

Introduction

The Pensions Act 2008 provided for the introduction of automatic enrolment into workplace pension schemes. Automatic enrolment policy started rolling out in October 2012, with the largest employers enrolling eligible employees into qualifying workplace pension schemes, in which employees will remain unless they actively opt out.

Automatic enrolment is now in its third stage:

- From October 2012, employers with 250 or more employees began to auto enrol
- From April 2014, employers with 50 or more employees began to auto enrol.
- From June 2015, employers with fewer than 50 employees began auto-enrolling.

Under the current timetable, all complying employers will have automatically enrolled eligible employees by February 2018.

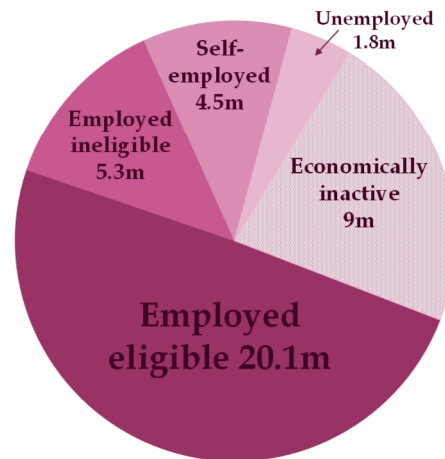
By the end of June 2015, 20.2 million workers had been assessed for eligibility. 9.3m of these workers were already active members of a qualifying pension scheme. 5.3m were automatically enrolled into a workplace pension scheme. 5.2m were found ineligible for automatic enrolment.¹

This Briefing Note investigates the population potentially ineligible for automatic enrolment

In order to be eligible for auto-

Chart 1: Half of working age people are eligible for automatic enrolment

Total working age population (age 16 to 64) UK, 2015 by different categories



matic enrolment an individual has to be employed, earning over £10,000 (the “Earnings Threshold”) and aged between 22 and State Pension Age.

This Briefing Note, sponsored by Age UK, uses data from the Labour Force Survey (Jan–March 2015) to explore who among the UK employed population meets the age and earnings-based qualifying criteria for automatic enrolment. The analysis interrogates this population and explores their characteristics. Specifically it explores variations by:

- Gender
- Age
- Ethnicity
- Disability status
- Caring status
- Employer size
- Employers sector

Many of the trends observed in this piece of research are functions of employment policy or labour market trends

While this Briefing Note explores outcomes from pensions policy for people from different groups, the trends identified by the research (such as certain groups being more likely to earn below the automatic enrolment earnings threshold) are also functions of employment policy, trends within the labour market and worker characteristics.

Many employed people were saving in a workplace pension prior to automatic enrolment

Employers are not required to automatically enrol employees who are already saving in a qualifying pension scheme.

This analysis separates all those who meet the qualifying criteria from those who do not,

regardless of whether they are saving in a pension independent of automatic enrolment. The analysis compares the two populations (qualifying and not qualifying) and identifies characteristics which correlate with likelihood of meeting the criteria for automatic enrolment.

This Briefing Note uses the terms “employed people” and “workers” to mean employees. This analysis does not include the self employed as they are not currently eligible for automatic enrolment.

A half of all people aged 22 to SPA meet automatic enrolment eligibility requirements

There are 40.7m people aged between 16 and 64 in the UK (Chart 1). Of these, around half, 20.1m, are eligible for automatic enrolment.

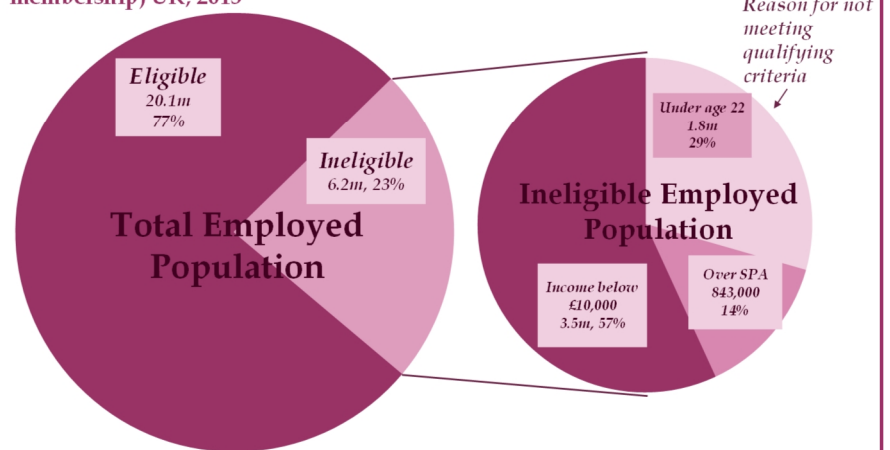
The remaining 20.6m are ineligible due to either not meeting the ineligibility criteria, being self-employed or being unemployed or economically inactive. Therefore, half of the current population aged 22 to SPA do not have access to a workplace pension scheme through automatic enrolment. Though some may be saving in a pension scheme via other means.²

