Consultation on:
Workplace Pension Reform
– Completing the Picture
Qualitative research with small and medium-sized companies
Research summary

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A report of research carried out by RS Consulting on behalf of the Department for Work and Pensions
## Contents

Acknowledgements ........................................................................................................ v
The Authors ................................................................................................................ vi
Consultation on: Workplace Pension Reform – Completing the Picture
Qualitative research with small and medium-sized companies ........................... 1

1 Policy background to the reforms ................................................................. 1
2 Why a qualitative research approach was taken ............................................. 2
3 Research scope ............................................................................................... 3
4 Current provision and attitudes ................................................................... 4
5 Attitudes to the reforms .............................................................................. 5
6 Desire to use the personal accounts scheme ................................................. 6
7 Certification .................................................................................................. 7
8 Staging .......................................................................................................... 8
   Communication requirements around staging .............................................. 9
9 The 19-day rule ............................................................................................ 10
10 Phasing ........................................................................................................ 11
11 Postponement .............................................................................................. 12
12 Registration and record-keeping ................................................................. 13
13 Compliance regulations ........................................................................... 14
14 How employers expect to deal with the administrative requirements of the reforms ........................................................................................................ 15
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Consultation on: Workplace Pension Reform – Completing the Picture
Qualitative research with small and medium-sized companies

This research was designed to consult with employers with 500 employees or less about the draft regulations set out in ‘Workplace Pension Reform – Completing the Picture’,\(^1\) published on 24 September 2009, and the impact they would have on their businesses.

1 Policy background to the reforms

The Pensions Act 2008 sets out a series of measures aimed at encouraging wider participation in private pension saving. The aims of these reforms are to overcome the decision-making inertia that currently characterises many individuals’ attitudes to pension saving and to make it easier for people to save for their retirement. The measures in the Act include a duty on employers to automatically enrol all eligible jobholders into qualifying workplace pension provision from 2012 and to provide a minimum contribution towards the pension saving for those individuals who participate.

The detail of how the changes outlined in the Pensions Act will be enacted will be set out in regulations that are due to be laid early in 2010. The first batch of draft regulations was published for consultation in March 2009, and the response

\(^1\) Department for Work and Pensions 2009, Workplace Pension Reform – Completing the Picture: Consultation on Draft Regulations.
was published on 24 September 2009. The second batch of draft regulations was published for consultation on 24 September 2009, with the response published on 12 January 2010.

2 Why a qualitative research approach was taken

As part of the public consultation the Department for Work and Pensions (DWP) had discussions with a wide range of stakeholders with an interest in this second batch of regulations. These stakeholders were primarily large employers, interest groups representing large numbers of employers, groups representing the views of the pensions industry (pension providers and intermediaries), and also groups representing employees. DWP wanted to ensure that it also consulted with small and medium-sized employers, who will also be affected by the reforms.

Existing research evidence demonstrates that small employers are often less engaged with the issue of pension provision and pension reform than larger employers. A qualitative research study was therefore considered to be the most effective way to engage with this group of employers: more specifically, a series of focus groups and depth interviews with small and medium-sized employers across a range of industry sectors and with a range of pension provision. This way, we were able to discuss in stages the wide-ranging and complex regulations in a manner that they could engage with.

In other responses to this consultation, interested parties were able to examine the legislation in detail in their own time, and responses were likely to be received by employers and others with the greatest degree of interest in the reforms. This research study on the other hand recruited a range of different types of small and medium-sized employer, but not on the basis of how knowledgeable or interested they were in the reforms.

The second set of draft regulations is very detailed, and so it was considered unrealistic to attempt to research all of the regulations in a two-hour focus group, or a one-hour individual depth interview, with employers who may not have been knowledgeable about the reforms.

This research therefore differed from other consultation responses in that, to keep the discussions manageable, it focused on areas where DWP was most keen to obtain employer views directly.

