

Department for Work and Pensions

Research Report No 570

Understanding why some employees don't participate in employer pension schemes

Suzanne Hall and Wendy Floyd

A report of research carried out by Ipsos MORI Social Research Institute on behalf of the Department for Work and Pensions

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Glossary

AVC	Additional Voluntary Contributions are contributions made by an employee above their normal pension contributions to increase their final pension.
DB	A Defined Benefit (scheme) is a pension scheme that provides benefits related to a member's salary, e.g. a final salary or career average scheme.
DC	A Defined Contribution (scheme) is a pension scheme where the value of the employee's pension on retirement is dependent on how much a member paid into the scheme and how well the investment performs.
FS	A Final Salary (scheme) is a type of DB scheme, where the retirement payments an employee receives are based on that employee's final salary before retirement, (the terms 'DB' and 'FS' were used interchangeably by participants, however, FS schemes were more commonly referred to).
GPP	A Group Pension Plan is a pension that is provided through a contract between an individual and a pension provider, access to which is facilitated by the employer. Employers typically make contributions to GPPs, but they are not obliged to do so.
HR	Human Resources.

HP

A **Home Purchase** (scheme) was offered by one of the companies that took part in this research. The employee contributes and receives employer contributions to a savings account, from which the money can be withdrawn and used as a deposit on a house.

ISA

An **Individual Savings Account** is a tax-free way of saving or investing money.

NI

National Insurance.

Summary

Research background

In the Pensions White Paper¹ published in 2006, tackling pensioner poverty was highlighted as one of the highest priorities for Government over the coming years. The paper built on previous research by the Pensions Commission and estimated that seven million working age people were currently undersaving for their retirement; the Commission's estimates were between 9.6 and 12 million working age people in the UK². Another study conducted by the Institute for Fiscal Studies in 2005³ found that 23% of people aged between 50 years old and State Pension age (SPA) are undersaving.

Following the 2007 Pensions Bill, which proposed that all qualifying employers should contribute a minimum of 3% of an employee's salary into a workplace pension scheme and that they should automatically enrol all employees into this, the Department for Work and Pensions (DWP) recognised the need to understand why some employees currently choose not to join their employer pension scheme and, hence, ascertain why employees might choose to opt out of a scheme that they were automatically enrolled into⁴. Of particular importance is the need to understand whether or not non-participating employees who had not been automatically opted into a scheme had made a conscious and informed decision about joining.

¹ DWP (2006) *Security in retirement: towards a new pensions system*. Department for Work and Pensions.

² Pensions Commission (2004) *Pensions: challenges and choices*. The first report of the Pensions Commission.

³ Banks, J., Emmerson, C., Oldfield, Z. and Tetlow, G. (2005) *Prepared for Retirement?: The adequacy and distribution of retirement resources in England*. Institute for Fiscal Studies.

⁴ In this research, employees who were required to opt in were consulted on their reasons for not participating in a pension scheme rather than those who had opted out of an auto-enrolled scheme.

All employees who do not have access to a workplace pension scheme will be automatically enrolled into the Government's personal accounts scheme, which will be in place from 2012⁵. While all of the employees interviewed for this study will be eligible to join their workplace pension scheme, their responses will provide some indications of how any employees currently not participating in a scheme will react to the pension reforms.

Methodology

In order to gain an in depth understanding of the issues, the research adopted a case study approach, which involved speaking not only to the non-participating employees themselves but also to senior staff members responsible for administering or managing the pension scheme in question. This ensured that there was a thorough understanding of the pension scheme on offer and the context in which it was available to employees.

In total, nine companies from a range of geographical locations, industry sectors and sizes took part in this research. Full details are given in Appendix A. At each company, between four and six face-to-face interviews were conducted with employees of various ages and job roles and at least one senior staff member was interviewed.

Key findings

Attitudes towards retirement

Prior to these interviews employees, all of whom were not participating in the company pension scheme, had given very little thought to what their retirement would be like. Many found it difficult to envisage an event that they felt was still in the distant future and were reluctant to accept that one day they would grow old. This fed into the marked apathy towards retirement issues that was observable throughout this research, regardless of company, age, salary or personal circumstances (e.g. home ownership, level of debt or having children).

Employees' attitudes towards retirement tended to fall between two extremes: retirement would be an enjoyable time in which they could pursue personal interests, travel and spend time with grandchildren; or it would be boring, with their quality of life reduced by ill-health and inactivity. Regardless of how they envisaged their retirement though, employees tended to assume that they would have sufficient savings to live on, without the need to rely entirely on the State Pension. Some employees, particularly those on low incomes, thought that they would probably carry on working for as long as possible (because they actively wanted to and/or through necessity) and felt that their lack of personal savings (and their low expectations of the State Pension income they would receive)

⁵ For more information on the 2008 Pensions Act please see http://www.dwp.gov.uk/pensionsreform/pensions_act_2008.asp

would, therefore, not be an issue. Only a small number of older employees (those aged 45 and over), who recognised that they may not be able to work forever, either due to ill-health or a lack of employment opportunities, expressed any real concern about their retirement income and felt that they had not saved enough to continue their current standard of living.

Lack of interest in retirement issues in general meant that employees' knowledge of the different options available for saving for retirement was fairly limited. Many assumed that they would invest in property, though few had seriously looked into this option⁶. Typically, little was known about company pension schemes, though they were often seen as inferior to property investment, which was perceived as being both tangible and guaranteed.

Despite their lack of savings, none of the employees interviewed expected to rely on State support when they retired and all stressed that they were personally responsible for saving for their retirement. Most employees assumed that the State Pension would either be non-existent or extremely small by the time they reached retirement age but, nevertheless, there was an expectation that the State would always support those who were most in need.

The company pension scheme

Whilst employees tended to recall receiving information about their company pension scheme, many had merely skim-read this material and some had simply filed it away to review at a later date. Nevertheless, employees had some idea of what the employer contribution levels were and the contribution required from them in order to receive this, and a few had a very accurate knowledge of this. They also tended to be aware of any additional life assurance benefits associated with joining the pension scheme. It should be noted that some employees had been prompted to review this information as a result of being invited to participate in this research and that awareness of the company scheme is likely to be lower amongst other employees.

Employees tended to know and understand very little about other aspects of the company pension scheme, such as the investment options available, salary sacrifice opportunities and future forecasts. Whilst in most cases this information had been provided (normally in a comprehensive leaflet) there was limited evidence that employees had read this.

Employees interviewed found it difficult to make informed judgements about the pension scheme, given their limited engagement with the information available. However, with the exception of employees at one company, which offered a Final Salary (FS) scheme, most assumed that their pension scheme was on a par with what other companies in their industry were offering.

⁶ Fieldwork was conducted across the months of January to May 2008, before the reported housing crisis and the extensive media coverage of the economic downturn.

Employees' reasons for not joining

On a par with previous research conducted for the Department^{7,8,9}, most of the employees interviewed reported that they had no particular reason for not joining their company pension scheme and assumed that they would have sufficient savings to live on in retirement. In fact, many felt that had they been automatically enrolled in the scheme when they joined the company they would have remained in it.

A few employees said they felt that they should join the pension scheme and that this was something that they occasionally thought about; but there were always more pressing issues that took precedence in their everyday life. However, most had given no thought at all to joining the pension scheme, having filed away the information they received from the company when they first started. These employees felt that this research had prompted them to give further thought to their retirement options, however only a few thought that they would join the company pension scheme as a result of the discussions.

Apathy was an overarching theme throughout all the interviews and nearly all employees found it difficult to think of a good reason why they had not joined their company pension scheme, other than the fact that they hadn't given it much thought. For many employees retirement seemed a long way off and was not something that demanded their immediate attention. In addition, the perceived complexity of pension schemes had discouraged many employees from engaging with the information that was available to them. Employees believed that they would never fully grasp the intricacies of their company pension scheme (particularly the final returns they could expect and the potential risks) and were unwilling to sign-up to something that they did not fully understand.

Whilst this reported apathy was the most commonly cited reason for non-participation, the decision not to join the pension scheme was also influenced by other factors. Having other demands on their income (such as debt repayment, children and socialising) was also cited as a key reason why employees had not joined the pension scheme in the past and was one of the main reasons why they would not consider joining in the near future. This rationale resonated with most non-participating employees, though their reported priorities tended to differ according to their age (younger employees prioritised student debt or credit card repayments, saving for a deposit or socialising, whilst older employees mentioned mortgage payments, children and home improvements).

⁷ Clery, E., McKay, S., Phillips, M. and Robinson, C. (2006) *Attitudes to pensions: The 2006 survey*. DWP Research Report No. 434.

⁸ Thomas, A. and Brown, R. (2007) *Needs and preferences among moderate to low earners for retirement information online: small-scale qualitative research*. DWP Research Report No. 413.

⁹ Adams, L., Bunt, K., Carter, K. and Davies, A. (2008) *Evaluation of the Pensions Education Fund*. DWP Research Report No. 507.

Feeling too young (or too old), concerns about affordability, having other provisions and the lack of flexibility offered by their company pension scheme were also cited as reasons for not joining the company pension scheme though were less widespread.

The joining process adopted by each company also appeared to have some impact on participation. Employees who were only permitted to join the scheme at certain allocated times during the year (e.g. at monthly or annual intervals) were often confused about exactly when they could join and had sometimes wrongly assumed that they had missed their opportunity to do so. In some cases, employees had wanted to join the pension scheme but had not managed to do so because of lengthy application forms requiring information that was not readily available to them. These employees had quickly lost the momentum to join when they faced unexpected barriers in the application process. They felt that had their joining process been easier (and less time-consuming) they probably would be participating in their company pension scheme.

The fact that employees had numerous reasons for not joining their company pension scheme meant that there was no one event that would trigger participation. For example, an employee who cited paying off significant debt as a reason for not joining the scheme was still not sure whether or not they would join the pension scheme once this debt had been cleared because they believed they would still be too young to start saving for retirement. Moreover, employees who had had the pension scheme explained to them by a Pensions Adviser still had not joined the pension scheme even though they now understood the key benefits of doing so.

The employer perspective

Overall, senior staff reported that their company offered a pension scheme because they were obliged to do so; both as a result of the legislation in place and in order to compete for a scarce resource, namely labour. Whilst none of those interviewed believed that the level of the employer contribution on offer was sufficient enough to make them stand out in the labour market, they felt that it was necessary for them to offer a contributory pension that was, at least, in-line with their competitors. Moreover, they highlighted that most employees, particularly senior staff members, would expect an employer pension as part of their benefits package. However, the lack of differentiation of the pension schemes offered was seen to be a significant problem when recruiting more qualified staff members who tended to expect a higher employer contribution level than the company could afford to offer.

Paternalism (namely, the employer's desire to 'look after' its employees) was also a main consideration for some employers and they cited this as one of the main reasons why their company had a pension scheme in place. However, not all senior staff agreed and some were fairly sceptical about the benefits of offering a pension scheme to their employees, most of whom were considered likely to leave

the company prior to reaching retirement age. Therefore they were not aiming for 100% participation. In fact, it was felt that not all employees would benefit from joining a pension scheme (for example, those that were on low incomes or those planning to work abroad in the future). This, together with the expense of the pension scheme, was a key reason why some did not try to encourage non-participants to join the scheme, saying that the information was freely available to them (either on the intranet or from the HR department) should they wish to access it.

Communications regarding the pension scheme were often focused at the point when an employee first joined the company. Thereafter, some companies sent annual or bi-annual reminders to non-joiners or invited employees to attend a presentation or arrange a meeting with a Pensions Adviser. However, other companies made no further attempts to encourage their employees to join the pension scheme.

Like the employees interviewed, senior staff found it difficult to think of reasons why employees chose not to join the company pension scheme. Many felt that their lack of participation must have resulted from apathy because there could be no good reason for not joining a pension scheme that effectively offered employees 'free money' (with employers effectively giving staff additional salary through a pension contribution). Other suggested reasons for non-participation were largely in line with those given by employees themselves with most being seen to link back to employee apathy; the only exception to this was affordability.

Employers believed that affordability was an important concern for younger employees, who were relatively new to the workplace and therefore tended to be on low starting salaries. Senior staff felt that the minimum contribution required from young employees (normally 3%) was too high, especially for those who were struggling to pay off student debt or to secure their first mortgage. In contrast, there was little recognition amongst senior staff that affordability might also affect older employees. Those with young children, for example, were as often as concerned about affordability as those on the minimum wage but this fact tended to be overlooked by senior staff.

Implications

Challenging employees' perceptions of retirement is a key issue for DWP. Most employees interviewed thought that their retirement was too far in the future to visualise or plan for and some were reluctant to think about retirement because of the negative images this conjured up. DWP and employers should continue to promote positive messages around retirement and give further information about the opportunities available to people in older age to help to shift perceptions about this life stage. Those who had positive images were often vague about how they could achieve this lifestyle. Many assumed they would have sufficient savings by the time they reached old age but few had made any provision for this. In

order to combat current undersaving it will be important to promote not only the necessity of saving for the future but also the benefits of doing so.

The content and timeliness of information surrounding company pension schemes also plays an important role in scheme participation. Ensuring that information is salient, understandable and meaningful to employees may have an effect on scheme participation. The mode of communications should also be considered and how to deliver information to different audiences. However, with the introduction of the workplace pension reforms, timeliness of information may be less of an issue in terms of participation, given that all eligible employees will be automatically enrolled into a scheme.

Keeping the joining process as simple as possible is also vital to ensuring higher levels of participation in company pension schemes. There may well be benefits in employers ensuring that the application form for the company pension scheme is as simple, short and accessible as possible. Employees in this research felt that they would need active encouragement to start saving for retirement and that if they had been automatically enrolled into their employers' pension scheme they would be more likely to be saving for their retirement¹⁰. This finding provides support for one of the key features of the 2008 Pensions Act with the introduction of automatic enrolment into pension schemes.

The lack of guaranteed returns on investment was a commonly cited issue among employees. Many were disinclined to invest money in something that they knew very little about and that they lacked control over. Whilst there is inevitably some level of risk that is outside of the control of Government and employers, addressing employees' concerns about this unknown element will be an important step towards overcoming their reluctance to save.

Finally, the apathy exhibited by employees with regard to retirement issues and pension schemes in general was a theme that ran throughout this research. Lack of understanding and negative views of pension schemes appear to feed into this apathy but are also a result of it. Employees' lack of understanding of pension schemes was partly a result of their lack of engagement with the information available to them; and, negative perceptions tended to be a result of prominent but outdated media coverage, suggesting that employees had not actively tried to update their knowledge of the current pensions market. The reforms laid down in the 2008 Pensions Act are intended to help address this apathy.

¹⁰ This was mentioned spontaneously and there was no indication that employees were aware of the Government's workplace pension reforms.

1 Introduction

1.1 Background

The Department for Work and Pensions (DWP) estimates that seven million people of working age are undersaving for their retirement¹¹. A study conducted by the Institute for Fiscal Studies in 2005 found that 23% of people aged between 50 years old and State Pension age (SPA) are undersaving for retirement and, in light of the ongoing decline in private pension membership and reducing employer contributions, the percentage of undersavers amongst the younger cohort is estimated to be much higher than this¹².

The Pensions White Paper¹³, published in May 2006, highlighted tackling pensioner poverty as one of the Government's highest priorities and outlined the case for reforms to reduce the risk of future pensioners having insufficient income to meet their needs and aspirations. Building on this, the 2007 Pensions Bill proposed further reforms to both the State Pension and workplace pension schemes. In brief, the Bill proposed a duty on all employers to automatically enrol their workers into a workplace pension scheme and to contribute a minimum of 3% of the worker's earnings that fall within a band of between around £5,000 and £33,540 a year (in 2006/07 earnings terms) into that scheme. The Bill also laid out the Government's plans regarding the introduction of the personal accounts scheme from 2012, which will be a simple, low cost scheme, primarily aimed at employers with moderate to low earners who do not currently offer workplace pension saving.

