

Statistical bulletin

# Pensions short stories: Employees eligible for automatic enrolment: contributions to workplace pensions, 2005 to 2014

Distribution of employee and employer contribution rate bands. Median contribution rates are provided by sector and by employee age, employer size, annual earnings bands and pension scheme type.

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# 1. Main points

- Total contributions are increasing following the introduction of automatic enrolment as there has been a large increase in the number of people that are contributing, but median contribution rates are lower. Median contribution rates are expected to increase as the planned implementation of higher minimum contribution rates proceeds.
- In the private sector, the number of employees who make contributions at rates above the automatic enrolment minimum contribution rates has remained stable. However, there has been a large increase in the number contributing at rates corresponding to the automatic enrolment current minimum contribution rate, reflecting increased participation in workplace pensions.
- Private sector employee median contribution rates fell between 2013 and 2014, particularly in the 22 to 29 age band (3% in 2013; 1% in 2014). The fall in the 22 to 29 age band is likely to be because there was a large increase in membership following automatic enrolment, with new members often starting at the minimum contribution level.
- Employer private sector median contribution rates were stable until 2013 when they began to decline in all but the highest age band, falling across all age bands in 2014. The increase in workplace pension membership following automatic enrolment is the likely explanation for decline in median contribution rates.
- Employee median contribution rates for the smallest private sector businesses, those with 1 to 4 employees, rose to 2.4% in 2013 and 2.5% in 2014, having been largely zero from 2005 to 2012.
- For employees earning more than £40,000, there was no change in private sector employee median contribution rates between 2012 and 2014, standing at 5% in each year. In contrast, for private sector employees earning under £40,000, median contribution rates fell following the introduction of automatic enrolment. This fall is likely to be explained by the increased participation in workplace pensions in these earnings bands.

## 2. Summary

This short story looks at workplace pension contribution rates in the context of automatic enrolment. The analysis includes all eligible employees in the Annual Survey of Hours and Earnings (ASHE) that meet the automatic enrolment age and earnings criteria each year, including employees already a member of a workplace pension scheme. In 2013-14, eligible employees were those aged at least 22 and under state pension age, who earned more than £9,440 a year, usually work in the UK and who were not participating in a qualifying workplace pension scheme.

## 3. Background

In this story, public and private sector median contribution rates are presented in terms of a range of variables such as age, sex, and earnings band. The Department for Work and Pensions (DWP) has published [official statistics on workplace pension scheme participation and savings trends](#) in the context of automatic enrolment<sup>1</sup>, which this analysis complements. Further analysis evaluating automatic enrolment can be found in the Automatic Enrolment Evaluation Report 2014, released by DWP.

This analysis is based on the Annual Survey of Hours and Earnings (ASHE) from 2005 – 2014 and covers workplace pensions in Great Britain. The ASHE survey relates to a reference period of April each year. The data relating to April 2014 are the most recent and capture the first 18 months of automatic enrolment implementation. Contribution rate data were not available from ASHE before 2005.

Automatic enrolment is being introduced in stages, based on the size of the employers' PAYE scheme on 1 April 2012. It started in October 2012 for employers with over 120,000 employees, with staged roll-out to all employers by 2018. As automatic enrolment had not started for years 2005 to 2012, we have estimated the equivalent eligible employee population for those years. Eligible employees in those years are estimated as employees aged between 22 and state pension age, who earned the equivalent of more than £8,105 (the earnings threshold when automatic enrolment was introduced in August 2012) in 2012/13 earnings terms. The earning thresholds used prior to 2013 are, therefore, lower than £8,105, reflecting the fact that average earnings in those years were also lower.

Under automatic enrolment, employers select a qualifying workplace pension scheme for their employees. Employers have a duty to enrol all eligible employees into a pension scheme meeting the qualifying requirements set out in the Pensions Acts 2008 and 2011, and to make contributions to this scheme on their employees' behalf. Workers are able to opt out of their employer's scheme if they wish but, if they are still eligible, they will be re-enrolled after a three year period.

Minimum contribution levels vary depending upon the scheme's definition of pensionable pay. In the case of a scheme with a definition of pensionable pay equivalent to that of qualifying earnings,<sup>2</sup> the minimum level of contributions, expressed as a proportion of the employees' qualifying earnings, are as follows:

- between October 2012 and September 2017 Defined Contribution (DC) schemes or personal pensions must have contributions of at least 2%, with at least 1% coming from the employer and 0.2% from tax relief
- between October 2017 and September 2018 the minimum contribution will be 5%, with at least 2% coming from the employer and 0.6% from tax relief
- from October 2018 the minimum contribution will be 8%, with at least 3% coming from the employer and 1% from tax relief

It should be noted that automatic enrolment is not taking place in isolation. Factors such as state pension reform and the end of contracting out of the additional state pension, salary sacrifice arrangements, disposable household income and employment levels as well as attitudes to saving for retirement, may all have an affect on workplace pension participation and contribution rates.

The final section of this analysis provides a link to 10 [reference tables](#), estimating employee, employer and total contribution rates by variables such as employee age, sex, and earnings band. Two further reference tables provide the distribution of employee, employer and total contributions in percentage terms and the corresponding number of employees.

Terms used are explained in the pensions Glossary (198.9 Kb Pdf) .

## 4. Contributions rates to workplace pensions

Contribution rates for employees and employers tend to be higher in the public sector, where participation rates tend to be high and the majority of schemes are defined benefit. In the private sector, where contribution rates tend to be lower, defined benefit schemes are relatively less common. With the introduction of automatic enrolment, private sector membership of defined contribution schemes has been increasing ([ASHE pensions bulletin 2014 Figure 1](#)). The impact of automatic enrolment has mostly been in terms of defined contribution schemes in the private sector.