Employers’ general relative lack of awareness about anything other than the broad concepts for reform prior to the focus groups and interviews, meant that many employers were discussing and thinking about the detail of the reforms for the first time. It was not therefore reasonable in the time available to expect employers to think through all of the implications of the reforms for their businesses, and to give detailed considered responses to all of the topics under discussion. That said, once given sufficient information, employers were able to articulate their views about the regulations, what they might mean for their businesses and how they might
go about managing them into business processes. Consequently, this research is a useful source of information about the impact of the second set of regulations as well as the reforms more generally, and includes valuable information about how best to communicate with employers about what they will need to do, and when.

In addition, the purpose of this research was not to report on the number of individuals or organisations holding a particular view or having a particular set of experiences, nor to provide statistical data relating to the frequency of views across the UK: it explored the full range of opinions in depth.

3 Research scope

The study consisted of focus groups and individual depth interviews with 66 private sector businesses of up to 500 employees:

- ten focus groups, each lasting two hours, with 55 employers;
- 11 individual depth interviews with employers, each lasting one hour.

The fieldwork took place in October 2009 across five locations – London, Birmingham, Bristol, Cardiff and Edinburgh.

The focus groups and individual depth interviews all followed the same broad structure. Because employers had different levels of understanding of the reforms prior to the research taking place, it was important that groups and interviews began with a general discussion about current pension provision and attitudes to the pension reforms, which included the elements already consulted upon in March 2009. While these areas did not form part of this consultation, it was necessary to devote around a quarter of the time available to this. As well as setting the scene for the discussion, it allowed employers the opportunity to express their views on the general aspects of the reforms before focussing on the detail. It also allowed information to be collected to inform other aspects of DWP’s work around the reforms, such as communications planning, and refinements to assumptions used within the Department around how employers will manage particular aspects of the reforms.

After this, discussions focused on specific elements of the regulations that were published for consultation in September 2009. A set of specially-designed show cards was also given to participants, which explained the detail of the regulations. The key areas that were explored were:

- certification;
- staging;
- the 19-day rule.
Several other areas were discussed in less detail. These were:

- phasing;
- postponement;
- registration and record-keeping;
- the compliance regulations;
- administration.

The details of some of the topics discussed above, for example phasing, are not part of the September 2009 regulations, but it was necessary to include them as topics to ensure DWP had a rounded picture of the reforms to inform its communications and understanding of employer behaviour as well as informing key aspects of the impact of the reforms for employers.

The findings in the remainder of this research summary are based upon each of the topics that were discussed in the focus groups. A brief description of each of these policy areas is given in each relevant section. During the research, participants were provided with this same information, in some cases in more detail than can be included in this summary.

4 Current provision and attitudes

On the basis of previous research evidence, which shows that attitudes to pension provision can be broadly related to the pension provision they make for the majority of their staff and company size, the employers that we interviewed were divided into three categories:

- **Employers with no current pension provision** had one to four employees, and therefore, under current arrangements, are under no legal requirement to offer a pension. Interviews with this group found that the perceived cost of provision and a reported lack of appetite for a pension among employees were seen as the principal reasons for not offering one. Many said that they saw pension provision as a benefit that should be offered by larger organisations, whereas others felt it was something that individuals should provide for themselves.

- **Employers that offered schemes with no employer contribution** tended to be medium-sized, with five to 99 employees, although some were larger than this. Interviews with this group found that the scheme typically offered was a group stakeholder pension scheme, which they simply offered due to the legal requirement to do so. Generally, these employers believed that the majority of their employees would not value pensions as a benefit and that they would rarely contribute to them, even if this meant that they would receive a contribution from the employer. Although some employers did recognise a benefit for themselves as an employer in offering a contribution to their staff, in terms of morale and staff retention, for them this did not outweigh the financial cost of contributing towards their employees’ pensions.
• Employers that offered schemes with an employer contribution tended to have between 100 to 500 employees, although some were smaller than this. Interviews with this group found that those who typically valued pension provision more highly and believed that this attitude was often mirrored by their staff. Some of the largest employers were committed to the idea that pension provision can be a useful recruitment and retention tool. These employers believed they were generous with their employer contributions, in order to be competitive in the market, usually matching or even exceeding what they thought other companies were offering.

