

# Employers' Pension Provision Survey 2009

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 2009. The findings are based on a telephone survey carried out among a nationally-representative sample of 2,519 private sector employers.

## Methodology

The Employers' Pension Provision Survey 2009 (EPP 2009) was conducted among a representative sample of private sector employers in Great Britain. The sample was drawn from the Inter-Departmental Business Register (IDBR) and small businesses without employees were excluded, as was the public sector.

Some 2,519 organisations provided complete interviews, representing a response rate at the main interview stage of 53 per cent.

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

## The characteristics of private sector organisations

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 the percentage of employees who work in those organisations.

## Key findings

### *The extent of pension provision in 2009*

In 2009, pension-providing organisations employed just over four-fifths (82 per cent) of all employees in the private sector. Although this represents a small reduction since 2007 (when the figure was 87 per cent), it continues to be the case that the vast majority of employees are employed in pension-providing firms.

The percentage of all private sector firms making some form of pension provision appeared to decline between 2007 and 2009, from 41 per cent to 28 per cent. However, as with all survey estimates, these figures have a range of uncertainty around them and so the scale of the apparent decline is difficult to determine.

Most of the decline in overall provision was due to a reduction in the provision of contributions to employees' private personal pensions. If one focuses on the provision of workplace pension schemes (thereby excluding employers' contributions to employees' personal pensions), the findings from EPP point towards approximate stability between 2007 and 2009 – with around three-in-ten private sector organisations providing workplace schemes in either year. These estimates align with those in a complementary Department for Work and Pensions (DWP) survey.<sup>1</sup>

<sup>1</sup> The 2009 Survey of Employers' Attitudes and Likely Reactions to the Workplace Pension Reforms (EAS 2009) estimates that 33 per cent of firms provided some form of workplace pension scheme in 2009. See Forth, J. and Bewley, H. (2010) Employers' attitudes and likely reactions to the workplace pension reforms 2009: report of a quantitative survey, DWP Research Report No. 683.

Workplace-based stakeholder pension (SHP) schemes continued to be the most common form of provision in 2009. They were provided by 23 per cent of all firms. Five per cent of firms provided group personal pensions (GPPs), five per cent made contributions to employees' personal pensions and two per cent provided occupational schemes. Less than one per cent made contributions to employees' private SHPs.

Just over one quarter (27 per cent) of private sector employees were members of a work-based pension scheme. Thirteen per cent of all private sector employees belonged to occupational schemes. A further eight per cent belonged to GPPs, five per cent belonged to SHPs and one per cent belonged to arrangements whereby an employer made contributions to their personal pension.

Among the 72 per cent of private sector organisations that did not provide a pension, the most common reasons given for non-provision were that the organisation was too small (36 per cent of non-providers), that pension provision was too costly (15 per cent of non-providers) and that staff did not want the firm to provide pensions (13 per cent of non-providers).

Few non-providers (only nine per cent) expected to introduce pension provision within the next five years (i.e. by 2014). This may reflect the fact that the majority of non-providers are not yet aware of the workplace pension reforms. Fieldwork for EPP 2009 did, however, take place before the start of the DWP's communication campaign around the forthcoming reforms.

### ***Scheme status***

One quarter of private sector firms had some form of pension provision that was open to new members in 2009.

Just under half of all occupational schemes (48 per cent) were open to new members – the same proportion as in 2007. The remainder were closed to new members. Around three-quarters (74 per cent) of closed schemes were accepting contributions whilst the remainder were frozen.

Almost all (92 per cent) SHPs were open to new members, compared with three-quarters (74 per cent) of GPPs, and three-fifths of arrangements to contribute to personal pensions.

### ***Size of schemes***

Most occupational schemes had relatively small numbers of active members within the employing organisation (active members are current employees who belong to an organisation's pension scheme). Four-fifths (83 per cent) of schemes had fewer than 20 members among the firm's current workforce. However, a small proportion of very large schemes (those with 1,000 members or more) raised the mean occupational scheme size to 88 members.

Around three-fifths (62 per cent) of SHP schemes had no active members. The majority of SHP schemes were small. Schemes with 50 or more members comprised less than one per cent of all schemes, but accounted for around half (52 per cent) of all active members.

The majority of GPP schemes were small, but again most members were in larger schemes. While five per cent of GPPs had 100 or more members, more than half (55 per cent) of active members belonged to schemes of this size.

Where firms made contributions to personal pensions, they were generally contributing for only a small number of employees. In almost three-fifths (57 per cent) of firms with these arrangements, only one employee was receiving contributions.

### ***Eligibility criteria***

Just over half (55 per cent) of all open occupational schemes had no eligibility criteria, thereby allowing any employee of the organisation to join. The proportion was similar in 2007 (57 per cent).

Three-fifths (62 per cent) of open SHP schemes and over one quarter (27 per cent) of open GPP schemes had no eligibility criteria. This compared with 16 per cent of open arrangements to contribute to employees' personal pensions. For all types of scheme, where access was restricted to certain types

of employees, this was most commonly on the basis of minimum job tenure.

## Joining mechanisms

One quarter (24 per cent) of open occupational schemes enrolled employees automatically into the scheme unless they opted out.<sup>2</sup>

In both GPPs and SHPs, the most commonly used enrolment method was completion of one or more detailed forms, used by just over one-third (35 per cent) of GPP schemes and one-fifth (22 per cent) of SHPs.

A similar proportion of open occupational schemes (22 per cent) required completion of one or more detailed forms, in just over one quarter (27 per cent) enrolment required signature of a simplified form.

## Employer contributions

One in ten private sector organisations had an open pension scheme that attracted employer contributions.

The rate of employer contributions received by the average active member of an occupational scheme was 17 per cent for members of defined benefit schemes and seven per cent for members of defined contribution schemes.

In around two-thirds (65 per cent) of SHP schemes with at least one active member, employers were contributing for at least some employees. The mean contribution rate, averaged across schemes, stood at 11 per cent of employees' pay; the average active member received a contribution equal to six per cent of pay.

In the vast majority (95 per cent) of GPP schemes, employers were contributing for at least some

employees. The mean percentage employer contribution rate, averaged across schemes, was seven per cent of employees' pay; the average active member received a contribution equal to six per cent of pay.

Where firms contributed to employees' personal pensions, the mean percentage contribution rate, averaged across schemes, was equal to ten per cent of employees' pay in 2009. The average active member received a contribution equal to nine per cent of pay.

There were no statistically significant changes in mean employer contribution rates for occupational schemes, SHPs, GPPs or contributions to personal pensions when compared with 2007.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 835 5. Research Report 687. September 2010).

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

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Paul Noakes,  
Commercial Support and Knowledge  
Management Team,  
3rd Floor, Caxton House,  
Tothill Street, London SW1H 9NA.  
Email: [Paul.Noakes@dwp.gsi.gov.uk](mailto:Paul.Noakes@dwp.gsi.gov.uk).

<sup>2</sup> It is likely that those firms citing the use of 'automatic enrolment' use some form of streamlined joining which nonetheless requires an employee's signature. Automatic enrolment without first obtaining an employee's consent (as envisaged under the workplace pension reforms) is not currently permitted for any type of pension scheme.