The level of contributions alone does not provide a measure of pension adequacy. In defined contribution schemes, also known as money purchase schemes, the pension is determined by the level of contributions, the investment returns received while the contributions are invested in a pension fund and, if an annuity is purchased, by the available annuity rates. In defined benefit schemes, the scheme rules determine the amount of pension that will be received in retirement, based on the accrual rate, length of service and salary.

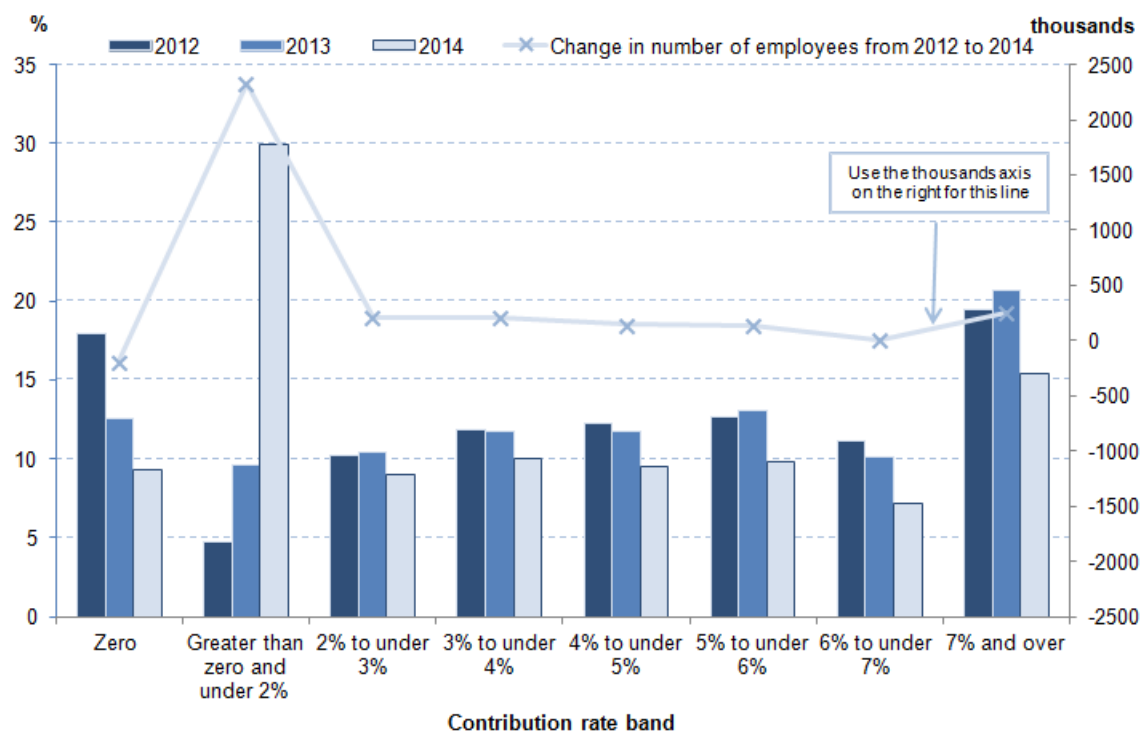
The picture emerging is that, following the introduction of automatic enrolment, total contributions are increasing, as more people are contributing, but median contribution rates are lower. This may be because the employees that have newly started to make contributions, following the introduction of automatic enrolment, are likely to be making the current minimum contributions specified under automatic enrolment rules, which would have the effect of decreasing overall median contribution rates. This lower percentage contribution rate picture is expected to change as automatic enrolment proceeds and the minimum level of contributions required increases (see Background).

In Figures 1 and 2, the effect of increasing workplace pension membership on the distribution of contribution rates in the private sector can be seen.

The proportion of employees in the private sector that made contributions of 'greater than zero and less than 2%' increased from less than 5% in 2012 to nearly 30% in 2014 (after 18 months of automatic enrolment implementation). The line in Figure 1 indicates changes in membership levels and shows the large increases in the number of employees with workplace pensions in the 'greater than zero and under 2%' contribution rate band between 2012 and 2014. The number of employees in other contribution rate bands has remained relatively constant. The falling percentages of employees in the other contribution rate bands is due to the changing relative proportions caused by the large increases of employees with workplace pension membership in the 'greater than zero and less than 2%' category, and is not as a result of a decrease in the number of employees contributing in the other contribution rate bands.

**Figure 1: Employees with workplace pensions: percentages by banded rate of employee contribution in the private sector, 2012 to 2014**

