Title: Pensions (Extension of Automatic Enrolment) 2023 **IA No:** **RPC Reference No: RPC-DWP-5150 (1)** **Lead department or agency:** Department for Work and Pensions **Other departments or agencies:**	**Impact Assessment (IA)** **Date:** March 2023 **Stage:** Final **Source of intervention:** Domestic **Type of measure:** Primary legislation **Contact for enquiries:** private.pensionsanalystsbriefing@dwp.gov.uk

Summary: Intervention and Options

RPC Opinion: Green

Cost of Preferred (or more likely) Option (in 2022 prices)			
Total Net Present Social Value	**Business Net Present Value**	**Net cost to business per year**	**Business Impact Target Status**
N/A	N/A	N/A	Qualifying provision

What is the problem under consideration? Why is government intervention necessary?

Automatic Enrolment (AE) was introduced to enable low to moderate earners to save (or save more) for their retirement by automatically opting people into pension saving, while judging most would not subsequently opt-out. It followed the recommendations of the Pension Commission (2004 & 2005)[1], which concluded that significantly expanding participation in pension saving could not be achieved via purely voluntary means. The current legislative framework does not allow the target audience or qualifying earning for savers to be sufficiently flexed in response to changes in circumstances (e.g. the wider economy).

What are the policy objectives and the intended effects?

The provisions in this Bill will not result in any immediate effects but will give the Secretary of State powers to amend the age limit and lower qualifying earnings limit for AE. In line with previous commitments from 2017[2], this is aimed to: 1) Allow Government to change the policy's age limits - the expectation is that the powers will be used to extend AE to younger workers, from age 22 to 18, bringing a further 0.5m into saving £1 billion p.a. were this to be introduced alongside abolishing the LEL in 2022/23; 2) Allow the Government to abolish the lower earnings limit (£6,240 in 2022/23) for pension contributions. This would give more workers the opportunity to save into a workplace pension with an employer contribution and allow both current and new savers to benefit

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

We outline the current position in a do-nothing option. Since the Pensions Act 2008[3], AE has been subject to rigorous scrutiny, including: the independent Making Automatic Enrolment Work Review in 2010[4]; the government's statutory review of AE: Maintaining the Momentum in 2017[5]; and regular publication of evaluation reports. AE has been shown to be effective in addressing under-saving. The legislative option under consideration here would enable Government to update the targeting of AE to ensure that its benefits are applied to the most appropriate audience building on the 2017 Review. These changes would remedy constraints in the original legislative framework, allowing appropriate flexibility now that the initial implementation period has concluded. Government will maintain the long-standing consensus around AE by consulting widely on the best approach and giving sufficient notice prior to implementing any changes made.
We briefly consider the non-legislative option of instead encouraging employer to voluntarily adopt the intended policy of making contributions to workplace pensions from the first pound earned and making those contribution from the age of 18.

Is this measure likely to impact on international trade and investment?		No		
Are any of these organisations in scope?	Micro Yes	Small Yes	Medium Yes	Large Yes

[1] The first and second report of Pension Commission [ARCHIVED CONTENT] (nationalarchives.gov.uk) Contents.qxd (guardian.co.uk)
[2] Automatic Enrolment Review – analytical report Automatic enrolment review 2017: analytical report (publishing.service.gov.uk)
[3] Pension Act 2008 Pensions Act 2008 (legislation.gov.uk)
[4] Making Automatic Enrolment Work Making automatic enrolment work – a review for the Department for Work and Pensions - GOV.UK (www.gov.uk)
[5] Automatic Enrolment Review 2017: Maintaining the Momentum (publishing.service.gov.uk)

What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)	Traded: N/A	Non-traded: N/A
Will the policy be reviewed? It will be reviewed. If applicable, set review date: TBC if implemented		

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: .... Date: ....

Summary: Analysis & Evidence Policy Option 1

Description: Do Nothing

FULL ECONOMIC ASSESSMENT

Price Base Year 22/23	PV Base Year 22/23	Time Period Years 30	Net Benefit (Present Value (PV)) (£m)		
			Low: 0	**High:** 0	**Best Estimate:** 0

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	0		0	**0**

Description and scale of key monetised costs by 'main affected groups'

Doing nothing is estimated to have zero impact. Total pension contributions due to the current AE design are estimated to be £1,487bn over 30 years (or £69bn in year 1 of the policy). Of this, employer contributions total £882bn (£41bn), employee contributions total £431bn (£20bn), and income tax relief on employee contributions totals £174bn (£8bn).

Other key non-monetised costs by 'main affected groups'

The costs of automatic enrolment are unlikely to change as a result of 'Do Nothing'.
Employers may have responded to the increased cost of employer contributions after AE implementation by reducing their spending in other areas – though evidence suggests a majority absorbed the cost with other overheads. Employers passing on the costs may drive second-order fiscal costs (less tax and NICs revenue).

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	0		0	**0**

Description and scale of key monetised benefits by 'main affected groups'

Total pension saving increases by £1,487bn (£69bn in year 1 of the policy) due to current automatic enrolment policy design. This will not change under a 'Do Nothing' option. This will help support millions of people in retirement.

Other key non-monetised benefits by 'main affected groups'

The social welfare impact of the original automatic enrolment policy from 2012-2050 was originally estimated at £40bn in 2006 prices. This will stay the same under a 'Do Nothing' option.
All pension saving promises a significant future fiscal benefit as people spend more in later life than they would have otherwise done.

Key assumptions/sensitivities/risks | **Discount rate (%)** | 3.5%

The modelling assumes that amongst those who have been automatically enrolled, the existing private sector participation rate (86% in 2021) will continue to participate in a workplace pension scheme in the long-term. We will continue to monitor and re-evaluate these with more data.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0	**Benefits: 0**	**Net:** 0	0

Summary: Analysis & Evidence Policy Option 2

Description: Take Legislative Powers to Abolish the LEL and Lower the Age Threshold for AE.

FULL ECONOMIC ASSESSMENT

Price Base Year 22/23	PV Base Year 22/23	Time Period Years 30 years	Net Benefit (Present Value (PV)) (£m)		
			Low: N/A	**High:** N/A	**Best Estimate:** N/A

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low				
High				
Best Estimate	N/A		N.A	**N/A**

Description and scale of key monetised costs by 'main affected groups'

The legislation will not result in any immediate costs/benefits. However, if the powers were used to implement the proposals set out in the 2017 review, total pension contributions could increase by £45bn over 30 years (£2.0bn in year 1). Of this, employer contributions are expected to total £19bn (£0.8bn in year 1), employee contributions total £21bn (£0.9bn in year 1), and income tax relief on employee contributions totals £5bn (£0.2bn in year 1).

Other key non-monetised costs by 'main affected groups'

If implemented, the second-order fiscal effects that could be incurred are estimated to be in the range of £3.9bn (£0.2bn in year 1). There could also be an additional administrative and familiarisation cost facing business of £0.2bn (£10m in year 1).

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low				
High				
Best Estimate	N/A		N/A	**N/A**

Description and scale of key monetised benefits by 'main affected groups'

If implemented, total pension contributions could increase by £43bn (£2.0bn in year 1). This would help support millions of people in retirement.

Other key non-monetised benefits by 'main affected groups'

If implemented, these measures could realise an additional social welfare benefit of £17.9bn over 30 years starting 2022/23. Further social welfare benefits would accrue beyond that. If implemented, the measures could also increase total pension saving via behavioural responses (for example individual earnings under the LEL before the implementation would incentivise opt-in as they are now entitled for employer contribution.). The measures may, if implemented, deliver administrative savings via the consolidation and simplification of the various categories of workers under the existing policy.

Key assumptions/sensitivities/risks	**Discount rate (%)**	3.5%

Currently, it is not known when the policy changes appraised here will be implemented. As such, all appraisal is done from 2022/23. This year is chosen purely for illustrative purposes. It is not appropriate to submit NPV, BIT or EANDCB values at this stage. When the measures appraised here are brought forward for implementation, a further impact assessment will be submitted using the latest evidence.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			**Score for Business Impact Target (qualifying provisions only) £m:**
Costs: N/A	**Benefits:** N/A	**Net:** N/A	N/A

Summary: Analysis & Evidence — Policy Option 3

Description: Non-legislative option: encouraging the adoption of a zero LEL and enrolment from age 18.

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
22/23	22/23	30	**Low:** 0	**High:** 0	**Best Estimate:** 0

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	0		0	**0**

Description and scale of key monetised costs by 'main affected groups'

The estimated impact in this scenario would be the same as the baseline Policy Option 1.

Other key non-monetised costs by 'main affected groups'

The non-legislative option is based on encouraging employers to adopt measures without legislation, and enrol employees from the age of 18 and from the first pound when earning over £10,000 p.a. The estimated change in this option is negligible.
The proposed measures were announced in 2017. Therefore, although many employers have already adopted the measures (reflected in the lower costs compared to 2017) it is unlikely at this stage that more would introduce them voluntarily. Participation rates are known to be low among younger cohorts, so there is no expectation that employers would seek to change this voluntarily.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	0		0	**0**

Description and scale of key monetised benefits by 'main affected groups'

There is no expectation that employers would seek to change this voluntarily. The estimated change in this option is negligible.

Other key non-monetised benefits by 'main affected groups'

The baseline social welfare impact will stay the same under a 'Non-legislative' option.

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5%

The modelling assumes that amongst those who have been automatically enrolled, the existing private sector participation rate (86% in 2021) will continue to participate in a workplace pension scheme in the long-term. We will continue to monitor and re-evaluate.

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0	**Benefits: 0**	**Net:** 0	0

Evidence Base

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1. Introduction

1.1 Automatic enrolment (AE) has transformed pension saving, with over 10.8 million employees automatically enrolled into a workplace pension by January 2023. In 2021, 86% of private sector eligible employees were saving in a workplace pension, up from 42% in 2012.

1.2 However, there are gaps in coverage, including 18- to 21-year-olds and part-time workers earnings less than the current earnings threshold. Moreover, using the savings adequacy measure used by the Pensions Commission (Target Replacement Rates)[1], there are still estimated to be around 12.5 million individuals under-saving for their retirement, who make up 38 per cent of the working age population[2].

1.3 In the 2017 Review of Automatic Enrolment, the government committed to introducing changes to automatic enrolment in the mid-2020s. The Bill would enable the Secretary of State for Work and Pensions to deliver on that commitment and extend pensions automatic enrolment by:

(i) Lowering the age from which otherwise eligible workers must be automatically enrolled into a pension scheme by their employers from 22 to 18.

[1] For both reports see the archived version of the Pensions Commission website. www.webarchive.org.uk/wayback/archive/20070802120000/http://www.pensionscommission.org.uk/index.html

[2] Analysis of future pension incomes - GOV.UK (www.gov.uk) https://www.gov.uk/government/statistics/analysis-of-future-pension-incomes/analysis-of-future-pension-incomes

(ii) Removing the Lower Earnings Limit (LEL) from the qualifying earnings band so that contributions are calculated from the first pound earned (rather than the current lower earnings limit threshold (£6,240 in 2022/23)).

1.4 Lowering the age threshold will make pension saving the norm for young people and enable them to begin to save from the start of their careers. Removing the LEL will mean more workers would have access to a pension with an employer contribution and greater pension pots, supporting those with low earnings and multiple jobs.

1.5 The Government already has power to vary the size of the band of earnings on which contributions are paid by raising or lowering the upper and lower thresholds of the band. Taking powers to abolish the Lower Earnings Limit (LEL) will enable the government to start the band of earnings on which contributions are paid at £0.00, thereby increasing total pension saving and simplifying contribution calculations both for employers and individuals. If implemented, the removal of the LEL would increase the pensionable earnings that workers and employers pay pension contributions on, growing total pension savings. This would proportionally affect the contributions of lower earners the most.