¹¹ DWP (2006) *Security in retirement: towards a new pensions system*. Department for Work and Pensions, White Paper, Annex A.

¹² Banks, J., Emmerson, C., Oldfield, Z. and Tetlow, G. (2005) *Prepared for Retirement?: The adequacy and distribution of retirement resources in England*. Institute for Fiscal Studies.

¹³ DWP (2006) *Security in retirement: towards a new pensions system*. Department for Work and Pensions, White Paper.

One of the key drivers behind this research was the need to ascertain why some employees, who have access to an employer pension scheme with an employer contribution of 3% or more choose not to participate in it. Everyone who is automatically enrolled into either a workplace pension scheme or the personal accounts scheme will have the opportunity to opt out if they wish to. Therefore, it is important to understand why people choose not to join a scheme; whether this is in fact a conscious decision; and the reasons why they might choose to opt out of a pension scheme if they were automatically enrolled into it.

1.2 Research objectives

The main objective of this research was to examine the reasons why eligible employees chose not to participate in their employer's pension scheme, even when the scheme provided offered an employer contribution of at least 3%. Other key objectives were to:

- gain an understanding of how and why employees made choices about joining employer pension schemes and to identify any events or changes in circumstances which might trigger people to join a scheme;
- assess whether employees had engaged with the scheme information and made an informed decision not to participate in it, or whether they had dismissed the idea of joining 'out of hand';
- examine the extent to which employees had used any information provided to them and/or responded to attempts to encourage them to join.

The research also explored how employers present their pension scheme and inform employees about it. Alongside this, the research sought to determine reasons for offering a company pension scheme.

1.3 Methodological approach

A case study approach was adopted for this study. This involves an in-depth examination of different aspects of an issue (in this instance participation in employer pension schemes at a given company) in order to gain a better understanding of it. Each case study obtained and examined the employer and non-participating employee perspectives as well as the literature available to employees about their company pension scheme.

A total of nine companies from a range of industries and geographical locations in Great Britain took part in the research. All of these offered a contributory pension scheme (with an employer contribution of 3% or more).

Employers were recruited from a sample provided by Experian of large and medium-sized companies¹⁴. Small companies (those with fewer than 50 employees) were not included in the sample because they are significantly less likely to offer contributory employer pension schemes and those that do tend to offer an employer contribution of less than 3%. Employers were asked to provide a list of eligible employees who were not currently participating in the company pension scheme and who were willing to take part in the research. We only received information about employees who had already been approached by their employer and agreed to be interviewed. Therefore, employers were asked to select a sample¹⁵ of non-participating employees and approach each individually. The recruitment methods undertaken by these employees varied according to company size. Medium-sized companies tended to approach employees in person, while larger employers tended to rely on written correspondence in the first instance. Once an employee had agreed to take part, their details were passed on to Ipsos MORI so that an interview could be arranged.

For each case study, we aimed to conduct six face-to-face depth interviews with employees who were not currently saving in their company pension scheme but were eligible to join and two with senior staff members who had a good knowledge of the pension scheme normally from either the Human Resources (HR) department or the company's pension team¹⁶. A recruitment screener was used to ensure that appropriate senior staff members were interviewed. The questions in this screener checked that the interviewee either had significant responsibility for the pension scheme itself or was involved in communicating its benefits to employees.

In general, the employees interviewed for each case study were of various ages (22 to 55 years old), had a range of job roles and salaries and had been at the company for different lengths of time¹⁷. Each interview lasted up to an hour and was held at a time and place that was most convenient for them. In total, 51 interviews were conducted with employees and 17 interviews with senior staff members. The interviews were conducted over a five-month period (between January and May 2008).

¹⁴ For the purposes of this research, medium-sized companies were defined as companies with between 50 and 249 employees. Large companies were defined as companies with 250 or more employees.

¹⁵ Employers were asked to include male and female employees, of a range of ages, job roles and salaries.

¹⁶ For two of the nine case studies the target of six employee interviews was not reached, at one company we interviewed five employees and at another four. For another company one senior staff member was interviewed.

¹⁷ Due to the recruitment methods used we were not able to monitor how representative of the overall workforce these employees were.

Of the companies that took part in this research, six were classified as large (with over 250 employees) and three medium (50-249 employees). All of the companies that took part required employees to opt into the employer pension scheme. None of those involved automatically enrolled employees into a pension scheme, although some of the employees interviewed did know that such joining mechanisms existed in other companies. Interviews for six companies were undertaken with employees based in London and the South, with the remaining three undertaken with employees based in the West Midlands and the North West.

As shown in Table 1.1 all companies offered a Defined Contribution (DC) pension scheme, with employer contributions ranging from 3% to 12%. One of the nine companies also offered employees a Defined Benefit (DB) pension scheme, more commonly referred to by employees as a Final Salary (FS) scheme. Another company offered employees the alternative of joining a Home Purchase (HP) scheme¹⁸. Employees joined their particular company pension scheme by completing either a paper-based application form or through an online facility provided by their company.

As can be seen in this table, the approximate proportion of eligible employees participating in the pension scheme varies considerably, from 6% at Company 1 to 80% at Company 4. A more detailed version of Table 1.1 is included as Appendix B (Table B.1) of this report.

¹⁸ Only one company offered the alternative of an HP scheme. The scheme is aimed at first-time buyers and is similar to a contributory pension scheme, both the employee and the employer contribute a percentage of the employee's salary. After a given period of time (usually three years) the accumulated savings are put towards a deposit on a property. Participation in the HP scheme restricted access to the company pension scheme.

Table 1.1 Breakdown of company characteristics

Company	Industry	Location(s) interviews held	Size ¹	Pension scheme offered ²	Required employee contribution	Employer contribution
1	Construction	South West	L	DC	Employee chooses (up to 100% of salary)	6%
2	Media	London	L	GPP	From 1% (no maximum)	Matches employee contribution up to a maximum of 5%
3	Business consultancy	London/ Midlands/ North West	L	DB or DC	DC scheme: 3% DB scheme: 8.25%	DC scheme: 0-10 years service = 6%, 11-20 years service = 8%, 20+ = 12% DB scheme: Balance of the cost of meeting scheme benefits
4	Financial intermediation	London	L	DC	Age-related scale (2% to 10%)	Matches employee contribution
5	IT Services	London	L	DC or HP	2% or 4% (both DC and HP)	Doubles employee contribution (4% or 8%)
6	Manufacturing	West Midlands	M	DC or Stakeholder	3% (no maximum)	3% (after three years' service)
7	Engineering	West Midlands	L	DC	3% (no maximum)	Matches employee contribution plus 2% (up to 8%)
8	Procurement	London	M	DC	Must contribute more than £240 per annum for employer contribution	Fixed at £900 per annum
9	Publishing	London	M	DC	3%	3%

¹ M – medium, L – large.

² See Glossary for a full explanation of these terms.

1.4 Report structure

The following report analyses the findings from the nine case studies. It discusses the key themes and issues associated with employer pension schemes and, where possible, draws out relevant sub-group differences. The report has been divided into five core sections.

Chapter 2 – Attitudes towards retirement: This chapter looks at employees' attitudes towards retirement, their awareness and understanding of the options available for saving for retirement and their overall perceptions of company pension schemes. It provides useful background information about the employees' perceptions of retirement and pensions, which underpins the issues discussed in the following chapters.

Chapter 3 – The company pension scheme: This chapter assesses employee recollections of information given at each of the nine companies and awareness and understanding of the pension scheme and general attitudes towards it. It explores employees' engagement with the scheme information and discusses the extent to which employees make informed choices about participation.

Chapter 4 – Reasons for not joining: This chapter lists the various reasons employees gave for not participating in their company pension scheme and examines which of these reasons are most important.

Chapter 5 – The employer perspective: This chapter assesses the employer motivations for offering a pension scheme and considers the senior staff perceptions of why employees chose not to participate, as obtained from the senior staff interviews.

Chapter 6 – Implications: The final chapter highlights some areas for further consideration, particularly in light of the Government's plans to implement workplace pension reforms in 2012.

2 Attitudes towards retirement

This chapter provides an overview of the attitudes of employees who have not joined their company pension scheme towards saving for retirement and their awareness of the options available to them. It goes on to review the perceptions that employees hold about company pension schemes in general.

Attitudes towards retirement: Summary box

In general, the employees interviewed had thought very little about their retirement and only a small number had given any real consideration to how they would cope financially when they reached old age. Younger employees in particular, who also tended to be single, childless and mortgage-free, felt that retirement was still in the distant future and that they had plenty of time to think about saving when they got older. These employees were most likely to assume that they would own a large property and have at least some savings that would support the lifestyle they wanted when they reached retirement age.

Those who had thought in detail about how they would cope financially when they retired tended to be aged 45 and over (in this sample). A few of these employees had been prompted to do so on receipt of a State Pension forecast from The Pension, Disability and Carers Service, something which was not mentioned by any of the younger interviewees¹⁹. None of the employees interviewed expected to rely on State benefits when they retired. However, many felt that there should and would always be some element of support available for those who needed it most.

Continued

¹⁹ It is possible that these interviewees were referring to the Automatic Pension Forecasts, 16 million of which were sent out by the Department for Work and Pensions (DWP) between December 2004 and December 2006.

While a few employees had made provision for their retirement in the form of property investment or buying shares, none felt that they knew much about the different options available to them. Many employees mentioned property investment as an alternative to saving into a pension scheme but few had thought about the relative advantages and disadvantages of this. Although some employees had received information and advice about saving for retirement, none had actively sought information themselves and most had little inclination to do so in the near future.

Knowledge of company pension schemes in general was fairly low and this was a topic that was rarely discussed with peers, family members or colleagues. Nevertheless, employees tended to be fairly negative about company pension schemes in general. Many lamented the loss of Final Salary (FS) pension schemes and assumed that the pension schemes available at other companies were largely similar to their own. Past pensions stories reported in the media (e.g. Maxwell and Equitable Life) were also commonly mentioned and fed into an overall sense of mistrust.

2.1 General attitudes towards saving for retirement

Prior to the interviews, few employees had considered what retirement would be like or how they would cope financially when they reached retirement age. Employees were asked what age they would like to be when they retired and then whether they thought this was a realistic goal. They tended to think that their mid-50s would be a nice age to retire but then conceded that they were unlikely to retire before the age of 60. A few stressed that they would not want to retire before then anyway.

With this in mind, many felt that retirement was still too far away for them to think about as a tangible event. They had some idea what they would be doing in the next five to ten years but they found it extremely difficult to envisage their future beyond this point. This was particularly true of employees in their 20s or 30s (who also tended to be single, childless and mortgage-free). These employees found it almost impossible to plan for a future that was so unpredictable and felt that their busy lifestyles and demanding careers left little time for them to consider an event which, for many, was still in the 'distant future'.

'That's really far away to be honest, I know it's a really immature thing to say, but it does just feel like quite a way away and it does feel like there's just so much time to do things before then.'

(Employee, 25-34 years old)

It was only some of the older employees (in this sample) who expressed any real concern about how they would cope financially in retirement. These employees had given serious consideration to their retirement options. A small number had been prompted to do so on receipt of a State Pension forecast, while others said

they felt they were 'rapidly' approaching retirement age and that this had been a catalyst for their concern. These employees were much more likely to have some savings earmarked for their retirement but none were confident that they had saved enough. The possibility of early retirement was viewed as a less realistic goal amongst this group.

'I always thought that I would probably like to retire around about 55, but I don't think it's realistic, it's not feasible.'

(Employee, 45-54 years old)

When asked to consider what retirement would be like, employees' opinions were divided and tended to fall between two extremes. For some, retirement would be a 'boring' time, characterised by ill-health and inactivity, while for others it would be a time to relax, spend time with grandchildren, take lots of holidays or move abroad. In each scenario, money was rarely a concern. Those who held the perception that retirement would be boring wanted to continue working for as long as they were able to.

'I love working, I like the interaction with people, I like people that I work with. I don't know, I just don't want to be one of those people that retires and sits in front of the television like a couch potato 24/7.'

(Employee, 45-54 years old)

Some felt that when they did retire they would be too frail to enjoy an active retirement (a perception created by retired parents or grandparents who were either immobile or in ill-health) and hence were reluctant to save for this eventuality.

In contrast, those who envisaged an active and enjoyable life assumed that they would have the money to support this by the time they reached retirement age. These employees expected to have paid off their mortgage by this time and to be financially stable, if not well off.

Employees' attitudes towards retirement were often influenced by the perceived experiences of family members, usually parents or grandparents. Those who had seen relatives enjoying their retirement were more likely to think it was worth saving for. For example, one employee, recalling how happy and active her grandparents were, believed that retirement would be a very positive experience, whilst in contrast an employee whose grandparents were in poor health, felt that if she reached retirement age she would be too frail to enjoy herself. Some younger employees (those in their 20s and 30s) did not believe they would ever reach retirement age and so questioned whether they should save for '*something that may never happen*'. Many of these employees found it impossible to imagine themselves growing old and so assumed that they would not live long enough to reach retirement age. A few referred to recent changes regarding State Pension age (SPA) and expected this threshold to carry on rising throughout their lives, reducing the possibility of them enjoying a healthy retirement. These attitudes

towards retirement (particularly the health concerns) fed into the overall consensus amongst all employees that it was more important to live for the present and enjoy life *'while you're young'*. Only a few older employees expressed regret that they had not started saving earlier in life.

Despite their lack of savings, none of those interviewed expected to rely entirely on State support when they reached retirement age. In fact, the expectation of State support was not a factor in any of the employees' decisions not to join the company pension scheme. Even the older employees, who were concerned about their retirement income, felt that it was up to them to review their options and make provision for the future, and that it was not the responsibility of their employer or the Government. Some employees didn't expect to retire at all and felt that they would carry on working for as long as possible, both through a desire to do so and as a necessity.

'Individuals should save for their own retirement, for their own lifestyle rather than depend on other people.'

(Employee, 25-34 years old)

Without exception, all employees thought that they were personally responsible for ensuring they had a sufficient income in retirement. Most of those interviewed thought that the State Pension would either be almost non-existent by the time they reached retirement age or that the amount available to them would not be enough to live on. Those who expected to live an active retirement were fairly sure that the amount available from the State would not be enough to support the lifestyle they wanted. Nevertheless, it was felt that there would always be 'emergency' State support available for those who were most in need of it and many did not believe that British society would allow people to become destitute when they reached old age. In contradiction to their belief that the State Pension would not provide for them in retirement, employees highlighted the social importance of looking after the elderly, particularly those who had worked hard all their lives and *'paid their taxes'*. One employee referred to other benefits that the State provided (such as Jobseeker's Allowance) and thought that the same levels of support should be available for those who were too old to work.

2.2 Awareness and understanding of the options available for saving for retirement

Almost all employees felt they knew very little about the different options available for saving for retirement. This is perhaps unsurprising given that very few had thought about what retirement would be like or how they would cope, financially, when they retired. Some employees reported that they had little inclination to think seriously about retirement and, hence, they had little or no interest in finding out about the options for saving available to them.

A small number of employees had made provisions for their retirement. These tended to be private pension schemes²⁰, company pensions from previous employment or a range of investment portfolios of stocks and shares. A couple of employees owned second properties. Yet, despite having these investments, most of these employees still felt that their knowledge of the options available was very limited.

The few employees who had a better understanding of their saving options had either worked in a finance role themselves or had a spouse or partner who worked in the financial services industry.

Investing in property was most commonly mentioned as an alternative to saving in a company pension scheme²¹, however only one employee had seriously considered the advantages and disadvantages of doing so. Most employees felt that investing in property was a safe option, which would provide a guaranteed 'safety net' regardless of shifts in the economy or their company's financial success. Some employees planned to own a large property 'outright' by the time they retired and anticipated downsizing to release equity which they could live on. The employee who had investigated the pros and cons of property investment in more detail concluded that it was a good long term investment but releasing equity from such an investment was often extremely difficult.

