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for Work &
Pensions



Automatic enrolment: qualitative research with newborn employers

Final report

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Executive summary

This report comprises the final results of a research study into the experiences of newborn employers and their workers when implementing the automatic enrolment workplace pension reforms. It provides an update to the interim report of this study, published in February 2019.

The workplace pension reforms require employers to automatically enrol all eligible workers aged between 22 and State Pension age (SPa) into a qualifying workplace pension scheme. Workers have the option to leave the scheme ('opt out') within the month-long 'opt-out period' that follows their enrolment.

Once they have enrolled eligible workers into a workplace scheme, employers must make a contribution to those workers' pension savings. Until 5 April 2018, the minimum contribution rate was set at two per cent of the qualifying earnings of each worker who is automatically enrolled, with at least one per cent provided by the employer. It then rose to a total of five per cent in April 2018, with at least two per cent contributed by the employer. On 6 April 2019, the contribution rate rose for a second time to a total of eight per cent, with at least three per cent contributed by the employer.

Automatic enrolment was introduced over a five-and-a-half-year period, from October 2012 to February 2018. Between October 2012 and June 2015, automatic enrolment became mandatory for large and medium-sized employers. Between June 2015 and May 2017, this was extended to small and micro employers. Employers who took on their first workers between 2012 and 2017 were required to implement automatic enrolment by February 2018. This group is referred to in this report as '2012-17 newborns.' Since October 2017, all employers taking on their first workers have been required to implement automatic enrolment immediately: these employers are referred to in this report as 'instantaneous newborns.' Collectively, those employers who took on their first eligible workers after 2012 are referred to as 'newborn(s)' within this report.

Throughout this staggered roll-out, the Department for Work and Pensions (DWP) has commissioned waves of research to understand the views and experiences of employers and employees as it became relevant to them. The current wave of research seeks to explore the views and experiences of the most recent cohort of employers to implement automatic enrolment: newborn employers. This report describes the experiences of 70 newborn employers in implementing automatic enrolment, and of 83 workers enrolled by those employers.

Key findings

- Employers typically viewed automatic enrolment as a positive measure in helping workers save more for retirement and acknowledged its importance in the context of an ageing society. Occasionally they questioned whether this responsibility

should fall on small employers, but they tended to accept their duties as simply another task that formed part of setting up a business.

- Typically, the amount of time employers spent to comply with their duties was a matter of hours, rather than days or weeks for 2012-17 newborns. This was reported to be a little longer, at around half a day up to two days for many instantaneous newborns, who also had the responsibility of setting up a new business in parallel to automatic enrolment duties. Most employers found the cost and time involved in implementing automatic enrolment to be lower than they had anticipated.
- Employers who had previous experience of training in payroll, bookkeeping or pensions, or who had a generally proactive approach to administrative tasks, tended to feel confident enough about implementing automatic enrolment to handle everything themselves.
- Employers who felt less confident, or who decided their time was better spent on other tasks associated with setting up a business, were more likely to outsource the implementation process. Those with an ongoing relationship with an intermediary often asked them to take on the monthly administration of automatic enrolment as part of that relationship, but in rare cases employers were also willing to pay an ad hoc fee for consultative support with understanding their duties and choosing a provider.
- Whatever their level of previous experience, it was rare for employers to engage in seeking extensive information: they usually sought just enough information to become compliant, and little beyond this. They also spent only a little time researching potential providers. The typical process was to choose Nest – the provider best-known to employers – in the first instance, or a pension provider with whom they had previous experience with, unless they were prompted to do otherwise, usually by a recommendation from an accountant or Independent Financial Adviser (IFA).
- 2019 instantaneous newborns, who had greater awareness of automatic enrolment and were more confident, were also less likely to rely on third party recommendations than those that began automatic enrolment in 2018 or before. These employers tended to have greater autonomy in the decision-making process when choosing their pension provider, rather than relying on a recommendation.
- Workers who remained enrolled typically spent little time considering the idea. It was common for workers to describe remaining in the scheme as an easy decision, perceiving the employer contribution to be 'free money.' Having said that, although workers often said they wanted to save more for retirement, very few were contributing more than the minimum rate to their pension.
- Workers who opted out had usually given the decision more thought. It is worth noting that 12 of the 25 opt-out workers interviewed were aged over 50. The most common reason that workers over 50 gave for opting out was the feeling that they had already built up – or would have built up by the date they retired – sufficient provision elsewhere.

- Even those workers with some awareness of their monthly contribution – either in terms of its value or as a percentage of earnings – struggled to estimate broadly what their pension might be worth at retirement.
- Many of the workers we spoke to doubted that they would ever retire completely. This was for a combination of reasons: typically, having insufficient pension savings and the continued increase to State Pension age (SPa) and a personal fear that the State Pension might be withdrawn in the future. Rather than reacting with alarm, or changing anything about their approach to saving for retirement, however, they tended simply to accept that this would be their reality.
- Employers were typically aware of both the April 2018 and April 2019 increases in contributions (whether or not they were interviewed before or after each increase), and felt relatively neutral about the rise. Generally, employers said that they were confident about being able to pay these new rates and were relaxed about the cost, which they perceived as a small proportion of their overall costs. Employers were occasionally somewhat concerned about the impact of pension contributions upon general cash flow. However, newborns did not typically identify any specific cut-backs that they felt they needed to make, in order to afford the ongoing cost of administering automatic enrolment.
- Of those workers interviewed prior to the 2019 contribution increase, very few were aware that their automatic enrolment contributions would be rising. When informed of the increase in the course of the interview, their reaction tended to be either neutral or positive. Some were pleased that the increased rate would help them save more for retirement. Very rarely, workers expressed some concern about not being able to afford the planned increase, although even in these few cases workers did not suggest it would affect their decision to remain in the scheme. And conversely, workers who had opted out did not typically suggest that the increased contributions would tempt them to re-join the scheme.
- On the whole, employers implemented automatic enrolment with very few challenges. Difficulties were less common among instantaneous newborns (whose businesses were launched from October 2017 onwards, or who hired their first eligible employees from that point) than among 2012-17 newborns. Minor problems, when they did arise, typically fell into four categories: technical issues using the Regulator's or their provider's website; issues regarding staging dates; contribution payments, and identifying eligible workers. However, those who outsourced were, naturally, less likely to encounter technical issues.
- The option to postpone enrolment by up to three months was welcomed by some employers. Those who used postponement described several benefits. Firstly, it was seen as a means of avoiding unnecessary administration and cost, if the worker being automatically enrolled did not remain with that employer following a trial period. Postponement also allowed the newborn employer more time: to become compliant; to reduce overheads while building their working capital; or to strengthen their cash flow position.
- Employers who actively chose not to postpone implementation were typically seeking to reduce the complexity of the administration involved in automatic

enrolment. They decided against postponement in order to avoid 'drawing out' the compliance process for longer than was necessary, and to avoid deviating from the pre-established route to compliance.

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Abbreviations

DWP	Department for Work and Pensions
HMRC	HM Revenue & Customs
HR	Human Resources
IFA	Independent Financial Adviser
PAYE	Pay As You Earn
SPa	State Pension age
TPR	The Pensions Regulator (also referred to as ‘the regulator’)
VAT	Value Added Tax

Glossary of terms

2012-17 newborns	These businesses were launched, or recently hired eligible employees, between 2012 and 2017. They were given a staging date between May 2017 and February 2018. See also instantaneous newborns .
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.
Automatic enrolment scheme	A qualifying scheme that meets additional criteria to be an automatic enrolment scheme. Eligible jobholders who are not already a member of a qualifying scheme on the employer's staging date must be automatically enrolled into an automatic enrolment scheme.
Ceasing active membership	If an eligible jobholder chooses to leave (or stop contributing to) an automatic enrolment scheme after the end of the opt-out period , they are said to cease active membership.
Contribution levels	As required by law, defined contribution schemes have minimum contribution levels. Until 5 April 2019, the total minimum contribution level was five per cent of the worker's salary, including a minimum employer contribution of two per cent. Since 6 April 2019, the total minimum contribution rate is eight per cent; five per cent of the worker's salary and an employer contribution of three per cent.

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Defined contribution (DC) pension	A pension scheme that provides pension scheme benefits based on the contributions invested, and the returns received on that investment (minus any charges incurred).
Earnings trigger for automatic enrolment	The amount a worker must earn before the duty for their employer to automatically enrol the worker is triggered. For the 2018/2019 and 2019/20 tax years, this was set at £10,000. This figure is reviewed annually by the Government.
Eligible jobholder	Eligible jobholders for automatic enrolment are those who are aged at least 22, have not yet reached State Pension age , and earn above the earnings trigger for automatic enrolment . They must also not already be members of a qualifying scheme and ordinarily work in the UK.
Entitled worker	A worker who is aged at least 16, but under State Pension age ; 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; £6,136 for the 2019/20 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.
Independent Financial Adviser	An adviser, or firm of advisers, that is in a position to review all the available products and companies in the market as the basis for recommendations to clients. All IFAs are regulated by the Financial Conduct Authority.
Instantaneous newborns	Employers whose businesses were launched, or newly hired eligible employees, from October 2017 are considered instantaneous newborns. They are not given a staging date but instead have immediate automatic enrolment duties. See also 2012-17 newborns .
Jobholder	A worker who is aged at least 16 and under 75; works, or ordinarily works in the UK; and

earns above the lower earnings level for qualifying earnings. The category of jobholder is divided further into two groups: **eligible jobholders** and **non-eligible jobholders**.

Joining window

The six-week period from an **eligible jobholder's automatic enrolment** date. Within this period the employer must give information to the pension scheme about the eligible jobholder; give enrolment information to the eligible jobholder; and make arrangements to achieve **active membership** for the eligible jobholder, effective from their automatic enrolment date.

Member

A person who has joined a pension scheme and who is entitled to benefits under it.

Nest

The National Employment Savings Trust. A multi-employer **workplace pension** 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

Non-eligible jobholders are not eligible for automatic enrolment, although they can choose to 'opt in' to an **automatic enrolment scheme**. If they do, their employer must still make a contribution. They are **jobholders** who: are aged at least 16 and under 75; and earn above the lower earnings level of **qualifying earnings** but below the **earnings trigger for automatic enrolment**. Or, are aged at least 16 but under 22, or between **State Pension age** and under 75; and earn above the **earnings trigger for automatic enrolment**.

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 time 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 the employees' earnings and then paid to HMRC .
Postponement	Postponement is 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 .
Provider	An organisation, often a bank, life assurance company or building society, which sets up and administers a pension scheme on behalf of an individual or trust.

Qualifying earnings	In the context of the workplace pension reforms this refers to the part of an individuals' earnings on which contributions into a qualifying pension scheme will be made. A worker's earnings below the lower level and above the upper level are not taken into account when working out pension contributions. For the 2018/2019 tax year, the lower level was set at £6,032 and the upper level was set at £46,350. For the 2019/2020 tax year, the lower level was set at £6,136 and the upper level was set at £50,000. These figures are reviewed annually by the government.
Qualifying pension scheme	A pension scheme that meets certain minimum standards set by legislation. There are different standards, depending on the type of scheme.
Registration	A duty on employers to tell the regulator information about the pension scheme they are using and how many people they have enrolled into it for automatic enrolment.
Staging	The staggered introduction of the new employer duties, from 2012, starting with the largest employers, based on PAYE scheme size, in October 2012, to the smallest in 2017. New PAYE schemes from April 2012 were 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 is required to begin automatic enrolment . It is determined by the total number of workers in an employer's largest PAYE scheme.
State Pension age	The earliest age at which an individual can claim their State Pension. Previously, the State Pension was paid to men at the age of 65. For women, the State Pension age rose from 60 to 65 between 2010 and November 2018. Since December 2018, the State Pension age for both men and women has started to increase to reach 66 by October 2020.

The Pensions Regulator	The Pensions Regulator (TPR), also referred to in this report as ‘the regulator,’ is the UK regulator of work-based pension schemes. The regulator 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.
Worker	An employee or an individual who has a contract to provide work or services personally and is not undertaking the work as part of their own business.
Workplace pension	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.

Summary

This report provides the findings from a study commissioned by the Department for Work and Pensions (DWP), to explore the experiences of newborn employers in implementing automatic enrolment, and of the workers enrolled by those employers.

Background

Automatic enrolment requires that all employers assess their workers against a set of eligibility criteria (including that they are aged between 22 and State Pension age) into a qualifying workplace pension scheme, chosen by the employer. Workers have the option to leave the scheme ('opt out') within the month-long 'opt-out period' that follows their enrolment.

Once they have enrolled eligible workers into a workplace scheme, employers must make a contribution to those workers' pension savings. Until 5 April 2018, the minimum contribution rate was set at two per cent of the qualifying earnings of each worker who is automatically enrolled, with at least one per cent provided by the employer. It then rose to a total of five per cent in April 2018, with at least two per cent contributed by the employer; and on 6 April 2019 rose for a second time to a total of eight per cent, with at least three per cent contributed by the employer.

Automatic enrolment was introduced over a five-and-a-half-year period, from October 2012 to February 2018. Between October 2012 and June 2015, automatic enrolment became mandatory for large and medium-sized employers. Over June 2015 to May 2017, this was extended to small and micro employers. Employers who took on their first workers between 2012 and 2017 were required to implement automatic enrolment by February 2018. This group is referred to in this report as '2012-17 newborns.' Since October 2017, all employers taking on their first workers have been required to implement automatic enrolment immediately: these employers are referred to in this report as 'instantaneous newborns.' Collectively, those employers who took on their first eligible workers after 2012 are referred to as 'newborn(s)' within this report.

Throughout this staggered roll-out of automatic enrolment, the Department for Work and Pensions (DWP) has commissioned waves of research to understand the views and experiences of employers and employees as they became affected. This final wave of research sought to explore the views and experiences of the most recent cohort of employers to implement automatic enrolment: newborn employers.

Scope of the research

The research underpinning this report consists of two strands:

- Qualitative depth interviews with 70 employers, conducted with at least one person who had been involved in the implementation of automatic enrolment.
- Qualitative depth interviews with a mix of workers who had remained in these employers' schemes after being automatically enrolled, and workers who had

chosen to opt out of the schemes after being automatically enrolled. A total of 83 workers were interviewed: 58 who remained in their employer's scheme, and 25 who opted out.

The 70 employers covered by this study each fell into one of three categories:

- Newborn employers who came into existence between 2012 and 2017, and were given a staging date by the regulator between October 2017 and February 2018 ('2012-17 newborns'). We interviewed these employers in summer 2018. These employers implemented automatic enrolment before April 2018, when the minimum contribution rate was set at two per cent, with an employer minimum contribution of one per cent and an employee contribution (if the employer pays the minimum) of one per cent. In April 2018, contributions rose to a minimum of five per cent, with an employer minimum contribution of two per cent, and three per cent from the employee (if the employer paid the minimum amount).
- Instantaneous newborn employers, who came into existence after October 2017 and whose automatic enrolment duties began between March and August 2018, as soon as they employed their first eligible worker ('2018 instantaneous newborns'). We interviewed these in autumn 2018. The majority of these employers implemented automatic enrolment after the first increase in minimum contributions in April 2018, to a minimum of two per cent from the employer and five per cent in total.
- Instantaneous newborn employers whose automatic enrolment duties began between February and May 2019, as soon as they employed their first eligible worker ('2019 instantaneous newborns'). Approximately half of these employers' duties started in either February or March 2019, before the final rise in contributions in early April 2019; and for the remaining half, after this rise. These employers were interviewed in summer 2019.

Due to the nature of the sample, in regard to size and structure, the findings in this report should be treated as indicative rather than representative of the target population.

Key findings

Employers' and workers' attitudes towards automatic enrolment

Employers typically viewed automatic enrolment as a positive measure in helping workers save more for retirement, and acknowledged its importance in the context of an ageing society. Occasionally they questioned whether the responsibility for this should fall on small employers, but they tended to accept their duties as simply another task that falls to them as an inherent part of setting up a business.

Whether or not they remained enrolled in the scheme, most workers saw the responsibility of generating income for retirement as split between the state and the individual, but with most responsibility falling to the individual. A few workers saw it as being wholly the individual's responsibility. The attitudes of employers and workers towards automatic enrolment, and retirement and pensions more generally, are explored in Chapters 2 and 4.

Employers' use of information and advice in regard to automatic enrolment

The individuals responsible for implementing automatic enrolment had typically been aware of it months or years ahead of joining their current employer. They had often held a senior role both at this workplace and at their previous employer, and had similar responsibilities at both. In many cases, this meant that they had been part of the conversation about how to implement automatic enrolment at their previous workplace, occasionally having sole responsibility for it.

Whatever their level of previous experience, it was rare for employers to engage in extensive information-seeking: they usually sought just enough information to become compliant, and little beyond this. The process was almost always prompted by a letter they received from The Pensions Regulator (TPR), directing them to TPR's website. On reviewing the information there, they assessed the size of the task involved, and then typically decided either to handle the implementation process themselves or outsource it to a third party. Most 2019 instantaneous newborn employers outsourcing the process tended to do so due to lack of time rather than lack of ability: their focus was on setting up their new business.

Employers who already had a relationship with an accountant, payroll provider, or occasionally an independent financial adviser (IFA), tended to request support from them. The advice they received tended to be limited if the employer was not prepared to pay to delegate the process to them. A few employers also sought information through personal connections, such as family members or colleagues who had prior experience of implementing automatic enrolment.

Even the employers who decided to 'go it alone' undertook relatively limited research, usually focused on a visit to their potential provider's website and skim-reading around the topic online more widely. In a few cases, employers spent longer gathering information on the rules for compliance. Employers who were less confident or less experienced with automatic enrolment, were occasionally concerned about ensuring that they had correctly understood the steps they had to take to comply. These employers usually spent longer on the regulator's website finding the answer to a particular query.

We discuss employers' use of information and advice in Chapter 2.

Employers' experiences of planning and implementing automatic enrolment

Typically, the amount of time 2012-17 newborns gave over to complying with their duties was a matter of hours, rather than days or weeks. This was reported to be a little longer, at around half a day up to a two days for many instantaneous newborns, who also had the responsibility of setting up a new business in parallel to discharging their automatic enrolment duties. Most employers found the cost and time involved in implementing automatic enrolment to be lower than they had anticipated.

Employers who had previous experience of training in payroll, bookkeeping or pensions, or who had a generally proactive approach to administrative tasks, tended to feel confident enough about implementing automatic enrolment to handle everything themselves.

Employers who felt less confident, or who decided their time was better spent on other tasks associated with setting up a business, were more likely to outsource the implementation process. Those with an ongoing relationship with an intermediary often asked them to take on the monthly administration of automatic enrolment as part of that relationship, but in rare cases employers were also willing to pay an ad hoc fee for consultative support with understanding their duties and choosing a provider.

As new businesses, the newborn employers in this study were typically selecting the first pension scheme to be offered at their workplace. Even so, they usually spent only a little time researching potential providers.

Employers' typical first step in setting up automatic enrolment was to choose a provider. This was most commonly Nest, although some opted for a different provider. Previous experience of using a provider often influenced this decision; either through having set up automatic enrolment at a previous employer, or as a result of using that provider for a previous workplace or personal pension scheme. If an employer chose a different provider, this was often because they were prompted to do so by an accountant, an IFA, or their payroll software.

Newborns who were implementing automatic enrolment in 2019 and who had greater awareness and confidence, were relatively unlikely to rely solely on third party recommendations. These employers tended to have greater autonomy in the decision-making process when choosing their pension provider.

Most employers communicated automatic enrolment to their workers verbally and also distributed statutory letters. The letter or email typically followed a template from TPR, their accountant or their pension provider. Employers were reluctant to draft their own communication, or even adapt the standard templates to any great extent, to minimise the risk of accidental non-compliance.

For workers joining the company after the first wave of enrolment, communications were usually absorbed into their starting pack, contract of employment and/ or as part of their interview, with little or no face-to-face communication on the subject.

Amongst instantaneous newborns, there was an increased tendency to believe - incorrectly - that it was sufficient to notify employees of automatic enrolment through their employment contract alone, or only to inform them verbally. These employers reasoned that workers who had been automatically enrolled would receive an enrolment letter from the pension provider. In the final wave of fieldwork there were more instances of workers discovering through their payslip that they had been automatically enrolled, than was observed in previous waves.

Experiences of implementing automatic enrolment are explored in Chapter 3.

Workers' experiences of automatic enrolment

Workers who remained enrolled typically spent little time considering the idea. It was common for workers to describe remaining in the scheme as an easy decision, since they perceived the employer contribution as 'free money.' Although workers often

said they wanted to save more for retirement, very few were contributing more than the minimum rate to the new workplace pension.

Many of the workers we spoke to doubted that they would ever retire completely. This was for a combination of reasons: typically, having insufficient pension savings, the continued increase to SPa and a personal fear that the State Pension might be withdrawn in the future. Rather than reacting with alarm, or changing anything about their approach to saving for retirement, however, they tended simply to accept that this would be their reality.

Even those workers with some awareness of their monthly contribution – either in terms of its value or as a percentage of earnings – struggled to estimate even broadly what their pension might be worth at retirement.

Workers who opted out had usually given the decision more thought. Since it was very common for workers to have already been automatically enrolled at least once before at a previous workplace, many had decided whether or not to remain in the current scheme before they had even started working at the newborn employer.

