



Corporate Wrap, Employee Wealth and Workplace Saving – The Future?



**AUTO-ENROLMENT INTO
PENSION SAVING**

**POLICY VOICE RESEARCH
WITH EMPLOYERS AT THE IOD**



**OVERALL AWARENESS OF NEW
DUTIES**

- High at nearly 80%
- Suspect non-PV awareness half this
- PV members unusually engaged/informed on pensions
- Pension survey responses unusually high historically
- 1200 respondents



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DO THEY CURRENTLY OFFER A PENSION SCHEME TO STAFF?

- Nearly 57% offer an employer contribution
- 43% do not
- Again, probably not reflective of wider employers
- Verbatims show widespread attitude of “Nanny State Policy”; employees should “be doing this for themselves”
- However, also widespread recognition of the social policy imperative; the need to save more for old age



WILL THEY USE NEST, OR THE OPEN MARKET?

- 27% will use NEST
- Fractionally more, the Open Market
- But over 37% are undecided
- Just 9% existing pan-industry schemes or “other” sources
- Suspect wider market will lean more towards NEST



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WILL CONTRIBUTION “PHASING” HELP?

- 54% think it will help a lot
- 24% unsure
- The rest don't think it helps at all
- “Two cheers” at least
- Verbatims show broad suspicion of government “moving goalposts”



HOW WILL THEY DEAL WITH THE 3% CONTRIBUTION?

- A third will just carry the cost from profits
- Another third will freeze salaries
- Nearly 10% will cut salaries
- But only 4% plan redundancies
- However, verbatims suggest there could be effects on employment levels; employment costs go up



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WILL 8% BE ENOUGH?

- Nearly 37% think it is too high
- 45% think it is about right
- Over 14% think it is too low to produce a good pension for employees
- This last point is reflected in verbatim comments



HOW MANY WILL OPT OUT?

- 42% think over 20% of employees will opt out
- Over 24% think over 50% will do so
- Over 16% say none will, and
- Nearly 29% had no idea
- What is maximum opt-out level we can accept for policy success?



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WHY WILL THEY OPT OUT?

- Affordability – it's the money, stupid!
- Nearly 50% cite inability to afford the employee contribution
- Nearly 30% “distrust pension schemes”
- 20% say employees will prefer other vehicles to save in
- Strongly echoed in the verbatims – some serious problems here



WHY WILL THEY NOT OPT OUT?

- Nearly 42% report inertia
- Only 21% report positively – “because it is a good thing to save in”
- 46% report they will stay in only because they don't understand how to opt out or think it will be too complicated to do so
- Wise to avoid the pension “brand”.....



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HOW EASY IS STAGING FOR EMPLOYERS TO UNDERSTAND?

- Nearly 57% of larger employers thought it was simple.....
-but only 14% of micro-employers
- Direct correlation between employer size and comprehension of duties
- This confirms what we've suspected; smaller and micro employers will struggle with the new duties



EXPECTED TIME BURDEN ON EMPLOYERS?

- 57% said “High” or “Very high”
- 28.3% “neither high nor low”
- No surprises here
- They would say that at this stage....



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WHO WILL EMPLOYERS LOOK TO FOR ADVICE?

- Nearly 60% of those with no pension in place will look to their Accountant for help
- 35% will look to their Financial Adviser
- For those with a pension in place already, these numbers reverse
- Accountants the single biggest influencer/source of help/advice – they need to gear up



WILL AUTO-ENROLMENT PROVIDE BETTER RETIREMENT INCOMES?

- Nearly 50% agree that it will
- Over 25% disagree, however.....
- High awareness of means-tested “trap” from verbatims
- Essential this issue is resolved for policy success



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IS A PENSION BEST TO SAVE IN FOR RETIREMENT?

- 62% think a pension is the best vehicle...
- ...but there were lots of other suggestions
- ISAs the clear favourite substitute at 14%
- There is at least some doubt about pensions, and this is reflected in the verbatim comments
- Ties in to the perceived damage to the pensions “brand”



THEMES FROM THE VERBATIM COMMENTS

- Respondents were invited to share their thoughts on this topic....
-which they did, to the tune of 55 pages!
- Some consistent themes emerged



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PENSIONS ARE REGARDED WITH SUSPICION

- By both employers and employees
- “My personal experience and view of pensions is that they are worthless”
- “The pensions industry is corrupt”
- “Pension funds are bad value”
- We cannot rely on employer advocacy



THEY ARE ALSO REGARDED AS UNNECESSARILY COMPLEX

- “Pension law is FAR too complex. The rules should be dramatically simplified which would increase adoption, reduce fees as well as close loopholes and increase tax take.”
- “ISAs are just as effective....for the majority of individuals.”



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THE GRIPES WE COULD EXPECT

- “Nanny state policy – employees should do this for themselves.”
- “Yet another burden on small business”
- “It is not the duty of an employer to provide a pension.”
- “Pensions are over-regulated without evidence of widespread harm.”



AND SOME WE MIGHT NOT

- The social policy issue of retirement income was widely understood
- There was even some support for compulsion
- But a very high awareness of the interaction between modest pension saving and means-tested retirement income benefits
- “This will not be popular, but it is a necessary initiative.”



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AFFORDABILITY THE BIGGEST BARRIER FOR EMPLOYEES

- “Most employees earning under the national average wage will not be able to afford the cost.”
- Accords with personal experience
- In Australia, the duty has always been on the EMPLOYER, not the employee
- Suspect employee contributions may prove a stumbling block to policy success; opt out levels may be too high, with added negative perceptions of pensions exacerbating this



THANK YOU

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