5 Attitudes to the reforms

Awareness of the reforms differed among employers, but generally the larger the employer, the higher their level of awareness and knowledge of the broad principles of the reforms.

Employers already knew of the workplace pension reforms’ existence before the research, even if their knowledge of the shape of them was limited. The lowest levels of awareness were those of the very smallest companies, where some were unaware that the reforms were going to happen before being informed about them as part of the consultation.

Beyond this, the level of understanding about the reforms typically increased as the size of the company increased. The medium-sized employers were generally aware of some of the main features of the reforms, such as automatic enrolment from 2012, and the existence of a minimum employer and individual contribution.

Many employers recognised that there is a ‘pensions crisis’ that needs to be addressed. Those employers that were already paying contributions in excess of those required under the reforms were broadly in favour of the reforms. But many other employers, particularly those not currently paying any contributions, often felt resentful that they should be the mechanism for arranging pension provision, rather than the government or the individual.

More specifically, many employers felt that it was unfair that the administrative and financial burden should fall upon them, as they would then have the administrative task of organising the scheme, or would need to pay someone to do the job for them, as well as having to find the money to provide contributions for their staff.

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2 As part of the preparation for this research participating employers were sent DWP’s leaflet ‘Workplace pensions are changing’ which provided background detail about the pension reforms. http://www.dwp.gov.uk/docs/workplace-pensionreform-completing-the-picture-consultation240909.pdf
6 Desire to use the personal accounts scheme

Policy information
The Pensions Act 2007 established a non-departmental public body (NDPB) called the Personal Accounts Delivery Authority (PADA), which will be responsible for designing and introducing the infrastructure for a new national occupational pension scheme. At the time the research was carried out, this was known as the personal accounts scheme.

Employers will be able to choose what scheme they use to meet the duties they face under the reforms, provided the scheme meets the necessary quality test as set out in the Pensions Act 2008 and regulations. Employers will be able to use the personal accounts scheme as a qualifying scheme if they wish. Other qualifying schemes may include occupational pension schemes, group personal pensions or group stakeholder pensions.

At the time the research was carried out, PADA had not yet begun to publicise the personal accounts scheme, nor had confirmed the naming of the scheme.

Employers were typically unaware of the existence of the personal accounts scheme, and the fact that they could use the scheme as a way of fulfilling their duties. Some of the larger companies had heard of the scheme, but overall, awareness was low.

Employers that currently offered a scheme, whether with or without employer contribution, typically thought that they would continue to use their existing scheme, rather than changing to a different provider such as the personal accounts scheme. The administration for the existing schemes that they already had in place, even if they had no members, was, as far as they were concerned, running smoothly, and making an unnecessary change to a new provider would simply cost more time and paperwork. Occasionally the employers that only offered a pension contribution to some of their employees suggested that they might use the personal accounts scheme for the staff that currently had no pension provision, rather than enrol them into the existing scheme.

The employers with no current pension provision, all of which had one to four employees, were typically unsure what scheme they would choose. Some thought that they might use the personal accounts scheme because it would save them from needing to find a provider themselves. Also, some felt that they lacked knowledge to make an informed decision for their employees and were pleased that the personal accounts scheme seemed to be, as they saw it, ‘endorsed’ by the government, as it took some decision-making responsibilities away from them.
7 Certification

Policy information
To be able to use a scheme after the workplace pension reforms are implemented, all employees that are enrolled who do not decide to opt out will have to receive contributions totalling at least eight per cent on a band of their total earnings, between around £5,035 and £33,540 per annum (in 2006/07 earnings terms).