It is worth noting that 12 of the 25 opt-out workers we interviewed were aged over 50. Most said they had put some thought into their retirement plans, and while none were planning to retire in the next year or two, some were hoping to retire in the next five to ten years. Others described themselves as quite active and said they would never choose to retire fully unless their health deteriorated. Opt-out workers were typically either paying, or had paid off, a mortgage, and typically were still working full-time.

The most common reason that workers described for opting out was the feeling 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. Most had been offered a workplace pension before, and while some were optimistic about being able to retire in their early sixties or younger, it was just as common for workers to express a willingness to continue working.

A few opt-out workers 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 for retirement.

Workers over 50 tended to suggest that it was now ‘too late’ to start a new pension: whatever the level of provision they had built up elsewhere, they still felt they would not be able to save enough in this new pension to make it worthwhile remaining enrolled. 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.

The experiences of workers are explored in detail in Chapter 4.

Post-setup challenges and reactions to the increases in minimum contributions

On the whole, automatic enrolment was planned and introduced with very few challenges. Difficulties were less common among instantaneous newborns, than with

previous cohorts of employers. Minor problems, when they did arise, typically fell into four categories: Technical issues using the Regulator's or their provider's website, issues regarding staging dates, contribution payments and identifying eligible workers.

Completing the declaration of compliance was not typically seen to be a challenging task for the newborn employers to whom we spoke. It was also rare for newborn employers to express any concern about the expected burden to be placed on them by the ongoing administration of automatic enrolment. Since they were normally small employers, they tended to perceive both the time and cost involved in the monthly administration of pension contributions to be relatively low.

Although employers were – occasionally – somewhat concerned about the impact of pension contributions upon general cash flow, newborns did not typically identify any specific cut-backs that they felt they needed to make in order to afford the ongoing cost of administering automatic enrolment.

Across the research, employers were typically aware of changes in minimum contribution levels (both in April 2018 and April 2019), and felt relatively neutral about these rises. Generally, employers said that they were confident about being able to pay the new rates, and were relaxed about the cost, which they perceived as a small proportion of their overall costs. Even following the second rise in April 2019, this attitude prevailed.

Very few workers, in either 2018 or 2019, had been aware of future increases to their automatic enrolment contributions before taking part in an interview. However, their reaction to this news tended to be either neutral or positive. Some were pleased to have the decision to save more for their retirement made on their behalf. A small number interviewed in 2018 expressed some degree of concern about affording the future increase. In 2019, by contrast, the higher contributions played little or no role in workers' decision to remain in or opt out, or in influencing their perception of its affordability.

1 Introduction

This report presents the final findings from a qualitative research study, commissioned by the Department for Work and Pensions (DWP). It investigates the experiences of ‘newborn’ employers implementing automatic enrolment between 2017 and 2019, and of workers at those organisations. Its aim is to explore the experiences and decision-making processes of employers implementing automatic enrolment, as well as the degree of burden it placed upon them. The report also examines the experiences and decisions of workers, the attitudes and motivations informing their choice to remain in a scheme or opt out. Finally, it assesses the impact of the two phased increases in the minimum contribution rate, which took place in April 2018 and 2019 respectively.

This chapter explains the background to this research, the objectives, and the methodological approach taken.

1.1 Policy background

The Pensions Acts 2007, 2008 (and updated as part of the Pensions Act 2011 and 2014), and the packages of associated regulations, require all employers to automatically enrol eligible workers into a qualifying workplace pension scheme and make a minimum contribution. Workers who do not wish to be a member of the workplace scheme can opt out within one month of being automatically enrolled, or cease active membership of the scheme at any time thereafter. Automatic enrolment duties were first introduced for the largest employers in the UK in October 2012; all existing employers were subsequently allocated a ‘staging date’ by The Pensions Regulator (TPR) according to the employer’s PAYE scheme size. The ‘staging date’ is the date on which employer’s automatic enrolment duties come into effect.

Until 5 April 2018, the minimum contribution rate was two per cent of the qualifying earnings of each worker enrolled,¹ with at least one per cent coming from the employer, and the remainder made up by the worker’s contribution and usually tax relief. On 6 April 2018, the minimum contribution increased to five per cent of each worker’s qualifying earnings, with at least two per cent coming from the employer, and the remainder made up by the worker’s contribution and usually tax relief.

¹ Qualifying earnings are the part of an individuals’ earnings on which contributions into a qualifying pension scheme are made. The level is reviewed annually by the government.

Finally, on 6 April 2019 it increased to a total of eight per cent, of which at least three per cent is contributed by the employer.

In conjunction with the new automatic enrolment measures, DWP commissioned the first automatic enrolment research study in 2012 with large employers.² A second study was commissioned in 2014 with medium-sized employers,³ and a third followed in 2016 with small and micro employers.⁴ The research detailed in this final report constitutes the fourth of these studies, commissioned in 2018 and focusing on newborn employers.

In this research, we spoke to some of the last employers to be given a staging date by TPR. Employers who came into existence between 2012 and 2017 – henceforth referred to in this report as **2012-17 newborns** – were given a staging date between May 2017 and February 2018. We interviewed these newborns in the first wave of fieldwork, conducted in summer 2018.

UK employers coming into existence from October 2017 onwards were not given a staging date by the regulator; instead, they had immediate duties to automatically enrol any eligible jobholder they employed. In this report, we refer to these employers as **instantaneous newborns**. We interviewed the first group of these instantaneous newborns in the second wave of fieldwork, conducted in autumn 2018.

In summer 2019, a final wave of research was conducted with a second cohort of instantaneous newborn employers. These, again, were small and micro employers, who had implemented automatic enrolment within two months of the final rise in minimum contribution rates, which took effect in April 2019.

1.2 Research objectives

DWP commissioned this research to explore the experiences of employers who had recently implemented automatic enrolment, as well as the experiences of workers who had recently been enrolled in those employers' schemes. Like the previous, related research, this study sought to understand the decisions employers and workers make, and the information, advice and personal attitudes and motivations that shape these decisions. Ultimately, in addressing these questions, the research aims to inform policy that encourages people to save more for their retirement. In light of this, there were several key objectives:

² Wood, A., Downer, K., Körbitz, C. and Amantani, L. (2013), Automatic enrolment: Qualitative research with large employers.

³ Wood, A., Downer, K., Amantani, L. and Gooders, C. (2015), Automatic enrolment: Qualitative research with employers staging in 2014.

⁴ Wood, A., Downer, K., Hulme, A. and Phillips, R. (2017), Automatic enrolment: Qualitative research with small and micro employers.

- The research sought to understand the attitudes newborn employers and their employees hold towards retirement saving in general, and automatic enrolment as a policy.
- We explored the journey newborn employers undergo in relation to discharging their automatic enrolment duties, including the information they sought, the people they spoke to, the choices they made, and any and all influences on their behaviour and decision making. We also asked them about the level of burden they experienced in complying with their duties, both in terms of the time required and the financial costs.
- Another key aim of this study was understanding the experiences of workers and how they came to the decision to remain in, or opt out of, the scheme following automatic enrolment. We also explored their personal circumstances, their attitudes, and any plans in terms of saving for retirement.
- Finally, the study sought to explore employers' and workers' reactions to the rises in minimum contribution rates in April 2018 and April 2019, and the impact these rises may have both on companies and individuals.

1.3 Policy objectives

By addressing the objectives described in Section 1.2, the research aims to help DWP assess how successful the implementation of automatic enrolment has been with newborn employers and their workers. This adds to the wider evidence base on employers' and workers' experiences of automatic enrolment in the research studies outlined above. This body of research was also designed to inform discussions around areas for future policy development by understanding employers' and workers' decision-making around automatic enrolment, and learning from the experiences of the processes they went through.

Section 1.4 describes the research methodology used with these objectives in mind.

1.4 Research methodology

The wider research project consists of two elements:

- Qualitative depth interviews with 70 newborn employers, conducted with at least one person, who has been involved in the decision-making that preceded automatic enrolment, and in its implementation.
- Qualitative depth interviews with 83 workers who had been automatically enrolled into their employer's scheme. Of these workers, 58 had chosen to remain in the scheme, and 25 had opted out.

Sampling approach and initial contact with employers

For the first wave of fieldwork in summer 2018, TPR provided the research team with a list of 2012-17 newborns, who had been allocated staging dates between October 2017 and February 2018, and who had notified the regulator of compliance with their duties. In the second and third waves of fieldwork – in autumn 2018 and summer 2019 respectively – we interviewed instantaneous newborn employers. These

employers' automatic enrolment duties had begun as soon as they employed their first eligible worker, between March and August 2018, or between February and May 2019. All participants had completed their declaration of compliance before being approached for the research.

Employers were selected at random from TPR's list, while ensuring a representative spread of employers in terms of region, and sector. The distribution is outlined in Section 1.5.

Our research team first made contact with employers by telephone, using scripted questions to identify the correct contact: the individual charged with primary responsibility for implementing the automatic enrolment process. We also captured other key details, such as how long the business had been in existence and whether the employer planned to use postponement: the sample included both employers who implemented automatic enrolment on their staging date, and those who used the option to postpone implementing their duties.

The recruiter explained the purpose of the call, and what participating in the research study would entail. Provided the employer contact was prepared to consider being involved, the recruiter then forwarded a letter from DWP to confirm the details of the research.⁵

Each participating employer was offered a financial incentive for taking part, in recognition of the fact that the requirements of the research – participating in a one-hour interview and arranging interviews with workers – could potentially be a challenge.

A depth interview approach allowed the research team to collect qualitative data in a discursive way, focusing flexibly on the most important aspects of individual employers' circumstances, views and experiences. Interviewers used a discussion guide to ensure that the objectives outlined in Section 1.2 were addressed. We aimed to include employers from the full range of sectors and industries in the research. The sector split and profile of the 70 employers who took part in depth interviews is summarised in Section 1.5.

The majority of employer interviews were conducted face-to-face; occasionally a telephone interview was offered instead where it was more convenient for the employer. Employer interviews lasted up to one hour.

Qualitative depth interviews with workers

All of the worker interviews that we have completed have been arranged via the employers who were recruited from the TPR sample. Upon agreeing to participate, employers were asked to arrange for workers to be available for us to interview in

⁵ The letter sent to employers appear in Appendix A.1.

person following the interview with the employer. If a face-to-face interview could not practically be arranged, the interview instead took place by telephone.

Employers typically made casual enquiries with their workers to find out who would be available and willing to take part in an interview. We also provided an information sheet with further details about the research for employers to distribute among their workers: this is available in Appendices A.2 and A.3. This information sheet also gave an email address that workers could write to directly if they wanted to speak to us about the research independently of their employer’s knowledge or involvement.

Worker interviews lasted up to 30 minutes, and as with the employers’ interviews, followed a discussion guide to ensure that the objectives outlined in Section 1.2 were addressed.

All employers and workers participating in the research were also given a consent form to complete before their interview. This explained further what participation in the research involved, explained how we would handle the personal data they shared with us, and informed them of their right to withdraw from the research at any time.⁶

1.5 Profile of participating employers

The 70 employers interviewed were located across England, Scotland and Wales, and represented a range of industry sectors. The regional breakdown was as follows:

- 28 employers in London, the South East and East Anglia
- 33 employers in the rest of England and Wales
- 9 employers in Scotland

We also spoke to employers of a range of sizes, although the majority of newborns were small or micro employers:

- 40 employers had 1-4 workers
- 18 employers had 5-9 workers
- 7 employers had 10-19 workers
- 1 employers had 20-29 workers
- 4 employers had 30 or more workers

The sector breakdown of employers is shown in Table 1.1.

Table 1.1 Number of employer interviews carried out, by sector

Sector	Number of employers

⁶ This consent form is reproduced in Appendix A.8.

Accommodation and Food Service Activities	8
Administrative and Support Services	5
Agriculture, Forestry and Fishing	1
Arts, Entertainment and Recreation	3
Construction	8
Education	2
Financial and Insurance Activities	3
Human Health and Social Work Activities	11
Information and Communication	7
Manufacturing	5
Professional, Scientific and Technical Activities	3
Real Estate Activities	2
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	4
Other Service Activities	8

The sample included employers who had implemented automatic enrolment immediately, as well as those who used the option to postpone implementing their duties. Of the 70 employers interviewed, 18 used postponement for one or more workers. The use of postponement is discussed in Section 3.7.

1.6 Profile of participating workers

We interviewed 83 workers at 50 different organisations. The sector split is shown in Table 1.2.

Table 1.2 Number of worker interviews carried out, by sector

Sector (number of employers from which these interviews were drawn in brackets)	Number of workers
Accommodation and Food Service Activities (7)	14
Administrative and Support Services (2)	2
Agriculture, Forestry and Fishing (1)	2
Arts, Entertainment and Recreation (3)	6
Construction (3)	7
Education (2)	3
Financial and Insurance Activities (3)	4
Human Health and Social Work Activities (9)	13
Information and Communication (5)	7
Manufacturing (3)	8
Professional, Scientific and Technical Activities (2)	3
Real Estate Activities (2)	3

Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles (1)	2
Other Service Activities (7)	9

Of the workers interviewed, 42 were female and 41 were male. Seventy-four worked full-time for their employer (defined as 30 hours or more per week), while nine worked part-time. The workers represented a range of ages (shown in Table 1.3) and annual individual incomes (Table 1.4).

Table 1.3 Number of worker interviews carried out, by age

Age	Number of workers
<22	0
22 – 29	34
30 – 39	18
40 – 49	11
50 – 65	20
Declined to state age	0

Table 1.4 Number of worker interviews carried out, by individual income

Individual income	Number of workers
<£10,000 ⁷	2
£10,000 - £19,999	34
£20,000 - £29,999	20
£30,000 - £40,000	15
>£40,000	10
Declined to state income	2

⁷ Workers who are earning less than £10,000 per annum are normally classified as non-eligible jobholders and should not therefore be automatically enrolled. It is possible however that the workers who described themselves as earning under £10,000 a year were earning slightly more in the month in which they were automatically enrolled.

2 Employer perspectives on pensions and initial reactions to automatic enrolment

This chapter focuses on newborn employers' perspectives on pensions and their initial reactions to automatic enrolment. Section 2.1 looks at employers' attitudes towards retirement provision in general, and automatic enrolment in particular. In Section 2.2 we look at employers' awareness of automatic enrolment and their initial decisions in terms of how to approach implementation. Section 2.3 then describes the information that employers sought when preparing for automatic enrolment, and finally, Section 2.4 discusses the advice sought by employers.

2.1 Employers' attitudes towards retirement saving and pensions

Employers' attitudes to retirement saving have remained very consistent since we began conducting research into automatic enrolment, regardless of the size of employer. As in previous waves, employers typically saw automatic enrolment as a positive measure in helping workers save more for retirement, and acknowledged the importance of taking such measures in the context of an ageing society.

While employers tended to agree with automatic enrolment in principle, we again saw a spectrum of attitudes when it came to the practical question of employers undertaking responsibility for setting up a pension for their workers. A few spoke enthusiastically about the importance of employers taking a proactive role in helping people save for the future. While there was sometimes a frustration attached to incurring an additional expense, those with a paternalistic perspective typically viewed pension contributions as having an emotional component that other costs related to the business did not.

'At first it was annoying, because it is more money, isn't it? But then I see the benefits and I see that [worker] is going to have her pension, which is really good because I don't know if she or her husband has one. I think she is quite happy about having it'

Childminder, London, South-East and East Anglia, 2019 instantaneous newborn

A few questioned whether the current minimum contribution rates were high enough to generate a substantial retirement income.

'Don't turn down a tax benefit. Don't turn down a contribution from your employer. But in this specific instance here... the total contributions are of the order of £35 plus the tax relief. So, £40 a month. It's better than a spit in the eye... [But] it's not going to build into anything terribly meaningful.'

Campaigning charity, Scotland, 2019 instantaneous newborn

Employers also tended to agree that both the employer and the worker had a role to play in contributing to the pension.

'If you were to ask me what our business does, we look after people... Our HR policies and our cultural policies are all designed around being a modern employer. I actually think that our responsibility for people's pensions is critical. It is something that we are all going to need to do.'

Creative agency, Scotland, 2018 instantaneous newborn

Occasionally, employers agreed in principle that workplace pensions were beneficial to workers, but questioned the extent to which it was the employer's responsibility to set up and encourage workers to pay into a workplace scheme.

'I think that people should be looking after themselves no matter what. So when they get to retirement age, they are ready for it, essentially... From an individual perspective, auto-enrolment adds a cost to my business, and an ever-increasing one and a more noticeable one. For the long-term survival of the country, I think it's a great idea.'

Chiropractor, Rest of England and Wales, 2012-17 newborn

A few small employers drew a distinction between larger and smaller organisations, suggesting that setting up and paying into a workplace pension was more challenging for small businesses like themselves. Most employers acknowledged that the pension contributions themselves were a relatively small item in the overall costs of running their businesses, but a few still expressed some degree of concern about the impact the pension scheme would have on cash flow, given that they were in the early stages of building their business.

'I think that for smaller businesses that are starting out, if the mandatory rates were less, if there was a grace period for the businesses to build some momentum [it would be better] ... When you are starting out and you have put your own personal cash in to start up a business, to then, within the space of

only 24 months,⁸ have this cost thrust upon you ... That is a challenge when you're trying to compete with the big boys.'

Creative agency, Scotland, 2018 instantaneous newborn

A small number expressed some resentment at the fact that they were obliged to contribute to their workers' future financial security at a time when they themselves were financially vulnerable.

2.2 Employers' awareness of automatic enrolment

The individuals responsible for implementing automatic enrolment had typically been aware of it for months or years ahead of joining their current employer. Often the person responsible for implementation had held a senior role both at this workplace and at their previous employer, and had some Human Resources (HR) responsibilities at both. This meant that they had often been part of the conversation about how to implement automatic enrolment at their previous workplace, and in a small number of cases, had had sole responsibility for this.

Prior experience of implementation was even more common among those setting up automatic enrolment at instantaneous newborns. Because these employers had only come into existence from October 2017 onwards, the person responsible for implementation had usually worked previously at an employer that had already discharged its duties. Consequently, they had often been responsible for or involved in rollout, or at least automatically enrolled as a worker.

Some instantaneous newborns became aware of the requirement to put automatic enrolment in place at the stage of planning their business. This was most likely to be the case for those who were required to provide a detailed financial plan for their business as part of a funding application.

Some employers mentioned having heard about automatic enrolment in the media ahead of setting it up at their current workplace. This was more prominent in wave 1 of the research (2012-17 newborns), for whom automatic enrolment awareness campaign activity was more recent. However, recall of the campaign continued into 2019, albeit at a much lower level.

While prior knowledge of automatic enrolment itself was normal, awareness of their current specific duties as an employer were often triggered by having been contacted by The Pensions Regulator (TPR).

'I happened to be working for a firm of accountants when the first stagings started. I had quite a lot of exposure to it at that point, and we did lots of

⁸ This employer has set up two distinct but related businesses within the last two years, with the creative agency in question being an off-shoot of the initial business and an instantaneous newborn.

seminars for people about what it involved. In terms of [the current company] as a business, the first thing I heard as a business really was a letter from The Pensions Regulator saying, "Your staging date is X."

Lettings agency, Rest of England and Wales, 2012-17 newborn

The exception to this was those who were either re-running the enrolment process due to a technical change in the legal status of their business, or who were re-running automatic enrolment for a second business they owned. In these cases, employers' awareness of the procedural specifics of automatic enrolment was noticeably higher.

This official notification from the regulator was typically met in a neutral fashion by employers, as they usually perceived the task as simply another piece of business administration and often had fairly vague expectations of how long the task would take.

At this point, employers tended to make a quick and approximate estimate of the size and complexity of the task ahead of them. Based on this judgement, they made a decision as to whether to handle implementation themselves or delegate it to a colleague or external intermediary. The decision-making process around the use of external intermediaries will be covered in more detail in Section 3.3.

Even among those who had prior experience of the compliance procedure and who were expecting TPR's initial letter, it was very uncommon for businesses to start preparations before receiving the letter.

2.3 Employers' use of information about automatic enrolment

It was rare for employers to engage in extensive information seeking: they usually sought just enough information to become compliant, and little beyond this. This trend was more common among smaller employers. Larger employers were more likely to need to do more research into their duties, as they typically employed more different types of worker, to whom different rules applied. These larger employers were also more likely to have the resource and expertise necessary to engage in more detailed research into their duties. In contrast, the instantaneous newborns we interviewed in 2018 and 2019 were similar to the small and micro employers interviewed in 2016. They typically had only a small number of workers to enrol, and therefore a shorter and simpler list of tasks to complete, in order to discharge their duties.

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 there about how to comply with their duties. Employers who decided to outsource the process often still checked the regulator's website, just to get a sense of what was involved.

Those employers who decided that they preferred to handle automatic enrolment themselves spent somewhat more time on the regulator's website, but still typically sought to gather the information they needed to comply with their duties as quickly and straightforwardly as possible.

'I muddled through on my own. I found it quite simple, really. I didn't really need any help...'

Cleaning service, Rest of England and Wales, 2018 instantaneous newborn

Examples of the information employers were looking for on the regulator's website included:

- the rules about whom they had to enrol, and how they should communicate with them
- the deadline by which they had to complete each requirement
- the rules about postponing the enrolment of workers
- how to process a worker who, through turning 22 or being awarded a pay rise, became eligible for automatic enrolment in the course of their employment
- the pension providers available to them. The list of providers on the TPR website was commonly one of the first places employers sought this information
- details of minimum contributions

Employers generally found the regulator's website to be a useful, straightforward resource and easy to navigate. Several employers praised the Duties Checklist in particular, finding it helpful to have a step-by-step guide of their responsibilities to work their way through.

