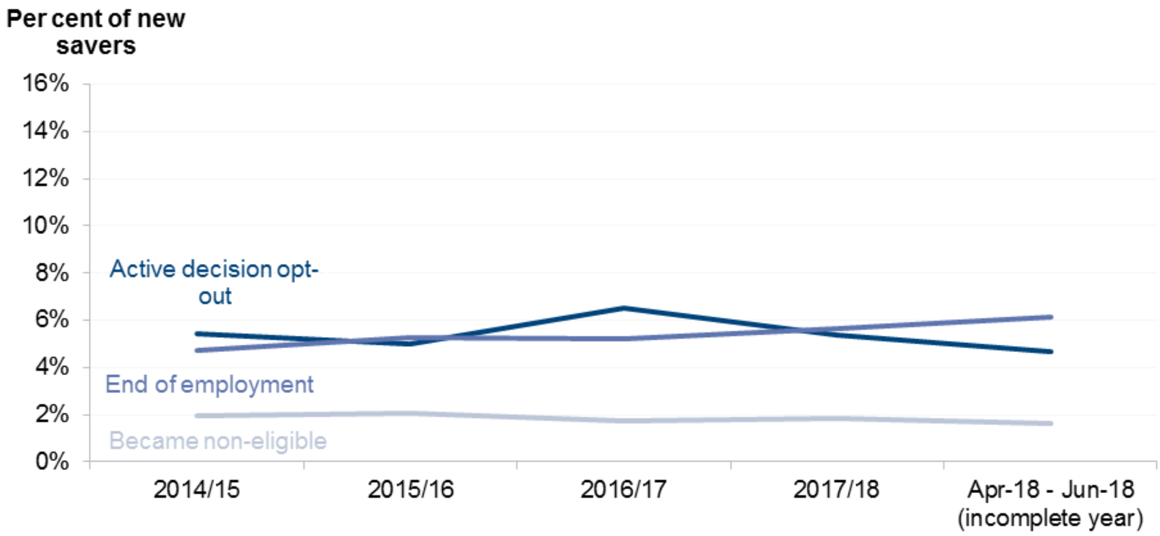
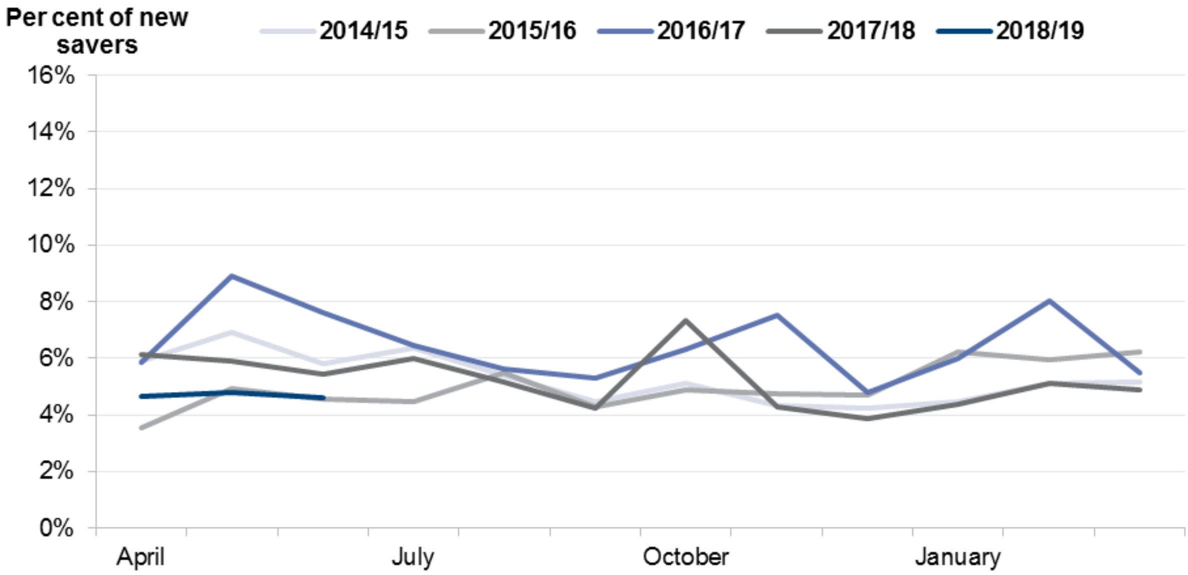


Figure 4.13 – Proportion of those starting saving each month making an active decision to stop saving within opt-out window by financial year



RTI opt-out rates by method of enrolment

Figure 4.14 presents the RTI active decision opt-out rate for each financial year, split by the method of enrolment.

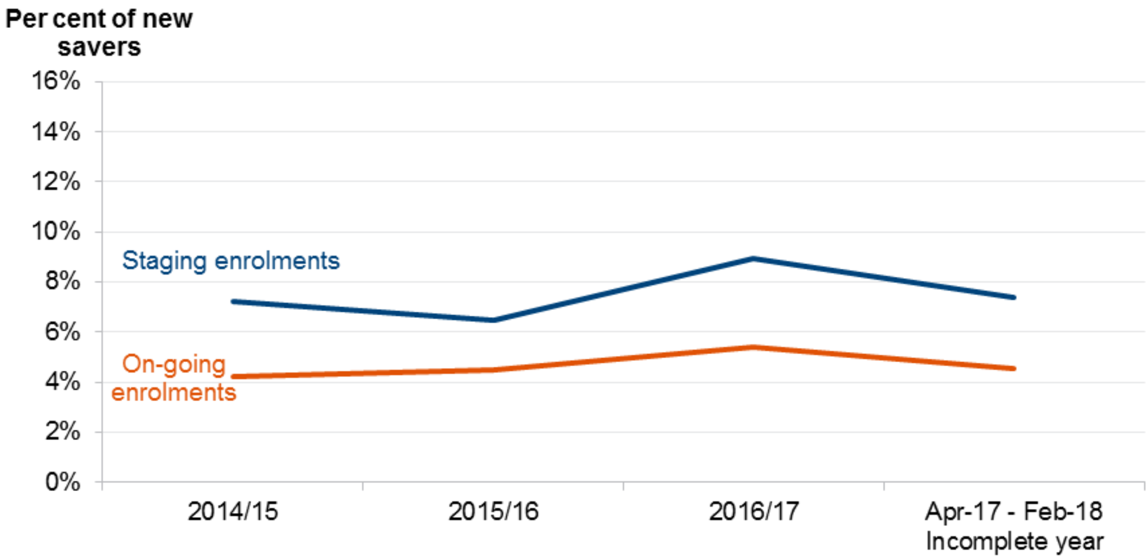
Staging enrolment occurred during the initial roll-out of AE, when employers reached their staging date and were obliged to automatically enrol eligible staff. On-going enrolment occurs for newly hired employees in employers who already have AE duties to immediately enrol them.[73]

The data in Figure 4.14 runs from April 2014 to February 2018, when staging finished. The active decision opt-out rate for staging enrolees (7.6 per cent across this period) is consistently higher than for on-going enrolees (4.7 per cent). This matches findings published by NEST Insight and Vanguard.[74]

[73] Employees are classified by when their employment started relative to their employer's staging date. If their job started before the staging date, they are a staging enrolment. If it starts after the staging date, they are an on-going enrolment.

[74] NEST Insight and Vanguard. (2018). *How the UK saves*. At: http://www.nestinsight.org.uk/how-the-uk-saves/

Figure 4.14 – Proportion of those stopping saving within opt-out window, by method of enrolment[75]



Since staging is now complete, future opt-out rates are expected to be closer to the lower, on-going enrolment average.

Several factors could explain a difference in behaviour between these groups, including potential factors like take-home pay impacts (on-going enrolees should pay contributions from their first payroll period, meaning they will not notice a fall in pay following enrolment), or social norm effects, when saving into a pension is increasingly seen over time as the normal thing to do.

Note two caveats to this measure. First, the above analysis cannot isolate cases of re-enrolments, which may be classified as staging or on-going depending on their employment start dates and employer's staging dates. Second, employers can postpone enrolling new staff, in which case on-going enrolments would have similar take home pay impacts to staging enrolments.

RTI opt-out rates by gender

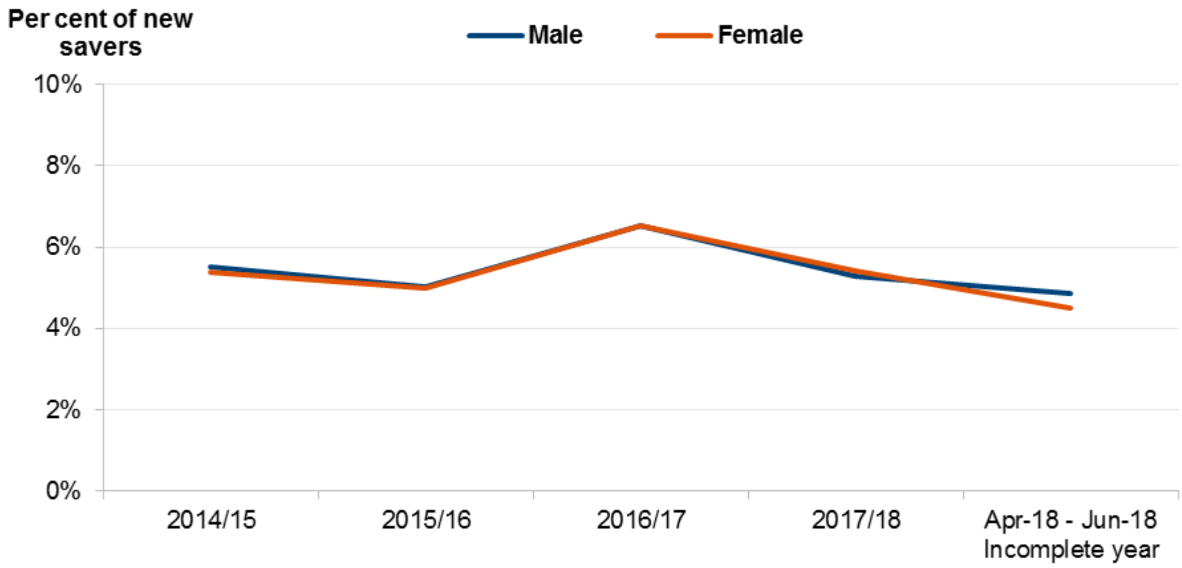
Figure 4.15 shows the active decision opt-out rate from April 2014 to June 2018, split by gender.

Active decision opt-out rates for males and females enrolled from April 2014 to June 2018 are approximately equal at 5.5 per cent. This result is consistent with previous

[75] These figures run to the end of the staging profile, February 2018.

research by DWP[76], and NEST Insight and Vanguard.[77] The trend across the period (peak in 2016/17) matches the overall trend observed above.

Figure 4.15 – Percentage of each cohort who made an active decision to stop pension saving within six weeks of making their first pension contribution, by gender



RTI opt-out rates by age group

Figure 4.16 presents the RTI active decision opt-out rate for the different age bands for automatic enrolment.

Older age groups tend to have higher opt-out rates than younger age groups, with the difference between groups becoming more pronounced for the oldest age groups. From April 2014 to June 2018, those aged 22 to 29 – who prior to the introduction of AE had the lowest participation rate[78] – had the lowest active decision opt-out rate, at 4.2 per cent. Rates are similar for those aged 30 to 39 (5.0 per cent), and 40 to 49 (5.6 per cent). There is a greater gap to those aged 50 to 59 (7.6 per cent) and 60 to SPA (12.9 per cent). This result is consistent with findings published by NEST Insight and Vanguard.[79]

---

[76] Note - the opt-out rates in this research only cover micro employers – DWP. (2018). *Automatic Enrolment: Quantitative Research with Small and Micro Employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-quantitative-research-with-small-and-micro-employers

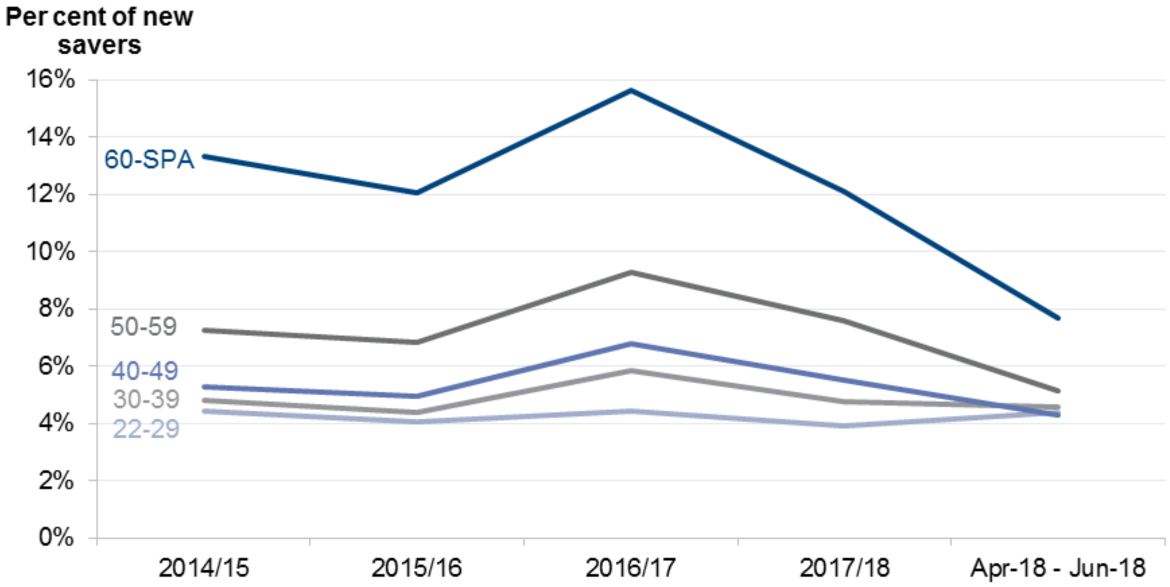
[77] NEST Insight and Vanguard. (2018). *How the UK saves*. At: http://www.nestinsight.org.uk/how-the-uk-saves/

[78] DWP. (2018). *Official statistics on workplace pension participation and saving trends for eligible employees*. At: https://www.gov.uk/government/statistics/workplace-pension-participation-and-saving-trends-2007-to-2017

[79] NEST Insight and Vanguard. (2018). *How the UK saves*. At: http://www.nestinsight.org.uk/how-the-uk-saves/

Opt-out rates for different age groups have been converging from 2016/17 to April to June 2018.

Figure 4.16 – Proportion of those enrolled each period stopping saving within opt-out window, by age group



RTI opt-out rates by earnings

Figure 4.17 presents active decision opt-out rates by earnings level. Generally, higher earning employments have higher opt-out rates. The lowest earning group, those who had the lowest participation prior to the introduction of AE[80], have had consistently low active decision opt-out rates across the four year period presented.

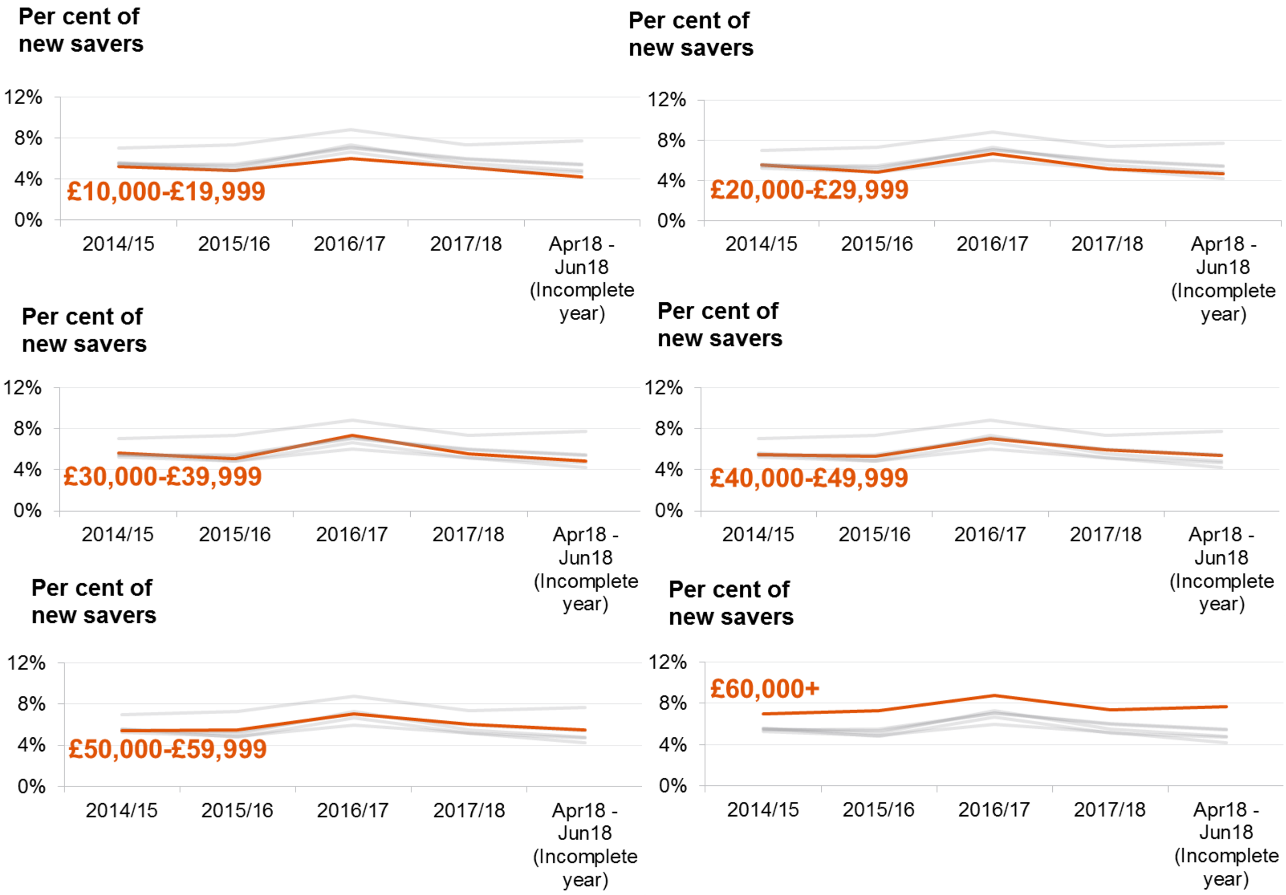
Average opt-out rates are similar for employments earning from £10,000 to £60,000 per annum, ranging from 5.2 per cent for those earning between £10,000 and £20,000 to 6.0 per cent for those earning between £50,000 and £60,000. There is a slight jump to 7.6 per cent for those earning over £60,000 per annum.

The only change in trend from April 2018 onwards is for those earning over £60,000 per annum. While active decision opt-out rates fell for all other earnings groups, for the highest group they rose from 7.4 per cent in 2017/18 to 7.7 per cent in the April to June 2018 period. However, 7.7 per cent is still approximately equal to the average active decision opt-out rate for this group over the previous four years, so is still consistent with pre-April 2018 levels.

Annex 6.1.4 shows how active decision opt-out rates interact by age and earnings level. It shows that the observed pattern of opt-out rates by earnings level is at least partly driven by age demographics. Higher earning employments tend to be older, which at least partly drives the higher opt-out rates for that group.

