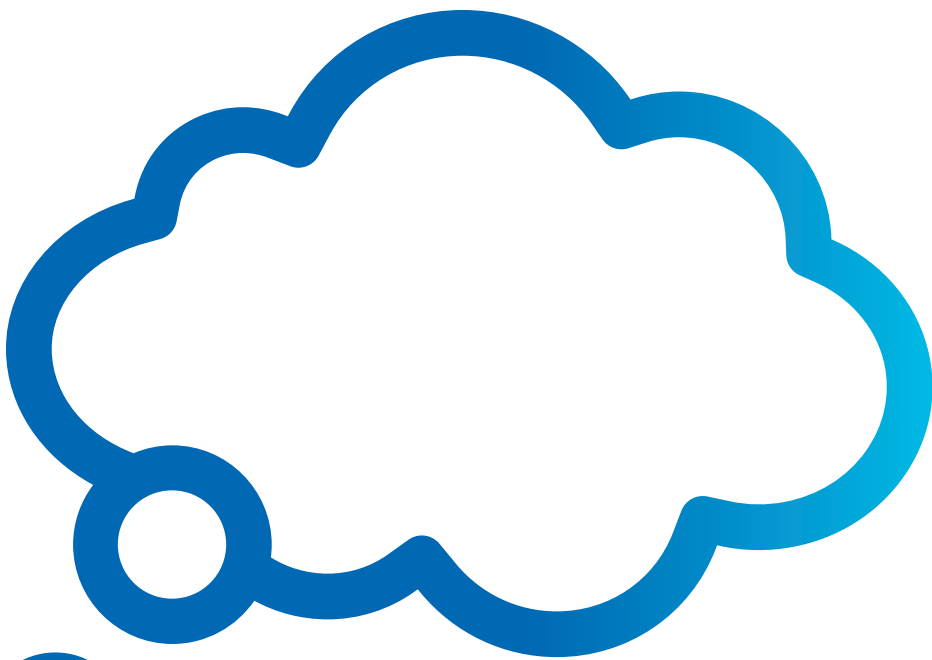


October 2017

Employee and employer attitudes to pensions as a workplace benefit

What do they really think?



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Five years on from its introduction in the UK, what do employers and employees really think of automatic enrolment?

In an age where social media and advances in technology have created a generation constantly seeking instant gratification, you could argue that saving for a pension is the last thing on many peoples' minds.

Putting away money that can't be touched until your 50s just doesn't match up to the desire for a quick reward with every action. So you might expect employees to value workplace benefits that have an immediate impact over those such as pension contributions.

But with more than eight million people now auto-enrolled, it looks like the positive effects are starting to show. Our latest research with YouGov which surveyed HR decision makers and employees in British businesses into employee and employer attitudes towards pensions as a workplace benefit shows that nine in ten employees think the introduction of automatic enrolment (AE), was a good idea. Before AE only 29% of the employees surveyed had a pension.

The research identified that employees value their workplace pension and consider pension contributions highly when looking for a new job (69%), whereas almost half of employers (46%) don't even promote their pension scheme as an employee benefit when recruiting, suggesting a big disconnect between the two groups. In fact, 57% of employers think that the amount they contribute to the pension scheme doesn't make a difference to employee recruitment. So are employers missing a trick?

At a time when half the country thinks they won't have enough money to support their desired lifestyle in retirement¹, it's clear that employers can play a pivotal role in helping staff maximise their potential pension pot. The research found that more than half of employees (54%) would increase their pension contributions if their employer did, so employers shouldn't underestimate the influence they can have on their workforces' financial wellbeing.

Size of company also makes a difference to attitudes. More employees in larger companies thought pension contributions were important when looking for a new job (79%) than those in medium (73%) and small companies (55%). And when asked about benefits employees would like most improved above legal minimum requirements, 42% of employees working for large and 39% with medium sized companies would opt first to have a higher pension contribution compared to just 20% of those in smaller organisations.

This may be because those in larger companies have often been auto-enrolled for longer, or because larger companies have more resources to promote the benefits of their pension scheme.

Either way, employer influence is a key piece of the pensions puzzle and their provider or adviser should be able to help firms looking to see how they can maximise the value of their pension scheme as a recruitment and retention tool. If our research shows anything, it is that in the long run, employers and employees both have much to gain from the development of workplace pensions.

Darren Philp
Director of Policy & Market Engagement

¹<https://bandce.co.uk/retirement-desired-lifestyles>

Our top tips...



1. Employers should promote their pension benefits when recruiting – it's what 69% of employees are looking for and this is especially true if an employer is contributing more than the minimum.