'I think the [TPR] website is very clear. The compliance section is very straightforward... sometimes government websites tend to be very technical and they don't make it user friendly, but I think [TPR's website] was more visual. So, it's just to click on. It feels simpler.'

Fish deli, Rest of England and Wales, 2019 instantaneous newborn

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, however, they returned to their provider's website for further information about the mechanics of the automatic enrolment process further down the line.

'I think it was Nest themselves... They have a really, really good section of support for employers, which I refer to as the Bible. They have got a list of everything and how it happens... You go down the list of documents and you can find [a specific] letter and then you can read it so you can see exactly what the employee is being told and exactly what you are being told; how it works.'

So, even though I could put a question into Google, actually I had it all out there in front of me.'

Gardening company, Rest of England and Wales, 2019 instantaneous newborn

Occasionally, the employer also made a telephone call to either TPR or their provider with a query: for example, about employer fees, completing the Declaration of Compliance, or how to go about setting up the pension. Such telephone calls were more common among 2012-17 newborns, who displayed less confidence than their instantaneous newborn counterparts.

A few employers spent more time skim-reading around the topic online, usually on the regulator's website and the potential pension provider's website. This was usually with the goal of comparing a shortlist of pension providers. However, since the criteria employers were using to choose a provider were straightforward – typically driven by cost and ease of use – it was rare for them to consider more than two or three providers. Even in these cases, they usually invested relatively little time in gathering information on their shortlisted providers.

In a few cases, employers spent longer gathering information on the rules for compliance. Employers who were less confident, or less experienced, in automatic enrolment were occasionally concerned about ensuring that they had correctly understood the steps they had to take to comply. These employers usually spent longer on the regulator's website finding the answer to a particular query about, for example, postponement or qualifying earnings. Occasionally, they called the regulator, or consulted blogs and articles written by intermediaries and other third parties.

'I would say to start with I probably spent a good couple of hours a day for a couple of weeks figuring it all through, and dipping in and dipping out of it, just to get my head around it, and make sure I understood what was going on and what I needed to do.'

Care provider, London and South East, 2018 instantaneous newborn

In very rare cases, employers felt confident enough not to do any research before starting to set up automatic enrolment. This happened where employers felt well-versed in the process, either through having implemented automatic enrolment at a previous workplace, or because their employer had experienced a change in legal status and they were repeating processes they had followed previously. These employers felt they already knew the steps involved and the decisions they would need to make, prior to receiving the initial letter from TPR.

2.4 Employers' tendency to seek advice about automatic enrolment

It was common for employers to seek some kind of support aside from the regulator or their provider – most commonly they spoke to contacts 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.

Sometimes these employers hoped that this third party would actually implement automatic enrolment for them at little or no extra charge, but in these cases the third party in question would often refuse on the grounds that many of their clients were in the same position.

'I went [to an independent financial adviser] to take control of all of the set-up for us. We didn't hear anything about it... When I chased it up, they were like "You are at the date, you need to do something now" ... They don't make any money from the set-up for any of these pensions.'

Marine Surveyors, Scotland, 2012-17 newborn

Once it was clear that they would have to pay an additional fee to cover implementation, or hire someone new on an ad hoc basis, these employers tended to revert to handling the process themselves. Even in these cases, however, it was common for employers to receive a recommendation of a provider to use, or procedural guidance regarding implementation, from the third party they had contacted.

A few employers also sought information through personal connections. For instance, some spoke to family members who they knew had prior experience of automatic enrolment, or of accounting processes, gained at another workplace.

'I actually phoned my brother... who works in a pension company. He said, "You're going to pay, no matter who you go with".'

Property management company, London and South East, 2019 instantaneous newborn

A small number of employers spoke to 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.

'My brother-in-law has run his own businesses for years and years and years... He has had a payroll of 20 to 100 people for God knows how long. So I would certainly have had a brief conversation with him, and asked, "What did you do?"'

Financial Technology, London and South East, 2012-17 newborn

When asked about any further information and support that might have helped them, employers typically said that there had been little missing, but sometimes wished that

the information they had received had been more concise and easier to understand. A few employers mentioned that they would have liked direct contact with a support source within the government, rather than the onus being on them to find out what they needed to do themselves. For example, one employer suggested a drop-in service, similar to the Citizens Advice Bureau, which might be a useful service for them to check that they were on the right track.

Case study:

Laura, Business consultancy, 5-9 employees

Laura's business took on its first workers in March 2018, and she is keen to keep expenditure low. For that reason, she was quite determined to implement automatic enrolment herself, without paying anyone external for advice.

'Obviously I'm trying to cut costs as a much as possible, because of the first couple of years of running a business. I wasn't able to start offering £40 a month to somebody to set it all up for me.'

She felt that there was enough information out there for her to undertake automatic enrolment herself. Laura spent some time researching online, initially on the HMRC website and then reading a few business services sites, just to see if the information tallied up. If it did, she was then confident it was correct. She also spoke to her provider to understand a bit more about how the scheme worked.

Despite doing everything herself, and having little prior knowledge of automatic enrolment, Laura found that the process did not take that long.

'In total it's probably taken a day or a couple of days. I've only got one person in, so I should think that for anybody that's got a lot of people, it probably takes more time. With the research needed to find out the providers, and then making the applications and organising everything, it's probably taken maybe a day, or a day and a half.'

Case study:

Samantha, Manufacturing, 10-19 employees

Samantha's business is relatively new, and incorporated a smaller business in the last 18 months. However, she previously worked in HR for a number of years, and so has an awareness of pensions through that experience.

Samantha also runs a riding stables, and implemented automatic enrolment there 18 months previously. On that occasion, she chose to use an intermediary to handle automatic enrolment. She has also used this intermediary for personal financial advice in the past.

Samantha did not lack the confidence to handle automatic enrolment herself, but rather made the decision that her skills were better used elsewhere on the many time-pressured tasks involved in developing a new business. Since she was satisfied with the assistance her intermediary had provided before, she decided it would save time and effort to use them again.

The intermediary in question recommended that they use Nest, and Samantha then delegated the process of setting up the scheme to a junior colleague.

[We could use an intermediary] or we could just do it ourselves. Me coming in, there was a million and one things to do. I just thought we could use [intermediary] and I know it's dealt with, and then I can focus on writing a company handbook policy with T's and C's and all the rest of the stuff that I had to cram in... I thought it's easier to outsource this, than for me to sit here and do it myself given everything else that I've got to do.'

3 Employers' experiences of implementing automatic enrolment

This chapter examines how newborn employers undertook the process of complying with their automatic enrolment obligations.

Section 3.1 details how newborn employers identified who within the organisation would be responsible for implementing automatic enrolment. Section 3.2 then explores the relative levels of confidence exhibited by newborns in implementing automatic enrolment.

In Section 3.3, we discuss how newborn employers decided whether to outsource their automatic enrolment administration and the impact this had on how they approached ensuring compliance. Section 3.4 looks at the decision-making process newborns followed when choosing which pension provider to use in their workplace, and Section 3.5 details the degree of perceived burden caused by compliance. Section 3.6 outlines how employers communicated automatic enrolment to their workers. Finally, in Section 3.7 we explore how employers approached the decision of whether or not to postpone automatic enrolment for any of their workers.

3.1 Responsibility for implementation of automatic enrolment

The position of the person overseeing the implementation of automatic enrolment has varied considerably over the course of the implementation of automatic enrolment, according to the size of employer. Large employers were more likely to have a Pensions Department, led by a Pensions Director or Pensions Manager, and so this person would oversee the implementation of automatic enrolment, calling on the expertise of other colleagues as and when necessary.

Medium-sized employers that did not have a function dealing specifically with pensions tended to delegate the implementation of automatic enrolment to someone who was normally responsible for handling other employee benefits or payroll. Sometimes this would be an office manager, who was responsible for handling a wide range of other administrative tasks: these individuals often found automatic enrolment relatively challenging due to the level of multitasking their job involved, and their lack of specific expertise in dealing with pensions.

Small employers, however, often simply had one director handling all Human Resources (HR) matters, and therefore also took on implementation of automatic enrolment. Similar to these smaller employers interviewed in 2016, the size of most of the instantaneous newborn employers we interviewed in 2018 and 2019 typically made it easy to identify who would take on responsibility for automatic enrolment within the business. It was rare for more than one person in the company to be involved in implementing automatic enrolment.

Where automatic enrolment was administered internally, it was often led by the person responsible for HR or finance, who took on this additional responsibility as a natural part of their role. In many cases this was a spouse or another family member. Where automatic enrolment was administered internally but there was no dedicated finance role within the company, responsibility for administering automatic enrolment usually fell to the owner or a co-director.

'I didn't have any difficulty with it personally, but then [name of colleague], who actually is the owner of the business, asked me to do it because to him it's gobbledegook. It's fair to say that he really would have struggled, personally, to have done this, hence he's delegated it to me instead, because I generally have more of a financial understanding.'

Cinema, Rest of England and Wales, 2018 instantaneous newborn

Employers usually sought to implement automatic enrolment in a way that would minimise the time and effort spent on it, and thereby also minimise the cost of implementation. This meant that, typically, they quickly assessed the size of the task, and then decided whether it was straightforward enough to handle themselves, or whether they would prefer to pay a third party in order to delegate to them.

In almost all cases in which companies outsourced the administration of automatic enrolment to an accountant or Independent Financial Adviser (IFA), an owner or co-director still made key internal decisions regarding automatic enrolment in the company, such as setting contribution rates and agreeing on a provider.

3.2 Financial confidence among newborn employers

Employers displayed varying levels of financial confidence. Similarly, to our 2016 research with small and micro employers, previous experience of training in payroll, bookkeeping or pensions was the strongest predictor of employers' confidence in financial administration. While only a few employers could field someone with direct experience of administering automatic enrolment, it was common to find individuals with related prior experience in administrative tasks relating to wages or salaries. In addition, 2019 instantaneous newborns typically had direct experience of being automatically enrolled into a pension scheme as a worker at a previous company.

'I was with a Nest pension with my previous employers. A couple of them have been with Nest so that is why we chose to go with Nest because I have had experience with them.'

Gardening company, London, South-East and East Anglia, 2019 instantaneous newborn

While this type of experience did not necessarily provide people with enough specific knowledge to administer automatic enrolment unaided, it usually gave them sufficient awareness to know where to look for support. As detailed in Section 2.4, this would often be their accountant, but in some instances, employers consulted an IFA, a family member with prior experience of automatic enrolment through their own company, or someone else in the local business community.

'I'm [also] working at an accountancy practice, and I've been working for four years now. So I've been dealing with businesses for a while ... New start-ups and established businesses... So I had experience from that perspective... I'd never worked in a payroll department... [but] our payroll department is actually just beside our department. It's literally next to us, so I can refer to them.'

Fast food outlet, Scotland, 2018 instantaneous newborn

Generally, the confidence of those with previous accountancy or business finance experience was well-placed: as we describe in Section 3.5, they reported fewer issues when implementing automatic enrolment than those who had no prior experience.

Employers with no professional background in accountancy or business finance were more mixed in their financial confidence. Their confidence was reliant on a more general combination of an entrepreneurial 'can-do' attitude, familiarity with business administration, and/ or access to a supportive accountant or IFA.

'I'm used to doing this sort of thing, so I suppose it's just whether you're used to it or not, isn't it... I'm always filling online forms in, so I think you just get in the habit of being able to follow them, don't you?'

Cleaning contractor, Rest of England, 2018 instantaneous newborn

As such, whether through previous experience, personal aptitude or the support of an intermediary, the majority of newborn employers we spoke to had sufficient financial confidence to carry them through the automatic enrolment process quite comfortably.

'It was all fairly self-explanatory. You just had to follow the instructions... If [they] can't follow the instructions on the screen, then I'd be really a bit worried about what other employers are doing!'

Building materials manufacturer, Rest of England and Wales, 2012-17 newborn

Those employers who described having low levels of financial confidence were sometimes afraid of the consequences of non-compliance. In general, newborns were keen to act 'by the book' and found strategies for reassuring themselves that they were compliant. These strategies included defaulting to Nest as a provider, relying heavily on the support of an adviser, and choosing to use only 'official' materials from a pension provider or The Pensions Regulator (TPR) to communicate automatic enrolment to their staff.

However, a small number of employers with low financial confidence remained nervous about their ability to complete the necessary tasks correctly. This led to hesitation, and sometimes anxiety. These were individuals who had taken responsibility for automatic enrolment, but had no prior related experience, either of automatic enrolment itself, or of having responsibility for financial processes such as bookkeeping. Their main fear was of 'innocently falling foul of the law' and being fined as a result.

'Whenever you log onto any website, even just navigating around The Pensions Regulator's website ... [you think], "Have I clicked on the right buttons? Have I done it right?" Just trusting yourself that you have actually done all the compliance, and you have ticked the right boxes, because of the dreaded fines if you don't do it. So there's always a bit of a fear factor, that if you have done it wrong, then it will come back and bite you.'

Furniture manufacturer, London and South East, 2012-17 newborn

3.3 Outsourcing automatic enrolment implementation

It was common for newborn employers to outsource some or all of the implementation of automatic enrolment.⁹ As described in Section 2.3, employers who had an ongoing professional relationship with an accountant, payroll provider or adviser tended to consult with them to see what they knew about automatic enrolment. The help that employers sought from these third parties ranged from simply seeking a recommendation for a provider to use, to the wholesale outsourcing of the process.

'We have an accountant for the big things, like payroll and that sort of thing. Obviously this was discussed straight away by them, and they gave me loads of information about what would happen, how it would happen, what my

⁹ Throughout recruitment to the research, it was common to find newborn employers who had outsourced the implementation of automatic enrolment in full. Note, however, that in order to participate in the research, employers were required to have been involved in at least some of the administration or decision-making when implementing automatic enrolment.

responsibilities were, what I would actually have to do myself. And they also gave me lots of different information about different pension funds...'

Landscaper, Rest of England and Wales, 2018 instantaneous newborn

Where implementation was outsourced, the employer typically passed the responsibility to an accountancy firm. A smaller number of employers outsourced to an IFA or bookkeeper. It was very rare for employers to approach an intermediary with whom they had no previous relationship; instead, it was a natural step for them to turn to an adviser already supporting them with bookkeeping or payroll, and ask for help with automatic enrolment too.

'They do payroll, and they sort the pension, and they sort everything out. VAT returns, Companies House, the lot. So I just engaged with them really, because they're a one-stop shop.'

Pub, Rest of England and Wales, 2018 instantaneous newborn

The most common factor in the decision to outsource completely the implementation of automatic enrolment was the desire to limit the time spent on financial administration. At a life stage in the newborn business where many employers were still 'learning the ropes' of business administration, outsourcing automatic enrolment offered the advantage of limiting the amount of new information to process. This in turn allowed employers to dedicate more of their time to developing the business.

'Not just for pensions, but I would encourage people that if running your business is giving you a headache, and you are a small business, and you are having to work late at night doing paperwork and payroll, and working out your own payroll and tax... Just take the headache away.'

Pub, Rest of England and Wales, 2018 instantaneous newborn

Employers outsourcing most or all of the implementation process to an adviser typically found that the outsourcing process ran smoothly and satisfactorily. They explained that outsourcing gave them access to expertise and familiarity with automatic enrolment that they would not otherwise have been able to draw on.

'That was where I needed the help of these accountants. Because they knew how to speak to [provider] in a way that would get this sorted ... I was having great difficulty and these people knew the way around it, so that helped.'

Pub, London and South East, 2018 instantaneous newborn

Other employers had used an intermediary in a consultative, rather than an administrative capacity. In these cases, the accountant or IFA had typically:

- Provided information about what the process of setting up automatic enrolment would involve

- Given the employer relevant documentation and forms
- Prompted them about upcoming deadlines
- Advised them on their options for a pension provider

This scenario was more common for employers who already outsourced payroll operations, where a line of communication was established and the intermediary was already familiar with the staffing situation.

The success of this consultative arrangement was often down to the willingness of the third party to provide ad hoc support and advice, at no additional cost to their usual fee. This often worked very well, but occasionally employers reported miscommunications where they were expecting their accountant or adviser to notify them about duties or deadlines in advance, and the person in question did not do so.

'We've just moved accountants, in fact, because they haven't been at all proactive. They didn't say, "Your staging date is coming up. These are some options you should consider," nothing like that.'

Lettings agency, Rest of England and Wales, 2012-17 newborn

Those 2019 instantaneous newborns with greater awareness of automatic enrolment and greater confidence, were less likely to rely on third party recommendations. These employers tended to have greater autonomy in the process of choosing a pension provider and not rely on a recommendation.

'I think it was me that said to him about this, and he said, "We are going to have to look at that". Then I had said to him about Nest... I know that [third party adviser] looked at one and he said, "I have looked at this one". I can't remember [which provider] now. I was happy to look at any of his suggestions and I remember we did look at it. But then we went back to Nest.'

Training provider, London and South East, 2019 instantaneous newborn

In contrast, newborn employers and 2018 instantaneous newborns often followed a recommendation without much further deliberation, after receiving it.

'We set up a different pension scheme purely on advice from my accountant, because [provider] were a pain to deal with.'

Education provider, Rest of England and Wales, 2018 Instantaneous newborn

In practice, it was often hard for those who had outsourced automatic enrolment to a third party, to work out how much this had cost the business. This was because they typically outsourced to someone who was already providing them with ongoing services, and automatic enrolment was bundled into a regular fee. A small number of employers had agreed a separate, one-off fee with an adviser to set up automatic enrolment, averaging around £500.

3.4 Choosing a pension scheme for automatic enrolment

Most of the newborn and instantaneous newborn employers in this study were selecting the first pension scheme ever to be offered at that workplace. A few employers had bought a pre-existing business or adjusted the legal status of their existing business and become newborns in this way. While previous job roles meant that some of the employers we spoke to had been involved in selecting a pension provider before, they often had little knowledge of providers offering automatic enrolment schemes, or of differences between providers. This was also a common finding for the small and micro employers we interviewed in 2016. As described in Section 3.2, many of the 2019 instantaneous newborn employers had, however, experienced auto-enrolment as an employee in a previous role.

It was common for employers to spend only a little time researching providers (see Sections 2.3 and 2.4 for more information on information gathering) and to consider only one provider seriously. While some employers explained they had considered two or three providers, these were the exception. Employers' lack of research into available providers was typically due to a cautious attitude to compliance, and willingness to follow what they saw as an authoritative recommendation. However, for instantaneous newborns the lack of research was often due to time constraints. These employers were predominantly focussed on setting up their new business:

'I took redundancy from my old position and I had to set everything up very, very quickly... So it has been a complicated relationship but it suited me as I was building up the business. It is not very straightforward... I probably knew everything he was doing and could have done it myself and do probably do most of it now that we are further down the road but initially I didn't want that crossover'

Training provider, London and South East, 2019 instantaneous newborn

Where employers had an existing familiarity with a provider in the context of automatic enrolment, these employers tended to choose that provider without spending time to review the other options available:

'Previously I had used Nest and in the company I currently work for they have used it. I have had good feedback from them saying that it worked for them. My wife works in a dental practice, and they had been implementing it, and she joined the Nest pension... So there wasn't a huge amount of research done picking the people who would provide that. It was just experience of things that had worked and I had had good feedback on.'

Medical researchers, Scotland, 2019 instantaneous newborn

The typical decision-making process that employers followed was to choose Nest – by far the best-known and widely referenced provider – in the first instance, unless they were prompted to do otherwise by some external factor. This was a consistent finding among small and micro employers, for several reasons:

- Nest was sometimes perceived to be ‘the Government pension scheme for automatic enrolment’.¹⁰ It was often seen as the most obvious and ‘safest’ option, and appealed to newborns’ inclination to ensure compliance by sticking to a pre-defined process:

‘That’s the government one, so I thought I would just use the government one, because it would be easier ...’

Sports media, London and South East, 2012-17 newborn

- 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:

‘I’d already decided that we’d use Nest simply because there was no set-up fee... to spend anything from £500 to £2,000 setting up a pension scheme is a lot of money for a small business.’

Lettings agency, Rest of England and Wales, 2012-17 newborn

- The lack of set-up fees appealed to those with lower enthusiasm for automatic enrolment overall, as it required lower investment in something they perceived to be unnecessary. Nest was well-known to the employers we interviewed, and many had encountered Nest in a previous workplace:

‘Because we already had Nest for the previous two companies that had gone through auto-enrolment, it was a decision to just go with Nest again... We just went down that route automatically.’

Fabric supplier, Rest of England, 2012-17 newborn

- Some employers also felt that Nest integrated well with certain payroll software packages. This was particularly relevant to those administering both company payroll and automatic enrolment internally:

‘I think the fact that it integrated with [my payroll provider], which it does... I did a bit of research and saw that Nest was a good one and fairly straightforward.’

Car garage, Rest of England and Wales, 2012-17 newborn

Where employers considered an alternative provider to Nest, this was usually triggered by a recommendation from a third party. Typically, this was an accountant or IFA, although online forums, family members and local business contacts were also sources from which newborns received provider recommendations. These recommendations were generally based on the following principles:

¹⁰ 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.

- The recommended provider integrated best with their own or their accountant's payroll software. In some cases, it was the payroll provider itself that made such a recommendation

'It was between this one and another one, but this particular provider was one that people were talking about on the Internet, and it seemed to link to their QuickBooks package really easily, so that was the reason why I chose it.'