**Great Britain**



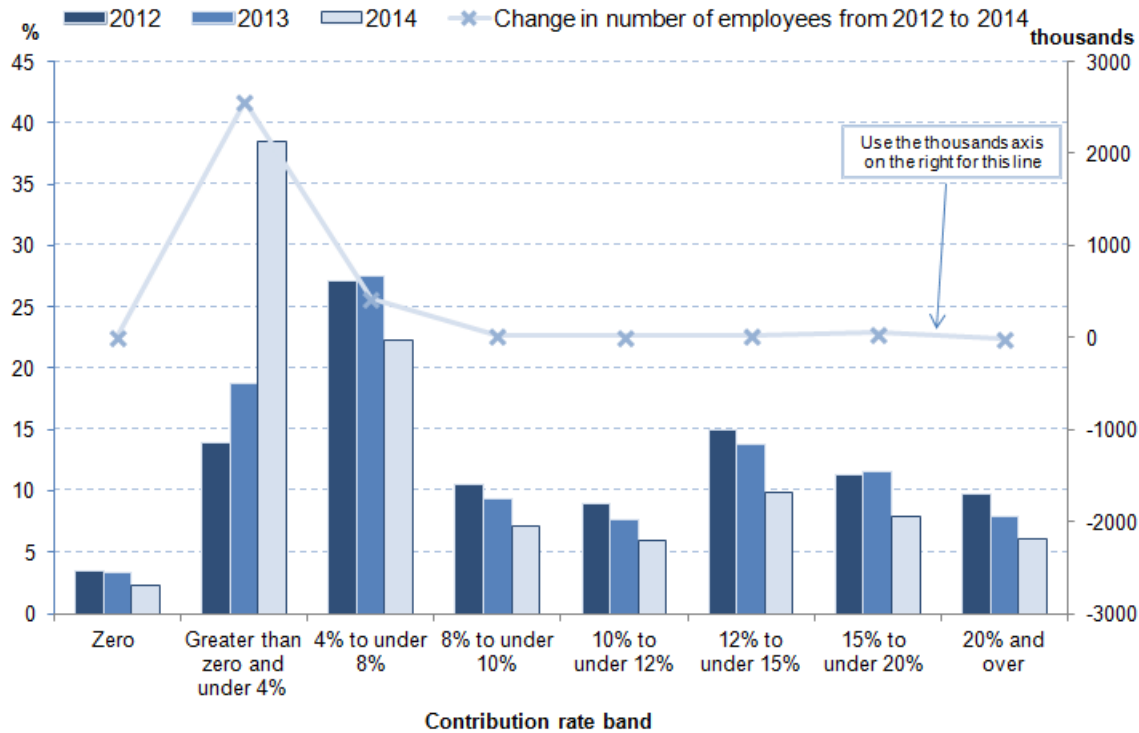
Source: Office for National Statistics

**Notes**

1. Figures for number of employees are for indicative purposes only and should not be considered an accurate estimate of employee job counts.

**Figure 2: Employees with workplace pensions: percentage by banded rate of employer contribution in the private sector, 2012-2014**

**Great Britain**



Source: Office for National Statistics

**Notes**

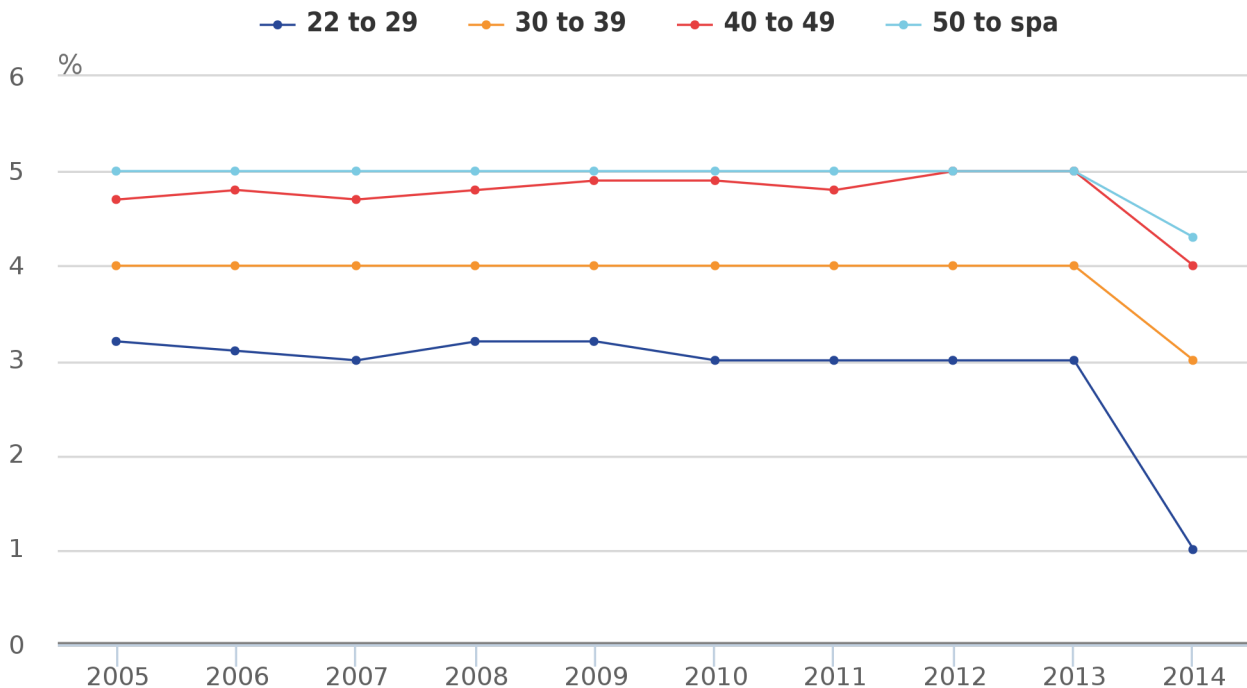
1. Figures for number of employees are for indicative purposes only and should not be considered an accurate estimate of employee job counts.

The [reference tables](#) provide detailed total, employee and employer median contribution rates by sector and also by 10 variables, such as employee age, sex, and earnings band. The Reference Tables are the main content of this publication. The following sections, looking at contribution rates by four different variables, try to draw out where the key trends can be seen in those tables.