'Well I think to some extent...obviously property's a good investment over the long term, but equally you could get to a position where you have found, when you want to retire, it's not a liquid asset is it, so it takes time to release the money, and you're going to get [taxed more].'

(Employee, 25-34 years old)

The idea of owning a second property also appealed to some employees who believed that the rental income they could expect from this investment would provide them with additional income in retirement. Amongst these respondents, some already owned a second property while others assumed that they would be able to afford to buy one in the future.

'In all honesty the grand plan, if it ever worked out, would be to have a second property and have that as almost as a supplementary pension fund, because I still think bricks and mortar are a safer option than putting money somewhere where you don't really know where it's going.'

(Employee, 25-34 years old)

²⁰ Employees used the terms 'private' and 'personal' pension scheme interchangeably. For consistency, we have used the term 'private' pension scheme throughout this report. This refers to pension schemes taken up by the employee independently from their employer.

²¹ Please note that all interviews took place between January and May 2008, prior to the marked downturn in the property market and comprehensive media coverage of this.

Employees often mentioned Individual Savings Accounts (ISAs) as a possible alternative option for saving for retirement. Some employees already had ISAs and knew that these were good 'tax-free' investments. However, none of these employees had earmarked any of these savings for their retirement and most were saving for specific short-term goals such as a deposit on a house or buying a car. It was felt that investing in an ISA was 'safer' than saving into a company pension scheme because it offered more 'guarantees', such as a pre-determined interest rate. Moreover, whilst most employees knew about the tax benefits associated with ISAs (a result of the extensive advertising surrounding them), few knew about the tax benefits of saving into a pension scheme and so they tended to view ISAs in a more positive light. However, most employees recognised (without prompting) that opting for this method meant they would be missing out on the extra employer contribution that a company pension scheme offered and that ISAs were not generally considered to be an option for long-term saving.

A few employees expected to receive a significant inheritance from relatives and felt that this would, at least to some extent, help to fund their retirement. However, it should be noted that this was not a common expectation and those who mentioned inheritance also tended to have other savings and investments to fall back on.

Some employees aged 45 and over had saved into a private pension scheme in the past but only a small number of younger employees mentioned this as an option. Employees who had joined a private pension scheme had done so because they did not have access to a company pension scheme at the time, either because they had been self employed or because they had been on a series of temporary contracts. These private pension schemes (schemes that were set up privately, i.e. not through an employer) were viewed as both more flexible in that they were not aligned with a particular employer and more tangible because employees felt that they had more control over their investments.

'There's obviously been an awful lot in recent years about pensions being massively damaged by bad investments and things like that. A part of me would actually prefer to have control over my own money in that respect.'

(Employee, 25-34 years old)

In all cases, these private pension schemes were dormant as the employee started it some time in the past, when they were self employed or on a series of temporary contracts, and had ceased to contribute to it when they stopped working for themselves. They did not expect the income from these to provide for all their needs in retirement but were reluctant to transfer these past schemes into a company pension fund without first seeking financial advice.

None of the employees interviewed had actively sought information or advice with a view to saving for retirement but a few had discussed their options with an Independent Financial Adviser (IFA), who they had approached about other matters. These employees had not approached an IFA with the intention of talking about pensions and retirement issues but had found that the topic came up in conversation whilst they were discussing other financial concerns such as getting a

mortgage or investing inheritance money. A few employees recalled their Financial Adviser expressing surprise that they were not participating in their company pension scheme and advising them to join as soon as possible. None of these employees had acted on this advice or given it much consideration at the time and they cited other priorities, such as buying a house, as the reason for this.

2.3 Perceptions of company pension schemes

Employees tended to be fairly negative about company pension schemes in general and not just in relation to the pension scheme offered at their company. They repeatedly lamented the demise of Final Salary (FS) pension schemes (a type of Defined Benefit (DB) scheme, though few employees recognised this term). Employees tended to have a limited understanding of the different types of employer pension schemes available to them (either through their company or privately); however many had the impression that a FS pension scheme was better than a Defined Contribution (DC) scheme. They knew that FS pension schemes tended to be more lucrative and a few recalled hearing that the risks involved in saving into a FS scheme rested on the employer instead of the employee.

'With the final salary you knew you were nailed on to get roughly the best out of it, whatever your salary was... so you knew what you were saving up for, you knew what you were getting and it was certainly a very worthwhile deal on your part.'

(Employee, 25-34 years old)

Company pension schemes were rarely thought about, let alone discussed by employees. The overall consensus amongst employees interviewed was that the topic of pensions was 'boring'.

'It's not exactly something you'd discuss on a night out.'

(Employee, 25-34 years old)

Some employees thought that they might have discussed their company pension with friends or colleagues but found it difficult to recall the specifics of these conversations. Nevertheless, most employees had the impression that friends and colleagues found company pension schemes in general fairly bewildering and knew little about the benefits they offer. Some employees were influenced by discussions they heard at work. At one company, employees had seen e-mail communications regarding planned changes to the pension scheme which, they recalled, had provoked some very negative reactions from colleagues who were participating in it. Whilst non-participating employees could not remember exactly what these changes had been, they had the impression that they vastly reduced the benefits of joining the scheme²².

²² It is possible that this e-mail communication was regarding the closure of the FS scheme, referred to in one of the senior staff interviews. This scheme had been closed to new employees for some time but, until 2003, had still been accepting contributions from pre-existing members.

Overall, there was a distinct lack of confidence in company pension schemes, partly as a result of the pension scandals reported in the media but also because of their non-tangible and unpredictable nature. Employees frequently recalled Robert Maxwell's misuse of pension funds or the near collapse of Equitable Life to support their concerns about the trustworthiness of pension schemes in general.

Whilst none of those interviewed felt that they had any reason to distrust their current employer, they were worried that the person(s) administering their pension could be dishonest or corrupt. Only a few employees interviewed referred to recent regulations or legislation that might prevent such occurrences, others felt that more should be done to safeguard pension schemes.

With the exception of the small number who had invested in stocks and shares in the past, employees were cautious of investing their money in a pension they did not fully understand and that they perceived would not provide guaranteed returns. Again, media coverage regarding past pension scandals as well as negative word of mouth (normally from parents or grandparents who had received, or expected to receive, a smaller company pension than they had anticipated) appeared to have provoked such concerns.

3 The company pension scheme

This chapter explores what non-participating employees knew about the company pension scheme available to them; their recollection of the information they received; and their understanding of it. It explores employees' engagement with the scheme information and discusses the extent to which employees make informed choices about participation. This was then compared and contrasted with the information provided by the employer.

The company pension scheme: Summary box

Employees' recollection of company communications regarding the pension scheme was not always in line with what was described by the senior staff members interviewed. Employees tended to recall receiving information about the pension scheme when they first joined the company, normally as part of their welcome pack, but follow-up e-mail communications and invitations to presentations about the pension scheme were often missed or ignored.

Many employees had merely skim-read the information they received in their welcome pack or had filed it away without looking at it at all. This was normally because they were either too busy or because they had no interest in joining at that time. Engagement with the information provided was perceived to be much higher amongst those who had attended company organised presentations or one-to-one meetings with a Pensions Adviser in this sample. These employees had been talked through the benefits of the pension scheme and had had the opportunity to ask questions about specific elements that they did not understand. These included the retirement benefits they could expect based on various contribution levels and the relative benefits of the different investment funds available to them.

There was also some evidence that employees from companies with a more visible (well known in the company, though not necessarily larger) Human Resources (HR) department felt better informed about who to contact about the pension scheme.

Continued

Regardless of how the pension scheme was communicated to them, most employees assumed that everything they needed to know would be available online should they wish to access it, however none had actually tried to do so. Senior staff members confirmed that this information was available via this channel but were concerned that it was difficult to find given the wealth of other information that was posted on the site.

Employees' awareness and understanding of the pension scheme tended to be limited to the contribution levels and life assurance benefits on offer. Understanding of the more complex information, such as the 'salary sacrifice' option, the investment funds available and, in some cases, the pension forecast provided was much lower.

Despite knowing little about the company pension scheme, most employees believed that it was in line with the pension schemes offered by the company's competitors. Some employees were surprised to learn that the benefits available were better than they expected. For example, the tax relief benefits of joining the scheme. However, on the whole, employees tended to focus on the fact they weren't offered a Final Salary (FS) scheme (almost all employees used the term 'Final Salary', not 'Defined Benefit' (DB)). Employees at the one company that did still offer an FS scheme, whilst being extremely positive about it, felt that the required employee contribution (of 8.25%, though some employees perceived this to be higher) was too high.

3.1 Recollection of scheme information

With the exception of those in one company, which only advertised its pension scheme to employees when they became eligible to join, most employees reported receiving information about the pension scheme as part of a 'welcome pack' when they first joined the company. Only a few those who should have received information upon joining the company, based on reports from other in the company, said they had no recollection of doing so, but there does not appear to be any particular reason for this.

The information provided tended to come with other documents, such as their contract of employment, health and safety forms and information about other benefits on offer. Without exception, employees had focused on signing and returning their contract and had, for the most part, ignored the other documents provided alongside this. Their priority at this early stage of their employment was to ensure that all essential forms were signed and returned and that they were added to the payroll at their new company. For this reason the (often lengthy) information about the company pension scheme was often filed away and forgotten about.

'I've still got it at home, because obviously when I do get to the point where I'm going to be looking for pensions, then obviously I will look into it, and just having that information to hand will be helpful.'

(Employee, 25-34 years old)

A small number of employees had read through the information provided when they first received it. These employees were most likely to have seriously considered joining the pension scheme at an early stage but had failed to do so for a number of reasons. Employees at three of the companies had not been eligible to join the scheme until after they had completed a probationary period so even though a few had shown an interest in the information they received, they had been unable to act on it until a later date.

Employers had adopted a range of communication methods to draw employees' attention to the company pension scheme on offer. All but two of the companies informed their employees about the pension scheme when they joined²³, and three of these companies reported sending reminders to their employees, either on completion of a probationary period or at regular intervals throughout the year. Five companies posted information about the pension scheme on their intranet, three organised presentations for staff and two offered them access to a Pensions Adviser. However, as shown in Appendix C, the employees' recollection of the company's communications about the pension scheme was often very different to what the senior staff described.

Not all employees recalled receiving additional information about the pension scheme, other than that provided in their 'welcome pack'. However, many of the senior staff members interviewed said that efforts to encourage employees to join the scheme continued throughout their employment, even if this was only on an annual basis and sent in conjunction with reminders about other company benefits. For example, one company reported sending bi-annual e-mail reminders to employees that were not participating in the pension scheme, but not all of the employees interviewed recalled receiving these. However, it is important to note that many of these employees admitted that they may simply have missed the e-mail, deleted it or filed it to read at a later date. These employees received a high volume of work-related e-mails on a daily basis and concentrated on dealing with these before looking at anything else.

There was also some confusion regarding joining procedures within firms. The employee quoted below thought that it was only possible to join the pension scheme in a set month, whilst the senior staff member, from the same company, stressed that this was not the case.

²³ The companies that did not inform their employees about the pension scheme when they joined had either only recently set the scheme up or did not admit new members until they had been at the company for three years.

'You can't just join, and you can only join once a year, every November, so last November just gone. So I didn't join then.'

(Employee, 35-44 years old)

'You can join straight away. There's a little bit of a delay when you join the flex system simply because there is monthly enrolment and you have to go in batches.'

(Senior staff)

Two of the companies that took part in this study had organised annual presentations for staff, in which an experienced pensions officer or the pension provider, explained the different elements of the pension scheme. Again, at both companies, not all employees recalled being invited to these presentations but, in general, those that had attended felt they had a clearer idea of the contribution levels, the investment options and any additional benefits of joining (such as tax relief).

As discussed later in this report, having a clear understanding of the benefits of joining the company pension scheme did not necessarily result in employees taking any action towards doing so. Many of the employees who were eligible to join the pension scheme immediately had still decided to wait until they had completed a probationary period before considering the option seriously. Uncertainty about their future at the company (particularly whether or not they felt they would like it there) was a key factor in this decision. Conversely, those who had been at the company for three or more years felt that they may wish to move on in the near future (though none had any immediate plans to do so). This also deterred them from engaging with the information about the company pension scheme because they were uncertain whether or not they would remain at the company long enough to benefit from joining.

Five of the nine companies we engaged with stored information about the pension scheme electronically on the company intranet, so that staff could access it whenever they wished to do so. Senior employees explained that this information covered the key details about the pension scheme including contribution rates, additional benefits and how the money is invested. Furthermore, in some cases it was also possible to download the application forms from the intranet.

3.2 Awareness and understanding of the company pension scheme

Most of the employees interviewed felt that they had a very limited understanding of their company pension scheme. However, many admitted that this was, at least to some extent, a result of their level of engagement with the information provided to them by their company. Indeed, it was those who had most fully engaged with this information who tended to have the highest self-perceived levels of awareness and understanding.

In line with this, employees who had attended company-organised presentations or who had met with a Pensions Adviser²⁴ tended to have the highest levels of awareness. The interactive nature of these meetings meant that employees talked through the information they received, and were therefore more likely to have engaged with it.

At the two companies offering employees the opportunity to speak on a one-to-one basis with a Pensions Adviser, eight of the 12 employees interviewed had done so. These employees had wanted to meet with the Pensions Adviser because they felt that they should join the pension scheme at some point in the near future. Those that hadn't organised a meeting with an Adviser said they simply hadn't got around to doing so, partly because of their reluctance to think about retirement issues.

Whilst these experts did not offer advice, they did provide employees with an individual assessment of their circumstances and the various options available to them. At these face-to-face meetings the Pensions Adviser would provide the employee with a forecast of what retirement income they could expect if they joined the company pension scheme. This forecast, though not guaranteed, was provided in real terms, giving employees some idea of whether or not they would be able to live comfortably on their company pension should they decide to contribute.

During these meetings employees also had the opportunity to ask questions that might be specific to their personal situation. However, despite being provided with this individually targeted information, employees who met with a Pensions Adviser still chose not join their company pension scheme, and tended to give the same reasons as other employees for not doing so (with the exception of lack of understanding). In addition, one employee commented that she was given too much information at this meeting, which she simply filed away as soon as she returned to her desk.

'He went to great lengths to make sure I understood – he gave me a booklet and he sent me an e-mail with spreadsheets but it was just too much information.'

(Employee, 25-34 years old)

Nevertheless, these employees tended to have a better understanding than others of the tax benefits associated with joining the pension scheme, the investment choices available and their relative benefits and what return they might expect to get in retirement if they joined in the near future.

²⁴ The Pensions Adviser was a representative from the company's pension provider or pension broker, who met with employees individually in order to tailor the information they received and answer specific questions about the scheme. Employees discussed their personal circumstances with the Pensions Adviser and received personalised information from them about the benefits of joining.

Those who had attended a company-organised presentation about the pension scheme also tended to have a better knowledge of the benefits available but were not always able to recall the specifics of the scheme.

A few employees had spent a significant amount of time reading the information provided and had a thorough understanding of what was on offer. These employees tended to be older, married with children and took more of an interest in financial matters in general, for example by researching investment options, comparing interest rates for loans and savings and, in a small number of cases, investigating their retirement options.

Regardless of whether or not an employee had met with a Pensions Adviser or attended a presentation, most had at least some idea of the contribution levels, investment choices and the life assurance benefits on offer. Some also recalled other benefits, such as salary sacrifice²⁵, additional voluntary contributions (AVCs) and tax relief. However, understanding of these features tended to be fairly limited and many, particularly those working in companies with less visible HR departments, did not know who to go to for further clarification.

Many reported finding the investment options very confusing. Whilst there was always a default option available to them, not all employees were aware of this. Those who did know about the default option were sceptical about it, feeling that their knowledge and understanding of investments was not good enough for them to fully evaluate how good it was compared to the other investment funds on offer.

'I don't even know what an investment fund is, so I wouldn't even know if it was a good or a bad thing.'