Building materials manufacturer, Rest of England and Wales, 2012-17 newborn

- Some employers thought that particular providers would be helpful to small businesses with little knowledge of the automatic enrolment process

'Someone who was involved with a small business recommended [provider]... they cover every point. The flow chart says, "Have you done this? Have you written to them by this date? If not, you should have done by and such a date.'"

Community charity, Rest of England and Wales, 2012-17 newborn

2019 instantaneous newborns with previous experience of a pension provider – either through implementing automatic enrolment elsewhere, or as an employee automatically enrolled in a previous job, tended to choose that provider again, this time around. This was irrespective of whether the provider in question was Nest or another. Employers ascribed their choice to being the least labour-intensive option.

'I was with a Nest pension with my previous employers. A couple of them have been with Nest so that is why we chose to go with Nest because I have had experience with them'

Gardening company, London, South-East and East Anglia, 2019 instantaneous newborn

3.5 Challenges of implementing automatic enrolment

Much like the small employers interviewed in 2016, newborn employers typically found implementing automatic enrolment to be less burdensome than they had anticipated. The 2012-17 newborns tended to discharge their duties in hours, rather than days or weeks. Instantaneous newborns more often reported spending between half a day and a couple of days: these employers had the responsibility of setting up a new business in parallel to their duties regarding automatic enrolment.

'I wouldn't say a great deal. I would probably say no more than five hours all in.'

Café and Bistro, Rest of England, 2019 instantaneous newborn

Nevertheless, newborn employers typically found the process easy and free of incident. Outsourcing the process, or having prior relevant experience, typically reduced the amount of time employers spent setting up automatic enrolment.

'Twice I have been through it now....It was a lot easier [this second time around]. Obviously I knew what was going on. It was a lot easier.'

Fishmonger, Rest of England, 2019 instantaneous newborn

Those employers with the lowest levels of financial confidence typically invested more time in becoming compliant. This was due both to the greater amount of research required to become familiar with their responsibilities, and to the hesitation they sometimes faced in arriving at decisions.

'A couple of days. It is not too bad. Again, it was lack of confidence and knowledge. So have I done that? Yes. I hope that I am doing the right thing! It was a couple of days' tops and then getting it all into ticks and cross-referenced and that is including The Pension Regulator and things like that.'

Crop grower, Rest of England, 2019 instantaneous newborn

The financial burden, beyond the ongoing cost of employer contributions, was either small or non-existent. While a few newborn 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 we spoke to.

Issues were even less common among instantaneous newborns (whose businesses were launched or who newly hired eligible employees from October 2017 onwards) than 2012-17 newborns. Minor problems, when they did arise, typically fell into five categories:

- Technical issues using the regulator's or their provider's website. These issues included provider websites being prescriptive about the format of information being uploaded; data input issues with TPR's website; problems or inefficiencies caused by poor integration with payroll software, and mistakes leading to workers being enrolled on the scheme twice.

'I wasn't sure what the problem was, and it was trying to get one to talk to the other. Even then it is not automatic. I have to run the payroll in Xero and then it gives us all the amounts – the three per cent and the five per cent – for each employee. And then I have got to manually go into Nest and I have got to put those numbers in each month...] You would have thought there would be a way for it to push through the information.'

Fundraising company, London and South East, 2019 instantaneous newborn

- Issues regarding staging dates. Issues employers described included conflicting staging dates; a staging date set on a weekend, which led to TPR's website rejecting the data; an incorrect staging date, set at the date the company was incorporated rather than when it took on staff.
- Identifying eligible workers. Problems reported here included distinguishing between company directors and employees, and categorising workers with flexible, inconsistent hours.
- Paying contribution rates. Issues in this category included failing to fully process the payment of contributions via the provider's site and consequently incurring a penalty, and an employer paying more than intended after not fully understanding how to calculate the contribution rate.

'I pay five per cent and then Shelley pays three per cent of her money. From talking to Nest... I think somebody else said that I shouldn't be doing it on the whole of her wages. So I don't actually fully understand how it works and I might be paying too much money. [...] I haven't really got the time to do it but I am happy to do it and [employee] is happy.'

Childminder, London and South East, 2019 instantaneous newborn

- Over-confidence among those with experience dealing with company finances, or experience setting up automatic enrolment elsewhere may have been behind a small number of minor failures to comply with regulations. Those mentioned in interviews included an instance of failing to make contribution payments, and incorrect communication.

'We then found out that the pension contributions were not getting to Nest... Things have been confusing. SCVO wrote to us saying you have to upload something or other to Nest.... I presume their systems automatically doing it.'

Campaigning charity, Scotland, 2019 instantaneous newborn

Those who outsourced were, naturally, less likely to encounter technical issues, than those who handled automatic enrolment themselves. This said, neither prior administrative experience, nor outsourcing completely, precluded employers from facing issues of other kinds at set-up.

'We found out literally last week that the pension contributions, although we had set up a direct debit arrangement under which Nest could take direct debits from the [employer] bank account and so on, that the communications were not right because SCVO was not notifying Nest of the amounts of money to take. [...] So we have just realised that once a month we have to send a notification to Nest and that is a bit of a menace.'

Campaigning charity, Scotland, 2019 instantaneous newborn

3.6 Communicating automatic enrolment to workers

Newborn employers were unlikely to put a lot of their own time into communicating automatic enrolment to their employees: they often provided the statutory minimum and relied on third-party materials. The way in which employers communicated automatic enrolment to workers largely depended on whether the employee had started working there before or after automatic enrolment was implemented.

When enrolling those who had started working at the company before implementation, employers typically used two types of communication: a mandatory notification email or letter, and a face-to-face conversation. All employers provided the first of these at a minimum. In line with their statutory responsibilities, the email or letter was sent in advance of the worker being enrolled. More often than not, it would

closely follow a template from TPR, their accountant or the pension provider they had selected. Employers were reluctant to draft their own communication, or even adapt a template to any great extent, to minimise the risk of accidental non-compliance.

As with the small and micro employers interviewed in previous research, newborn employers often communicated verbally with their workers either before or after distributing the letter or email. These were usually casual conversations carried out on an ad hoc basis. They provided an opportunity for the employer to make sure staff members understood the automatic enrolment process, why it was happening, and the implication it would have for them. Less commonly, employers held with group presentations.

'One of the management team was briefed with basically what to tell them... what was happening and what would happen next. That was done at one of our monthly staff meetings... It was a verbal communication about the whole aspect of it...'

Cinema, Rest of England and Wales, 2018 instantaneous newborn

Whether these face-to-face conversations were conducted on a one-to-one basis or as a group was up to the individual employer, and usually determined by time and convenience. Face-to-face meetings tended to be short and casual, with employers making limited or no use of written materials. When employers referred to written materials in these meetings, they were taken from the provider website and were not tailored by the employer before use, as they were keen to reduce effort and, also, did not wish to deviate from officially endorsed information.

In line with their reluctance to challenge the content of 'official' materials, such as letter templates or presentations, employers had no critical feedback about the materials available and assumed that all of the necessary content was provided.

Employers were keen to state that their role in relation to employees was to provide neutral information, rather than financial guidance or personal reflections on the benefits, or otherwise, of enrolment or workplace pension scheme membership.

'I didn't want to stray into being a financial adviser. We all found that it was very hard to talk about something where there are a lot of legal implications about advising people, and it's quite a complex thing in itself, so it deters you away from discussing it in any depth.'

Cleaning contractor, Rest of England and Wales, 2018 instantaneous newborn

We did not speak to any employers who had actively encouraged a worker to opt-out of the scheme.

Employers reported that workers had raised very few questions in reaction to employers' communications. The few questions asked typically related to the practicalities of how contributions are taken and how to increase contribution rates.

'They just want to understand how the deductions work... The way that it happens on their payslip is an amount deducted from the net salary, and then what goes into Nest is topped up from the tax element, which a number of people find a bit confusing.'

Research group, London and South East, 2018 instantaneous newborn

[The employees] talk to [a pension provider representative] directly about moving more of their salary over into the pension... I've got one employee who is turning 60 at the end of this week, so she's talking about contributing quite a lot of money into her pension.'

Education provider, Rest of England and Wales, 2018 instantaneous newborn

For workers joining the company after the first wave of enrolment, communications were usually absorbed into their starting pack, contract of employment or as part of their job interview. While these employees still received the mandatory notification email or letter, they did not typically receive any additional face-to-face communications about automatic enrolment once in the role.

'We have updated our employee contracts and our offer letters, so it's actually part of their terms when they join that they will be enrolled unless they opt out... The communication is very much in the offer. "It is part of your employment package" is the way we word it.'

Creative agency, Scotland, 2018 instantaneous newborn

Once they had been enrolled, all workers received an individual welcome pack directly from the pension provider. More detail about workers' reactions to receiving the welcome pack is included in Section 4.5.1.

A very small number of instantaneous newborn employers mistakenly believed that it was sufficient to notify employees of automatic enrolment in their employment contracts only, or simply to notify them verbally without written confirmation. These employers often reasoned the provider welcome pack would be sufficient for compliance. Consequently, there were some instances of workers at newborn employers discovering that they had been automatically enrolled through their payslip.

'I verbally told them, and obviously on [my employees'] wage slip it shows up every month, where the money is going but it was only verbally. I thought Nest would have got in contact with them as well, but they never did.'

Cleaning Contractor, Rest of England, instantaneous newborn

3.7 Postponing automatic enrolment

The option to postpone enrolment by up to three months was welcomed by certain employers. Those who used it described it as offering them a variety of benefits:

- It was seen as a means of avoiding unnecessary administration and cost for the employer, if the automatically enrolled worker did not remain at the employer following a trial period:

'To reduce administration... we took that decision at that time to introduce the probationary period ... three people we had moved on and it was a case of, "Are we really setting up pensions for people, and the paperwork, and the registration, and the payroll changes to do that one month, and a month later for them to decide they don't like it or they are going to leave?"'

Creative agency, Scotland, 2018 instantaneous newborn

- Some perceived it as an option that allowed the employer more time to become compliant:

'We were immediately in postponement, to buy us the extra time to get through and to actually get the paperwork in place'

Cinema, Rest of England and Wales, 2018 instantaneous newborn

- To reduce overheads while building their working capital or strengthening their cash flow position. There was a misunderstanding among a small number of employers that they would not be responsible for covering contributions for the postponement period, once postponement had ended:

'It just means we don't have to pay for pension now. We can start paying it three months later. Hopefully in three months we'll be in a better trading position. We'll have more cash and that will help us... As far as I know, I think it's just delaying the whole process basically. So we wouldn't have to go back and pay. That is my understanding anyway.'

Fast food outlet, Scotland, 2018 instantaneous newborn

Those who actively chose not to postpone implementation typically sought to reduce the complexity of administration. They saw this as a way to avoid 'drawing out' the compliance process for longer than was necessary, and to avoid deviating from the pre-established route to compliance.

4 Workers' perspectives on automatic enrolment

This chapter explores the experiences, attitudes and behaviour of workers who were automatically enrolled into a workplace pension. All of these workers were employees of the newborn and instantaneous newborn employers interviewed in the study, and whose experiences and views are described elsewhere in this report.

Section 4.1 examines the views of the workers we interviewed about saving for retirement. In Section 4.2, we look at the circumstances and attitudes of workers who remained enrolled in their employer's scheme, before turning in Section 4.3 to workers who opted out, to explore how their circumstances and attitudes differed from those who remained enrolled.

Section 4.4 goes on to look at the information and communications workers used: both to become aware of automatic enrolment, and to aid their decision about whether to remain in the scheme. Section 4.5 explores the worker 'journey', following their experiences from the point at which they first learnt about automatic enrolment, through their interactions with their employer and provider at the point of being enrolled, up to making their decision and receiving confirmation.

4.1 Views of workers on saving for retirement

The workers interviewed were employed across 50 different organisations, representing a wide variety of sectors. Across all three waves of research we interviewed 83 workers, of which 58 chose to remain in their employer's scheme, and 25 opted out.

Irrespective of employer size, workers' attitudes and experiences have remained very consistent throughout our research in 2012, 2014, 2016, 2018 and now 2019. We asked all workers about the degree to which they saw the state, their family, their employer and themselves as responsible for generating the funds necessary to support their retirement. Whether or not they remained enrolled, most workers in 2019 continued to see this responsibility as split between the state and the individual, but with most responsibility falling to the individual. A few workers saw it as being wholly the individual's responsibility.

'I don't think it should be the sole responsibility of the government. That's why there's pensions. That's why there's investments. So you make your own way in life as to what you're going to do when you retire. So it is a bit 50:50.'

Worker, Female, 40-49, Housing manufacturer, London and South East, 2012-17 newborn

Workers often found it more difficult to decide on the extent to which the employer should play a role in providing for their retirement. Some saw the extent of the employer's responsibility as contingent on the length of time a person had remained at one employer, perceiving the pension as a way of repaying the loyalty that worker had shown to their employer. Others saw the burden as being entirely on the individual.

'I feel it's 99 per cent my own responsibility to look after myself for retirement, definitely... I don't feel it's [my employer's] responsibility. They pay us a wage at the end of the day is the way I see it, and then it's up to us to manage that wage accordingly.'

Worker, Female, 40-49, Education provider, Rest of England and Wales, 2018 instantaneous newborn

Many workers we interviewed doubted they would ever retire fully. They described a number of reasons: often a combination of insufficient pension provision, the increase to State Pension age, and potentially (they thought) the discontinuation of the State Pension in future. Rather than reacting with alarm or changing their approach to saving, these workers tended to resign themselves to an uncertain future.

'It is going to go up and up isn't it? Now 65 is the norm. It will go up and up and up so it is probably 100! I don't know'

Worker, Male, 40-49, Fundraiser, London and South East, 2019 instantaneous newborn

'I probably will never retire. I don't suppose I will ever financially be able to afford to retire. There isn't going to be a pension for me is there because pensions will be gone won't they in years to come? I am only 30.'

Worker, Female, 30-39, Care home, London and South East, 2019 instantaneous newborn

4.2 Attitudes of workers remaining enrolled

Although workers who remained enrolled reflected a range of ages and incomes, they were more likely to be in their twenties or thirties, than their forties or older. More than half of those we spoke to who remained enrolled were living in rented accommodation, with a smaller proportion paying off a mortgage, and a few who owned their home outright. Those workers we interviewed earning under £20,000 per annum were also somewhat more likely than workers on higher incomes to remain in the scheme.

Regardless of age, workers who stayed in the scheme after being automatically enrolled typically wanted – or felt they needed – to save more for retirement.

[My main reason was] just wanting to catch up and start making payments so I've got something for the future really.'

Worker, Male, 22-29, Creative agency, Scotland, 2018 instantaneous newborn

Workers' confidence in their ability to save enough to fund retirement varied. It was common for them to point out that they could not possibly know how much they needed to save, with some arguing that it depended on how long they lived, how long they worked for, how their health changed as they got older.

'It depends on how your personal situation is going. It would be nice to retire early, but it depends on if you've got kids or anything like that, which I don't have at the moment, or if you own a house, which I don't do at the moment either.'

Worker, Male, 22-29, Pub, London and South East, 2018 instantaneous newborn

Many of those who were aware of their monthly contribution level – whether in terms of value or a percentage – could not begin to estimate what their pension savings might accumulate to by the time they retired.

Understanding of the State Pension also varied among workers, with few confident about what the likely State Pension age would be by the time they would be entitled to receive it, or how much they would receive. Many workers mentioned unprompted that they did not expect to receive much in the form of a State Pension, and were therefore keen to increase their personal provision, as far as was feasible.

Again without prompting, many workers over 50 mentioned that they were contemplating – either more or less willingly – a gradual, 'winding down' approach to retirement, reducing their working hours as they grew older, rather than stopping work abruptly. This stemmed from a need to keep earning, a desire to remain an active participant in the workplace, a wish to balance work with more time for leisure activities.

'I've only just started paying into a pension. I don't have a great deal of money behind me, so I'll probably be working up until it's possible really... If I'm still fit and able, I'd like to work part-time, but you don't know what the future holds, do you?'

Worker, Female, 40-49, Education provider, Rest of England and Wales, 2018 instantaneous newborn

Most workers described remaining in the scheme after being enrolled as a conscious decision, and the result of their taking responsibility for increasing their retirement provision. It was also common for workers to point out that since their employer was

also contributing to the scheme, the pension represented an additional benefit – essentially they perceived the employer contribution as ‘free money.’

‘Because if they’re going to match it, and then you get a bit of tax relief as well, then why not, really?’

Worker, Female, 50+, Community charity, Rest of England and Wales, 2012-17 newborn

‘Any pension is a good pension, especially if the company pays some into it. It is free money at the end of the day, isn’t it?’

Worker, Male, 40-49, Housing manufacturer, London and South East, 2012-17 newborn

Despite many workers describing a ‘decision’ to remain enrolled, it was clear that relatively few had given a lot of thought to it. This is consistent with findings in previous stages of the research. Although workers often said they wanted to save more for retirement, very few were contributing more than the minimum rate to the pension. Indeed, a few were unaware that it was possible for them to contribute more than the minimum.

[My parents’ advice was] you should just do it because you need to build a cushion for when you are retiring. I listened to their advice on whether I should opt in, and everything else. I didn’t do that much research myself into the decision. I just had the impression that it’s something that everyone just does.’

Worker, Male, 22-29, App developer, London and South East, 2012-17 newborn

Case study: Remaining enrolled

Karen, female, 22-29, Opticians, London and South-East, 2012-2017 newborn

Karen is in her twenties. She lives in a house-share in London, and has so far struggled to put much aside for her retirement. Her father has always encouraged her to save into a pension, so she was pleased to hear that she was going to be automatically enrolled. She had been offered the chance to join her previous employer's scheme but had not been automatically enrolled before now.

Karen's employer spoke to her briefly before she was automatically enrolled.

'They said we're doing a pension and yes or no. They got me to read up about it as well. Just make sure I read up about it and just talking about whether you want to do it or not. It was quite basic.'

Karen said she 'did not understand much about how the pension worked,' but did not seek out any information out of 'laziness.' She did not know how much was being contributed to the scheme, but had not noticed much impact on her pay packet.

She spoke to a few friends and colleagues, who mostly opted out, but that did not influence her decision.

'It was a quick decision because dad had always told me to get a pension and it is quite easy isn't it? You don't really have to do much.'

She was not aware that her contributions would rise in April 2019, but did not think that would affect her remaining in the scheme.

'I think it is quite important, because when you're older, it's there to help, isn't it? I definitely think it is important to stay in the scheme.'

4.3 Attitudes of workers opting out

We have interviewed 25 workers who had opted out of their workplace pension. These workers were based at twenty different employers, across a spread of sectors. In many ways, their attitudes were very similar to those of the workers who had remained enrolled: for example, they believed that saving for retirement was primarily an individual's responsibility, but they also saw supporting roles for the state and their employer.

It is worth noting that 12 of the 25 opt-out workers we have interviewed were aged over 50, and therefore their experiences and views reflected that life-stage. For example, most had put some thought into their retirement plans, and while none were planning to retire in the next year or two, some were hoping to retire in the next five to ten years. Others described themselves as quite active, and felt they would not fully retire unless their health deteriorated.

Opt-out workers were typically either paying, or had paid off, a mortgage, and nearly all were working full-time. Although some were earning less than £20,000 per annum, only a few were concerned about the affordability of continuing to contribute to the pension scheme.

The most common reason that workers described for opting out was the feeling 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.

'I didn't feel that it was beneficial to me to pay into a pension now because we have made some extra provisions for our retirement'

Worker, Female, 50+, Care home, London and South East, 2019 instantaneous newborn

While some workers who had opted out were optimistic about being able to retire in their early sixties or younger, it was just as common for them to express a willingness to continue working. Sometimes this was simply because they liked the idea of remaining in the workplace, but it was also common for other workers to mention that they expected to keep working because they were not yet satisfied with their level of provision.

'So the mental health factor for me is a big reason for staying at work as long as I'm able to... I would like to work until I'm 70 at least, and probably even past that point. If the body gives out a little bit, then I'll do a part-time job. I think it's good to keep active.'

Worker, Male, 40-49, Housing manufacturer, London and South East, 2012-17 newborn

A few opt-out workers 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 for retirement.

'As soon as I found out, I said "I don't want to be in that because it is costing me £6 a week". It seems like peanuts but when you have got other things to pay out on that, it is not.'

Worker, Male, 50+, Fishmongers, Rest of England, 2019 instantaneous newborn

Workers over 50 tended to suggest that it was now 'too late' to start a new pension: whatever the level of provision they had built up elsewhere, they felt they would not be able to save enough in this new pension to make remaining enrolled worthwhile. This was due to the combination of a relatively low contribution rate and the expectation that they did not have many years left of their working life.

'Since I'm relatively close to pension age – mine will be 68¹¹ – so I have ten years to go, and based on that, I thought, what can I possibly save via a pension scheme in ten years, given that at the moment it's three per cent in total or something like that? Wouldn't it be better if I invested privately? That gives me a greater flexibility.'

Worker, Male, 50+, Medical manufacturer, Rest of England and Wales, 2018 instantaneous newborn

Younger opt-out workers typically rented their home, and either prioritised basic outgoings over contributing to a pension, or were saving toward a milestone such as their first home or a wedding. Many younger workers who opted out had no other provision, and had thought little about retirement.

'After a couple of months of that they started taking £20 a week. It is not the highest paying job. It is not the worst paying job either. But it was a bit too much to take out every week when it could be going towards extra food, electric and luxuries and stuff like that.'

