

Workplace Pension Reform: Age Composition

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Introduction

Workplace pensions reform, as set out in the Pensions Act 2008, will oblige employers to automatically enrol employees into a qualifying pension scheme, provided the employee is aged at least 22 and under State Pension age, and earns over £5,035 (in 2006 price terms). The [Making Automatic Enrolment Work \(MAEW\) review](#)¹, published in November 2010, recommended some amendments to this legislation, including aligning the earnings threshold for automatic enrolment with the threshold for income tax (£7,475 in 2011 earnings terms), and introducing an optional three month waiting period for employers. The figures presented here supplement the evidence presented in this review, on the age distribution of the group eligible for automatic enrolment.

Methodology

The statistics presented in Table (1) show the age composition of those eligible for automatic enrolment, as proposed under the MAEW review. The eligible group is here defined as those:

- Ordinarily working in Great Britain;
- Aged between 22 and State Pension age;²
- Earning greater than £7,475³ in total gross pay, in 2011 earnings terms; and
- Who have been in work for greater than three months.⁴

The data presented below are taken from the Labour Force Survey, from the latest three years for which data are available; 2007/08, 2008/09, and 2009/10. This covers the population of Great Britain, and as with previous analysis⁵, our population is restricted to those employed in the private and third sectors.

¹ Johnson, Yeandle, and Boulding, "Making Automatic Enrolment Work," published November 2010 at <http://www.dwp.gov.uk/docs/cp-oct10-full-document.pdf>

² 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 2012, the State Pension age of women will be slightly higher, due to the equalisation of State Pension age.

³ This threshold is then converted into each year's earnings terms, which are £6,782 in 2007, £7,071 in 2008, and £7,196 in 2009.

⁴ Restricting the population to those in work for more than three months is intended to reflect the proposal in the 2011 Pensions Bill, to allow employers to use an optional three month waiting period before automatically enrolling their employees. Some employers may choose not to use the waiting period; however, to maintain consistency with the analysis for the MAEW review, it is assumed for the purpose of this analysis that all employers use the full three month waiting period for all eligible employees.

⁵ Including the Pensions Bill 2011 impact assessment (<http://www.dwp.gov.uk/docs/pensions-bill-2011-ia-annexb.pdf>), and Workplace Pension Reform: Characteristics of the Eligible and Target Groups (http://statistics.dwp.gov.uk/asd/asd1/adhoc_analysis/2011/wpr_eligible_target_groups.pdf).

Results

Table (1) presents the proportion of the eligible group in each age category according to the eligibility criteria defined by the MAEW review.

Table (1): Age breakdown of population eligible for automatic enrolment, 2007/08-2009/10

Age	2007/08 %			2008/09 %			2009/10 %		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
22-29	21	25	22	22	24	23	21	25	23
30-39	27	28	27	27	27	27	26	26	26
40-49	27	28	27	27	29	27	27	28	28
50-59	19	20	19	19	20	19	19	21	20
60-64	6	0	4	6	0	4	6	0	4
<i>Base (unweighted)</i>	17,815	11,401	29,216	16,979	10,836	27,815	15,706	9,926	25,632

The median age at which an employee is eligible for automatic enrolment is 40 in all three years. Given the age range for automatic enrolment is between 22 and State Pension age, this suggests a slight bias towards younger employees in the population eligible for automatic enrolment.

Notes:

- 1) Figures relate to Great Britain,.
- 2) Figures are rounded to the nearest percentage point.
- 3) Annual figures represent a four-quarter average.
- 4) Earnings in the Labour Force Survey are self reported, and respondents will not always have referred to the relevant documentation.
- 5) Totals may not sum to 100 percent due to rounding