Just under a quarter of all employed people in the UK do not meet the qualifying criteria for automatic enrolment

23% of the 26.3m employed people do not meet the qualifying

Chart 2: Just under a quarter of all employed people do not meet automatic enrolment qualifying criteria

Proportion of total employed population (total: 26.3m) who meet automatic enrolment qualifying criteria, (irrespective of pre-existing pension scheme membership) UK, 2015



criteria (Chart 2), though around a quarter (1.4m) of these people are currently saving in a workplace pension scheme independent of automatic enrolment, leaving around 4.8m employed people who are both ineligible and not saving in a pension scheme.

The main reason for not meeting the qualifying criteria is low earnings. 57% (3.5m people) of those not meeting the qualifying criteria earn below the £10,000 Earnings Threshold. This is 13% of the UK employed population and 9% of the total UK working-age population (40.2m).² Those earning below the threshold must either be on part-time work or receive less than the minimum wage. Working full time (40 hours per week) at the minimum wage, £6.50, would earn £13,520pa. Some of those working part-time will also be

in full-time education. In 2014, 601,000 18-24 year olds were in full-time education and employment.⁴

43% of the ineligible population, (10% of the UK employed population) are ineligible through being under age 22 (29%) or over SPA (14%). Some of these people may also be earning below the earnings threshold, but for the purposes of this analysis are deemed ineligible due to age.

Gender

Women are less likely to meet the qualifying criteria for automatic enrolment

Women are less likely than men to meet the qualifying criteria for automatic enrolment (Chart 3). Of 13m employed women in the UK, around 4m (32%) do not meet the qualifying criteria for automatic enrolment, compared to 16% of male workers. 2.7m

Who is ineligible for automatic enrolment?

women earn below the earnings threshold of £10,000. This may be due partly to women being more likely to work in low-skilled (and low paid) jobs than men. 59% of women worked in low skilled jobs in 2011 compared to 37% of men.⁵

More women would qualify if second jobs were included in the assessment

Automatic enrolment qualification is assessed on a “per job” basis. People with several part-time jobs will be assessed separately on the earnings they have in each individual job.

Some people might have several part-time jobs because they are unable to get full-time work from one employer or because several part-time jobs allows more flexibility for other priorities such as caring. Women are more likely than men to work part-time. In 2011 16% of employed men and 44% of employed women had part-time jobs.⁶

If the income from both first and second jobs was taken into account when assessing eligibility for automatic enrolment, then a further 80,000 people (60,000 women and 20,000 men) would earn enough to meet the qualifying criteria.

Age

Age has some correlation with likelihood of meeting the qualifying criteria for automatic enrolment

Those aged between 22 and 29, and 60 and 64 (excluding those

Chart 3: Women are less likely than men to meet the qualifying criteria for automatic enrolment

Proportion of employees meeting auto-enrolment qualifying criteria (irrespective of pre-existing pension scheme membership) by gender UK, 2015