2. Employee engagement programmes should remind staff about their existing pension benefits – 83% of employees whose employers currently give them pension contributions value these as part of their current benefits package, making it a valuable employee retention tool.



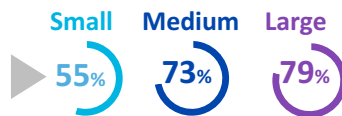
3. Where possible, increasing employer contributions above the minimum requirements should be considered – this is second only to holiday entitlement on employees' wish list.

Headline findings

Employees...

69% of employees think pensions are important when looking for a new job

Size of company matters:



83% of employees with a workplace pension value their workplace pension



90% of employees agree that automatic enrolment is a good idea

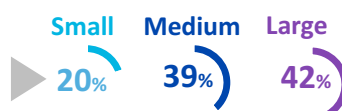


54% of employees would increase their pensions contributions if employers did the same



34% of employees would most like to have their pension contributions increased by their employer

Size of company matters:



Employers...

46% of employers do not currently promote their workplace pension in the recruitment process

57% of employers think the amount their company contributes to their pension scheme does not make a difference to employee recruitment

Only 18% of employers will promote their company pension scheme to existing staff in the next 12 months

Only 15% of employers will increase promotion of their company pension scheme in the recruitment process in the next 12 months



Summary of findings

Employers appear to underestimate the importance of workplace pensions to employees

Many British employers may be “missing a trick” when it comes to workplace pensions

Five years on from the introduction of auto-enrolment, latest YouGov research commissioned by The People’s Pension suggests that many British employers may be missing a trick in undervaluing the role their pension scheme can play in helping to attract and retain employees.

The study shows that while a surprising number of working people consider pension contributions to be second only to holiday allowance in importance when it comes to assessing a potential employer, nearly half (46%) of all businesses surveyed admitted they did not actively promote their pension scheme as a benefit to prospective employees. Moreover, well over half (57%) of employers surveyed said they did not see the amount they contributed to their pension scheme as making a difference on recruitment, with roughly the same amount (56%) saying they didn’t see it as a valuable retention tool.

This disconnect between the clear value placed on a workplace pension by employees and the more half-hearted approach of many employers is compounded by the fact that only 15% of all employers plan to increase promotion of their pension scheme as part of their recruitment process in the next 12 months.

This divergence of views between employers and employees becomes more pronounced when we consider the role that the employer also plays in encouraging people to save more into their workplace pension. A clear majority of employees (54%) claimed they would be prepared to contribute more into their pension if their employer did.

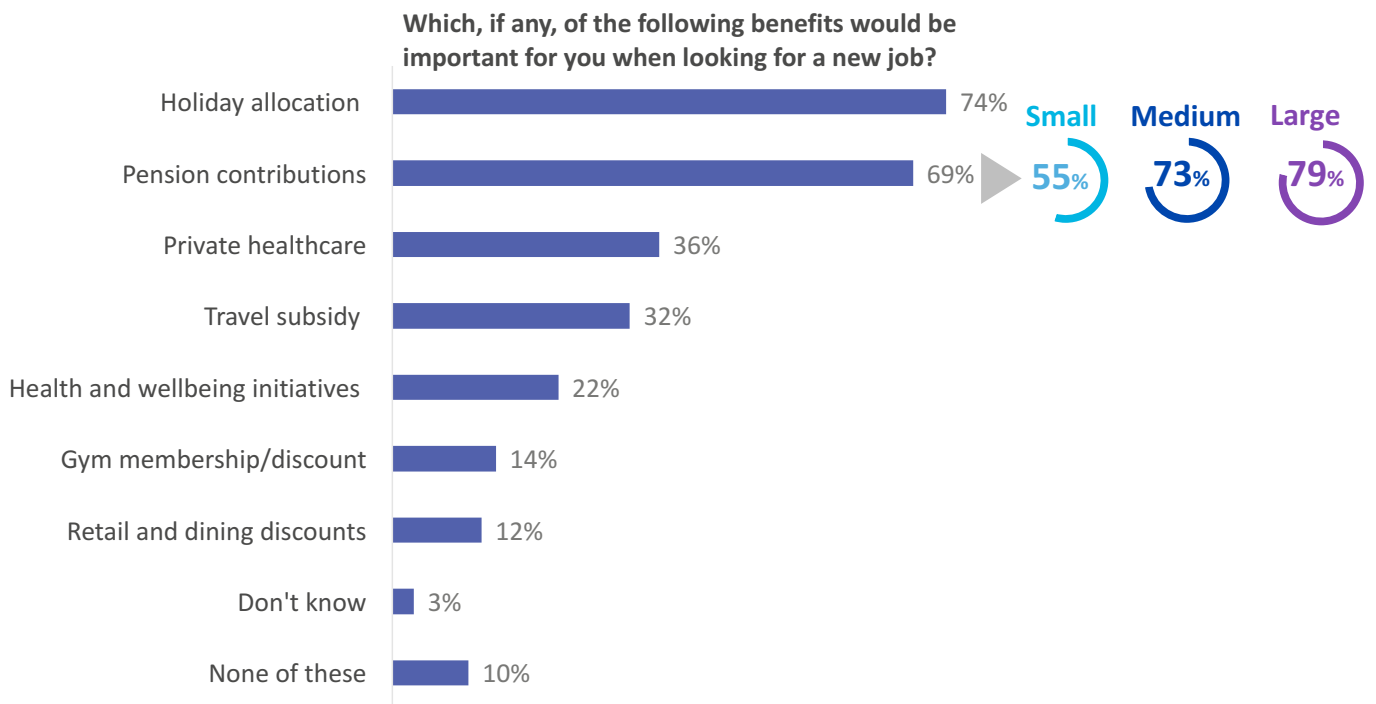
Following the success of auto-enrolment, at a time when millions of British workers are still struggling to save adequately for their retirement, it seems that supportive employers could well be an effective way to help get staff saving successfully for their old age.