(Employee, 35-44 years old)

One employee who worked in finance and who had a fair understanding of investment funds, felt that the default option would not be a sensible choice because the investments in it were too cautious and would provide only a modest return. However, despite saying that they did not understand the information provided, none of the employees interviewed had sought further advice or information about this issue. Most said that they would only do so when they were ready to consider joining the pension scheme, and for some this was not in the foreseeable future. However, some employees were unsure where they would go to seek further information, given that their employer was not permitted or able to offer financial advice and this perceived lack of available contacts may have played some part in their failure to seek advice or information in the past.

²⁵ Employees can opt for their salary to be reduced by the amount of their pension contributions so that these are paid directly by the employer instead. This lower level of pay means that lower National Insurance contributions are paid by both the employee and the employer.

3.3 General attitudes towards the company pension scheme

Employees at all but one of the nine companies that took part in this research assumed that their company's pension scheme was on a par with the standard offering in their industry sector. For example, employees at one company highlighted the perceived historical lack of pension scheme provision in their sector and hence, felt that whilst their pension scheme was not outstanding it was probably in line with what other companies in the sector offered. Employees at another company were the exception; they felt that the 'Final Salary' (FS) (or DB) pension scheme available to them was extremely good, and recognised that it was unusual for a company to continue to offer this type of scheme. Nevertheless, they complained that the required employee contribution was too high.

*'If [company name] offered a cheaper scheme I would probably go into it, it's just because, at my salary I just think 13% is just too high.'*²⁶

(Employee, Under 25)

This perception is not contradicted by the employer contribution levels for the DC pension schemes on offer across all nine case studies, all of which are fairly similar (the highest employer contribution offered was 12%, but this was only available to employees after 12 years of service). It is therefore not surprising that the employees interviewed found it difficult to differentiate their company pension scheme from the perceived standard in the industry sector their company operated in. In fact, many assumed that the contribution levels were the same across all similar-sized companies regardless of industry sector. Employees commonly based this assumption on their knowledge of company pension schemes offered in previous employment and most reported that the benefits seemed very similar.

A few employees had participated in FS pension schemes at previous companies but realised that these were slowly being replaced by the DC schemes. These employees had joined the FS scheme without hesitation but were much more sceptical about the benefits of joining a DC scheme.

'The benefit I'd get from that [the DC scheme] I think is very marginal compared to the benefit you'd get from being part of a final salary scheme.'

(Employee, 25-34 years old)

When shown information about their company's pension scheme some employees were surprised to learn that the benefits on offer were better than they had anticipated.

²⁶ Note that the employee's assumption that the required contribution is 13% is incorrect – with the actual contribution level being 8.25%.

The possibility of making AVCs was seen as a positive feature by some of the older employees, namely those on higher salaries, who were worried that they had left it too late to benefit from joining a pension scheme. The possibility of making additional contributions to 'top-up' their retirement fund was thought to be an extremely good idea. Younger employees (especially the under 30s) and those on lower salaries often failed to see the benefits of this option for them, saying that they could not afford to make the standard contribution, let alone anything extra.

Many employees had not been aware of the administration charges before taking part in the interviews, where they were encouraged to review the scheme information available to them. The exact costs were not given in any of the documentation provided but employees assumed that these would be high and would make their contributions worthless unless they planned to stay at the company for a long period of time. After reading the documentation these employees thought that the administration charges and costs incurred when leaving the pension scheme would put them off joining the company pension.

'This looks pretty unattractive, the annual management charge, the standard AMC is 1% per annum, the standard managed funds carry an additional AMC, the amount of which depends on the fund selected. I don't really like that.'

(Employee, 45-54 years old)

Those in more senior positions, who also tended to be closer to retirement age, were less likely to cite this as a problem but some wanted more information about transferring pension funds from previous companies and the costs that would be involved in doing so.

4 Reasons for not joining

The following chapter records the reported issues affecting an employees' decision whether or not to join their company pension scheme. The chapter looks at the most commonly cited reasons for non-participation as described by the employees. Reasons have been listed in order of prevalence in which they occurred in the discussions, taking into consideration the employees' perceptions of the relative importance of each.

Reasons for not joining: Summary box

The most prevalent explanation given for non-participation was an overall apathy towards pension schemes and retirement issues in general.

On further consideration, employees also mentioned a number of underlying reasons why they had not joined their company pension scheme. These have been listed below in order of perceived importance, relative to other factors affecting the decision-making process.

Reason 1. Employee apathy towards retirement issues: Employees were apathetic towards retirement issues and, for many, their non-participation in the company pension scheme had not been a conscious decision but merely a result of their low levels of interest with the subject of retirement.

Reason 2. Levels of engagement and understanding: The employees interviewed felt that they knew and understood very little about their company pension scheme. This was partly a result of the employees' lack of engagement with the documentation provided; having assumed, by default, that the information would be complex and confusing. However, even the employees who had seen a Pensions Adviser or attended a presentation about the pension scheme still felt that they did not fully understand how it worked.

Apathy appears to be inextricably linked to understanding of pension schemes in general. Employees' apathy fed into their disinclination to read information about the pension scheme and the perception that this information would be too complicated to understand has, to some extent, driven this apathy.

Continued

Reason 3. Uncertainty and risks involved: As reported in Chapter 2, the fact that pension schemes are difficult to visualise in terms of the size of the pension pot and expected returns on retirement, and that future returns are not guaranteed put many off joining. This was one of the main reasons why many said they would invest in property instead.

Reason 4. Other priorities and demands on income: Many employees cited higher priorities for their income as a reason for not joining the pension scheme. Getting '*on the property ladder*', paying off debts, making home improvements, bringing up children, socialising and '*living for today*' were commonly cited reasons for not joining the pension scheme.

Reason 5. Age-related issues: Employees under the age of 30 felt that they were too young to join. In contrast, some employees (the youngest being 36 years old) felt that they may already have left it too late to start saving into a pension scheme and were looking for alternative investment options.

Reason 6. Concerns about affordability: Employees often expressed concern about their monthly salary reducing. However, only a few believed that they genuinely could not afford this reduction. These employees tended to be either young and on low incomes, or had young families to support.

Reason 7. Other savings or investments: Some employees had already made other provisions for their retirement and so felt that it was not necessary for them to join the company pension scheme as well. These employees tended to distrust company pension schemes and wanted greater (perceived) control over their money. However, whilst they had initially expected these investments to offer better returns, a few had since realised that was not the case.

Reason 8. The perceived lack of flexibility: Employees sometimes commented that the concept of company pension schemes was outdated and that, given the more transient nature of the UK workforce, a more flexible alternative was required. A number of employees stated that they had not initially joined the pension scheme because they did not know how long they would want to stay with the company. The general consensus was that a company pension scheme was not easily transferable and some employees mentioned this as a deterrent to joining.

Reason 9. The joining process: The length of the application form and the additional information required from employees when submitting an application had an impact on whether or not employees joined the pension scheme. In addition, some employees were confused by the joining process and made incorrect assumptions about when they needed to submit their application to join the pension scheme.

It is important to note that, in most cases, there was no one reason for not joining the company pension scheme. Non-participation tended to result from a mixture of the above mentioned factors.

4.1 Employee apathy towards retirement issues

Employees often felt that they had no good reason for not joining the pension scheme and that they had never actually made a conscious decision not to do so. When they had first received information from their employer (normally as part of a welcome pack) most had merely put this to one side, prioritising other information they received at this time such as their contract and terms and conditions. They also felt that their retirement was still a long way off and that saving for this eventuality was something they would think about at a later date. Some employees said that it was at the back of their mind that they should join in the near future, but that they had not yet seriously considered doing so.

Many employees admitted that they had simply forgotten about joining the pension scheme and that participating in this research had prompted them to think more seriously about it. This finding is in line with one of the problems reported by employers at the recruitment stage. Employers were asked to invite only eligible non-members to take part in the research but reported that some of the employees they approached consequently decided to join the pension scheme, saying that they had simply forgotten about it and that they had no good reason for not joining.

'It's down to me the fact I haven't joined. I've been aware of it. I just haven't got around to it.'

(Employee, 35-44 years old)

'When I emailed people for this survey and asked if they'd like to take part, I think two came back and said, "you've just reminded me that I'm not a member", and they had forgotten, and they then said, "I won't take part, because I will actually join this month", which they did.'

(Senior staff)

There was marked apathy amongst employees towards retirement issues in general, with most saying that they had given little or no thought to what retirement would be like or how they would cope, financially, in old age. When prompted to think about the lifestyle they would like to live in retirement and the affordability of this, some employees said that they would need to think more seriously about their options in the near future. However, this realisation was less common amongst younger employees.

4.2 Levels of engagement and understanding

Apathy towards pension schemes in general strongly influenced employees' engagement with, and hence their understanding of, the information provided to them about their company pension scheme.

None of those interviewed had read through the information provided in any level of detail; in fact most admitted that they had merely skim-read the documentation (and, in some cases, employees had only been prompted to do so after hearing about this research). Regardless of whether or not they had read the pension documents, employees felt that the content was fairly complicated and that it would take a lot of time to read and digest properly.

'It's all very complicated the whole pensions scheme, what's the difference between this pension and that pension, what's the stakeholder pension, what's the Government pension, opting in, opting out, all that kind of stuff you need to be able to work out what it is. All seems very complicated to me.'

(Employee, 25-34 years old)

This perceived complexity was one of the main reasons why employees had not engaged with the information provided to them by their employer. As discussed, employees were apathetic towards pension schemes and therefore, disinclined to spend any significant amount of time trying to understand them. Nevertheless, many said that they would need to seek verbal advice and clarification before deciding whether or not to join. As mentioned in Chapter 3, these employees did not know where they would request this advice from. A few recalled that their company had an 'Employee Assistance Programme' (whereby they could call an advice line about various personal circumstances) and said that they would probably look into this further when they were ready to seek advice, while others said they would visit the Citizens' Advice Bureau, search for further information on the internet or pay for the services of an Independent Financial Adviser.

Nevertheless, it is interesting to note that even those who had met with a Pensions Adviser to discuss their company pension scheme had still decided not to participate in it. While these employees felt that the extra explanation had increased their awareness and understanding of the company pension scheme, many had not reflected on or revisited this information since their initial meeting.

4.3 Uncertainty and risks involved

As reported in Chapter 2, the intangibility and perceived uncertainty of pensions was often mentioned as one of the reasons for not joining the company scheme. Employees felt that the pension's product was hard to visualise – in particular that they could not see their pot of money building, as in a savings account, or there was nothing they could physically see, as when investing in property. Moreover, some employees felt that the unknown impact of inflation (referred to by employees as rising costs) meant that even guaranteed investment returns may be almost worthless in 20 or 30 years' time.

'One of the issues that I've got with pensions is that you're never going to know what you're going to get out of it at the end. The projections of what you'll be able to draw out when you get to retirement age are pretty much an unknown. So it's very much a leap of faith, putting your savings into a pension.'

(Employee, 25-34 years old)

Employees wanted guarantees that their investment would be safe and that it would provide sufficiently for them when they reached retirement age. Many drew on anecdotal evidence, such as family members losing their pension savings due to company bankruptcy, to support assumptions that pension schemes were an unreliable source of retirement income. They were unwilling to invest in something that, they felt, could potentially leave them with nothing.

Employees thought that the use of case studies and worked examples would help to alleviate their concern about the uncertainty surrounding pension schemes.

'Just a worked example, if you've got Mr X who earns £30,000 a year, he's contributing X amount, the company contributes X amount, he is going to receive, if everything goes to plan he's going to receive this, or even like a small case study of someone who has retired, whether it's fictitious or real, but if it's based on facts, just some sort of, because I'd ask for that if I was going to invest money in anything, I'd want to say, 'OK, well what am I going to get out of this at the end?''

(Employee, 35-44 years old)

However, it should be noted that where this had been provided by the company (in the information pack made available to all employees) none of those interviewed recalled seeing it (possibly as a result of their lack of engagement with the literature). In addition, a pension forecast was seen to be of little use unless it could also accurately predict what their money would be worth in real terms (i.e. what they would be able to afford to buy with the amount of money they received).

4.4 Other priorities and demands on income

For many employees, the desire to *'get on the property ladder'* was one of the main reasons they had not joined the company pension scheme. Many stated that saving for a deposit and getting a mortgage was their top priority and they would not even consider joining a pension scheme until they had achieved this goal. As discussed in Chapter 2, many employees thought that owning a property would ensure that they had a safe investment for their retirement.

'All the money I'm saving at the moment will be going on a house. I can't rent off my mate forever.'

(Employee, 25-34 years old)

However, most were more concerned that the money they were currently spending on rent could be invested in their own property, which would provide them with greater security in the future. It is important to note that not all of those who

cited this as a priority had actually started saving for a deposit. Rather, they felt that when they did start saving it would be for this reason and not for their retirement.

Many of those who had already bought a property felt that it was more important to pay off their mortgage than save into a company pension scheme. They felt that owning their own property outright provided more guaranteed security in retirement than a company pension scheme could offer. In addition to this, those who had only recently bought a property cited necessary renovations or home improvements as more pressing demands on their income.

These employees believed that having a property would ensure they had a safe investment for the future, from which equity could be released if necessary. In line with this, a large number of employees believed that if they owned a property 'outright' there would be very few demands on their income when they reached retirement.

The popularity of the Home Purchase (HP) scheme at Company 5 underlines the very different perceptions of property investment (at the time the research was conducted) compared to company pension schemes. The details of this HP scheme are discussed in Box 1.

Box 1: The Home Purchase Scheme²⁷

Company 5 offered new employees the choice of joining an HP scheme instead of the pension scheme. Similar to the pension scheme, employees were offered a matched contribution of 4% or 8%, which was invested on their behalf until they wanted to buy a property, at which point that money could be used as a deposit. It was only once this scheme had expired that participating employees became eligible to join the pension scheme.

Four of the six employees interviewed at this company had initially joined the HP scheme and bought properties using the deposit they had accumulated with the company. When they became eligible to join the pension scheme they decided not to do so for the same reasons as those stated by employees from the other companies. It is interesting to note that issues such as affordability and uncertainty about the future were not serious concerns when joining the HP scheme but became more important when making the decision to join the pension scheme. When asked why this was, employees tended to feel that the short-term commitment required for the HP scheme, from which the benefits could be realised in the near future, was more attractive than the long-term investment required for a pension scheme.

A couple of these employees had not realised that they were now eligible for the pension scheme and felt that it would have been useful if this had been communicated to them when their HP scheme expired.

²⁷ Please see Glossary for further explanation of the HP scheme.

Other demands on disposable income tended to be for social activities. Many of the employees who saved regularly said that they did so to achieve short-term goals; such as a night out with friends or an expensive holiday.

Some single employees and those without children felt that their priorities would change if they got married and had children and that they would then need to seriously consider joining the pension scheme. They mentioned the life assurance benefit available if they joined the pension scheme and felt that this would be more important to them if they had a family to support. However, as mentioned previously, the few employees who actually had young, school-age, children felt that they simply could not afford to save for retirement as there were always more immediate demands on their income (such as the family food bill).

The *'live now, save later'*²⁸ mentality of younger employees was a theme that ran across all companies and the lack of instantly realisable benefits was repeatedly mentioned by them as a reason for not joining the pension scheme. The fact that they would not be able to access their savings until they reached retirement age was of particular concern to them, especially for those who were still more than 40 years away from retirement age.

'I think it's just in general that I'm going to be putting money away every month for something that I can't have until the age of 60. It's quite off-putting. I know that it's a good thing but 40 years time – I'm not even thinking about 40 years time.'

(Employee, Under 25)

These employees felt that any savings they had should be immediately accessible in an emergency. A few thought that at least some of the money they had contributed should be accessible after a period of ten years or so. They could then personally reassess their financial situation and decide whether to leave the money in the pension fund or take it out to help pay for other necessities, such as debt repayment or securing a mortgage. This was a widespread opinion amongst blue collar and administrative employees but was not common amongst the more highly educated employees.