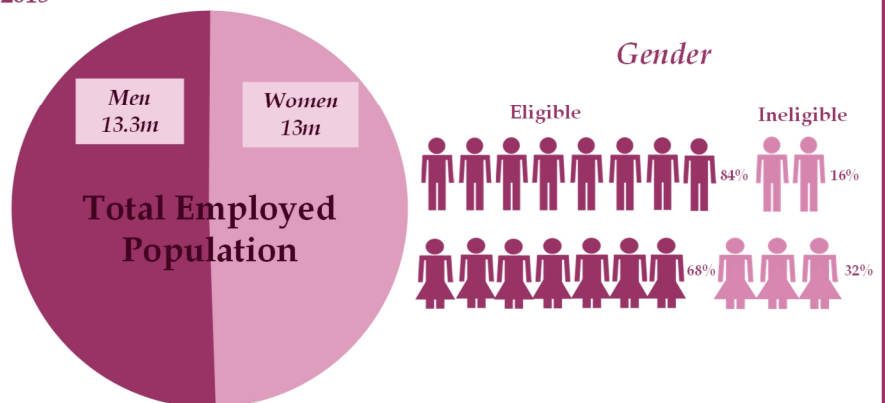
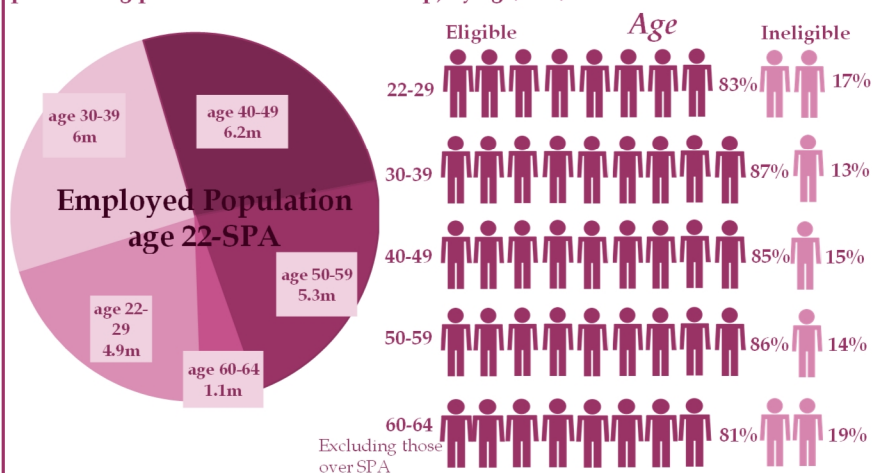


Chart 4: Older and younger workers are less likely to meet the qualifying criteria for automatic enrolment than those aged 30-59

Proportion of employees meeting auto-enrolment qualifying criteria (irrespective of pre-existing pension scheme membership) by age, UK, 2015



over SPA) are also marginally (around 5%) less likely to meet the qualifying criteria due to earning below £10,000pa than those aged between 30 and 59 (Chart 4). Younger and older people may be more likely to work part-time or receive lower earnings.

Ethnicity

Pakistani, Bangladeshi and Black/African/Caribbean workers are less likely to meet the qualifying criteria for automatic enrolment

32% of Pakistani workers and 33% of Bangladeshi workers do not meet the qualifying criteria

Chart 5: Pakistani, Bangladeshi and Black/African/Caribbean workers are less likely to meet the qualifying criteria for automatic enrolment

Proportion of employees from different ethnic groups meeting auto-enrolment qualifying criteria, UK, 2015



Ethnicity	Percentage of employed population	Percent who meet eligibility criteria	Percent who do not meet eligibility criteria	Percent ineligible earning under £10,000	Percent of employed men who do not meet criteria	Percent of employed women who do not meet criteria
White	89.9%	77%	23%	56%	15%	31%
Mixed/multiple ethnic group	1.2%	74%	26%	34%	23%	28%
Indian	2.2%	81%	19%	78%	11%	28%
Pakistani	0.9%	68%	32%	62%	22%	51%
Bangladeshi	0.4%	67%	33%	91%	33%	33%
Chinese	0.3%	80%	20%	80%	n/a	31%
Any other Asian background	1.1%	72%	28%	82%	22%	35%
Black/African/Caribbean	2.4%	71%	29%	63%	26%	32%
Other ethnic group	1.5%	69%	31%	66%	28%	34%

jobs. 54% of Bangladeshi men, 56% of Bangladeshi women, and 52% of Pakistani women who were employed, worked part time in 2011 compared to an overall labour market average of 16%, men, and 44%, women. Over half of Bangladeshi and Pakistani people in employment also work in low-skilled jobs, which are more likely to be low paid.⁷

People from some ethnic minority groups are more likely to earn below the National Minimum Wage (NMW). 3% of white workers earn below the NMW, compared to 5% of Black African and Indian workers, 11% of Pakistani and Chinese workers and 18% of Bangladeshi workers.⁸

