The Society of Pension Professionals (SPP) response to The Labour Party's National Policy Forum (NPF) Annual Consultation 2026

1. Introduction

1.1. This consultation response sets out key considerations for the government's *Make Work Pay* plan, drawing on the SPP's unique breadth of expertise across the pensions industry – representing over 20,000 pension professionals including actuaries, lawyers, trustees, consultants, administrators and investment specialists.

1.2. This diversity of insight underpins our commitment to delivering positive outcomes for pension scheme members and the wider pensions system.

1.3. The below emphasises that improving take-home pay should go hand in hand with strengthening long-term financial security.

1.4. While increasing earnings and supporting workers today is essential, policy decisions must also ensure that individuals are able (and encouraged) to save adequately for retirement. With millions of UK workers already under-saving, it is vital that reforms to pay, tax and incentives do not inadvertently undermine pension participation, contribution levels or confidence in the system.

2. Consultation response

What should the Government consider in implementing and taking forward its Make Work Pay plan?

2.1. It is imperative that work pays, but it is equally important that workers have an adequate retirement income and that long-term saving is incentivised.

2.2. DWP research shows that 46% of working age people (equivalent to 15 million people) are not saving enough for retirement[1]. Many are not saving at all – with over 1.7m expecting the State Pension to be their only source of retirement income.[2]

<u>Automatic Enrolment (AE)</u>

2.3. The Pensions (Extension of Automatic Enrolment) Act 2023 gives the government the power to both remove the lower earnings limit (so contributions start from £1) and lower the minimum age at which workers can contribute, to 18. Despite having the power, neither measure has been implemented by the current Labour government. Doing so would reduce pension inequality by helping people with part-time jobs, multiple jobs and who are lower income earners. It would also help narrow the gap in retirement outcomes.

2.4. Removing the £10,000 auto-enrolment trigger under the Pensions Act 2008 is another option. This would bring millions more (mainly low earners and part-time workers, disproportionately women) into workplace pensions automatically. It would also be simpler, easier to understand and would ensure people gained years of extra saving. However, this would result in lower take home pay for lower earners (although they could opt-out whenever they like) and an increase in costs for employers. An alternative would be for employers to be compelled to regularly (perhaps annually) reminding lower earners of existing rules i.e. that they can always opt-in to AE if they would like to, irrespective of earnings.

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[1] **Planning and Preparing for Later Life, November 2022:**
https://www.gov.uk/government/publications/planning-and-preparing-for-later-life
[2] **Ibid**

2.5. The previous government acknowledged that the current 8% minimum contribution rates under AE *"…are unlikely to give all individuals the retirement to which they aspire."*[3] There are challenges – political, social and economic – in delivering any such increases but these are not insurmountable. The SPP believes that the country needs a long-term plan for increasing AE contribution rates, including a clear framework and timetable, which provides certainty for savers and employers alike, to reach an adequate level of contributions.

2.6. The government should consider making it a statutory requirement for companies to carry out regular AE audits with declarations in their reports and accounts. In practice, many good employers undertake regular internal reviews or 'AE audits' to ensure their assessment, enrolment and contribution processes remain compliant, but these reviews are not always robust and the same errors can persist or be carried forward year after year.

The self-employed

2.7. Although automatic enrolment has been successful in getting more people to save – less so getting them to save enough – its success often causes policymakers to overlook the millions of workers who are ineligible for AE e.g. the self-employed.

2.8. AE could be extended through the tax system for the self-employed i.e. default contributions could be made through Self-Assessment as a percentage of profits or earning based contributions This would have the advantage of harnessing inertia in the same way that AE does for millions of employees. It would also have the benefit of utilising existing HMRC infrastructure.

2.9. Alternatively, sidecar savings/hybrid models could be adopted. This would better align with real financial behaviour and reduce the fear of locking money away. However, this would also lead to increased product complexity and lower pension accumulation.

2.10. Whilst some have argued that the Lifetime ISA is ideal for the self-employed, because it effectively offers 20% tax relief on the way in and is tax-free on the way out (with the option of accessing the money early if needed albeit at a 6.25% cost). However, this requires proactive choice rather than harnessing inertia. It is also only suitable for basic rate taxpayers given higher rate taxpayers and additional rate taxpayers only get 20% relief too. Annual contributions are limited to just £4,000, which further limits its effectiveness as a retirement income vehicle, and savings can only be made up to age 50. Furthermore, unlike a pension, Lifetime ISA's count as savings and can therefore impact state benefits. Perhaps most pertinently, the current LISA will eventually be phased out for new users, and whilst existing savers can continue to pay into their accounts, and new savers can still open LISAs until the new replacement product becomes available, it does not represent a good long term alternative to pension saving.