4.5 Age-related issues

Many employees in their 20s felt that they were simply too young to join a pension scheme and that it was too early for them to start thinking about retirement. Many of these employees found it difficult to imagine themselves as 'old', and a few (those whose parents or grandparents had died young) felt that they would not live to reach retirement age, so believed there was no point in saving. These employees were disinclined to even think about something that may never happen.

²⁸ Pettigrew, N., Taylor, J., Simpson, C., Lancaster, J. and Madden, R. (2007) *Live now, save later? Young people, saving and pensions*. DWP Research Report No. 438.

Nevertheless, some younger employees had set themselves a 'milestone age' of 30, at which point they would either definitely join a pension scheme or at least start to think about doing so.

'So I think it's an age thing and right now it's just not a priority, whereas I can imagine when I hit 30 it will probably be, "oh I should probably start saving now", so a bit later on.'

(Employee, 25-34 years old)

These employees were adamant that they would not even consider joining before this age, regardless of any changes in their personal circumstances (such as a salary increase or having children). However, age itself did not appear to be the main reason behind an employee's decision not to join the pension scheme, as some employees who had reached the age of 30 had pushed this 'milestone age' back to 40.

In a small number of cases, employees felt that they had left it too late to join a pension scheme and that, if they did join, their contributions would not be sufficient to support them in retirement. The age of these employees ranged from 35 to 55 years old. Almost all of these employees did intend to make, or had already made, some other provisions for their retirement but these tended to be in the form of property investment, other pension schemes or personal savings accounts. These investments were felt to provide guaranteed returns even if they were not as potentially lucrative as the company pension scheme. A couple of these employees, who had no other savings, did intend to join the workplace pension scheme in the near future, despite feeling that it may be too late to save a sufficient amount for their retirement. These employees intended to make additional contributions where possible.

4.6 Concerns about affordability

Most employees mentioned concern about affordability as a reason for not joining the company pension scheme. However, none of those interviewed had actually looked into how much their required contribution would equate to or whether it would have any real impact on their finances. When encouraged to think about the actual impact of reductions from their monthly salary, most employees conceded that they would be able to afford the required contribution by cutting back on other non-essential expenditure (such as social activities, holidays and clothes shopping). However, this was not always seen to be a worthwhile sacrifice (particularly amongst younger employees). Only a small number of employees felt that they genuinely could not afford any level of reduction in their salary. These employees tended to fall into two categories: those who were under 25 years old, earning the minimum wage and renting or planning to move out of the family home; and those with young families to support.

'I've got other things to worry about than a pension at the minute. Something like £5 a week would help me pay the water bill or something like that.'

(Employee, under 25 years old)

'As a single person you can probably think – 'oh I don't really have much money this month so I'll skimp a bit on food shopping' – you can't really do that with a child who has packed lunches Monday to Friday...so disposable income wasn't that high this month.'

(Employee, 25-34 years old)

Some employees, particularly graduates in their mid-20s and early-30s, had significant credit card or loan debts that they wanted to repay before joining a pension scheme. Amongst these employees it was generally presumed that, given the high levels of interest charged by the credit card and loan companies, it was more sensible to clear these debts before saving for a pension. These employees reported that they were not particularly good at managing their money at the moment but almost all felt that they were developing this skill as they got older and more settled.

In some cases, the required employee contribution was felt to be too high and those on lower incomes perceived that they would not be able to afford these. The minimum required contribution ranged from 1% to 10% but tended to be closer to 3% in most cases. Employees with families to support also felt that affordability was a key issue affecting their participation in the pension scheme.

Findings from Company 3 suggest that the level of contributions required from the employee is one of the key factors in the decision-making process. This company offered employees the choice between a Defined Contribution (DC) and a Final Salary (FS) pension scheme. Once an employee had joined one scheme they were not permitted to transfer to the other at a later date. Without exception, the employees interviewed felt that the FS pension scheme was extremely good. However, because the employee contribution required for this scheme (minimum of 8.25%) was significantly higher than for the DC scheme (minimum of 3%), many employees felt that they could not afford to join until their salary increased. These employees were reluctant to join the DC scheme instead, because they did not want to lose the option of joining the FS scheme once they could afford to do so.

The senior staff members at this company agreed that many of their younger employees, particularly recent graduates, could not afford to join the FS scheme but argued that the DC scheme was often more appropriate for these employees, many of whom would spend long periods of their career working on projects overseas. It was highlighted that the DC scheme was much more flexible in these circumstances. Nevertheless, they appreciated that the DC scheme was not as appealing an offer as the FS scheme.

4.7 Other savings and investments

Some employees, particularly those aged over 35, had made other provisions for their retirement, such as a private pension scheme, a portfolio of stocks and shares, or a second property. The more financially astute (i.e., those who either worked in finance or took a significant interest in it) felt that the investments available through their company pension scheme offered very low returns in comparison to these other investments.

'That's the nature of pensions... They're incredibly cautious because of all the responsibility. But by being ultra cautious you just think "well what's the point in putting a load of money in there when, if you're in a position to, you can buy a small flat?".'

(Employee, 35-44 years old)

These employees were fairly sceptical of company pension schemes in general and tended to want greater control over their investments than they perceived the company pension could offer. They complained that they would not be able to see how well their pension fund was doing and wanted the opportunity to change their investment choices if they wished to (in some cases, these employees were unaware that they would be sent an annual update or that they were permitted to amend their choices at given intervals throughout the year – though this was only an option at a couple of companies). One company provided employees with a login and password so that they could see how their investments were performing whenever they wished to do so. Conversely, two of the employees interviewed, who had a portfolio of stocks and shares, felt that in the current economic environment they may now be better off saving into a pension scheme. One of these employees interviewed had recently lost a great deal by investing in the stock market. He had planned to use this money to buy a second property for his retirement but found that he was now required to re-evaluate his options. While the investment fund choices offered by his company pension scheme were not as lucrative as he would like, they were significantly lower risk than the investments he had made, and lost money on, in the past. This employee had recently started a family and was now, to some extent, more concerned about higher security than he was about receiving higher returns on his investments.

4.8 The perceived lack of flexibility

A common reason for not joining the company pension scheme was that respondents believed it did not provide the flexibility required for the modern day labour market. Few of the employees interviewed had immediate plans to leave the company they worked for; however, many expected to move on at some point. In fact, some employees said that their initial decision not to join the company scheme had been based on the assumption that they would only stay at the company for a couple of years. They felt that it was not worth joining because they would not be contributing for long enough for it to be worthwhile.

'If you stay in the same company for 30 years and your salary and career goes normally, that's going to be great. But if you move job every three years you might earn the same amount of money as that person who's stayed in that company but your pension will be worth significantly less.'

(Employee, 35-44 years old)

In addition, employees who were prompted to read the documentation available as a result of being invited to an interview noticed that there were fees associated with transferring the pension scheme to another company. A few already knew about this. Many assumed that these fees would be high and that they would render worthless any contributions they made during their time at the company.

Following on from this, some employees felt that pensions in general were 'outdated' and that a more 'portable' savings account should be available²⁹. A few employees were planning to move overseas in the future and did not know whether a pension scheme set up in the UK could be transferred to another country. These employees were unaware that portable pension schemes did exist (though none of the participating companies offered them) and only one employee had discussed transferring his pension abroad with a Pensions Adviser.

Despite saying that pension schemes were outdated, employees found it difficult to think of a suitable alternative. Some mentioned personal investments (such as Individual Savings Accounts (ISAs) and Bonds) but upon further consideration and when asked to reflect on the feasibility of these options in the interview, most decided that they were not appropriate and felt that they were more suitable for short-term saving. Only older employees, who were closer to retirement age, viewed this as a feasible option. In fact, younger employees who were saving into ISAs often had a specific goal in mind, such as buying a car or saving for a deposit on a house. This finding is supported by research conducted on behalf of HMRC³⁰, which states that cash ISAs are used to finance short-term goals such as buying a new car.

At the time of interview, property investment was an attractive option for many but it was generally accepted that this was not appropriate (or possible) for everyone.

4.9 The joining process

In all cases, the employee was required to submit an application form if they wished to join the pension scheme. This was either a paper application form that had to be sent to the Human Resources (HR) or pensions department upon completion, or an online form that could be submitted instantly. Evidence from the interviews

²⁹ This was mentioned spontaneously and there was no indication that employees were aware of the Government's workplace pension reforms.

³⁰ Hall, S., Pettigrew, N. and Bell, S. (2007) *Saving in ISAs*. HMRC Research Report 38. <http://www.hmrc.gov.uk/research/final-report-isa.pdf>

suggested that employees thought they would be more likely to join a scheme if the application process was quick and simple. Employees also reported that the length of the application form and the efforts required of them did have some influence on whether or not they join the scheme. A few employees had actually collected the application form but failed to complete it, either because it was too long and complicated or because it required specific documents that were not always easily accessible (such as a birth certificate). These employees had put the form to one side with the intention of completing it at some point, but had then quickly forgotten about it.

Some employees believed that, had they been automatically enrolled in the pension scheme when they joined the company, they would now be participating in it. They felt that, given that they had not yet got around to completing an opt-in form, it is unlikely that they would have completed an opt-out form. Automatic enrolment was an attractive prospect for them because it required little effort on their part, and also bypassed the decision-making process that inevitably resulted in a list of reasons for not joining the scheme.

This is in line with recent research on the proposed workplace pension reforms laid out in the 2008 Pensions Act, which found that the majority of individuals (64%) found the idea of automatic enrolment (into the personal accounts scheme) attractive³¹.

Some employees observed that making contributions from the start of their employment also meant that they would not notice any reduction in their salary by joining at a later date.

'The good thing about where he works is it was an opt-out system so when he started they just did it and I think if they'd have done that here I would've done it but because he's lazy like me so, they just did it and that's fine, he's done it.'

(Employee, 25-34 years old)

The timeframes in which employees were required to make choices regarding the pension scheme differed considerably between the companies. While at most companies employees could apply to join at any point, two companies only offered this opportunity once a year. This tended to be a two- or three-week slot during which employees were required to make choices using an online log-in about all of the company benefits, including the pension scheme, on offer to them. This led to some confusion amongst employees about when it was possible to join the pension scheme. While most employees knew when they became eligible to join the scheme, many were unsure about when they had to apply. There was also some evidence that the limited timeframe available to some employees had

³¹ Webb, C., Pye, J., Jeans, D., Robey, R. and Smith, P. (2008) *Individuals' attitudes and likely reactions to the Workplace pension reforms 2007: Report of a quantitative survey*. DWP Research Report No. 550.

prevented them from joining the scheme. One employee had not joined their scheme at the specified time because she thought she would be changing jobs. When this did not happen she was unable to join this scheme as she has missed the deadline for joining and would have liked the opportunity to do so.

In some cases the pension scheme was administered separately from the other company benefits available, and so even though employees were only able to change their other choices once a year, they were entitled to apply to join the pension scheme at any time. As a result of communications about company benefits in general (telling employees that they had a set timeslot in which to make their choices), employees at these companies assumed, incorrectly, that if they did not apply to join the pension scheme one year, they would then not have another opportunity to do so until the following year.

Employees ranked their reasons for non-participation in order of their perceived importance but most found it difficult to say whether eliminating the most important concern would actually prompt them to join their company pension scheme. Many felt that no one event would trigger their participation but that they would join when they felt the time was right; however, they were unable to say exactly when this time would be. For example, a young male employee with significant student debts said that he would not even think about joining a pension scheme until these debts had been cleared. However, he stressed that being debt-free would not necessarily prompt him to join the scheme because other concerns, such as getting on the property ladder and a lack of understanding about pensions, would then become more important.

5 The employer perspective

This chapter provides an overview of employer pension schemes from the perspective of the senior staff in charge of administering them. In most cases the interviews were conducted with senior Human Resources (HR) staff and in-house pensions managers and company directors.

Interviews with senior staff members were conducted in order to obtain accurate information about the employer pension scheme against which to compare and contrast employees' perceptions and understanding of it. Engaging senior staff members (who are either responsible for communicating the pension's benefits to employees or ensuring the viability of offering one to employees) also ensured that the research findings were validated and balanced.

The employer perspective: Summary box

Most of those interviewed felt that their company offered a pension scheme because they were required to do so. Whilst senior staff felt that the employer pension scheme was not good enough to make their company stand out from its competitors (with the exception of Company 3), most believed that employees would expect to see a pension scheme as part of their benefits package and that the company would be at a disadvantage if it did not offer one. In contrast to this, some senior staff members felt that paternalism was the main reason why their company offered a pension scheme and said that they would provide this benefit to staff, regardless of whether or not it was a legal requirement to do so. The financial incentives available (such as the National Insurance savings that could be made) were also mentioned by some.

In general, employers were not aiming for 100% participation in the pension scheme and many felt that it was the employee's responsibility to ensure they had made enough provisions for their retirement. Nevertheless, most employers made some efforts to ensure that employees could access the information they needed should they wish to do so. Only a few were more proactive than this and contacted non-participants on an annual or bi-annual

Continued

basis to invite them to presentations or to encourage them to set up a meeting with a Pensions Adviser. These employers reported that these were popular with employees and most of those who attended a presentation or who met with a Pensions Adviser did join the scheme as a result. However, they also highlighted that some employees would not show an interest in joining the scheme or understanding its benefits regardless of how often they were encouraged to do so.

Employers found it difficult to understand why employees chose not to participate in the company pension scheme. Even though senior staff stated that the employer contribution was not outstanding, it was still a significant benefit that would, in effect, increase an employee's income. One senior staff member described joining the pension scheme as a 'no brainer'.

Overall, employers were enthusiastic about participating in this research project and were keen to know the reasons why employees were not participating in the pension scheme.

5.1 Reasons for offering a pension scheme

Most employers said their company offered a contributory pension scheme because they were obliged to do so. All cited the statutory requirement of offering a stakeholder pension but also stressed the necessity of offering an employer contribution that was in line with their competitors. This was particularly important in relation to those in more senior roles who, it was felt, would naturally expect a contributory pension as part of their benefits package.

Nevertheless, employers tended not to view recruitment and retention as being amongst their key reasons for having a pension scheme in place. Most thought that the pension schemes they offered were not good enough to stand out from the industry norm so it was other benefits, such as salary, annual leave and healthcare, which they focused on when recruiting new employees.

'For us, because it's no way a retention tool we don't have a target.'

(Senior staff)

The 2007 Employers Pension Provision Survey³² reports that of those companies providing a pension scheme, the main reason for doing so was legal obligation (36%) followed by paternalism (27%); a finding that is supported by this research. Some senior and HR staff also cited paternalism as one of the main reasons their company offered a pension scheme to employees. They felt that it was the duty of an employer to 'look after' its staff and to ensure that they had enough to live on when they retired. However, while some employers took this perceived

³² Forth, J. and Stokes, L. (2008) *Employers Pension Provision Survey 2007*. DWP Research Report No. 545.

obligation very seriously, others were much more sceptical about the provisions they should make for employees, most of whom would leave the company before they reached retirement age. Two companies were openly enthusiastic about the idea of corporate responsibility and fully embraced the idea of supporting employees into retirement.

'It's part of the ethos that it wants to be seen as... a caring employer and a paternalistic employer... employees should have income in retirement, it wants to put something towards that and so it wants to encourage it.'

(Senior staff)

Despite this, their efforts to encourage employees to join the pension scheme were no more comprehensive than those of the other companies that took part in this research.

5.2 Views about the scheme and the information provided

With the exception of Company 3, employers felt that the pension scheme they offered was fairly standard when compared to the pension schemes being offered by their competitors. Employees at Company 3 were offered a Final Salary (FS) scheme and believed that this was becoming increasingly unusual as many employers were replacing their Final Salary pension schemes with Defined Contribution (DC) schemes, which they knew posed a greater risk to the employee and were perceived to offer lower returns. In some companies it was felt that the pension scheme needed to be better for more senior staff, who were significantly more difficult to recruit. These more highly paid employees were often in their 50s and were, therefore, more likely than others to ask about the employer pension scheme at an interview. The HR manager interviewed at one company recalled interviewees for a senior management role commenting that the pension on offer was significantly worse than the one they were receiving from their current company. She felt that the fact they were unable to offer a more attractive pension scheme made it difficult to recruit the most highly qualified staff.