2. Policy Context

2.1 Being automatically enrolled into a qualifying workplace pension was one of the key recommendations of the independent Pensions Commission, which reported in October 2004 and November 2005.[3]

2.2 The Pensions Commission looked at the future of retirement saving in the context of declining workplace pension participation and increasing longevity. The Commission recommended automatic enrolment as a mechanism to bring workers into saving who did not previously have access to a workplace pension. This would be one part of an overall approach to retirement income, with the State Pension and voluntary savings making up the rest.

2.3 The policy intent was to increase the number of workers participating in workplace pensions and to increase the total amount saved into them. This was to be achieved by enabling individuals who did not have access to a workplace pension to start saving, and for their contributions to be supplemented by employer contributions, and in most cases tax relief.

2.4 The approach was informed by behavioural analysis which showed the beneficial effects of defaulting individuals into pension saving would lead to continued pension saving as many people would not subsequently opt out because of inertia in their subsequent behaviour. In this way the barriers to pension saving presented by individuals' behaviours, in the face of the complexities of pension saving, could be overcome.

2.5 AE has been targeted at individuals on low to moderate incomes who did not have ready access to the existing private pensions market, but it has been framed in a way that recognises workplace pensions may not make economic sense for some low-paid workers.

2.6 The core automatic enrolment duty placed on employers in Great Britain is that they must make arrangements whereby their eligible workers automatically become active

[3] For both reports see the archived version of the Pensions Commission website. www.webarchive.org.uk/wayback/archive/20070802120000/http://www.pensionscommission.org.uk/index.html

members of a qualifying pension scheme and pay certain minimum contributions into the scheme.

2.7 Workers meet the eligibility criteria and must be automatically enrolled by their employer if they are:

- not already an active member of a qualifying workplace pension scheme on the automatic enrolment date;
- at least 22-years-old;
- below State Pension age;
- earning more than the current earnings trigger (ET) which is £10,000 (in 2022/23) a year (or £833 per month or £192 per week); and
- working or ordinarily working in GB (under their contract).

2.8 There are two additional thresholds to consider for AE:

- **Lower Earnings Limit (LEL)** - The lower limit of the qualifying earnings band sets the minimum amount that people must earn before their employer can start to calculate their pension contributions and include the minimum employer contributions. It therefore determines the lower level of an enrolled workers' earnings on which they and their employer have to pay contributions. In 2022/23 this is currently £6,240.
- **Upper Earnings Limit (UEL)** - The upper limit of the qualifying earnings band caps mandatory employer contributions. In 2022/23, this is currently £50,270.

2.9 Workers earning £10,000 or less can choose to 'opt-in' to a qualifying scheme and will be entitled to an employer contribution if they earn more than £6,240 (the LEL). Automatically enrolled workers can choose to opt-out but employers must not seek to persuade people to do so. If workers choose to opt-out within the first month of being enrolled, they are entitled to a refund of their contributions and their scheme membership is undone. Every three years employers have to automatically re-enrol those eligible workers who are not currently saving.

2.10 In April 2019, the statutory minimum contributions for automatic enrolment increased to 8 per cent of the employee's qualifying earnings, of which 3 per cent should be contributed by their employer. Most people will receive tax relief from Government on their contributions, and following a consultation top-up payments in respect of tax relief for people in Net Pay Arrangements will be introduced from 2024/25[4].

2.11 Since AE's introduction in 2012, workplace pension saving has become the norm for workers. Over 10 million individuals have now been automatically enrolled into a workplace scheme by their employer, with nine out of every ten of them continuing to save[5]. Many of those benefitting were once poorly served or excluded from workplace pensions, but thanks to AE, many more women, low earners and younger people are now building an asset for their future. This is helped deliver an additional £32.9 billion in real terms into pensions savings in 2021 compared to 2012[6].

2.12 In December 2017, the government published the report of a statutory review into AE, required under the Pensions Act 2008.[7] The review examined what had been achieved so far and looked at how the government could seek to strengthen AE.

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[4] https://www.gov.uk/government/consultations/pensions-tax-relief-administration-call-for-evidence

[5] www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis

[6] https://www.gov.uk/government/statistics/workplace-pension-participation-and-savings-trends-2009-to-2021/workplace-pension-participation-and-savings-trends-of-eligible-employees-2009-to-2021

[7] Automatic enrolment review 2017: Maintaining the momentum www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum

2.13 The proposed legislation covered in this Impact Assessment will amend provisions in the Pension Schemes Act 2008 to give regulation making powers which will enable the Secretary of State to make regulations to lower or raise the lower or upper age limit at which otherwise eligible workers must be automatically enrolled and re-enrolled into a pension scheme by their employers. It will also allow regulations to remove the Lower Earnings Limit (LEL) from the qualifying earnings band so that contributions are calculated from the first pound earned and to make regulations modifying the requirements of the annual review of the qualifying earnings band as it relates to the LEL.

2.14 As a result, the Impact Assessment examines the potential impacts of those two changes, whilst recognising the final policy may change. This is because the Government will maintain the long-standing consensus around AE by consulting widely on the best approach to implementing any changes made under these powers and continuing to evaluate AE's real world impacts. When the measures appraised here are brought forward for implementation, a further impact assessment will be submitted using the latest evidence. It is proposed that any changes to legislation will be made using the affirmative regulation making procedure and therefore will be subject to scrutiny of both houses of Parliament. No costs or benefits will arise from the legislation at this stage.

3. Policy Options

3.1 The Government considered options to build on the achievements of AE to date through its 2017 AE Review: Maintaining the Momentum. This concluded that the most effective way to expand pension saving amongst groups that remain outside the scope of the reforms is to expand the scope of AE to encompass younger workers and allow all savers – new and existing – to benefit from increased pension contributions by targeting the removal of the lower earnings limit for AE, with the eventual aim of AE pension contributions being made from the first pound of earnings.

3.2 The 2017 Review set out Government's ambition to lower the qualifying age for being automatically enrolled into a workplace pension to 18. Government recognises that this option would have cost implications for employers and it would therefore be subject to full public consultation, including on the timetable for introduction, prior to implementation. The original minimum age of 22 for AE was based on National Minimum Wage age criteria, which have since been superseded. We are therefore keen to understand the practical implications of aligning the AE threshold with an age that is relevant for employers in other areas such as the age bands for the National Living Wage.

3.3 Other options were considered to lower the eligible age for being automatically enrolled to 16 rather than 18; as well as to make changes to increase the upper age limit. While these are not the preferred options currently, taking broader powers to change the eligible age leaves them open in the future and after listening to stakeholders.[8]

3.4 Enabling the removal of the AE LEL would increase contributions for a large proportion of people saving into a workplace pension. This includes those earning below the trigger who have chosen to exercise their right to opt-in to AE. The change would tend to benefit the lowest earners the most. Everyone who opts in would be entitled to an employer contribution, even the lowest earners.

[8] For a more detailed discussion see pages 35-40 of the Automatic Enrolment Review 2017

3.5 The Government can already vary the LEL as part of the AE annual review. A new power to remove the LEL entirely would however enable Government to remove the 'entitled worker' category at the same time, simplifying the policy by having only two categories of qualifying worker. The legislative changes would reduce administrative complexity for employers when assessing their workforces, and the associated business costs.

3.6 Other options that could increase total pension saving include reducing the earnings trigger, currently set at £10,000 per year; or increasing statutory minimum contributions beyond the existing 8 per cent. However, the level of the earnings trigger is reviewed annually and the most recent statutory review concluded that it was set at the right level, and continues to benefit all those eligible to be automatically enrolled into a workplace pension.[9] Options to increase AE contributions may be appropriate in the longer term. However, this would need to build on extensive consultation and evaluation to ensure the right balance between statutory and voluntary pension contributions and the optimal overall savings rate.

4. Analysis: Overview

4.1 **The government only intends to take powers to change the scope of automatic enrolment through secondary legislation and does not have any immediate plans to implement any changes at this stage.** It would need to bring secondary legislation forward in future to implement such changes by amending primary legislation and would require extensive consultation with stakeholders. As and when this happens, the government will provide a full and final impact assessment of the measures it plans to implement with more detailed analysis.

The analysis presented throughout this impact assessment is therefore only aimed at illustrating the magnitude of the impact the types of changes the government may choose to make in future. Any impacts would be dependent on the final policy position and build on extensive consultation with all stakeholders and evaluation of the existing AE levels.

4.2 In order to illustrate the magnitude of the potential changes, the IA models in detail the measures recommended in "Automatic Enrolment Review 2017: Maintaining the Momentum." They were:

a. Abolish the lower earnings limit (LEL), and
b. Lower the lower age limit from 22 to 18.

In the absence of final policy details, this illustrative analysis assumes that the changes are implemented immediately in 2022/23. However, the results would change if, as per previous AE policies, these were phased in.

4.3 As outlined in the summary, an alternative option considered (Option 3) was for a non-legislative option through encouraging the adoption of a zero LEL and enrolment from age 18. This is based on encouraging employers to adopt measures without legislation, and enrol employees from the age of 18 and from the first pound when earning over £10,000 p.a. Although many employers have already adopted the measures (reflected in the lower costs compared to 2017) it is unlikely at this stage that more would introduce them voluntarily. Participation rates are known to be low among younger cohorts, so there is no expectation that employers would seek to change this voluntarily. Further, there is a significant risk of this approach in terms of equal treatment for individuals, with

[9] Automatic enrolment: review of the earnings trigger and qualifying earnings band for 2023/24 - GOV.UK (www.gov.uk)
https://www.gov.uk/government/publications/automatic-enrolment-review-of-the-earnings-trigger-and-qualifying-earnings-band-for-202324

individuals experiencing very different outcomes simply based on who they work for. As a result, we do not fully estimate the impact of this option further in the IA.

4.4 The following diagram lays out the primary effects these proposals would have. Below, we briefly explain each effect and where it is analysed throughout the rest of this document:

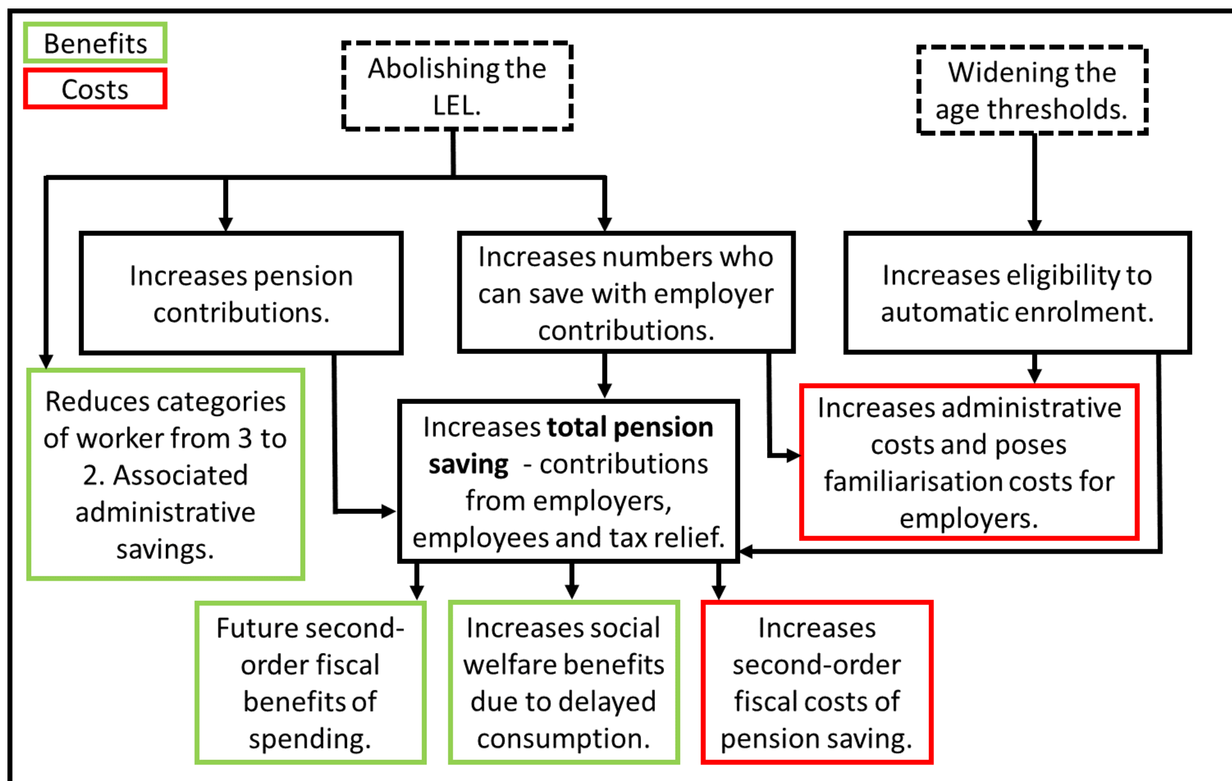

Figure 1 - Outline of Effects of AE Policy Changes

Pension Saving

4.5 The primary impact of abolishing the LEL would be to increase the minimum pensionable earnings that employees and employers pay pension contributions on. This would therefore increase total pension saving. Abolishing the LEL would also mean that those who currently earn below the LEL would be entitled to an employer contribution if they opt in (or have already opted in). This may also increase total pension saving, albeit modestly, given the low level of earnings.