[80] DWP. (2018). *Official statistics on workplace pension participation and saving trends for eligible employees*. At: https://www.gov.uk/government/statistics/workplace-pension-participation-and-saving-trends-2007-to-2017

Figure 4.17 – Percentage of each cohort who made an active decision to stop pension saving within six weeks of making their first pension contribution, by earnings level



4.3.4 Reasons for opting out

Over the course of the first two waves (of three) of DWP research with 'newborn' (new) employers, due for publication in 2019, the research team interviewed 12 workers who had opted out from their workplace pension. It is worth noting that nine of the 12 were aged over 50, and therefore their experiences and views reflected that life-stage. For example, many of them felt they had put a lot of thought into their plans for retirement, and while none of them were planning to retire in the next year or two, some were hoping to retire in the next five to ten years.

Most opt-outs were either paying or had paid off a mortgage, and nearly all were working full-time. Although six workers who opted out were earning less than £20,000 per annum, only a few were concerned about affordability.

The most common reason for opting out was that these workers felt that they had already built up – or would have built up by the date they retired – sufficient provision elsewhere. Typically this was in the form of other workplace pensions accrued over decades of working life, but mentions of property and other savings and investments were also common.

A few opt-outs cited affordability as their main reason for leaving the scheme, either because they needed their take-home pay for immediate day-to-day expenses, or because they were saving elsewhere.

Older workers tended to suggest that it was 'too late' to start a new pension: whatever the level of provision they had built up elsewhere, they believed they would not be able to save enough in this pension to make it worthwhile. This was due to the combination of a relatively low contribution rate and the anticipation that they did not have many years left of their working life.

4.3.5 Overall cessation in 2017

The cessation rate refers to the proportion of automatically enrolled workers that have left the scheme following the opt-out period. In EPP 2017, cessation was calculated as the proportion of employees automatically enrolled into a pension scheme in the last financial year (2016/17) who have left the scheme, for any reason, after the one month opt-out period.[81] This includes employees who ceased active membership due to leaving their job.

Overall, employers estimated that 16 per cent of employees who had been automatically enrolled in the last financial year had ceased active membership by the time of survey fieldwork (July to October 2017).[82] Large and medium-sized employers reported higher cessation rates (23 and 14 per cent respectively) compared with small and micro employers with seven and six per cent respectively).

EPP 2017 also found that on average, employers said that around two-thirds (67 per cent) of employees who had ceased did so due to leaving their job.

4.3.6 RTI analysis of cessation trends

This section presents RTI cessation rates from April 2014 to June 2018. The RTI cessation rate is calculated as the proportion of all workplace pension savers who cease pension saving in a particular month[83].

The RTI cessation rate differs from the EPP cessation rate in two ways. First, as discussed in section 4.3.2, the definition of opt-outs and cessations is different, so some employees who would be cessations in another measure such as the EPP may be opt-outs within the RTI analysis (see Annex 6.1.2 for more details on this definition).

---

[81] EPP 2013 and 2015 calculated cessation rates for all employees automatically enrolled since the employer staged. EPP 2017 calculated rates for all employees automatically enrolled in the last financial year (2016/17), whether the employer had staged in that year or not, to ensure accuracy of data and allow comparability with future research.

[82] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

[83] An employee is defined as stopping saving in the month of their final pension contribution.

The second is the type of rate. The EPP uses a cohort-based rate (as does the RTI opt-out rate in the previous section), where the March 2016 estimate is the proportion of those who started saving in March who subsequently cease pension saving[84]. In contrast the RTI cessation rate is proportion of all pension savers who stop saving in March. The latter type of measures has a significantly larger denominator, so will produce relatively lower absolute rates.

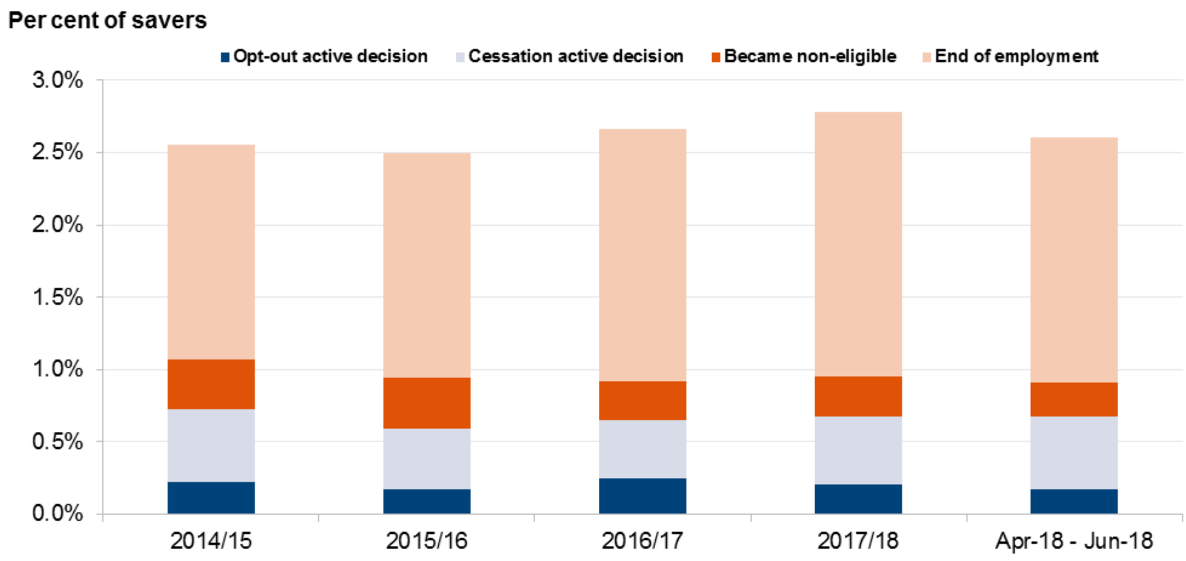
The cessation rate is presented here alongside figures for opt-outs, in order to give an overall rate of stopping saving for each period. Note, the opt-out figures in this section will be lower than those presented earlier (section 4.3.3) as a consequence of the larger denominator used.

RTI overall stopping saving rate

Figure 4.18 presents the RTI stopping saving rate from April 2014 to June 2018, split by reason for stopping saving. Figure 4.19 presents the active decision rate (including opt-outs and cessations) by financial year to aide comparison across years.

There has been no overall level increase in employees stopping saving in response to the increase in minimum contribution rates. The active decision rate (proportion of workplace pension savers who made an active decision to stop saving each period) from April to June 2018 (0.7 per cent) is consistent with the rate for the previous four financial years (0.6 per cent).

Figure 4.18 – Stopping saving: the average monthly proportion of workplace pension savers who stop saving each financial year, by reason.

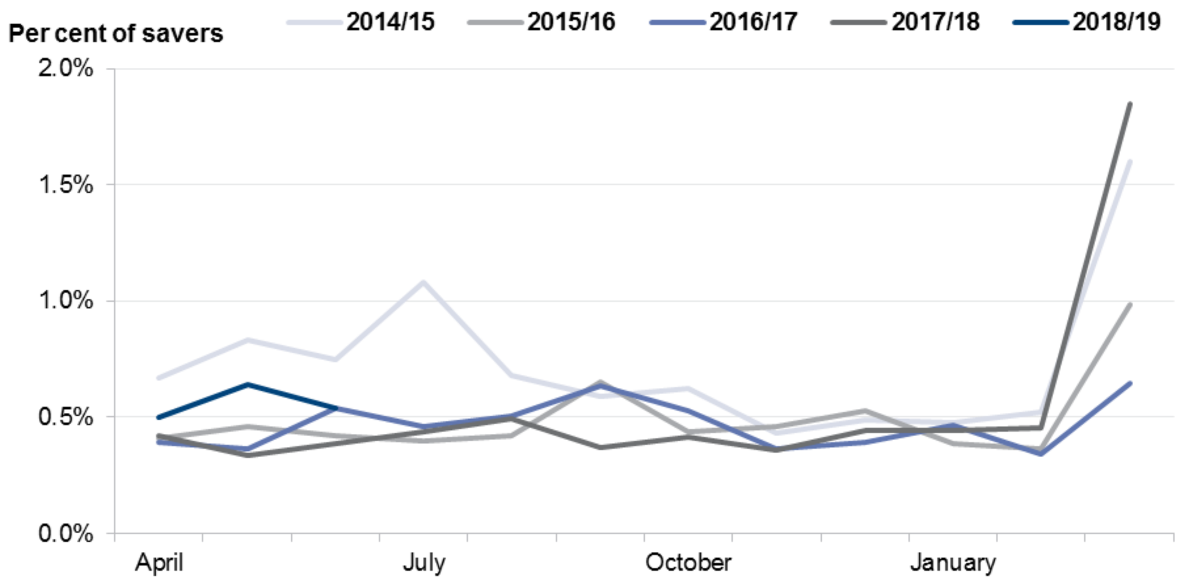


[84] As time passes, more employees from a given cohort will stop saving or change job, meaning that this rate will continually increase towards 100 per cent. As such, the cohort cessation rate for a particular month will depend on what point in time you measure it from.

Figure 4.19 shows that there was a spike in the active decision rate in March 2018 to 1.8 per cent. This is consistent with a pre-April 2018 seasonal pattern of spikes in the stopping saving rate at the end of the financial year, but more pronounced, which may have been caused by a small number of savers stopping saving in anticipation of increasing contribution rates. However, this was a one-off spike in March, and the active decision stopping saving rate from April 2018 onwards is consistent with levels in previous years.

As shown in Annex 6.1.6, this end of financial year spike has not led to a fall in the number of employments saving into a workplace pension.

Figure 4.19 – Stopping saving: the average monthly proportion of workplace pension savers who make an active decision to stop pension saving each month (including opt-outs and cessations)



From April 2014 to June 2018, on average 2.6 per cent of savers stopped saving each month due to active decisions, end of employments, and becoming non-eligible. Of that 2.6 per cent, 80 per cent of stoppages were cessations. Of the 0.7 per cent who make an active decision to stop saving each month, 69 per cent are cessations.

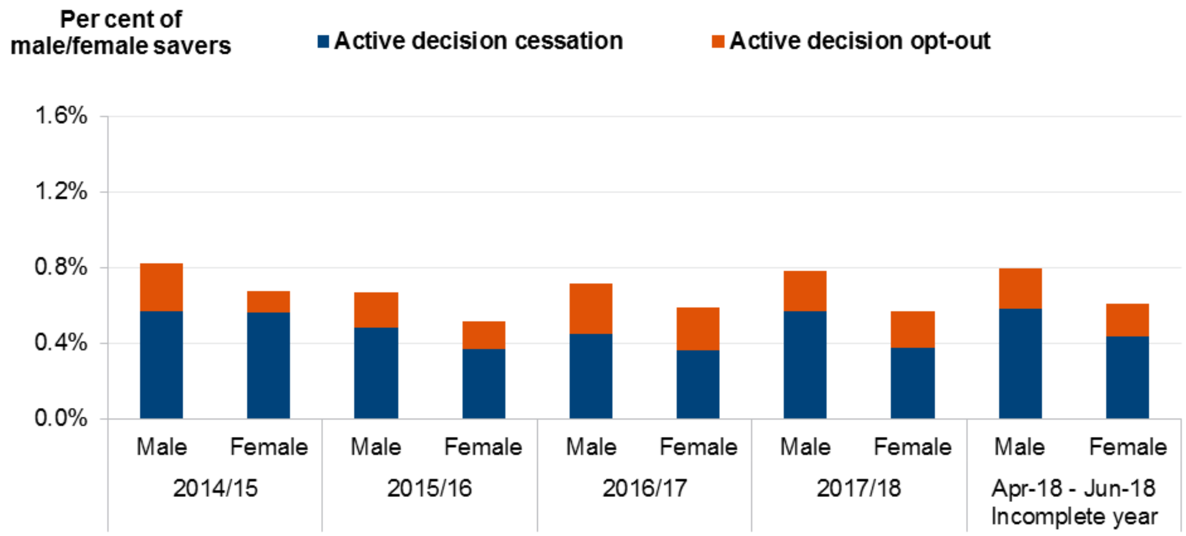
Of those stoppages across this time period, end of employments account for the majority (64 per cent), followed by active decisions (25 per cent), and becoming ineligible (11 per cent) (see Annex 6.1.7 for these figures).

RTI stopping saving rate by gender

Figure 4.20 presents the active decision stopping saving rate by gender.

From April 2014 to June 2018, the active decision stopping saving rate has been at consistent levels for males and females. This rate across this period has been slightly higher for males (0.7 per cent) than females (0.6 per cent). This difference in rate is driven by a higher level of cessations for males (0.5 per cent) than for females (0.4 per cent), with similar levels due to opt-out (0.2 per cent and 0.2 per cent, respectively) as explained in the RTI opt-out rates by gender in section 4.3.3. This has not changed from April 2018 onwards.

Figure 4.20 – Stopping saving: the average monthly proportion of workplace pension savers who make an active decision to stop pension saving each financial year, by gender



RTI stopping saving rate by age group

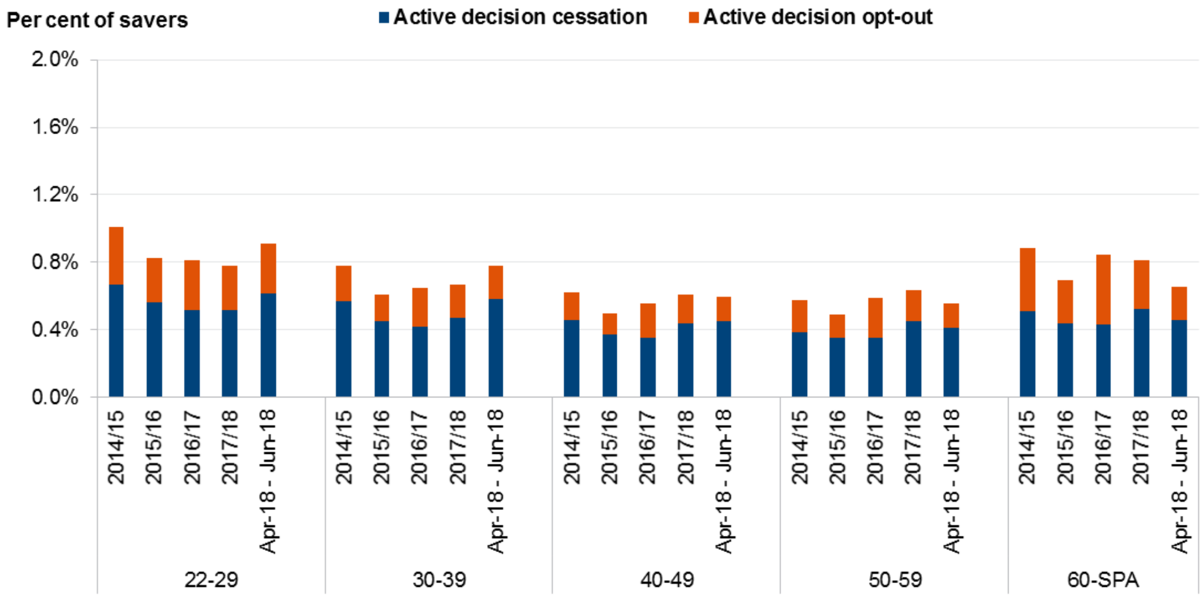
Figure 4.21 presents the active decision stopping saving rate, split by age group.

From April 2014 to March 2018, the active decision stopping saving rate was highest for those aged 22 to 29 (0.8 per cent) and 60 to State Pension age (0.8 per cent). Rates were lower for 30 to 39 year olds (0.7 per cent) and those aged 40 to 49 and 50 to 59 (0.6 per cent).

From 2014/15 to 2017/18, the active decision rate fell for the youngest age group from 1.0 per cent to 0.8 per cent. There was less variation among other age groups, none of which varied by more than 0.1 percentage point.

From April 2018 onwards, the rate was slightly higher for those aged 22 to 29 (0.9 per cent) and 30 to 39 (0.8 per cent), and slightly lower for those aged 60 to State Pension age (0.7 per cent). As shown in Annex 6.1.6, the overall levels of saving remain unchanged in these age categories.

Figure 4.21 – Stopping saving: the average monthly proportion of workplace pension savers who make an active decision to stop pension saving each financial year, by age group



RTI stopping saving rate by earnings level

Figure 4.22 presents the active decision stopping saving rate, split by earnings level.

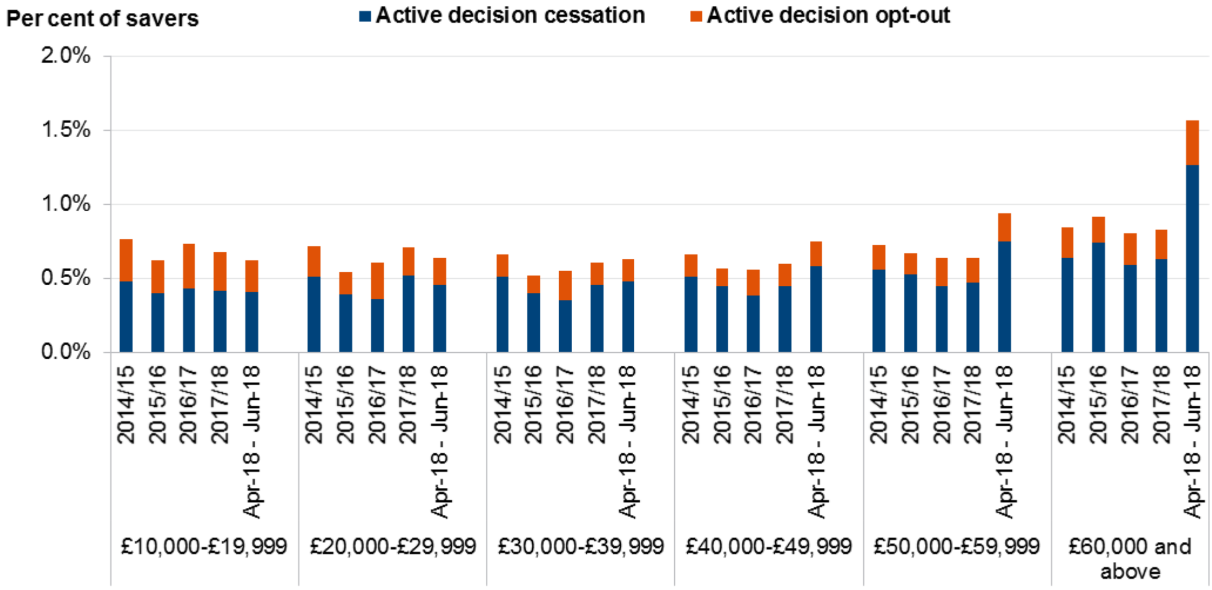
With the exception of the highest earning group, saving behaviour does not vary much by earnings level. In the four financial years from April 2014 to March 2018, the active decision stopping saving rate averaged 0.6 to 0.7 per cent for those earning between £10,000 and £60,000 per year. For the lowest earning group, who had the lowest participation levels prior to the rollout of AE[85], rates have remained low throughout this period.

From April 2018 onwards, rates have remained low for the lowest earning employments, falling to 0.6 per cent. The rate of stopping saving increased for the highest earners, particularly those earning above £60,000 per year who had an active decision rate of 1.6 per cent across this three month period. Despite this higher rate, there has not been a fall in the numbers in this earnings category saving into a pension (see Annex 6.1.6).