Many employers currently use a definition of pensionable pay that is different to this band of earnings method. As a result, the government consulted on a process called ‘certification’. The intent of this proposed process was to allow employers that already offer more than the minimum contribution levels specified under the reforms to certify that they do this for all jobholders. Employers who were confident that their schemes would be on course to meet the relevant quality requirements would be able to certify that this is the case. They might need to check a sample of individual employees’ records to ensure that all have met the requirement. The extent to which this checking of individual records is required would be a matter of judgement for the employer.

Employers who already matched the minimum contributions on a different basis to qualifying earnings for all or most staff typically preferred to continue using their current calculation methods because they did not want to change the existing employee benefits packages in place. This meant that they would have to go through the certification process.

Their first reactions were typically that, as they already met the minimum requirements, the certification process should be fairly easy and not particularly time-consuming. They expected the certification process to be a simple process of checking their current levels of pension provision. Employers assumed that the government or the pension providers would give them tools to help them check whether they comply. They estimated that the process of certification could require anything from a couple of hours to a few days.

On closer examination of the detail of the process however, these employers generally felt that some elements of certification were unclear. Most of the concerns were associated with possible unintentional mistakes that might result from lack of clarity in the rules. Choosing a selection of employees' records to check they were not paying less in contributions than they should was seen as the main source of ambiguity. Some employers were worried about how to choose the correct employees and how to avoid making any unintentional mistakes during this sampling process. They posed a number of questions including:

- What constituted a large enough sample?
- How to choose the correct sample?
- How to prevent others from abusing the sampling process?
Most employers assumed that the calculation would be an automatic process, performed in Excel or in specialist payroll software, of which Sage was the most commonly used currently. Assuming this was the case, employers suggested that it should be obligatory for employers to check all records in order to certify. Some employers suggested that they would check all employee records even if only a selective check is permitted, just to ensure compliance and safeguard their business from any potential penalties.

8  Staging

Policy information
The employer duties under the workplace pension reforms will be staged: companies will be assigned an automatic enrolment date, known as their ‘staging date’ over a period of years, starting from October 2012. The very largest companies will be assigned the earliest months for staging, and smallest companies the last.3

The regulations propose that employers will be notified of their staging date 12 months beforehand. They will also be reminded of this date again three months in advance of the staging date.

If companies wish to introduce automatic enrolment earlier than their specified date, they may apply to The Pensions Regulator (TPR) to do so, although it is not guaranteed that such requests will be authorised and employers may not bring their staging date forward to before October 2012.

Employers with no scheme in place, or with a scheme in place but making no contribution towards it, typically reacted positively to the fact that their date to begin automatic enrolment would be later than expected. For the companies in this study, this was expected to be between 2014 and 2015. The general response from these companies was positive because they saw this as a delay in needing to pay contributions and so an effective financial saving for two to three years.

Generally, smaller companies also felt that having larger companies go through the process of automatic enrolment first would mean that possible teething problems would be ironed out by the time that it was the turn for smaller companies to be automatically enrolled.

Some companies that already contributed a minimum of three per cent towards their employees’ pensions also appreciated the fact that they would be able to delay the administrative work associated with automatic enrolment if their staging date was later.

3 In this study, employers were told that companies were likely to be assigned an automatic enrolment date between October 2012 and September 2015, in line with the second consultation.
The process of staging did however raise some issues surrounding competition between companies that would be staged at different times. There was some concern that smaller companies could be at a financial advantage because they would not be required to automatically enrol staff as early as larger companies would. In some industries, for example the building trade, employers questioned how staging might affect market dynamics. Midsized organisations would have to increase their tender prices because of the reforms, but they might be undercut by smaller employers who did not yet have to automatically enrol staff.

More rarely, some smaller companies had the opposite concern: that the largest employers might be able to attract staff away from their own companies during the period before their own staging date because they offered better pension provision.

**Communication requirements around staging**

The 12-month notification of the staging date, followed by a three-month reminder, was generally seen as acceptable by most employers, as they felt that this was enough time to plan ahead and implement the reforms, although some of the larger employers did suggest that 18 months would be preferable, as they planned financially more than 12 months ahead.