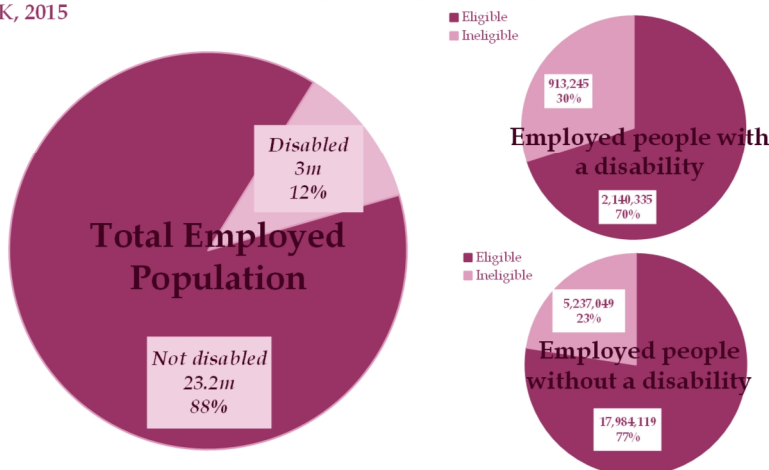
People from ethnic minority groups tend also to have lower median ages than those from the majority white British group whose median age is 40. People from Chinese, Black Caribbean Indian and “other Asian” groups have median ages around 35.⁹

People from some ethnic groups are more likely to be below the earnings threshold

91% of the Bangladeshi workers, 80% of Chinese workers, 78% of Indian workers, and 63% of Black/African/Caribbean workers who do not meet the qualifying criteria are earning below the £10,000 Earnings Threshold in their main job. This compares to 56% of ineligible white employed people, and implies that low earnings are a greater problem

Chart 6: 30% of disabled workers do not meet the qualifying criteria for automatic enrolment

Proportion of employees with disabilities (as defined by Equalities Act) meeting auto-enrolment qualifying criteria (irrespective of pre-existing pension scheme membership) UK, 2015



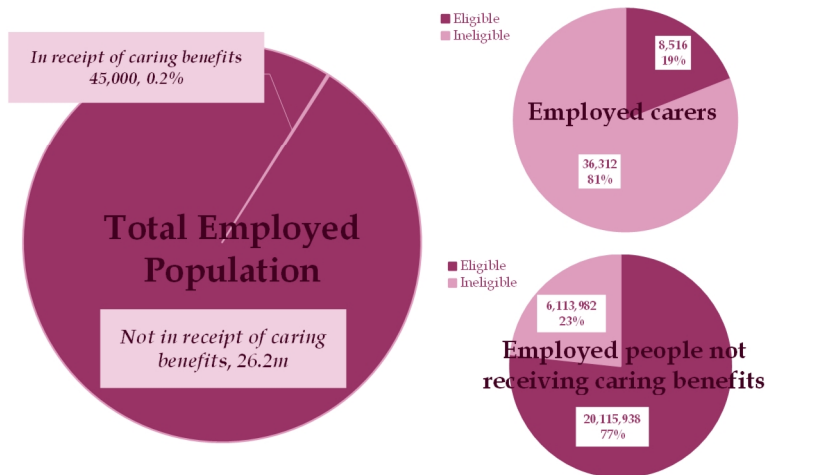
for automatic enrolment (though some may be independently saving in a pension). Black/African/Caribbean workers are also less likely; 29% do not meet the qualifying criteria. This compares to 23% of white workers, 20% of Chinese workers and 19% of Indi-

an workers (Chart 5).

Lower rates of meeting qualifying criteria for Bangladeshi and Pakistani workers are associated with people from these groups, particularly women, being more likely than others to work part time or in low-paid

Chart 7: 81% of employed carers do not meet the qualifying criteria for automatic enrolment

Proportion of employees in receipt of caring benefits meeting auto-enrolment qualifying criteria (irrespective of pre-existing pension scheme membership) UK, 2015



for those from ethnic minority groups than for those from the majority white population. However, if second jobs were taken into account then a further 5% (6,000) of all Bangladeshi workers and a further 1% (3,000) of all Pakistani workers, would meet the qualifying criteria for automatic enrolment.

Employed Pakistani people experience the greatest variation in eligibility by gender

Eligibility varies more by gender among some ethnicities than it does for others. Though for almost all ethnicities, women are less likely to meet eligibility criteria than men. For example, 15% of white employed men do not meet the eligibility criteria compared to 31% of white employed women. For others there is far less difference by gender; 33% of both employed

Bangladeshi men and women do not meet the qualifying criteria for automatic enrolment.