See Annex 6.1.5 for how stopping saving differs by age and earnings level.

[85] DWP. (2018). *Official statistics on workplace pension participation and saving trends for eligible employees*. At: https://www.gov.uk/government/statistics/workplace-pension-participation-and-saving-trends-2007-to-2017

Figure 4.22 – Stopping saving: the average monthly proportion of workplace pension savers who make an active decision to stop pension saving each financial year, by earnings level



4.3.7 Re-enrolment volumes, opt-out and cessation

Every three years, staff who were automatically enrolled but opted out of or ceased active membership of a pension scheme more than 12 months before an employer's re-enrolment date must be automatically re-enrolled into the scheme. Re-enrolment is designed in recognition that people's circumstances can change over time and re-enrolment enables them to re-engage with workplace pension saving through automatic enrolment.

EPP 2017 found that of those employers who have automatically re-enrolled employees, the majority have only re-enrolled relatively small numbers, with 50 per cent reporting that they re-enrolled between one and 24 employees.[86] [87] Levels of opt-out following re-enrolment are higher than those reported following original automatic enrolment, however this is not surprising as everyone who was automatically re-enrolled would have previously opted out or ceased active membership. The overall opt-out level following re-enrolment among medium and large employers was 33 per cent. This varied by size of employer, with an opt-out rate of 50 per cent for medium employers and 31 per cent for large employers.

The reported cessation rate, that is the proportion of employees re-enrolled who left the pension scheme after the one month opt-out period, followed a similar pattern.

---

[86] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

[87] As the employer's re-enrolment date is three years after their original staging date, only employers with 50 or more employees had passed their re-enrolment date when the fieldwork for EPP 2017 was conducted.

The overall level of cessation following re-enrolment among medium and large employers was 24 per cent, with medium employers having a higher cessation rate compared with large employers (51 per cent compared with 18 per cent).[88]

The staged roll-out of automatic enrolment, and three year cycle of re-enrolment, means that it is too soon to see the impact of re-enrolment on employees of small and micro employers.

4.3.8 Enrolment of non-eligible employees

The pension participation rate of non-eligible employees has increased since automatic enrolment was introduced, in addition to the rate for eligible employees, as mentioned earlier in Chapter 4.

EPP 2017 measured the extent of employers enrolling non-eligible employees into a qualifying pension scheme. Overall, in eight per cent of employers with a scheme used for automatic enrolment, at least some non-eligible employees had been enrolled into a scheme in the last financial year (2016/17).[89] This increased with employer size; in 34 per cent of large employers at least some non-eligible employees had been enrolled into a scheme used for automatic enrolment, compared with two per cent among micro employers.

Reasons for the enrolment of non-eligible employees are explored in section 4.6.5.

4.4 Individual attitudes, understanding and activities

As mentioned in section 2.2, the DWP has been undertaking communication activity to raise awareness and understanding of automatic enrolment among individuals.

4.4.1 Recognising the benefits of pension saving

Findings from the DWP's communications tracking research in June 2018 showed that the vast majority of individuals interviewed viewed automatic enrolment and workplace pensions in a positive light, with 82 per cent saying that it is a good thing for them personally (84 per cent for advert recognisers, vs. 74 per cent for non-recognisers).[90] Eighty per cent of employees agreed that they knew what the benefit

---

[88] As cited earlier in the report, this measure of cessation includes employees who ceased saving due to any reason, for example those who ceased active membership due to leaving their job.

[89] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

[90] DWP. (2018). *Workplace Pension: research into saving for retirement*. At: https://www.ipsos.com/ipsos-mori/en-uk/workplace-pension-new-research-saving-retirement

of being in a workplace pension was for them (82 per cent for advert recognisers, vs. 74 per cent for non-recognisers).

4.4.2 The social norms of workplace pension saving

A key indicator of the communication campaign's success is how much individuals see pension saving as normal. In the June 2018 DWP communications tracker, the majority of employees (78 per cent) agreed that 'saving into a workplace pension is the normal thing to do if you work for an employer' (82 per cent for advert recognisers vs. 75 per cent for non-recognisers).[91] A majority (80 per cent) also agreed that 'saving into a workplace pension is normal for someone like me' (83 per cent for advert recognisers vs. 71 per cent for non-recognisers[92]).

4.4.3 Individuals' access and understanding of information on pension saving

Findings from the June 2018 communications tracker revealed that the majority of employees (83 per cent) said they knew where to go if they wanted to find out more about workplace pensions (85 per cent for advert recognisers, vs. 76 per cent for non-recognisers).[93]

Based on findings from the Wealth and Assets Survey, there has been a slight increase in the number of respondents who agreed with the statement: 'I feel I know enough about pensions to make decisions about saving for retirement' between the 2010/12 and 2014/16 waves (from 43 per cent to 46 per cent).[94] Preliminary estimates from 2016/17 show a slight decrease overall to 42 per cent, however firm conclusions about whether the level of understanding has changed cannot be drawn until analysis of the 2016/18 wave has been completed.

---

91 DWP. (2018). *Workplace Pension: research into saving for retirement*. At: https://www.ipsos.com/ipsos-mori/en-uk/workplace-pension-new-research-saving-retirement

92 Statistically significant difference at the 95 per cent confidence level.

93 DWP. (2018). *Workplace Pension: research into saving for retirement*. At: https://www.ipsos.com/ipsos-mori/en-uk/workplace-pension-new-research-saving-retirement

94 ONS. (2018). *Early indicator estimates from the Wealth and Assets Survey: attitudes towards saving for retirement, automatic enrolment into workplace pensions and financial situation, July 2016 to December 2017.* At: https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/earlyindicatorestimatesfromthewealthandassetssurvey/attitudestowardssavingforretirementautomaticenrolmentintoworkplacepensionscreditcommitmentsanddebtburdenjuly2016todecember2017

4.4.4 Employee contributions of eligible employees participating in workplace pensions

Following the introduction of automatic enrolment, total contributions to workplace pensions are increasing, as more people are contributing. However, median contribution rates of savers are lower as those employees newly saving are likely to be making the current minimum contributions specified under automatic enrolment rules. This has resulted in a decrease in the overall median contribution rates for pension savers. This lower percentage contribution rate picture is likely to change as automatic enrolment proceeds and the minimum level of contributions required increases as planned. The latest available ASHE data is for April 2017, so this analysis only represents the period prior to the planned increases of minimum contributions.

Tables 4.1 and 4.2 and Figures 4.23 and 4.24 show the percentage and number of eligible employees with workplace pensions, in the private sector, by banded rate of employee contribution (size of the contribution as a proportion of pensionable pay reported in ASHE).[95]

The data show that in 2017 over 6.1 million eligible private sector employees saving into a workplace pension made a contribution of two per cent or above. Around 5.1 million were contributing three per cent or above and over 3 million were contributing an employee rate of five per cent or above.

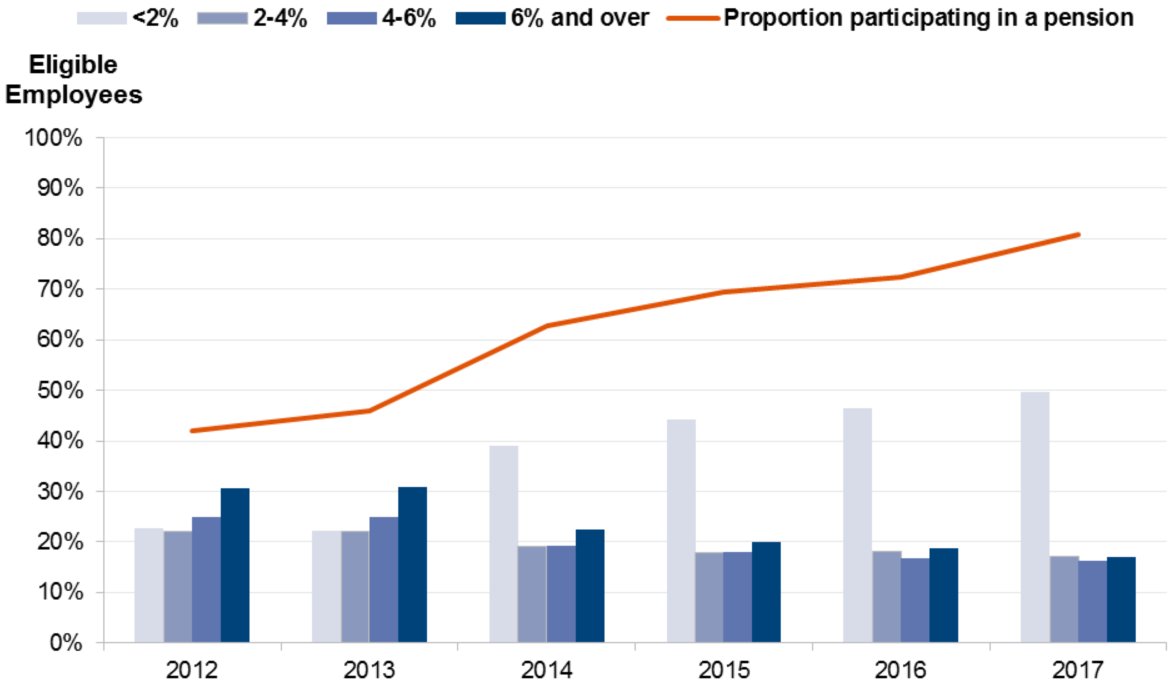
Table 4.1 – Percentage of eligible employees with workplace pensions: by banded rate of employee contribution in the private sector, 2010 to 2017, Great Britain

Great Britain								Percentages
Banded contribution rate	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Participating in a pension	44%	42%	42%	46%	63%	70%	72%	81%
of which contributing:								
Zero	17.3%	17.9%	17.9%	12.6%	9.2%	7.1%	7.7%	5.8%
0-2%	5.0%	5.0%	4.7%	9.6%	29.9%	37.1%	38.8%	44.0%
2-3%	10.4%	10.0%	10.2%	10.4%	9.0%	8.8%	8.7%	8.2%
3-4%	11.8%	12.4%	11.7%	11.7%	10.1%	9.1%	9.3%	8.9%
4-5%	12.7%	12.2%	12.2%	11.7%	9.6%	8.8%	8.7%	8.1%
5-6%	12.8%	12.8%	12.7%	13.1%	9.8%	9.2%	8.2%	8.2%
6-7%	15.8%	16.0%	11.1%	10.1%	7.1%	6.4%	5.3%	4.6%
7% and over	14.2%	13.6%	19.5%	20.7%	15.3%	13.4%	13.4%	12.4%

Source: DWP estimates derived from the ONS ASHE, GB, 2010–2017.
Note:
1. Percentages may not sum to 100 per cent due to rounding.
2. Estimates refer to April of each year.
3. An employee contribution may be zero if the employer is choosing to cover the full contribution required under automatic enrolment.

[95] Note that 'pensionable pay' may differ from the minimum band of earnings on which pension contributions should be made under automatic enrolment, so the contribution rates are not consistent with the minimums defined under automatic enrolment.

Figure 4.23 – Percentage of eligible employees with workplace pensions: by banded rate of employee contribution in the private sector, 2012 to 2017, Great Britain



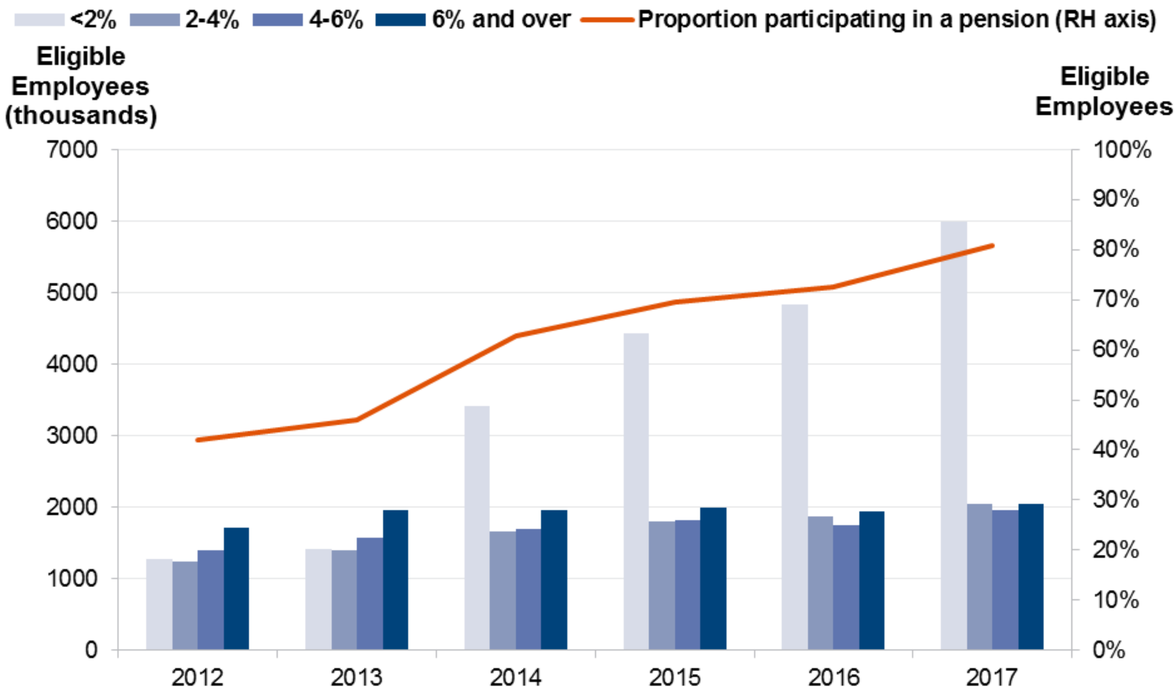
Source: DWP estimates derived from the ONS ASHE, GB, 2012–2017.

Table 4.2 – Number of eligible employees with workplace pensions: by banded rate of employee contribution in the private sector, 2010 to 2017, Great Britain

Great Britain						Number of employees in thousands		
Banded contribution rate	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Participating in a pension	44%	42%	42%	46%	63%	70%	72%	81%
of which contributing:								
Zero	978	981	1,000	798	804	712	803	696
0-2%	281	277	265	606	2,606	3,719	4,029	5,303
2-3%	590	549	572	660	784	884	909	984
3-4%	670	678	658	740	880	917	963	1,067
4-5%	716	671	683	743	835	882	901	970
5-6%	726	701	711	832	853	927	850	984
6-7%	894	878	619	640	623	645	549	558
7% and over	801	744	1,090	1,310	1,336	1,349	1,389	1,489

Source: DWP estimates derived from the ONS ASHE, GB, 2010–2017.

Figure 4.24 – Number of eligible employees with workplace pensions (in thousands): by banded rate of employee contribution in the private sector, 2012 to 2017, Great Britain



Source: DWP estimates derived from the ONS ASHE, GB, 2012–2017.

4.4.5 Characteristics of eligible employees and employers contributing at least the minimum

Tables 4.1 and 4.2 show the distribution of reported contribution rates in ASHE. These rates are calculated as the reported value of the pension contribution as a proportion of reported pensionable pay. Pensionable pay may include overtime pay, bonuses as well as basic pay, and may include earnings below the lower earnings limit. The following tables estimate contribution rates as a contribution amount as a proportion of basic pay minus the lower earnings limit in the relevant year, and examines those eligible employees for whom total contributions are over two per cent with an employer contribution of one per cent. This methodology is adopted to better match the minimum requirements as they were in April 2017.

While the data can tell us the characteristics of those making higher contributions, it is not possible to determine whether this is due to individuals making additional voluntary contributions or whether this is due to a more generous (default) scheme from their employer.

As might be expected, Table 4.3 and Table 4.4 show that those contributing at least the minimum are more likely to be older age groups. Around three out of ten (28.4 per cent) of this group are in the 50 to SPA age band; however, since 2010 there has also been an increase in the proportion of those saving at a higher rate in the youngest age band (22 to 29).

Table 4.3 – Distribution of eligible employees paying contributions at least the minimum, by age band, in the private sector, 2010 to 2017, Great Britain

Great Britain								Percentages
Age band	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
22 to 29	11.6%	11.5%	11.6%	12.8%	16.5%	17.2%	17.6%	18.2%
30 to 39	26.9%	26.4%	25.9%	25.5%	26.2%	26.2%	26.1%	26.6%
40 to 49	33.5%	33.3%	33.0%	31.6%	29.6%	28.5%	27.4%	26.8%
50 to SPA	28.0%	28.9%	29.5%	30.1%	27.7%	28.1%	28.9%	28.4%

Source: DWP estimates derived from the ONS ASHE, GB, 2010–2017.
Note: Percentages may not sum to 100 per cent due to rounding. Figures refer to April of each year.

Table 4.4 – Number of eligible employees paying contributions at least the minimum, by age band, in the private sector, 2010 to 2017, Great Britain

Great Britain								Number of employees in thousands
Age band	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
22 to 29	620	598	624	757	1,262	1,476	1,544	1,796
30 to 39	1,434	1,374	1,387	1,513	2,011	2,245	2,286	2,634
40 to 49	1,782	1,736	1,767	1,875	2,264	2,444	2,405	2,648
50 to SPA	1,489	1,504	1,578	1,785	2,123	2,410	2,529	2,812

Source: DWP estimates derived from the ONS ASHE, GB, 2010–2017.

Table 4.5 and Table 4.6 show that savers who are contributing at rates of at least two per cent, where at least one percent is contributed by the employer, are more likely to be from the highest earnings bracket. However, the gap between the highest and lowest earners has been closing since 2011. The two lower bands experienced an increase in 2017, continuing to close the gap between the participation of employees earning £10,000 to £20,000 and those in the £40,000+ bracket.

Table 4.5 – Distribution of eligible employees paying contributions at least the minimum: by earnings band, in the private sector, 2010 to 2017, Great Britain

Great Britain								Percentages
Earning band	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
£10,000 - under 20,000	12.5%	12.5%	13.1%	14.8%	19.0%	19.1%	19.7%	20.9%
£20,000 - under 30,000	23.3%	22.6%	23.0%	23.6%	27.0%	28.0%	28.3%	28.9%
£30,000 - under 40,000	22.3%	22.6%	22.6%	21.9%	20.8%	21.0%	20.8%	20.5%
£40,000+	40.9%	41.3%	40.3%	38.5%	33.3%	32.0%	31.1%	29.7%

Source: DWP estimates derived from the ONS ASHE, GB, 2010–2017.
Note: Percentages may not sum to 100 per cent due to rounding.

Table 4.6 – Number of eligible employees paying contributions at least the minimum: by earnings band, in the private sector, 2010 to 2017, Great Britain

Great Britain								Number of employees in thousands
Earning band	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
£10,000 - under 20,000	668	651	703	877	1,452	1,637	1,728	2,067
£20,000 - under 30,000	1,241	1,179	1,233	1,402	2,067	2,398	2,483	2,856
£30,000 - under 40,000	1,187	1,178	1,211	1,298	1,594	1,799	1,823	2,028
£40,000+	2,178	2,154	2,158	2,286	2,548	2,741	2,730	2,939

Source: DWP estimates derived from the ONS ASHE, GB, 2010–2017.

Table 4.7 and Table 4.8 show that the majority of employees, around 66 per cent in 2017, who were paying at least one per cent (with total contribution rates of at least two percent) were working at either large (250 to 4,999 employees) or very large (5,000 plus employees) employers. A very small proportion, around one per cent, were micro employers (one to four employees). However, larger employers are more likely to have existing pension provision, which could explain the high proportion paying on total earnings.