Many employers stated that for their first notification, at 12 months before their staging date, they would need separate information for both themselves as employers and their employees. Information that was requested for employers included:

- step-by-step information on the entire process, to enable them to start planning from that moment, without having to wait for more information at a later date;
- detailed timelines with key dates;
- information regarding software updates to accounting software packages, that could be used to allow them to process the changes;
- information on how to and what to communicate to employees;
- standardised opt-in and opt-out forms.

Many employers felt that information for their employees would be needed as they had reservations about advising them themselves. Employers suggested that information for employees should include:

- information on the reforms and clear instructions of what would happen;
- the financial cost of enrolment to them;
- the benefits of enrolment to them;
- projected values of the final pension sum, so that they could get an idea of how much money they should expect in their pension pot;
• case studies to exemplify how the reforms would work;

• explanations of the opt-in and opt-out processes.

Generally, employers felt that the information received prior to their staging date should be in either an electronic or a paper-based format, or for some, a combination of the two. Some employers stated a preference for paper-based information as they found it the easiest format to read, especially the smallest employers. Other employers believed that an electronic format would be best for them, as then they could access the information at their own convenience. More specific suggestions included:

• online video instructions such as those provided by HM Revenue and Customs (HMRC);

• workshops that DWP and employers could attend;

• a website with personalised login;

• freephone helpline numbers;

• standardised forms such as for opting out;

• information packs to pass on to employees containing information such as case studies;

• or a general programme of advertisements to make the general public aware of the reforms.

9 The 19-day rule

Policy information

Current pension legislation requires that all employee pension contributions must be paid to the pension scheme no later than the 19th day of the month following the month in which they were deducted. This is commonly known as the ‘19-day rule.’ The government is proposing an alternative due date for employee contributions deducted for the period from the date the employee is automatically enrolled up to the end of the opt out period. These contributions would be payable no later than the 19th day of the second month following the month in which the employee was automatically enrolled into a pension scheme.

Generally, employers currently contributing to employees’ pensions understood the 19-day rule, and were familiar with it already, because it was in line with current Pay As You Earn (PAYE) regulations. The option to delay contributions deducted during an initial period was sometimes seen as a minor advantage, because if an employee were to delay opting out of a pension scheme for up to 30 days, employers would be able to avoid processing refunds of contributions from their provider, and the administrative effort that would be involved. Some felt this might be time-consuming, particularly those with non-permanent staff.
However, most employers said that they would be just as happy to pay all employees’ contributions in the first month after deduction. This was essentially because they expected the issue of refunds of contributions to arise only rarely, because many employers expected employees to opt out very quickly, potentially during induction. Others said that they had low staff turnover and did not expect to be faced with many opt-outs or refunds.

10 Phasing

Policy information

The minimum levels of employer and employee contribution will be phased in. It is proposed that in the first transitional period, total contributions must total at least two per cent with employers required to pay one per cent. In the second transitional period, total contributions must total at least five per cent with employers required to pay two per cent. And then from steady state the total contributions must total eight per cent with employers required to pay three per cent. The remaining contributions making up the total will comprise the workers’ contributions plus tax relief.

The arrangements for the phasing in of the reforms were set out in the Pensions Act 2008, rather than the second batch of regulations. However, information about phasing was collected in this research to inform DWP communication planning activity and to try and understand the effect of the arrangements in terms of changes to business administrative processes.

The smallest employers who did not contribute at all to their employees’ pensions were generally in favour of the process of phasing. This was because overall they would prefer to pay as little as possible, for long as possible. There was some concern about the administrative issues of switching levels of contribution twice, but only very occasionally did the smallest employers state that they would start paying the full amount of contributions from the outset, so that they could avoid the administrative work associated with changing contribution levels twice.

Many other employers, regardless of their size and contribution amounts, did express general concerns that the process was becoming too complicated, as they would have to make several changes over a period of years, which would most likely require communication with employees, changes in processes and documents and time in order to make the changes.