Worker, Male, 22-29, Gardening company, Scotland, 2019 instantaneous newborn

¹¹ In this case, the participant was mistaken about their own State Pension age, which stands between 66 and 67, depending on her precise date of birth.

Case study:

Julie, Female, 50+, Cleaning contractor, Opted out

Julie is in her fifties and owns her own home, which she shares with her two adult sons. She works 30 hours a week as a cleaner for a contractor.

She hopes to retire at 65 and has been saving for her retirement ever since she started her first job. Her father encouraged her to start contributing to her first pension plan when she was 18, and throughout her career she has saved through five different pension schemes.

She felt confident that she had saved enough for a comfortable retirement. She is also close to paying off her mortgage, and hopes to downsize to a smaller house in her retirement, thereby generating more funds for her retirement.

Julie had two main reasons for choosing to opt out of her employer's scheme. The first was that she felt happy paying into her existing pensions, and saw little benefit in setting up an additional pension that had little time to accrue value.

'I'm just happy with the pensions I have got, so I didn't really see the point in having such a small amount going in really.'

Her second reason for opting out was that she was not sure how long she wished to stay with her current employer. Because of this, she was reluctant to go through the process of enrolment only to leave the workplace shortly afterwards.

She had considered speaking to an Independent Financial Adviser (IFA) in advance of the increase to minimum contributions in 2019. Her main interest was in finding out whether enrolling at the higher rate would make a material improvement to her in retirement.

4.4 Information and advice used by workers

It was rare for workers who were automatically enrolled to seek out much information about the process of remaining or opting out: whatever the size of their employer, their decision was overwhelmingly based on their personal circumstances. For this reason, workers reported that it was easy for them to make up their minds without feeling the need to consult many external sources.

'I've got the emails to refer back to if I ever need to double check anything... I had a little flick through them. Obviously I did read some parts of it.'

Worker, Male, 22-29, Pub, London and South East, 2018 instantaneous newborn

It was rare for these workers to first hear of automatic enrolment when they were automatically enrolled at their current employer: it was more normal for them to have had some experience through previous employers. Some had been automatically enrolled at a previous workplace, and some had even had a central or peripheral role in implementing automatic enrolment before. Given that most employers were very small, some of the workers themselves had a role that involved responsibility for Human Resources (HR).

'I was involved in implementing it anyway, so myself and [employer] were doing it together. I knew all about pensions anyway from previous companies, so about automatic enrolment and everything. I knew what was going on.'

Worker, Female, 40-49, Housing manufacturer, London and South East, 2012-17 newborn

By the time workers received the mandatory letter from their current employer, therefore, few of them felt the need to read it particularly closely, often because they had already sought out any information they felt they needed the last time they were enrolled.

'The letter was very similar, or almost identical in fact, to the previous letter from the previous employer. So I already had that templated letter created twice before and served to me. So I read it the first time. I might even have browsed it a little bit the second, but the third time, and this time, other than double check it against the other two, it was pretty similar. It was a lot of the same points.'

Worker, Female, 40-49, Housing manufacturer, London and South East, 2012-17 newborn

While workers often believed they knew everything they wanted to, in order to make their decision, they were not always very knowledgeable about the pension into which they had been enrolled. For example, some did not know for certain at what rate they had been enrolled, and only a few had looked at a projection of what the pension might be worth when they came to retire.

On the other hand, some workers were keen to learn more about the pension into which they had been enrolled: these workers tended to read the letter from their employer carefully, and some looked at the pension provider's website. Typically, this was to find out how much they and their employer were contributing respectively to the pension, or to view a projection of its value at retirement. A few also wanted to understand the rules about combining their current pot with another built up at a previous employer, or about drawdown from the pension.

'We can log on at any point, and see how much money's in the pot and see what it's doing. He told us if we wanted to pay more in, we just needed to speak to payroll and discuss that with them. That's what I like, because I can actually see it online and see what's happening.'

Worker, Female, 40-49, Education provider, Rest of England and Wales, 2018 instantaneous newborn

Some workers also spoke briefly to someone for advice about whether to stay in the scheme: usually this was a family member, with several workers mentioning that their parents had stressed the importance of retirement saving to them. A small number of higher-earning workers consulted with a professional financial adviser. Although workers had spoken about what was going to happen, to the colleague responsible

for enrolling them, it was very rare for them to discuss their decision to remain in the scheme or opt out of it with colleagues.

'It was drilled into my head by my dad that you should get one, so I was like, alright then... which is not very good, because I know I should read up about it. It just helps you in the future, doesn't it?'

Worker, Female, 22-29, Opticians, London and South East, 2012-17 newborn

'My dad puts my pension on a spreadsheet and does all this sort of stuff. If it wasn't for my dad, then I'd be clueless. I throw everything at my dad and he just sticks it on a spreadsheet. If I didn't have him, then I don't think there is enough information out there.'

Worker, Female, 50+, Community charity, Rest of England and Wales, 2012-17 newborn

4.5 Workers' journeys through the automatic enrolment process

The journey through automatic enrolment was somewhat different for people who were already at their current workplace before their employer implemented automatic enrolment, compared to those who joined during or after implementation.

If an employer already had multiple workers on the payroll before implementing automatic enrolment, they were more likely to arrange meetings with their workers, or have informal conversations to explain automatic enrolment, and what this process would involve.

In contrast, workers who joined an employer during or after implementation typically received concise information that was incorporated into their general joining pack, sometimes accompanied by a brief verbal mention that they would be automatically enrolled. In practice, this meant that many workers joining instantaneous newborns received only the mandatory communications from their employer and the provider, plus a brief verbal conversation with their employer.

Nevertheless, as we described in Section 4.4, most workers we interviewed had been aware of automatic enrolment for some time before receiving the official letter from their employer – usually through being enrolled at another employer. Many also recalled noticing advertisements about automatic enrolment on television or radio.

I was automatically enrolled at my last job. Before that I was working for a charity directly and they had a different scheme... Then I think I was automatically enrolled before that in a previous job before. It is probably about four or five years.

Worker, Male, 40-49, Fundraising organisation, London and South East, 2019 instantaneous newborn

'I might have seen it on the TV. There is an ad about pensions that I've seen which makes you think, "God, I am going to get old soon!"'

Worker, Male, 22-29, Pub, London and South East, 2018 instantaneous newborn

Consequently, most were able to make a quick decision in response to being automatically enrolled. Typically, workers opting out came to this decision almost as quickly as those remaining in the scheme, but a few workers in both categories took more time over their decision.

'It was a simple 30-second decision. While that money continues to go in from somebody else, why am I going to close that door? It's as simple as that.'

Worker, Female, 40-49, Housing manufacturer, London and South East, 2012-17 newborn

'It had been mentioned, but not in any depth, and I didn't want to do it anyway... I didn't really read it in great depth because I had it in my own mind that I didn't want to do it anyway.'

Worker, Male, 50+, Car garage, Rest of England and Wales, 2012-17 newborn

Even so, some workers did seek more information, either by searching online, or by speaking to someone whom they trusted to help them with financial decisions. This information-seeking was typically brief for even the most diligent or indecisive workers. It took up perhaps around an hour or two in total over a week, before workers felt ready to decide whether or not to stay in the scheme.

Some workers at instantaneous newborns said they had not been notified of automatic enrolment, and that they had learned about being enrolled through their payslip.

'[First informed of automatic enrolment] When I had a deduction of my salary. I did obviously know that these things happen but stupidly I made the assumption that somebody would ask me before it happened.'

Worker, Female, 50+, Pet charity, Scotland, 2019 instantaneous newborn

Typical journeys of workers remaining enrolled

Workers who ultimately remained in their employer's scheme rarely did much in response to the letter they received from their employer. If they had any questions or concerns, these were often raised when they first found out that they were going to be automatically enrolled. The letter sometimes functioned as a reminder to raise a query with their employer, or to find out something they wanted to know that would reassure them about staying in the scheme.

Occasionally, workers did not make up their minds until the provider sent them their welcome pack. Again, most workers who remained enrolled paid little attention to this welcome pack, sometimes skim-reading a few key details, such as checking their personal information and how much they were contributing.

'I kind of ignored it and didn't really do much about it, up until maybe the past six months or so where I've started to think, maybe I should think about it a bit more... I don't think I thought about it a great deal.'

Worker, Female, 22-29, Research group, London and South East, 2018
instantaneous newborn

A small number of workers were prompted by the welcome pack to log onto the pension provider's website. The welcome pack typically functioned as a final reminder: if workers reached this point in the journey without thinking of something they wanted to know about the pension, they generally took no further action over the following weeks or months, and consequently remained enrolled in the scheme.

Because workers typically did not pay much attention to the information that was sent to them, it was common for them not to know for certain how much they or their employer were contributing to the scheme, and a few were not sure who their provider was. Similarly, relatively few had checked their payslip to confirm what the impact had been on their take-home pay.

Typical journeys of workers opting out

Workers who opted out after being automatically enrolled had rarely learned that they would be enrolled via the letter from their employer. Indeed, many had already been automatically enrolled at a previous employer, and assumed as a result that they would be enrolled at this one too. They had typically made their decision before receiving the letter from their employer.

'So I knew before I started with [employer] that I was going to opt out.'

Worker, Female, 40-49, Animal control company, London and South East, 2019
instantaneous newborn

Workers who wanted to opt out therefore typically took action to do so within a few days of learning of their enrolment.

Nevertheless, they tended to read the letter from their employer somewhat more carefully than those who remained enrolled. Because they were making an active decision to do 'something different' from the default course of action, they usually wanted simply to check the personal details on the letter, and what exactly would happen next.

Not taking the default option, and the recognition that they were turning down a benefit from their employer, also meant that they were slightly more likely to have a brief conversation with their partner or spouse, or a query for their employer. A very

small number went to the provider's website, to find out a bit more about how the pension worked: how much was going in, or might eventually come out.

The workers who opted out almost always went online to do so: only one had telephoned the provider instead. Most did this quickly, typically within a week of receiving the welcome pack from the pension provider. Only one worker ceased membership of the scheme after the one-month opt-out window. This was due to a change in personal circumstances that made contributing no longer affordable. None of the workers we interviewed reported any difficulty in completing the process of opting out. Those who opted out were more likely than workers who had remained in the scheme to check their payslip, in order to confirm that they were no longer contributing to the new workplace pension.

5 Post-setup challenges and reactions to the increases in contributions

This chapter examines newborn employers' expectations for the future with automatic enrolment in place.

Section 5.1 examines employers' experiences of completing the declaration of compliance with The Pensions Regulator (TPR). Then, in Section 5.2, we look at the expected administrative burden related to automatic enrolment, and in Section 5.3, we address whether meeting the cost of employer contributions is likely to place a financial burden on employers. Section 5.4 explores the reactions from both employers and workers to the increases in minimum pension contribution rates, the first of which was implemented in April 2018, and the second of which came into effect in April 2019. The final section of this chapter, Section 5.5, explores the advice that employers offered to other businesses implementing automatic enrolment in the future.

5.1 Completing the automatic enrolment declaration of compliance

Completing the declaration of compliance was not typically seen to be a challenging task for the newborn employers we interviewed.

'It worked so I must have done it all right... It must have been okay because I'm compliant and I've got the form here somewhere. I think it was all pretty straightforward.'

Community charity, Rest of England and Wales, 2012-17 newborn

Employers were informed of the need to complete the declaration by TPR by email or letter. The regulator also sent reminder emails and/ or letters closer to the deadline for completion.

'[The] next email... was "You have to complete your compliance statement. Have you done your compliance statement?" I knew that I had been getting emails. "Do not reply: automatic enrolment duties." So that was the declaration I got. That came from The Pensions Regulator.'

Creative agency, Scotland, 2018 instantaneous newborn

While it was usual for employers to complete the declaration themselves, in some instances an accountant or other intermediary helped to fill it in.

'[The adviser] did it for us. They produced a booklet for us that's got everything in here... we've been able to give that to our payroll provider because obviously they needed to know that we've got that declaration of compliance in place.'

Housing manufacturer, London and South East, 2012-17 newborn

While employers were likely to find completing the declaration of compliance quick and straightforward, there were a few employers who faced a minor issue when completing the declaration. These issues fell into two categories:

- The employer was not aware that the declaration of compliance was a legal obligation. In some instances, this led to the employer being fined, but more commonly a simple warning email or letter from TPR was sufficient to prompt the employer to submit declaration.

'I assumed that by making payments to the pension, that it was probably obvious that it was compliant.'

Marine Services Contractor, Scotland, 2012-17 newborn

'The real time information has got every National Insurance number and how much a person is contributing... So most of the things [covered in the declaration of compliance] you should be able to check from there... You should be able to find that from the data we have submitted anyway.'

Corner shop, Rest of England and Wales, 2018 instantaneous newborn

- The employer found it difficult to complete the form because they did not understand the specifics of staging, struggled to identify which workers were eligible for enrolment, or found the process for submitting the form unclear.

'[The form] goes on about staging dates. I was getting confused about what staging date meant. Is that the date that people become eligible? Is that the date that the employee started work? Is it the date of three months afterwards? So I was a little bit confused about what staging date meant. They didn't explain it overly well.'

Recruitment, Rest of England and Wales, 2018 instantaneous newborn

'It has different options. If someone is only a director they should have a separate [declaration to complete]. They should explain it more easily that [if a company has] only directors on payroll, this is the link they should follow.'

Jewellery wholesaler, London and South East, 2018 instantaneous newborn

'I got information from [TPR] about [completing the declaration], and they send letters and emails, but I don't really understand what to do with it. It's not very clear. You need to do this declaration or bad things will happen. And, you have to do it by this time. But, there isn't a lot of information about how to do it... if there wasn't [Provider] then that would be incredibly daunting'

'Embroidery company, London, South-East and East Anglia, 2019
instantaneous newborn

5.2 Ongoing administration of automatic enrolment

Newborn employers expressed very few concerns about the burden placed on them by the ongoing administration of automatic enrolment. Since they were normally small employers, they did not usually expect the monthly administration of pension contributions to be complicated or time-consuming, even where payroll was processed in-house. This was also typically the case for the small and micro employers we interviewed in 2016. Once automatic enrolment had been implemented and contributions were being paid, it was rare for a newborn employer to face any problems.

'In terms of the cost of labour, it's very minimal because we have already got it to run [on] the payroll. It's probably an extra twenty minutes a month to get Xero and Nest to talk to each other.'

'Plumbing and heating, Rest of England and Wales, 2019 instantaneous
newborn

An exception to this was the small number of employers who felt frustrated that ongoing payments to their provider did not integrate completely with their own payroll software. This led to their needing to confirm the payment in both their own payroll software and the provider's website, for it to go through each month.

'[After confirming the payment via the payroll software] I actually thought that, "That is all fine," but just recently when I logged into [provider], I saw that I hadn't actually made the submissions!'

Fast food outlet, Scotland, 2018 instantaneous newborn

5.3 Meeting scheme running costs going forward

Although in some cases employers were somewhat concerned about the impact of pension contributions upon general cash flow, newborns did not typically identify any specific cut-backs that they were planning to make in order to afford the cost of administering automatic enrolment.

'It's less than employees' National Insurance, isn't it? I am not going to cut anyone's wages off the back of it... I guess it will make slightly lower profits.'

'Accounting firm, London, South-East and East Anglia, 2019 instantaneous newborn

Unlike larger employers interviewed in previous years of this research, newborn employers typically had not yet experienced a full financial year of trading and had not yet established a 'normal' baseline for regular outgoings. For this reason, another necessary expense, such as the employer's contribution, was simply absorbed into the general budget of the business, and not taken out of, for example, staff salaries.

'We don't have specific plans for covering the cost of contributions, no. It's still early days here and, obviously, there are a lot of balls in the air... Long term planning doesn't really come into it at the moment. It's more taking each week as it comes. It's more reactive than proactive, but that's the nature of a new business.'

Cinema, Rest of England and Wales, 2018 instantaneous newborn

5.4 Reactions to the rises in the minimum contribution rate

Automatic enrolment requires the employer to make at least the minimum level of pension contributions shown below – and this usually means that the employee has to pay a contribution as well. The pension scheme must be set up so that the total contributions meet or exceed the minimum level shown in Table 5.1. The employee contribution rate, plus the employer contribution rate, must add up to at least as much as this minimum total.

However, these are minimums, and many employers choose to pay more than the minimum rate. In fact, if an employer pays at least the minimum total rate (eight per cent since 6 April 2019), then they could choose to set up a pension where no employee contributions are required.

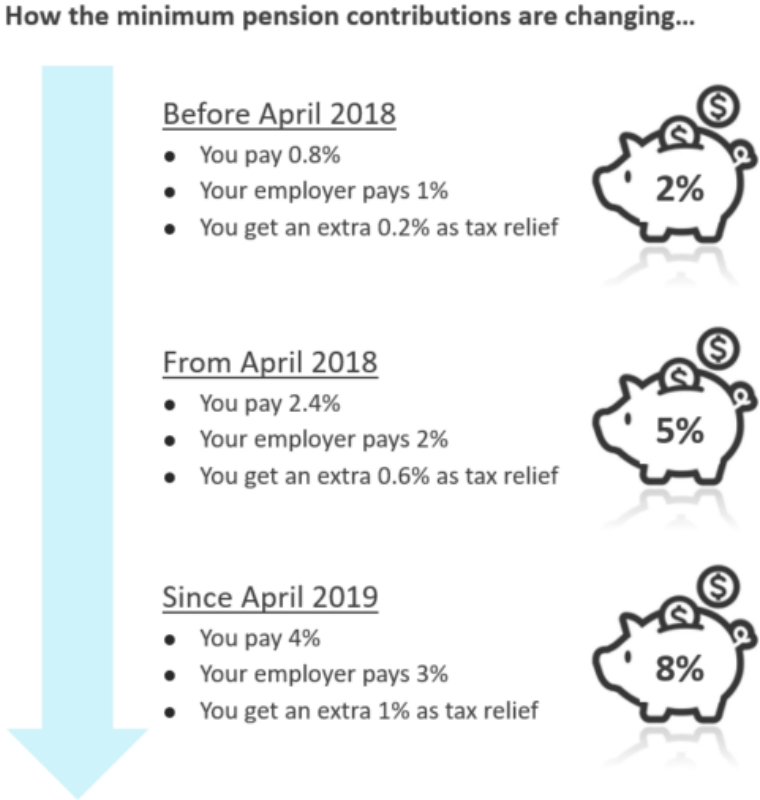
Table 5.1 The phasing of the minimum contributions

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%
Since 6 April 2019	3%	5%	8%

Employees may also get tax relief from the government.

As the fieldwork for this study started in summer 2018 and continued until early autumn 2019, we were able to probe newborn employers' and their workers' reactions in anticipation of the final increase in April 2019, as well as their reaction to this increase once it had taken place. We showed both employers and workers a visual illustration of the rise to minimum contribution rate timeline, provided in Figure 5.1.

Figure 5.2 Increases to contributions as a result of the rise to minimum contribution rate: as shown to workers at 2019 instantaneous newborn employers¹²



¹² The numbers shown in Figure 5.1 were presented as an illustrative example. They assume the most common scenario in which an employer pays the minimum contribution on behalf of an employee who is also eligible for tax relief and do not show the full complexity of potential arrangements in the 'real world.' For example, if the employer pays the minimum total contribution, then the worker will not need to pay any contributions (unless the scheme rules require a contribution). Similarly, workers can choose to contribute more. In addition, the amount of tax relief a person may get will depend on how much they have contributed, their marginal rate of income tax (i.e., basic or higher rate) and whether their pension scheme administers tax relief through a 'Net Pay Arrangement' or 'Relief at Source' mechanism. People who earn below the income tax threshold, and do not therefore pay income tax, may still get an additional payment if their pension scheme uses 'relief at source' to add money to their pension pot.

Anticipation by 2012-17 newborn and 2018 instantaneous newborns of the April 2019 change in minimum contributions to a total of eight per cent

Employers were typically aware of the upcoming April 2019 increases in contributions, and had no strong feelings about the rise. Generally, employers said that they were confident about being able to pay these new rates, and were relaxed about the cost, which they perceived as a small proportion of their overall costs.

'They are not significant sums, are they, because our salaries are quite low. It would be different if we had lots of workers, but given that we are almost paying ourselves out of our own pot, it is not the end of the world.'

Recruitment, Rest of England and Wales, 2018 instantaneous newborn

As outlined in Section 5.3, employers were not typically planning any special measures to cover the increases in the minimum contributions. Employers generally said they were hopeful of absorbing these costs, on the assumption that their revenues and profits would rise.

In 2018 we assessed whether or not workers were aware of the upcoming planned increase in minimum contributions in April 2019. If this did not emerge spontaneously during our interview, we asked if they were aware of how contributions might change in the future. If they were still not aware, we explained that both their, and the employer's, contributions may increase in April 2019 if they currently contributed below the increased minimum.

Very few workers in 2018 were aware that their automatic enrolment contributions would be increasing in April 2019. Upon hearing about the planned increase, workers typically had either a neutral or a positive view of the increase. Workers' initial reaction in the interview was usually to be pleased about the increase, acknowledging the benefits this could bring them, although there is a possibility that some may have been (unconsciously) presenting their own behaviour as socially responsible to the interviewer to a greater or lesser extent. Some of these workers mentioned that the increased rate would help them save more for retirement.

'If it is increasing, then it's a benefit to me in the long run, and it's not by that much. From what it is now is not going to be that much of a jump. You wouldn't even notice it is not there.'

Worker, Female, 40-49, Pub, London and South East, 2018 instantaneous newborn

It was also common for workers to respond with relative indifference, typically stating that the higher contribution was affordable for them.