Employees value pensions second only to holiday entitlement when looking for a new job...

So let's delve into these statistics. This latest survey has revealed that when looking for a new job employees are most likely to consider the number of days holiday entitlement and pension contributions offered by prospective employers. As Figure 1 below shows, nearly three quarters (74%) consider holiday allocation to be an important benefit followed by 69% for pension contributions.

When looking specifically at pension contributions in an employer's benefits package, the level of importance was considerably higher among employees working in large companies (those with over 250 employees) and medium sized businesses (50-249 employees) compared to small enterprises (2-49). The size of business employees work in has a bearing on the results throughout this report, as those employed in small enterprises are more likely to work part-time and have lower personal incomes than respondents in large businesses.

Figure 1: Importance of workplace benefits to prospective employees



All employees (1,008); small (279); medium (159); large (570)

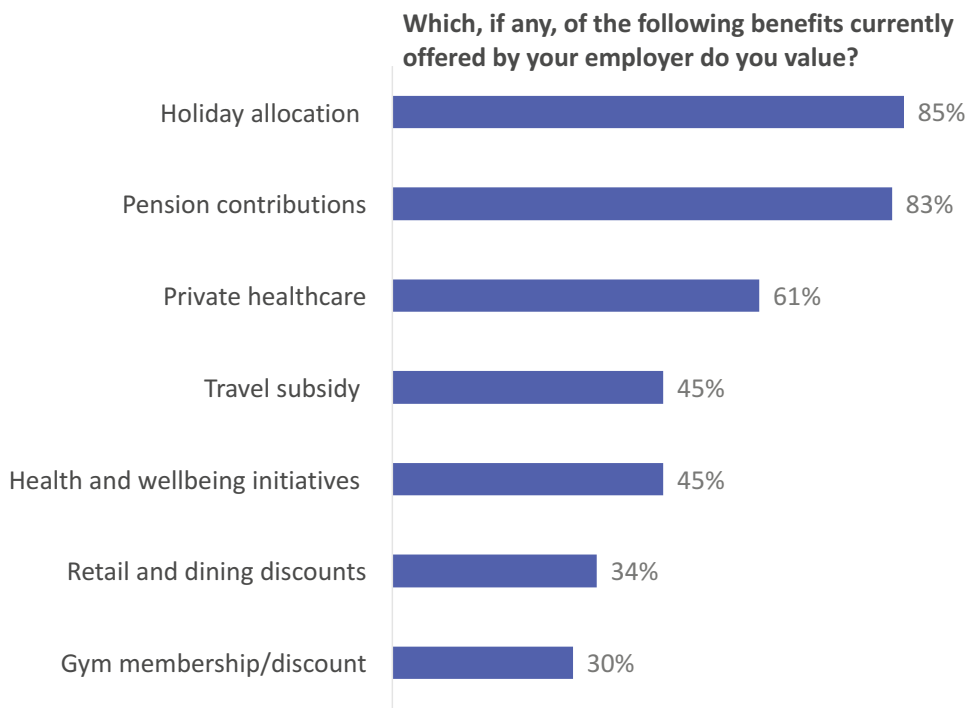


Workplace pension contributions could be a valuable talent retention tool

It's not just at the recruitment stage that pensions feature in employees' priority list. As Figure 2 below illustrates, pension contributions from their current employer are highly valued by a significant proportion of employees. This suggests that employers have an opportunity to use workplace pension contributions as a useful tool to help retain valued employees.