Incentives, Nudges and Platform-Based Solutions

2.11. These should also be considered. Such options may be weaker than having defaults but would leverage existing behaviour. For example, government matching for low earners or nudges like micro saving tools and rounding mechanisms and platform solutions such as embedding pensions into gig economy platforms like Deliveroo and Uber and other technological solutions from utilising dashboards to harnessing AI.

2.12. A more radical, system-level intervention would be to consider a state-backed default pension for the self-employed (an opt-out national scheme). This would involve creating a dedicated default pension pathway for the self-employed - automatic enrolment when registering as self-employed, contributions linked to income (via HMRC or National Insurance) and a centralised, low-cost scheme (likely building on NEST). So, no employer needed, no setup costs, contributions adjustable or pausable and it would be integrated with the tax system. The advantages would include universal coverage, a simple visible default and it would remove the need to navigate what can be a complex market. The disadvantages would be a risk of crowding out private providers (although they are currently only serving 20% of the self-employed) and there may be "one size fits all" investment/decumulation concerns.

[3] **Pensions Age, January 2023:** **https://www.pensionsage.com/pa/Govt-stands-by-mid-2020s-timeline-for-ae-reforms-broader-changes-on-backburner.php#:~:text=It%20stated%3A%20%22Current%20statutory%20contributions,pension%20coverage%20and%20savings%20levels.**

Pension scams and fraud

2.13. Protecting workers from the financial and emotional devastation of pension scams and fraud should also be a high priority. This erodes general trust in the pensions system making workers less likely to save into a pension. The Pension Scams Industry Group estimated that pension scam losses amounted to over £10bn[4].

Additional measures

2.14. Wider lifetime saving for workers could also be improved through the integration of short term and long-term savings schemes. To achieve this there needs to be a feasibility investigation to understand the demand for such functionality and the extent to which such a system can be accommodated by technology solutions; and an economic impact assessment for allowing different groups access to various elements of pension savings for certain prescribed purposes (payment of debt, mortgage deposits for first time buyers etc.).

2.15. The government could also explore:

- the practicalities of introducing a carer's credit to help the 2.3m people working as carers who currently receive no income and therefore cannot make any pension contributions;
- increasing the £2,880 limit on which pension tax relief is payable for non-taxpayers (not increased for more than a quarter of a decade), which might better encourage parents and grandparents to consider saving into a pension for the under 18s and may be helpful for non-working spouses, helping to reduce the gender pensions gap.
- the split between employer and employee contributions, perhaps removing the conditional link between the two and allowing employees to opt-down (or even out) while keeping the employer contribution.

2.16. The government needs to take a holistic approach to its ambition to deliver higher living standards. As the government implements and enforces the measures set out in its Make Work Pay plan, it should ensure that the benefits of increased income are felt in retirement too.

How can Labour build on its pro-business, pro-worker approach to delivering security and dignity for people in work, at the same time as boosting employment and skills and supporting people to start businesses?

2.17. Delivering security and dignity for people in work is very important, but it is equally important that workers have security and dignity in retirement.

2.18. The government decision to restrict salary sacrifice for pensions to £2,000 per annum from April 2029 is neither pro-worker nor pro-business.

2.19. Furthermore, this is damaging to the idea of pension saving for the UK's 30m+ workers because it suggests pensions are a convenient revenue source for the government, fuelling distrust in the stability of the system and discouraging people from contributing more than the legal minimum. Repeatedly targeting pensions in this way is likely to undermine long term saving, weakens confidence among both employees and employers, and runs counter to the governments stated objective of ensuring workers have sufficient income in retirement.

2.20. According to government data, 3.3 million workers who are using salary sacrifice for pensions will be impacted by the £2,000 per annum restriction[5].Of those impacted, more than a quarter (26%) will be basic rate taxpayers i.e. 858,000 people[6].

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[4] **Pension Scams Industry Group evidence to Parliament, 2020:**
https://committees.parliament.uk/writtenevidence/11225/default/

[5] **Salary sacrifice reform for pension contributions, December 2025:**
https://www.gov.uk/government/publications/salary-sacrifice-reform-for-pension-contributions-effective-from-6-april-2029/salary-sacrifice-reform-for-pension-contributions

[6] **Budget 2025, November 2025:**
https://assets.publishing.service.gov.uk/media/6929b367b3b9afff34e9621c/Final_print_HMT_Budget_2025_TEXT_PRINT_NEW.pdf

Impact on saving

2.21. The cap on salary sacrifice is very likely to reduce pension saving when, as stated above, the government's own figures reveal that 15million people are not saving enough for an adequate retirement[7]. This not only includes those directly affected by the cap, but also those affected by their employer no longer offering salary sacrifice.