4.6 As the government already has the power to vary the LEL, the impact of abolishing the LEL could be smaller if the LEL were already reduced (or bigger if the LEL were increased). This Impact Assessment assesses the impact of a change from the current LEL (£6,240) to £0.

4.7 Changing the age thresholds for automatic enrolment would influence eligibility for AE and therefore the total number of pension savers. Where the power is used to increase the age range of those eligible for AE, total pension saving would also increase.

First-Order Fiscal Effects

4.8 If employees' pension contributions increase, they will receive more income tax relief on the contributions they make. The precise size of this effect will depend on the scale of the increase, their income tax band and pension scheme arrangements.

Employer Costs and Second-Order Fiscal Effects

4.9 If employers are required to pay more into their employees' pension scheme, they may take action to mitigate the additional costs they are facing. There is considerable uncertainty about how employers might do this over the long run. What they do will have knock-on effects for tax receipts, either on corporation taxes, or on income tax, national insurance contributions and VAT, or a combination of all of them. However, as presented in Section 7, DWP have continued to monitor this, finding the most common approach is to absorb the additional cost with other overheads.

4.10 In the future, those who have saved more over their working life due to automatic enrolment will be able to spend more on consumption in retirement than they would have otherwise. This additional consumption is expected to have a positive macroeconomic effect. Due to the considerable macroeconomic uncertainty involved, we do not quantify these effects in detail in this impact assessment. However, it is important to be mindful that second order costs presented in this paper do not represent the overall effect these policies could have via second order effects.

Benefit Claims

4.11 Removal of the AE Lower Earnings Limit (LEL) would increase Universal Credit costs by increasing the amount of pension contributions UC claimants are making. Removing the LEL would mean that UC claimants saving into occupational pensions would be making pension contributions on an additional £6,240 (2022/23 Lower Earnings Limit), thereby increasing their total pension contributions, lowering their net income for the UC means test, and therefore increasing their UC entitlement.

4.12 Increased workplace pension savings through abolition of the LEL and the reduction of the AE age limit from 22 to 18 could have an impact on future Pension Credit (PC) entitlement due to the build up of future savings for retirement. Discussed in Section 7, owing the longer timescales and considerable uncertainty in the impact on PC we do not quantify these effects in this impact assessment.

Employer's Administrative and Familiarisation Costs

4.13 Aside from the increased cost of contributing to their employees' pension schemes, increasing the total number of employees enrolled into an occupational pension would place an additional burden on employers in the form of their administrative costs. Part of these costs will come in the form of familiarising themselves with the new policies, or commissioning someone else to do so on their behalf. However, simplifying the eligibility rules by removing a third category of 'entitled worker' and no longer having to update the LEL annually would produce an administrative easement.

Social Welfare Benefits

4.14 The most likely effect of changes made under these powers would be to increase total annual pension saving. This would delay consumption from working life to retirement. This has been shown to have a positive effect on an individual's welfare over their lifetime.[10]

Small and Micro Business Assessment (SAMBA)

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[10] Van de Coevering et al, Estimating economic and social welfare impacts of pension reform DWP pensions technical working paper, 2006.

4.15 The proposed removal of LEL and reduction of age limit to 18 would also have an impact on small and micro business. This section explores the impact on employer and employee additional pension contribution as well as income tax relief as a result of the changes. Overall, total additional pension savings generated by small and micro business when removing the LEL and lowering the age limit to 18 is £0.6bn.

Summary

4.16 Tables 4A and 4B summarise the evidence presented in the following analytical sections.

4.17 We recognise that Green Book guidance recommends a 10-year appraisal period for policy changes of this nature.[11] However, AE is a long-term government programme that is set to have a lasting impact of UK pension saving beyond 2032. As such, any changes to AE need to be assessed on this basis too and is consistent with past pension IAs[12]. On the other hand, due to the challenges of interpreting any estimates associated with a long-term appraisal period, we also present the impact of the changes proposed here as an annual estimate of the first year of the policy. This will help inform future consultations and discussions around implementation options.

4.18 As such, within this paper we supply estimates of pension saving in annual terms, for 2022/23. This is not because there is any intention that the policy changes would be implemented this year. As outlined above, the government has set out its ambition to implement changes by the mid-2020s. We use 2022/23 to provide an illustrative impact of the likely use of powers because estimates for this year are the easiest to produce and comprehend.

4.19 We also recognise the importance of thinking about the costs and benefits of these policy changes on a long-term basis. As such, we project our estimates for 2022/23 forward over a 30-year appraisal period ending in 2051/52. To do this, we use long-term earnings growth projections, the GDP deflator, and the 3.5% Green Book discounting rate.

4.20 We have therefore presented the estimated impacts these reforms could have twice, in two different forms:

a. Table 4A contains estimated impacts for 2022/23 – the equivalent of a year 1 cost of the policy.
b. Table 4B contains estimated impacts for a 30-year period from 2022/23 to 2051/52.

Both sets of estimates can also be found in the summary tables at the top of this impact assessment.

[11] The Green Book
www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent

[12] For example: Workplace Pension Reforms: Cross-Border Workers (publishing.service.gov.uk)

Table 4A: Summary of Impacts
Per annum figures in 2022/23 terms

	Option 1: Do-Nothing Business-as-Usual (£ billions)	Option 2a: Abolish the LEL. (£ billions)	Option 2b: Lower the lower age limit to 18. (£ billions)	Option 2: Abolish the LEL and lower the age limit to 18. (£ billions)	Option 3: Non-legislative (£ billions)
Total Pension Contributions*	***69.1***	***+1.4***	***+0.4***	***+2.0***	***Neg.***
Employer Pension Contributions*	***41.0***	*+0.6*	*+0.2*	***+0.8***	***Neg.***
Employee Pension Contributions*	***20.0***	*+0.6*	*+0.2*	***+0.9***	***Neg.***
Income Tax Relief*	***8.1***	*+0.2*	*+0.1*	***+0.2***	***Neg.***
Other Fiscal Costs	***2.9***	***+0.1***	***+0.0***	***+0.2***	***Neg.***
Business Administrative Costs	***Neg.***	***Neg.***	***+0.0***	***+0.0***	***Neg.***
Social Welfare Benefit of AE	***n/a***	***n/a***	***n/a***	***n/a***	***Neg.***

* The figures provided here are estimates of additional pension contributions due to automatic enrolment. They are not estimates of total pension saving.
* The impact of implementing both policies at once will be larger than the sum of the impacts of implementing each policy individually. This is because there is an “interaction effect” which is only realised when both policies are implemented simultaneously. In this case, this is the impact of 18-21 year olds saving on earnings below the LEL.
*Social welfare costs are not included here as they are a longer term impact.

Table 4B: Summary of Impacts
Full Appraisal Period (2022/23-2051/52) in 2022/23 Terms

	Option 1: Do-Nothing Business-as-Usual (£ billions)	**Option 2a:** Abolish the LEL. (£ billions)	**Option 2b:** Lower the lower age limit to 18. (£ billions)	**Option 2:** Abolish the LEL and lower the age limit to 18. (£ billions)	**Option 3:** Non-legislative (£ billions)
Total Pension Contributions*	***1,546.1***	***+30.3***	***+9.3***	***+45.1***	***Neg.***
Employer Pension Contributions*	***917.2***	*+13.4*	*+3.5*	***+18.9***	***Neg.***
Employee Pension Contributions*	***447.7***	*+13.5*	*+4.7*	***+21.0***	***Neg.***
Income Tax Relief*	***181.2***	*+3.5*	*+1.2*	***+5.2***	***Neg.***
Other Fiscal Costs	***64.0***	***+2.9***	***+0.3***	***+3.9***	***Neg.***
Business Administrative Costs	***Neg.***	***Neg.***	***+0.2***	***+0.2***	***Neg.***
Social Welfare Benefit of AE	***485.1***	***+9.5***	***+2.9***	***+14.2***	***Neg.***

* The figures provided here are estimates of additional pension contributions due to automatic enrolment. They are not estimates of total pension saving.
* The impact of implementing both policies at once will be larger than the sum of the impacts of implementing each policy individually. This is because there is an "interaction effect" which is only realised when both policies are implemented simultaneously. In this case, this is the impact of 18-21 year olds saving on earnings below the LEL.

5. Analysis: Pension Saving

5.1 The policy proposals outlined above as our leading option for the use of the proposed powers would, if implemented, increase total pension saving for three reasons:

a. Abolishing the LEL would increase an employee’s minimum pensionable earnings.
b. Abolishing the LEL would allow more people below the earnings trigger to opt in to a pension with employer contributions.
c. Lowering the age threshold would widen eligibility to be automatically enrolled for those earning above the earnings trigger (ET).

5.2 The type and size of the impact will be different for three different groups, based on their earnings:[13]

a. Employees whose earnings are above the earnings trigger (£10,000 in 2022/23)
b. Employees whose earnings are between the LEL and the earnings trigger (ET) (between £6,240 and £10,000 in 2022/23)
c. Employees whose earnings are below the LEL (£6,240).

5.3 The following two tables show how the status of different types of workers changes due to the reforms:

<table>
<tr><th colspan="5">At Present</th></tr>
<tr><th></th><th colspan="4">Age</th></tr>
<tr><th>Earnings</th><th>16-17</th><th>18-21</th><th>21-SPa</th><th>Spa-74</th></tr>
<tr><th><LEL</th><td colspan="4">No AE. Can opt in, but employers not obliged to contribute.</td></tr>
<tr><th>LEL-ET</th><td colspan="4">No AE. Can opt in and employers are obliged to contribute if they do.</td></tr>
<tr><th>>ET</th><td colspan="2">No AE. Can opt in with employer contributions.</td><td>AE</td><td>No AE. Can opt in with employer contributions.</td></tr>
</table>

<table>
<tr><th colspan="5">Under AE Review Proposal</th></tr>
<tr><th></th><th colspan="4">Age</th></tr>
<tr><th>Earnings</th><th>16-17</th><th>18-21</th><th>21-SPa</th><th>Spa-74</th></tr>
<tr><th><LEL</th><td colspan="4" rowspan="2">No AE. Can opt in with employer contributions.</td></tr>
<tr><th>LEL-ET</th></tr>
<tr><th>>ET</th><td>No AE. Can opt in with employer contributions.</td><td colspan="2">AE</td><td>No AE. Can opt in with employer contributions.</td></tr>
</table>

5.4 Because of this, we present the results of three different models here, one for each earnings group. The methodology for each model can be found in “Analysis Annex: Modelling Pension Saving”.