When looking at the benefits currently offered by employers to how much employees value them, while 85% of employees surveyed value their holiday entitlement, their employer's pension contributions came a close second at 83%. Significantly lower value was given to private healthcare by those who received it (61%) followed by travel subsidies and health and wellbeing initiatives (both at 45%), retail/dining discounts (34%) and 30% for gym membership/discounts.

Figure 2: Employees value pension contributions second only to holiday allocation among benefits offered by current employers



All employees currently offered the following benefits: Holiday allocation (537); Pension contributions (740); Private healthcare (280); Travel subsidy (202); Health and wellbeing initiatives (206); Retail and dining discounts (283); Gym membership/discount (177)



...However, the majority of employers believe their pension doesn't make a difference to recruitment or retention

Given the importance and value that employees place on workplace pensions; businesses are underplaying the impact employer contributions has on recruitment and retention.

In terms of recruitment; 57% of employers think that the amount they currently contribute doesn't make a difference to prospective employees, while just over a third (35%) agree that it has a positive impact. A similar story is true when considering the effect on retention; where 56% of employers agree that it doesn't make a difference and 37% claim it has a positive impact with current employees.

Large businesses are around twice as likely as small firms to positively assess the impact of its workplace pension contributions on recruitment (55% compared to 27%) and retention (63% compared to 28%).

Figure 3: Many employers believe the amount they contribute to their pension scheme doesn't make a difference to employee recruitment or retention



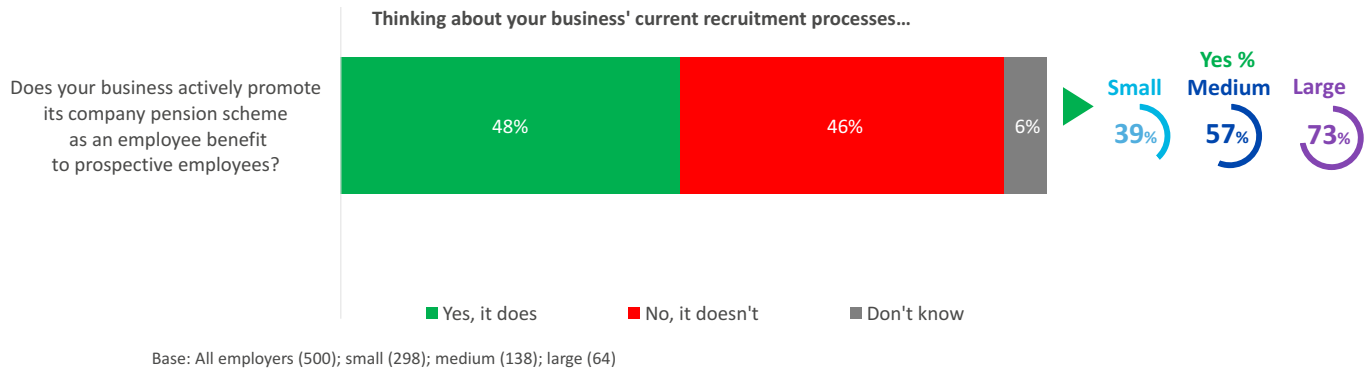
Base: All employers (500)



Nearly half of employers do not promote pensions during the recruitment process...

This lack of awareness of how much prospective employees value pension scheme contributions is underlined by the fact that HR decision makers are split when it comes to promoting their company workplace pension when hiring new employees. Just under half (48%) of all businesses surveyed claimed to promote their company pension scheme as part of its current recruitment process, while 46% admitted that it did not. This disparity is far greater by size of business where 73% of large businesses endorse its workplace pension as a company benefit compared to 57% of medium and 39% of small firms.