2.22. This figure rises to 25million if the triple lock were to be removed and the State Pension increased annually in line with inflation instead[8].

Impact on workers

2.23. As well as the likely reduction in pension saving, employees wanting to save more than £2,000 a year into their pension will face increases in costs. The impact will be greater for basic rate taxpayers, for whom employee NICs are 8%, than for higher rate taxpayers for whom employee NICs are 2%.

2.24. Furthermore, the OBR are assuming that employers are likely to pass on 76% of this increased cost; half through reduced employer contributions and half through lower salaries and bonuses. Less direct methods of recovering increased costs could be via reduced recruitment which would damage job prospects more widely.[9]

Impact on businesses

2.25. The government's own policy paper concludes that, *"This measure is expected to have a significant impact on 290,000 employers who operate salary sacrifice arrangements for pension contributions who will now need to account for relevant pension contribution amounts and report and pay Class 1 National Insurance contributions on these, where appropriate".*

2.26. Starting from April 2029, employers will have to pay 15% NICs on amounts employees sacrifice above the new £2,000 limit. This follows the Chancellor's November 2024 pledge not to impose any additional costs on businesses.[10]

2.27. In addition to the NICs costs, the government estimate £20m in one-off administrative costs and an additional ongoing annual administrative burden of £30m[11].

2.28. This follows the Prime Minister's March 2025 government commitment to reduce employers' compliance costs by 25%[12]

Other impacts

2.29. The OBR has acknowledged that this will lead to considerable behaviour change e.g. many individuals will switch to Relief at Source (RAS) arrangements and increase their interaction with HMRC as a result, leading to additional (uncosted) time and resources being expended by individual employees and HMRC.

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[7] **DWP Official Statistics, Analysis of future pension incomes, published July 2025:**
https://www.gov.uk/government/statistics/analysis-of-future-pension-incomes-2025
[8] **Sir Steve Webb, Actuarial Post, December 2025:**
https://www.actuarialpost.co.uk/article/living-in-a-fools-paradise-says-former-pensions-minister-26059.htm
[9] **Office for Budget Responsibility, Economic and Fiscal Outlook, November 2025:**
https://obr.uk/docs/dlm_uploads/OBR_Economic_and_fiscal_outlook_November_2025.pdf
[10] **Rachel Reeves, BBC, November 2024:**
https://www.bbc.co.uk/news/articles/cx2ny044mvdo#:~:text=The%20chancellor%20has%20said%20she,less%20likely%20to%20hire%20workers
[11] **Salary sacrifice reform for pension contributions, December 2025:**
https://www.gov.uk/government/publications/salary-sacrifice-reform-for-pension-contributions-effective-from-6-april-2029/salary-sacrifice-reform-for-pension-contributions
[12] **Prime Minister's speech, March 2025:**
https://www.gov.uk/government/speeches/pm-remarks-on-the-fundamental-reform-of-the-british-state-13-march-2025

Rationale

2.30. The sole justification appears to be to save money in the short term, with the government anticipating a saving of £4.8bn in 2029-30. However, this saving falls substantially to £2.6bn in 2030-31 as a result of what the OBR believes to be behaviour change in the form of switching to “Relief at Source” (RAS) arrangements.

2.31. The OBR believes that many employees will switch to RAS arrangements as a result of the salary sacrifice restriction taking effect. These employees will initially pay higher and additional rate income tax on their pension contributions and then reclaim this through their self-assessment return in the next year. As the OBR observe, *“This creates a temporary timing effect as employees switching from salary-sacrifice to RAS in 2029-30 pay increased tax in that year, and then reclaim it in 2030-31, boosting 2029-30 receipts by £1.6 billion.”*

2.32. The financial savings created by restricting salary sacrifice for pensions are, as the OBR highlights, *“…subject to uncertainties related to potential responses to the change by employers and employees…”*[13]

2.33. So, in summary the decision to restrict salary sacrifice for pensions will result in higher costs to workers and businesses; less saving in pensions when more saving is needed and the cost savings for the Exchequer are uncertain.

What are the specific implications of policy proposals in this area for (a) women, (b) Black, Asian and minority ethnic people (c) LGBT+ people, (d) disabled people and (e) all those with other protected characteristics under the Equality Act 2010? What are the implications of these proposals on reducing the inequalities of outcome which result from socio-economic disadvantage?