'At the end of the day we compete in a marketplace for a scarce resource, and that's labour. Now obviously within different markets there are different things that go on, but part of that competition is providing a competitive package of total reward. I think if you don't provide a pension benefit you are at significant disadvantage.'

(Senior staff)

In line with the attitudes of employees, most senior staff members and HR/pensions staff felt that the core responsibility for saving for retirement should fall on the individual. All accepted that companies should provide some support to their employees, but these perceived obligations differed considerably according to the company in question. Some senior staff felt that it was not in their interests

to encourage employees to join the pension scheme if they did not want to, particularly if they were not planning to stay at the company for longer than five years. The administrative costs involved in setting up, maintaining and ultimately closing a short-term employees' pension scheme were felt to be too high to make encouraging participation worthwhile.

In addition to this, none of the employers interviewed felt that their company was aiming for 100% participation, partly because this would cost them more in terms of employer contributions but also because it was felt that joining a pension scheme was not always suitable for all employees. For example, they felt that employees who did not plan to stay at the company for very long and those who were planning to work abroad in the near future were unlikely to benefit from joining the scheme (and may even lose money by doing so). Some employers also thought that employees on lower wages simply could not afford to join the pension scheme. This was a particular concern for the employer at a manufacturing company, who appreciated that the incomes of their factory staff were fairly low (many were on minimum wage).

'Some people, they genuinely are living very close to the line and even finding just a few pounds extra to pay into the pension fund they would find quite difficult to do. Most people earn above the minimum wage but a lot of the youngsters are joining on £5.75 to £6 an hour so there's not a lot of extra cash left over at the end of the week.'

(Senior staff)

5.3 Perceptions of why staff do not join the scheme

Senior staff often found it difficult to think of a reason why employees did not join the company pension scheme, particularly as they would receive extra employer contributions. In fact, one senior staff member described the decision as a 'no brainer'. Hence, the only reason they were able to offer was that employees were apathetic about saving for retirement and the concept of pension schemes in general. Moreover, some employers believed that the only reason staff had not joined the pension scheme was because they were 'too lazy' to read the information and complete and return the forms.

'Well some people are just lazy or as I said, they put it aside, they say, "oh I'll look at it later". It's still sitting there, it's not opened.'

(Senior staff)

Nevertheless, senior staff members interviewed were less positive than the employees about automatic enrolment, saying that, in their experience, it made little difference whether or not an employee participated in the pension scheme. They felt that a large number of employees would choose to opt out of the scheme immediately because they wanted to use the money elsewhere.

'I have to say, even when it's automatic enrolment, I've had schemes like that, there's a number of people who shoot out as fast as possible.'

(Senior staff)

Other suggested reasons for non-participation sat very closely with those given by the employees. These included:

Affordability – Employers felt that this issue was particularly resonant amongst young people and graduates and, in some cases, placed much greater significance on this than their employees, who often conceded that they could afford the reduction in their salary if they budgeted for it and were more sensible with their money. Nevertheless, this was a correct assumption with regard to employees on lower salaries, who had stated that contributing into the company pension would not be an option for them unless their salary increased.

'We don't know what people's personal circumstances are like and all those sorts of things, but living costs in this part of the UK are high and people are very conscious of that.'

(Senior staff)

Aside from young people and graduates, senior staff did not consider the other groups to be affected by affordability concerns, namely older employees with higher salaries but also with young children to support. In contrast, for employees who were in this category, affordability was a top concern.

Age – This was cited alongside affordability as a reason why employees don't join the pension scheme and the connection between age and salary was repeatedly mentioned by senior staff. However, few senior staff referred to the 'live now, save later' mentality that was prevalent amongst almost all young employees and none considered that some employees felt that they were too old to benefit from joining the scheme.

Other investments – It was presumed that the more senior staff who were not participating in the company pension scheme must have other investments in place. This was a correct assumption as those in senior roles (and on higher salaries) in these organisations did tend to have other provisions for their retirement but this may be a concern in other organisations.

Lack of understanding – Senior staff accepted that the information provided was extremely complicated, a problem that was repeatedly discussed by employees. Some companies had tried to simplify this information for its employees but felt that, given the complicated nature of the investment, they could only condense this information to a certain point, after which it would be of no real use to the employee. Some senior staff also expressed concerns about their legal obligations in this regard. Whilst some wanted to offer as much assistance as possible to help employees in their decision of whether or not to join the pension scheme, they were also worried about being seen to offer personal advice, which they were not permitted (or experienced enough) to do.

Understanding was perhaps lower on the agenda for employees than predicted by senior staff. Senior staff tended to assume that most employees had read the information they received, whereas few employees had actually tried to read or engage with it because they perceived that the information would be difficult to understand.

5.4 Future plan

Employers had few future plans regarding the company pension scheme. Few were actively encouraging employees to join the scheme and did not know what else they could do in this regard. Some senior staff felt that it was not their responsibility to do this.

Only one company had any plans to change the pension scheme itself (though some had moved from a Defined Benefit (DB) to DC scheme fairly recently). The HR director at this company intended to increase the employer contribution for senior staff members, to help the company with the recruitment and retention issues they were experiencing. He felt that the company was struggling to attract good candidates for senior roles because the benefits package (including the pension scheme) did not make them stand out from their competitors in the job market. This supports the general consensus amongst senior staff that their pension scheme (as it stood) was not good enough to use as a recruitment tool.

When asked what they would like to see out of this research, all employers said it would be useful to know the key reasons why employees choose not to participate in the pension scheme, particularly whether this was due to individual circumstances or something more specific to the pension scheme on offer.

'I'm intrigued by what people think and why they don't join pension schemes. As I say, I've put my views forward, but it may be that I've completely misinterpreted it.'

(Senior staff)

6 Implications

This research confirms a number of issues that the Department for Work and Pensions (DWP) may need to consider with regard to understanding why employees do not save in company pension schemes and how they view financial management in retirement more generally. This final chapter draws together the key themes that have arisen throughout this research and also makes some recommendations as to how both DWP and employers can work to encourage people to save for the future.

Please note though that when considering these research findings it is important to remember that employees who did join the company pension scheme (and are not included in this research) are likely to have different attitudes towards the information provided and the joining process than those who didn't join and therefore the findings should be read with this in mind. Whilst they may still have some concerns about the company pension scheme, their perspective will inevitably differ from that of the employees who took part in this research. Therefore, it is possible that the employees who joined the pension scheme at these nine companies may have been persuaded to do so by the same information and communication methods that failed to encourage action from those interviewed.

6.1 Changing perceptions of retirement

In the first instance, employees' perceptions of retirement may merit being challenged. Throughout this research, and as described in detail in Chapter 3, we found that many employees had not considered how they would cope, financially, in retirement. This was partly driven by the fact that, with the exception of a few older employees, most considered retirement to be an event too far in the distant future to visualise or plan for. Additionally, there were many negative associations with retirement. While not all subscribed to this view, there were those that believed retirement would be a lonely time characterised by ill-health, loneliness and inactivity. Because of this, employees not only found it hard to engage with issues around retirement due to its distance from them, but some also did not want to because of the images it conjured up.

To help with this, it may be useful for the Department and employers to continue to promote more positive messages around retirement generally. As noted in Chapter 2, attitudes towards retirement were often shaped by the experiences of those in the employee's family group, for example, if they saw their grandparents enjoying their retirement, an employee would be more likely to think that this life stage is one worth saving for. Therefore, increased communication about the opportunities available in old age may help to shift perceptions about this eventuality and, consequently, encourage saving.

At the other extreme, some employees held very positive ideals about what their retirement would be like but were vague about how they could achieve this lifestyle given their current lack of savings. Many assumed that they would start saving later in life, marry a wealthy spouse or have a successful career that would compensate for their current lack of future-planning. The 'live now, save later' mentality was prevalent amongst many employees who were reluctant to start saving if the benefits of doing so would not be realisable in the near future. In order to combat current undersaving it will be important to promote not only the necessity of saving for the future but also the benefits of doing so, relative to the short-term benefits mentioned by employees, such as home improvements, holidays or buying a car.

6.2 Content and timeliness of information

How and when information is provided to employees is also key and the challenge is to ensure that it is salient, understandable and meaningful.

As discussed in Chapter 3, those that received information as part of a 'welcome pack' were often more concerned about signing and returning compulsory documents such as their contract of employment, than thinking about something that, in some cases, they would not be eligible for until they had completed a probationary period.

In the context of the planned workplace pension reforms the timeliness of information provision may be less of an issue in terms of participation, given that many employees will be automatically opted into the pension scheme by their employer.

Nevertheless, it is important that all employees know and understand what they are being opted into and, for this reason, it is recommended that information about the pension scheme is provided separately and not as part of a larger welcome pack. For employees that are not automatically enrolled, it would be useful to consider providing this information when they become eligible to join and not before. This would help ensure that the information is not lost amid the other documents received when starting a new role and that the messages about the scheme are top of mind when one can actually join it.

Alongside timeliness, the information provided should also be appropriate for the

audience it is targeting. The level of detail provided in written documentation should be given careful consideration as employee engagement was often inhibited by the perception that it was overly complicated and text-heavy. Face-to-face communication, such as presentations or meetings with a Pensions Adviser, appeared to be most effective in developing awareness and understanding of the pension scheme amongst employees. However, it is important to note that, even though they felt they had higher levels of awareness and understanding, these employees had still not chosen to join their company pension scheme³³.

Aside from information around contribution levels, it became apparent throughout this research that clearly outlining the other benefits associated with a company pension scheme may well help to encourage participation amongst non-members. For instance, many employees were completely unaware of the tax benefits of contributing into a company pension scheme, assuming that their contributions would come out of their salary after tax.

Emphasising whether or not a pension is portable and, if so, the ease with which funds can be transferred is of real importance. One of the reasons employees gave as to why they did not save was that, while they had no immediate plans to move, they did not expect to stay at their current place of employment for the entirety of their career. Employees assumed that they would not be able to transfer their pension scheme and were surprised to learn that it was possible whilst reading the information about the company pension scheme during the interview, but that there might be administration charges involved in doing so. It may be useful for employers to communicate whether its scheme is portable and, if so, the costs associated with doing this to encourage the sense that saving for retirement is worthwhile – even if only for a short time.

It will also be important to signpost where employees can access independent and impartial advice regarding their investment options on joining the company pension scheme. As employers cannot offer advice of this nature, many employees felt unsure as to what they should do for the best and this then acted as a barrier to them taking the issue further forward. Consequently, providing information on how employees can easily obtain this kind of guidance may provide the additional levels of support they need to encourage them to save.

6.3 The joining process

As highlighted in Chapter 4, employees perceive that they have a number of demands on their personal finances throughout their life. Consequently, they do not believe that there is a 'right time' to start saving for their retirement. Because of this they felt that they would need active encouragement to start saving for retirement and to persuade them to channel their income into a pension scheme.

³³ The Department may wish to consider conducting further research into the perceived role of Pensions Advisers amongst those who **have** joined their company pension scheme.

They felt that the current opt-in schemes did not promote saving in this way, indeed, many employees felt that if they were automatically enrolled into their employer's pension scheme then they would be more likely to be saving for their retirement now as opting out would require effort on their part.

This finding supports one of the key features of the 2008 Pensions Act which puts a duty on employers to automatically enrol their qualifying employees into a workplace pension scheme, rather than requiring them to make a conscious decision to join.

Keeping the joining process itself as simple as possible is also key to ensuring higher levels of participation in company pension schemes. In some cases, employees had initially intended to join their company pension scheme but had been put off by either the sheer length of the application form or the specific information required to complete it. These obstacles then prevented employees from applying at a later date as the momentum to do so was lost. As a result, in future, there may well be benefits to employers ensuring that the application form for the company pension scheme is as simple and short as possible and uses language which is accessible to all. Additionally, help from either HR or an independent source to complete the form itself may be appreciated and, therefore, could encourage more employees to join.

It is important to note that this implication is based on the perceptions of employees who are not currently participating in their company pension scheme, and it does not take into account the opinions of the many employees who have gone through the joining process at each of the companies examined. Those who consciously opted into the company pension scheme may have very different opinions about the information provided and joining mechanisms in place.

6.4 Addressing uncertainty

Employees were particularly concerned about the fact that there were no absolute guarantees that they would receive a good return on their investment. Many were disinclined to invest money in something that they knew very little about and that they had little control over.

Whilst there is inevitably some level of risk that is outside the control of Government and employers, addressing employees' concerns about this unknown element will be an important step towards overcoming their reluctance to save. One company had been partially successful in addressing this issue by giving participating employees the opportunity to track the performance of their pension investments online while other employers had provided pensions forecasts based on employee case studies.

Linked in with this it is worth noting that, as discussed in Chapter 4, one of the reasons why people did not save in their company pension scheme was that they had other investments already (such as Individual Savings Accounts (ISAs) and

property) which were perceived to be more secure. Therefore, demonstrating that all forms of saving and investment carry a degree of risk may enable employees to view their company pension scheme within a wider financial context, thus making it more appealing.

6.5 Making pensions a priority

Underpinning all of the issues discussed in this chapter is the need to address the distinct levels of apathy exhibited by employees with regard to retirement issues and pension schemes in general. This is a salient and complex issue that ran throughout all of the case studies and that was the most prominent reason for non-participation in the company pension scheme. As discussed earlier in this report, most employees interviewed were unable to think of a good reason why they had not joined the company pension scheme other than the fact that they had not yet got around to doing so.

Lack of understanding and negative views of pension schemes appear to feed into this apathy but are also a result of it. Employees' lack of understanding of pension schemes was partly a result of their lack of engagement with the information available to them; and, negative perceptions tended to be a result of prominent but outdated media coverage, suggesting that employees had not actively tried to update their knowledge of the current pensions market.

The reforms laid down in the 2008 Pensions Act are likely to help address this apathy, particularly as automatic enrolment will require employees to proactively opt out of their workplace pension scheme. The challenge for both the Department and employers will be to ensure that employees who choose to opt out of their company pension scheme seriously consider and understand their retirement options before doing so.

Appendix A

Interviews achieved

Table A.1 Breakdown of interviews achieved

Company	Industry type	Location(s) interviews held	Size of company	No. of non-participating employees interviewed	No. of senior staff interviewed
1	Construction	South West	Large	6	2
2	Media	London	Large	6	2
3	Business consultancy	London/ Midlands/ North West	Large	6	2
4	Financial intermediation	London	Large	6	2
5	IT services	London	Large	6	2
6	Manufacturing	West Midlands	Medium	4	2
7	Engineering	West Midlands	Large	6	2
8	Procurement	London	Medium	5	1
9	Publishing	London	Medium	6	2

Appendix B

Full version of Table 1.1

Table B.1 Breakdown of company characteristics

Company	Industry	Location(s) interviews held	Size	Pension scheme offered ¹	Required employee contribution	Employer contribution	When eligible?	Joining method	Approx. proportion of eligibles in scheme
1	Construction	South West	Large	DC	Employee chooses (up to 100% of salary)	6%	Immediately	Application form	6%
2	Media	London	Large	GPP	From 1% (no maximum)	Matches employee contribution up to a maximum of 5%	After three-month probation	Application form	40%
3	Business consultancy	London/ Midlands/ North West	Large	DB or DC	DC scheme: 3% DB scheme: 8.25%	DC scheme: 0-10 years service = 6%, 11-20 years service = 8%, 20+ = 12% DB scheme: Balance of the cost of meeting scheme benefits	Immediately	Online login – during November (or by request throughout the year)	60% (the majority of employees have joined the DB scheme, less than ten are in the DC scheme)
4	Financial intermediation	London	Large	DC	Age-related scale (2% to 10%)	Matches employee contribution	Immediately	Online enrolment	80%

Continued

Table B.1 Continued

Company	Industry	Location(s) interviews held	Size	Pension scheme offered ¹	Required employee contribution	Employer contribution	When eligible?	Joining method	Approx. proportion of eligibles in scheme
5	IT Services	London	Large	DC or HP	2% or 4% (both DC and HP)	Doubles employee contribution (4% or 8%)	Immediately	Online (UserID and password) – first day of every month	60%
6	Manufacturing	West Midlands	Medium	DC or Stakeholder	3% (no maximum)	3% (after three years' service)	After 3 years of service	Application form	63%
7	Engineering	West Midlands	Large	DC	3% (no maximum)	Matches employee contribution plus 2% (up to 8%)	Immediately	Application form	21% (61% in FS scheme – now closed to new members)
8	Procurement	London	Medium	DC	Must contribute more than £240 per annum for employer contribution	Fixed at £900 per annum	Upon completion of probationary period	Application form	50%
9	Publishing	London	Medium	DC	3%	3%	Immediately	Application form	20%

¹ See Glossary for a full explanation of these terms.