Employees Earning above the Earnings Trigger

5.5 This group represents the core target group for automatic enrolment and it is by far the largest group impacted by AE. Since automatic enrolment has now been fully implemented, all private sector workers earning above £10,000 are enrolled into a pension scheme provided they are aged between 22 and state pension age and will

[13] The group an individual is placed in will depend on how their earnings in the relevant pay period compared to annual thresholds adjusted for these pay periods. For example, an employee who is paid monthly will have their monthly pay compared to the monthly equivalent of earning £10,000 per year for the earnings trigger. For the purposes of the analysis presented here, the data captures a snapshot of pay in April which is then annualised. As such, all pay is compared to the thresholds on an annual basis.

continue to save if they did not opt out or cease saving.

5.6 Abolishing the LEL would substantially increase pension saving for this group. For every individual in this group in 2022/23, abolishing the LEL would increase the legislated minimum band of pensionable earnings by £6,240 per year.

5.7 If contributions are currently calculated on pensionable pay between total earnings and the LEL, abolishing the LEL would increase employer contributions at 3% by £187 (per annum) and employee contributions at 5% by £312, a total increase of £499.

5.8 In the 2017 review, DWP presented evidence that showed that 70% of employees were making and receiving contributions from the first pound they earned, rather than from earnings beyond the LEL. This means that many employers are already calculating their pension contributions as if the LEL did not exist (whilst recognising AE in 2017 was yet to fully roll-out). We account for this behaviour below using the latest data in ASHE 2020. See "Analysis Annex: Modelling Pension Saving" for more information.

5.9 Abolishing the LEL might cause some people to opt out or cease saving when they otherwise would not have done so. Likewise, it might also cause some people to continue saving when they would not have done so. Because of the lack of certainty around this effect, we assume the continued participation rate of people automatically enrolled will not change from the existing rate as the reforms are introduced. This assumption is explored further in the section "Analysis: Behavioural Impacts" below.

5.10 Reducing the lower age threshold would increase the overall number of people eligible to be automatically enrolled above the earnings trigger, and therefore the total number of pension savers.

5.11 It is not possible to robustly estimate what percentage of 18-21 year olds would opt out or cease saving should they be automatically enrolled. As such, for the purposes of the analysis here we assume that their ongoing participation behaviour is well modelled by eligible workers just above the existing threshold. Again, the importance of this assumption is explored in the 'Behavioural Impacts' section.

5.12 For those people aged between 18 and 21 who are earning above the earnings trigger, there would be an 'interaction effect' should the two policy changes be simultaneously implemented, a detailed operational matter that has not yet been fully explored. For the purposes of the analysis, we have considered the potential impact. In this scenario, not only could they be contributing to a pension for the first time, but they would also be contributing from the first pound of earnings too. This magnifies the impact of making either change independently.

5.13 Table 5A contains our forecasts of pension saving in 2022/23 for private sector employees earning above the earnings trigger of £10,000 a year under a 'Do Nothing' scenario, where the automatic enrolment policy is left unchanged. 14.5 million private sector employees are expected to participate in a workplace pension, saving a total of £68.6bn.

Table 5A - Impact on Pension Saving of private sector employees earning above trigger (2022/23)							
	Lower Earnings Limit	Lower Age Limit	Participants	Employer Contributions	Employee Contributions	Income Tax Relief	Total Pension Saving
Baseline 2022/23	£6,240	22	14.5m	£40.7bn	£19.8bn	£8.1bn	**£68.6bn**
Abolishing the LEL	£0	22	*(0)*	*(+£0.6bn)*	*(+£0.6bn)*	*(+£0.2bn)*	***(+£1.3bn)***
Reducing the Lower Age Limit to 18	£6,240	18	*(+0.4m)*	*(+£0.4bn)*	*(+£0.2bn)*	*(+£0.05bn)*	***(+£0.4bn)***
Proposal (Both Measures)	£0	18	14.9m *(+0.4m)*	£41.5bn *(+£0.8bn)*	£20.7bn *(+£0.9bn)*	£8.3bn *(+£0.2bn)*	**£70.5bn** ***(+£1.9bn)***

Source: DWP Modelling.
Figures may not sum due to rounding.

5.14 Were we to abolish the LEL in a single step total pension saving would increase by £1.3 billion per annum. Abolishing the LEL alone does not impact eligibility to AE. Abolishing the LEL will also impact workers who have opted into a workplace pension scheme, who earn below £10,000 per annum. This is accounted for in our modelling, where we also assume existing voluntary contributors aged under 22 would see increased contributions from the new lower LEL.

5.15 Reducing the lower age limit from 22 to 18 whilst maintaining the current LEL would increase annual total pension saving by £0.4 billion for those workers earning over £10,000 a year. This additional saving would be made by 400,000 new savers.

5.16 Implementing both the abolition of the LEL and the reduction of the age limit from 22 to 18 simultaneously would increase total pension saving for those earning more than £10,000 a year by around £1.9 billion per annum, while bringing in 400,000 new savers earning over this level.

Total Pension Saving

5.17 Table 5B summarises the results of the overall estimate of the impact these policy measures could have on all private sector employee’s pension saving (not just those earning above £10,000 per annum):

Table 5B - Total Impact on Pension Saving of all Private Sector employees (2022/23)

	Lower Earnings Limit	Lower Age Limit	Participants	Employer Contributions	Employee Contributions	Income Tax Relief	Total Pension Saving
Baseline 2019/20	£6,240	22	15.2m	£41.0bn	£20.0bn	£8.1bn	**£69.1bn**
Abolish LEL	£0	22	..	*(+£0.6bn)*	*(+£0.6bn)*	*(+£0.2bn)*	***(+£1.4bn)***
Reducing the Lower Age Limit to 18	£6,240	18	*(+0.5m)*	*(+£0.2bn)*	*(+£0.2bn)*	*(+£0.1bn)*	***(+£0.4bn)***
Proposal (Both Measures)	£0	18	*15.8m* *(+0.5m)*	£41.9bn *(+£0.8bn)*	£21.0bn *(+£0.9bn)*	£8.3bn *(+£0.2bn)*	**£71.1bn** ***(+£2.0bn)***

Source: DWP Modelling.
Figures may not sum due to rounding.

5.18 The combined proposals increase total pension saving by £2.0 billion. Of this, £0.9bn would be paid in employee contributions, £0.8 billion would be paid in employer contributions, and £0.2 billion would be paid in income tax relief on employee contributions.

5.19 As outlined above, these impacts are sensitive to the behavioural assumptions we have made, as outlined in the section “Analysis: Behavioural Impacts”.

6. Analysis: First-Order Fiscal Effects

6.1 All employees who are earning **above the personal tax allowance** will receive income tax relief on their employee pension contributions. This is paid in line with the marginal rate of taxation. Estimates for the income tax relief paid out due to automatic enrolment and the policy changes appraised in this IA are given in Table 5B above.

6.2 In the previous section, we assumed all private sector employees who were automatically enrolled (because they earned above the earnings trigger) were effectively receiving income tax relief at a rate of at least 20 per cent on income above the personal tax allowance and below the upper earning limit. Furthermore, those earning above the upper earnings limit will receive some tax relief at the higher rate of 40 per cent, since they will be paying some income tax at this rate. (The upper earnings limit coincides with the upper National Insurance threshold and the threshold for higher rate income tax.)

6.3 How much income tax relief is paid due to automatic enrolment and the policy changes appraised here is based on Annual Survey of Hours and Earnings (ASHE) data (see Analysis Appendix: Modelling Pension Savings). This accounts for the different tax rates paid by earners depending on their income level.

6.4 Those people who earn below the personal tax allowance (PTA) do not pay income tax and therefore they would not immediately benefit from not paying income tax on pension contributions made from their gross pay. However, people earning below the PTA receive an additional payment (equivalent to basic rate tax relief) on their employee pension contributions if they are in a Relief-at-Source (RAS) workplace pension scheme, which deducts pension contributions from the pay after tax. Those in Net-Pay-Arrangement (NPA) pension schemes do not benefit from this contribution. Therefore,

the composition of people earning below the PTA in RAS and NPA schemes will affect the total additional amount paid to those who earn below the PTA and contribute to a pension. From 2024/25, top-up payment will be introduced for those earning below the PTA and in NPA pension schemes[14].

6.5 Our analysis of ASHE data estimates how savers are split between NPA and RAS schemes, either above or below the PTA, based on scheme membership.

7. Analysis: Employer Costs and Second-Order Fiscal Effects

Employer costs

7.1 In the section "Analysis: Pension Saving" above, we estimated that employer contribution costs associated with implementing both of the proposed policies that we are most likely to be implemented under these powers would be £0.8bn p.a. (Table 5B).

7.2 Employers may be able to find the resources to meet these costs themselves or act to pass on the increased costs onto other groups, such as employees or consumers. This will have implications for tax receipts across various areas. We call these effects 'Second Order' fiscal effects since they are not an immediate impact of the policy change, but rather the consequences of possible behavioural responses to the change.

7.3 When faced with the increased costs of paying employer contributions towards workplace pension schemes, employers may respond by:

a. **Reducing wage increases** - this would reduce income tax, National Insurance and VAT amounts paid by their employees.
b. **Increasing consumer prices** – this would increase VAT receipts.
c. **Lowering profits** – this would lower corporation tax receipts.
d. **Employing fewer people** – this would also reduce income tax, National Insurance and VAT receipts.
e. **Improving productivity** – this would increase growth and therefore income tax, National Insurance and VAT receipts.

7.4 In 2019, DWP asked employers how they planned to, or did, respond to the increase costs of employer contributions – see Table 7a. The results were broadly similar regardless of business size with around two-thirds of employers stating they would absorb any increases as part of other overheads[15].

Table 7A: Employers' strategies to absorb increase in total pension contributions (EPP 2019)

Action	% of private sector employers who reported an increase in contributions
Absorbed as part of other overheads	68%
Reduction in profits	54%
Increased prices	13%
Lower wage increases	7%
Changing existing pension scheme	6%
Re-structured/reduced workforce	5%
Reduced contribution level for existing members prior to reforms	1%

[14] https://www.gov.uk/government/consultations/pensions-tax-relief-administration-call-for-evidence

[15] Employers' Pension Provision Survey 2019 - GOV.UK (www.gov.uk) https://www.gov.uk/government/publications/employers-pension-provision-survey-2019/employers-pension-provision-survey-2019#communications-and-advice-about-workplace-pensions-1

None of these	15%

7.5 It is not possible to fully model the results of each of these behaviours with a large degree of accuracy. However, we do offer some estimates of how big the effects would be for the combined policy proposals in Table 7B. These represent the most likely measures taken by employers judging by the evidence presented above. They include:

a. The fiscal impact that employers reducing wage growth would have on employer National Insurance contributions.
b. The fiscal impact employers reducing wage growth would have on employee National Insurance contributions and income tax receipts.
c. The fiscal impact that employers reducing wage growth would have on VAT via a reduction in employee consumption.
d. The fiscal impact employers reducing profits would have on corporation tax.
e. The (positive) fiscal impact employers increasing prices would have on VAT receipts.

7.6 Because we do not know exactly how employers would respond to these increased costs over the long-run, we offer three scenarios to illustrate a range of second-order costs:

a. In the first scenario, employers pay for the entirety of their increased employer contributions by reducing wage growth. In short, the additional cost is entirely paid by employees in this case.
b. In the second scenario, employers pay for the entirety of their increased employer contributions by reducing profits.
c. In the third scenario, we use the survey results presented above to divide the approach to managing total employer contributions into a combination of reducing wage growth, decreasing profits and increasing prices.

Based on the survey data, the third scenario (EPP) is our best estimate.

7.7 Table 7B also recognises that the additional burden placed on employees directly via increasing employee contributions would also have a second-order fiscal impact. This effect exists because reducing expenditure on consumption will reduce VAT receipts.

7.8 To estimate the impacts via employees, our modelling suggests of the £1.2bn extra employee contributions, £0.2bn is via income tax relief. As employees would face lower take-home pay, there may be a reduction in spending and thus VAT receipts. To estimate, we assume a 35% marginal propensity to consume[16], and average VAT of 10%[17] on expenditure. This results in £300m lower consumer expenditure and thus £30m lower VAT receipts.

