

Workplace Pensions Reform: Estimates of the number of employees automatically enrolled by May 2015

September 2012

Introduction

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

The reforms require employers to automatically enrol eligible workers into a qualifying workplace pension scheme. Workers will be eligible provided they are aged at least 22 and under State Pension age, and earn over £8,105 (in 2012/13 terms). Minimum contributions of eight per cent on a band of earnings must be paid in respect of the member, of which at least three per cent must come from the employer.

The new employer duties are being introduced from October 2012. Employers will be staged incrementally starting with the largest. Employers will also be able to adapt to the additional costs of the minimum contribution gradually, by phasing in contributions over time. The reforms will be fully implemented by October 2018.

This publication presents DWP estimates for the period up to the end of May 2015 of the number of workers eligible for automatic enrolment who are not already saving in a qualifying workplace pension scheme.

Methodology

Estimates presented here are based on DWP modelling which makes use of the latest available evidence on the employer and pensions' landscape¹. There are two stages to the estimation: firstly, the overall number of workers who would be eligible for automatic enrolment if the reforms were implemented in full from day one is estimated; then this estimate is distributed across the implementation period according to the staging dates assigned to employers by the Pensions Regulator (TPR) whilst taking account of estimates of employer births and deaths².

Estimates of the number of private sector workers and employers are taken from the Inter-Departmental Business Register (IDBR)³. Estimates of the number of workers who are/ are not already members of a qualifying workplace pension scheme are

¹ A range of sources have been used, including the Employer Pension Provision Survey 2011 and the Annual Survey of Hours and Earnings 2010. An account of the sources and methods used is available in the impact assessment that accompanied the workplace pension reform Employers' Duties (implementation) (amendment) Regulations 2012: <http://www.dwp.gov.uk/docs/wpr-rev-implementation-ia-final.pdf>

² Employers that are set up after October 2012 are due to be staged in between May 2017 and February 2018. Some of these will not survive until their proposed staging date. In addition some existing employers (those already in business before October 2012) will not survive until their proposed staging dates.

³ Estimates of number of people in employment and a count of the number of VAT and/or PAYE based Enterprises in the UK are based on an extract of the IDBR taken in March 2011.

Workplace Pensions Reform: Employee Staging Profile

based on analysis of the Employer Pension Provision Survey, weighted to the IDBR estimates of the number of private sector workers and employers. The Annual Survey of Hours and Earnings is used to estimate the percentage of workers eligible for automatic enrolment.

Eligible employees are defined as those:

- Ordinarily working in Great Britain;
- Aged between 22 and State Pension age;⁴
- Earning greater than £8,105⁵ in total gross pay, in 2012/13 earnings terms.

These estimates are combined to produce an estimate of the overall number of workers eligible for automatic enrolment who are not already saving in a qualifying workplace pension scheme.

The IDBR contains data on the size of the largest Pay As You Earn (PAYE) scheme operated by each employer. Analysis of this data together with information from TPR on the staging dates by size of PAYE scheme⁶ is used to distribute employers and their eligible workers across the implementation period. These estimates are adjusted to take account of the possibility of employer births and deaths over the implementation period also using analysis of the IDBR⁷.

Tables 1 and 2 show estimates of the number of private sector workers staged in by the end of May 2015. Estimates for any given month should be treated as illustrative only as some employers may choose to bring forward their staging dates and some may choose to make use of the waiting period provisions in the legislation and delay the enrolment of eligible workers for up to three months following their staging date.

⁴ Here State Pension age is defined as it was in 2007, where men reached State Pension age on their 65th birthday, and women reached State Pension age on turning 60. When automatic-enrolment begins in October 2012, the State Pension age of women will be slightly higher, due to the equalisation of State Pension age.

⁵ This threshold is converted into 2010/11 earnings terms at £7,825.

⁶ Staging date timeline: <http://www.thepensionsregulator.gov.uk/employers/staging-date-timeline.aspx>

⁷ Count of Births of VAT and/or PAYE based Enterprises in the UK. Estimates of births and deaths are subject to a high degree of uncertainty.

Results

Table 1: Number of private sector workers staged in per month

Date	Eligible Private Sector workers
Oct-12	380,000
Nov-12	420,000
Dec-12	-
Jan-13	210,000
Feb-13	310,000
Mar-13	420,000
Apr-13	300,000
May-13	470,000
Jun-13	30,000
Jul-13	240,000
Aug-13	130,000
Sep-13	110,000
Oct-13	200,000
Nov-13	310,000
Dec-13	-
Jan-14	330,000
Feb-14	290,000
Mar-14	-
Apr-14	490,000
May-14	620,000
Jun-14	-
Jul-14	400,000
Aug-14	20,000
Sep-14	-
Oct-14	20,000
Nov-14	20,000
Dec-14	-
Jan-15	20,000
Feb-15	-
Mar-15	70,000
Apr-15	70,000
May-15	-
Total workers eligible for automatic enrolment (Oct-12 to Feb-18)	11,000,000

Notes:

Workplace Pensions Reform: Employee Staging Profile

1. Eligible workers are those workers employed in the private sector who are not already saving in a qualifying pension scheme and are eligible for automatic enrolment.
2. Monthly figures have been rounded to the nearest ten thousand. The estimate of the total number of workers eligible for automatic enrolment has been rounded to the nearest million.
3. “ - “, means there are no eligible workers.

Table 2: Cumulative number of private sector workers staged in per month

Date	Eligible Private Sector workers
Oct-12	380,000
By Nov-12	800,000
By Dec-12	800,000
By Jan-13	1,010,000
By Feb-13	1,320,000
By Mar-13	1,730,000
By Apr-13	2,040,000
By May-13	2,510,000
By Jun-13	2,540,000
By Jul-13	2,780,000
By Aug-13	2,910,000
By Sep-13	3,020,000
By Oct-13	3,220,000
By Nov-13	3,520,000
By Dec-13	3,520,000
By Jan-14	3,850,000
By Feb-14	4,140,000
By Mar-14	4,140,000
By Apr-14	4,630,000
By May-14	5,260,000
By Jun-14	5,260,000
By Jul-14	5,660,000
By Aug-14	5,680,000
By Sep-14	5,680,000
By Oct-14	5,690,000
By Nov-14	5,710,000
By Dec-14	5,710,000
By Jan-15	5,730,000
By Feb-15	5,730,000
By Mar-15	5,800,000
By Apr-15	5,870,000
By May-15	5,870,000

Notes:

Workplace Pensions Reform: Employee Staging Profile

1. Eligible workers are those workers employed in the private sector who are not already saving in a qualifying pension scheme and are eligible for automatic enrolment.
2. Figures have been rounded to the nearest ten thousand.