## 5. Median contribution rates by age

Figure 3: Median employee contribution rates to workplace pensions by age group in the private sector, 2005-2014

Great Britain



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

Notes:

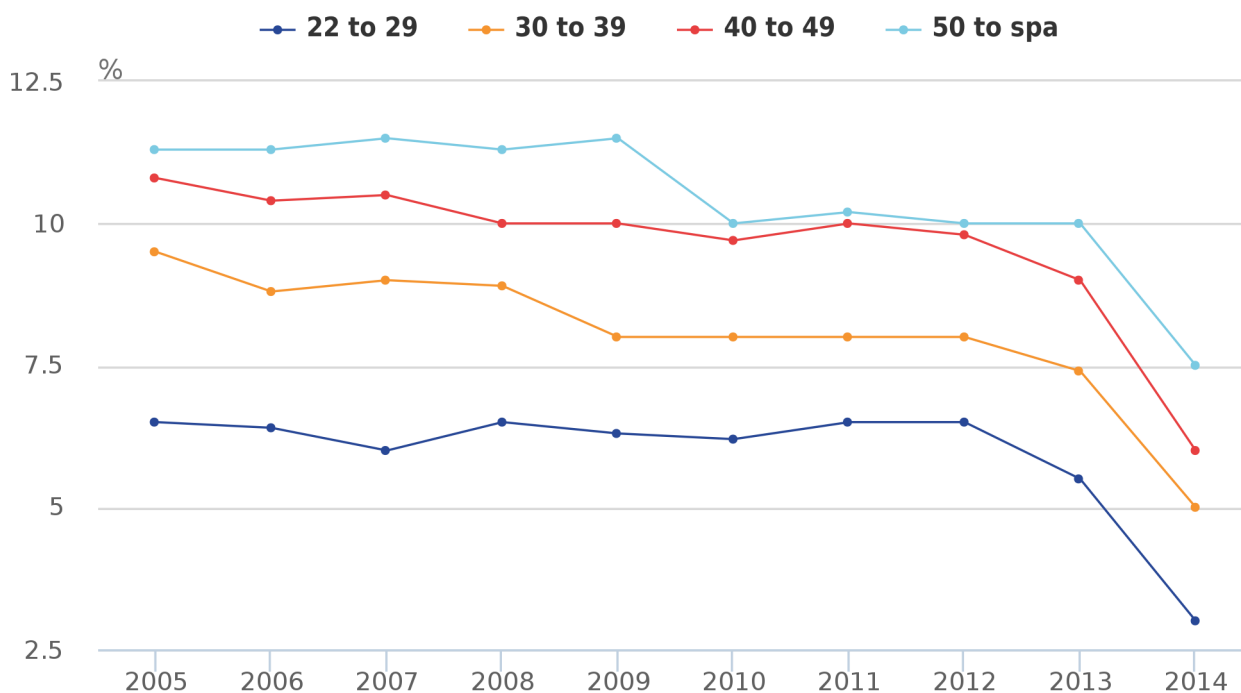
1. The introduction of the Standard Occupational Classification 2010 (SOC 2010) in 2011 affected the weighting used to produce estimates from ASHE. Care should be taken when comparing data before 2011 with later data (dotted line).
2. The State Pension Age (SPA) for women began to increase from 2011. The analysis by age adjusts the population in the '50 to spa' age band to take account of this change.

Private sector median employee contribution rates were fairly flat from 2005 to 2013. However, they fell between 2013 and 2014, particularly in the 22 to 29 age band where the contribution rate was 3% in 2013 and 1% in 2014. Further analysis indicates that this fall in the 22 to 29 age band is likely to be because there was a large increase in membership in that age band, following automatic enrolment implementation, with those new members often starting at the minimum contribution level.

In the public sector (see Reference Tables), employee contribution rates were largely unchanged from 2008 to 2011. For 2012 onwards, rates gradually increased in most age bands, probably reflecting mandatory increases in the contributions required for [some public sector schemes](#).

**Figure 4: Median employer contribution rates to workplace pensions by age group, 2005 to 2014**

Great Britain



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

Notes:

1. The introduction of the Standard Occupational Classification 2010 (SOC 2010) in 2011 affected the weighting used to produce estimates from ASHE. Care should be taken when comparing data before 2011 with later data (dotted line).
2. The State Pension Age (SPA) for women began to increase from 2011. The analysis by age adjusts the population in the '50 to spa' age band to take account of this change.

Employer private sector median contribution rates were fairly stable until 2012. They fell in 2013 in most age bands and fell across all age bands in 2014. The same explanation is likely, that there was a large increase in workplace pension membership in those years, as a result of automatic enrolment implementation, with many employers starting those new members on the minimum employer contribution rate level.

## 6. Median contribution rates by employer size

Private sector employee median contribution rates for employers with 5,000 or more employees were fairly flat until 2012, then falling from 5% in 2012 to 4% in 2013 and 3% in 2014. This is the pattern that would be expected given the timing of the staged introduction of automatic enrolment and the planned increase to minimum contribution rates. Membership increased over those two years but new members tended to start at the minimum contribution rates.

**Table 1: Median employee contribution rates to workplace pensions by employer size in the private sector, 2005-2014**

| Great Britain |      |      |      |      |      |      |      |      |      | Percentages |
|---------------|------|------|------|------|------|------|------|------|------|-------------|
| Employer Size | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014        |
| 1 to 4        | 0.0  | 0.0  | 0.0  | 0.0  | 2.0  | 0.0  | 0.0  | 0.0  | 2.4  | 2.5         |
| 5 to 49       | 3.1  | 3.0  | 3.0  | 3.0  | 3.1  | 3.1  | 3.1  | 3.0  | 3.2  | 3.1         |
| 50 to 249     | 3.9  | 3.9  | 3.9  | 4.0  | 4.0  | 3.9  | 3.7  | 3.8  | 4.0  | 3.5         |
| 250 to 4999   | 5.0  | 5.0  | 5.0  | 5.0  | 5.0  | 5.0  | 4.9  | 5.0  | 5.0  | 3.0         |
| 5000 or more  | 4.6  | 4.9  | 4.8  | 5.0  | 5.0  | 5.0  | 5.0  | 5.0  | 4.0  | 3.0         |

Source: Annual Survey of Hours and Earnings, Office for National Statistics

Notes:

1. The introduction of the standard occupational classification (SOC) 2010 in 2011 affected the weighting used to produce estimates from ASHE. Care should be taken when comparing data before 2011 with later data.