2.34. Reducing inequalities in employment are liable to help reduce inequalities in retirement and conversely a failure to do so has resulted in numerous and substantial ‘pension gaps’ experienced by ethnic minorities, women, the disabled and the LGBTQ+ community amongst others.

2.35. The gender pensions gap is 35%[14], rising to 60% when considering DC pensions alone. By her late 50’s a woman’s private pension wealth is on average only 62% of a man’s in the same age bracket.

2.36. Those of an ethnicity other than “White British” had an average pension pot of £52,333, just 46% the size of their white British counterparts’ £114,941.[15]

2.37. LGBTQ+ people are less likely to be on track for both a minimum lifestyle (55%, compared with 63% on average) and a comfortable lifestyle (34%, compared with 38%).[16]

2.38. According to the Pensions Policy Institute (PPI), disabled people as a group have significantly lower levels of pension wealth than the general working aged population - at least half have no pension wealth at all. Among those with pensions, their holdings are lower than those of the non-disabled (£47,706 vs £61,392)[17].

2.39. The government should carefully consider solutions for addressing systemic pension gaps and establishing a timetable to do so. Policy solutions that have the potential to play a role in reducing pension gaps are detailed below:

2.40. Examining the potential for pension sharing on separation, including for couples who are not married or in a civil partnership.

2.41. Amending the high-income child benefit charge so that it no longer negatively affects non-working or lower-income parents (usually mothers) who would otherwise use a child benefit claim to automatically receive NI credits for years they are not working or earning below the National Insurance threshold.

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[13] **OBR Fiscal & Economic Outlook, November 2025:**
https://obr.uk/docs/dlm_uploads/OBR_Economic_and_fiscal_outlook_November_2025.pdf
[14] **The PPI, The Underpensioned: Defining the Gender Pension Gap, 2024:**
https://www.pensionspolicyinstitute.org.uk/research-library/research-reports/2024/2024-02-07-the-underpensioned-defining-the-gender-pension-gap/
[15] **Just don’t mention the pension: the ethnicity pensions gap, Legal & General Investment Management, 2023:**
https://am.landg.com/asset/4a7e00/globalassets/lgim/capabilities/defined-contribution/dc-retirement-solutions/the-ethnicity-pensions-gap-report.pdf
[16] **National Retirement Forecast, Scottish Widows, 2023:**
https://adviser.scottishwidows.co.uk/assets/literature/docs/61014.pdf
[17] **Underpensioned, Technical analysis of pensions wealth data, January 2026:**
https://www.pensionspolicyinstitute.org.uk/media/unmbzzkt/20260114-underpensioned-was-analysis.pdf

2.42. Improving pension related communications to help dispel mistrust and improve understanding of the protections and benefits among those from ethnic minority backgrounds. This messaging should be tailored to tackle misconceptions and cultural caution.

2.43. Members of these groups are more likely to be ineligible for AE because they earn below the earnings trigger of £10,000 and if they are a scheme member, their contributions may be limited due to the £6,240 lower earnings limit. Removing these thresholds would therefore disproportionately help lower earners and narrow pension gaps.

2.44. The SPP's self-employment recommendation at 1.10 above is particularly relevant for the disabled given the government's Keep Britain Working review says disabled people are more likely to be self-employed, often because it feels like the only viable option. A targeted matching incentive or NI-linked pension contribution for self-employed disabled workers would therefore address a clear gap in the existing framework.

2.45. Employer incentives for disability retention and progression, not just recruitment should also be considered. Disabled people face barriers not only in hiring but also in training, career progression, and retention. Procurement preferences, accreditation, or tax incentives for employers that meet measurable standards on adjustments, retention and progression may help improve employment prospects for the disabled which in turn should lead to increased pension contributions.

3. About The Society of Pension Professionals

2.1 The SPP is the representative body for a wide range of providers of advice and services to pension schemes, trustees, and employers. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry, and its stakeholders.

2.2 The breadth of our members is a unique strength for the SPP. Our membership of 90 corporate organisations employs over 20,000 pension professionals including actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists.

4. Further information

4.1. For more information about this consultation response please contact SPP Director of Policy & PR at: phil.hall@the-spp.co.uk or telephone the SPP on 0207 353 1688.

4.2. To find out more about the SPP please visit the SPP web site: https://the-spp.co.uk/

4.3. Connect with us on LinkedIn at: https://www.linkedin.com/company/the-society-of-pension-professionals/

4.4. Follow us on X (Twitter) at: https://twitter.com/thespp1

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SPP, Pensions Organisation of the Year 2026