'I will probably just accept the change. I probably won't do anything different. I will probably stay in the scheme. It is just one of those things, I guess. I can understand why it is going up.'

Worker, Male, 50+, Pharmacy, London and South East, 2018 instantaneous newborn

In very rare cases, workers voiced some concern about the planned increase. These concerns tended to be either related to affordability, to or the worker's contribution being higher than the employer's. These workers were not aware of the planned rise until the interview, and so their concerns may have been partly exacerbated by initial surprise at this information. Nevertheless, even those workers who expressed some degree of concern almost always said that they would remain in the pension when the contributions increased, with a few saying they would review their situation in the future. Of these, none said that they were certain to opt out.

Awareness of the 2019 contribution rate increase appeared to be slightly higher among workers who had opted out, albeit based on a small number of interviews with this group. These workers typically said, however, that the change to contributions had not affected their intention to leave the scheme after being automatically enrolled. They had often opted out because they were happy with their existing investments, and did not consider the higher rate a sufficient incentive to remain a member of the new workplace scheme.

'I've got five pensions so I should be okay. My mortgage is nearly paid off, so I'll sell the house and buy a smaller property.'

Worker, Female, 50+, Cleaning contractor, Rest of England and Wales, 2018 instantaneous newborn

Reaction of 2019 newborns to the April 2019 change in minimum contributions to a total of eight per cent

Consistent with the expectations of 2012-17 newborns and 2018 instantaneous newborns, 2019 instantaneous newborns were typically aware that the minimum contribution had changed in April 2019 and that the new levels were set at three per cent for the employer and five per cent for the worker.

'I knew that was happening. I think [the employer contributions] started at one per cent and then went to two per cent and now has gone to three per cent. So I knew it was coming.'

Medical researchers, Scotland, 2019 instantaneous newborn

Similarly to 2012-17 newborns and 2018 instantaneous newborns, 2019 instantaneous newborns were largely confident that the increase would not have a particularly negative effect on any specific area of their business's finances. However, some noted that any expense their business must absorb affects its ability to grow and reinvest. This was the case even for limited expenses such as the automatic enrolment pension contribution.

A number of 2019 instantaneous newborns felt that, while automatic enrolment had relatively little impact on their profitability while minimum contributions remained at their current levels and their workforce was small, the impact would likely be more significant if minimum contributions continued to rise, or if the employer took on more staff.

'It is not a big cost to the business, so it was fine. I guess in the future, if it goes up a lot further, then it may be a cause for concern... If we had more employees then it would probably be a bigger issue, I would say. As a small business, it's not a problem.'

Fishmonger, Rest of England and Wales, 2019 instantaneous newborn

To this first point, of continually increasing minimum contribution, 2019 instantaneous newborns were typically aware that April 2019 represented the final planned rise in minimum contributions. However, this was not universal: a few expressed the expectation that contributions would continue to rise in future.

'Everything increases and I would expect that it would increase more.'

Electrical contractor, London, South-East and East Anglia, 2019 instantaneous newborn

Some 2019 instantaneous newborns with a paternalistic perspective on their role as employers, were pleased to see the minimum contribution levels rise. They felt that the increased contribution would give their workers better provision in retirement. Furthermore, some were happy to see the workers pay a greater share of the contribution, relative to the employer.

'I don't see it as problematic. Employers should be paying more than two per cent anyway... Employers should certainly be encouraged to be paying more.'

Campaigning charity, Scotland, 2019 instantaneous newborn

As in 2018, workers employed at 2019 instantaneous newborns had a very low level of awareness of the April 2019 rise in minimum contributions, despite the high level of awareness amongst their employers.

When informed about the 2019 rise, workers remaining in the scheme tended to be either neutral or pleased to hear that they were being asked to contribute more. While they were very unlikely to feel motivated to choose higher contributions themselves, they were pleased to see that decision taken on their behalf.

'I feel it is manageable. If I had more debts to pay off then it would be more difficult. If I was renting or had a big mortgage then that be hard to sustain but as it is it is perfectly manageable and it is definitely not a burden.'

Worker, Male, 20-29, Music website, Scotland, 2019 instantaneous

Despite fears among a small number of workers in 2018 that a rise in their contribution from three per cent to five per cent could prove unaffordable, none of the workers interviewed in 2019 who had opted out, cited the increase as a motivation to do so. Furthermore, none of those remaining in their scheme stated the increased rate as a consideration when deciding whether to do so.

5.5 Advice to other employers

Newborn employers were asked in the course of interviews about advice they would give other employers who needed to implement automatic enrolment. They typically suggested that other employers should:

- Research the subject through official information channels
- Approach the tasks at hand proactively
- Outsource the process, in the case of some employers

Those who recommended outsourcing the implementation of automatic enrolment fell into two groups. The first included those who had themselves outsourced the implementation of automatic enrolment to an adviser, and believed it to have made the process easier, and less time-consuming.

'I would encourage people that if ... you're a small business and you're having to work late at night doing paperwork ... just find a cost effective monthly amount that you can afford to take the headache away.'

Gastro-pub, Rest of England and Wales, 2018 instantaneous newborn

The second group consisted of those who had completed the implementation of automatic enrolment internally, but who had done so because they had previous personal experience of accountancy or bookkeeping. This group felt that while their professional background had prepared them to take on implementation themselves, those without their experience would be likely to struggle.

'I would say that one per cent or two per cent can do it themselves... Someone new, it is not easy for them... I can explain it to them first, and I know that with 98 per cent of them it would go over their head, and they would have to come to an accountant.'

Jewellery wholesaler, London and South East, Instantaneous newborn

Those who had completed the implementation of automatic enrolment without the help of an adviser, and who had no previous background in finance administration, were unlikely to recommend outsourcing to others. This is because they usually found the implementation process to be both quick and simple.

Regardless of whether they outsourced implementation, employers often recommended dedicating some time to researching automatic enrolment duties. Typically, TPR and Nest were suggested as trustworthy sources of this information.

'The important thing is to do your research and really get familiar... read, read, read. Get on the websites and read and understand what your responsibilities are and don't be caught out.'

Care provider, London and South East, 2018 instantaneous newborn

A third common recommendation was to be proactive and allow a good amount of time to become compliant. Occasionally, employers found the process of implementation easier and more straightforward than first expected, but were initially put off dealing with it as they were daunted by the task. Through 'biting the bullet', employers felt that it was easy to avoid complications later in the process.

'If you do it well in advance, the process is much more straightforward.'

Shop, Rest of England and Wales, 2018 instantaneous newborn

6 Summary of automatic enrolment experiences

This final chapter summarises the findings from the newborn employer research within the context of the wider series of studies:

- Research conducted with large employers (500+ workers) in 2012;
- With medium-sized employers (between 62 and 499 workers) in 2014;
- with small and micro employers (between 1 and 29 workers) in 2016

First, Section 6.1 explores the differences and similarities in employers' attitudes and experiences across these different cohorts. Section 6.2 then compares the attitudes and experiences of workers at those employers.

6.1 Employer experiences and attitudes

On the whole, employers' attitudes towards automatic enrolment and the perceived effort involved in implementing it have remained consistent throughout the duration of the research.

While few welcomed the additional cost of contributions incurred by their business, employers of all sizes typically viewed automatic enrolment as a necessary administrative exercise that provides a clear benefit to their workers. Regardless of the employer cohort, the amount of time and money spent implementing automatic enrolment was usually less than first expected and, for that reason, was not often measured.

However, there were a number of notable differences in the way in which the different cohorts approached implementation.

A notable difference was in the way employers of different sizes communicated with their workers. Large and medium sized employers required a well-planned and methodical approach to communicating the specifics of automatic enrolment to their workers. This normally included an initial letter or PDF email attachment, which was supported by workplace posters and group presentations or scheduled one-to-one conversations. However, for small, micro and newborn employers where the logistics of communication were significantly less complicated, a less formal approach was the norm. This typically involved either a short, casual conversation to support the initial letter or emails or, as was the case for many newborn employers, no additional communication at all.

The largest employers we spoke to in 2012 were among the very first to discharge their duties following the introduction of automatic enrolment. These employers described beginning to prepare far in advance of their staging date: sometimes

twelve months beforehand. They also estimated a typically higher cost of setting up automatic enrolment than employers who prepared for and implemented automatic enrolment later on.

Beyond these largest, earliest employers, the logistical complexity of processing hundreds or thousands of workers typically led large and medium sized employers to begin their preparations at least three months ahead of staging and, for the largest organisations, up to a full year in advance. It was common for these employers to need to research their duties, as these businesses typically employed more different types of worker, to whom different rules applied. For often related reasons, it was also common for these employers to attend training sessions run by an external consultancy.

Newborn and smaller employers, on the other hand, were less likely to do extensive research. Rather, they sought only the information they needed to ensure compliance, and usually began preparations only after receiving notification of their duties from TPR.

While the process of implementation was generally more complex for larger employers and those who rolled out automatic enrolment soon after it became a legal requirement, these organisations also commanded greater access to experienced and assigned staff members. It followed that while the specific challenges faced by each employer cohort differed, most businesses, regardless of size and age, had the tools and capacity they needed to complete automatic enrolment implementation successfully.

The earlier research with large and medium sized businesses found that they frequently offered more than the minimum employer contribution, which at the time stood at one per cent. Often this was done to match the contribution offered in a pre-existing, non-automatic enrolment workplace pension. The current research cannot provide insight into the way employers other than newborns reacted to the phased increases in minimum contributions in 2018 and 2019. However, it was very unusual for newborn employers to offer anything other than the statutory minimum employer contribution following each increase.

6.2 Worker experiences and attitudes

There was far less variation in the attitudes and experiences of workers, than we observed in comparing the different employer cohorts. Typically, workers were supportive of automatic enrolment as a means of encouraging them to plan for retirement earlier than they may have otherwise. Very few workers reported issues or frustrations throughout the process of enrolment, whether they remained enrolled in the scheme or opted out.

Those remaining in the new workplace pension scheme tended to have put very little consideration into their decision to do so, while those opting out generally described a more complete rationale for their decision. Throughout the research, the reasons for a worker choosing to opt out of their scheme depended on personal circumstances, with very little influence from the type, size or age of the business they worked for, or from the attitude of the owner regarding automatic enrolment.

While this is a qualitative study and the samples drawn each wave have been too small to make robust statistical assertions, our experiences when recruiting and interviewing workers suggest that the rate of opting out is likely to have remained low since automatic enrolment was first introduced. Moreover, fears that 2018's and 2019's rises in minimum worker contribution would lead a higher proportion of workers to consider opting out were not realised among the participants of this research.

Appendix A: Materials used in conducting the research

A.1 Invitation letter and fact sheet for employers

Dear [name]

Research to explore your experiences and views of auto-enrolling your employees into workplace pensions

Thank you for your interest in our research on behalf of the Department for Work and Pensions. This letter, and the accompanying fact sheet, have been designed to confirm some key details about the research we are carrying out, and to provide further information, should you require it.

This study will explore how both employees and employers are responding to automatic enrolment. We very much look forward to learning about your experiences as an employer who is introducing automatic enrolment.

This research is important to understand the implementation of one of the major programmes being carried out by the government, and it is essential they understand how it is working and the experiences of employers and employees.

The research is being conducted on DWP's behalf by Breaking Blue, an independent research organisation. The Breaking Blue project team are contacting employers who were scheduled to implement automatic enrolment in 2017-8 to invite them to participate. The attached fact sheet explains more about what taking part will entail.

Your company was selected at random from The Pensions Regulator's database and we are contacting you for research purposes only. Any information you provide will be held in the strictest of confidence and will be handled securely throughout the study. We will not share any information about who has participated, other than with members of the DWP research team. The research findings will not identify you or your organisation and no personal information will be shared with any third parties.

If you have any questions about the research please contact Breaking Blue: you can reach the project team on [] between 9am and 5pm, Monday to Friday. You can also use these contact details to tell Breaking Blue that you no longer want to participate. If you have any wider questions about the research study, my own contact details are at the top of this letter.

We are very grateful for your contribution to this research, which will provide us with valuable information that will help to inform and improve the implementation of this key policy.

Yours sincerely,

A.2 Invitation letter and fact sheet for workers remaining in the scheme

Breaking Blue, working on behalf of the Department for Work and Pensions, is carrying out research to understand how employers and workers are responding to automatic enrolment.

We're interviewing employees throughout the UK, both people who have chosen to stay in their workplace scheme, and people who have decided to opt out, in order to understand their experiences.

Why do we want to speak to you?

We're interested in talking to workers like you to understand your experiences of being automatically enrolled into a pension, and how you feel about being in a workplace pension scheme.

We're interested in speaking to you, even if you have given very little thought to whether to stay in the scheme or leave it.

We'd like to discuss things like:

- How you found out that you would be automatically enrolled into a workplace scheme
- Any sources of information you used in finding out about automatic enrolment
- Some of your thoughts about planning for retirement

Interviews will take approximately 20-30 minutes and to thank you for your time we will give you [] in cash. Your participation in the research is entirely voluntary: you can end the interview at any time.

If you're interested in taking part, you have two options:

You can tell your employer, and they'll set up an interview with us. There are a few questions below that we'll be asking you in the interview. You can complete them in advance if that's convenient.

Or you can fill in this form in advance and arrange the interview yourself by returning it to us by email at []

We're happy to answer any questions, or talk to you about the research or your participation. You can ask the interviewer in person, telephone us on [], or email us at [].

You can check we are a genuine market research company with our industry body, the Market Research Society: Freephone [_____].

Why we are asking for this information, and what we will do with your data

We need to make sure that we speak to a range of different people as part of this research, so that DWP get to hear the views of people in different age groups, living in different regions, with different income levels and so on.

Everything you put on this form will be treated as strictly confidential by the Breaking Blue project team. It will not be linked back to you personally when we share the research with DWP, and if you email it to us directly, none of this information will be seen by your employer either.

We will hold onto your contact details after the interview is completed, just in case we have a follow up question for you. All data that identifies you personally will be deleted by December 2018.

The interview will be audio-recorded by the Breaking Blue interviewer and turned into a transcription, which will be shared with a small number of researchers at Breaking Blue. Neither the recording nor the transcript will be passed on to DWP.

Eventually we will write a report for DWP which will draw together all the information and opinions we gather. We will use the information you give us **anonymously** when we come to write our report.

Everything you say will be treated as **strictly confidential** by the Breaking Blue project team, and your comments will not be attributed to you in any way that could possibly identify you in the report or the information we give to DWP. **Nothing you tell us will be fed back to your employer.**

We are conducting the interviews under the terms of the Market Research Society (ESOMAR) Code of Conduct. They are being carried out for research purposes only.

Our privacy notice explains your rights in more detail, including your right to change your mind if you do not want us to use your information:

<https://www.breakingblueresearch.com/privacy-policy/>

Finally, we ask you to bring photo ID to your interview so that the interviewer can confirm your identity.

Please tick this box to confirm you have read and agree with the information provided on this sheet.

1. What is your name? Please write in block capitals below:

.....

2.I am....

Male

Female

3.How old are you?

Under 22

22-29

30-39

40-49

50-65

Over 65

4.Do you work full time or part time?

Full time – 30 hours or more per week

Part time – less than 30 hours per week

5. What is your annual income before tax?

Less than £10,000 per year

£10,000 to £14,999

£15,000 to £19,999

£20,000 to £29,999

£30,000 to £39,999

£40,000 or more

6. Have you opted out from your workplace pension?

Yes

No, but I intend to opt out in the next few weeks

No, I do not currently intend to opt out

7. What are your contact details?

Phone
number

Email
address

Thank you for your interest in taking part in our research. One of our team will be in contact as soon as possible using the details you've provided above.

A.3 Invitation letter and fact sheet for workers opting out

Breaking Blue, working on behalf of the Department for Work and Pensions, is carrying out research to understand how employers and workers are responding to automatic enrolment.

We're interviewing employees throughout the UK, both people who have chosen to stay in their workplace scheme, and people who have decided to opt out, in order to understand their experiences.

Why do we want to speak to you?

We're interested in talking to workers such as yourself to understand your experiences of being automatically enrolled into a pension and choosing to opt out.

Your employer has told us that you have opted out from their pension scheme. As someone who has chosen to opt out, we are interested in speaking with you to discuss things like:

- How you found out that you would be automatically enrolled into a workplace scheme
- Any sources of information you used in finding out about automatic enrolment
- How you decided to opt out of the scheme
- What happened when you opted out
- Some of your thoughts about planning for retirement

We're interested in speaking to you, even if you have given very little thought to your decision to opt out.

Interviews will take approximately 20-30 minutes and to thank you for your time we will give you [_____] in cash. Your participation in the research is entirely voluntary: you can end the interview at any time.

If you're interested in taking part, you have two options:

You can tell your employer, and they'll set up an interview with us. There are a few questions below that we'll be asking you in the interview. You can complete them in advance if that's convenient.

Or you can fill in this form in advance and arrange the interview yourself by returning it to us by email at [_____]

We're happy to answer any questions, or talk to you about the research or your participation. You can ask the interviewer in person, telephone us on [_____], or email us at [_____].

You can check we are a genuine market research company with our industry body, the Market Research Society: Freephone [_____].

Why we are asking for this information, and what we will do with your data

We need to make sure that we speak to a range of different people as part of this research, so that DWP get to hear the views of people in different age groups, living in different regions, with different income levels and so on.

Everything you put on this form will be treated as strictly confidential by the Breaking Blue project team. It will not be linked back to you personally when we share the research with DWP, and if you email it to us directly, none of this information will be seen by your employer either.

We will hold onto your contact details after the interview is completed, just in case we have a follow up question for you. All data that identifies you personally will be deleted by December 2018.

The interview will be audio-recorded by the Breaking Blue interviewer and turned into a transcription, which will be shared with a small number of researchers at Breaking Blue. Neither the recording nor the transcript will be passed on to DWP.

Eventually we will write a report for DWP which will draw together all the information and opinions we gather. We will use the information you give us **anonymously** when we come to write our report.

Everything you say will be treated as **strictly confidential** by the Breaking Blue project team, and your comments will not be attributed to you in any way that could possibly identify you in the report or the information we give to DWP. **Nothing you tell us will be fed back to your employer.**

We are conducting the interviews under the terms of the Market Research Society (ESOMAR) Code of Conduct. They are being carried out for research purposes only.

Our privacy notice explains your rights in more detail, including your right to change your mind if you do not want us to use your information:

<https://www.breakingblueresearch.com/privacy-policy/>

Finally, we ask you to bring photo ID to your interview so that the interviewer can confirm your identity.

Please tick this box to confirm you have read and agree with the information provided on this sheet.

1. What is your name? Please write in block capitals below:

.....

2.I am....

Male

Female

3.How old are you?

Under 22

22-29

30-39

40-49

50-65

Over 65

4.Do you work full time or part time?

Full time – 30 hours or more per week

Part time – less than 30 hours per week

5. What is your annual income before tax?

Less than £10,000 per year

£10,000 to £14,999

£15,000 to £19,999

£20,000 to £29,999

£30,000 to £39,999

£40,000 or more

6. Have you opted out from your workplace pension?

Yes

No, but I intend to opt out in the next few weeks

No, I do not currently intend to opt out

7. What are your contact details?

Phone
number

Email
address

Thank you for your interest in taking part in our research. One of our team will be in contact as soon as possible using the details you've provided above.

A.4 Screening questionnaire, completed by all participating employers

Introduction for switchboard/ gatekeeper: named contact

Good morning/ afternoon. Please could I speak to [FIRST CONTACT]?

If unavailable and alternative names in sample: Could I then speak to [NEXT SAMPLE CONTACT]?

If unavailable and no alternative names available: Could I then speak to the person with overall responsibility for HR matters at [EMPLOYER]?

Introduction for switchboard/ gatekeeper: no named contact

Only use following script if number of employees in sample > 4, otherwise skip straight to **'When connected to appropriate contact'**:

Good morning/ afternoon. Please could I speak to the person responsible for employee salaries and benefits?

Interviewer: if the gatekeeper is uncertain about how to direct the call, ask to speak to the Managing Director or head of HR.

If necessary: explain who you are, and that you are calling from Critical Research on behalf of the Department for Work and Pensions.

The person best placed to answer questions about automatic enrolment may be an office manager, or possibly responsible for your payroll.

If payroll is out-sourced, ask to speak to the person internally who deals with the payroll provider.

When connected to appropriate contact: My name is... and I'm calling from Critical Research, on behalf of the Department for Work and Pensions.

I'd like to talk to you about some research that the DWP has commissioned us to carry out, with a view to seeing whether this is something you would be interested in taking part in.

The research is to understand employers' and employees' experiences of automatic enrolment. We understand that [EMPLOYER] has recently implemented automatic enrolment – is that the case?

If employer has recently set up/ is currently setting up automatic enrolment – continue.

If employer explains that they will be using a 3-month waiting period/ are postponing, use the following text and then continue:

That's not a problem. Would it be OK for me to tell you a bit more about the research and what it entails, to see whether it's something you might be prepared to consider when you've gone live with automatic enrolment?

For all:

Our research will explore how both employers and employees are responding to automatic enrolment, and if you decide to take part, you'd be helping to shape the government's understanding of how things work for employers in practice.

Taking part would involve telling us about how things relating to automatic enrolment are progressing at [EMPLOYER], about any issues that you might encounter along the way, and about how you and your employees are feeling about the processes involved, including whether they opted out or remained in the scheme.