For private sector employers with 250 to 4,999 employees, the decline in employee contribution rates occurred after 2013, again as would be expected given the timing of the staged introduction of automatic enrolment.

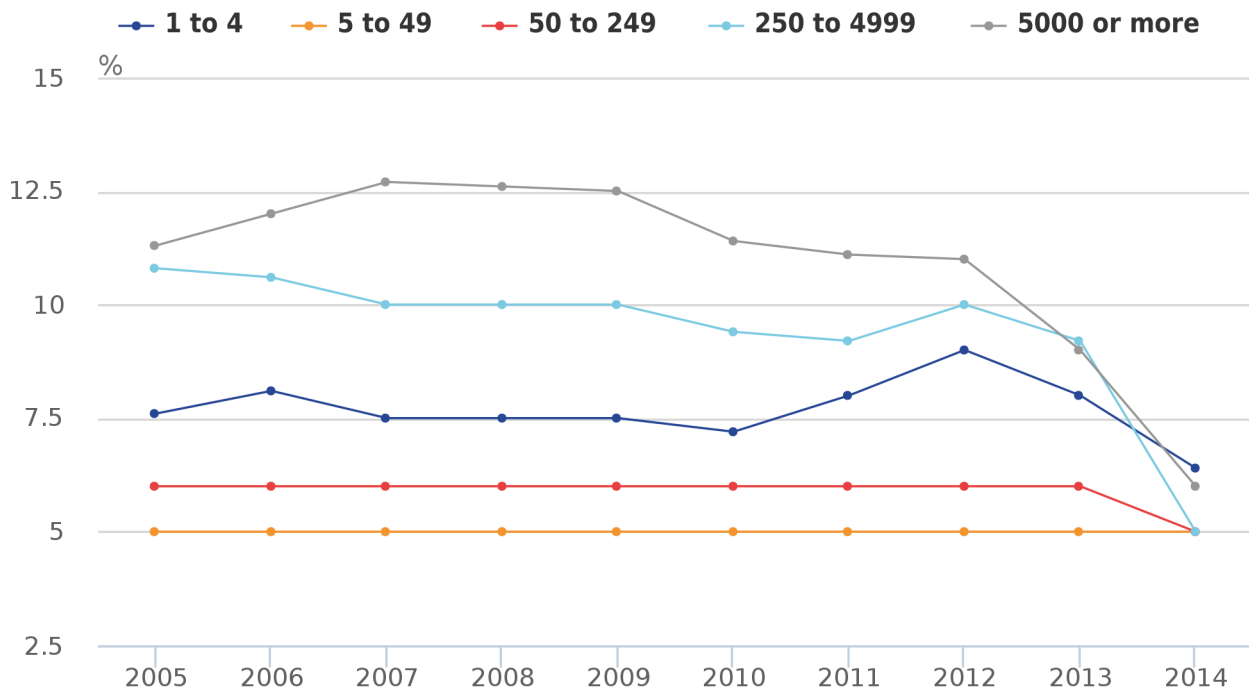
The changes in employee median contribution rates for the smallest private sector businesses, those with 1 to 4 employees, are interesting. ASHE indicates that these were largely zero up to and including 2012, but then rose to 2.4% in 2013 and 2.5% 2014. This increase coincides with the introduction of automatic enrolment but, in those years, automatic enrolment did not apply to businesses with 1 to 4 employees. One possible explanation is that employees in those businesses may be linked to, or be subsidiaries of, larger employers' PAYE schemes that have automatically enrolled their staff into a workplace pension.

Employer contribution rates for large employers with more than 250 employees fell in 2013. In 2014, for businesses with 250 to 4,999 employees, they fell again, to around 60% of the 2012 levels. Again, the likely explanation is the staged nature of automatic enrolment and the phased introduction of contribution rates, starting at the minimum level.



**Figure 5: Median employer contribution rates to workplace pensions by employer size and sector, 2005 to 2014**

Great Britain



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

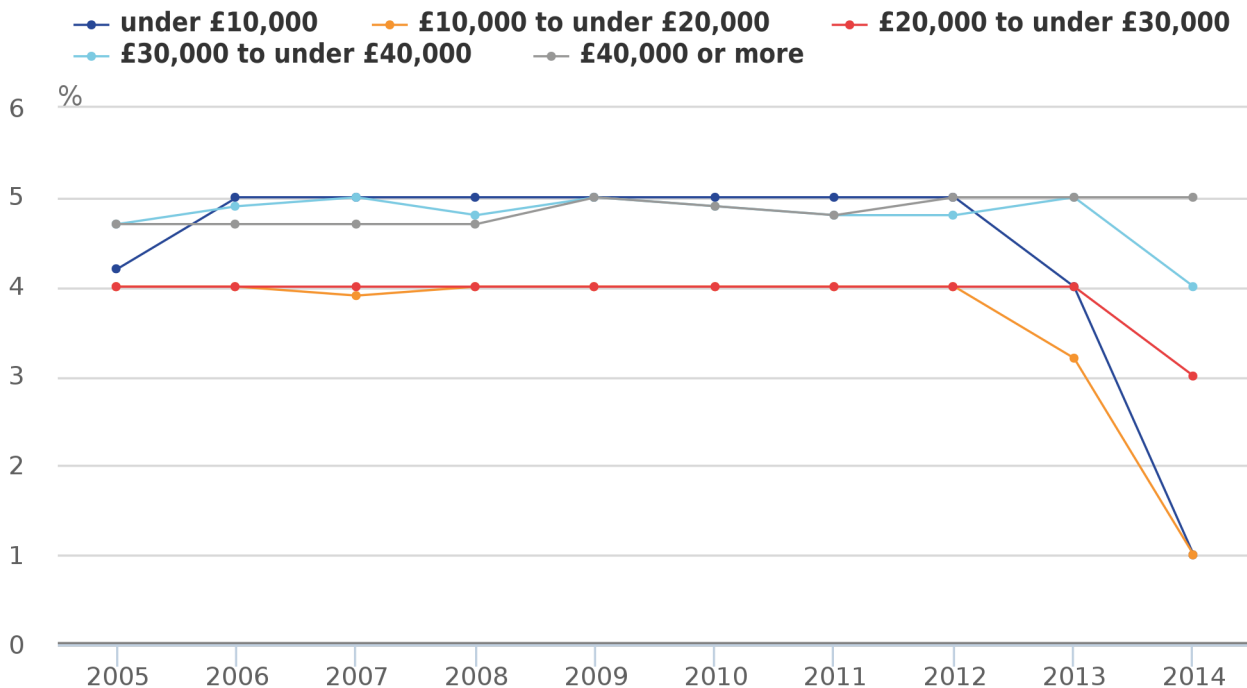
Notes:

1. The introduction of the Standard Occupational Classification 2010 (SOC 2010) in 2011 affected the weighting used to produce estimates from ASHE. Care should be taken when comparing data before 2011 with later data (dotted line).

## 7. Median contribution rates by earnings band

Figure 6: Median employee contribution rates to workplace pensions by earnings band and sector, 2005 to 2014

Great Britain



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

Notes:

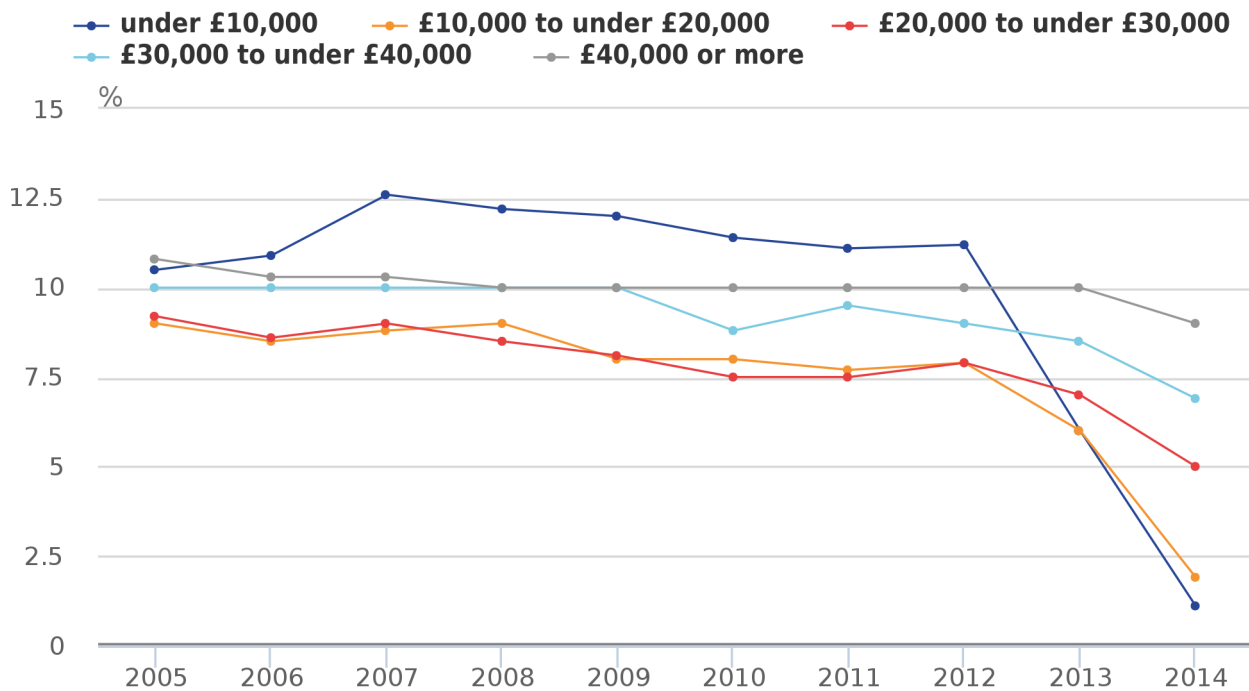
1. The introduction of the Standard Occupational Classification 2010 (SOC 2010) in 2011 affected the weighting used to produce estimates from ASHE. Care should be taken when comparing data before 2011 with later data (dotted line).
2. For analysis by earnings band, gross annual earnings in each year have been updated to 2014 values the using the increase in Average Weekly Earnings over time.

For employees earning more than £40,000, there was no change in private sector employee median contribution rates between 2012 and 2014, standing at 5% in each year. In contrast, for employees earning under £10,000, contribution rates fell from 5% in 2012 to 1% in 2014. The decrease in median contribution rates for those earning under £10,000 can be partially attributed to the changing population in the earnings band, comparing 2013 with 2014, caused by an increase in the eligible earnings threshold from £8,105 in 2013 to £9,440 in 2014. The increase in the threshold means that some employees that were present before 2014 were excluded from the analysis in 2014. As the population for 2014 figure includes new entrants to automatic enrolment, with employers generally paying new entrants the current minimum contribution, median contribution rates fell.

The staged nature of automatic enrolment, and the phased introduction of contribution rates starting at the minimum level, appear to be the main explanations for the decrease in median contribution rates in all other employee earning bands.

