



Northern Ireland
Assembly

Research and Information Service Briefing Note

12 September 2024

Dr Raymond T Russell

Automatic enrolment and ‘opting out’ of workplace pension provision in Northern Ireland.

NIAR 145-24

This Briefing Note has been requested by the Committee for Communities.

This information is provided to Members of the Legislative Assembly (MLAs) and Assembly staff in support of their duties, and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as professional legal advice, or as a substitute for it.

Contents

1	Introduction	4
2	Committee for Communities Information Request	4

1 Introduction

Under reforms brought in by the Pensions Act 2008, with updates in the Pensions Acts 2011 and 2014, employers in Great Britain and Northern Ireland must enroll all eligible employees into a qualifying private pension. This process is known as Automatic Enrolment (AE). AE, which has a staged implementation, began with the larger employers in 2012 and was scheduled for full completion by 2019.

Under this legislation, those aged between 22 and State Pension age, and earning over £10,000 a year (at 2018 prices), must join a workplace pension scheme and contribute towards it. Once they have enrolled eligible employees into a scheme, the employers must also contribute to the employees' pension savings. Until 5 April 2018, the minimum contribution rate was set at 2% of the qualifying earnings of each employee who is automatically enrolled, with at least 1% provided by the employer. It then rose to a total of 5% in April 2018, with at least 2% contributed by the employer. On 6 April 2019, the contribution rate rose for a second time to a total of 8%, with at least 3% contributed by the employer.

Employees have the option to leave the scheme (opt out) within a month-long 'opt out period' that follows their enrolment and can choose to stop saving at any point. They will, however, be re-enrolled every three years and would need to opt-out each time.

2 Committee for Communities Information Request

The Committee for Communities is seeking answers to a series of questions concerning automatic enrolment and opting out. These queries were sent to the Department for Communities (DfC) Departmental Assembly Liaison Officer (DALO) for comment. A Freedom of Information Request (FoI) with the same list of questions was also forwarded to The Pensions Regulator (TPR) in London.

1. Is there any available data on opt-out rates in Northern Ireland. if so, are there any regional breakdown figures?

The Pension Regulator (TPR) confirmed they do not hold any data on ‘opt outs’. Similarly the DfC DALO reported that, “The number and proportion of employees who are automatically enrolled in a workplace pension scheme in Northern Ireland, or who have decided to ‘opt out’ of automatic enrolment, is not available from the ASHE ¹ Northern Ireland results.” The absence of data means there is no regional breakdown of ‘opt outs’ either.

As for the **reasons** why eligible employees decide to opt-out of pension arrangements, the Department for Communities wrote:

“You asked if there is any Northern Ireland quantitative or qualitative data, concerning the reasons eligible employees decide to opt out of the auto-enrolled pension arrangements and whether there is a comparison with other regions of the UK. Unfortunately there is no Northern Ireland specific data available on reasons for opting out of automatic enrolment.” (source: DfC, 3 July 2024, GM-1575-2024).

A clue as to why some employees in Northern Ireland may decide to opt-out (or cease paying into such schemes) is provided by [research conducted in GB](#) by the Department for Work and Pensions ². The Department conducted a series of 59 telephone interviews with employers in large, medium, small, and micro enterprises in the UK during 2019. According to the employers, a lack of pension saving habits amongst some of their workers were influenced by factors such as affordability, short-termism (the age of employees or distance from retirement), and job churn.

¹ The acronym ASHE refers to the Annual Survey of Hours and Earnings. The sample used for the survey includes approximately 1% of all employees in Northern Ireland who are covered by PAYE schemes.

² DWP (2022) *Workplace pensions and Automatic Enrolment: Employers perspectives 2022*. Department for Work and Pensions Research Report 1080.

Affordability related to the rising cost-of-living and the impact of Covid-19, meaning that “employees may feel they need to stop paying into a pension” (p. 64). “**Short termism**”, or a short-sighted outlook by the employee concerning his/her future, was another factor. Short termism particularly affected younger employees, who were most distant from retirement, “wanting their net pay immediately rather than considering the long-term benefits of having a pension.” (p. 64).

“I think it’s the cost, they don’t see the long-term benefit... The younger you are you think you are immune to anything. The older you are with family and children, you see the benefit of having a pension or savings scheme, not just for you but for children and grandchildren.”

- Small, Accommodation and Food Services business, East of England

Job churn was considered to be a significant factor for some in deciding whether or not to enroll in a workplace pension. This particularly affected employees in retail and hospitality, where a rapid turnover of staff was the norm, or those on fixed-term contracts in other sectors. Employers also noted that migrant workers were sometimes reluctant to enroll in workplace pensions, especially those who intended to return home to their country of origin within the next 5 – 10 years. Finally, it was also found that some employees did not want a pension due to being close to retirement age, or not wanting to retire in the UK.

