Flash Poll: Auto-enrolment next steps October 2020

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In October 2020, the SPP held the event Auto-enrolment: what should the next steps be? During the event, we asked four polling questions, which followed up from a membership survey undertaken at the start of 2020.

The progression of our membership's views prompted these thoughts from SPP President, James Riley:

Auto-enrolment has increased the number of active pension savers by 10 million, however we are yet to see the quality of retirement outcomes auto-enrolment will lead to.

There is consensus that an 8% total contribution is too low to provide an adequate retirement nest egg. In our early 2020 survey, four-fifths of respondents believed minimum employer contributions should increase over time from 3% to 6% of earnings, giving a headline contribution rate of 11% (split 6% employer and 5% employee).

We believe that businesses and savers would support the Government going beyond this to the 12% (split 6% employer 6% employee) called for by the PLSA in its "Hitting the Target" paper from July 2018. DWP research showed that opt outs remained less than 1% across the April 2018 and April 2019 contribution increases, suggesting there is room for a further increase.

Introducing contribution increases too rapidly risks killing the goose that laid the golden egg, causing difficulties to both employers and employees wrestling with the economic fallout from the Covid-19 pandemic. We therefore suggest that the change is implemented over a few years, but no later than PLSA's 2030 timetable. This was supported by our latest polling, with three quarters of respondents choosing phased increases.

While any increases to contributions may be some time away, decisions need to be taken to support these future increases. If we delay deciding on increases, then there is a real risk that we cannot meet our 2030 goal.

One option of managing any cost impact would be to introduce it for new employees from one date and then allow employers discretion as to when (and in what stages) to move their existing workforce up to the improved basis but subject to a final backstop date.

Finally, it's worth noting that there are other ways of increasing the amount individuals save, for example removing the age criterion and / or reducing the earnings trigger for enrolment. Our initial survey showed that four-fifths favoured removing the minimum age criterion with two-thirds saying that automatic enrolment should be extended to all employees up to age 75. While at our recent event, over half of respondents to a poll on the subject favoured enrolling all employees whatever their salary. Individuals can of course still opt out.

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Remove the age criterion altogether?

No change	5%
Just lower to age 18	21%
Remove any minimum age qualification	7%
Extend to all employees up to age 75	13%
Remove the age criterion altogether	54%

Earnings trigger for enrolment – at what level should it be set at going forward

£12,500 – follow personal allowance	17%
£10,000 – stay unchanged	7%
£9,500 – follow NI primary threshold	17%
£7,800 - £150 per week	1%
Everyone is enrolled	58%

Easier enrolment?

No change	9%
Allow pay in previous earnings period to determine eligibility for enrolment	18%
Full discretion for employers to statutorily enrol any employee they wish	73%

Contribution rates – how do we get there?

Engagement & Nudges – cost effective targeted communication	5%
Mandatory matching contributions – e.g. employers match every 1% from 5% to 8% - 14% total for engaged employees	18%
Mandatory phased increases – Australian model e.g. 0.5% per year to get to 12%	72%
Higher mandatory employer contributions of 7% for new employees only	2%
Big bang – 6% employer & 6% employee	3%

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