In 2017 there was an increase in the share of employees paying contributions at least the minimum who were working for small (five to 49) and micro (one to four) employers. This reflects the staging profile, which had then reached the micro employers.

Table 4.7 – Distribution of eligible employees paying contributions at least the minimum, by employer size, in the private sector, 2010 to 2017, Great Britain

Great Britain								Percentages
Employer size	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
1 to 4	0.8%	0.9%	0.7%	0.7%	0.5%	0.5%	0.6%	1.0%
5 to 49	11.8%	11.3%	11.0%	10.2%	7.9%	8.2%	11.0%	14.6%
50 to 249	16.3%	16.4%	16.3%	15.4%	13.4%	19.2%	19.1%	18.3%
250 to 4,999	39.7%	40.4%	42.3%	41.1%	45.4%	43.6%	40.7%	38.8%
5,000+	31.1%	30.6%	29.5%	32.5%	32.6%	28.5%	28.6%	27.4%

Source: DWP estimates derived from the ONS ASHE, GB, 2010–2017.
Note: Percentages may not sum to 100 per cent due to rounding.

Table 4.8 – Number of eligible employees paying contributions at least the minimum, by employer size, in the private sector, 2010 to 2017, Great Britain

Great Britain								Number of employees in thousands
Employer size	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
1 to 4	41	45	39	40	41	42	53	97
5 to 49	626	589	590	604	606	701	967	1,440
50 to 249	870	857	875	914	1,027	1,647	1,673	1,807
250 to 4,999	2,115	2,108	2,265	2,440	3,481	3,736	3,563	3,835
5,000+	1,656	1,594	1,579	1,930	2,501	2,444	2,504	2,707

Source: DWP estimates derived from the ONS ASHE, GB, 2010–2017.

4.5 Trends in workplace pension saving

As shown in Table 4.9, the annual total amount saved on behalf of eligible employees across both sectors stands at £90.3 billion in 2017, which is an increase of £4.3 billion from 2016. Annual total amounts increased in both public and private sectors from 2016. The public sector increased by around £0.3 billion and the private sector by £4.0 billion.

Since the introduction of automatic enrolment in 2012, the amount saved has increased almost every year, with the only exception being 2013 where there was a decrease of £0.9 billion. In the private sector, there has been a £9.7 billion increase since 2012, to £49.8 billion in 2017. The public sector has seen a £2.0 billion increase over the same period.

Overall in 2017, as in recent years, contributions by employees accounted for 30 per cent of saving, with employer contributions accounting for 60 per cent, and tax relief the remaining ten per cent.

Within both the public and private sectors the amount saved per eligible employee continued to increase in 2017. This is likely to be a result of many eligible employees being brought into pension saving, who were not already contributing into a pension scheme. Increased numbers of employees joining at the minimum contribution level is likely to have led to the continued decrease in savings per eligible saver in 2017, with savers contributing the minimum amount making up a greater proportion of the saving population.

Amounts saved per eligible employee and per eligible saver are expected to continue to rise due to the planned minimum contribution rate increases. Total minimum contribution rates were increased from two per cent to five per cent of qualifying earnings in April 2018, and will increase further to eight per cent in April 2019.

Table 4.9 – Trends in workplace pension saving

Total pension saving of eligible savers 2007-2017, by employer and employee contributions and sector

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public sector											
Total saved (£ billions)	**35.7**	**37.3**	**38.3**	**41.2**	**39.4**	**38.5**	**37.9**	**37.4**	**38.9**	**40.2**	**40.5**
Employee contributions	9.1	9.8	9.6	10.6	10.2	10.6	11.2	11.6	11.9	12.1	12.2
Employer contributions	24.0	24.8	26.1	27.7	26.3	24.8	23.1	22.0	23.1	24.2	24.5
Tax relief	2.6	2.7	2.6	3.0	2.9	3.2	3.6	3.7	3.9	3.9	3.9
Per eligible saver (£s)	*7,283*	*7,574*	*7,506*	*7,678*	*7,601*	*7,992*	*7,591*	*7,931*	*8,167*	*8,404*	*8,414*
Per eligible employee (£s)	*6,536*	*6,798*	*6,700*	*6,828*	*6,704*	*7,014*	*6,814*	*7,250*	*7,462*	*7,621*	*7,724*
Private sector											
Total saved (£ billions)	**44.1**	**44.5**	**41.4**	**40.4**	**39.3**	**40.1**	**39.8**	**43.0**	**44.4**	**45.8**	**49.8**
Employee contributions	11.0	11.5	11.0	10.7	10.3	10.6	11.3	12.7	13.4	13.8	15.3
Employer contributions	29.5	29.3	27.1	26.3	25.7	26.0	24.6	26.0	26.5	27.3	29.3
Tax relief	3.5	3.6	3.3	3.3	3.3	3.5	3.9	4.3	4.6	4.7	5.2
Per eligible saver (£s)	*6,206*	*6,469*	*6,529*	*6,731*	*6,756*	*6,782*	*5,952*	*4,669*	*4,185*	*4,096*	*3,873*
Per eligible employee (£s)	*3,052*	*3,069*	*2,968*	*2,961*	*2,842*	*2,843*	*2,738*	*2,928*	*2,910*	*2,970*	*3,132*
All employees											
Total saved (£ billions)	**79.9**	**81.7**	**79.7**	**81.5**	**78.6**	**78.6**	**77.7**	**80.4**	**83.3**	**86.0**	**90.3**
Employee contributions	20.2	21.3	20.6	21.3	20.3	21.2	22.5	24.3	25.3	25.9	27.5
Employer contributions	53.7	54.0	53.1	54.0	52.1	50.8	47.6	48.1	49.6	51.5	53.8
Tax relief	6.1	6.4	6.1	6.3	6.4	6.7	7.5	8.0	8.4	8.7	9.0
Per eligible saver (£s)	*6,645*	*6,920*	*6,965*	*7,178*	*7,154*	*7,326*	*6,653*	*5,774*	*5,418*	*5,387*	*5,110*
Per eligible employee (£s)	*4,008*	*4,088*	*4,054*	*4,146*	*3,994*	*4,012*	*3,866*	*4,051*	*4,069*	*4,155*	*4,271*

Source: DWP estimates derived from the ONS ASHE, GB, 2007 to 2017

Note:

1. Annual earnings are uprated using Average Weekly Earnings values.
2. Eligible saver is defined as those eligible employees who are saving into a workplace pension.

4.6 Employer contributions

4.6.1 Employer contributions of eligible employees participating in workplace pensions

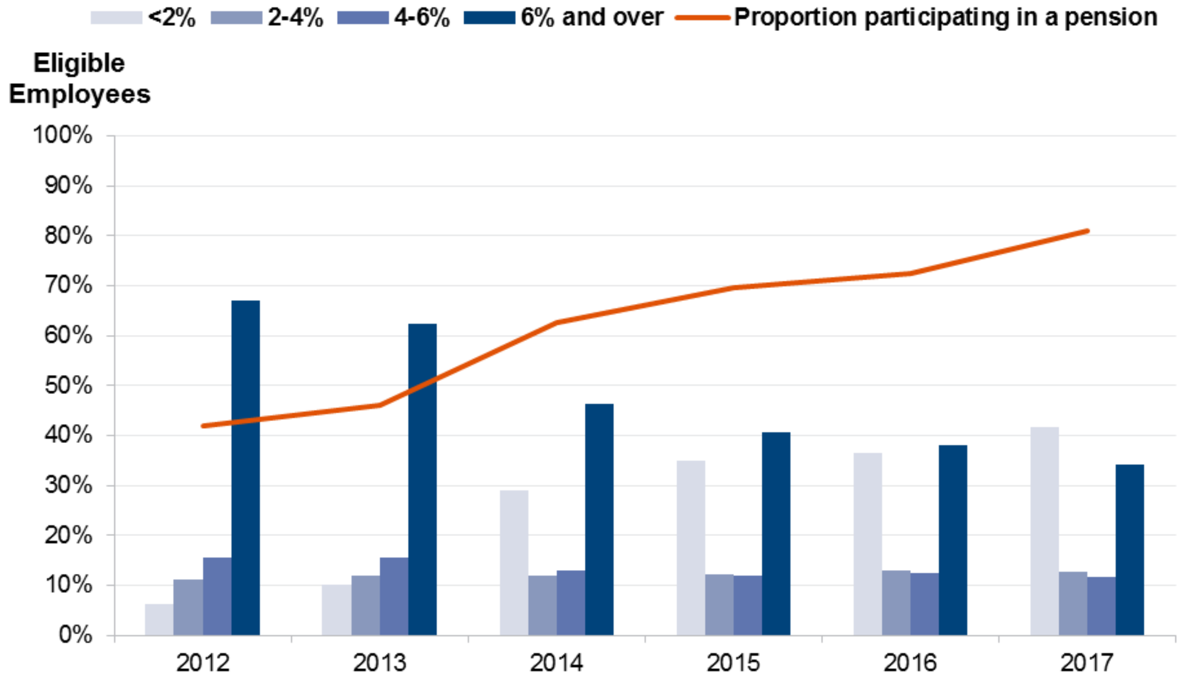
Tables 4.10 and 4.11 and Figures 4.25 and 4.26 show the percentage and number of eligible employees with workplace pensions, in the private sector, by banded rate of reported employer contribution. In 2017, over 7 million eligible private sector employees saving into a workplace pension received an employer contribution of two per cent or above; of these, 5.5 million received an employer contribution of four per cent or above.

Table 4.10 – Percentage of eligible employees with workplace pensions: by banded rate of employer contribution in the private sector, 2010 to 2017, Great Britain

Great Britain								Percentages
Banded contribution rate	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Participating in a pension	44%	42%	42%	46%	63%	70%	72%	81%
of which contributing:								
zero	4.7%	3.8%	3.5%	3.3%	2.3%	1.8%	1.6%	1.2%
0-2%	2.8%	2.7%	2.6%	6.9%	26.6%	33.3%	34.9%	40.4%
2-4%	10.9%	10.9%	11.2%	11.9%	11.9%	12.3%	12.9%	12.6%
4-6%	16.5%	16.0%	15.5%	15.6%	12.9%	12.0%	12.5%	11.7%
6-8%	11.1%	11.6%	11.6%	11.9%	9.4%	8.4%	8.5%	7.9%
8-10%	8.9%	9.4%	10.5%	9.4%	7.1%	6.3%	6.0%	5.6%
10-15%	21.1%	23.2%	23.9%	21.5%	15.8%	14.5%	10.6%	9.0%
15% and over	24.0%	22.5%	21.2%	19.6%	13.9%	11.4%	13.2%	11.6%

Source: DWP estimates derived from the ONS ASHE, GB, 2010–2017.
Note:
1. Percentages may not sum to 100 per cent due to rounding.
2. Figures refer to April of each year.
3. An employer contribution may be zero if the employer hasn't staged and doesn't offer provision.

Figure 4.25 – Percentage of eligible employees with workplace pensions: by banded rate of employer contribution in the private sector, 2012 to 2017, Great Britain



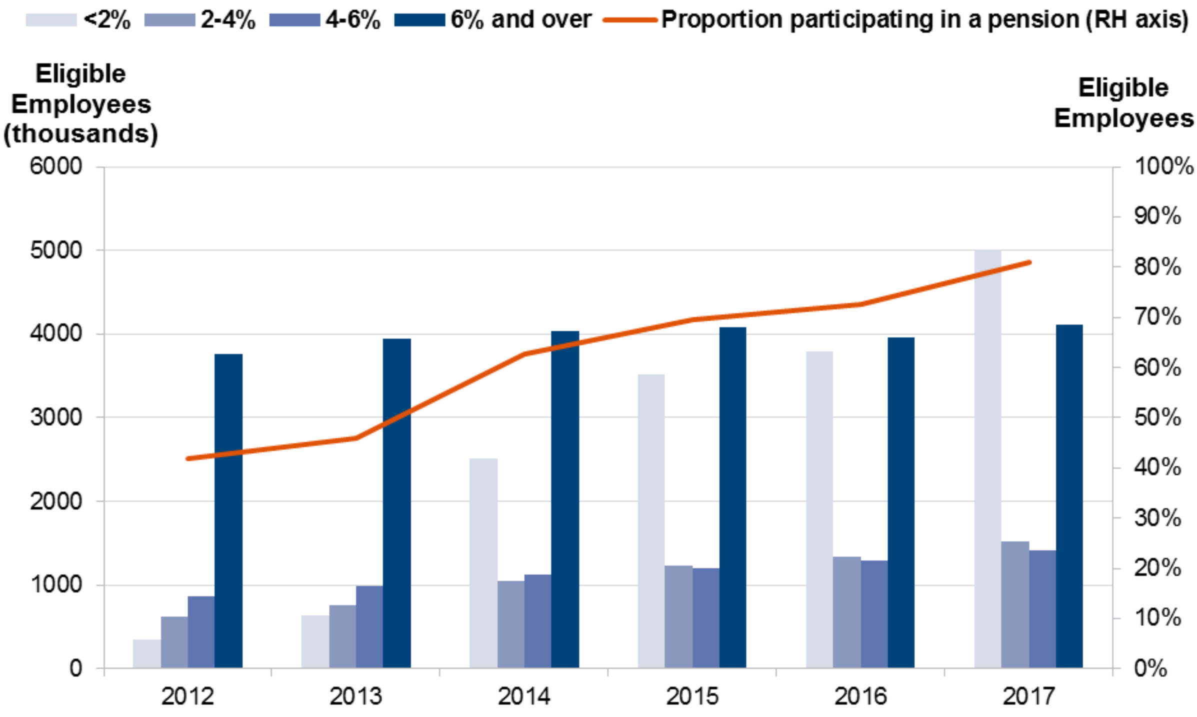
Source: DWP estimates derived from the ONS ASHE, GB, 2012–2017.

Table 4.11 – Number of eligible employees with workplace pensions: by banded rate of employer contribution in the private sector, 2010 to 2017, Great Britain

Great Britain								Number of employees in thousands
Banded contribution rate	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Participating in a pension	44%	42%	42%	46%	63%	70%	72%	81%
of which contributing:								
zero	266	206	196	207	199	182	164	140
0-2%	156	148	147	435	2,319	3,338	3,626	4,874
2-4%	616	599	628	753	1,041	1,233	1,338	1,523
4-6%	934	877	870	985	1,125	1,202	1,299	1,411
6-8%	630	635	647	753	820	848	880	952
8-10%	504	514	585	594	620	635	619	675
10-15%	1,192	1,268	1,341	1,360	1,382	1,459	1,099	1,087
15% and over	1,358	1,229	1,185	1,239	1,212	1,141	1,367	1,393

Source: DWP estimates derived from the ONS ASHE, GB, 2010–2017.

Figure 4.26 – Number of eligible employees with workplace pensions (in thousands): by banded rate of employer contribution in the private sector, 2012 to 2017, Great Britain



Source: DWP estimates derived from the ONS ASHE, GB, 2012–2017.

4.6.2 Employers matching employee contributions

The proportion of employers who are contributing at least as much to their employee's pension as the employee themselves can be assessed using the reported contribution rates in ASHE 2017 (contribution amount as a proportion of pensionable earnings). Note that automatic enrolment minimum contributions were two per cent at the time. Table 4.12 shows the proportion of eligible employees who were receiving at least a matching contribution rate from their employer at different contribution levels.

The data suggests that the vast majority of employers were matching higher rates of contributions made by employees. For example, in 2017, more than 92 per cent of eligible employees in the private sector contributing between three and four per cent received a matching (or higher) employer contribution rate.

The data cannot tell us why this is the case. It is not necessarily the case that if employees were to continue to increase their contributions that this would be matched. It is also not possible to determine from the data how the willingness to contribute at higher levels is split by those employers who did and did not offer pension provision prior to 2012 (when the reforms were introduced). However, the data suggests, particularly when viewed alongside the data in Table 4.12 on employer contribution rates, that employers are at least matching employee contributions.

Table 4.12 – Percentage of eligible employees receiving a matching employer contribution, by banded rate, in the private sector, 2017, Great Britain

Great Britain	Percentages
Employee contribution band	Employees receiving a matching contribution or more from their employer
1-2%	95.7%
2-3%	94.2%
3-4%	92.4%
4-5%	90.7%
5-6%	91.7%
6-7%	89.1%
7-8%	89.5%
8-9%	87.7%
9-10%	80.5%
10+%	63.1%

Source: DWP estimates derived from the ONS ASHE, 2017.

4.6.3 Preparedness for contribution increases

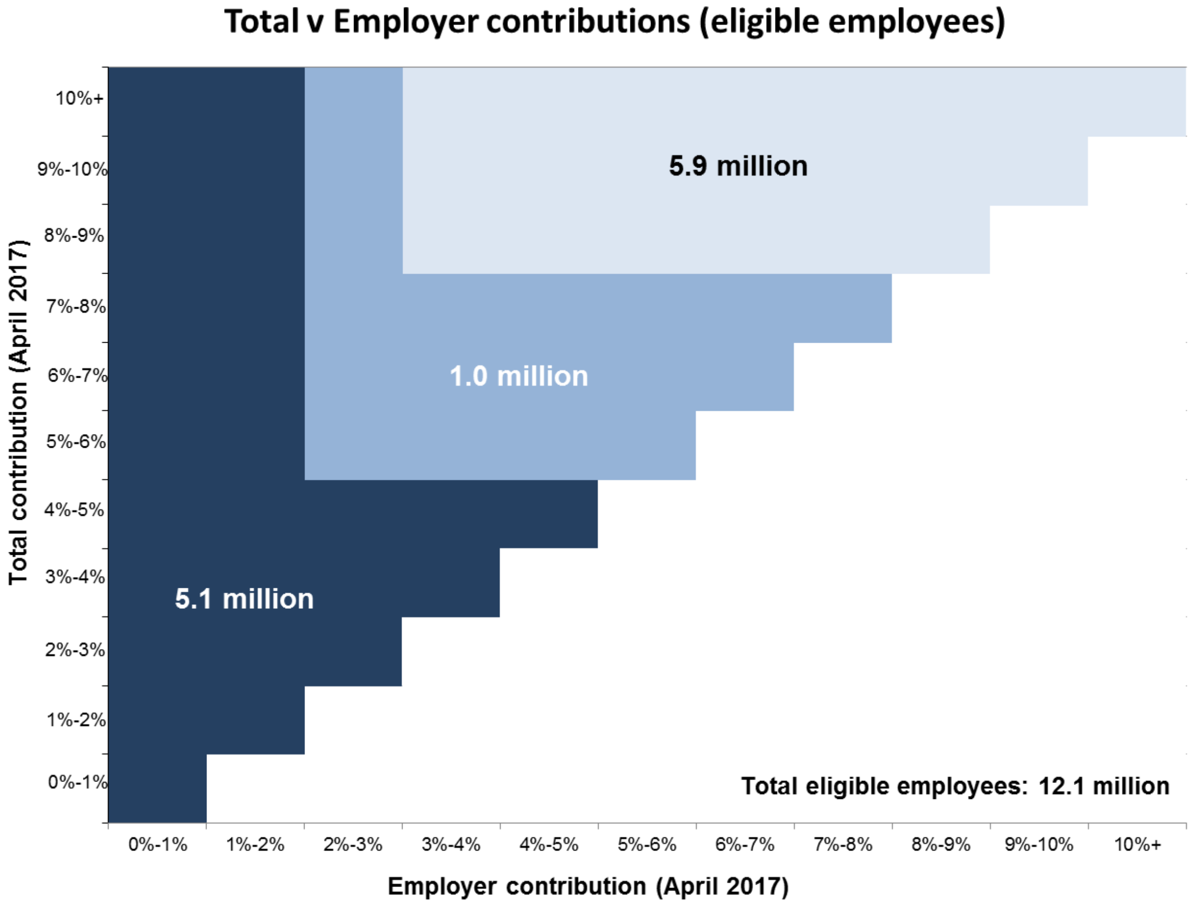
Under automatic enrolment, minimum contribution rates prior to April 2018 were two per cent of a band of earnings, of which one per cent must have come from the employer. In April 2018 this increased to five per cent of which two per cent must come from the employer; and in April 2019 to eight per cent of which three per cent must come from the employer. Figure 4.27 shows estimates of eligible employees in the private sector in April 2017, relative to the minimum contribution rates commencing in April 2018 and in April 2019. The contribution rates have been estimated in the same manner as in Section 4.4.5: contribution amount as a proportion of basic pay minus the lower earnings limit.