Some employers pointed out that the lower initial levels of contribution in the first years could result in more employees joining, because the initial employee contributions would not be viewed as so high as to deter saving.
Conversely, but quite rarely, some employers believed that such a low initial overall contribution would offer little perceived value in terms of the final pension pot. After consideration of the policy, they felt that some of their employees might see the sum contributed as not generating an amount worth contributing to. Consequently, employers occasionally thought that for some of their employees the process of phasing could actually act as a discouragement to save.

11 Postponement

**Policy information**

In most cases, employers will be required to enrol all eligible jobholders into a qualifying pension scheme either on the firm’s staging date, or on the first day that the individual’s employment commences with that company. However, the Pensions Act 2008 provides for employers to postpone automatic enrolment into high quality schemes. The first batch of draft regulations defined high quality schemes as pensions that provide an employer contribution of at least six per cent and a total contribution of at least 11 per cent (based on qualifying earnings), and specified the postponement period as three months.

This consultation examined a new proposal, which stated that these employers would not be able to postpone automatically enrolling any staff who are expected to be employed for less than three months, ensuring that individuals would not miss out on pension saving.

Some employers meeting these requirements already operated a three-month employment probation period, during which employees were not yet eligible for employer contributions. In these cases they only enrolled staff into the pension scheme after the successful completion of the probation period. These employers thought that the postponement option was a good idea, and most expressed a desire to take advantage of it, because postponement would help avoid any additional administration required if an employee decided to leave during the probation period, or if an employee was unsuccessful in securing a permanent position.

These employers generally recognised why there was a requirement to treat short-term workers as an exception and enrol these immediately. None anticipated any difficulties in adhering to this requirement, although most of these small and medium-sized employers also pointed out that they had relatively few employees that fell into this category.
12 Registration and record-keeping

Policy information

One requirement of the workplace pension reforms is for all employers to register with TPR information on how they have met their duties, including what pension arrangements they have put in place and what action they have taken to enrol jobholders into pension saving. Employers were told that they will be required to register within nine weeks of their automatic enrolment start date.

Every three years employers will be required to re-enrol employees who have previously opted out. All employers will be required to re-register every three years, usually shortly after re-enrolment.

Employers will also be required to keep specific records on pensions and pension schemes and will need to be able to produce these for TPR on request.

Generally employers expected the registration process to be simple and easy to complete. Most employers said that the process of registering seemed to be roughly in line with other current requirements, in terms of supplying information to HMRC for their existing PAYE schemes, and thus it posed little extra administrative effort on their part.

Most employers felt nine weeks gave them enough time to gather all the relevant information. Some even thought that the registration process would in fact take much less than the nine weeks to complete because most of the information was already readily available to them, and they expected to be able to pull the information together in few hours. Typically employers assumed that they would be aided by specialist software or professional advisers in the registration process. They expected the software to include modules specifically designed to help with the registration process. Some planned to outsource the registration process to accountants already used for payroll.

Most employers saw the requirement to re-enrol employees and then re-register as reasonable, both in terms of timeframe and the level of paperwork required. Usually employers felt that the re-enrolment timeframe offered a good balance of encouraging active employee membership while reducing the administrative burden placed on employers.

Most employers viewed the record-keeping requirement as unproblematic and easy to comply with. Generally employers expected to need to keep copies of relevant documentation as part of running a business anyway.
Compliance regulations

**Policy information**

There were three specific areas of compliance regulations that were consulted upon in this study: inducements, failure to pay contributions over, and penalties for noncompliance:

- **Inducements**: It will be unlawful for employers to seek to influence employees’ decisions about whether or not to opt out of a pension scheme. This is called inducement. It is proposed that an employee can register a complaint with TPR regarding inducement up to six months after the event and that TPR can look back over 12 months when carrying out its own proactive investigations of inducements.

- **Failure to pay all contributions due**: In the event of an employer failing to comply with their duties it is proposed in the regulations that TPR have the ability to consider requiring the employer to pay both the employer and employee contributions outstanding where they remain unpaid beyond a proposed prescribed period of three months.\(^4\) It is also proposed that TPR have the discretionary power to require the payment of interest on unpaid contributions calculated at 4.9 per cent plus the current Retail Prices Index (RPI). The additional amount is intended to compensate the employee for the loss of investment growth for the period of the delay.