7.9 To estimate the impacts on employers, we standardise the EPP Survey results to 100%. This would suggest of the extra £0.8bn employer contributions, 4% will be passed on via lower wages; 32% via lower profits; and 8% via increase prices. We then estimate total impacts by multiplying these costs by the marginal tax rates (20% for income tax; 15.05% for NICs; 19% corporation tax; 10% VAT). This suggests:

- £10m lower income tax receipts (via lower wage growth)
- £10m lower NICs receipts (via lower wage growth)
- £50m lower corporation tax receipts (via lower profits)

£10m higher VAT (via higher prices)

[16] BoE estimates range from 10%-65% - for example cited in here: Speech given by Gertjan Vlieghe at the Durham University on Monday 22 February 2021 (bankofengland.co.uk). Emerging evidence suggests consumers may respond differently if a negative shock (rather than a positive one): Do consumers respond in the same way to good and bad income surprises? – Bank Underground. We therefore chose 35% as a broad mid-point.

[17] OBR estimate 50% of expenditure is at 20% rate with the remainder largely at 0% rate (with a small proportion at the reduced rate)

7.10 It is important to note that any lost tax receipts in the near-term may be offset by future tax receipts. For example, via future consumption (as workers spend their pension savings when reaching retirement) and income tax (greater taxable income received in the future). However, given the significant uncertainties over such a long time frame, we do not attempt to quantify this.

Table 7B - Second-Order Fiscal Impacts of abolishing the LEL and Lowering the Age Threshold for AE.

	Model		
	All Wages	**All Profits**	**EPP[1]**
% Employers Reducing Wage Growth	100%	0%	4%
% Employers Reducing Profits	0%	100%	32%
% Employers Increasing Prices	0%	0%	8%
Gross Employer Contribution	£840m	£840m	£840m
Gross Employee Contribution	£1,170m	£1,170m	£1,170m
Effect of increased Employee Contributions			
Direct Reduction in Income Tax	£230m	£230m	£230m
Reduction in VAT due to Lower Net Earnings	£30m	£30m	£30m
Total Reduction in Income Tax and VAT	£270m	£270m	£270m
Effect of Employer Management of Employer Costs			
Reduction in Gross Employee Wages	£840m	£0m	£30m
Reduction in Profits	£0m	£840m	£270m
Increase in Prices	£0m	£0m	£60m
Reduction in Income Tax	£170m	£0m	£10m
Reduction in Employer NICs	£130m	£0m	£10m
Reduction in Employee NICs	£110m	£0m	£10m
Reduction in Corporation Tax	£0m	£160m	£50m
Net Reduction in VAT	£20m	£0m	-£10m
Total Reduction in IT, NICs, Corp Tax, VAT	£430m	£160m	£60m
Both Effects			
Total Reduction in Tax Income	**£690m**	**£430m**	**£330m**

[1] The EPP model uses responses to the EPP 2019 survey to divide the employer population into different groups exhibiting various types of behaviour. Instead of using raw percentages, which are not mutually exclusive, we weight the percentages so they add up to 100%. Not all options are modelled here.
[2] Figures may not sum perfectly due to rounding.

Universal Credit costs

7.11 Removal of the AE Lower Earnings Limit (LEL) would increase UC costs by increasing the amount of pension contributions UC claimants are making. Removing the LEL today would mean that UC claimants saving into occupational pensions would be making pension contributions on an additional £6,240 (2022/23 LEL), thereby increasing their total pension contributions, lowering their net income for the UC entitlement calculation, and therefore increasing their UC entitlement.

7.12 Assuming that UC savers are saving at the minimum required for a qualifying scheme, 4% (this comes from the 5% minimum contributions minus the 1% tax allowance), the removal of the LEL means an additional £250 in employee pension contributions. With

the 55p UC taper, this means an additional £137 UC cost per UC claimant saving from the LEL per year. This assumes everyone earning faces the taper rate.

7.13 The underlying volumes input comes from UC caseload projections of volumes of UC claimants earning between approximately £4,000 (which places them in the Earning Enough UC conditionality group), and £16,000 (which places them in the Light Touch UC Conditionality group) in 2022/23. These earnings bands are a proxy, as some may earn above below/above our thresholds. This forecasts 1.1 million eligible UC claimants in 2022/23.

7.14 From ASHE 2020 data we estimate a 57% participation rate for eligible workers receiving UC. We apply a further reduction for those on UC participating who already contribute from the first pound. For UC claimants who will increase their employee contributions from the abolition of the LEL, we assume the above cost of £137.

7.15 As an alternative to our central estimate that 57% of eligible earners on UC participate in an occupational pension, the 2020 Employee Workplace Pension Publication indicates that the participation rate for all earners below £16,000 (who may not all be on UC) was 77%. Varying this parameter between 37% and 77% produces an upper and lower estimate, shown in Table 7C.

Table 7C: Possible range of UC impacts in 2022/23

	Number affected (,000s)	Cost(£m)
Lower	500	60
Central	600	80
Upper	700	100

Pension Credit costs

7.16 Additional saving into workplace pension schemes by abolishing the LEL and reducing the age limit for AE to 18 will increase the income available to people in retirement. For people who increase their retirement income through workplace pension saving and who also receive Pension Credit (PC), their PC entitlement could be reduced by workplace pension income. However, there is considerable analytical and behavioural uncertainty in the following areas:

a. In the short term, additional pension saving for people in immediate pre-retirement ages could be relatively small, making a negligible impact on PC entitlement in retirement.
b. For people with a sufficient employment record to accrue workplace pension savings that would impact PC entitlement in retirement, their National Insurance (NI) record (from employment or NI credits from any time on qualifying working age benefits) would be likely to also have sufficient qualifying years for a full new State Pension (SP). An individual with a full SP would have no entitlement to PC.
c. For people who do not have sufficient qualifying years for a full SP, and whose workplace pension could provide an income that would affect their PC entitlement, from the age of 55 they would be able to drawdown their workplace pension until they had exhausted their pot by their state pension age (SPa). In this case, their PC entitlement would remain the same as without these measures. As pension freedoms were only introduced in 2015, limited data exists to understand the extent of this behavioural effect.
d. Alternatively, for people who do not have sufficient qualifying years for a full SP, and whose workplace pension could provide an income that would affect their PC

entitlement, they may choose not to take that income after reaching their SPa. In this case, PC entitlement would remain the same as without these measures.

e. For those entitled to PC, take-up between financial year ending 2010 and financial year ending 2019 ranged between 61% and 63%[18]. Therefore, even for those with PC entitlement with additional workplace pension savings it is uncertain whether they would take up PC in either a baseline or counterfactual scenario. Take-up of benefits can be affected by multiple factors. Trying to explain the reasons for non-take-up is difficult and we do not have data in our modelling to do this.

As a result of the uncertainties in these issues, we do not quantify the impact on PC.

8. Analysis: Behavioural Impacts

8.1 The analysis above suggests that using these powers to abolish the LEL and reduce the lower age threshold as proposed would increase total pension saving by £2.0bn per annum in 2022/23, of which £0.8bn will be paid by employers, £0.9bn by employees and £0.2bn by the state in income tax relief on the employee contribution.

8.2 In producing these estimates, we have made the following assumptions regarding individuals' behaviour and their workplace pension participation:

a. Of those private sector employees aged over 22, we use ASHE data to identify those who currently participate and assume that they continue to do so following the abolition of the LEL.
b. Of those private sector employees who are aged between 18 and 21 and otherwise eligible for automatic enrolment, we assume that participation will change in line with the observed difference in participation for those just above an eligibility threshold and those just below, i.e. participation of newly eligible workers aged 18-21 will be based on the participation of those aged 22 (or higher where sample sizes require this).
c. Of those private sector employees who are earning below the earnings trigger, the abolition of the LEL will not alter whether they participate in a workplace pension or not.

8.3 This section explores how sensitive the headline results reported above are to these assumptions.

8.4 As outlined above, DWP is committed to providing a further impact assessment when the powers appraised in this document are brought forward for implementation. DWP is continuously monitoring behaviour around automatic enrolment and will present the latest evidence in future impact assessments.

8.5 Further, and particularly for the impact on those workers who earn below the earnings trigger, DWP is undertaking qualitative research with low earners to help inform the decisions regarding the enacting the enabling powers for this group. This is supported by qualitative research with employers to understand their pension situations, engagement, and existing responses to AE, published in 2022[19].

22-SPA Year Olds Above the Earnings Trigger

8.6 In the modelling of savers above the earnings trigger, we calculate the participation rate based on the Annual Survey of Hours and Earnings (ASHE). In 2020, the participation

[18] https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2018-to-2019

[19] Workplace Pensions and Automatic Enrolment: employers' perspectives 2022 - GOV.UK (www.gov.uk) https://www.gov.uk/government/publications/workplace-pensions-and-automatic-enrolment-employers-perspectives-2022

rate among private sector workers aged 22 and over earning above the earnings trigger was 86%.

8.7 The Employer Pensions Provision Surveys measured the opt-out rate amongst employees working for employers who had introduced automatic enrolment. The results from the surveys can be found in the following table:

Table 8A: Opt-Out Rate in Employer Pension Provision Surveys 2013, 2015, 2017 and 2019[20]	
2013 Survey	9-10%
2015 Survey	9%
2017 Survey	9%
2019 Survey	9%
Average	**9%**

As can be seen in the table, the average opt-out rate for those automatically enrolled into a pension by their employer for the first time has held steady across the course of the programme's implementation period at 9 per cent.

8.8 However, the majority of employees covered by the Employer Pensions Provision Surveys will have been automatically enrolled because their employer introduced automatic enrolment for the first time. Now that staging (the roll-out of automatic enrolment) has concluded, the vast bulk of employees who will be automatically enrolled in future will be automatically enrolled as they start a new job. New evidence in DWP's 'Automatic Enrolment Evaluation Report 2018' shows that the opt-out rate for employees starting a new job was 4.7 per cent, substantially lower than for those employees who were already working for an employer when they introduced automatic enrolment.

8.9 The Employer Pensions Provision Surveys also measured the cessation rate amongst employers who had introduced automatic enrolment. Here, the cessation rate is defined as the percentage of employees who were successfully automatically enrolled into a workplace pension who stopped saving, for any reason, after the opt-out window but within one year. The survey also measured what percentage of the employees who ceased saving did so because they left their job. We can use these two rates to infer an 'Active Cessation Rate', where an employee ceases saving whilst remaining in their job, either because of an active choice or because they became ineligible. The results from the two surveys can be found in the following Table 8B, along with the inferred rate.

Table 8B: Cessation Rate in Employer Pension Provision Surveys

Survey	Reported cessation rate	Of those ceasing, what proportion left job?	'Active cessation rate' (Inferred)
2015 Survey	8%	50%	4%
2017 Survey	16%	67%	5%
2019 Survey	19%	65%	7%
Average			**5%**

[20] Employers' Pension Provision Survey 2013
www.gov.uk/government/publications/employers-pension-provision-survey-2013
Employers' Pension Provision Survey 2015
www.gov.uk/government/publications/employers-pension-provision-survey-2015
Employers' Pension Provision Survey 2017
www.gov.uk/government/publications/employers-pension-provision-survey-2017

8.10 As such, the evidence suggests:

a. Between 4 and 5 per cent of employees who are automatically enrolled opt-out.[21]
b. Around 5 per cent of employees who do start participating in a workplace pension having been automatically enrolled then make an active decision to stop saving whilst continuing to work.

8.11 Combining these two figures, it would appear that around 10 per cent of employees who are automatically enrolled either opt-out or actively cease saving in the first year.

8.12 Given that some people will also actively stop saving after the first year, this range might slightly underestimate the total proportion of private sector employees who are automatically enrolled who will not participate in a workplace pension in the long-term.

8.13 The abolition of the LEL would have multiple effects on a private sector employees' incentives to participate in a workplace pension and these effects are conflicting. Assuming an employee was paying and receiving minimum contributions originally, the abolition of the LEL would increase their employee contributions, thereby reducing their take-home pay, whilst increasing their employer contributions, which is a form of income they would not have otherwise received.