Appendix C

Reported communication methods and employee recollection

Table C.1 Communication methods and employee recollection

Case study	Communication methods described by employer (past and present)	Information recalled by employees
Company 1	<ul style="list-style-type: none"> – Information included in a hard-copy welcome pack. – Intranet facility available. 	<ul style="list-style-type: none"> – All but one of the employees interviewed recalled receiving information when they joined the company. – Few staff were aware that the information was available on the intranet.
Company 2	<ul style="list-style-type: none"> – Normally mentioned at the interview. – Information included in a hard-copy welcome pack. – Reminder letters and application forms sent to employees after the three month probation period. – Presentations from a Pensions Adviser every six months. Non-participating employees are invited via e-mail. – Intranet facility available. 	<ul style="list-style-type: none"> – All employees recalled hearing about the pension scheme when they joined the company and receiving a reminder letter when they completed their three month probation. However, none of those interviewed knew about the six monthly presentations and, hence, had not attended one of these. – All staff assumed that the information would be available on the intranet (though none had searched for this).

Continued

Table C.1 Continued

Case study	Communication methods described by employer (past and present)	Information recalled by employees
Company 3	<ul style="list-style-type: none"> – Information included in a hard-copy welcome pack. – Intranet facility available. 	<ul style="list-style-type: none"> – All employees recalled receiving information when they joined the company and most were aware that the information was also available on the intranet (though none had searched for this).
Company 4	<ul style="list-style-type: none"> – Normally discussed at interview. – Employees are given information about the pension scheme when they join the company (not part of a welcome pack). – E-mail reminders on an annual basis (as part of an annual review of the employees overall benefits package). – Annually organised presentations. Employees are invited via e-mail. – Intranet facility available (employees join scheme by completing a form online). 	<ul style="list-style-type: none"> – Employees tended to think that they had received information about the pension scheme after completing a probationary period (of between one and three months). It is possible that they are recalling the annual reminders rather than the initial information they received upon joining the company. – All employees knew about the annual presentations, but only one had attended in the past.
Company 5	<ul style="list-style-type: none"> – Information included in a hard-copy welcome pack. – Intranet facility available (employees join by completing a form online). 	<ul style="list-style-type: none"> – Some, but not all, employees recalled receiving information about the pension scheme when they joined the company. Employees at this company tended to feel that the information available was not comprehensive enough to allow them to make an informed decision about joining.
Company 6	<ul style="list-style-type: none"> – Employees are invited to attend a presentation about the DC company pension scheme when they become eligible to join (after three years of service). This presentation is arranged by the employer but conducted by the independent pension provider. <p data-bbox="440 1659 823 1783">A pension pack, from the pension provider, is also provided to all eligible employees at the presentation.</p>	<ul style="list-style-type: none"> – All employees recall being invited to attend a presentation and all had taken advantage of this opportunity. – Some employees only had a vague recollection of the pension pack and none had read this in detail.
Company 7	<ul style="list-style-type: none"> – Information about the company pension scheme included in the offer letter sent to successful job applicants. – A hard copy pension pack from the pension provider is available upon request to all new joiners. 	<ul style="list-style-type: none"> – All employees knew that the company offered a pension scheme but not everyone recalled seeing information about it. Nevertheless, employees were confident that they could request this information from the HR department.

Continued

Table C.1 Continued

Case study	Communication methods described by employer (past and present)	Information recalled by employees
Company 8	<ul style="list-style-type: none"> – Brief explanation of pension scheme included in a hard-copy welcome pack. – Every four months, all non-participating employees invited via e-mail to see a Pensions Adviser regarding the pension scheme. 	<ul style="list-style-type: none"> – Some of those interviewed did not recall seeing information about the pension scheme in their welcome pack. Just two employees had taken the opportunity to meet with a Pensions Adviser – the others did not recall receiving an invitation to do so.
Company 9	<ul style="list-style-type: none"> – Employees were informed about the pension scheme when it was introduced last year. – The HR team have spent a significant amount of time trying to inform people of the scheme’s existence (via e-mail communication, offering one-to-one meetings with a Pensions Adviser, and including information in the company newsletter). – Employees are also given the opportunity to meet with a Pensions Adviser during working hours and the company helps to set up these meetings. 	<ul style="list-style-type: none"> – All employees had been with the company at least a year and were aware of the introduction of the company pension scheme, though some had heard about it through word of mouth rather than the e-mail correspondence. Half of those interviewed had arranged a meeting with the Pensions Adviser (organised by the company) and a similar proportion recalled seeing information about the scheme in the newsletter.

Appendix D

Discussion guide for employees

Discussion Area	Notes	Approx Timing
<p>INTRODUCTIONS</p> <p>Thank participants for agreeing to be interviewed – mention that the interview should last one hour</p> <p>Introduce self, Ipsos MORI, client and explain the aim of the discussion to explore why people don't enrol in their company pension scheme, and to explore why they make particular decisions.</p> <p>We are talking to a number of people who work at your company and your company is happy for us to talk to all of you.</p> <p>We'll also be speaking with a range of people from different companies, and are really keen to explore the issues that are relevant and important to them.</p> <p>Explain how the interview works and stress there are no right or wrong answers – all opinions are valid, interested in finding out a range of views/experiences.</p> <p>Confirm that they are happy to be asked in detail about their present and past financial situation and that they are happy to discuss this.</p> <p>Reassure respondents of confidentiality and anonymity – will not be personally attributed and employer will not be able to identify you from your remarks or told what you said during the interview.</p> <p>Gain permission to record for transcription purposes.</p> <p>Confirm that the interviewee is not enrolled in the company's pension scheme. They should not be in the sample if they are in the pension scheme.</p> <p>Participant Introduction</p> <p>First name, age.</p> <p>Life-stage: Who do you live with? Do you have any children? Do you currently own your own home – outright or with a mortgage?</p> <p>Salary: How much do you earn? And how much was your salary when you first joined the company? N.B. INTERVIEWEE MAY CHOOSE NOT TO ANSWER THIS QUESTION.</p> <p>How long have you worked at this company?</p> <p>What do you currently do? What do you like about your job? What do you find challenging about your role?</p>	<p>The welcome serves to orientate interviewee and put them at ease. It also lays down the 'rules' of the discussion including that we are required to tell them about under MRS Code of Conduct.</p> <p>The introduction serves to 'warm up' interviewee and opens up the topic for discussion</p> <p>CHECK COMPANY SPECIFIC BENEFITS</p>	<p>5 mins</p>

<p>How well do you think your employer treats its employees? What benefits does your employer offer employees? PROBE ON AWARENESS OF BENEFITS OFFERED (THESE WILL BE COMPANY-SPECIFIC BUT MAY INCLUDE HEALTH INSURANCE, ACCESS TO FACILITIES, CHILDCARE VOUCHERS, FLEXIBLE WORKING ARRANGEMENTS ETC – AS WELL AS THE COMPANY PENSION)</p> <p>What are your plans for the future (i.e., the next couple of years)? Do you plan to stay at the company or move on? Are you actively looking for another job?</p>		
<p>2. GENERAL ATTITUDES TOWARDS FINANCIAL ISSUES AND SAVING</p>		10 mins
<p>Thinking about the money you/your household has coming in each week or each month, where does this come from? PROBE FOR DIFFERENT SOURCES OF INCOME. Who in your household is the main earner?</p> <p>What would you say the main things are that you spend money on each week or each month?</p> <p>PROBE FOR RENT/MORTGAGE, UTILITY BILLS, CAR, PHONE, TV LICENCE, FOOD, CLOTHES, SOCIAL ACTIVITIES, PENSIONS/SAVINGS, PAYING OFF LOANS/CREDIT CARDS, CHILD RELATED EXPENDITURE.</p> <p>How do you make decisions about what you will spend your/your family's money on? Are these joint decisions? Can you talk me through what happens for different items?</p> <p>Do you (personally or your household) have any problems balancing your income and spending? IF YES: Just briefly, can you tell me a bit about where the problems are? PROBE ON CURRENT LEVEL OF DEBT AND REPAYMENTS. Do you ever have problems paying off these debts or affording other things you need once you have paid off the weekly/monthly amount?</p> <p>How would you describe your attitude towards managing money? What influences your decisions about how you use your money? PROBE FOR: OTHER PEOPLE, UPBRINGING, LIFESTAGE, GENERAL ATTITUDES.</p> <p>Do you have any kind of savings accounts or investments (apart from a pension)? Or any account you use mostly for the purpose of saving? IF NO: Have you ever had any savings accounts in the past that you have closed/no longer use? If YES: Are you saving for a particular purpose? How regularly do you save? PROBE: EVERY WEEK/MONTH, NOW AND THEN.</p>	<p>This section explores participants' attitudes towards saving and other financial issues and may help to contextualise their attitudes towards their company pension</p>	

<p>Would you say that you are a “saver”? What stops you from saving/saving more? Would you say it’s more important to live well now, or save for the future?</p> <p>How knowledgeable/confident would you say you are when it comes to financial matters?</p>		
<p>3. ATTITUDES TOWARDS RETIREMENT</p>		<p>10 mins</p>
<p>Have you ever thought about what retirement will be like for you? What age would you like to retire at? Do you think this is a realistic goal?</p> <p>What kind of things do you think of when I ask about ‘retirement’? Do you think retirement will be a positive or a negative experience?</p> <p>What sorts of things will you need money for? PROBE: RENT/MORTGAGE, ELECTRICITY AND WATER BILLS, FOOD, TRAVEL, HOLIDAYS. And how do you think you will manage financially in retirement?</p> <p>Is your income at retirement something that concerns you at the moment? Where does saving for retirement come in your list of financial priorities at the moment? IF LOW PRIORITY: At what stage might it move up high enough for you to consider doing something about it?</p> <p>Whose responsibility do you think it is to make sure you’ve got enough money to live on when you retire?</p> <p>How much would you say you knew about the different options for saving for retirement? Which options do you think are the best? Why do you say that? PROBE ON ISSUES SUCH AS SECURITY, FLEXIBILITY, OFFERING HIGH RATES OF POTENTIAL RETURNS ETC.</p> <p>Knowledge, information and advice</p> <p>What do you know about pensions? What kinds of images come to mind when I talk about ‘pensions’?</p> <p>What do you know about the State pension? What do you think the State pension will be worth by the time you reach SPA? How far do you think the State pension will go in paying for what you think you will need to spend or buy in retirement?</p> <p>Have you ever received information/advice about pensions or saving for retirement? IF YES: Where did you get this information/advice from? When did you receive it? Was this information/advice about the employer pension scheme or other pension/retirement savings options? What did you think of this information/advice? PROBE: Was it credible? Was it understandable?</p>	<p>Explore issues of attitudes towards retirement, future expectations, what has been considered.</p> <p>Again this will provide context for views about the company pension.</p>	

<p>Have you ever actively sought information or advice about pensions or saving for retirement?</p> <p>IF YES: What made you decide to seek information? How did you go about looking for this information? Who did you speak to? And when was this? What information and advice did you get? Was this sufficient? And did you take any action based on this information?</p> <p>IF NO: Are you considering seeking information in the near future? Why, why not?</p> <p>Behaviour</p> <p>Have you ever contributed to a pension in the past? IF NO, have you ever put aside money for your retirement in the past?</p> <p>And are you currently putting away any money for your retirement? Have you made any provision for your retirement?</p> <p>IF YES, PROBE ON DIFFERENT TYPES OF PROVISION AND NOTE DOWN (ESPECIALLY ANY OTHER PENSIONS, PROPERTY, STOCKS, SHARES ETC). At what age did you first make this provision? Why then? Why not earlier or later on in life? Why did you choose this kind of provision?</p> <p>IF NO PROVISION: Why not? PROBE ON OTHER SPENDING PRIORITIES. E.G., UNSURE OF BEST OPTION, THINK THEY ARE TOO YOUNG, HAVE THOUGHT ABOUT IT BUT NOT ACTED ON INTENTIONS ETC.</p> <p>IF THOUGHT ABOUT IT BUT NOT ACTED ON INTENTIONS: When did they start thinking about this? What option have they decided on? Why?</p> <p>Do you know if many of your friends or family (or your partner) have a pension? IF YES: Who? Is it something you ever discuss with them?</p>		
<p>4. THE EMPLOYER SCHEME</p>		30 mins
<p>Complete a 'time journey' sheet</p> <p>STARTING FROM WHEN THEY JOINED THE COMPANY AND INCLUDING DATES WHEN THEY RECALL RECEIVING INFORMATION AND ADVICE ABOUT THEIR COMPANY PENSION SCHEME. N.B. RESPONDENT IS UNLIKELY TO RECALL EXACT DATES/MONTHS SO ASK THEM TO PROVIDE A ROUGH ESTIMATE.</p> <p>Thinking back to when you first joined the company, was the pension scheme something you thought about?</p> <p>Did you know about the pension scheme before you joined the company? IF YES: What did you know?</p> <p>Do you recall receiving any information about the company pension scheme? IF YES: When did you receive this information?</p>	<p>Explores why participants have not enrolled in the company scheme. Get participants to describe their employer scheme journey - when did they receive info and decisions made. (This information will be cross-checked against information provided by the company contact).</p>	

<p>Were you invited to join the scheme? IF THEY WERE NOT ELIGIBLE FOR THE PENSION SCHEME WHEN THEY JOINED THE COMPANY FIND OUT WHY THIS WAS AND WHEN THEY ELIGIBLE TO JOIN.</p> <p>Were they automatically enrolled in the scheme? IF YES: Why did you withdraw/opt out?</p> <p>And when, if at all, did think about to whether to join the scheme or not?</p> <p>Did you discuss this with anyone? IF YES: When and with whom?</p> <p>Information about the Scheme REFER BACK TO TIME JOURNEY CHART If you received information about the scheme, can I just check when did you receive this? Was this when you joined the company or when you became eligible for the pension scheme? And how did you receive this information? What was it? What can you remember about it? Did you look at it in any detail? Was it understandable? What aspects, if any, did not make sense? Can you remember if it told you what you needed to do? How was it branded? Did it come alongside other information e.g. about other company benefits? What did you do with this information? Did you discuss it with anyone else? Did you seek further information on the pension scheme?</p> <p>Have you received anything else about the pension scheme since this?</p> <p>What difference, if any, did this information make to your decision to join?</p> <p>GET PARTICIPANT TO DESCRIBE WHAT THEY THINK ARE THE KEY FEATURES OF THE SCHEME. PROMPT ON THE FOLLOWING:</p> <ul style="list-style-type: none"> Contribution levels (both employer and employee contribution) Tax relief on pension contributions Type of scheme – DB/DC Guarantee of benefits (if any) Arrangements if employee dies before drawing a pension Regularity of payments Who runs the scheme <p>Advice about the Scheme Other than the information above have you received any advice on whether to join the scheme or not? IF YES: When was this and on how many separate occasions? Who did this advice come from? PROBE: MANAGER, OTHER COLLEAGUE, HR, ACCOUNTS, FAMILY/FRIENDS. What form did this advice take? Was it understandable? Was it positive or negative about the scheme? Did you feel able to ask questions about the scheme? Did you trust the advice you were given? Why, why not?</p>	<p>Be aware participants may know very little about the scheme.</p>	
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The decision to join

Why have you not joined the company scheme?