- **Penalties for non-compliance**: The regulations propose that if an employer is non-compliant with a particular aspect of the regulations, TPR may contact the employer informally. If they continue not to comply, they may issue a statutory compliance notice. After this, a flat-rate fixed penalty of £500 for non-compliant employers is proposed. Escalating penalties will also be available to TPR for very serious or persistent non-compliance.

With regard to inducements, generally employers felt that the 12-month period allowed for TPR’s investigations was acceptable as a time limit, but many employers felt that allowing employees six months in which to launch a complaint was too long. Some felt that permitting such a long period of time might result in a general increase in unfounded grievance procedures. In part, this was because many employers felt that the inducement rules were unclear and ambiguous, and were concerned that the definition of inducement might be left open to interpretation by employers and employees.

Some pointed out that a solution to this could be a standardised form for opt-outs, which would include employee confirmation that the decision to opt out was his or her own and that they were given all relevant information in making this decision.

\(^4\) This discretionary power is also available to the Regulator if an employer fails to enrol employees resulting in unpaid contributions, however in this study it was only consulted upon in the context of failure to pay contributions over following deduction of employee contributions from salary.
Most employers perceived the rules around failure to pay over contributions to be too lenient. They pointed out that, once deducted, the pension contributions belonged to the employee and thus should not be kept by the employer. Some believed that employers holding onto the contributions was fraudulent and felt that it should be treated as such.

Generally employers felt that the proposed fixed penalty of £500 per company for noncompliance with particular aspects of the regulations was too low, particularly given that it would be applied only after repeat warnings. Sometimes employers suggested that the fixed penalty should be relative to the number of employees in the company. They felt that while for the smallest companies a fixed penalty of £500 would be high and prohibitive, the same fine imposed on large corporations might not be nearly sufficient.

14 How employers expect to deal with the administrative requirements of the reforms

Employers’ readiness to deal with the administration associated with the proposed requirements essentially depended on the level of pension provision they currently offered.

Employers that were not currently offering a scheme at all – mainly those with fewer than five employees – will have to introduce a pension scheme for the first time. Some of these small employers had significant financial and business knowledge, which meant they felt relatively confident in their own ability to handle the reforms. Others with the lowest levels of financial literacy found it more difficult to assess how they would handle the reforms. Sometimes they already felt overwhelmed with the amount of administration they faced in their day-to-day work. They worried that the reforms overall would mean a substantial additional strain on them.

Employers who did not offer any contributions, but had set up stakeholder pension schemes in the past, were typically confident in their ability to implement the reforms. They generally had practical experience of setting up a pension scheme and communicating with staff regarding pensions. Employers expected to apply this knowledge and experience during the implementation of the reforms.

Employers that were already contributing to employees’ pensions also felt confident in their ability to implement the reforms. As these employers were already paying into pension funds, typically they already had established processes for dealing with pension administration, and often had dedicated staff responsible for pensions and payroll.

The most significant change to the administrative procedures of employers was seen as the switch to automatic enrolment, and the need for employees to opt out of the scheme if they do not wish to be a member, rather than opt in. Most employers expected that the processing of opt-outs and opt-ins would be the
element of the reforms that would take up the greatest amount of administrative time and effort. This was particularly true of employers who had significant numbers of part-time or temporary staff, and who were concerned about the administrative burden of having to manage and process large numbers of opt-outs each year, placing a considerable administrative burden on them.

In some cases employers thought that staff might want to keep opting in and out of the pension scheme depending on their financial situation. They therefore expected to be continually processing the opt-out forms and repeatedly communicating with their employees regarding these.\(^5\)

\(^5\) In reality, this will not be the case, since the proposed reforms legislation will restrict employees’ opting in or out of a scheme to no more than once per year.