**Figure 7: Median employer contribution rates to workplace pensions by earnings band in the private sector, 2005 to 2014**

Great Britain



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

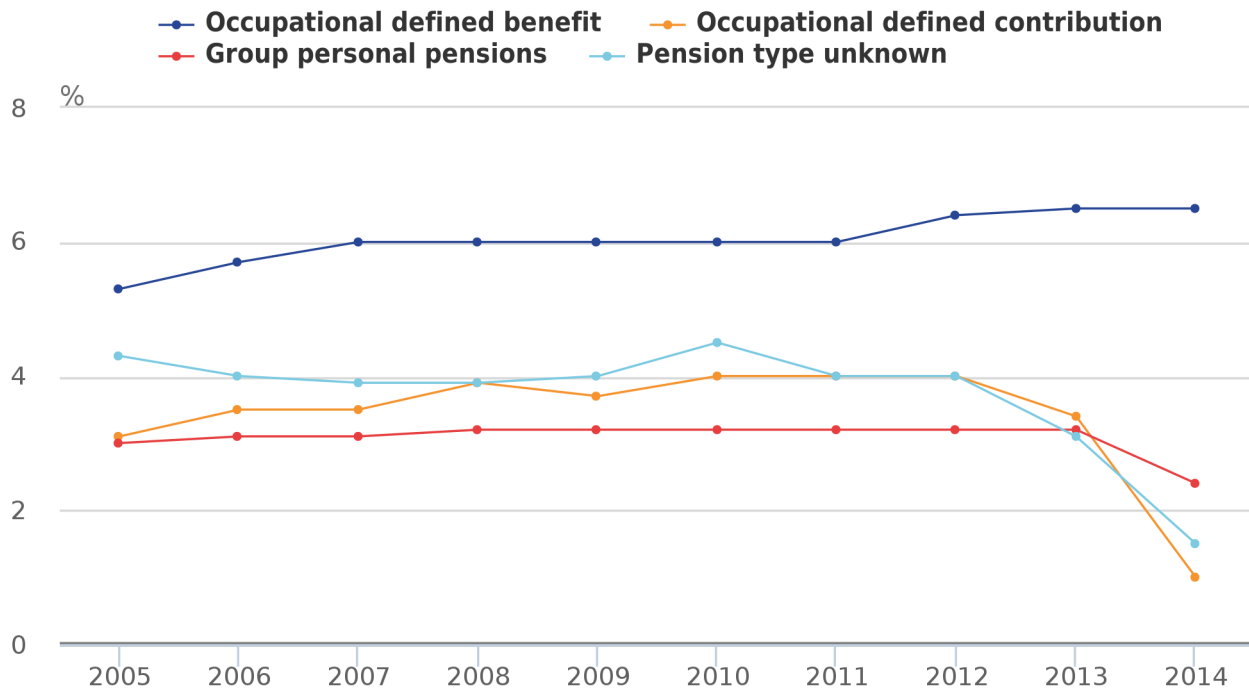
There was a similar large fall in employer private sector median contribution rates after 2012 for employees earning under £20,000. For those earning under £10,000, contribution rates fell from 11.2% in 2012 to 1.1% in 2014. The large decrease observed for median employer contribution rates for those earning under £10,000 may be explained by the change in the eligible earnings threshold described above for employee contributions.

The increase in workplace pension membership brought about by automatic enrolment, and the phased introduction of contribution rates starting at the minimum level for those new members, appear to be the main explanations for the decrease in employer median contribution rates in all other employees earning bands.

## 8. Median contribution rates by pension type

Figure 8: Median employee contribution rates to workplace pensions by pension type in the private sector, 2005 to 2014

Great Britain



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

Notes:

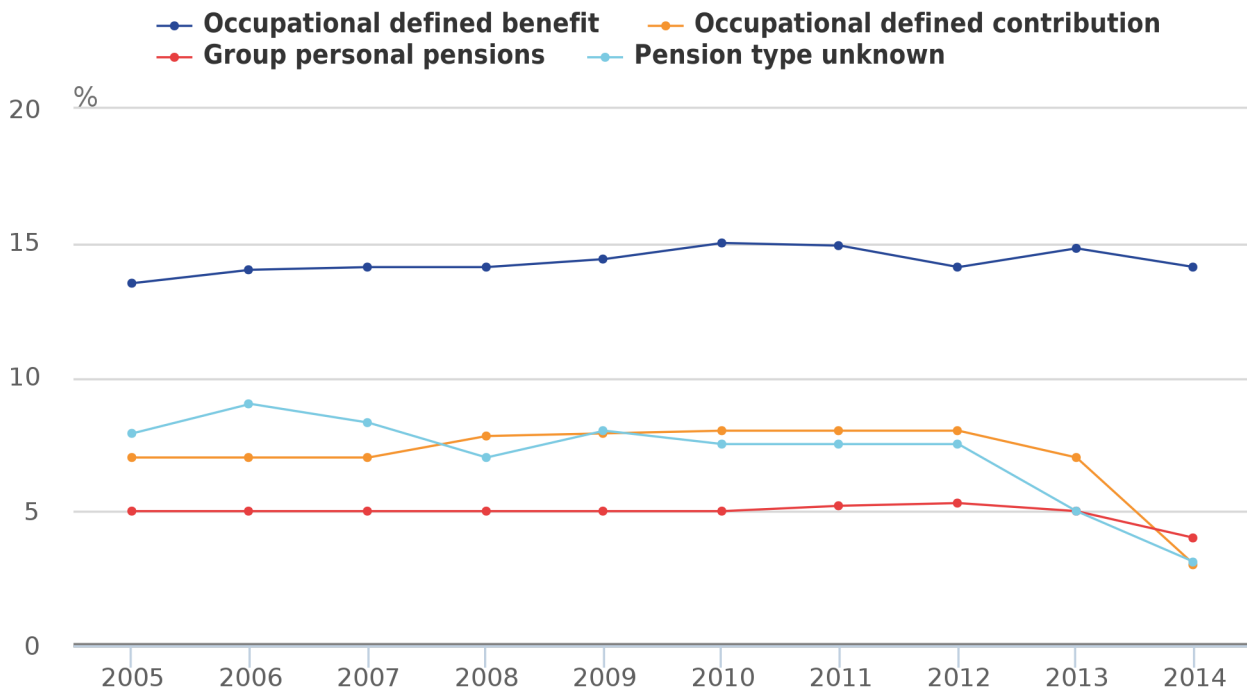
1. The introduction of the Standard Occupational Classification 2010 (SOC 2010) in 2011 affected the weighting used to produce estimates from ASHE. Care should be taken when comparing data before 2011 with later data (dotted line).
2. The Occupational defined contribution category includes employees who have pensions with the National Employer Savings Trust (NEST). The Group personal pensions category includes group personal pensions, group stakeholder pensions and group self-invested personal pensions.