We're offering a minimum of [] to all employers who agree to take part. We're planning to involve 70 employers, in a range of different sectors and locations.

The research will help DWP build an understanding of how such an important policy is working for employers and employees in practice, so the research is also an opportunity for you to provide feedback and share your views.

If you agree to take part, you'll have a dedicated contact on our research team, who will work with you to collect the data that we need, and who you'll also be able to tell about any issues you're encountering or questions that you have.

I'm keen to stress, though, that the research is absolutely confidential in nature, and your identity will never be revealed to DWP or anyone else, if you don't want it to be.

If respondent asks where we got their contact details: Details were provided by The Pensions Regulator, solely for the purposes of this research. The details we've been given indicate that you are responsible for dealing with pension schemes at [EMPLOYER].

If at any point the respondent says they do not want to discuss the research

There's no obligation for any employer to take part, but since this is a high-profile piece of research we would really like to talk to you about taking part. Could I perhaps leave you to consider it, and call back in a couple of days' time?

If at any point the respondent makes clear that they do not want to participate

There's no obligation to take part in the research. Could you perhaps explain to me why [EMPLOYER] would not be able to participate? I won't share these details with anyone outside the research team at DWP, and I would of course keep your name and your company's name completely confidential – but any feedback from you would be really helpful.

If respondent is happy to continue the conversation:

We would very much like to include [EMPLOYER] in this study and hear about your experiences of automatic enrolment. I'll tell you a bit more about what we're asking for. But first of all, can you tell me whether you have begun automatically enrolling employees?

If automatic enrolment has already begun, talk the respondent through what is required.

If contact explains they are postponing automatic enrolment, find out when it is now planned, and ask about why they are using postponement. Note the details/ reasons in full in the spreadsheet. Then:

- **If respondent is happy to continue the conversation:** talk them through what is required
- **If respondent wants to end the conversation:** check whether OK to call back at the beginning of the relevant month

If employer has stated that they have no employees eligible for automatic enrolment, thank and close.

There are **two elements** to taking part in this research: firstly, we would ask you/ the person responsible for implementing automatic enrolment to undertake **a face-to-face interview** with us, to discuss how you have found the experience. This would last approximately 1 hour, and we would come to your workplace at a time of your choosing.

Secondly, we would ask you to identify two or more employees who you have enrolled, to participate in **a short interview** about their experience of automatic enrolment. This would preferably be face-to-face, on the same day that we come to speak to you, and would last approximately 20-30 minutes. Ideally we would speak to one who has decided to stay enrolled, and one who has decided to opt out.

As a thank you for your time and effort in helping DWP with this research, we would offer you as the employer [____], and [____] for every employee you arrange for us

to speak to. We would also offer [_____] to each employee who undertook an interview with us.

Let me assure you that **anything you or your employees tell us during the course of the research will be treated in confidence** by the project team. It will not be attributed to you, or your organisation. We will not tell anyone outside the research team at DWP the names of any organisations who participate in the research, unless you explicitly give us permission to do so.

Only if absolutely necessary – if respondent is very concerned about facilitating worker interviews:

The idea of interviewing employees is to understand what automatic enrolment looks like from a worker's perspective, and to understand why they decided either to stay in the scheme or to opt out of it. **At no point would we express any judgement of their decision.** This is an opportunity for your workers to tell us their thoughts about automatic enrolment and saving for retirement.

If either you or the employee in question did not want to be interviewed at your workplace, we could alternatively meet them somewhere nearby – or if that doesn't work either, we could interview them separately over the phone.

Ensure that respondent is clear on this, and allow them to ask any questions.

Say to all:

Taking part is entirely voluntary and would not affect your future dealings with the DWP. You would be able to withdraw from the research at any time.

We really hope you will be able to be involved.

At this stage it would be helpful to know your thoughts on this research and whether it is something that [EMPLOYER] might be prepared to take part in?

If respondent is happy to continue the conversation:

The next step is for me to send you a letter from the Department for Work and Pensions, which summarises what I have said about the research, talking to you today.

The interviews are being carried out by our research partners, Breaking Blue. If you do not wish to participate in the research you can let the team at Breaking Blue know at any time; the letter includes a telephone number you can use for this.

We will contact you again in a few days' time to check that you are happy to participate.

Confirm contact details and send letter. Arrange a suitable time to re-contact respondent.

Screening questions: to introduce during second contact, at a suitable point in the conversation

We are responsible for ensuring that we speak to a range of different employers, so that our research represents the views of small and large employers, in different regions and so on. Can I ask a few questions to understand what categories you fall into?

S1 What sector is your business involved in? Please tell me the closest match from the following options...

SINGLE CODE

- | | | |
|----|--|---|
| 1 | Agriculture, Forestry and Fishing | 20 EMPLOYERS NEEDED |
| 2 | Mining and Quarrying, Utilities | Check quotas, go to S2 |
| 3 | Manufacturing | |
| 4 | Construction | |
| 5 | Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles | 20 EMPLOYERS NEEDED
Check quotas, go to S2 |
| 6 | Transportation and storage | |
| 7 | Accommodation and Food Service Activities | |
| 8 | Administrative and Support Services | |
| 9 | Arts, Entertainment and Recreation | |
| 10 | Other Service Activities | |
| 11 | Information and Communication | 15 EMPLOYERS NEEDED |
| 12 | Financial and Insurance Activities | Check quotas, go to S2 |
| 13 | Real Estate Activities | |
| 14 | Professional, Scientific and Technical Activities | |
| 15 | Education | 15 EMPLOYERS NEEDED |
| 16 | Human Health and Social Work Activities | Check quotas, go to S2 |
| 99 | Refused | THANK & CLOSE |

S2 What region is your business based in? If you are based in multiple locations, can you tell me the location where most employees (or otherwise the most senior employee) are based?

SINGLE CODE

1	London, South-East and East Anglia	28 EMPLOYERS NEEDED Check quotas, go to S3
2	Rest of England and Wales	28 EMPLOYERS NEEDED Check quotas, go to S3
3	Scotland	14 EMPLOYERS NEEDED Check quotas, go to S3
99	Refused	THANK & CLOSE

S3a Employers can choose to postpone automatic enrolment for up to three months for some or all of their workers, if they wish. Have you used postponement?

SINGLE CODE

1	No	SKIP TO S4
2	Yes – for three months	GO TO S3b
3	Yes – for less than three months	
99	Refused	THANK & CLOSE

S3b Have you enrolled any of your employees into an automatic enrolment pension scheme yet? This does not include any employees who are in a postponement

period, but who you plan to enrol – we want to check if you have completed the enrolment process for at least one employee.

SINGLE CODE

- | | | |
|----|---------|---------------|
| 1 | Yes | |
| 2 | No | THANK & CLOSE |
| 99 | Refused | THANK & CLOSE |

S4 Could I ask in which year you first set up as **[companies:]** a company **[individuals:]** an employer?

Year: _____

- | | |
|----|------------|
| 99 | Don't know |
|----|------------|

S5a Could I ask when you first found that you had one or more workers that you would need to enrol – whose age and earnings meant that they were eligible for automatic enrolment?

When I set up the company:

Month and year if different: _____

- | | |
|----|------------|
| 99 | Don't know |
|----|------------|

S5b Are you aware of any of your employees having opted out of Automatic Enrolment, after you had enrolled them (as an eligible jobholder)?

- | | | |
|---|-----|----------|
| 1 | Yes | GO TO S6 |
| 2 | No | GO TO S6 |

S6 **PILOTS ONLY:** Our colleagues at DWP are interested in coming along to a small number of interviews, so they can hear first-hand about your experiences setting up auto-enrolment, what worked well and anything you might have found challenging.

Just to be clear: this is not a condition of you taking part in the research, please do say if you would rather they didn't come. But if you do agree to this, it is an opportunity to tell DWP directly about your experience. They are not there to 'catch you out' or penalise you if you think you might have done anything wrong.

SINGLE CODE

- 1 Yes – I am happy for DWP to attend
- 2 No – I would prefer DWP didn't attend

All: This research is also being carried out in accordance with the MRS Code of Conduct.

The interview will be audio-recorded by the Breaking Blue interviewer and turned into a transcription, which will be shared with a small number of researchers at Breaking Blue. Neither the recording nor the transcript will be passed on to DWP.

One of our colleagues at Breaking Blue will be in touch shortly to confirm the appointment, and provide you with their contact details in case you have any questions. They will hold onto *your* contact details after the interview is completed, just in case we had a follow up question for you. And all data which identifies you will be deleted by December 2018.

S7 Can I confirm that you are happy to take part in this research in the way that I have described it being carried out?

SINGLE CODE

- 1 Yes – I am happy to take part
- 2 No – I do not wish to take part

A.5 Discussion guide for employers

Introduction and Warm-up (5 minutes)

Setting the scene
/ ground-rules

1. Introduce self and Breaking Blue

Research on behalf of DWP to understand how employers such as yourselves are responding to automatic enrolment

Interviewing 70 employers throughout the UK who, like you, have recently introduced automatic enrolment; as you know, we are also carrying out interviews with some of your workers

The discussion will take approximately 1 hour

2. Confidentiality: We produce an overall report for DWP which will draw together all the information and opinions we gather.

But I can assure you that anything you tell me will be treated in confidence by the Breaking Blue project team. It will not be attributed to you, or your organisation, either in our presentations or in the final project report which will be published by DWP

3. Ask for permission to record for our analysis purposes.

Recording will not be passed onto any third party, including DWP, and will be destroyed after the project finishes

4. Confirm respondent's job title

Before we start our discussion, would you like to ask me any questions?

Can you tell me a bit about your business? How long have you been in business for?

Can you tell me about the people you employ, and how long they have been working with you?

How would you describe your relationship with them – how closely do you work with them?

[If employing a nanny/carer] – do you see yourself as an employer? Why/ why not? **Interviewer note: subsequent wording is based on a business employing >1 worker. Amend if needed for individuals/ just 1 worker.**

Section 2 – Preparing for automatic enrolment (10 minutes)

Who was involved

To begin, I'd like to ask you about pensions in a very general way.

Can I check first of all if you offered a pension scheme to any of your employees **before automatic enrolment came along**?

[If not], can you tell me a little about why not?

[If yes] Could you summarise for me what you offered – what type of pension and what contribution levels?

How many of your employees were members?

Why did you offer a pension to your employees? How much of a priority are employee pensions, relative to other benefits?

ASK ALL

Thinking about your employees, what role do you, as an employer, feel you should play when it comes to pensions?

Should the employer help to look after the employee's future interests, or should it be the employee's decision to save?

Generally speaking, what are your thoughts on automatic enrolment?

[If necessary, use the following statements as prompts:]

- The introduction of automatic enrolment is in principle a good idea for my members of staff
- My organisation finds it difficult (time and cost) to contribute to a workplace pension
- It is fair that automatic enrolment applies to all employers, regardless of size

Next I want to understand what you did to prepare for automatic enrolment.

Can you tell me when and how you first found out about automatic enrolment? When did you realise you had to do something about it?

And when did you first sit down and start preparing for automatic enrolment?

Could you describe to me what it was you did to prepare?

Who was in charge of the overall process?

Who was involved, internally? What were their roles?

Do you outsource payroll or handle it yourself? *(If handle themselves)*
What payroll software do you use?

Who, if anyone, was involved externally? Did you get any information or advice from anybody? (e.g. accountants, advisers, pension providers, payroll providers)

What role did they play in helping you with automatic enrolment?

Have you had any help or support from anybody else we haven't discussed already?

- For example, have you spoken to any other employers who are handling automatic enrolment? What happened, what did you talk about?

What information or advice did they give you? How did this information influence your approach to automatic enrolment?

The Pensions
Regulator

What contact did you have with The Pensions Regulator – what form did it take? Who contacted whom, and when?

(If by phone) Can I ask where you found their phone number?

Was your contact with The Pensions Regulator useful? How could it have been improved?

Did you look at The Pensions Regulator's website? What did you like, or not like, about that? How useful, and simple, did you find it – how much of the information you were looking for did you find?

Did you use The Pensions Regulator's Duties Checker? *[Google TPR Duties Checker if needed for prompt]* How did you find that?

At what point did you stop using TPR's site? Do you anticipate using it again in future? Why/ when?

[If not mentioned] Has [EMPLOYER] registered your declaration of compliance with your automatic enrolment duties with The Pensions Regulator?

- How did you find that process? Can you remember how long you had from when your duties started to declare compliance? *[Prompt if needed: Was the declaration of compliance completed on time or not?]*
- *[If the declaration of compliance was registered late/ TPR chased them]* What were the reasons for the declaration of compliance being submitted late? What might have helped to complete the registration on time?
- Were you aware that TPR had powers to make sure employers comply with their automatic enrolment duties, before you began setting up automatic enrolment? *[if unclear: formal powers include compliance and penalty notices?]*
- *[If yes]* What effect did this knowledge have on your approach to setting up automatic enrolment?

Information and advice used

Can you tell me about any other information or advice you have used to help you get ready for automatic enrolment?

Did you do any research on the internet, for example? Where did you look?

For each kind of information used ...

What was the source of this information – where did it come from?

When did you use this information? What did it help you to do?

Of all the information you used, what helped you the most? Why is that?

Did you ask friends or family for information or advice at any point? What experience did they have, that you thought would be useful? What did you find out from them?

Section 3 – Implementing automatic enrolment (10 minutes)

I'd like us to talk now about how [EMPLOYER] has gone about actually implementing automatic enrolment.

How did you find the process of identifying which workers were eligible to be automatically enrolled?

When did you actually enrol the workers into a pension?

(NOTE: if later than when the business started up, probe to understand why they enrolled people then, and not earlier)

Which provider(s) are you using?

Did you consider any other providers? Why/ why not?

Could you tell me more about why you chose the scheme(s) that you did? What did you take into consideration, when you made this decision?

- *(Prompts):* Are they charging you any fees – if so, what do these cover? What about the provider's reputation? Did you consider how easy that scheme would be to set up and use? Did the payroll software/ provider you use affect this?
- Does the provider offer templates for communicating with workers? What did you think of those? And how important was that to you?
- *[If relevant]* Did you make any changes for the members of your previous pension scheme?

Can you tell me about how much is being contributed to the scheme(s), by you as the employer, and by employees (as a percentage of employee earnings)?

- What were your reasons for enrolling employees at that rate?

[If not already clear] Did you consider Nest or a similar multi-employer scheme, such as The People's Pension, Smart Pension or NOW: Pensions? If not, why not?

- *If explanation necessary:* A multi-employer scheme is also called a master trust – an occupational scheme designed for use by a large number of employers.

Section 4 – Communicating with workers (5 minutes)

Next I want to ask you about how you went about communicating to employees what automatic enrolment is and what was going to happen to them.

Could you summarise for me what you did, and when?

Did you use (or adapt) materials created by TPR, or from your pension provider? Fact sheets, booklets, case studies, posters, or anything else?

Did you create any of your own materials? Tell me a little about this.

What worked well? What worked less well, and why?

Did you communicate this information to all staff, or just those who you knew were eligible for automatic enrolment?

How did you go about telling individuals that they have been automatically enrolled? Was it an email, a letter (to home or at work?) or something else?

[If necessary, may need to prompt the employer that they have a statutory obligation to inform workers when they have been automatically enrolled]

Did you talk about the benefits of saving into a pension to your employees? For example, did you mention that there would be an employer contribution, or that they would get tax relief?

How did employees respond to what you told them? Did they have any questions for you? If so, were you able to answer them? *Probe here to understand whether any issues were to do with not knowing the answer, not having time/resource to find out, etc.*

Section 5 – Employees who have opted in or out (5 minutes)

If all employees remained ask 2 bullets below...

You mentioned that none of your employees have opted out. Is that what you expected? Why?

Do you think the way you communicated with your workers had an effect? How might it have affected what they decided to do?

... then skip to next page.

All employers with any opt-out workers:

Now I'd like to talk to you about people who opted out. Just so you know, the opt-out period lasts a month after being enrolled. An employee can stop contributing after a month – this is known as cessation.

If all employees opted out:

You mentioned earlier that all of your workers opted out. How did you feel when you realised that was the case? Do you think your workers might opt back in in the future?

For all other employers (i.e. where at least 1 employee remained):

How many employees have opted out of the scheme, after being automatically enrolled? (i.e. have left within one month of being enrolled). Can you tell me anything about them?

- Have they told you anything about their reasons for opting out?
- Do you remember how quickly they opted out – as soon as they receive notification? After seeing their monthly pay? (If necessary) Did this pattern change after the contributions increased in April 2018?

How many people were you expecting to opt out? Do you have any thoughts on why the actual number ended up being higher/lower than you expected?

- *[Whether higher or lower]* Do you think the way you communicated with your workers had an effect? How might it have affected what they decided to do?
- Did any of your employees leave the scheme after the opt-out window (cessation of contributions)? What prompted this?

Ask all:

Do you have any employees that DWP would consider to be 'non-eligible jobholders', who have the right to opt into the pension scheme?

***If so:* Were any of these employees enrolled into the pension scheme?**

***If so:* How many of these employees actively asked to opt in?**

- *[If employees asked to opt in]* What can you tell me about the employees who have decided to opt in? Are they under 22? Earning below the threshold of £10,000? Both?
- What are your thoughts on why they are opting in? What do you think has triggered this?
- *[If employer enrolled employees who didn't ask to join the scheme]* What were your reasons for enrolling everyone/some of your ineligible employees into the pension scheme?

Section 6 – The degree of burden you face (10 minutes)

The government is keen to understand the impact on employers of introducing automatic enrolment, so we're interested to know about the costs and other challenges that you have faced.

How much of your own time was involved in preparing for automatic enrolment?

Who else's time was involved?

Did you find that dealing with staff queries was time consuming? How did you feel about that?

Have you measured the time that you (or your colleagues) have spent on automatic enrolment, at all? Or did it get absorbed into your day job? How did you feel about that?

Did it take up more or less time than you originally thought it would? Why was that?

Is [EMPLOYER] making use of a waiting period/'postponement' for any of your workers?

How long is the waiting period, and who does it apply to?

Can you tell me about that decision – how and why it was taken?

(If employer says it was to save money) Can I ask in what way it will save you money?

And what financial outlays have you had to make, in order to set up automatic enrolment – aside from the cost of contributions?

- What did you need to pay for?
- Have you tried to measure the different costs involved – for example, the cost of payroll software, or using advisers? And what have you found?

Were any of these costs unforeseen, or higher (or lower) than you expected? Why was that?

Did you have any problems with setting up automatic enrolment? Tell me about that. How did you resolve the issue?

Have you had any issues with payroll or administrative systems or software?

Did anything we have mentioned make it difficult for you to comply with automatic enrolment on time? Tell me about that.

How do you plan to cover the cost of running the pension scheme over the long run?

For example will it lead to lower profits, or lower wage increases?

Do you plan to make any special measures to compensate for this extra cost? For example, do you plan to make any cost savings to compensate, or increase prices?

Section 7 - Awareness of ongoing duties (10 minutes)

If automatic enrolment began before increase in contributions in April:

What was the impact of the increase in contributions that happened in April this year...

For you as an employer?

Had you planned for this beforehand?

And for your employees?

- What have employees done? Have they been discussing the increase?
- Have more opted out, or decided to remain as a result?

Ask all:

And how might the cost of employer contributions change for you in the future?

If increases in minimum contributions in April 2019 mentioned:

How long have you been aware that this will happen? How did you become aware?

Have you told your workers that contributions will rise in April?

Ask all: *[Show them the visual aid] - here is the summary of the contribution increases.*

How do you feel about these changes?

What impact will the new level of contributions next year have on you as an employer?

What about other employers – how do you think the increase will make them feel?

Thinking about your employees, what messages might help them see the importance of saving for their retirement?

What other ongoing duties regarding automatic enrolment do you know you have as an employer?

- If unaware of re-enrolment or enrolling new employees:
- If employees that opted out are still working for you in three years' time, you will have to automatically enrol them again. You also have to automatically enrol any new employees. How does this

make you feel? Do you think the way you feel will change over time?

Conclusion (5 minutes)

Additional comments

To finish our discussion, I'd like to summarise your experience so far.

How have these first weeks/ months gone with automatic enrolment in place?

What would you like to tell the government about what employers in your situation need/ want, in terms of information and support? How would that have helped you?

Is there anything TPR – or DWP – could do to help employers with preparing and setting up automatic enrolment?

If you were to give tips or advice to other employers on preparing and setting up automatic enrolment, what would that be?

Do you feel that automatic enrolment benefits your organisation in any way? If so – how?

Is there anything else that you would like to tell DWP about how automatic enrolment will affect your organisation?

Ask all:

Occasionally, it is very helpful for us to be able to re-contact people we have spoken to, either to clarify certain issues, or to get a bit more detail where the information we are given is particularly interesting. Would you be happy for us to call you back if necessary?

A.6 Discussion guide for workers remaining in the scheme

Introduction and Warm-up (3 minutes)

Setting the scene / ground-rules

Introduce self and Breaking Blue

We're carrying out research on behalf of DWP, interviewing 80 workers across many different companies about their experiences of being automatically enrolled – both workers who have opted out and who have stayed in the scheme.

DWP wants to understand a bit more about how and why people are staying in the workplace scheme, or leaving it. I'm going to be asking some questions about your personal circumstances, so that we can put a face to the numbers, and understand why a workplace pension scheme might feel right for you.

Ask for permission to record for our analysis purposes. Recording will not be passed onto DWP or any other third party and will be destroyed after the project finishes.

Before we start our discussion, would you like to ask me any questions?