The eligible employees are divided between:

- Those who, in April 2017, may be contributing enough, but would be contributing below the minimum if their contributions did not increase before April 2018 (dark blue);
- Those contributing above the April 2018 minimums, but below the April 2019 minimums (medium shade of blue);
- Those already contributing at least the April 2019 minimum contribution rates (lightest blue).

Approximately 5.9 million eligible employees were already meeting the April 2019 minimum contribution rates, based on these data, in April 2017. However, around 5.1 million eligible employees were still contributing below April 2018 minimums at that time, and around 6.1 million will have to increase their contributions by April 2019, if not earlier.

Figure 4.27 – Number of eligible employees, by banded rate of employer and total contribution, in the private sector, 2017, Great Britain



Source: DWP estimates derived from the ONS ASHE, GB, 2017.

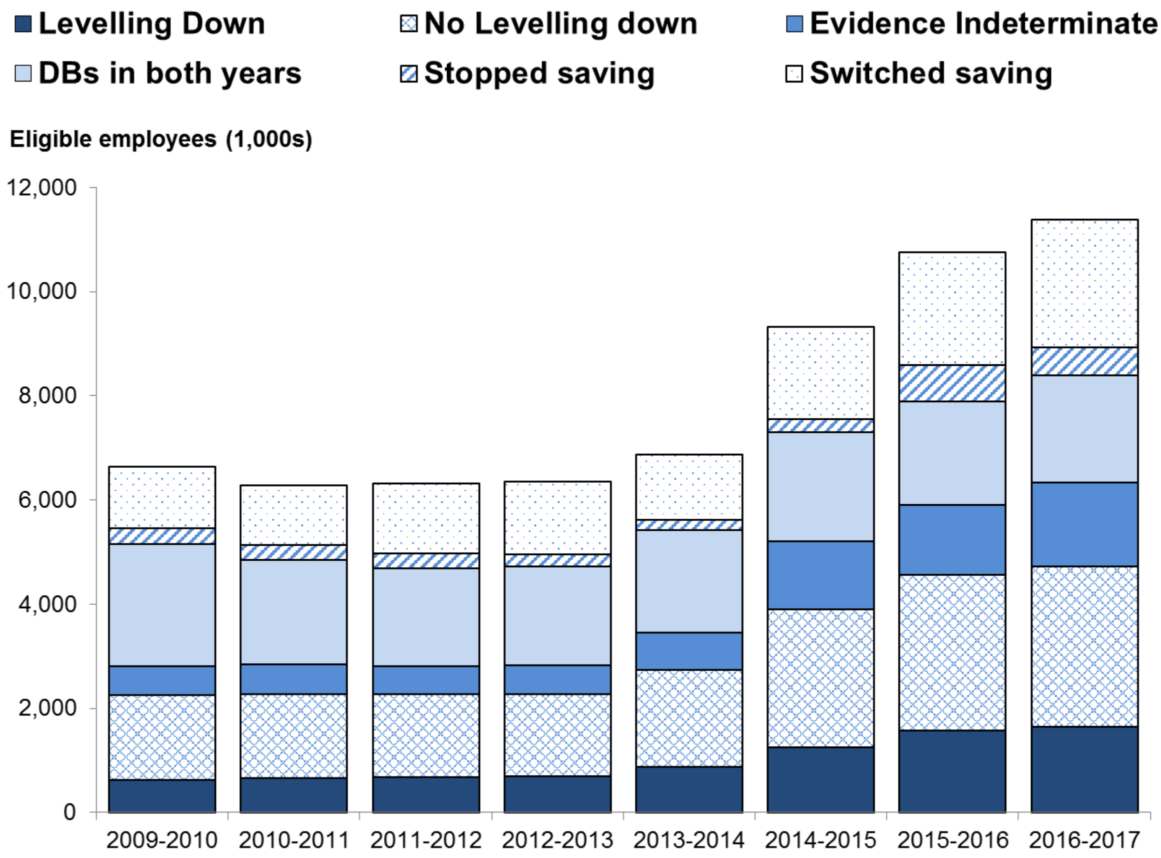
4.6.4 Levelling down

In order to manage the costs of automatic enrolment, some employers may choose to reduce the generosity of contributions or outcomes for existing pension scheme members. This is known as 'levelling down'. The evaluation aims to monitor the extent to which this happens as a result of automatic enrolment, however, it is important to note the data suggests that at least some forms of levelling down[96] were already taking place before the introduction of automatic enrolment.

[96] Strategies employers could use to level down contributions include: a) lower employer contributions for a qualifying scheme for existing members as well as new members; b) change definition of pensionable pay to adjust the amount of contribution paid; c) lower employer contributions by paying contributions as a lump sum, rather than as a proportion of earnings; d) increase employee contributions to offset reduction in employer contributions; e) freeze the level of pensionable pay for employees; f) Defined Benefit (DB) schemes could be changed from final salary to career average or hybrid schemes, or to a Defined Contribution (DC) scheme; g) accrual rates of DB schemes could be lowered; h) operate a different scheme for new scheme joiners with lower employer contributions; i) operate a different scheme to certain employees with different contribution rates. For example, higher contributions restricted to management grades.

Figure 4.28 shows estimates of the numbers levelling down, as defined here, between pairs of years from 2009-2010 to 2016-2017 (the latest available data). The data suggests that prior to 2012, employers were adopting levelling down strategies for around 12 per cent of eligible savers in the private sector. This had risen to around 15 per cent (1.6 million) of eligible private sector savers between 2016 and 2017.

Figure 4.28 – Levelling down: Eligible savers' employer contributions to a workplace pension in the private sector



Source: DWP estimates derived from the ONS un-weighted longitudinal ASHE, GB, 2010 to 2017. Estimates are scaled to total numbers of people participating in a workplace pension in the private sector in the relevant year.

Note: Employee destinations are defined as:

- No levelling down: These employees show no evidence of levelling down of employer contributions.
- Levelling down: These employees show evidence that levelling down has taken place.
- Evidence indeterminate: There is not enough evidence available to make a judgement about whether levelling down has occurred or not.
- Pension saving stopped: Employees in this group were saving in a workplace pension in Year 1 but weren't in a workplace pension in Year 2. This may be because they left employment, switched to an employer who wasn't providing a pension at the time or because they chose to stop saving.
- Pension type switched: Employees in this group were saving in a workplace pension in Year 1 and saving in a different type of workplace pension in Year 2 (e.g. from DB to DC scheme). The types of pension included here are DB, DC, GPP, GSIPP and group stakeholder pension.
- DB: DB schemes in both years. This includes public sector DB schemes.

Whilst this analysis shows that the rate of levelling down has increased slightly since 2012, findings from EPP 2017 suggest that where employers have experienced increased contribution costs as a result of automatic enrolment, only one per cent of employers have adopted levelling down as a strategy to absorb these costs.[97] Further detail on the strategies used can be found in section 4.7.3.

4.6.5 Contractual enrolment

A worker who is not eligible for automatic enrolment can choose to 'opt in' to an automatic enrolment scheme, and is entitled to a mandatory employer contribution should they do so.[98]

Given that the pension participation rate of non-eligible employees has increased since automatic enrolment was introduced, EPP 2017 for the first time measured the extent to which this was due to non-eligible employees being contractually enrolled[99] versus these employees making an active choice to opt in to pension saving, or some other reason.

In 63 per cent of pension schemes used for automatic enrolment where at least some non-eligible employees had been enrolled, the employees had actively asked to join, while in 29 per cent the employer stated that it was company policy to enrol everyone (Table 4.13).[100] For nine per cent of schemes, employers stated this was due to some other reason. Small employers were more likely to say that it was company policy to enrol everyone; this was given as the reason for 28 per cent of schemes that had enrolled non-eligible employees among small employers, compared with 14 per cent of schemes provided by large employers. Micro employers also enrolled non-eligible employees (see section 4.3.8), however there were too few responses to be able to estimate accurately the split between active opt-in and contractual enrolment at these employers.

[97] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

[98] 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.

[99] Contractual enrolment is where an employer chooses to include enrolment into a pension scheme as part of a worker's employment contract. This is not classified as automatic enrolment because the worker is considered to have consented to active membership of the scheme and to having deductions made from their pay, whereas automatic enrolment does not require the worker's consent.

[100] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

Table 4.13 – Reasons for enrolment of non-eligible employees, by employer size

Column percentages

	Size of organisation (employees)				
Reasons for enrolment of non-eligible workers	**Micro (1-4)**	**Small (5-49)**	**Medium (50-249)**	**Large (250+)**	**All schemes where non-eligible workers enrolled**
It's the company policy to enrol everyone	-	28	(18)	14	29
They actively asked to join	-	63	(69)	84	63
Some other reason	-	9	(13)	2	9
Weighted base	-	*102*	*17*	*7*	*151*
Unweighted base	-	*109*	*74*	*270*	*459*

Note:
1. Numbers in parentheses are estimates based on fewer than 100 observations.
2. There were too few responses from micro employers to report.

4.7 Employer burden and responses

4.7.1 Administrative costs

EPP 2017 found that just over half (52 per cent) of employers reported that the introduction of automatic enrolment had resulted in an increase in administrative costs. Around two-fifths (44 per cent) of employers stated that administrative costs had not increased, while the remaining four per cent said that they did not know. Micro employers were less likely to report that administrative costs had increased compared with larger employers; 46 per cent of micro employers reported an increase in administrative costs compared with 62 per cent of large employers.

In 2017, small and micro employers (the group that were then staging) were asked how much it cost to implement automatic enrolment in a separate DWP survey. The median level of cost reported was £400: £200 for micro employers (one to four employees) and £500 for small employers with up to 29 employees.[101] Around a third (35 per cent) of micro employers and one fifth (20 per cent) of small employers reported zero cost to implement automatic enrolment.

Recent TPR research investigated the ongoing financial and time costs of automatic enrolment. Over three-quarters of micro (82 per cent), small (76 per cent) and medium (86 per cent) employers had not incurred any additional ongoing costs in

[101] DWP. (2018). *Automatic Enrolment: Quantitative Research with Small and Micro Employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-quantitative-research-with-small-and-micro-employers

meeting their duties.[102] For those who did pay for support, the median monthly cost varied from £28 for micro employers, £50 for small employers and £176 for medium employers.

This TPR research also found that employers reported that meeting their ongoing duties took up no more than two hours per month (93 per cent of micro, 85 per cent of small and 60 per cent of medium employers). While medium employers were more likely to spend over two hours on their duties, 94 per cent indicated that this was no more than ten hours per month. The DWP small and micro employer research found similarly that 72 per cent of small and micro employers (with up to 29 employees) spent less than half a day a month on administration of their workplace pension scheme, with 91 per cent needing less than one day a month.[103]

4.7.2 Contribution costs

EPP 2017 found that two-thirds (65 per cent) of employers who had begun automatic enrolment stated that its introduction had resulted in an increase in the total pension contributions that their organisation had to make.[104] Some variation was apparent by employer size; just over half (54 per cent) of micro employers who had begun automatic enrolment reported experiencing an increase in total pension contributions, compared with 83 per cent of large employers. This applied for 78 per cent of small employers and 80 per cent of medium-sized employers.

4.7.3 Responses to costs incurred through implementing automatic enrolment

EPP 2017 investigated what actions employers had taken to absorb increased *contribution* costs, if they reported that these costs had increased as a result of automatic enrolment. The most common action reported was that the cost had been absorbed as part of other overheads, stated by 71 per cent of respondents (Table 4.14).[105] Just under half (47 per cent) of employers reported they had absorbed this through a reduction in profits. Around one in ten stated that they had increased prices (11 per cent) or implemented lower wage increases (ten per cent), while five per cent had changed their existing pension scheme or re-structured or reduced their workforce. Just one per cent of employers had reduced contribution levels for

[102] TPR. (2018). *Ongoing Duties Survey – Summer 2018*. At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/employer-automatic-enrolment-ongoing-duties-survey-summer-2018.ashx

[103] DWP. (2018). *Automatic Enrolment: Quantitative Research with Small and Micro Employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-quantitative-research-with-small-and-micro-employers

[104] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

[105] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

existing members prior to the reforms. Fourteen per cent of employers had taken none of the stated actions.

Table 4.14 – Employers' strategies to absorb increase in total pension contributions, by size of organisation

Column percentages

	Size of organisation (employees)				
Employers' strategies	**Micro (1-4)**	**Small (5-49)**	**Medium (50-249)**	**Large (250+)**	**All private sector employers reporting an increase in contributions**
Absorbed as part of other overheads	75	68	68	64	71
Reduction in profits	42	51	55	42	47
Increased prices	8	13	16	14	11
Lower wage increases	10	11	9	10	10
Changed existing pension scheme	2	7	11	14	5
Re-structured/reduced workforce	3	7	4	4	5
Reduced contribution levels for existing members prior to reform	0	2	2	4	1
Other	0	0	0	1	0
None of these	15	13	12	17	14
Weighted base	*370*	*381*	*32*	*7*	*791*
Unweighted base	*144*	*819*	*302*	*580*	*1,845*

Base: All private sector employers which had begun automatic enrolment and reported an increase in total pension contributions
Note: Respondents could give more than one response.

These patterns were fairly similar across employers of all sizes. However, large employers were more likely to have changed their existing pension scheme, with 14 per cent having done so compared with two per cent of micro employers. This may be due to the fact that large employers were more likely to have had a pension scheme already in place prior to the reforms.

Almost two-fifths (38 per cent) of employers reported taking one action in order to absorb the increase in costs, with a further 37 per cent taking two actions. Among those employers taking two actions; the most common combination of strategies was to both absorb the increase as part of other overheads and to take a reduction in profits (cited by 73 per cent of employers taking two actions). A further 12 per cent of employers took three or more actions in response.

The DWP's recent survey with small and micro employers found that these employers responded similarly when asked how they absorbed increased *administration* costs. Seventy per cent of those employers who incurred increased administration costs reported that they had taken a reduction in profits or absorbed the cost as part of overheads, nine per cent said they implemented lower wage increases, nine per cent said they increased prices, five per cent had restructured or reduced their workforce, three per cent had reduced other employee benefits, and just one per cent each said they had reduced contribution levels for existing workplace pension members, or changed their existing workplace pension scheme in another way.[106]

4.7.4 Pension scheme choice

The DWP survey with small and micro employers in 2017 found that 90 per cent of these employers had sought advice or guidance on choosing their new workplace pension scheme.[107] Most commonly, they approached an accountant or financial services firm (49 per cent), TPR (28 per cent), pension providers (27 per cent), payroll providers (22 per cent), Independent Financial Advisers (IFAs) (18 per cent) or pensions advisers (12 per cent). The National Employment Savings Trust (NEST) was the most popular pension provider amongst small and micro employers (chosen by 58 per cent), followed by The People's Pension (11 per cent) and a range of other providers (each chosen by three per cent of employers or fewer).[108]

The survey found that employers most commonly chose schemes that had been externally recommended to them (36 per cent), schemes that were simple (26 per cent) or were linked to Government (15 per cent). Simplicity also featured in other common reasons employers gave, in terms of being able to manage schemes online (six per cent) or having a low administrative burden (five per cent).

Nine in ten (89 per cent) of those employers who said they picked a scheme because it was Government-linked had chosen NEST. Earlier DWP qualitative research with small and micro employers[109] indicated that, in some of these instances, employers

[106] DWP. (2018). *Automatic Enrolment: Quantitative Research with Small and Micro Employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-quantitative-research-with-small-and-micro-employers

[107] DWP. (2018). *Automatic Enrolment: Quantitative Research with Small and Micro Employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-quantitative-research-with-small-and-micro-employers

[108] These proportions were based only on small and micro employers who had automatically enrolled their staff into a qualifying workplace pension scheme between September 2016 and March 2017, so may not match figures from other sources.

[109] DWP. (2017). *Automatic Enrolment: Qualitative Research with Small and Micro Employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-qualitative-research-with-small-and-micro-employers

may have had a misconception that NEST was the Government's *recommended* scheme (which is not the case).[110]

The emerging findings from the forthcoming DWP research with 'newborn' (new) employers, to be published in 2019, suggest that it was rare for employers to engage in extensive information seeking: they usually found enough information to become compliant, but sought little beyond this. The letter that employers received from TPR notifying them that they needed to set up automatic enrolment almost always prompted them to go to the regulator's website to review the guidance about how to comply with their duties. Even the employers who decided to outsource the process tended to check the TPR's website to get a sense of what was involved.

It was also common for employers to visit the website of the pension provider they had decided to use. Typically they spent a short amount of time on a single visit to the website before deciding to use the provider in question. Occasionally the employer also made a phone call to the provider with a query about potential fees or how to go about setting up the pension.

Unless prompted otherwise by some external factor, employers typically chose NEST as their provider:

- NEST was widely perceived to be 'the Government-endorsed pension scheme for automatic enrolment'.[111] It was often seen as the safest option, and appealed to newborns' inclination to ensure compliance by sticking to a pre-defined process.
- There are no employer set-up fees attached to a NEST pension, which appealed to those concerned about maintaining cash-flow in the early days of their business.
- NEST was well-known to the employers interviewed. Many had encountered NEST in a previous workplace.
- Some employers also felt that NEST integrates well with certain payroll software. This was particularly relevant to those administering both company payroll and automatic enrolment internally.

Where employers considered an alternative provider to NEST, this was usually triggered by a recommendation from a third party. It was common for employers to speak to people they knew whom they believed to be already familiar with automatic enrolment. Employers who had an ongoing professional relationship with an accountant, payroll provider or adviser who was external to their organisation almost always spoke to them to find out if they had any helpful advice.

A few employers also sought information through personal connections. For instance, some spoke to family members who they knew had prior experience with implementing automatic enrolment at another workplace. A small number spoke to

[110] Although the NEST Corporation is a public body, originally set up by the Government, the Government does not in fact advertise NEST above other schemes.

[111] Although the NEST Corporation is a public body, originally set up by the Government, the Government does not in fact advertise NEST above other schemes.

other small business owners through local professional networking groups, or attended external training on automatic enrolment that was provided by their accountant or payroll provider. Like employers who sought guidance from a professional, these employers would typically be looking for a recommendation for a provider to use, as well as any tips on saving on time or costs.

