PRESS RELEASE

FOR IMMEDIATE RELEASE - 0900 WEDNESDAY, 22 JULY 2026

PENSIONS POLICY INSTITUTE

PPI: No single Automatic Enrolment reform can protect all low earners, with fiscal drag 'blurring' current aims

The Pensions Policy Institute (PPI), the UK's leading independent authority on pensions and retirement policy, has published a new report today finding that no single Automatic Enrolment (AE) thresholds reform can fully protect low earners from pensions inadequacy or financial vulnerability in working life.

The final report in the research series, '**From Payslip to Pension: Life Course Impacts on Retirement Saving Among Low Earners'**, funded by a grant from the Nuffield Foundation, identifies that, due to the diversity of financial security and pensions adequacy risks different low earners face in working life and retirement, no single AE policy can account for all scenarios.(1)(2)

For low earners who spend a particularly large portion of their working life as low earners, the study states the Lower Earnings Limit (LEL) reduces their contributions to such a degree that increased minimum contribution rates are unlikely to compensate for it. For example, at age 22, low earners are projected to have a further 16 years of low earning across their working life if they are a woman, or 8 if they are a man. Other risk factors, such as low educational qualification levels or motherhood, may increase these figures further, increasing the impact of any change to the LEL. However, for other low earners who may be at risk of poverty, any contribution may be too much, and the removal of the LEL could increase their contribution significantly.

The research also shows how the impact of fiscal drag on AE thresholds has made its current aims unclear. Eroded by inflation since the last uprating in 2014, PPI analysis shows the Earnings Trigger is now £4,300 (43%) lower in real terms, pushing employees and employers to make a greater contribution to a workplace pension. As low earners and employers face a range of cost of living and global economic pressures, the LEL is also 28% lower in real-terms, meaning a further £1,750 of employees' earnings are now subject to a workplace pension contribution since the last 2020 uprating.(3)(4)

The analysis notes that the real-terms decrease of AE thresholds reflects an implicit assumption that low earners will opt out if it is in their best interests to do so, in order to address immediate cost of living pressures, or other factors. This is despite the AE policy mechanisms of the Earnings Trigger and the LEL being originally designed to protect against low earners failing to opt-out of saving when potentially needed, the report states. Future AE reforms that explicitly outline assumptions about the capacity of low earners to opt-out when necessary, the assessment elaborates, would help clarify the wider policy direction.

The report comes as the Second Pensions Commission considers how AE might be reformed to increase pensions adequacy, with low earners highlighted as facing particularly high adequacy risks.

Further key findings of the research series summarised in the report include:

- **Saving may present immediate risks to low earners who are at risk of poverty, in debt, or in precarious or unstable employment**. Even relatively small contributions under current AE policy may exacerbate hardships, and some AE reforms may increase these contributions.
- **Many individuals will spend a significant portion of their career as low earners, so any periods of higher earnings are unlikely to provide sufficient savings for their retirement.** For example, in the case of an 18 year old low earning woman who does not achieve qualifications higher than a GCSE, she is projected to spend 22 years as a low earner across her working life.(5)(6)
- **Some potential new policies may benefit persistent low earners, such as non-contingent employer contributions, or sidecar savings.** Non-contingent employer contributions would see an employee enrolled in a pension scheme, receiving employer contributions, without having to reduce their own take home pay. Sidecar savings create a mechanism by which pension contributions would be paid in to a separate, accessible savings account first, and only when this account reached a certain size, would they be paid into a conventional, harder-to-access pension pot.

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John Upton, PPI Policy Analyst and lead author of the research series, commented:

"Automatic Enrolment started with the assumption that low earners may not opt out by themselves and needed a degree of protection, but this assumption appears to be shifting: they are excluded from Automatic Enrolment to a degree, but as thresholds reduce with inflation, more people are gradually brought into scope. As the Second Pensions Commission seeks to improve pensions adequacy, highlighting low earners as a high risk group, it will need to find the delicate balance between working life living standards and retirement living standards for low earners. As no single policy reform may fully counter all risks, it may be necessary to make the assumptions around the capacity for saving and opting out more explicit, so that extra protections for at-risk groups may follow."

ENDS

Notes to editors

1. The Nuffield Foundation is an independent charitable trust with a mission to advance social well-being. It funds and undertakes rigorous research, encourages innovation and supports the use of sound evidence to inform social and economic policy, and improve people's lives. The Nuffield Foundation is the founder and co-funder of the Nuffield Council on Bioethics, the Ada Lovelace Institute and the Nuffield Family Justice Observatory. This project has been funded by the Nuffield Foundation, but the views expressed are those of the authors and not necessarily the Foundation.

   Find out more at: www.nuffieldfoundation.org. Bluesky: @nuffieldfoundation.org, LinkedIn: Nuffield Foundation

2. The PPI research defines low earners as those earning the equivalent of a full-time Real Living Wage.

3. The Earnings Trigger rule specifies that employers are only required to automatically enrol employees into a workplace pension and contribute to it if they earn over £10,000 a year with a single employer. The LEL prevents earnings below £6,240 from being included in any pensions contribution relative to a percentage of an employee's overall earnings.

4. The below table sets out the highlighted numbers included in the PPI analysis used to calculate the real-terms drops to the Earnings Trigger and Lower Earnings Limit.