Among employed Pakistani people there is the greatest split by gender; 51% of employed Pakistani women and 22% of employed Pakistani men do not meet the qualifying criteria. Therefore employed Pakistani women are particularly likely of all groups not to meet eligibility criteria for automatic enrolment. Employed Indian women also experience discrepancy, 28% of whom are ineligible compared to 11% of employed Indian men.

Disability

30% of disabled workers do not meet the qualifying criteria for automatic enrolment

Approximately one third, 30%, of employed people with a disability as defined under the

Equalities Act do not meet the qualifying criteria for automatic enrolment (Chart 6). This is around 900,000 of the 2.1m employed people who have a disability. This compares to 23% of disability-free employed people who do not meet the qualifying criteria for automatic enrolment. However, people with a disability are far less likely to work than those without a disability, in 2012, 46% of people aged 22 to SPA with a disability were in employment compared to 75% of non-disabled people aged 22 to SPA. Therefore a large proportion of disabled people will also be ineligible for automatic enrolment due to not being employed.

71% (649,000) of the employed people with a disability who do not meet the qualifying criteria are earning below the £10,000 earnings threshold.

People with disabilities are more likely to be in low earning jobs than people without disabilities. In 2012, 30% of employed people with disabilities were earning below the living wage, compared to 26% of employed people without disabilities.¹⁰

Carers

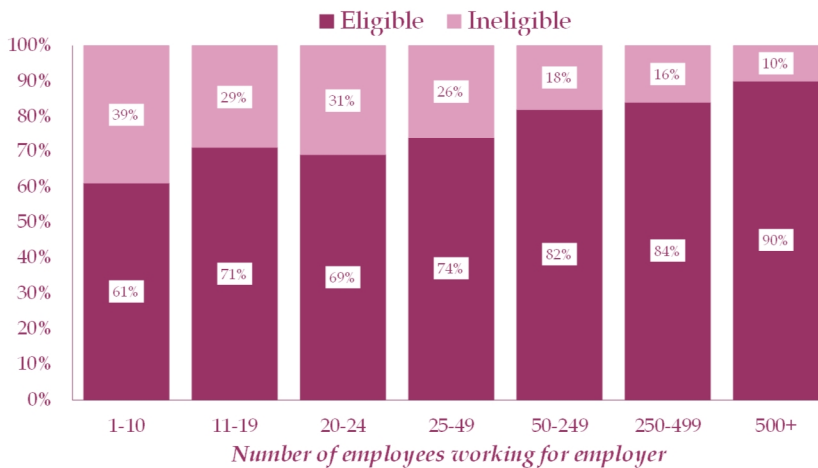
The vast majority, 81%, of employed carers do not meet the qualifying criteria for automatic enrolment

Over three quarters, 81% of employed carers (in receipt of caring related benefits) do not meet the qualifying criteria for automatic enrolment (Chart 7). Many carers

Chart 8: Employees working for larger employers are more likely to meet qualifying criteria

Proportion of employees meeting auto-enrolment qualifying criteria (irrespective of pre-existing pension scheme membership) by size of employer UK, 2015

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work part-time due to their caring responsibilities. Between 2001 and 2007, 25% to 27% of all female carers and 5% to 15% of all male carers worked part-time.¹¹

96% (35,000) of the carers who do not meet the qualifying criteria earn below the £10,000 earnings threshold (not including those over or under qualifying age).

Employer size

Employees working for larger employers are more likely to meet the qualifying criteria for automatic enrolment

The likelihood of meeting the qualifying criteria for automatic enrolment increases with employer size (Chart 8). Of those working for smaller employers, with 10 or fewer employees, only 61% meet the qualifying criteria for automatic enrolment, while 90% of em-

ployees working for larger employers, with 500 or more employees, meet the qualifying criteria for automatic enrolment. Therefore, as smaller employers have just started automatically enrolling their employees, it is likely that a smaller proportion of employees will meet the qualifying criteria for automatic enrolment.

Those working for smaller employers are more likely to be on low earnings or working part-time. 25% of those working for an employer who has 10 or fewer employees do not meet the qualifying criteria because they are earning below the £10,000 threshold. Only 5% of those working for an employer with 500 or more employees do not meet the qualifying criteria due to earning below the threshold.

Women and people in some ethnic minority groups are more likely to work for smaller employers: 50% of employed women and 57% and 47% of employed Bangladeshi and Pakistani workers work for employers with fewer than 50 employees, compared to 43% of employed men and 45% of employed white people.

As established earlier in this note, women and people from some ethnic minority groups are more likely to have low earnings, therefore it may not always be clear whether low earnings are related to personal characteristics, employer size, both or neither.