These recommendations given were generally based on the following principles:

- The recommended provider was easy to use and/or integrated best with their own or their accountant's payroll software.
- A particular provider was thought to be particularly helpful for small businesses with little knowledge of the automatic enrolment process.
- The provider was believed to provide better returns for workers once they begin to draw their pension than NEST.

4.7.5 Employer views and attitudes on the level of burden

EPP 2017 looked at employer perceptions of the level of burden they faced as a result of implementing automatic enrolment. Employers were asked to rate different aspects of their duties from one to ten, where one represented no extra work at all, and ten representing a lot of extra work.

For communicating automatic enrolment to employees, assessing the workforce for eligibility, declaring compliance with The Pensions Regulator (TPR), ongoing administration of the scheme and processing opt-ins, the mean score reported by employers was four out of ten.[112] For processing opt-outs, the mean score reported was three. This pattern was generally also reflected in the median scores, although the median score for processing opt-outs was equal to one, with the implication that the majority of employers (predominantly micro employers) actually experienced no additional work as a result of processing opt-outs.

Based on the 2017 DWP small and micro employer survey, there were mixed perceptions on how easy or difficult it was to comply with automatic enrolment. Over half of small and micro employers (54 per cent) viewed compliance as easy, whereas three in ten (28 per cent) found it difficult.[113] Despite this, the majority (70 per cent) said they found the ongoing administration of their workplace pension scheme or schemes easy to cope with. Recent TPR research found similar attitudes: the majority of employers (76 per cent of micro, 78 per cent of small and 82 per cent of medium employers) stated that they did not have any difficulty keeping up with their

---

[112] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

[113] DWP. (2018). *Automatic Enrolment: Quantitative Research with Small and Micro Employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-quantitative-research-with-small-and-micro-employers

ongoing duties.[114] Around two-thirds (67 per cent of micro, 63 per cent of small and 60 per cent of medium employers) found their ongoing duties less onerous than expected.

Employers of all three sizes generally judged the process of implementing the increased contributions that came into effect in April 2018 as 'easy' (72 per cent of micro, 75 per cent of small and 71 per cent of medium employers).

The forthcoming DWP research with 'newborn' (new) employers indicates that the reality of implementing automatic enrolment was usually less burdensome than employers had anticipated.[115] Typically, the amount of time given over to becoming compliant was measured in hours, rather than days or weeks. Outsourcing the process, or having prior relevant experience, typically reduced the amount of time spent setting up automatic enrolment. Those with the lowest level of financial confidence typically invested more time in becoming compliant.

The financial burden, over and above the ongoing cost of employer contributions, was either small or even non-existent. While a handful of employers had paid one-off fees for ad hoc help with administration, additional training or as a set-up fee attached to the pension provider, this was not the norm among those interviewed.

Employers were generally aware that the minimum contribution rate would rise in April 2019, and were relaxed about the rise. They accepted the increase as part and parcel of being an employer and, since it typically affected a small number of workers, they normally anticipated that the effect on their overall costs would be minimal. Occasionally employers were concerned about how the rise might impact their overall wage bill.

4.8 Pensions industry

4.8.1 Protecting the interests of employees and employers

During 2018, Government has delivered new pension regulations that aim to improve outcomes for members of Defined Contribution (DC) schemes, including members of schemes used for automatic enrolment, through a renewed focus on value for money and governance. Alongside, industry has responded to the call in the 2017 Review of Automatic Enrolment to build on and develop new initiatives to support engagement.

New regulations clarify for trustees that they need to take into account all financially material considerations, including risks and opportunities arising from environmental, social and governance considerations, in setting an investment strategy. These have the potential to improve member returns and nudge trustees to develop and adopt an investment strategy which better reflects the needs of their members. A simpler

[114] TPR. (2018). *Ongoing Duties Survey – Summer 2018.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/employer-automatic-enrolment-ongoing-duties-survey-summer-2018.ashx

[115] Findings to be published in 2019.

regulatory framework for transfers without consent between DC schemes will enable further consolidation of schemes, improving efficiency and governance whilst also reducing costs. Following the approach introduced for occupational DC pension schemes, the Financial Conduct Authority (FCA) will consult on requirements for the governance bodies of workplace personal pensions to publish details of charges and transaction costs imposed on members, with members informed of where this information can be obtained.

An industry initiative, led by Ruston Smith[116], has developed an example of an annual benefit statement designed to better engage scheme members and this work will be further developed by the Pensions and Lifetime Savings Association (PLSA) and the Association of British Insurers (ABI). PLSA are developing retirement income targets, following their consultation ‘Hitting the Target’, to be launched in 2019.

Putting individuals in control of how and when they access their information can help to increase awareness and understanding of saving for retirement. DWP is consulting on the detailed design for pensions dashboards, and its proposals for facilitating an industry-led delivery.[117] Dashboards will offer people the opportunity to securely access their pensions information online, all in one place and at a time of their choosing. An industry-led approach will harness the best of industry innovation. Government will work with the regulators and industry to help ensure that industry meets its responsibilities to protect consumers.

4.8.2 Driving up provider standards

With over 9.9 million people automatically enrolled into a workplace pension, the continued success of automatic enrolment relies to a large degree on ensuring that contributions due are paid in full and on time. In August 2018, TPR published findings from its thematic review into the systems, process and resources used by pension scheme providers.[118] The aim of the review is to ensure that appropriate standards around contributions and reporting material payment failures are met and maintained.

The review of 14 key pension scheme providers indicated that providers’ systems and processes for receiving and maintaining contributions generally matched the

[116] Ruston Smith (Chair of the Tesco Pension Fund and Tesco Pension Investment Ltd.), one of three co-chairs of an independent Expert Advisory Group, led on the strengthening personal engagement theme within the 2017 Automatic Enrolment Review.

[117] DWP. (2018). *Pensions Dashboards: working together for the consumer.* At: https://www.gov.uk/government/consultations/pensions-dashboards-feasibility-report-and-consultation

[118] TPR. (2018). *A thematic review report: How pension scheme providers maintain contributions and report material payment failures.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/thematic-review-maintaining-contributions.ashx

standards of conduct and practice TPR expects as set out in their codes of practice[119] [120] and some good examples of best practice were found.

However, a number of risk areas were uncovered, as well as some discrepancies in the quality and effectiveness of the providers' processes and procedures. TPR has intervened in some cases, using its enforcement powers where it considered it appropriate. TPR will continue to intervene where issues and breaches are identified that suggest a scheme is not meeting its expectations or standards.

4.8.3 Guidance from TPR

The large number of savers being automatically enrolled into DC pension schemes means that the standards of governance and administration of these arrangements is very important for savers' outcomes. TPR's revised code of practice for DC schemes came into force in July 2016.[121] To support trustees, TPR provided further practical guidance in a series of 'how to' guides that were published alongside the code.[122]

The regulator has been measuring the extent to which these schemes are meeting five key governance requirements (KGRs) through their annual survey of trust-based occupational DC schemes.[123] Some of the key findings of the 2018 report included:

- Over half of DC members were in schemes meeting all their KGRs, which was an increase from 2017. At least 95 per cent of members were in schemes meeting KGR 1 (trustee knowledge and understanding), KGR 4 (master trust independence requirements) and KGR 5 (suitable design of default investment strategy).[124]
- The proportion of schemes meeting the expectations set out in the DC code tended to increase with scheme size, with investment governance and administration the weakest areas for most schemes.

---

[119] TPR. (2013). *Reporting late payment of contributions to occupational pension schemes.* At: https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-5-reporting-late-payment-of-contributions-to-occupational-pension-schemes

[120] TPR. (2013). *Reporting late payment of contributions to personal pension schemes.* At: https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-6-reporting-late-payment-of-contributions-to-personal-pension-schemes

[121] At: https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase

[122] At: https://www.thepensionsregulator.gov.uk/en/document-library/code-related-guidance

[123] TPR. (2018). *Defined Contribution trust-based pension schemes research.* At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/dc-research-summary-report-2018.ashx

[124] The other KGRs are KGR 2 (value for members assessment) and KGR 3 (core scheme financial transactions).

4.8.4 Intermediaries' awareness, understanding and activity

The regulator published research in December 2017 measuring awareness and understanding of automatic enrolment among key intermediaries who support employers, namely financial advisers, payroll administrators, accountants and bookkeepers.[125] Key findings included:

- Over 90 per cent of intermediaries were supporting their small business clients with automatic enrolment. More than half of accountants, payroll administrators and bookkeepers expected their clients to rely on them completely to fulfil their ongoing automatic enrolment duties (52 per cent, 55 per cent and 56 per cent respectively).
- Awareness of new employers having instant automatic enrolment duties increased among all of the intermediary types compared with the autumn 2016 survey. It was highest among IFAs (91 per cent), followed by accountants (73 per cent), payroll administrators (69 per cent) and bookkeepers (67 per cent).
- Awareness of postponement was near universal, ranging from 94 to 97 per cent. However, knowledge about the details of postponement (determined by correctly identifying one false and three true statements) ranged from 25 to 48 per cent.
- Awareness of re-enrolment was near universal amongst IFAs (99 per cent) and payroll administrators (94 per cent) and had increased among accountants (from 77 to 89 per cent) and bookkeepers (from 72 to 85 per cent) since autumn 2016.
- Awareness of the minimum contribution increases was near-universal and knowledge of the dates and amounts had risen, with awareness of the 2018 increase ranging from 96 per cent to 100 per cent. Awareness of the second increase in 2019 was also high ranging from 92 to 99 per cent.

[125] TPR. (2017). *Intermediaries' understanding and activity relating to automatic enrolment and ongoing duties, December 2017*. At: https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/intermediaries-automatic-enrolment-research-report-2017.ashx

5 Next steps

5.1 Future evaluation reports

The latest evidence shows that automatic enrolment remains on track, with millions more employees enrolled into private pension saving in the UK. The staging of employers is complete, and evidence to date from the first contribution increase suggests no change in opt-out or cessation behaviour following the increase.

The next evaluation report will set out further evidence from the first contribution increase and findings from the second increase in April 2019. Following the completion of the second increase, we will move from implementation of the reforms to steady state. The next evaluation report will review progress to date since implementation started in 2012, and update on future evaluation reporting plans for steady state.

5.2 Forthcoming research

In 2018, we have begun a new programme of research which includes a focus on the implementation of automatic enrolment amongst 'newborn' (new) employers. Since October 2017, all businesses employing someone for the very first time have to provide a workplace pension from the first day of their service.

We have commissioned qualitative research with newborn employers who have declared compliance with their duties to explore their experiences, views and behaviours relating to automatic enrolment. As part of this, we are speaking to their employees, including both those who stayed in the scheme and those who opted out, to explore drivers of behaviour. This study follows on from similar previous qualitative research with small and micro employers.[126]

We are also commissioning the 2019 Employers' Pension Provision survey, which will update key measures from the most recent (2017) Employers' Pension Provision survey.[127]

[126] DWP. (2017). *Automatic Enrolment: Qualitative Research with Small and Micro Employers*. At: https://www.gov.uk/government/publications/automatic-enrolment-qualitative-research-with-small-and-micro-employers

[127] DWP. (2018). *Employers' Pension Provision Survey 2017.* At: https://www.gov.uk/government/publications/employers-pension-provision-survey-2017

6 Annexes

6.1 Real Time Information (RTI) Monitoring of Opt-out and Cessations

6.1.1 Her Majesty's Revenue and Customs (HMRC) RTI Data

RTI is HMRC's reporting system for income taxed via Pay As You Earn (PAYE). Employers and pension providers are required to report to HMRC payments to employees (or recipients of occupational pensions) on or before each payment date where it is practical to do so. Within RTI, each submission relates to a payment to an employee (or occupational pension recipient) and when they are submitted to HMRC by the PAYE scheme, they are contained within a Full Payment Submission (FPS).

RTI includes information about the PAYE scheme, the employee (or occupational pension recipient), and the payment.

However:

- If all employments of one employer are paid less than the Lower Earnings Limit (LEL) (£116 a week or £503 a month in 2018/19) a PAYE scheme is not needed, and the employer is not required to submit RTI. However, if any single employee earns more than this, is in receipt of a pension, has another job, or receives expenses or benefits from the employer, the employer is required to report RTI for all employees.[128]
- Employers who are exempt from online payroll reporting do not need to submit RTI electronically. This may be due to religious beliefs, where care services must be provided to the employer or a member of their family, or for other reasons.[129]

RTI only holds information on employments and pensions that are reported through the payroll reporting process. RTI does not include information about both Self-Employment and pensions which are not paid via PAYE (e.g. State Pension and income from other sources that is seen as pension income by the individual).

Coverage

As RTI cannot identify pension contributions made via salary sacrifice and information about employer pension contributions is not collected through RTI, it cannot identify all employees saving into a workplace pension (e.g. an employee with

[128] Please see https://www.gov.uk/paye-for-employers for further details.

[129] Please see https://www.gov.uk/guidance/find-out-which-employers-are-exempt-from-online-payroll-reporting for further details.

employer-only contributions will be indistinguishable from an employee who is not saving into a pension, as both will have no employee pension contributions).

From comparison with the Annual Survey of Hours and Earnings (ASHE), we estimate that RTI covers about 62 per cent of those saving into a workplace pension. ASHE 2017 reports that 38 per cent of employees saving in April 2017 were saving with employer-only contributions or via salary sacrifice.

In April 2017, 10.89 million eligible employees made employee pension contributions on RTI; this represents 61.6 per cent of the 17.67 million eligible employees reported as saving that month in the Workplace Pension Participation and Savings Trends[130] Report, which is based on ASHE.

6.1.2 Methodology

The aim of the analysis was to identify the number of employments that have stopped paying pension contributions each tax month (tax months run from 6th of the calendar month to the 5th of the following calendar month).

Our methodology has three steps;

- The first step is to identify spells of pension saving.
- The second step classifies whether an employee has stopped pension saving in a particular month, and if yes the reason for stopping.
- The third step is to break down the analysis with several classification variables. The below section will outline these steps in more detail.

It is important to note that this analysis was produced on a five tax month rolling period, which will be referred to as the interest period. To estimate stoppages in a particular month, the interest period covers that month and the four tax months that follow. If we were estimating opt-outs or cessations for October 2016, the interest period would include the five months from October 2016 to February 2017.

To identify whether someone who was pension saving in the first month of the interest period stopped or continued saving, we would look at all their payment records in the interest period. The payment records in the last four months of the interest period will determine if we identify the employee as stopping pension saving in the first month of the interest period or if they continued to pension save. For example, if an employee who was saving in October did not make any pension contributions on any of their subsequent payments in November to February, we would classify them as having stopped pension saving in October.

[130] DWP. (2018). *Official statistics on workplace pension participation and saving trends for eligible employees*. At: https://www.gov.uk/government/statistics/workplace-pension-participation-and-saving-trends-2007-to-2017

Opt-out and cessation rates for each month are calculated using this methodology, looking at the subsequent four months of payment records to identify whether an employee has stopped pension saving in that month.

Identifying spells of pension saving

The first step was to identify employments that had spells of pension saving. This was done by identifying records that had employee pension contributions. If, on any payment date in a tax month, an employment was found to have employee pension contributions greater than £0 exactly, they were classed as paying employee pension contributions.

All records for an employment in the last 17 complete tax months at the point of analysis, including the interest period, were analysed to find spells of pension saving. This then identified tax months when the employment was making employee pension contributions. Of those identified as pension saving, only employments with employee pension contributions in the interest period were included in the analysis.

The volume of employments with employee pension contributions in each tax month of the interest period were calculated. This figure is used to estimate the level of participation in workplace pension saving per month.

Of the most recent spell of pension saving, the last payment with employee pension contributions was identified.

Classifying stoppages of saving

Once the most recent employee pension contribution has been identified, we identify whether an employee has stopped pension saving, and if yes, the reason for stopping pension saving. We consider an employee as having stopped saving in the following three circumstances:

- **Employment ended** – The reason there are no further employee pension contributions is that the employment has ended. This is identified when there are more than 90 days between the final payment for the employment and the last day of the interest period.
- **Become non-eligible** – The reason the employee stopped pension saving is due to becoming non-eligible for automatic enrolment. This is identified when, on the next payment after the final pension contribution, the employment was no longer eligible, and there were no subsequent pension contributions. These employments must be eligible at the point of the final employee pension contribution. Becoming non-eligible could be due to changes in either age or earnings. This category captures both those who are unenrolled by their employer at the point of becoming non-eligible, and those who decide to stop saving at the point of becoming non-eligible.
- **Active decision** – The employee made an active decision to stop saving into a pension. This is identified when the employment is still active and eligible, but stops contributing to a workplace pension. It is therefore inferred to be an active decision to stop pension saving.

For the three reasons above, these were then split into opt-outs and cessations. As established, the difference between these are the length of time of pension saving. We have classified opt-outs as having up to and including 42 days between the first and last employee pension contributions.

This differs from the legislated definition (one calendar month) as RTI records are based on payment frequencies. With RTI, we do not directly observe enrolment or opt-out/cessations; rather, we infer that an employee has started or stopped pension saving through the presence and absence of pension contributions. Since we can only observe pension saving through payment records, we define the opt-out window on the basis of payment frequencies. Six weeks was selected as the longest amount of time an employee with a regular pay pattern could go between payments.

If the employee died within a close proximity to the last pension contribution (up to and including 29 days before or up to and including 59 days after the final employee pension contribution), the stoppage was classed as deceased.

If the employment was paid in the last 42 days of the interest period and had up to and including 35 days between the last employee pension contribution and the last payment for the employment, the employment was classed as still being active and saving (i.e. it does not fit in any of the three above categories nor has the employee been identified as deceased).

Analysis breakdowns
To provide more insight, the analysis was broken down with several classification variables. Some of these classification variables required matching to other datasets whilst some were derived.

Age classifications were created by joining to date of births held on central HMRC systems using National Insurance numbers. Age was then calculated using this date of birth and payment date for the final employee pension contribution. Ages were then grouped together into age bands.

Gender classifications were created by joining to central HMRC systems using National Insurance numbers.

Annual income was derived by calculating the daily earnings rate for the payment with the final employee pension contributions. This was then converted into income bands based on the expected annual earnings.

6.1.3 Key assumptions and caveats

The assumptions used in this analysis were as follows:

- The volumes of employments stopping saving and other figures estimated using HMRC's RTI data may differ from other estimates (e.g. survey and sampled data) because of differences in counting methodologies etc.
- Months referred to tax months, e.g. the tax month of April 2018 was 6th April 2018 to 5th May 2018.

- Pension payments were excluded from the analysis. These were identified using a pensions flag developed jointly by HMRC and DWP, and which may not always distinguish between pensions and pay from employment accurately. This impacts employments which had payments from both pensions and employments.
- Payments relating to company directors, as defined via data item 84A in the RTI data items guide[131] are removed from the analysis. This impacts employments which had payments as both a company director and not.
- If the employment moved in and out of the population of interest, due to changing from employment to pension or from director to non-director, it would appear that the employment had ended. The classification of stoppage will vary depending on the length of time the employment is not in the population of interest and the length of time before the employment returns to the population of interest.
- Some information submitted by employers for RTI is Late, Missing or Incorrect. This is common to all administrative data.
- The gender and date of birth used were those held on central HMRC systems.
- There were a small number of cases where the gender and/or date of birth were not known. These cases were assumed to be age eligible. These were excluded from the corresponding analysis.
- 'Daily earnings' were calculated based on the change in year to date taxable pay. It was calculated by dividing the taxable pay on a payment date by the number of days between the payment date and the previous payment date. It does not take in to account the number of days or hours worked. It is not possible to calculate this for the first payment for an employment.
- The 'daily earnings' rate was used to calculate earnings eligibility. A value greater than £27.40 would classify the employment as earnings eligible. Values equal to or less than £27.40 or missing values would result in the employment being classed as earnings ineligible.
- Taxable pay can differ from gross pay for various reasons, including the type of pension contributions and salary sacrifice (an agreement to reduce an employee's entitlement to cash pay, usually in return for a non-cash benefit).
- Whether an employment was paying pension contributions was based on employee pension contributions only, as employer pension contributions are not submitted via RTI.