Threshold	Policy Milestone	Original Tax year	Original Value	Cumulative CPI Inflation to 2026	What it needs to be in 2026 to match	Required Increase to Catch Up
AE Earnings Trigger	At Introduction	(Tax Year 2012/13)	£8,105	51%	£12,240	22%
	Since Last Freeze	(Tax Year 2014/15)	£10,000	43%	£14,300	43%

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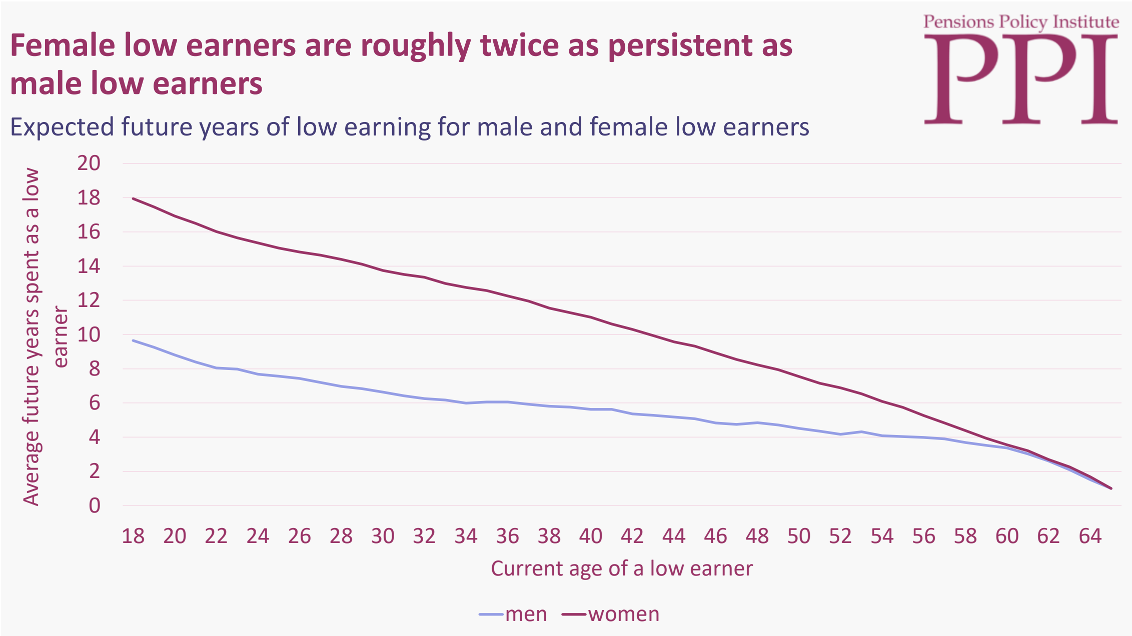
Lower Earnings Limit (LEL)	At Introduction	(Tax Year 2012/13)	£5,564	51%	£8,400	35%
	Since Last Freeze	(Tax Year 2020/21)	£6,240	28%	£7,990	28%

5. The below chart from the report (p.14) shows that among the low earning population, woman are approximately twice as persistent as men at most points during working life. The report highlights that this is driven by motherhood and the gender pay gap.



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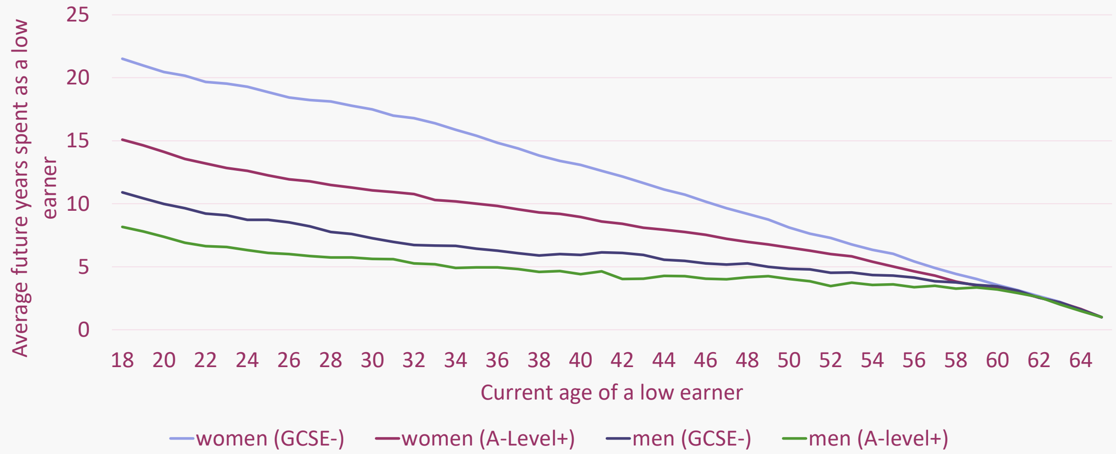
6. The below chart from the report (p.16) shows low qualifications increase the persistence of low earning. At all ages and for both genders, low earners whose highest qualification is a GCSE or less have higher levels of projected low earning. For an 18 year old low earning woman, who does not get an A-level or higher, she is projected to have an average of 22 years of low earning in her career.

Low qualifications are a predictor of persistent low earning, especially in women

Expected future years of low earning for low earners, for men and women whose highest qualification is a GCSE or equivalent, or at least an A-level or equivalent



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About The Pensions Policy Institute (PPI)

The Pensions Policy Institute (PPI) is the UK's leading independent authority on pensions and retirement policy. We conduct rigorous, impartial research to inform major policy decisions affecting millions of people's retirement security. Our evidence-based analysis is used by government and across Westminster – as well as industry and consumer groups - with extensive media coverage bolstering understanding of complex pension issues. Our work ensures that policymakers have the unbiased analysis needed to deliver better outcomes for those they serve.

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