

Individuals' attitudes and likely reactions to the workplace pension reforms 2009

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This report presents findings from the 2009 survey of the attitudes and likely behaviour of individuals who would be eligible for automatic enrolment under the workplace pension reforms. It updates estimates from an earlier survey conducted in 2007.¹ The Department will use these findings to estimate the likely impact of the reforms on future pension saving.

Key findings

- There continues to be broad support for the key features of the reforms among those eligible for automatic enrolment indicating they will be positively received when they are launched.
- The proposed four per cent individual rate of contribution was considered affordable by the majority of eligible workers.
- The majority of eligible workers said they would expect to stay in a workplace pension scheme if automatically enrolled, suggesting the reforms will prompt higher participation in pension saving.

Policy background

Around seven million people are not saving enough to meet their retirement aspirations²

¹ Webb, C., Pye, J., Jeans, D., Robey, R. and Smith, P. (2008). *Individuals' attitudes and likely reactions to the workplace pension reforms 2007: Report of a quantitative survey*. DWP Research Report No. 550.

² This figure is based on DWP modelling using data from the English Longitudinal Study of Ageing (ELSA) and was published in the May 2006 White Paper, *Security In retirement: towards a new pensions system*.

and there are low levels of pension saving by employees with low earnings.³ The Pensions Act 2008 sets out a series of measures that aim to make it easier for individuals to save for their retirement.

A key element of these workplace pension reforms is a new duty on employers to automatically enrol eligible workers into a qualifying pension scheme. Employers can choose the scheme or schemes they wish to use to fulfill this duty. If they wish, workers can opt out of pension saving after being automatically enrolled. The reforms also establish a new national, low-cost, pension scheme NEST (National Employment Savings Trust), intended for use by employers that do not have, or do not wish to use, a qualifying scheme of their own.

Methodology

The participants in the 2009 survey were nationally representative⁴ of those eligible for automatic enrolment under the workplace pension reforms.⁵ Participants were interviewed face to face in their own homes using Computer Assisted Personal Interviewing (CAPI).

³ *Pension Trends*, Office for National Statistics, May 2010.

⁴ Weighting was applied to the dataset based on techniques widely used in Government and academic surveys.

⁵ Respondents were selected on the basis of their broad eligibility for automatic enrolment if the reforms had been brought in at the time of the research. They were aged between 22 and the State Pension age (SPA), were an employee earning over £5,000 per annum and did not have a pension that their employer contributed to.

Interviewers provided jargon-free information throughout the interview and questions were tailored to individual circumstances so that the participants in this survey could give informed views of their attitudes and likely behaviour.

Fieldwork was conducted between August and October 2009 by the National Centre for Social Research (NatCen), on behalf of the Department for Work and Pensions (DWP). The survey achieved a response rate of 56 per cent. The following findings are drawn from NatCen's analysis and report, based on 1,027 individuals eligible for automatic enrolment.

Awareness and attitudes

There was broad support for the key features of the reforms: around two in three (64 per cent) found the idea of automatic enrolment attractive and more than eight in ten (83 per cent) thought the opportunity to opt out was appealing. Nine in ten (90 per cent) found the employer contribution attractive, and almost seven in ten (68 per cent) thought that individual salary deducted contributions were an attractive feature of the reforms.

Given that the campaign to launch the workplace pension reforms had not yet been targeted at workers at the time the survey was conducted, it was perhaps to be expected that two-thirds of respondents (66 per cent) had not heard of the workplace pension reforms.

Expected participation

Around two in three respondents (65 per cent) said that they would expect to stay in the scheme if automatically enrolled 'tomorrow', including almost one in three (31 per cent) who said they would definitely stay in. One in five (20 per cent) said they would definitely or probably opt out. Fifteen per cent were unsure of what they would do, saying 'it depends'.

Being of younger working age (under 30), earning less than £25,000 per year and having modest to large savings (£1,000-£49,999 in

value) were all factors which increased the likelihood of eligible workers stating that they would stay in a workplace pension scheme after automatic enrolment.

Reasons for staying in or opting out

Individuals who said they would remain saving gave three main reasons for staying enrolled in a workplace pension scheme. Just over half (53 per cent) said that it was the need to start saving for their retirement, 36 per cent said that the scheme offered an easy way to save and 29 per cent said the employer contribution was their main reason for staying in.

The most common reason given by those who said they would opt out was that it was unaffordable (54 per cent). Affordability was also mentioned by 29 per cent of those who said that their participation in workplace pensions would depend. However, a need for further information on the reform package was also frequently mentioned among this group (36 per cent).

Affordability and contributions

Among all those eligible for automatic enrolment, three in four (75 per cent) said that they could afford to make a four per cent contribution from their pay.

Just under half (48 per cent) of those who said they would remain in a workplace pension following automatic enrolment said they were at least fairly likely to contribute more than four per cent. However, most of this group (62 per cent) said they would pay in only one or two per cent more than the minimum required. Men were significantly more likely than women to report they would make additional contributions.

Investment choice

Around half (52 per cent) of individuals said that if given the choice they would choose how

to invest their contributions into a workplace pension whereas 47 per cent said they would leave their money in the default investment fund.

Seven in ten (69 per cent) of those who said they would make an active investment choice were interested in social, ethical and environmental (SEE) funds. However, most would only choose these if there was no difference in return compared to other investment options (54 per cent).

Information sources and communication preferences

A number of sources were mentioned by respondents when asked which one source they would prefer to go to if they wanted more information on workplace pensions. The most popular preferred choice was DWP (35 per cent), which was more frequently mentioned by lower earners (41 per cent of those who earned less than £15,000 per year). The employer was another common choice, mentioned by 25 per cent overall.

There was significant interest in the online management of a personal accounts scheme⁶ (69 per cent).

Employer duty and the law

The majority of individuals said they would be prepared to assert their pension entitlements under the reforms when asked how they would respond to hypothetical scenarios of employer non-compliance.

For example, at least seven in ten eligible workers said they would be prepared to: ask their employer to enrol them, if they had not already done so (75 per cent); report their employer if they were encouraged to opt out (71 per cent) or if their employer failed to enrol

them into a qualifying workplace pension with a minimum three per cent employer contribution (73 per cent).

Comparisons with 2007

While it is possible to make comparisons between 2009 and 2007, the findings should be considered as indicative as there were substantial changes to the design and content of the surveys.

There continues to be broad support for the key features of the reforms in 2009 and 2007, and rates of participation in workplace pensions were broadly similar in these years. There was a reduction in the proportion who said they were likely to contribute more than four per cent to their workplace pension from 61 per cent in 2007 to 48 per cent in 2009. Among those who said they were likely to opt out of workplace pension saving, there was a very large change in the proportion who said that affordability was their main reason (54 per cent in 2009 compared with 16 per cent in 2007).

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 788 4. Research Report 669. July 2010).

You can download the full report free from: <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

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⁶ NEST was launched after interviewing. The term 'Personal Account' was used in these interviews.