Figure 4: Nearly half of all employers surveyed do not actively promote their pension scheme to prospect employees



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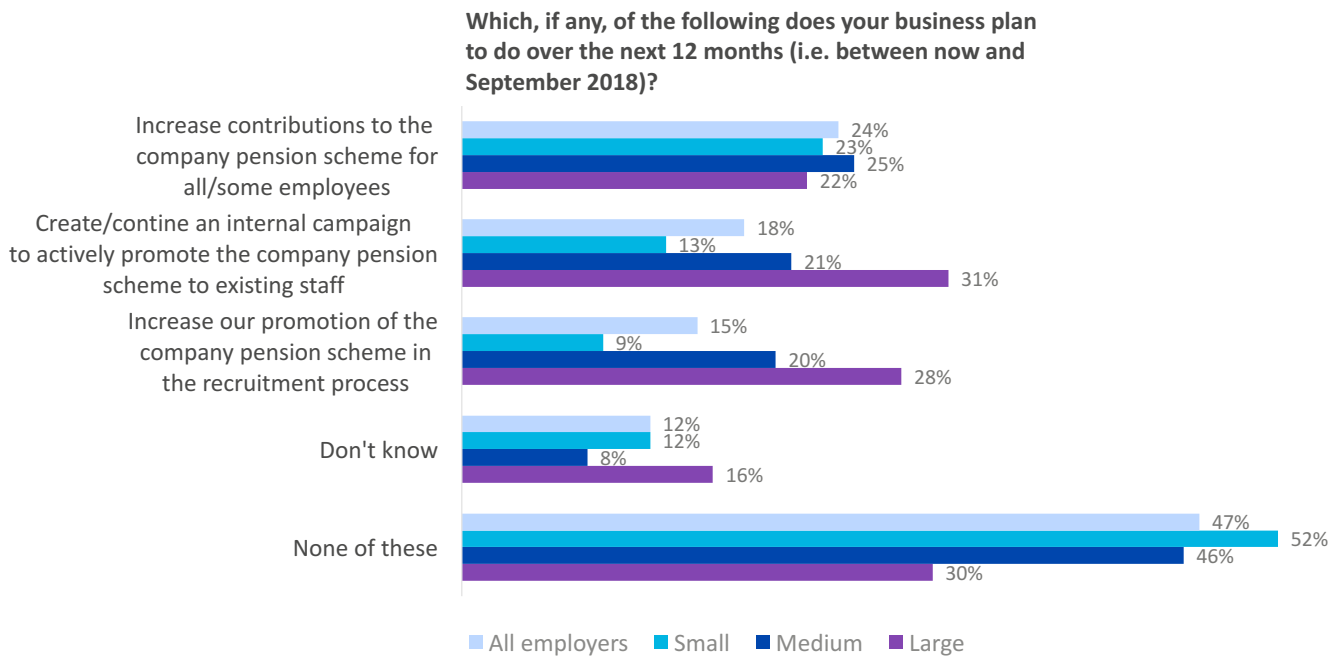
...and, worryingly, fewer than one in five plan to promote their pension any further

Perhaps even more concerning is the fact that employers seem to have few plans to invest further in their workplace pension either by increasing contributions or investing in internal or recruitment promotion of their schemes.

When looking to the next 12 months; only 15% of all employers say they will step-up the promotion of their company pension scheme in the recruitment process. Internally, just under one in five (18%) plan to create/continue to promote the company pension scheme to existing staff. When asked about pension contributions; just under a quarter of employers (24%) stated they would increase the amount they pay in for some or all employees. Worryingly, just under a half of all respondents to the survey (47%) said they would not be engaging in any of these three activities around its company pension scheme.

Again, the size of business plays a significant part in how likely companies are to promote its workplace pension as an employee retention and acquisition tool.

Figure 5: Few employers are planning to invest in promoting their pension scheme or increase contributions over the next 12 months



Base: All employers (500); small (298); medium (138); large (64)

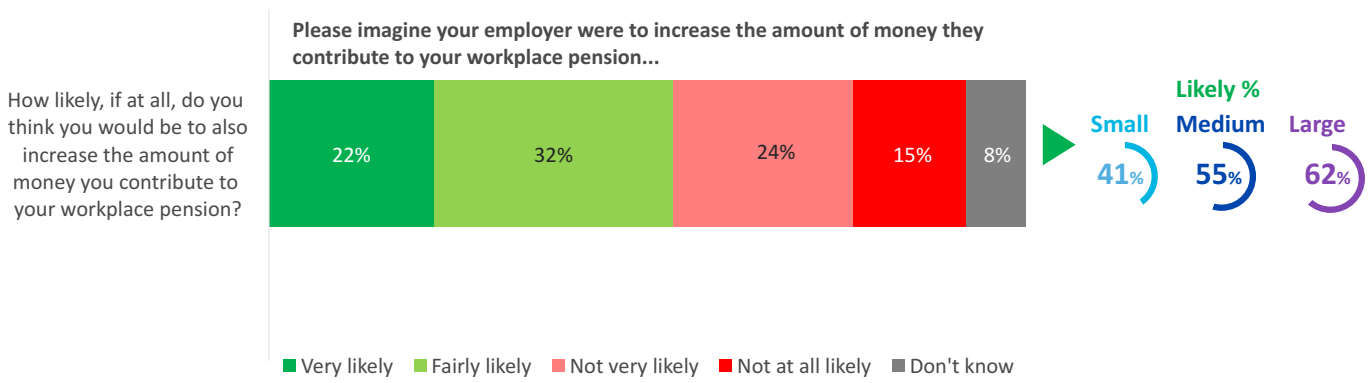


Over half of employees would increase their contributions if employers did

This survey has highlighted so far how much value employees currently place on their workplace pensions.