8.14 Economic theory dictates their decision to continue participating in a workplace pension is determined by how they value the trade-off between the loss of income (and therefore consumption) in the short-run against the long-run gain of a larger pension (and therefore more consumption later in life). As such, theory is ambivalent about whether abolishing the LEL would increase or decrease workplace pension participation rates – there are opposing effects and the result depends on which one dominates for a given individual.

8.15 However, automatic enrolment has shown that many people display a high degree of inertia when faced with choices around pension saving. If this inertia is unaffected by the policy changes discussed here, the vast majority would continue to save for a pension.

8.16 Recent evidence from the increases in contribution rates that took place in 2018 and 2019 has suggested that individuals who have already been automatically enrolled into a workplace pension did not respond strongly to the increase in contributions and a subsequent fall in take-home pay that came about due to the increase in minimum employee contribution rates from 1 per cent to 3 per cent in April 2018, and from 3 per cent to 5 per cent in April 2019. Participation of eligible private sector employees rose from 85% in 2018 to 86% in 2019, and has remained at that level up to 2021 (the latest available estimate)[22].

8.17 In light of this evidence of the strong inertia of workplace pension savings, assuming the overall participation rate would remain unchanged after the LEL is abolished appears to be the most appropriate approach.

8.18 However, it is still important to think about how our results might change with changes in our assumptions around the percentage of people who stop saving (after the policy change). We test two scenarios:

a. Increasing the participation rate by 2 percentage points
b. Decreasing the participation rate by 2 percentage points

[21] Automatic Enrolment Evaluation Report 2018
www.gov.uk/government/publications/automatic-enrolment-evaluation-report-2018

[22] Workplace pension participation and savings trends: 2009 to 2021 - GOV.UK (www.gov.uk)https://www.gov.uk/government/statistics/workplace-pension-participation-and-savings-trends-2009-to-2021

The following table shows how the estimated impact of abolishing the LEL changes as the overall participation rate changes with the policy.

Table 8C - How the estimated impact of **abolishing the LEL** varies with changes in the participation rate amongst those between 22 and the State Pension Age who earn above £10,000

Participation Rate	Total Savers	Employer Contributions	Individual Contributions	Income Tax Relief	Total Pension Saving
+2 ppts	*14.7m*	*£42.0bn*	*£20.8bn*	*£8.4bn*	***£71.1bn***
Original Estimate (86%)	*14.4m*	*£41.0bn*	*£20.3bn*	*£8.2bn*	***£69.5bn***
-2 ppts	*14.0m*	*£40.0bn*	*£19.8bn*	*£8.0bn*	***£67.9bn***

Source: DWP Modelling.
Figures may not sum due to rounding.

8.19 The table shows that a 2-percentage point change in the rate at which people participate has a significant impact on the impact of abolishing the LEL. This change in the participation rate would drive a change of approximately £1.6bn in the total pension saving figure, representing the additional saving of approximately 300,000 savers.

8.20 DWP will continue to closely monitor opt-in, cessation and participation rates in future and will bring further evidence regarding these rates forward in future impact assessments for the measures described here.

18-21 Year Olds Above the Earnings Trigger

8.21 For the purposes of the modelling above, we assume that the proportion of 18-21 year olds who are earning above the earnings trigger who would be automatically enrolled if it becomes a legal requirement for their employers to do so would be well approximated by the known participation rate of those just over the existing age threshold (22). This yields a participation rate of approximately 74%.

8.22 However, it is not certain that the same proportion of 18-21 year olds would participate in a workplace pension having been automatically enrolled as the rest of the population.

8.23 18-21 year olds may have a lower participation rate in a workplace pension having been automatically enrolled because:

a. Many 18-21 year olds, particularly students, might be in more temporary work situations (e.g. summer jobs) where they are making the equivalent of more than £10,000 p.a for a few months, and the benefits of saving into a workplace pension for a short period are less obvious.
b. Workplace Pension Participation statistics suggest that workplace pension participation tends to increase with age, with the currently eligible 22-29 age group having the lowest rate of workplace pension participation.[23]

8.24 18-21 year olds may have a higher participation rate in a workplace pension having been automatically enrolled because, theoretically, 18-21 year olds have the most to gain from every pound invested in workplace pension in a given year. The savings they make at

[23] Workplace pension participation and savings trends: 2009 to 2021 - GOV.UK (www.gov.uk)
https://www.gov.uk/government/statistics/workplace-pension-participation-and-savings-trends-2009-to-2021

the start of their working life will accumulate the most growth over their lifetime.

8.25 Because many 18-21 year olds may be students and pension participation amongst eligible workers tend to increase with age, it therefore seems reasonable to assume that the participation rate of the newly eligible 18-21 year olds group would be well approximated by the participation rate of those aged just over the existing age threshold (22).

8.26 Data from ASHE 2020 suggest that 26% of 18-21 year olds who have earnings above the earnings trigger are currently saving for a pension. It seems unreasonable to assume that making this group eligible for automatic enrolment would not have any impact on this rate, because all the evidence on automatic enrolment for other age groups has shown that it is a significant driver of workplace pension participation.

8.27 Data from ASHE in 2020 suggests that 84% of 22-29 year olds (who are currently eligible for automatic enrolment) are saving into a workplace pension. Automatic enrolment duties were fully rolled out to all employers in 2020, so we would not expect this to increase further.

8.28 In order to understand how the assumption that participation in 18-21 year olds would be well approximated by those just above the existing age threshold (22) affects the estimated impacts of lowering the age threshold, we present adjusted figures for this impact assuming various different participation rates amongst the 18-21 year old population. This is shown in Table 8D.

Table 8D - How the estimated impact in 2022/23 of **lowering the age threshold and abolishing the LEL** varies with changes in the participation rate amongst those aged between 18 and 21 who earn above £10,000

Participation Rate	Eligible Employees	Total Savers	Employer Contributions	Individual Contributions	Income Tax Relief	Total Pension Saving
Original Estimate (74%)	*720k*	*530k*	*£0.4bn*	*£0.4bn*	*£0.1bn*	***£1.0bn***
22-29 Year Old Rate (84%)	*720k*	*605k*	*£0.5bn*	*£0.5bn*	*£0.1bn*	***£1.1bn***
Current Rate (26%)	*720k*	*190k*	*£0.2bn*	*£0.2bn*	*£0.0bn*	***£0.3bn***

Source: DWP Modelling.
Figures may not sum due to rounding.

8.29 In the table above, we can see that adjusting the assumption from the original estimate by increasing the participation rate by 10 percentage points increases the estimated impact of lowering the lower age threshold from 18 to 21 by approximately £0.1bn in 2022/23.

Below the Earnings Trigger

8.30 For the purposes of the modelling above, we assume:

a. The same proportion of private sector employees whose earnings are below the earnings trigger who were opting into a workplace pension scheme with employer contributions would remain the same after the abolition of the LEL. Taking the number of employees aged 18+ earning below the earnings trigger from ASHE

2020 and the number of participants in this group from our modelling, the percentage of this group participating was 25.1%.
b. This group includes those aged 18-21 earning below the earnings trigger of £10,000 a year.

8.31 Theoretically, there are good reasons to think these assumptions may not hold in practice:
a. For those already saving while earning below the earnings trigger, abolishing the LEL would potentially expand the band of relevant earnings they pay employee contributions and receive employer contributions on. Depending on how they value these factors relative to their current income, this might lead some people to choose to stop saving.
b. For those who are not already saving while earning below the earnings trigger, increasing or for the first time gaining the right to receive an employer contribution should they opt in could lead to them choosing to opt in.

8.32 The government hopes the measures highlighted here would, if implemented, increase workplace pension participation below the earnings trigger. However, it also needs to recognise that the effects outlined above are conflicting and it is therefore possible that pension participation below the earnings trigger may increase or decrease.

8.33 The following table shows how the estimated impact of abolishing the LEL on the workplace pension saving of those currently earning below the earnings trigger varies with the participation rate of that group:

Table 8E - How the estimated impact of **abolishing the LEL with an age 18 threshold** varies with changes in the participation rate amongst those who earn below the ET

Participation Rate	**Employees aged 18+ earning below £10k**	**Total Savers**	**Employer Contributions**	**Individual Contributions**	**Income Tax Relief**	**Total Pension Saving**
+2 ppts (27.1%)	3.4m	911k	*£720m*	*£432m*	*£25m*	***£262m***
Current Rate (25.1%)	3.4m	844k	*£667m*	*£400m*	*£23m*	***£243m***
-2ppts (23.1%)	3.4m	777k	*£613m*	*£368m*	*£22m*	***£224m***

Source: DWP Modelling.
Figures may not sum due to rounding.

8.34 In the table above, we can see that compared to the behavioural effects outlined above, the impacts of altering the participation rate for this group are relatively modest. A change of 2 percentage points leads to a change of approximately £19m in total pension saving.

8.35 Because the department has little evidence about how abolishing the LEL will alter behaviour for this group, we assume that the participation rate will not change as the LEL changes and this assumption therefore informs our central estimate for the impact of the policy measure on this group.

9. Analysis: Impacts on Employers' Administrative and Familiarisation Costs

9.1 As recognised in the original impact assessment for automatic enrolment,[24] the actions businesses are obliged to take to fulfil their obligations under the AE programme mean that they incur administrative costs that they would not have otherwise faced. These costs are separate from the costs of increased pension contributions. They include, but may not be limited to:

a. preparing for implementing AE, including setting up internal infrastructure, IT systems and adjusting existing payroll mechanisms;
b. registration and qualification, including training staff;
c. employee enrolment, including communicating with employees and registering employees with the qualifying pension scheme; and
d. Collection and administration, including the monthly process of collecting contributions and making adjustments to payslips, etc.

9.2 Widening the age thresholds for eligibility under automatic enrolment would increase the overall number of eligible employees and the total numbers of employees enrolled into an occupational pension. This would increase administrative costs, as businesses pay for the administrative tasks required to enrol newly eligible employees (e.g. communication, registration, collection and payroll administration). However, as automatic enrolment was introduced 10 years ago, it may be expected these costs to be well established as part of business-as-usual conditions. Nevertheless, an estimate of the additional cost is made.

9.3 In "Automatic Enrolment Review 2017", DWP detailed various responses to the consultation that was conducted around the review.[25] Respondents repeatedly stressed that abolishing the LEL would simplify the current system (See Section 5) and make it easier for employers to assess their employee's eligibility status. Whilst this efficiency saving cannot be quantitatively estimated at this time, it's likely abolishing the LEL would produce administrative cost savings in this sense.

9.4 Abolishing the LEL could slightly reduce business' ongoing costs of administering pensions for those employees who are already enrolled into a pension scheme because they are obliged to change the LEL every year in line with the AE Earnings Threshold review. It is possible some firms might incur a small cost in making a change to their payroll system. However, this change would be one-off change, unlike the annual change businesses already must make. As such, it is likely abolishing the LEL may deliver a small net saving in terms of administrative costs for business over the long-run as they are no longer required to update the LEL in their systems.

9.5 Abolishing the LEL would also give more people the right to opt into a pension scheme and receive employer contributions. Should more employees take up this option, then businesses would face increased administrative costs as they enrol these people. Businesses may also face additional costs in communicating the new policy to this group.

Estimating Additional Administrative Costs

9.6 The department has continued to assess the costs to business of implementing automatic enrolment via the Employer Pension Provision survey. This has shown the

[24] Pensions Bill 2007 – Impact Assessment
www.legislation.gov.uk/ukia/2008/89/pdfs/ukia_20080089_en.pdf

[25] Automatic enrolment review 2017: Maintaining the momentum
www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum

cost to employers falling over time, with the 2017 report finding a median cost of £50 per employer and 2019 report finding a median cost of £15 per employer. Though it should be noted there is considerable variation in the estimates and differs by business size (micro employers, with fewer members, have lower costs). See table 9A for 2019 estimates.