Employment sector

Employees working in the service industry are less likely to meet qualifying criteria for automatic enrolment

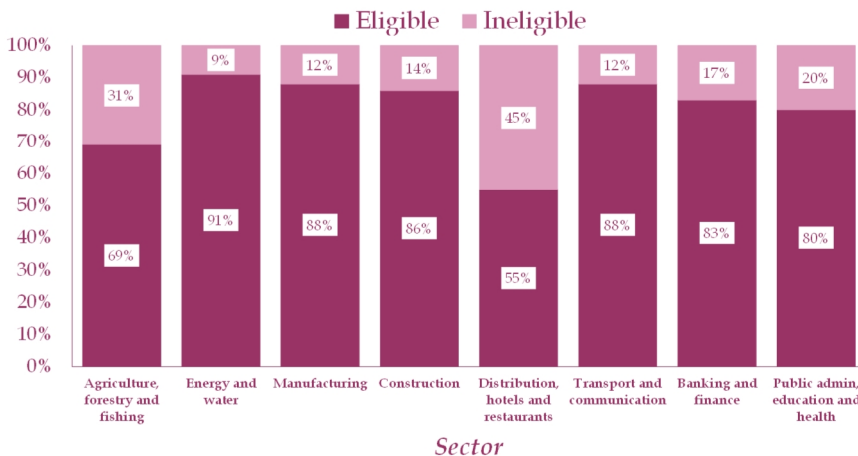
People employed in the service industry (for example, retail shops, hotels, restaurants) are far less likely than those employed in other sectors to meet the qualifying criteria for automatic enrolment (Chart 9). Only 55% of people employed in the service sector meet the qualifying criteria for automatic enrolment (though some may be independently saving in a pension). This is in comparison to between 70% and 90% for those employed in other sectors.

A further 1% of those employed by hotels and restaurants would meet the qualifying criteria if the

Chart 9: Employees working in the service industry are less likely to meet qualifying criteria

Proportion of employees meeting auto-enrolment qualifying criteria (irrespective of pre-existing pension scheme membership) by sector UK, 2015

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income from two jobs was added together. This is in comparison to between 0.2% and 0.4% for those working in other sectors, including those working in retail.

People employed in the energy and water sector are most likely, at 91%, to meet the qualifying criteria for automatic enrolment.

Men are more likely to work in sectors associated with meeting automatic enrolment qualifying criteria

Men are more likely to work in the sectors associated with higher likelihood of meeting the automatic enrolment qualifying criteria; 39% of employed men work for either Energy

and water, Manufacturing, Construction or Transport and communication compared to 13% of employed women.

Conclusion

The likelihood of meeting the automatic enrolment qualifying criteria is not evenly spread across the workforce. Some groups, for example, Bangladeshi, Pakistani and Black/African/Caribbean employees, women, people with disabilities, carers and people who work for small employers or people working in the service industry are far less likely than other employees to meet the qualifying criteria. This should be a matter of concern to policy makers as automatic enrolment

is now reaching its third stage and smaller employers are starting to automatically enrol their eligible employees.

The policy community will need to closely watch whether certain groups are in danger of being excluded from automatic enrolment, and discussions should be held about whether there are potential policy levers which need to be put in place to ensure greater equality of coverage.

- 1 The Pensions Regulator (2015) *Automatic enrolment Declaration of compliance report, July 2012 – end May 2015*
- 2 ONS – Labour Force Survey data, March 2015
- 3 ONS (2015) 2012-based population projections
- 4 BIS (2014) *Analysis of young people in full-time education and employment*
- 5,6,7 ONS (2011) *Ethnicity and the Labour Market, 2011 Census, England and Wales*
- 8 Runnymede (2015) *The 2015 Budget Effects on Black and minority ethnic people*
- 9 Lievesley, N. (2010) *The future ageing of the ethnic minority population of England and Wales* Runnymede and the Centre for Policy on Ageing
- 10 Coleman, N. Sykes, W. Groom, C (2013) *Barriers to employment and unfair treatment at work: a quantitative analysis of disabled people's experiences* EHRC
- 11 Carers UK, University of Leeds (2007) *Managing Caring and Employment*

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The PPI and Age UK held a round table discussion as part of the research for this Briefing Note. We are grateful to all the attendees for their input and contributions. Editing decisions remained with the PPI who takes responsibility for any errors or omissions.

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