PROBE FOR:

Didn't know enough about it.

Not aware of the benefits it offers.

Waiting to be invited.

Don't feel they'll be at the company long enough to benefit from it.

Did not think they were eligible. PROBE: WHETHER ELIGIBLE WHEN FIRST JOINED THE COMPANY.

Can't afford to.

Don't feel the need to (PROBE ON REASONS FOR THIS: FELT TOO YOUNG TO BENEFIT, STATE PENSION SUFFICIENT ETC).

Not the right moment – will think about it later (PROBE ON WHEN WILL BE THE RIGHT MOMENT).

Do not think the benefits are good enough (PROBE ON WHY THIS IS: CONTRIBUTIONS TOO LOW, DB VERSUS DC SCHEME).

Have other provision (PROBE ON WHAT: PERSONAL PENSION, PROPERTY, STOCKS/SHARES ETC).

Didn't trust the employer/provider. IF YES, Why do you say this? What is it you did not trust about your employer/the pension provider?

Had other financial priorities.

Don't trust pensions generally/prefer other savings vehicles.

Didn't understand the information provided. PROBE ON WHAT THEY DID NOT UNDERSTAND AND WHETHER THIS RELATED TO THE CONTRIBUTION.

Which of the factors you have just mentioned were most important to your decision not to participate in the company pension scheme?

And which were the least important?

Has anything changed/become no longer relevant since the decision was made? IF YES: What has changed?

Have you thought about joining the scheme since you first decided not to? Why, why not? PROBE: CHANGE IN FINANCIAL CIRCUMSTANCES, LIFESTYLE.

IF YES: Why did you decide not to join again – was this for the same reasons as before? If you decided you would join, why have you not yet done this? PROBE: NOT YET GOT AROUND TO IT, UNSURE HOW TO, ADVICE FROM FRIENDS/FAMILY, DECIDED TO JOIN AT A CERTAIN TIME (E.G., WHEN REACHED A CERTAIN AGE) ETC.

Use stimulus material about the scheme

SHOW PARTICIPANT INFORMATION ABOUT THE EMPLOYER PENSION SCHEME AT THEIR COMPANY

Looking at the features of the scheme, which of these were you aware of? And which were you not aware of?

<p>What do you think are the most attractive features of the scheme? Why are these things attractive?</p> <p>And what are the less attractive features of the scheme? Why do you say this? RECORD GOOD AND BAD POINTS ON A DIAGRAM.</p> <p>Was there a specific feature of this scheme that made you decide not to participate in it? IF YES: What was this? And, what could be done to improve this feature?</p> <p>What are your views on how this compares to other provision for retirement, e.g., property, savings accounts?</p> <p>Do you think that joining this scheme would be the right thing to do for most employees? Why, why not?</p> <p>In your opinion, is this a good company pension scheme?</p> <p>IF YES: Why do you think this is a 'good' pension scheme? PROBE: HIGH EMPLOYER BENEFITS, GOOD INVESTMENT PERFORMANCE HISTORY, TRUSTED EMPLOYER ETC.</p> <p>IF NO: Why do you say this? PROBE: COMPARES BADLY WITH OTHER SCHEMES, EMPLOYER/COMPANY NOT TRUSTED ETC.</p> <p>Imagine you were saving £100 per month in this scheme – what effect would it have on you? Would you have to cut down on some other area of spending? Where would you cut the spending from? What impact would this have? And how do you think it would prepare you for the future?</p> <p>What about if you were saving £50 per month in this scheme? Would this still have an effect on your current spending behaviour? And how do you think it would prepare you for the future?</p> <p>Joining the scheme in the future Would any of the facts discussed today make you consider joining the company scheme – if so which ones? Why is this so important? If you received a pay rise would this affect your decision whether or not to join the company pension scheme? Why, why not? From whom would you want to receive information about pensions and other retirement issues? PROBE FOR COMPANY, GOVERNMENT, OTHERS.</p> <p>How should you get this information? When should you get this information? PROBE: WHEN JOINING THE COMPANY, AFTER COMPLETING PROBATION, AFTER A YEAR ETC.</p>		
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Conclusions		5 mins
<p>Summarise key points raised. Are there any issues you would like to add or cover that you don't feel we have already covered? Has today's discussion made you think differently about pensions or retirement at all? If so in what way(s)?</p>	<p>Wrap up the discussion and summarise main findings.</p>	
<p>THANKS AND CLOSE. EXPLAIN REPORTING</p>		

Appendix E

Discussion guide for employers

Discussion Area	Notes	Approx Timing
<p>INTRODUCTIONS Thank participant for agreeing to be interviewed – mention that the interview should last no more than one hour</p> <p>Introduce self, Ipsos MORI, client and briefly explain the aim of the discussion.</p> <p>Explain that once fieldwork is complete their company will receive a summary of the findings. We will also donate £50 to the company’s charity of choice for each of the senior staff interviews conducted.</p> <p>Reassure respondents of confidentiality and anonymity – will not be personally attributed and employer will not be able to identify you from your remarks or told what you said during the interview. Gain permission to record for transcription purposes.</p> <p>Participant Introduction First name, job title. What is your current job role? What are your responsibilities? Are you responsible for any members of staff? IF YES: How many? How long have you worked at this company? And how long have you been doing your current role? Have you personally joined the employer pension scheme? Why, why not? PROBE: WAS THE SENSIBLE THING TO DO, GOOD SCHEME, FELT OBLIGED TO, WAS AUTOMATICALLY OPTED IN. IF YES: When did you join? Why then?</p>	<p>The welcome serves to orientate interviewee and put them at ease. It also lays down the ‘rules’ of the discussion including that we are required to tell them about under MRS Code of Conduct.</p> <p>The introduction serves to ‘warm up’ interviewee and opens up the topic for discussion.</p>	<p>5 mins</p>

2. INTRODUCTION TO THE COMPANY AND THE PENSION SCHEME		15 mins
<p>General Information Can you tell me about the company you work for? PROBE ON THE FOLLOWING (UNLESS INFORMATION HAS ALREADY BEEN COLLECTED AT RECRUITMENT STAGE): In general, how would you describe the profile of the employees? PROBE: AGE, LIFE STAGE, QUALIFICATIONS ETC. What sort of work do they do? PROMPT: OFFICE-BASED, CUSTOMER FACING, MANUFACTURING ETC. Can I just check, how many employees does the company have? CHECK INFORMATION - THIS SHOULD ALREADY BE KNOWN.</p> <p>Overall company benefits package Other than the company pension scheme can you tell me what other company benefits, if any, are offered to staff? PROBE ON: TRAINING, GYM, HEALTHCARE, ANNUAL LEAVE ENTITLEMENT, FLEXI-TIME, DENTAL CARE, EYE CARE VOUCHERS, BIKE LOAN ETC. IF NO ADDITIONAL BENEFITS OFFERED: What do employees say about this? Are there any additional benefits you think they would like? Why do you say this? In your opinion how does this lack of additional company benefits affect recruitment and retention? IF ADDITIONAL BENEFITS OFFERED: Do you think staff are aware of these additional benefits? How do employees tend to find out about these benefits? What sort of take-up do these benefits have? Why do you think this is? And how do you think the overall benefits package offered by your company compares to what other companies offer? Why do you say that? PROBE ONLY IF INTERVIEWEE HAS A GOOD KNOWLEDGE OF THE OVERALL BENEFITS PACKAGES OFFERED BY OTHERS.</p> <p>The company pension scheme Why does your company offer a pension scheme? What are the benefits to the company of having a pension scheme? PROBE: RECRUITMENT, MORALE, MOTIVATION, SOCIAL RESPONSIBILITY, STAFF RETENTION ETC. What role does the pension scheme play as part of the company's remuneration strategy?</p>	<p>The aim of this section is to find out more about the company and its employees (through the eyes of the employer/senior staff member). The section will also cover general information about the pension scheme and its benefits for the employee and the company.</p>	

<p>What level of participation is the company aiming for? Why is this? IF NOT AIMING FOR 100% PARTICIPATION PROBE FULLY ON REASONS FOR THIS: Has this affected how the company promotes the pension scheme to employees?</p> <p>How many pension schemes does your company have? Does your company have any other pension schemes other than the one being researched? IF YES: Please describe this briefly.</p> <p>Overall, how many employees are enrolled in these pension schemes? THIS QUESTION IS ASKING ABOUT THE NUMBER OF EMPLOYEES IN ALL PENSION SCHEMES OFFERED.</p> <p>And how many employees are in the main company pension scheme? Do you know what this is as a percentage of eligible employees? NOTE: THE MAIN COMPANY PENSION SCHEME SHOULD BE ONE THAT OFFERED AN EMPLOYER CONTRIBUTION OF 3% OR MORE.</p> <p>Thinking only about the main company pension scheme, can you tell me a little bit about this?</p> <p>PROBE ON FOLLOWING (UNLESS INFORMATION HAS ALREADY BEEN OBTAINED):</p> <p>How long has this scheme been in place?</p> <p>Are all of your employees eligible for this scheme? IF NOT: What are the reasons for this? E.G., EMPLOYEES ON SHORT TERM CONTRACTS, EMPLOYEES NOT SENIOR ENOUGH, LENGTH OF TIME AT COMPANY ETC.</p> <p>How long does a member of staff have to be an employee before they can join this scheme?</p> <p>How do employees join this scheme? Are they formally invited to join? Why is it done in this way?</p> <p>Are employees automatically enrolled in the scheme? IF YES: Why is it done in this way? When are they enrolled? When are they offered the opportunity to opt out? How is this communicated to employees? IF KNOWN: For what reasons do employees tend to opt-out?</p> <p>What percentage contribution of salary does the company make?</p> <p>What percentage contribution can the employee make?</p> <p>What percentage contribution do they normally opt for? And why do you think this is? Approximately what percentage of employees make the minimum contribution?</p> <p>Does the scheme have a waiting period and/or vesting period? REWORD IF NECESSARY: Is there a set amount of time that an employee must be a member of the pension scheme before they earn the right to employer contributions? IF YES: How long is this?</p>	<p>NOTE TO INTERVIEWER: SOME OF THIS INFORMATION MAY ALREADY HAVE BEEN OBTAINED AT THE RECRUITMENT STAGE. THEREFORE IT MAY NOT BE NECESSARY TO ASK ALL OF THE QUESTIONS IN THIS SECTION. CLARIFY INFORMATION WHERE NECESSARY.</p>	
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<p>What are the different ways in which the money can be invested? Who runs the scheme?</p> <p>Do scheme participants have to make any decisions when they join the scheme (e.g., which investment fund the money goes into, the level of contribution they make as the employee)? IF YES: What decisions do they need to make? Do you think this has an effect on whether an employee chooses to join the scheme?</p>		
3. INFORMATION PROVISION		20 mins
<p>New joiners - Information about the Scheme</p> <p>Are employees told about the pension scheme before they join the company (e.g., in job advert, at the interview etc)? IF YES: Do you think the pension scheme is something that attracts people to the company?</p> <p>When do new joiners first receive information about the pension scheme? PROMPT: IN NEW JOINERS PACK, AT INDUCTION EVENT(S), WITH CONTRACT, AFTER PROBATION, WHEN ELIGIBLE ETC.</p> <p>Can you tell me a little bit about the information provided to new joiners?</p> <p>PROBE FULLY ON THE FOLLOWING:</p> <p>What format does it take? PROBE: LETTER, LEAFLET, E-MAIL, PRESENTATION ETC. IF PRESENTATIONS: When and where do these take place?</p> <p>How is it branded? Does it come alongside other information e.g. about other company benefits?</p> <p>Who provides this information? PROBE: INDEPENDENT FINANCIAL ADVISER, PENSIONS PROVIDER OR EMPLOYER.</p> <p>Do new joiners ever ask questions about the information they have been provided? IF YES: What sorts of questions do they ask?</p> <p>In your opinion, is the information provided to employees easy to understand? Why, why not? What aspects, if any, do you think are difficult to understand? Why do you say this?</p> <p>Does it tell employees what they need to know?</p> <p>Are employees able to obtain additional advice about the pension scheme? IF YES: How do employees tend to find out about this? Who provides this advice? Do employees tend to seek extra advice?</p> <p>Does this reflect how you personally received and obtained information about the company pension scheme when you joined? Why, why not?</p>	<p>Explores what information and advice about the employer pension scheme is available to employees and when this is provided.</p> <p>Get employers to describe how the pension scheme is publicised to new recruits as well as existing non-joiners. Discuss when employees receive info and make decisions. (This information will be cross-checked against information provided by the employee).</p>	

<p>To what extent do you think new joiners trust the information and advice they are given? Why do you say this?</p> <p>Non-joiners - Additional information provided Does the company actively try to persuade non-joiners to join the scheme? Why, why not? IF YES: How do they do this? Is this successful? Why, why not? Does the company send reminders to employees who have not joined the scheme? IF YES: How often are these sent out? What format do these take? What sort of response do these reminders tend to get? At what other times are employees given information about the company pension scheme? PROBE: INDUCTION, AFTER PROBATION PERIOD, AT APPRAISALS, REGULAR PRESENTATIONS/E-MAILS/LEAFLETS. What format(s) does this information take? PROBE: LETTER, LEAFLET, E-MAIL, INFORMAL DISCUSSION, PRESENTATION. Who provides this information? PROBE: INDEPENDENT FINANCIAL ADVISER, PENSIONS PROVIDER OR EMPLOYER. How often is this information provided? PROMPT: EVERY MONTH, ONCE A YEAR, AD HOC, DEPENDS ON THE INDIVIDUAL. Do employees ever seek further information or advice about the scheme? IF YES: Who do they tend to go to for advice/information? What information or advice do they ask for? Do you think employees trust the information and advice they are given? Why, why not?</p> <p>The future Is there anything else you think the company should/could be doing to encourage participation? What else? From whom do you think employees should receive information about pensions in general and other retirement issues? PROBE FOR COMPANY, GOVERNMENT, OTHERS.</p> <p>How should they get this information? When should they get this information? PROBE: WHEN JOINING THE COMPANY, AFTER COMPLETING PROBATION, AFTER A YEAR ETC.</p>		
<p>4. ATTITUDES TOWARDS THE PENSION SCHEME</p>		
<p>How do you think the pension scheme is perceived by employees? Why do you say this? Why do you think employees choose not to participate in the scheme? What reasons have employees given for not joining the pension scheme?</p>	<p>Aims to find out what role the pension scheme plays. Also explores employees'</p>	<p>10 mins</p>

<p>Lack of awareness. Lack of understanding of the scheme and its benefits. Retention issues. Can't afford to. Not got round to it. Have other financial priorities. Feel they are too young. Benefits of joining not perceived to be good enough. Have other provision. Don't trust the employer/ provider. Don't trust pension generally/ prefer other savings vehicles. Which of these reasons are most common? Why do you think this is? What things could be done to get over these barriers? PROBE: WHAT COULD BE DONE BY EMPLOYER, WHAT COULD BE DONE BY GOVERNMENT? How do <u>you</u> think the main pension scheme offered by your company compares to what other companies offer? Why do you say that?</p>		
<p>Conclusions</p>		5 mins
<p>Summarise key points raised. Are there any issues you would like to add or cover that you don't feel we have already covered? What would you like to see out of the research? THANK AND CLOSE. EXPLAIN REPORTING</p>	<p>Wrap up the discussion and summarise main findings</p>	