

## Employers' Pension Provision Survey 2007

By John Forth and Lucy Stokes

### Background

This report describes the extent and nature of pension provision among private sector employers in Great Britain in 2007. The findings are based on a survey carried out among a nationally-representative sample of 2,360 private sector employers.

### Key findings

#### *The extent of pension provision in 2007*

Two-fifths (41 per cent) of private sector organisations made some form of pension provision for their employees in 2007.

Employer-designated Stakeholder pension (SHP) schemes were the most common form of provision. They were provided by 27 per cent of all organisations. Some 12 per cent of employers made contributions to employees' personal pensions, five per cent provided occupational pensions and five per cent provided group personal pensions (GPPs). One per cent of all private sector organisations made contributions to employees' private SHP schemes.

Overall, some 31 per cent of private sector employees were members of work-based pension schemes. Sixteen per cent of all private sector employees belonged to occupational schemes. A further eight per cent belonged to GPP schemes, five per cent belonged to stakeholder schemes and two per cent belonged to arrangements whereby an employer made contributions to their personal pension.

Among the 59 per cent of private sector organisations that did not provide work-based pensions, the most common reasons given for non-provision were that the organisation was too small (38 per cent of non-providers) and that pension provision was too costly (17 per cent of non-providers).

#### *Changes in pension provision 2005-2007*

The percentage of private sector organisations that made some form of pension provision remained unchanged between 2005 and 2007. In addition, there were no statistically significant changes in the proportions of all employers offering particular types of pension provision.

The only statistically significant changes in the profile of active membership were: a decline in the percentage of all active members belonging to defined benefit (DB) schemes (from 41 per cent to 30 per cent); and an increase in the percentage belonging to GPP schemes (from 20 per cent to 27 per cent).

One in eight non-providers (13 per cent) expected to introduce pension provision within the next five years (i.e. by 2012). These accounted for eight per cent of all private sector organisations.

### Summary of research

#### *Methodology*

The Employers' Pension Provision Survey 2007 (EPP 2007) was conducted among a representative sample of 2,360 private sector

employers in Great Britain. Small businesses without employees were excluded.

The survey achieved an overall response rate of 40 per cent if one takes the screening stage into account. The response rate at the main interview stage was 56 per cent, compared with a response rate of 63 per cent for the equivalent stage in the 2005 survey.

The survey was undertaken by the British Market Research Bureau (BMRB). Data analysis and reporting was undertaken by the National Institute of Economic and Social Research (NIESR).

### *Background to respondents*

The vast majority of organisations covered by the survey had small workforces. However, the six per cent of organisations with more than 20 workers together employed 77 per cent of all employees. In order to provide a balanced representation of pension provision, this summary includes estimates both of the percentage of employers with a particular type of pension provision and of the percentage of employees who work in those organisations.

### *The extent of pension provision in 2007*

Two-fifths (41 per cent) of private sector organisations made some form of pension provision for their employees in 2007. These organisations accounted for 87 per cent of all employees in the private sector. However, it should not be inferred that 87 per cent of employees had access to an employer-provided pension scheme in 2007, since some pension schemes are closed to new members or have eligibility rules which restrict access to certain types of employee (see later sections of this summary).

Employer-designated SHP schemes were the most common form of provision. They were provided by 27 per cent of all organisations. Some 12 per cent of employers made contributions to employees' personal pensions,

five per cent provided occupational pensions and five per cent provided GPPs. One per cent of all private sector organisations made contributions to employees' private SHP schemes. Around one-third (32 per cent) of all private sector organisations had only one type of scheme, whilst around one-tenth (nine per cent) provided more than one type of scheme.

Overall, some 31 per cent of private sector employees were members of work-based pension schemes. Some 16 per cent of all private sector employees belonged to occupational schemes. A further eight per cent belonged to GPP schemes, five per cent belonged to stakeholder schemes and two per cent belonged to arrangements whereby an employer made contributions to their personal pension.

Among the 59 per cent of private sector organisations that did not provide work-based pensions, the most common reasons given for non-provision were that the organisation was too small (38 per cent of non-providers) and that pension provision was too costly (17 per cent of non-providers).

### *Changes in pension provision 2005-2007*

The percentage of private sector organisations that made some form of pension provision remained unchanged between 2005 and 2007. There was also no statistically significant change in the percentage of all employees who worked for a pension-providing organisation.

There were no statistically significant changes in the proportions of all employers offering particular types of pension provision. However, there was a statistically significant decline in the proportion of all employees who worked in an organisation with an open DB scheme (from 17 per cent in 2005 to 11 per cent in 2007). The only statistically significant changes in the profile of active membership were: a decline in the percentage of all active members belonging to DB schemes (from 41 per cent to 30 per cent); and an increase in the percentage belonging

to GPP schemes (from 20 per cent to 27 per cent).