So when given the scenario of employers increasing their contribution to the company pension scheme, over half (54%) of employees would be encouraged to pay more too. Those working in large companies (62%) were more likely to increase their contributions than employees in small firms (41%). Males (59%) were more likely to contribute extra than their female counterparts (47%) and those under the age of 35 were just as motivated to pay more in as other age groups; which is reassuring for the younger generation maximizing the potential size of their pension pots.

Figure 6: Many employees would increase their pension contributions if their employers did too



Base: All employees (1,008); small (279); medium (159); large (570)



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Many employees would most like their employer to provide more than the legal minimum in pension contributions...

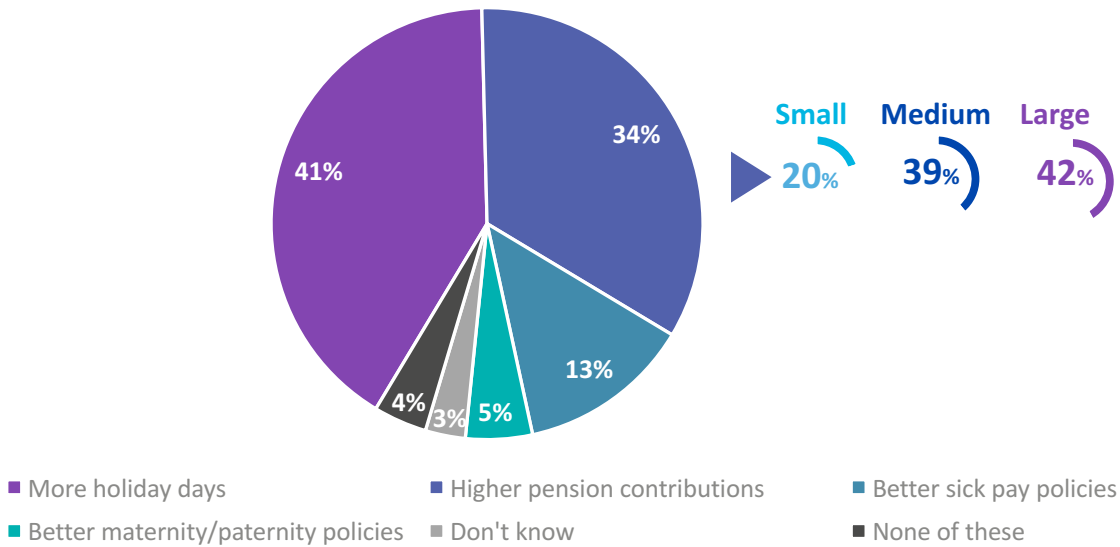
If given the choice of having one workplace benefit provided above the legal minimum, just over two in five employees (41%) would opt to have more holiday entitlement, while just over a third (34%) would prefer higher pension contributions from their employer. Thirteen percent would look for better sick pay policies and only 5% were in favour of having enhanced maternity/paternity policies.

Interestingly, 42% of employees working for large and 39% with medium sized businesses would opt to have higher pension contributions compared to only one in five (20%) of those in smaller firms.

Male employees were also more likely to elect having pension contributions increased by their employer (38%) than women (29%).

Figure 7: More than a third of employees would most like their employer to provide more than the legal minimum in pension contributions

Which one, if any, of the following benefits would you most like your employer to provide you with over the legal minimum?



Base: All employees (1,008); small (279); medium (159); large (570)