Please feel free to tell me anything. **Nobody will make any judgement about anything that you tell us – we want to understand your opinions and your experiences.**

About you

I'd like to start off by understanding a bit more about you.

- Tell me a bit about yourself. Who do you live with? Do you have a spouse/ partner/ family? **Are you paying rent, or a mortgage...?**
- Can you tell me a little bit about your role at [employer]?
- Do you work full-time (more than 30 hours per week) or part-time (fewer than 30 hours in a typical week)?
- Do you work in a team? How many people do you work closely with?

Section 2 – Planning for retirement (5 minutes)

I'd like you to tell me about any thoughts you've had about your retirement.

To start, how much thought have you given to your retirement, would you say? Did you think about it a lot before being automatically enrolled?

When would you *like* to retire?

When do you think you *will* retire, in practice?

- Why do you think you'll retire at that point?

[If not mentioned] Do you know at what age you'll be entitled to receive a state pension? How do your plans fit in with that?

What are your hopes for your retirement? Will you be able to stop working completely? How will your lifestyle have changed?

Do you have anything in place to fund your retirement, aside from the pension you're saving into now with your employer?

If respondent has nothing else in place:

Can you tell me if there are specific reasons for that? [probe for: too early to think about it; will rely on partner's provision; reject pensions as a savings vehicle; need money now]

Are you saving in another way?

[If not yet clear] Are you going to make other provision, apart from your pension with [employer]? What might that be? When do you see yourself putting that in place?

[If no - skip to end of this section and ask about 'your general views on saving for retirement']

If any plans in place:

Can you tell me a bit about what you've got in place?

Interviewer: probe to understand whether they have pensions, other savings, or alternative provision, e.g. property. If respondent mentions using their property as income, check whether they are paying a mortgage or own their home outright.

How did you come to have the savings/ provision that you have? Did anything specific trigger you setting them up?

Interviewer: check if not clear whether this is the respondent's own provision, or that of a partner/ someone else

Do you feel that what you've got at the moment will be enough? Can you tell me what you're basing that on?

[If other non-pension provision] You've mentioned getting an income from *[another form of provision]*. Do you prefer the idea of that to a pension? Why is that?

Ask all:

I'd like to ask a bit more about your general views on saving for retirement.

To what extent do you feel it's your own responsibility to provide your own income after you stop work, versus it being up to your husband/ wife/ partner, the state, somebody else?

And how much responsibility do you think your employer should have?

And how does your employer feel about pensions? Is this something that they see as important for their workers? Why do you say that?

Section 3 – Your awareness of auto-enrolment (5 minutes)

Before you were automatically enrolled into a workplace pension scheme by [employer], had you ever been offered the chance to join a pension scheme?

- *[If so]* Tell me about that. Were you automatically enrolled on that occasion? What did you do then – did you remain in the scheme or opt out? Why did you decide to do that?

How did you first find out about automatic enrolment?

How did you find out that you were going to be automatically enrolled at your *current* employer? Did you first find out from your employer when people were told officially, or in another way – such as from your colleagues, friends or someone else?

Do you remember seeing any advertising on TV or the radio, or anything in the press or online, telling you that automatic enrolment was coming? What do you remember seeing/ hearing? What did you think about that?

I'd like you to tell me what your immediate reaction was. What did you understand by this term, 'automatic enrolment'?

- What did you do, after you had heard that you were going to be automatically enrolled?

And when your employer first told you, what did they say was going to happen?

- What form did the information take? Verbal, letter, an email, meeting, noticeboard?

How carefully did you read it, or listen to what you were being told? We realise this is not always an interesting topic – it's OK if you didn't pay much attention!

And what was your reaction – how did you feel about the idea?

Did you see any potential benefits to being enrolled? What were these?

Section 4 – Using information in your decision (5 minutes)

Let's talk about any sources of information that you used, to find out anything about automatic enrolment.

Can you tell me about any information that you used? For example, from your employer, from the pension provider, just browsing on the internet, talking to people you know, leaflets, letters, emails you might have been sent ...

For each sort of information, ask:

Was this something you were given at work, or something that you found independently?

If found independently: How did you hear about it?

How much attention did you pay to it – was it something you spent time reading/ thinking about/ listening to carefully, or did you just skim it? What kinds of things did it tell you? What did it help you to understand? How could it have done that better?

Can you give me an example of something you found out from this information?

How easy for people to understand, would you say it was? What made it easy/ difficult to understand?

If respondent has not sought any information sources:

Did you think about finding any information yourself, independently of your employer?

Did anything stop you from doing so, or did you just not get round to it? Or did you simply feel that you were satisfied with the information you had from your employer?

What questions did you have? What kind of information would have been helpful in answering them?

Where do you think you might have looked for information?

Ask all:

All in all, did you have enough information to make the decision about whether to stay in or opt out confidently?

- Why do you say that?

At the point where you made the decision to stay in the scheme, was there anything you wanted to know, but hadn't been told?

Do you know anyone else who has been automatically enrolled? What did they do? What did they tell you about their experience?

Did you feel like your employer wanted you to stay in the scheme, or opt out? Or did they seem quite neutral?

Section 5 – Your decision to remain (5 minutes)

Now I'd like to understand more about how you came to remain in your workplace scheme. First of all, I'd like to talk in a very general way about your attitudes towards pensions and saving for your retirement and your

plans for the future, picking up on some of the things we talked about at the beginning of this interview...

What would you say has been your attitude towards pensions so far in your life?

What would you say is behind your attitude? (*Probe for any specific experiences or those of family, etc. or any specific beliefs or take on life that may influence decisions about pensions.*)

Briefly recap (with respondent's help if necessary):

- When respondent found out they would be automatically enrolled
- How they heard about it
- Respondent's initial reactions
- Sources consulted

Was the decision to remain in the scheme something you thought about for a long time, or one you came to quickly, or even straight away? How long did it take?

What would you say was your main reason for remaining in the scheme?

(If they've been automatically enrolled before) What's changed in your life since the last time you were automatically enrolled? And what's stayed the same?

Did you have other financial responsibilities that you took into consideration? Tell me a bit about the role they played.

[If have other savings] And what about your other savings for retirement – where did they fit into the decision?

[If they have partner] How about any provision that your spouse/ partner has, and that you might use in retirement?

Did you try to find out how much this pension might have been worth at retirement?

- *If so:* What was your reaction to that? How did this information feed into your decision?

Did you consider your employer's contribution as you made your decision to remain in? How important was this to you?

Do you know how much your employer is contributing, and how much you are contributing?

- *If so:* And have these amounts changed?

Ask all whose contributions increased in April:

What did you do when you heard about the increases to your contributions?

- Did you find out what impact this increase would have on your take-home pay? Before you got paid the new amount or after?
- What does the change in pay mean for you in terms of your daily life?

Ask all:

Are you aware of the changes that are happening to the levels of contribution the employers and employees are required to pay? *If so:* what are these changes?

[Show them the Phasing Timeline] How do you feel about these changes?

- *If necessary:* What about bearing in mind that the employer's contribution is also increasing?
- *[If aware and happy about the increases and currently on 2%:3%]* You mentioned that you are happy to see your contributions increase, but you are currently paying the minimum rate of 3%. Have you considered paying in more than that?
- *If so:* do you know how you would go about increasing your contributions? Why did you end up not doing this?
- *If not:* Can I ask why not?

Looking forward to next year, will the new level of contributions mean that you are less keen to be in the workplace pension scheme than you were – or more keen?

- Do you think the way you feel will change over time?
- What impact do you think the increase in contributions will have on your employer?

How important do you think it will be for you to continue to remain enrolled? Why/why not?

What about if you change jobs – you will be automatically enrolled at any new employer. How do you feel about that? How do you think the way you feel will change over time?

Section 6 – Being enrolled (5 minutes)

How did you find the process of getting automatically enrolled? Were there any problems or issues, when you were enrolled with the pension provider? What were they?

Have you had something to confirm that you've been enrolled?

Do you know how much your exactly monthly/ weekly pay is?

Have you had a wage increase at this job? (If yes) When roughly did you get that?)

Ask remainder of section if respondent does not feel they have sufficient provision:

You mentioned earlier in our conversation that you don't think the provision you have in place will be enough to provide the income you want during your retirement.

Do you plan on taking steps to increase your provision?

- *[If not mentioned]* Might working for longer be one way in which you increase provision?
- Have you considered putting in more than the minimum contribution i.e. more than 3% of your salary?

Do you think you will start saving more for your retirement – at what point in your life?

- Do you think it could rest on something else happening, or being in place? (*earning more, being married, having 2 incomes, having fewer outgoings?*)
- How do you think you'll go about it?

Conclusion (2 minutes)

Additional comments

Finally, if you were to give advice to other people who are deciding whether to remain a member of their workplace scheme, or to opt out, what would you say? What should they be thinking about?

Is there anything else that you would like to tell DWP about how being automatically enrolled will affect people?

As you know, we will not reveal your identity as someone who took part in the research.

Occasionally, it is very helpful for us to be able to re-contact people we have spoken to, either to clarify certain issues, or to get a bit more detail where the information we are given is particularly interesting. Would you be happy for us to call you back briefly if necessary?

What would be the best number to reach you on?

A.7 Discussion guide for workers opting out

Introduction and Warm-up (3 minutes)

Setting the scene / ground-rules **Introduce self and Breaking Blue**

We're carrying out research on behalf of DWP, interviewing 80 workers across many different companies about their experiences of being automatically enrolled – both workers who have opted out and who have stayed in the scheme.

DWP wants to understand a bit more about how and why people are staying in the workplace scheme, or leaving it. I'm going to be asking some questions about your personal circumstances, so that we can put a face to the numbers, and understand why a workplace pension scheme might not feel right for you.

Ask for permission to record for our analysis purposes. Recording will not be passed onto DWP or any other third party and will be destroyed after the project finishes.

Before we start our discussion, would you like to ask me any questions?

Please feel free to tell me anything. **Nobody will make any judgement about anything that you tell us – we want to understand your opinions and your experiences.**

About you

I'd like to start off by understanding a bit more about you.

Tell me a bit about yourself. Who do you live with? Do you have a spouse/partner/ family? Are you paying rent, or a mortgage...?

Can you tell me a little bit about your role at [employer]?

- Do you work full-time (more than 30 hours per week) or part-time (fewer than 30 hours in a typical week)?
- Do you work in a team? How many people do you work closely with?

Section 2 – Planning for retirement (5 minutes)

I'd like you to tell me about any thoughts you've had about your retirement.

To start, how much thought have you given to your retirement, would you say? Did you think about it a lot before being automatically enrolled?

When would you *like* to retire?

When do you think you *will* retire, in practice?

- Why do you think you'll retire at that point?

[If not mentioned] Do you know at what age you'll be entitled to receive a state pension? How do your plans fit in with that?

What are your hopes for your retirement? Will you be able to stop working completely? How will your lifestyle have changed?

Do you have anything in place, to fund your retirement?

If respondent has nothing in place:

Can you tell me if there are specific reasons for that? *[probe for: too early to think about it; will rely on partner's provision; reject pensions as a savings vehicle; need money now]*

Are you saving in another way?

[If not yet clear] Are you going to make other provision? What might that be? When do you see yourself putting that in place?

[If no - skip to end of this section and ask about 'your general views on saving for retirement']

If any plans in place:

Can you tell me a bit about what you've got in place?

Interviewer: probe to understand whether they have pensions, other savings, or alternative provision, e.g. property. If respondent mentions using their property as income, check whether they are paying a mortgage or own their home outright.

How did you come to have the savings/ provision that you have? Did anything specific trigger you setting them up?

Interviewer: check if not clear whether this is the respondent's own provision, or that of a partner/ someone else

- Do you feel that what you've got at the moment will be enough? Can you tell me what you're basing that on?

[If other non-pension provision] You've mentioned getting an income from *[another form of provision]*. Do you prefer the idea of that to a pension? Why is that?

Ask all:

I'd like to ask a bit more about your general views on saving for retirement.

To what extent do you feel it's your own responsibility to provide your own income after you stop work, versus it being up to your husband/ wife/ partner, the state, somebody else?

And how much responsibility do you think your employer should have?

And how does your employer feel about pensions? Is this something that they see as important for their workers? Why do you say that?

Section 3 – First reactions to auto-enrolment (5 minutes)

Before you were automatically enrolled into a workplace pension scheme by [employer], had you ever been offered the chance to join a pension scheme?

- *[If so]* Tell me about that. Were you automatically enrolled on that occasion? What did you do then – did you remain in the scheme or opt out? Why did you decide to do that?

How did you first find out about automatic enrolment?

How did you first find out that you were going to be automatically enrolled at your *current* employer? Did you first find out from your employer when people were told officially, or in another way – such as from your colleagues, friends or someone else?

- Do you remember seeing any advertising on TV or the radio, or anything in the press or online, telling you that automatic enrolment was coming? What do you remember seeing/ hearing? What did you think about that?

I'd like you to tell me what your immediate reaction was. What did you understand by this term, 'automatic enrolment'?

- What did you do, after you had heard that you were going to be automatically enrolled?

And when your employer first told you, what did they say was going to happen?

- What form did the information take? Verbal, letter, an email, meeting, noticeboard?

How carefully did you read it, or listen to what you were being told? We realise this is not always an interesting topic – it's OK if you didn't pay much attention!

And what was your reaction – how did you feel about the idea?

When were you enrolled? And when did you decide to opt out?
(Interviewer: note if this is within the 1 month opt out window. If not, they have 'ceased membership' and may experience a different process for opting out)

Did you see any potential benefits to being enrolled?

If you had stayed in the pension scheme, would your employer have been contributing, as well as you?

- Do you know how much your employer would contribute, and how much you would contribute?

Section 4 – Using information in your decision (5 minutes)

Let's talk about any sources of information that you used, to find out anything about automatic enrolment.

Can you tell me about any information that you used? For example, from your employer, from the pension provider, just browsing on the internet, talking to people you know, leaflets, letters, emails you might have been sent ...

For each sort of information, ask:

Was this something you were given at work, or something that you found independently?

If found independently: How did you hear about it?

How much attention did you pay to it – was it something you spent time reading/ thinking about/ listening to carefully, or did you just skim it? What

kinds of things did it tell you? What did it help you to understand? How could it have done that better?

Can you give me an example of something you found out from this information?

How easy for people to understand, would you say it was? What made it easy/ difficult to understand?

If respondent has not sought any information sources:

Did you think about finding any information yourself, independently of your employer?

Did anything stop you from doing so, or did you just not get round to it? Or did you simply feel that you were satisfied with the information you had from your employer?

What questions did you have? What kind of information would have been helpful in answering them?

Where do you think you might have looked for information?

Ask all:

All in all, did you have enough information to make the decision about whether to stay in or opt out confidently?

- Why do you say that?

At the point where you made the decision to opt out of the scheme, was there anything you wanted to know, but hadn't been told?

Do you know anyone else who has opted out? What did they tell you?

- How much trust did you place in their advice? Why do you say that?
- Did it play a part in your deciding to opt out? Why was that?

Did you feel like your employer wanted you to stay in the scheme, or opt out? Or did they seem quite neutral?

Section 5 – Your decision to opt out (5 minutes)

Now I'd like to understand more about how you came to opt out of your workplace scheme. First of all, I'd like to talk in a very general way about

your attitudes towards pensions and saving for your retirement and your plans for the future, picking up on some of the things we talked about at the beginning of this interview...

What would you say has been your attitude towards pensions so far in your life?

What would you say is behind your attitude? (probe for any specific experiences or those of family, etc. or any specific beliefs or take on life that may influence decisions about pensions.)

Briefly recap (with respondent's help if necessary):

- When respondent found out they would be automatically enrolled
- How they heard about it
- Respondent's initial reactions
- Sources consulted

Was the decision to opt out something you thought about for a long time, or one you came to quickly, or even straight away? How long did it take?

What would you say was your main reason for opting out of the scheme?

(If they've been automatically enrolled before) What's changed in your life since the last time you were automatically enrolled? And what's stayed the same?

Did you have other financial responsibilities that you took into consideration? Tell me a bit about the role they played.

[If have other savings] And what about your other savings for retirement – where did they fit into the decision?

[If they have partner] How about any provision that your spouse/ partner has, and that you might use in retirement?

Did you try to find out how much this pension might have been worth at retirement?

- *[If so]* What was your reaction to that? How did this information feed into your decision?

By deciding to opt out, you aren't getting a contribution from your employer. Did you consider that, as you made your decision? Was something else more important to you?

Are you aware of the changes that are happening to the levels of contribution the employers and employees are required to pay? What are these changes?

[Show them the Phasing Timeline] How do you feel about these changes? Do you think the way you feel will change over time?

Will the new level of contributions mean that you are more keen to be in the workplace pension scheme than you were when you opted out – or less keen? Why is that?

What about auto-enrolment in the future...

How important do you think it will be for you to opt back into your workplace pension at some point in the future? Why/ why not?

Did you know that if you're at the same employer in three years' time, you'll be re-enrolled automatically? How do you feel about that?

If you change jobs, you will be automatically enrolled at any new employer. How do you feel about that? How do you think the way you feel will change over time?

Section 6 – The process of opting out (5 minutes)

Now I'd like to ask you about what happened when you actually went about opting out.

What arrangements did your employer make, for people who wanted to opt out? For example, did you fill something in on paper, online, or in some other way? Tell me about that.

How straightforward was the process, would you say?

For example, were there any problems or issues, during the process? What were they?

Did anything you hadn't anticipated happen?

Have you had something to confirm that you've been opted out?

Have you checked your pay, to make sure no deductions have been made?

Have you had a wage increase at this job? (If yes) When roughly did you get that?)

Do you know how much money would have come out of your monthly/ weekly pay if you'd stayed in the pension scheme?

Ask remainder of section if respondent does not feel they have sufficient provision:

You mentioned earlier in our conversation that you don't think the provision you have in place will be enough to provide the income you want during your retirement.

Do you plan on taking steps to increase your provision?

[If not mentioned] Might working for longer be one way in which you increase provision?

Have you considered putting in more than the minimum contribution i.e. more than 3% of your salary?

Do you think you will start saving/ saving more for your retirement – at what point in your life?

Do you think it could rest on something else happening, or being in place? (*earning more, being married, having 2 incomes, having fewer outgoings?*)

How do you think you'll go about it?

Conclusion (2 minutes)

Additional comments

Finally, if you were to give advice to other people who are deciding whether to remain a member of their workplace scheme, or to opt out, what would you say? What should they be thinking about?

Is there anything else that you would like to tell DWP about how being automatically enrolled will affect people?

As you know, we will not reveal your identity as someone who took part in the research.

Occasionally, it is very helpful for us to be able to re-contact people we have spoken to, either to clarify certain issues, or to get a bit more detail where the information we are given is particularly interesting. Would you be happy for us to call you back briefly if necessary?

What would be the best number to reach you on?

A.8 Consent form for all participating employers and workers

DWP Automatic Enrolment Research 2018

This research will help us to find out about employers' and workers' experiences of automatic enrolment, how well it is working and how it can be improved. It is being undertaken by an independent research company called Breaking Blue, and has been commissioned by the Department for Work and Pensions. The findings of the research will be published online, and will be anonymised, so you will not be identified.

What does participation involve?

We would really like to hear about your experiences, but you don't have to take part and your decision to do so is completely voluntary. Whether you take part or not will not affect your dealings with DWP, Jobcentre Plus, or any other government agencies, and any benefits you may be claiming will not be affected in any way.

The researcher will ask whether they can record the conversation they have with you. We will store the record of what you have said safely and will not share it with anyone else. We may want to include something you say during interview in our report, but we will not mention your name or anything that could identify you. If you do not want us to include anything you say then that's ok too.

What happens to information collected about me?

Responses from all individuals taking part in the research will be reported anonymously, meaning you will not be identifiable in any way. If you decide you do not want your data to be included in analysis, you have two weeks from the date of your interview to inform the research company.

The recording of your interview will be retained until June 2020, and then destroyed. By this we mean it will be removed from all digital systems and back-ups held by anyone working for Breaking Blue. You can request that your data is withdrawn before that date by contacting [_____] and giving us your name and the date of your interview.

Until the data is destroyed, you also have the right to request access to your recording and any data held on you. You can request access to this data by contacting [_____]. They will then follow the relevant steps with you to ensure this data is transferred and received securely.

More information about data protection

- The data controller for this evaluation is Breaking Blue
- The data protection officer at Breaking Blue is Andy Dallas and can be contacted at [_____]
- The purpose of the data collection is for public interest and it is being processed on the basis of obtaining explicit consent.
- You have the right to request rectification or erasure of personal data or restriction of processing or to object to the processing as well as the right to data portability. You can do so by contacting the data protection officer, Andy Dallas, at [_____]. You also have the right to lodge a complaint with a supervisory authority.

I have read the information sheet, or had it explained to me?

YES NO

I have had time to ask questions, and am happy with the answers?

YES NO

I understand what taking part in the project will involve?

YES NO

I agree that the interview can be recorded?

YES NO

I agree you can mention things that I say during interview, but not my name, in your report?

YES NO

I understand that I can stop taking part at any time (and do not have to say why I want to stop)?

YES NO

I have been told how I can withdraw from this research?

YES NO

I agree to take part in this interview?

YES NO

Name of participant/date _____

Signature _____

Name of person taking consent/date _____

Signature _____

References

Wood, A., Downer, K., Hulme, A. and Phillips, R. (2017), *Automatic Enrolment: Qualitative research with small and micro employers*. At:

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