Both public and private sector median Occupational defined benefit employee contributions have been increasing since 2011. In the public sector, the increases are likely to reflect mandatory increases in some employees' scheme contribution rates over the period. In the private sector, the increases are likely to be a combination of scheme changes requiring larger contributions and individual employee decisions to contribute at a higher rate.

In both the public and private sectors, median employee Occupational defined contribution rates have been declining since 2012. The decline is greater in the private sector, from 4% in 2012 to 1% in 2014. The staged nature of automatic enrolment leading to increased workplace pension membership, and the phased introduction of increasing minimum contribution rates, appear to be the main explanations.

**Figure 9: Median employer contribution rates to workplace pensions by pension type in the private sector, 2005 to 2014**

Great Britain



Source: Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics

Private sector median Occupational defined benefit employer contributions changed little in the period 2005 – 2014. The same was true of median Occupational defined contribution employer contributions until a fall from 7% in 2013 to 3% in 2014. The explanations for this fall are likely to be the same as those given above for employee contribution rates.

## 9. Reference tables

The [reference tables](#) cover years 2005 to 2014 inclusive and are for Great Britain. Each table contains median contribution rate data for employees, employers and total contributions, in the public, private and all sectors. Public and private sectors are classified using the legal status from the Inter-Departmental Business Register. Figures for the private sector include employees working for organisations classified as non-profit bodies.

The variables covered in the tables are:

- [Age](#)
- [Earnings bands](#)
- [Employer size](#)
- [Occupation](#)
- [Industry](#)
- [Country / region](#)
- [Pensions scheme type](#)
- [Contracted out status](#)

- [Sex](#)
- [Working pattern](#)

Two further reference tables provide the distribution of employee, employer and total contributions by [contribution rate bands](#) and the corresponding [numbers of employees](#).

## 10. Background notes

1. The Annual Survey of Hours and Earnings (ASHE) is a key source of information on workplace pensions in the UK as it collects information on all types of workplace pension: occupational pension schemes, group personal pensions and group stakeholder pensions (see the ASHE Pensions Bulletin). The survey results are used widely in order to estimate pension participation and to monitor the impacts of pension reforms. The analysis in this short story is for Great Britain.
2. ASHE collects information on employee membership of the current employer's workplace pension scheme. This does not include preserved rights in any former employer's pension scheme or pensions paid by former employers.
3. ASHE collects information from employers on employee jobs, although they are referred to in this short story as 'employees'.
4. Employees with no workplace pension are excluded from the analysis of contribution rates. Employees that have experienced a loss of pay in the survey reference period have also been excluded. Employees that have a workplace pension but make no contribution are included along with employees whose employer makes no contribution.
5. In ASHE, contributions include one-off fixed amount payments from either the employee or employer. ASHE excludes additional voluntary contributions (AVCs) made by employees, and employer contributions which cover more than one employee, for example, deficit reduction payments to a scheme. We have therefore used median values to display average contributions as large AVCs are less likely to affect median values when compared to mean values.
6. Methodology and quality information: Information is available from the [Annual Survey of Hours and Earnings Guidance and Methodology section](#) of the ONS website.
7. The Department for Work and Pensions (DWP) has public commitment to evaluate automatic enrolment and publish annual reports. The [Automatic Enrolment Evaluation Report 2014](#) is the most recently published. Estimates published within the evaluation report relate only to those eligible for automatic enrolment. Chapter 4 of the Report deals with 'increasing the amount of savings' and looks at contributions to workplace pensions. DWP has published [official statistics on workplace pension scheme participation and savings trends](#) in the context of automatic enrolment, which this story complements.
8. Figures for the private sector in this story include employees working for organisations classified as non-profit bodies. In the Annual Survey of Hours and Earnings 2014: Summary of pension results bulletin the private sector excludes organisations classified as non-profit bodies.
9. Total contributions in the reference tables were calculated by addition of employee contributions and employer contributions as collected in ASHE. Any separate contributions made through tax relief are therefore not included.
10. Average Weekly Earnings Statistics, are a series published by ONS were used to deflate the earnings threshold for automatic enrolment prior to 2013 and also uprate annual earnings used in earnings band analysis to 2014 prices. The [EARN01 \(KAC3\)](#) series was used.
11. Details of the policy governing the release of new data are available by visiting [www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html](http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html) or from the Media Relations Office email: [media.relations@ons.gsi.gov.uk](mailto:media.relations@ons.gsi.gov.uk)