Table 9A: Financial costs of implementing automatic enrolment by employer size 2019

	Size of organisation (employees)				
	Micro (1-4)	**Small (5-49)**	**Medium (50-249)**	**Large (250+)**	**All private sector employers with a workplace pension scheme**
Average cost (£)[a,b]					
Mean	236	1,919	4,290	14,060	872
Median	0	386	1,458	4,647	15
Weighted base	745	319	24	4	1,093
Unweighted base	200	667	236	328	1,431
Report zero cost (%)	**37**	**18**	**14**	**12**	**30**
Report cost of greater than zero (%)	**27**	**37**	**42**	**30**	**31**
Cost not known (%)	**36**	**45**	**44**	**58**	**39**
Weighted base	218	671	405	1,481	2,775
Unweighted base	317	1,121	442	855	2,735

Base: All private sector employers with a workplace pension scheme.

Notes:

a. Calculated only among those respondents who reported a cost, including those employers who reported zero cost. If average costs are calculated solely among those employers who reported non-zero costs, the mean cost was £1,719, while the median cost was £500.

b. Includes costs of paid for advice but does not include costs of making pension contributions

9.7 To find the additional cost per members, the 2015 Employer Pension Provision survey[26] asked employers about the implementation costs for automatic enrolment. This estimated the implementation cost per employee at £16 in 2014/15.

9.8 Some of the costs this figure represents will be unique to each business' first year in automatic enrolment, whilst other costs are incurred on an ongoing basis. Since almost all the businesses that would be affected by these measures will have already automatically enrolled their employees, the £16 per year figure is likely a significant overestimate on the one-off costs of enrolling the newly eligible[27]. It may be expected this cost to be reduced over time as the process becomes "business as usual" and would include one-off costs and adjusting the LEL, for example enrolling the workforce of 18-21 year olds, which will not be faced annually.

9.9 In Table 9B below, we use this data to estimate the additional administrative burden facing employers should the government choose to lower age threshold from 22 to 18

[26] Employer Pension Provision Survey 2015. These questions were not asked in the 2017 or 2019 survey. www.gov.uk/government/publications/employers-pension-provision-survey-2015

and remove the LEL. This estimate should be seen as an upper-bound on the likely estimated cost, given the caveats outlined above.

Table 9B: Impact on Administrative Costs due to Proposed Age & LEL Change

Median Cost per Employee in 2014/15 cost terms. (A)	Estimated increase in pension savers due to changing lower age threshold from 22 to 18. (B)	Estimated increase in administrative costs due to changing the lower age threshold from 22 to 18 in 2014/15 cost terms. (A x B)	**Estimated increase in administrative costs in 2022/23 cost terms. (Adjusted using the GDP Deflator)**
£16	524k	£8.4m	**£9.9m**

9.10 Overall, we estimate that should the government choose to implement the reforms proposed here, businesses would face an additional administrative burden of an additional £10m p.a. (in 2022/23 terms). This estimate should only be considered as indicative. As outlined above, feedback suggests that removing the LEL could save businesses time through not having to change the levels each year. Therefore, this cost is likely an over-estimate.

9.11 As and when the government choses to implement reforms, it will provide further estimates of the additional administrative costs businesses will face due to any policy change.

9.12 As additional sensitivity analysis to the £16 per member cost. Looking at the costs per employer from Table 9A and multiplying by the business population (by employer size)[28] and the number of AE pension participants[29], this gives an approximate £12 cost per employee. This gives confidence in our estimate and that this may be an upper bound.

10. Analysis: Impacts on Social Welfare Benefits

10.1 The government presented a report in the original impact assessment for automatic enrolment which quantified the social welfare impact the policy would have between 2012 and 2050. This was aimed at recognising the value encouraging people to delay their consumption has on their welfare over their lifetime.[30]

10.2 The estimated social welfare impact was £40bn, the lower bound on a range between £40bn and £60bn.

10.3 This work represented a significant analytical undertaking. In our view repeating this analysis for the purposes of appraising the proposals in this impact assessment at this stage would be disproportionate and unnecessary. This will be considered again in a future Impact Assessment of the secondary legislation.

10.4 By reviewing the ratio between the baseline level of saving under business-as-usual and the impact the proposals would have on saving, it is possible to make a basic adjustment to the original social welfare impact which reflects the impact these proposals would have. The following table does this:

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[28] https://www.gov.uk/government/statistics/business-population-estimates-2019/business-population-estimates-for-the-uk-and-regions-2019-statistical-release-html

[29] Workplace pension participation and savings trends of eligible employees: 2009 to 2020 - GOV.UK (www.gov.uk)

[30] Van de Coevering et al, Estimating economic and social welfare impacts of pension reform DWP pensions technical working paper, 2006.

Table 10A: Adjustment of Social Welfare Benefit			
Original estimated additional pension contributions (2006/07 prices)			£4bn - £5bn
Original Social Welfare Benefit Estimate over 38 years (2006/07 prices) (£ billions)			£40.0
Social Welfare Benefit Estimate adjusted for 30 years (2022/23 prices) (£ billion)			£41.2
Baseline total Pension Saving for all private sector employers (2022/23 prices) (£ billion)			£69.1
Baseline total Social Welfare Benefit for 30 years (2022/23 prices) (£ billion)			£485.1
	Option 2a - Abolish LEL	**Option 2b - reduce age limit to 18**	**Option 2 - combine**
Increase in Pension Saving	£1.4	£0.4	£2.0
Increase in Total Pension Saving	2%	1%	3%
Estimated Social Welfare Benefit Impact (2022/23 Prices)	£9.5	£2.9	£14.2

11. Small and Micro Business Assessment (SaMBA)

11.1 One of the key principles of automatic enrolment is that all eligible employees should be given the opportunity to save towards a pension. This should not depend on the size of their employer.

11.2 However, because it was recognised the small and micro businesses were likely to face a disproportionately large burden as a result of AE reforms, the government decided to introduce the policy gradually over a period of five years, with small and micro businesses the last to be obliged to enrol their workers.

11.3 Since small and micro businesses have started automatically enrolling their employees, pension participation amongst private sector eligible employees working for small and micro businesses has approximately tripled between 2015 and 2020. In 2020, over 79% of eligible employees working for small employers in the private sector were participating in a workplace pensions. Over 57% of those working for micro employers were too. Because more small and micro businesses were due to automatically enrol their employees after the timeframe covered by the latest statistical publication, these rates are highly likely to grow further.[31]

[31] Workplace Pension Participation and Savings Trends, 2009 to 2020 https://www.gov.uk/government/statistics/workplace-pension-participation-and-savings-trends-2009-to-2020

11.4 The estimated cost of abolishing the LEL and lowering the age threshold from 22 to 18 for small (10-49) employees) and micro (1-9) employer in 2022/23 is shown in Table 11A.

Table 11A - Total Impact on Pension Saving (2022/23) for Small and Micro Businesses

	Lower Earnings Limit	Lower Age Limit for AE	Employer Contributions	Individual Contributions	Income Tax Relief	Total Pension Saving
Baseline 2022/23	£6,240	22	£5.7bn	£4.1bn	£1.4bn	**£11.2bn**
Proposal (Both Measures)	£0	18	£6.0bn *(+£0.3bn)*	£4.4bn *(+£0.3bn)*	£1.5bn *(+£0.1bn)*	**£11.9bn** ***(+£0.6bn)***

Source: DWP Modelling. Figures may not sum due to rounding.

11.5 It is not possible to breakdown these estimates for small and micro business separately due to limitations in the data used to inform these estimates.

11.6 As with the original policy, exemption of small and micro employers is not appropriate as all eligible employees should have the opportunity to benefit from AE and to build up pension savings throughout their working life. Small and micro businesses along with all other employers already have duties to enrol, and pay contributions for, all eligible employees. The proposed measures under these powers, if implemented, could extend that duty to 18 to 21-year-olds and increase contributions via the removal of the LEL. The proposed measures also simplify administration as the age would once again be aligned to NLW age bands and all employees would be entitled to an employer contribution.

11.7 We recognise that businesses would need time to plan for the proposed changes. Should these proposals be brought forward for implementation in due course, we would seek their input on the best approach to implementation beforehand.

12. Monitoring and Evaluating

12.1 DWP is committed to monitoring and evaluating Automatic Enrolment. Over the roll-out of AE, a wide range of evaluation reports were undertaken to monitor the impact, looking at the impacts on employers and employees[32]. This has been supported by an annual publication on workplace pension participation and saving which is also supported by The Pension Regulator's regular publication of AE compliance rates[33].

12.2 To support any implementation of the 2017 AE Measures, the department will undergo extensive consultation with stakeholders and evaluation plans will be put in place to carefully monitor the roll-out and impacts of any changes.

12.3 At this stage, the government only intends to take powers to change the scope of automatic enrolment through secondary legislation and does not have any immediate plans to implement any changes at this stage. Once the implementation plan is established, we will be able to provide more specific advice around monitoring and evaluation the abolition of the LEL and the reduction of the age threshold to age 18.

[32] For example: Automatic enrolment evaluation report 2019 - GOV.UK (www.gov.uk)

[33] Automatic enrolment declaration of compliance report | The Pensions Regulator

13. Analysis Annex: Modelling Pension Saving

Introduction

13.1 This section describes the methodology used to estimate the impact of proposed changes to the automatic enrolment thresholds (lowering age limit from 22 to 18 and abolishing the LEL) on pension savings. Impacts are calculated by comparing a modelled baseline scenario in 2022/23 against one where changes to the 2022/23 thresholds are made according to the 2017 Automatic Enrolment Measures.

13.2 Pension savings as a result of the proposed 2017 AE Review Measures are estimated using the private pension participation and contribution static microsimulation model (PenPaC). In the model, total, individual and employer pension contributions in each scenario are estimated for the 2022/23 tax year using:

a. Data from the 2020 Annual Survey of Hours and Earnings (ASHE) on private sector employees' earnings and current levels of pension participation and contributions
b. Estimates from 2020 ASHE data of the bands of earnings on which individuals are making pension contributions. We account for evidence showing that some employers and employees contribute on earnings below the LEL and/or above the UEL
c. OBR forecasts of earnings growth and changes to the size of the workforce between 2020 and 2022
d. Modelled impacts on participation rates using ASHE data as a result of making changes to the earnings trigger
e. Contribution rates for employers and employees, where the minimum for a qualifying pension scheme in 2022/23 is 8 per cent total contributions (including tax relief) on relevant earnings, of which at least 3 per cent is from the employer

13.3 These figures then inform estimates of:

a. Income tax relief. Individuals receive tax relief on their pension contributions. It is estimated by multiplying total pensions contributions from individuals by the appropriate income tax rates[34].

b. Employer tax relief. Because some employers have indicated that they have responded to increases in the cost of employer pension contributions by reducing wages and/or profits, it follows that they will have paid less employer National Insurance contributions and/or corporation tax due to these increased contributions than they would have otherwise done. We estimate both of these effects by multiplying the overall size of employer pension contributions by:
    - the percentage of employers who indicated that they behaved in that way[35]
    - the appropriate tax rate, either employer NICs or corporation tax

13.4 The PenPaC model assumes that participation rates will change in line with the observed difference in participation for those just above an eligibility threshold and those just below. Individuals in the model dataset that are moved across the threshold are assumed to change their likelihood of participating, and potentially their contribution amounts

[34] This calculation assumes a proportion of low earners saving through Relief at Source pension schemes consistent with figures given in the HM Treasury Call for Evidence on pensions tax administration

[35] Using Employers' Pension Provision 2019 Survey, results published in the DWP Employers' Pension Provision Survey 2019 - GOV.UK (www.gov.uk) https://www.gov.uk/government/publications/employers-pension-provision-survey-2019/employers-pension-provision-survey-2019#communications-and-advice-about-workplace-pensions-1

13.5 The baseline thresholds are set according to the real AE thresholds that will be used by DWP in 2022/23. Broadly, we model 3 different scenarios against the baseline. They are:
   a. Setting LEL to £0,
   b. Reducing the age limit from 22 to 18,
   c. Combining both scenarios (setting LEL to £0 and age limit to 18).