In relation to **workplace pension participation**, according to the 2021 ASHE Northern Ireland results, the proportion of employees in Northern Ireland who belonged to a workplace pension scheme in April 2021 was 73%. In 2021, 92% of public sector employees and 62% of private sector employees were members of a workplace pension scheme. This is an increase of 12 percentage points (pps) for public sector employees and 39 pps for private sector employees since the introduction of automatic enrolment in 2012.

The Pension Regulator does, however, have some limited data on the number of eligible employees who have auto-enrolled in a workplace pension in recent years in Northern Ireland (Table 1). The table above shows the number of eligible jobholders who auto enrolled for the first time in Northern Ireland during the period, 2020 – 2022 by local government district ³. Unfortunately, it was unable to provide these figures as a percentage, as it “does not hold data on the total number of eligible employees per region (or indeed as a whole).” This indicator would be required in order to make the calculation.

Table 1: Eligible Employees who were auto-enrolled in a workplace pension each year, 2020 – 2022, by LGD.

LGD	2020	2021	2022
Antrim	61	134	68
Ards	79	70	125
Armagh	155	171	299
Ballymena	121	246	103
Ballymoney	26	32	21
Banbridge	29	53	105
Belfast	881	660	1,109
Carrickfergus	17	29	30
Castlereagh	71	168	112
Coleraine	100	188	94
Cookstown	20	131	70
Craigavon	73	91	169
Derry	132	129	145
Down	194	86	70
Dungannon	74	624	161
Fermanagh	42	92	128
Larne	17	19	38
Limavady	34	43	31
Lisburn	205	122	196
Magherafelt	52	135	98
Moyle	11	9	12
Newry and Mourne	163	241	838
Newtownabbey	96	59	123
North Down	604	179	454
Omagh	182	121	78
Strabane	30	104	76
TOTAL	3,469	3,936	4,753

Source: TPR, July 2024, FOI -272

³ The data refers to the former 26 district councils in Northern Ireland, rather than the current 11 LGDs.

2. Are there any comparable figures with other jurisdictions?

While there is no Northern Ireland data available on auto enrolment and opt-outs, comparable figures were available from Great Britain (GB) via the Department for Work and Pensions (DWP) up to 2019. The publication was discontinued thereafter, as the roll-out of automatic enrolment to large, medium and small companies was deemed to have been completed by 2019. Publication, however, of other pension statistics still continues.

[The latest figures for 2022](#) show that the overall participation rate of eligible employees in GB was 88 per cent, 92 per cent in the public sector and 86 per cent in the private sector. Since 2012, private sector participation has risen by 44 percentage points. The gap between public and private sector participation has narrowed to 6 percentage points in 2022, having been as high as 46 percentage points in 2012.

[In relation to opt-out rates](#), throughout the implementation period of automatic enrolment in GB (2012 – 2019), the opt-out rate has remained consistently low. Overall, among employers with a scheme used for automatic enrolment, nine per cent of employees who were automatically enrolled in the 2018/19 financial year decided to opt out within one month. This rate remained at the same level as in 2016/17.

3. If there isn't any data, what are the reasons for this?

As noted above, the automatic enrolment duties were staged in between October 2012 and February 2018 by employer size, starting with the largest employers, and then moving progressively through medium, small and micro concerns. Since October 2017, all businesses employing someone for the very first time have to provide a workplace pension from the first day of their service. Auto enrolment was deemed to have been completed by 2019, and the Office for National Statistics (ONS) no longer include a question on auto enrolment in their annual questionnaire to employers.

In GB, the Department for work and Pensions published their 2019 report on workplace pension reforms in February 2020. In the Foreword, they indicated that this would be their final report: “In line with the evaluation strategy, this is the last report we are planning to publish on an annual basis, now that employer staging [of auto enrolment] and the phased increases to minimum contribution rates (i.e. ‘implementation’) have been delivered.”

4. Are there any other data gaps in terms of automatic enrolment generally?

Until 2019, NISRA published an annual Statistical Bulletin on participation rates in workplace pensions (both public and private) in Northern Ireland. The data was analysed by age, gender, working pattern, occupation and industry. Following a consultation with users in 2019, NISRA made the decision to cease the Statistical Bulletin (presumably due to lack of demand at that time) and replace it with a summary chart alongside data tables. These can be found on the ASHE Pension Results webpage at:

<https://www.nisra.gov.uk/statistics/labour-market-and-social-welfare/ashe-pensionsresults>

As noted above, there is no information from Northern Ireland concerning the reasons why eligible employees opt out of workplace pensions. However, it is unlikely that the reasons will differ markedly from those found in the GB survey (see pp. 5-6 above). The main factors identified by employers were affordability, short-termism, and job churn.