The majority of new schemes that had been introduced since 2005 were SHP schemes. These schemes were commonly introduced to extend pension provision to a new group of employees, rather than to replace an existing form of provision.

One in eight non-providers (13 per cent) expected to introduce pension provision within the next five years. These accounted for eight per cent of all private sector organisations.

### *Scheme status*

Around one-third (32 per cent) of all private sector organisations had at least one pension scheme that was open to new members.

Just under half of all occupational schemes (45 per cent) were open to new members. A further 31 per cent were closed to new members but were accepting contributions, whilst the remaining 24 per cent were frozen. Among DB schemes, 60 per cent were open to new members, 28 per cent were closed and 12 per cent were frozen. Among DC schemes, 49 per cent were open, 36 per cent were closed and 15 per cent were frozen. Only a minority of mixed-benefit schemes (around one-quarter) were open to new members.

Almost all (93 per cent) of SHP schemes were open to new members, compared with three-quarters (74 per cent) of GPP schemes and just one-third (34 per cent) of arrangements to contribute to employees' personal pensions.

### *Size of schemes*

Almost one-fifth (19 per cent) of occupational schemes had no active members among the organisation's current workforce. A further 73 per cent of schemes had fewer than 20 active members. However, a small proportion of very large schemes raised the mean number of active members to 57.

Around three-fifths (62 per cent) of SHP schemes had no active members. Schemes with more than 50 members comprised less than one per cent of all schemes, but accounted for almost half (46 per cent) of all active members.

Only four per cent of GPP schemes had no active members. Nonetheless, the majority of schemes were again small. Schemes with more than 100 members accounted for just three per cent of all schemes but 44 per cent of active members.

Where firms made contributions to personal pensions, they were generally contributing for only a small number of employees. In almost two-thirds (64 per cent) of cases, the firm was contributing for just one individual.

### *Eligibility criteria*

Three-fifths (57 per cent) of all open occupational schemes had no eligibility criteria, thereby allowing any employee of the organisation to join. Among the remaining schemes, job tenure and age-based restrictions were the most common, together accounting for a further 31 per cent of schemes.

Two-thirds (67 per cent) of open stakeholder schemes had no eligibility criteria. Among open GPP schemes, the figure was just one quarter (24 per cent) and among open arrangements to contribute to employees' personal pensions, the proportion was 44 per cent. Among the remaining schemes of each type, tenure-based restrictions were the most common.

### *Joining mechanisms*

Detailed forms were the most common method of enrolling employees. Around two-fifths (43 per cent) of open occupational schemes used a detailed form to enrol employees, compared with 40 per cent of open SHP schemes and 38 per cent of open GPP schemes.

A simple 'Yes-No' declaration was the second most common method. Two-fifths of occupational schemes used such a declaration,

compared with one-third of open SHP schemes and one quarter of open GPPs.

Seven per cent of open occupational schemes required employees to sign a pre-completed form, compared with ten per cent of open SHP and GPP schemes.

Some nine per cent of open occupational schemes enrolled employees automatically unless they opted out, compared with six per cent of open SHP schemes and 14 per cent of open GPP schemes.<sup>1</sup>

## *Employer contributions*

One in seven private sector organisations (14 per cent) had an open pension scheme that attracted employer contributions.

The average active member of an occupational scheme received a contribution equal to 16 per cent of their gross pay. This had increased since 2005, when the average was 13 per cent.

Employers were making contributions in around two-thirds (64 per cent) of SHP schemes, accounting for 87 per cent of active members. The average active member received a contribution equal to six per cent of their gross pay. This had not changed since 2005.

Employers were making contributions in 88 per cent of GPP pension schemes, accounting for 99 per cent of active members. The average active member received a contribution equal to six per cent of their gross pay. Again, this had not changed since 2005.

---

<sup>1</sup> Respondents in these schemes indicated that eligible employees automatically became members of the scheme unless they chose to opt out. In the case of GPPs and SHPs, it is likely that these firms actually use some form of streamlined joining that they equate with automatic enrolment, as 'pure' automatic enrolment, without the employees' signature, which is not permitted for such types of scheme at present.

The average active member received a contribution equal to 11 per cent of gross pay when employers contributed to employees' personal pensions, with there being no change since 2005.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 461 6. Research Report 545. December 2008).

You can download the full report free from:  
[www.dwp.gov.uk/asd/asd5/rrs-index.asp](http://www.dwp.gov.uk/asd/asd5/rrs-index.asp)

Other report summaries in the research series are also available from the website above and from:

Paul Noakes,  
Central Social Research Services,  
2nd Floor, The Adelphi,  
1-11 John Adam Street, London WC2N 6HT.  
E-mail: [Paul.Noakes@dwp.gsi.gov.uk](mailto:Paul.Noakes@dwp.gsi.gov.uk)

If you would like to subscribe to our email list to receive future summaries and alerts as reports are published please contact Paul Noakes at the address above.