[131] At: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740890/Data_items_guide_2018_to_2019_v1.4.pdf

- If the employer paid the entire pension contribution and the employee paid none or the employee makes pension contributions through salary sacrifice, the employment will not be included in the analysis.
- If the employment moves from paying employee pension contributions into salary sacrifice or employer-only contributions, it would appear that the employment has stopped pension saving.
- Pension contributions were calculated by using the change in year-to-date pension contribution variables. If this value was less than £0.001 or was missing, the in-period pension contributions were used.
- The population of identified pension savers may include employments that started pension saving before AE was introduced as mandatory. These cases usually relate to employers that provided the option of pension saving before AE was rolled out.

6.1.4 Earnings and age opt-out rate cross tabulations

This section shows the interaction between age and earnings level for active decision opt-out rates on a period running from August 2015 to July 2016. Figure 6.1 presents opt-out rates split by earnings and age category, and Figure 6.2 shows the age profile of those at different earnings levels.

As shown in Figure 6.1, the observed age pattern from section 4.3.3 – that opt-out rates increase with age – holds when controlling for earnings. The observed earnings pattern – slightly higher opt-out rates for employments with higher earnings, but especially for those earning over £60,000 – seems to be weakly present here: there is a jump for those earning over £60,000, but opt-out rates look approximately equal or lower across the first five earnings categories.

Figure 6.1 – Active decision opt-out rates for those enrolled from August 2015 to July 2016, split by age and income level

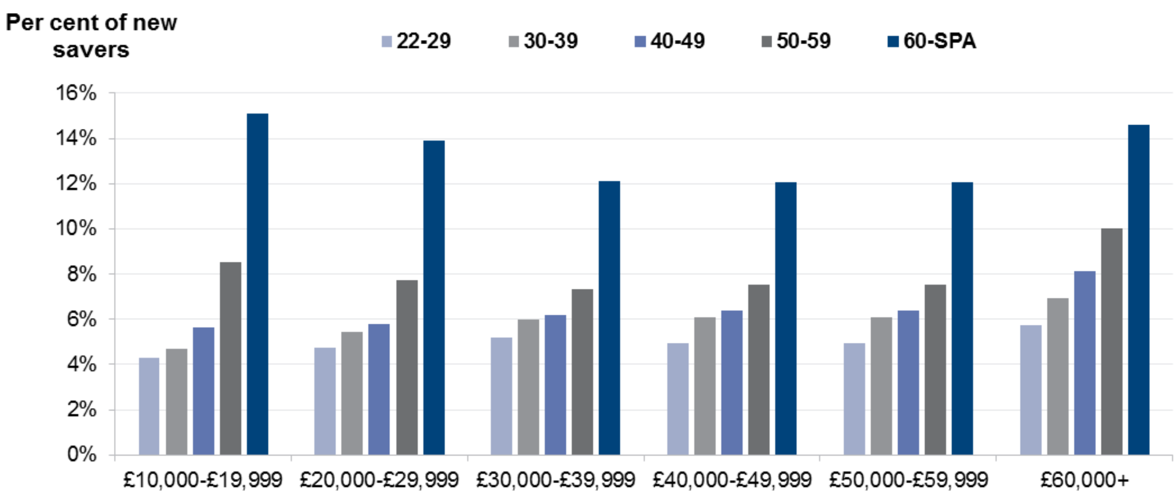
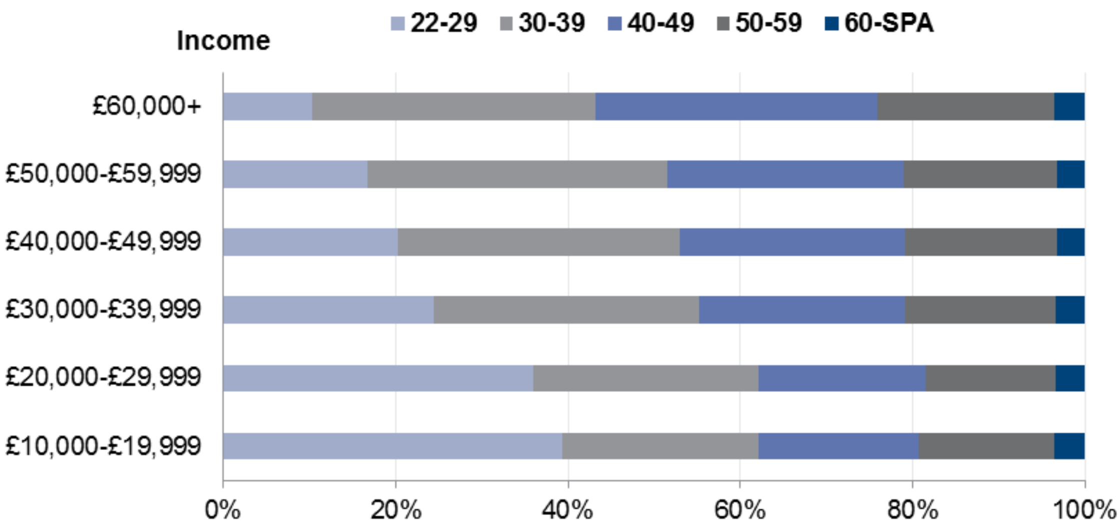


Figure 6.2 shows the age profile of each earnings category. The higher earning groups tend to be older than lower earning ones. This, combined with the results from Figure 6.1, suggest that the higher opt-out rates for higher earning groups is driven partly by the differences in underlying age profiles of the different earnings categories (i.e. higher earners tend to be in older age groups, whom have a higher tendency to opt-out).

Figure 6.2 – New savers: the percentage of new savers in each age category, for those who started saving from August 2015 to July 2016



6.1.5 Earnings and age stopping saving rate cross tabulations

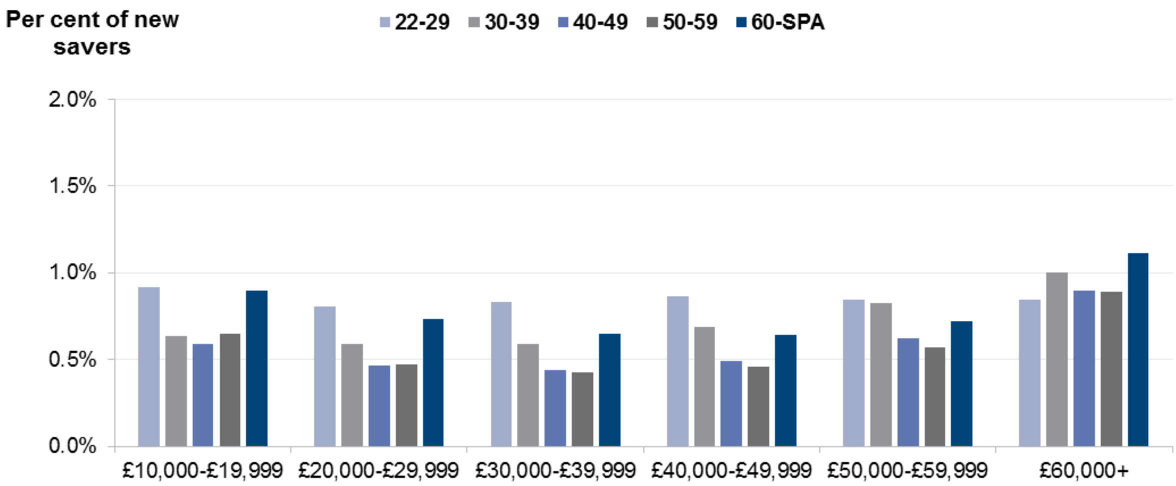
Figure 6.3 shows the active decision stopping saving rate (including opt-outs and cessations) split by age and earnings level, on a period running from August 2015 to July 2016.

From section 4.3.6, we saw that stopping saving rates were similar for those earning between £10,000 and £60,000, and higher for those earning £60,000 and above. Holding income constant, we can see that behaviour differs between the same age groups across different earnings levels.

For the youngest age group, earnings level is not an important predictor of savings behaviour: as shown below, stopping saving rates are similar for 22 to 29 year olds regardless of earnings level.

For those aged 30 and above, earnings level is more important. Typically, those earning over £60,000 have the highest stopping saving rates, with those earning between £20,000 and £50,000 having the lowest.

Figure 6.3 – Active decision stopping saving rate for August 2015 to July 2016, split by age and earnings level



6.1.6 Counts of numbers saving into a workplace pension each month on RTI

This section presents the counts of the number of employments who make employee pension contributions each month on RTI. This data is additionally split by gender, age, and earnings level.

This count does not include employments saving via salary sacrifice or employer-only contributions (see more detail in Annex 6.1.2).

Earnings level is calculated on a month-on-month basis, meaning that fluctuations in earnings level (e.g. receipt of a bonus in a given month or fluctuating hours worked) will move employments between earnings bands (e.g. as observed in Figure 6.4 for August each year).

The main finding from these graphs is that the numbers saving into a workplace pension peaked in February 2018, at the completion of staging, and have remained at the same level since, across all categories.

Figure 6.4 – Count of the number of employments making employee pension contributions on RTI each month

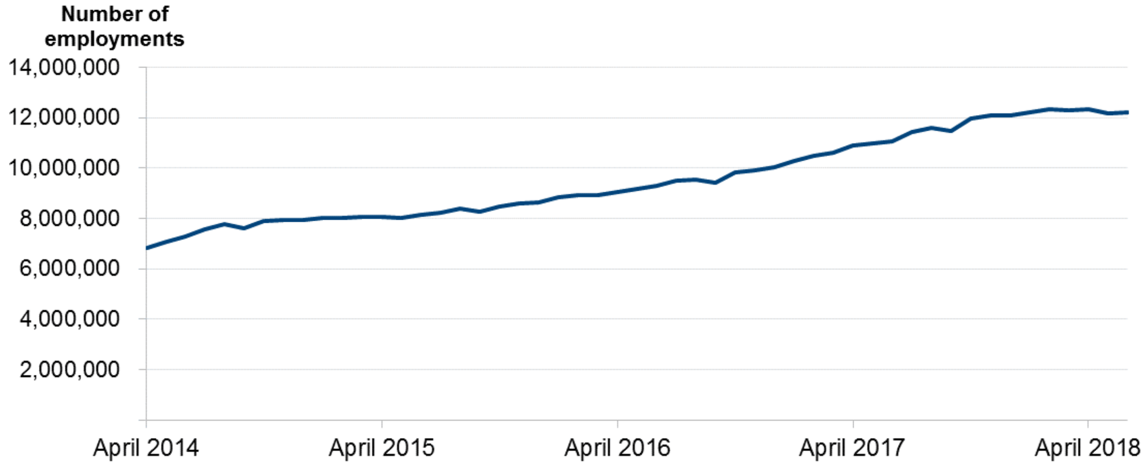


Figure 6.5 – Count of the number of employments making employee pension contributions on RTI each month, by gender

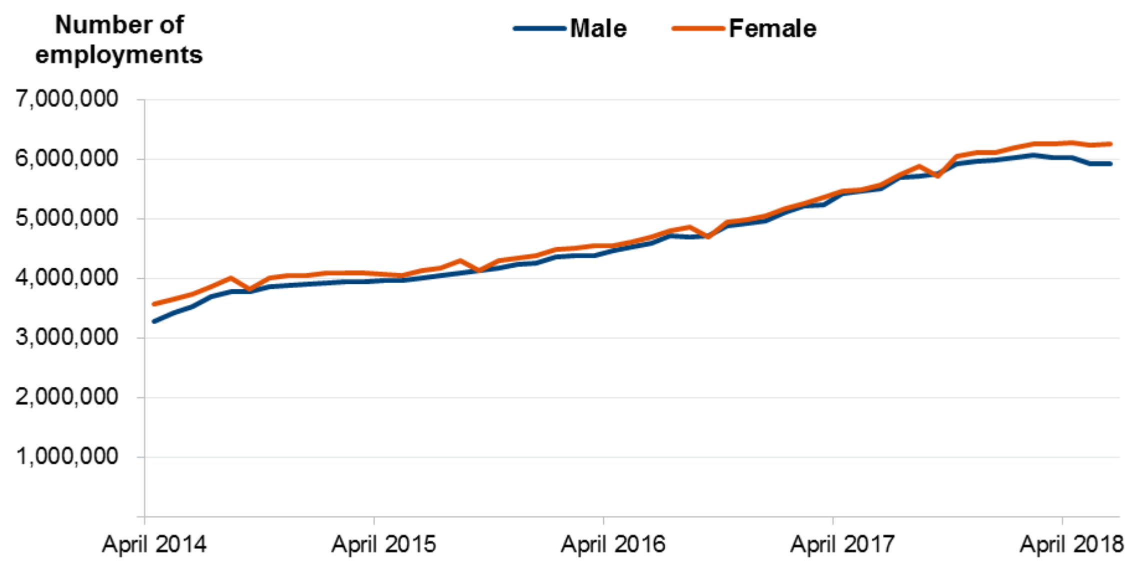


Figure 6.6 – Count of the number of employments making employee pension contributions on RTI each month, by age group

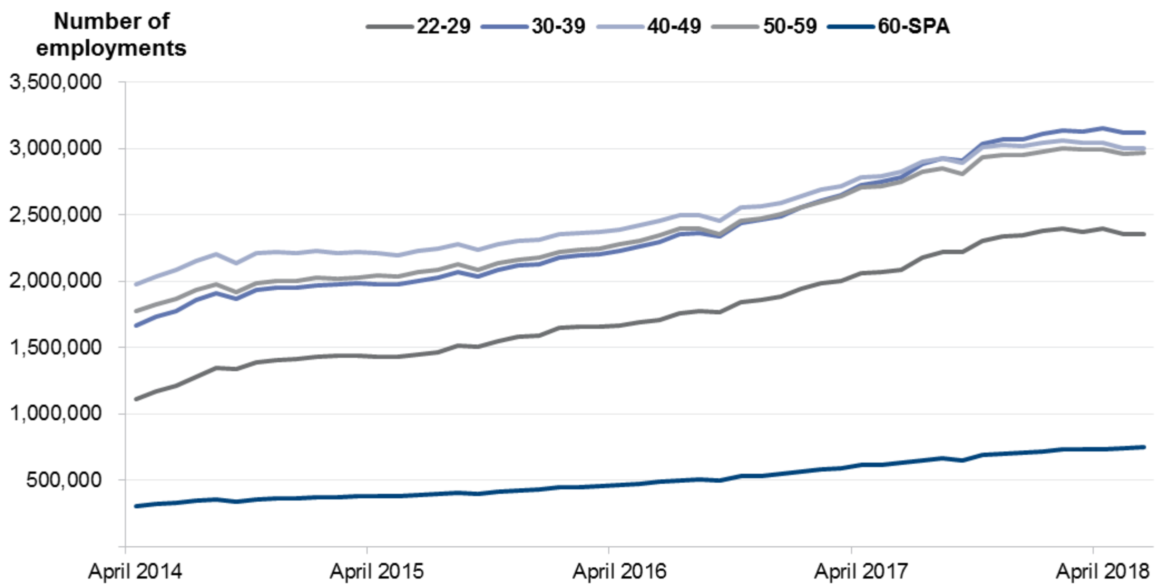
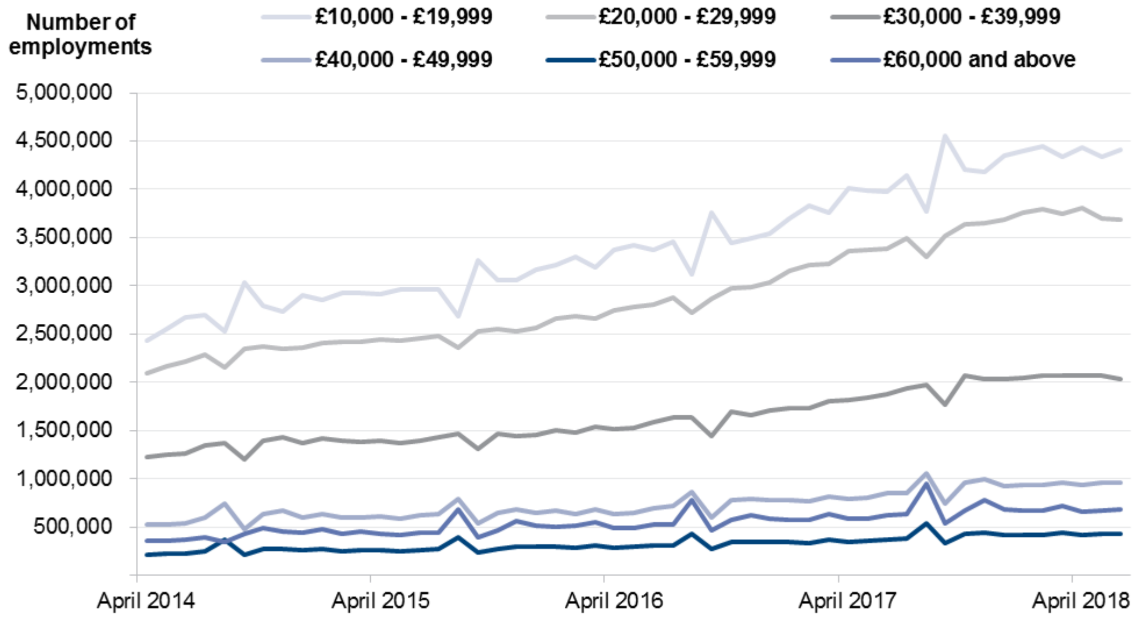


Figure 6.7 – Count of the number of employments making employee pension contributions on RTI each month, by earnings level



6.1.7 RTI data tables

The following contain the data on which the figures in section 4.3.3 and 4.3.6 are based. Note, in some tables the sum of the rows may not equal the totals due to rounding.

Table 6.1 – Proportion of those starting saving each year who stop saving within the opt-out window, by reason

	2014/15	2015/16	2016/17	2017/18	Apr-18 - Jun-18 (incomplete year)	Apr-14 - Mar-18	Apr-14 - Jun-18
Active decision opt-out	5.5%	5.0%	6.5%	5.4%	4.7%	5.6%	5.5%
Became non-eligible	2.0%	2.1%	1.7%	1.8%	1.6%	1.9%	1.9%
End of employment	4.7%	5.2%	5.2%	5.6%	6.1%	5.2%	5.3%
Total proportion stopping saving within opt-out window	12.2%	12.3%	13.4%	12.8%	12.4%	12.7%	12.7%

Notes:

See sections 4.3.2 and 4.3.3 for the methodology and caveats for these figures.

Each figure represents the proportion of the employments who started saving in that period who subsequently had a given savings outcome (e.g. active decision opt-out).