Yet half of employers only pay the legal minimum contribution to all employees

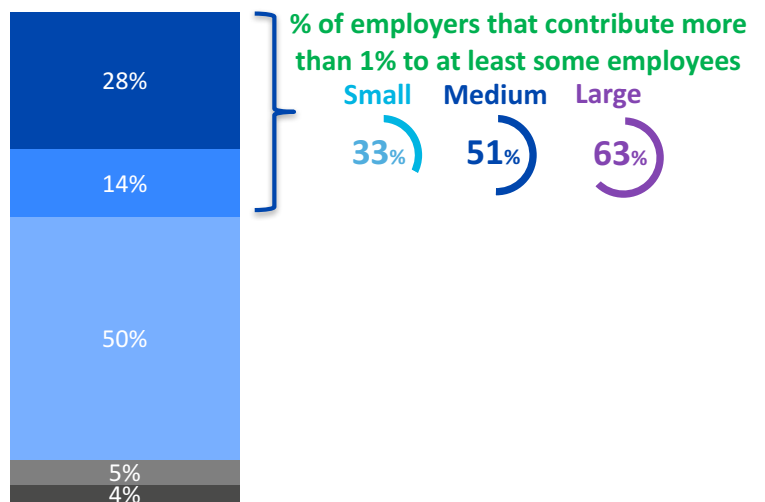
All employers were asked how much they currently contribute towards their employees pensions. Half of employers surveyed pay the legal minimum contribution to all eligible employees who haven't opted out. Over a quarter (28%) claim to be paying over the current legal minimum to all employees; while an extra 14% said that at least some employees receive a higher than the minimum contribution level.

Size and turnover of business are key factors in whether employers are likely to contribute more than the legal minimum level. 63% of large businesses admit they contribute more than 1% to at least some employees compared to 51% of medium sized businesses and 33% of small enterprises. While 58% of businesses with an annual turnover of over £10m said they contribute more than 1% to at least some employees vs. 36% with an annual turnover less than £1m.

Figure 8: Half of businesses overall pay only the legal minimum contribution to all eligible employees

Which one of the following best applies to your business' current company pension scheme?

- My business pays more than the legal minimum contribution to all eligible employees
- My business pays more than the legal minimum contribution to some eligible employees
- My business pays the legal minimum contribution to all eligible employees
- Don't know
- None of these



All employers (500); small (298); medium (138); large (64)



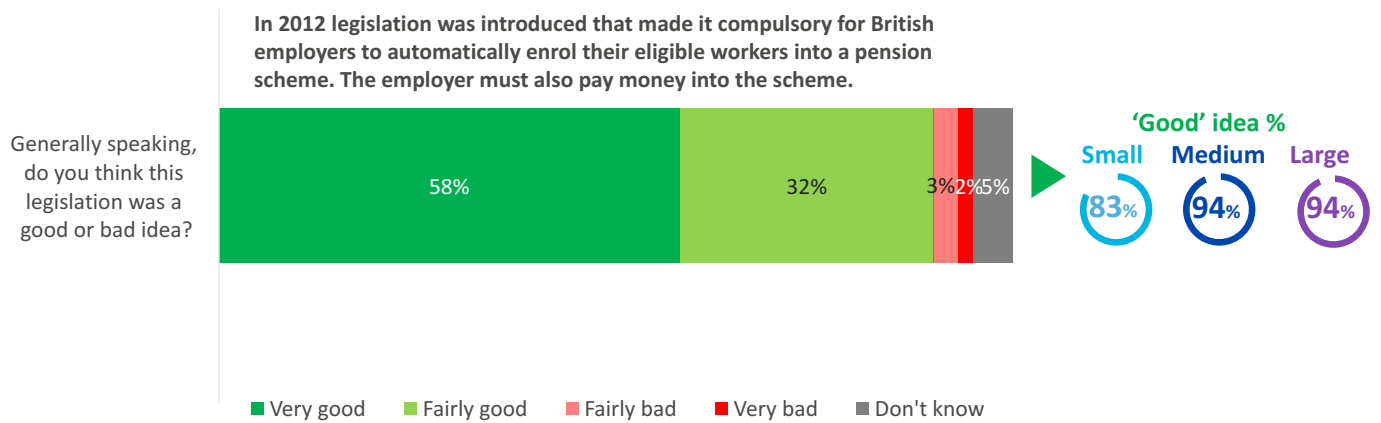


Five years on from its introduction, nine in ten employees think AE is a good idea

The vast majority of all employees surveyed consider automatic enrolment legislation to be a positive change for pensions. Nine in ten (90%) agree that automatic enrolment was a 'good' idea.

Positivity was also more prevalent among employees working in large and medium sized businesses compared to those in small enterprises. This may be indicative of the fact that larger businesses are more generally able to invest in promoting their pension scheme benefits to employees.