Table 6.2 – Proportion of those starting saving each month making an active decision to stop saving within the opt-out window, by financial year

	April	May	June	July	August	September	October	November	December	January	February	March	Yearly average
2014/15	5.9%	6.9%	5.8%	6.4%	5.4%	4.5%	5.1%	4.3%	4.3%	4.5%	5.1%	5.2%	5.5%
2015/16	3.6%	4.9%	4.6%	4.5%	5.5%	4.3%	4.9%	4.7%	4.7%	6.2%	6.0%	6.2%	5.0%
2016/17	5.8%	8.9%	7.6%	6.5%	5.6%	5.3%	6.3%	7.5%	4.8%	6.0%	8.0%	5.5%	6.5%
2017/18	6.1%	5.9%	5.4%	6.0%	5.2%	4.2%	7.3%	4.3%	3.9%	4.4%	5.1%	4.9%	5.4%
2018/19	4.7%	4.8%	4.6%										4.7%
Monthly average	5.2%	6.3%	5.6%	5.8%	5.4%	4.6%	5.9%	5.2%	4.4%	5.3%	6.1%	5.4%	

Notes:
See sections 4.3.2 and 4.3.3 for the methodology and caveats behind these figures.
Each figure represents the proportion of the employments who started saving in that period who subsequently had a given savings outcome (e.g. active decision opt-out).

Table 6.3 – Stopping saving: the average monthly proportion of workplace pension savers who stop saving each financial year, by reason for stopping saving

	2014/15	2015/16	2016/17	2017/18	Apr-18 - Jun-18 (incomplete year)	Apr-14 - Mar-18	Apr-14 - Jun-18
Active decision (opt-out)	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Active decision (cessation)	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%
Became non-eligible (opt-out)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Became non-eligible (cessation)	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
End of employment (opt-out)	0.2%	0.2%	0.2%	0.3%	0.3%	0.2%	0.2%
End of employment (cessation)	1.2%	1.3%	1.5%	1.6%	1.4%	1.4%	1.5%
Total proportion stopping saving each year	2.6%	2.5%	2.7%	2.8%	2.6%	2.6%	2.6%

Notes:
See sections 4.3.2 and 4.3.6 for the methodology and caveats behind these figures.
Each figure represents the average monthly proportion of employments stopping saving due to a given reason in that period.

Table 6.4 – Stopping saving: the average monthly proportion of workplace pension savers who make an active decision to stop pension saving each month (including opt-outs and cessations), by financial year

	April	May	June	July	August	September	October	November	December	January	February	March	Yearly average
2014/15	0.7%	0.8%	0.7%	1.1%	0.7%	0.6%	0.6%	0.4%	0.5%	0.5%	0.5%	1.6%	0.7%
2015/16	0.4%	0.5%	0.4%	0.4%	0.4%	0.7%	0.4%	0.5%	0.5%	0.4%	0.4%	1.0%	0.6%
2016/17	0.4%	0.4%	0.5%	0.5%	0.5%	0.6%	0.5%	0.4%	0.4%	0.5%	0.3%	0.6%	0.7%
2017/18	0.4%	0.3%	0.4%	0.4%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	1.8%	0.7%
2018/19	0.5%	0.6%	0.5%										0.7%
Monthly average	0.5%	0.5%	0.5%	0.6%	0.5%	0.6%	0.5%	0.4%	0.5%	0.4%	0.4%	1.3%	

Notes:

See sections 4.3.2 and 4.3.6 for the methodology and caveats behind these figures.

Each figure represents the monthly proportion of employments stopping saving due to a given reason in that period.

Table 6.5 – Proportion of those enrolled each period stopping saving within opt-out window, by method of enrolment

	2014/15	2015/16	2016/17	Apr-17 - Feb-18	Apr-14 - Feb-18
Staging enrolment	7.2%	6.5%	8.9%	7.4%	7.6%
On-going enrolment	4.2%	4.5%	5.4%	4.6%	4.7%

Notes:
See sections 4.3.2 and 4.3.3 for the methodology and caveats behind these figures. See section 4.3.3 for the definition of these groups.
Each figure represents the population of the employments who started saving in that period who subsequently had a given savings outcome (e.g. active decision opt-out).

Table 6.6 – Proportion of those enrolled each period stopping saving within opt-out window, by age group

	2014/15	2015/16	2016/17	2017/18	Apr-18 - Jun-18 (incomplete year)	Apr-14 - Mar-18	Apr-14 - Jun-18
22-29	4.4%	4.1%	4.4%	3.9%	4.4%	4.2%	4.2%
30-39	4.8%	4.4%	5.9%	4.8%	4.6%	5.0%	5.0%
40-49	5.3%	4.9%	6.8%	5.5%	4.3%	5.7%	5.6%
50-59	7.3%	6.8%	9.3%	7.6%	5.1%	7.8%	7.6%
60-SPA	13.3%	12.0%	15.6%	12.1%	7.7%	13.4%	12.9%

Notes:
See sections 4.3.2 and 4.3.3 for the methodology and caveats behind these figures.
Each figure represents the proportion of the employments who started saving in that period who subsequently had that given savings outcome.

Table 6.7 – Stopping saving: the average monthly proportion of workplace pension savers who make an active decision to stop pension saving each financial year, by age group

		Active decision cessation	Active decision opt-out	Total
2014/15	22-29	0.7%	0.3%	1.0%
	30-39	0.6%	0.2%	0.8%
	40-49	0.5%	0.2%	0.6%
	50-59	0.4%	0.2%	0.6%
	60-SPA	0.5%	0.4%	0.9%
2015/16	22-29	0.6%	0.3%	0.8%
	30-39	0.5%	0.2%	0.6%
	40-49	0.4%	0.1%	0.5%
	50-59	0.4%	0.1%	0.5%
	60-SPA	0.4%	0.3%	0.7%
2016/17	22-29	0.5%	0.3%	0.8%
	30-39	0.4%	0.2%	0.6%
	40-49	0.4%	0.2%	0.6%
	50-59	0.4%	0.2%	0.6%

		Active decision cessation	Active decision opt-out	Total
	60-SPA	0.4%	0.4%	0.8%
2017/18	22-29	0.5%	0.3%	0.8%
	30-39	0.5%	0.2%	0.7%
	40-49	0.4%	0.2%	0.6%
	50-59	0.4%	0.2%	0.6%
	60-SPA	0.5%	0.3%	0.8%
Apr-18 - Jun-18 (Incomplete year)	22-29	0.6%	0.3%	0.9%
	30-39	0.6%	0.2%	0.8%
	40-49	0.4%	0.1%	0.6%
	50-59	0.4%	0.1%	0.6%
	60-SPA	0.5%	0.2%	0.7%
Apr-14 - Mar-18	22-29	0.6%	0.3%	0.8%
	30-39	0.5%	0.2%	0.7%
	40-49	0.4%	0.2%	0.6%
	50-59	0.4%	0.2%	0.6%
	60-SPA	0.5%	0.3%	0.8%
Apr-14 - Jun-18	22-29	0.6%	0.3%	0.8%
	30-39	0.5%	0.2%	0.7%
	40-49	0.4%	0.2%	0.6%
	50-59	0.4%	0.2%	0.6%
	60-SPA	0.5%	0.3%	0.8%

Notes:
See sections 4.3.2 and 4.3.6 for the methodology and caveats behind these figures.
Each figure represents the average monthly proportion of employments stopping saving due to the given reason in that period.

Table 6.8 – Proportion of those enrolled each period stopping saving within opt-out window, by gender

	2014/15	2015/16	2016/17	2017/18	Apr-18 - Jun-18 (incomplete year)	Apr-14 - Mar-18	Apr-14 - Jun-18
Male	5.5%	5.0%	6.5%	5.3%	4.9%	5.6%	5.6%
Female	5.4%	5.0%	6.5%	5.4%	4.5%	5.6%	5.5%

Notes:
See sections 4.3.2 and 4.3.3 for the methodology and caveats behind these figures.
Each figure represents the proportion of the employments who started saving in that period who subsequently had that given savings outcome.

Table 6.9 – Stopping saving: the average monthly proportion of workplace pension savers who make an active decision to stop pension saving each financial year, by gender

		Active decision cessation	Active decision opt-out	Total
2014/15	Male	0.6%	0.3%	0.8%
	Female	0.6%	0.1%	0.7%
2015/16	Male	0.5%	0.2%	0.7%
	Female	0.4%	0.2%	0.5%
2016/17	Male	0.4%	0.3%	0.7%
	Female	0.4%	0.2%	0.6%
2017/18	Male	0.6%	0.2%	0.8%
	Female	0.4%	0.2%	0.6%
Apr-18 - Jun-18 (Incomplete year)	Male	0.6%	0.2%	0.8%
	Female	0.4%	0.2%	0.6%
Apr-14 - Mar-18	Male	0.5%	0.2%	0.7%
	Female	0.4%	0.2%	0.6%
Apr-14 - Jun-18	Male	0.5%	0.2%	0.7%
	Female	0.4%	0.2%	0.6%

Notes:
See sections 4.3.2 and 4.3.6 for the methodology and caveats behind these figures.
Each figure represents the average monthly proportion of employments stopping saving due to the given reason in the period.

Table 6.10 – Proportion of those enrolled each period stopping saving within opt-out window, by earnings level

	2014/15	2015/16	2016/17	2017/18	Apr-18 - Jun-18 (incomplete year)	Apr-14 - Mar-18	Apr-14 - Jun-14
£10,000 - £19,999	5.3%	4.8%	6.0%	5.2%	4.2%	5.3%	5.2%
£20,000 - £29,999	5.6%	4.8%	6.6%	5.1%	4.7%	5.6%	5.5%
£30,000 - £39,999	5.6%	5.1%	7.3%	5.5%	4.8%	5.9%	5.8%
£40,000 - £49,999	5.5%	5.3%	7.1%	6.0%	5.4%	6.0%	6.0%
£50,000 - £59,999	5.4%	5.5%	7.1%	6.0%	5.5%	6.0%	6.0%
£60,000 and above	7.0%	7.3%	8.8%	7.4%	7.7%	7.6%	7.6%

Notes:
See sections 4.3.2 and 4.3.3 for the methodology and caveats behind these figures. See Annex 6.1.2 for information on how earnings are calculated.
Each figure represents the proportion of the employments who started saving in that period who subsequently had that given savings outcome.

Table 6.11 – Stopping saving: the average monthly proportion of workplace pension savers who make an active decision to stop pension saving each financial year, by earnings level

		Active decision cessation	Active decision opt-out	Total
2014/15	£10,000 - £19,999	0.5%	0.3%	0.8%
	£20,000 - £29,999	0.5%	0.2%	0.7%
	£30,000 - £39,999	0.5%	0.2%	0.7%
	£40,000 - £49,999	0.5%	0.1%	0.7%
	£50,000 - £59,999	0.6%	0.2%	0.7%
	£60,000 and above	0.6%	0.2%	0.8%
2015/16	£10,000 - £19,999	0.4%	0.2%	0.6%
	£20,000 - £29,999	0.4%	0.1%	0.5%
	£30,000 - £39,999	0.4%	0.1%	0.5%
	£40,000 - £49,999	0.4%	0.1%	0.6%
	£50,000 - £59,999	0.5%	0.1%	0.7%
	£60,000 and above	0.7%	0.2%	0.9%
2016/17	£10,000 - £19,999	0.4%	0.3%	0.7%
	£20,000 - £29,999	0.4%	0.2%	0.6%
	£30,000 - £39,999	0.4%	0.2%	0.5%
	£40,000 - £49,999	0.4%	0.2%	0.6%
	£50,000 - £59,999	0.4%	0.2%	0.6%
	£60,000 and above	0.6%	0.2%	0.8%
2017/18	£10,000 - £19,999	0.4%	0.3%	0.7%
	£20,000 - £29,999	0.5%	0.2%	0.7%
	£30,000 - £39,999	0.5%	0.1%	0.6%
	£40,000 - £49,999	0.4%	0.2%	0.6%
	£50,000 - £59,999	0.5%	0.2%	0.6%
	£60,000 and above	0.6%	0.2%	0.8%
Apr-18 - Jun-18 (incomplete year)	£10,000 - £19,999	0.4%	0.2%	0.6%
	£20,000 - £29,999	0.5%	0.2%	0.6%
	£30,000 - £39,999	0.5%	0.1%	0.6%
	£40,000 - £49,999	0.6%	0.2%	0.7%
	£50,000 - £59,999	0.8%	0.2%	0.9%
	£60,000 and above	1.3%	0.3%	1.6%
Apr-14 - Mar-18	£10,000 - £19,999	0.4%	0.3%	0.7%
	£20,000 - £29,999	0.4%	0.2%	0.6%
	£30,000 - £39,999	0.4%	0.2%	0.6%
	£40,000 - £49,999	0.4%	0.2%	0.6%
	£50,000 - £59,999	0.5%	0.2%	0.7%
	£60,000 and above	0.6%	0.2%	0.8%
Apr-14 - Jun-18	£10,000 - £19,999	0.4%	0.3%	0.7%
	£20,000 - £29,999	0.4%	0.2%	0.6%
	£30,000 - £39,999	0.4%	0.2%	0.6%
	£40,000 - £49,999	0.4%	0.2%	0.6%

	Active decision cessation	Active decision opt-out	Total
£50,000 - £59,999	0.5%	0.2%	0.7%
£60,000 and above	0.7%	0.2%	0.9%

Notes:
See sections 4.3.2 and 4.3.6 for the methodology and caveats behind these figures. See Annex 6.1.2 for information on how earnings are calculated.
Each figure represents the average monthly proportion of employments stopping saving due to the given reason in that period.

6.2 Voluntary statement of compliance with the Code of Practice for Statistics

The following statement outlines how we have complied with the Code of Practice for Statistics on a voluntary basis, for the analysis of HMRC RTI data published within the report.

The Code of Practice for Statistics (the Code)[132] is built around three main concepts, or pillars: Trustworthiness, Quality and Value.

- Trustworthiness – is about having confidence in the people and organisations that publish statistics.
- Quality – is about using data and methods that produce assured statistics.
- Value – is about publishing statistics that support society's needs for information.

The following explains how we have applied the pillars of the Code in a proportionate way.

6.2.1 Trustworthiness

- The figures are based on HMRC administrative information. The findings presented have been scrutinised by HMRC and DWP analysts. These analysts have also provided challenge to ensure the figures are an accurate representation of data available through RTI and are impartial.
- Detailed methodology has been published alongside the findings and additional detailed breakdowns are available in annexes.

6.2.2 Quality

- The data presented is derived from HMRC's Real Time Information (RTI). This is the reporting system for income taxed via Pay As You Earn (PAYE). Data from HMRC central systems was also included in the analysis.

[132] UK Statistics Authority. (2018). *Code of Practice for Statistics.* At: https://www.statisticsauthority.gov.uk/code-of-practice

- To ensure accuracy, estimates have been compared to findings from other sources, where possible, including those published by DWP and from publicly available data.
- The process to produce the findings and the figures provided are compiled by professional analysts taking account of the latest data and applying methods using their professional judgement. They have been quality assured by analysts within both HMRC and DWP.

6.2.3 Value

- This data provides an overview of pension saving behaviour, in particular around employees that stop pension saving. It is used to monitor whether there has been a change over time in the number of employees that stop pension saving. This provides important new evidence for ministers, policy makers and external stakeholders on how the automatic enrolment policy is working.
- These figures are complementary to other sources as they are able to provide insights on each tax month and different characteristics, which would be difficult to do with other sources.

6.3 Evaluation Questions

EQ1: Do established delivery mechanisms support automatic enrolment objectives?

EQ1.1. Does NEST accept all employers who choose the scheme, while offering low costs to members and remaining financially viable?

EQ1.2. How has The Pensions Regulator helped to maximise employer compliance with their automatic enrolment duties?

EQ1.3. How do automatic enrolment communications support the objectives of automatic enrolment?

EQ2: Do employers know about, understand and comply with their employer duties?

EQ2.1. To what extent are employers aware of their duties and know how to discharge them?

EQ2.2. How many employees are treated in a ‘compliant way’ by their employer?

EQ2.3. To what extent do employers have arrangements with a qualifying scheme?

EQ2.4. To what extent is employer behaviour influenced by their attitudes, awareness and levels of understanding of the reforms?

EQ2.5. To what extent are employers aware of the enforcement powers available to deal with non-compliance and the approach The Pensions Regulator takes?

EQ2.6. To what extent do detection and enforcement activities result in non-compliant employers becoming compliant and do they support a broader culture of compliance?

EQ2.7. To what extent do employers go beyond their minimum duties, for example by paying above minimum contribution rates? Which employers do this, and why?

EQ3: Has automatic enrolment increased the number of individuals saving in workplace pensions, and if so, how?

EQ3.1. To what extent are individuals saving persistently in a workplace pension?

EQ3.2. How many individuals that were automatically enrolled or re-enrolled have opted out of a qualifying scheme?

EQ3.3. How many individuals that were automatically enrolled or re-enrolled have ceased saving in a qualifying scheme?

EQ3.4. Why do individuals opt out or cease saving in a qualifying scheme, and how does this relate to their characteristics and circumstances?

EQ3.5. How many individuals who are not eligible for automatic enrolment have been automatically enrolled, and why?

EQ3.6. To what extent do individuals accept the need, and/or recognise the benefits of, saving into a workplace pension?

EQ3.7. To what extent do individuals perceive workplace pension saving as normal, both for employees in general and for employees like themselves?

EQ3.8. To what extent can individuals access information on automatic enrolment and workplace pension saving?

EQ3.9. To what extent can individuals understand information they are given on automatic enrolment and workplace pension saving?

EQ3.10. Which individuals are contributing more than the minimum employee contributions, and why?

EQ4: Has automatic enrolment increased the amount being saved in workplace pensions, and if so, how?

EQ4.1. How has automatic enrolment changed how much employers contribute to workplace pensions?

EQ4.2. How has automatic enrolment changed how much employees contribute to workplace pensions?

EQ4.3. Do contributions to pension saving impact on other forms of household saving or spending, and if so, how?

EQ5: To what extent is delivery of automatic enrolment achieved with a minimal burden on employers?

EQ5.1. What are the contribution costs for employers of complying with their duty?

EQ5.2. What are the administrative costs for employers of complying with their duty?

EQ5.3. How do employers respond to the costs incurred as a result of the employer duty?

EQ5.4. How do employers make decisions around which qualifying scheme to enrol members into, and how much to contribute?

EQ5.5. What are the views and attitudes of employers to the level of burden resulting from the reforms?

EQ6: How has the pensions industry reacted to automatic enrolment?

EQ6.1. What is the industry doing to protect the interests of employers, and employees and their savings?

EQ6.2. What challenges have providers faced in providing pensions for automatically enrolled employees?

EQ6.3. To what extent do providers follow The Pensions Regulator's guidance on the reforms?

EQ6.4. Do intermediaries have the knowledge to be able to support the delivery of automatic enrolment to new employers?

EQ7: What are the wider impacts of automatic enrolment?

EQ7.1. What are the wider impacts of automatic enrolment on individuals, including any benefits and unintended consequences?

EQ7.2. What are the wider impacts of automatic enrolment on employers, including any benefits and unintended consequences?

EQ7.3. What are the wider impacts of automatic enrolment on industry, including any benefits and unintended consequences?

EQ7.4. What are the wider impacts of automatic enrolment on Government, including any benefits and unintended consequences?