Figure 9: Majority of employees think AE is a good idea



Base: All employees (1,008); small (279); medium (159); large (570)





A third of employees agree that AE has helped them plan for their retirement, the impact of AE being particularly significant for women and those under 35

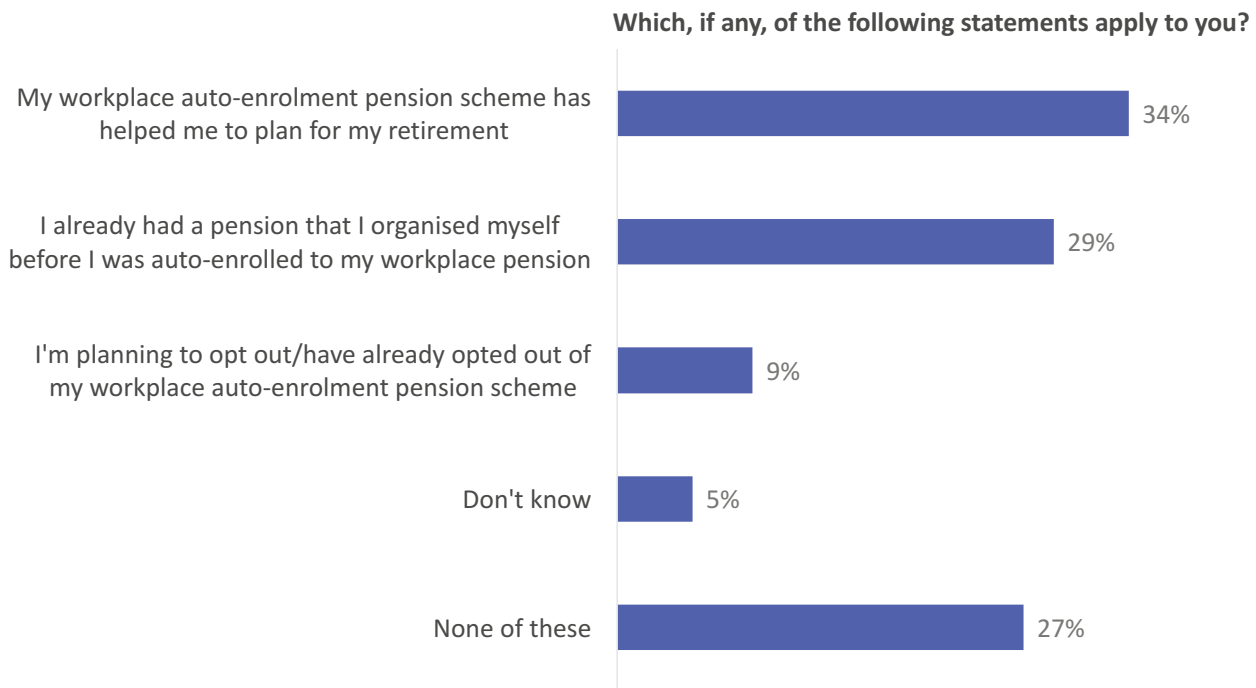
Overall, while much remains to be done to bridge the clear attitudinal divide between staff and their employers when it comes to the value of a workplace pension, there are many reasons to be cheerful.

Encouragingly, over a third of employees (34%) state that their workplace pension has 'helped them to plan for their retirement'. Agreement with this statement was higher with employees currently working in large (36%) and medium (39%) sized businesses compared to those in small firms (29%). The impact of automatic enrolment on retirement planning was also most impactful with those under the age of 35 (47% agreed with this statement).

Under a third (29%) of employees agreed that they already had their own pension arrangements in place before they were auto-enrolled into a workplace pension. Over a third of males (35%) agreed with this statement compared to 22% of females; a key group that the legislation was aimed at addressing their retirement savings needs.

Nearly one in ten (9%) of all employees admitted that they had already or were planning to opt-out of their workplace pension. Again; the size of company has a bearing on claimed employee opt-out rates; where it's as high as 14% among those working in small businesses and as low as 5% in large firms.

Figure 10: More than a third of people think their auto-enrolment scheme has helped them plan for retirement



Base: All employees (1,008)



Background to the survey

The aims of the survey were to measure employee and employer attitudes towards pensions as a workplace benefit 5 years on since the introduction of automatic enrolment in the UK.

On behalf of The People's Pension, YouGov undertook this research among employees and employers.

Method

1. Research conducted by YouGov on 1,008 employees (i.e. middle managers and below) in Britain between 31 August and 6 September 2017. The figures have been weighted and are representative of British business size.
2. Separately 500 senior decision makers with HR decision making responsibility in British businesses with 10 or more employees were surveyed between 31 August and 8 September 2017. Both surveys were carried out online.

Sample breakdown

Table 1 provides a breakdown of the key groups participating in the research

	Total	Organization size		
		Small (less than 50 employees)	Medium (50 to 249 employees)	Large (250+ employees)
HR Decision makers	500	298	138	64
Employees	1,008	279	159	570

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