14. Analysis Annex: The Annual Survey of Hours and Earnings (ASHE)

14.1 The Annual Survey of Hours and Earnings (ASHE) is published by the Office for National Statistics (ONS) and is a key source of information on workplace pensions in GB. It collects information on all types of workplace pension: occupational pension schemes, group personal pensions and group stakeholder pensions. The survey results are used widely to analyse pension participation and to monitor the impacts of pension reforms.

14.2 ASHE is based on a one per cent sample of employee jobs taken from HM Revenue & Customs (HMRC) PAYE records. Information is obtained from employers and treated confidentially. ASHE does not cover the self-employed nor does it cover employees not paid during the reference period.

14.3 ASHE data captures payroll data for a given week in the financial year. The 2020 ASHE data relates to the pay period that includes 22 April 2020.

14.4 The 2020 ASHE data could be affected by the impact of the coronavirus pandemic on the labour market, both through employment and earnings. Our modelling uprates earnings to account for estimates of earnings growth post-pandemic and data from 2021 shows a similar level of pension saving and participation.

14.5 ASHE collects information on employee membership of the current employer's workplace pension scheme. This does not include preserved rights in any former employer's pension scheme or pensions paid by former employers.

14.6 ASHE collects information from employers on employee jobs, although they are referred to in this Official Statistic as 'employees'.

Pensions (Extension of Automatic Enrolment) 2023: Impact Assessment Addendum

Introduction

A.1 Analysis presented here provides more detail on the impacts of lowering the starting age for eligibility to Automatic Enrolment (AE) into workplace pensions from 22 to 18 and abolishing the lower earnings limit (LEL) of the Qualifying Earnings Band (QEB). This is additional analysis based on the modelling in the Impact Assessment, RPC reference RPC-DWP-5150 (1).

A.2 The demography and geography of employees in the private sector estimated to be impacted by the legislative option are reported. An estimate of average employer impacts for different sizes of employers is based on this. Case studies illustrating the prospective impact on the pension pot at retirement of individuals impacted are included.

Individuals benefitting from the legislation

A.3 The analysis uses the Annual Survey of Hours and Earnings (ASHE) from 2020 and DWP's PenPac model to estimate the potential numbers who may make additional pension saving following the implementation of this legislation.

A.4 3.0 million private sector employees are estimated to be impacted by the proposed changes in 2022. This includes 0.5m new participants aged 18-21 and 2.5m existing participants making higher contributions to their workplace pension based on the widened qualifying earnings band (QEB). Those 3.0m employees are estimated to make £0.9 billion in total additional annual employee contributions, at an average of £279 each. Including the tax relief on these contributions, and additional annual employer contributions, these employees will make a total of £2.0 billion of additional pension saving, at an average of £667 each.

A.5 Table 1 shows the number of private sector employees estimated to benefit, based on their gross annual earnings. There are more employees benefitting who earn between £10,000 and £20,000, representing a higher proportion of these employees, than in any other comparable earnings band. This demonstrates that when implemented this legislation will disproportionately benefit lower earning employees.

Table 1: Earnings distribution of the population impacted (2022/23)

Earnings, 2022 prices	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of earnings band impacted
Below £10,000	3,086	251	8%
£10,000 to below £20,000	4,299	975	23%
£20,000 to below £30,000	5,137	878	17%
£30,000 to below £40,000	3,448	439	13%
£40,000 to below £50,000	1,975	179	9%
£50,000 to below £60,000	1,216	100	8%
£60,000 or more	2,220	202	9%

A.6 The ages of the employees estimated to be impacted is shown in Table 2. Despite a similar number of employees benefitting from the legislation in each age band between 18 and State Pension Age (SPA), a greater proportion of younger workers aged 18-21 will benefit. This demonstrates that this legislation will disproportionately benefit younger employees.

A.7 Table 2 shows an estimated 2,000 employees aged under 18 and 10,000 employees aged over SPA who will save more as a result of this legislation. These represent individuals who are already saving into a workplace pension scheme, and who will now be able to save more based on the widened QEB. Employees aged under 18 or above SPA will also benefit from the legislation if they decide to opt-in, although they would not be enrolled automatically.

A.8 For private sector employees aged 18 to 21, 0.6m employees will benefit from the legislation. This includes 0.5m new participants, and 0.1m participants that had previously enrolled voluntarily, now benefitting from additional contributions.

Table 2: Age distribution of the population impacted (2022/23)

Age Group	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of age group impacted
Under 18	298	2	1%
18 to 21	1,318	597	45%
22 to 29	3,626	505	14%
30 to 39	5,125	662	13%
40 to 49	4,582	561	12%
50 to SPA	6,003	687	11%
Above SPA	431	10	2%

A.9 The gender split of the employees estimated to be impacted is shown in Table 3. The proportion of male and female employees benefitting from the legislation are similar. However, because there are more male employees than female employees in the private sector, more men will benefit from the legislation overall. Despite this, owing to the lower average earnings of women compared to men the relative increase in pension saving of a low earning female employee will be disproportionately greater than for a higher earning male employee. This is explored in more detail though case studies in Table 6. There is also a disproportionate increase in the proportion of AE eligible female employees in the private sector who will save more as a result of the implementation of this legislation (20% of whom will save more), compared to male employees (17%).

Table 3: Gender Split of the population impacted (2022/23)

Gender	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of males/ females impacted
Males	11,655	1,671	14%
Females	9,727	1,352	14%

A.10 Table 4 estimates the proportion of private sector emplyoees within each local region that would be impacted by the proposed changes. The percentage of employees impacted is consistent across all regions outside London, where the proportion of employees benefitting is marginally lower. An estimate of the full breakdown by GB parliamentary constituency is shown in Table 8.

Table 4: Estimated regions of private sector employees impacted (2022/23)

Region	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of region impacted
North East	736	102	14%
North West	2,221	330	15%
Yorkshire & The Humber	1,716	265	15%
East Midlands	1,585	234	15%
West Midlands	1,890	290	15%
South West	1,957	284	15%
East	2,022	285	14%
London	3,324	401	12%
South East	3,579	496	14%
Wales	833	126	15%
Scotland	1,517	210	14%

A.11 Please note these caveats regarding the data in Tables 1 to 5 and Table 7 (see Annex 1):

a. Private sector employee figures are restricted to GB and do not include self-employed.
b. Constituency level data in ASHE is incomplete. Totals may not sum to all employees impacted.
c. Figures suppressed due to low unweighted sample size (fewer than 50 responses) are indicated by "…".
d. Employee figures are rounded to the nearest 1,000.
e. Percentages are rounded to nearest percentage point.
f. Total figures for employees may not sum owing to rounding.

Employer impacts

A.12 Based on the employer sizes and increased contributions of the employees estimated to be impacted, the mean average cost for different sizes of employers has been estimated in 2022 nominal prices. The figures are based on employee data and average number of employees for firms of each size. This is shown in Table 5. For micro sized employers, those with less than 5 employees, the estimated average annual additional cost is around £100.

Table 5: Estimated average annual cost per employer (2022/23)

Employer size	Size	Indicative total cost per employer(2022 prices)
Micro	1 to 4	£100
Small	5 to 49	£1,000
Medium	50 to 249	£4,100
Large	250 to 4999	£62,200
Very large	more than 4999	£3,481,000

Case Studies

A.13 We used a series of illustrative case studies to review the effect of implementing the AE review measures package on the pension pots of hypothetical individuals. The baseline scenario continues with current AE legislation, where the minimum age for AE is 22 years and the lower earnings limit is £6,240, compared with the alternative scenario implementing the AE review measures.

A.14 The analysis uses the Annual Survey of Hours and Earnings (ASHE) from 2021 and our DWP iPen modelling to estimate pot sizes in retirement.

A.15 The implementation of the legislation will increase the pension pot size at retirement for all case studies investigated. The percentage change for all case studies who begin from the age of 18 is bigger than the percentage change for all case studies who begin saving aged 40. The biggest relative change is for part-time national minimum/living wage earners who begin saving from the age of 18, who have a 93% increase in the size of their pension at retirement.

A.16 For female median earning employees who begin saving from the age of 18, their percentage change is bigger than equivalent male median earners. Therefore, the percentage increase in pension pot size at retirement is disproportionately bigger for female median earning employees compared to male.

Table 6: Estimated pot size at retirement for the different case studies in 2022/23 earnings terms

	Baseline	AE review measures	Change (£)	Change (%)
NMW/NLW				
FT from age 18	£50,200	£83,400	+£33,100	+66%
PT from age 18[1]	£35,000	£67,500	+£32,500	+93%
FT from age 40	£41,500	£56,500	+£14,900	+36%
Female Median Earner				
FT from age 18	£93,300	£127,600	+£34,400	+37%
PT from age 18[2]	£67,100	£100,800	+£33,700	+50%
FT from age 40	£80,100	£95,000	+£14,900	+19%
Male Median Earner				
FT from age 18	£114,300	£149,300	+£35,000	+31%
FT from age 40	£100,000	£115,000	+£14,900	+15%

A.17 The following key assumptions have been made when calculating these case studies. The modelling is known to be sensitive to assumptions made about future economic determinants and the methodology used.

a. Each individual saves into a defined contribution scheme with an annual management charge of 0.3% and a contribution charge of 1.8%
b. Each individual contributes 5% and their employer contributes 3%
c. Each individual's fund is invested in 65% equities and 35% bonds with real fund growth of 3.73% and 1.73% respectively
d. Each individual retires at State Pension age of 68
e. The automatic enrolment earnings trigger, lower earnings limit and upper earnings limit increase in line with earnings over the long-term
f. Each individual does not opt-out of pension saving
g. For NMW/NLW earners the individual continues to make pension contributions whilst working part time, even though their earnings drop below the £10,000 earnings trigger. This is in line with the AE framework, assuming they continue to work for the same employer.
h. Full time employees work 37 hours per week whilst part-time employees work 18.5 hours per week
i. Each individuals' earnings increase in-line with average earnings growth. The final pension pot size is reported in 2022/23 earnings using the Average Weekly Earnings growth deflator.
j. Where earnings have been reported, these are the current (2022/23) values. For the NLW/NMW earner aged 40 years, earnings in previous years were decreased in-line with average earnings. This means that income in previous years may not match the NLW/NMW figure for that year.
k. Earnings in the first year employment are increased in line with average earnings growth.
l. The median annual salary for a female working full-time is £28,305 (Source: ASHE 2021)
m. The median annual salary for a male working full-time is £31,414 (Source: ASHE 2021)

[1] Part-time means working 18.5 hours per week due to childcare, with an inactive year at age 30, then works part-time for the following 16 years before returning to full time employment

[2] As per footnote 1

n. Salaries for individuals on NMW/NLW are calculated by hourly rate x weekly hours worked x 52. This equates to: Ages 18 – 20: £13,160 per year; Ages 21 – 22: £17,730 per year; Ages 23+: £18,278 per year

Parliamentary constituency level data

A.18 Parliamentary constituency level data is shown in Table 8, based on the same analysis as Table 4. The following key assumptions have been made.

a. Private sector employee figures are restricted to GB and do not include self-employed.
b. Constituency level data in ASHE is incomplete. Totals may not sum to all employees impacted.
c. Figures suppressed due to low unweighted sample size (fewer than 50 responses) are indicated by "…".
d. Employee figures are rounded to the nearest 1,000.
e. Percentages are rounded to nearest percentage point.
f. Total figures for employees may not sum owing to rounding.

Table 8: Estimated parliamentary constituencies of private sector employees impacted (2022/23)

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Aldershot	44	7	15%
Aldridge-Brownhills	26	5	19%
Altrincham and Sale West	28	4	14%
Amber Valley	34	5	15%
Arundel and South Downs	41	4	11%
Ashfield	35	6	18%
Ashford	44	6	15%
Ashton-under-Lyne	25	3	14%
Aylesbury	48	6	12%
Banbury	57	8	14%
Barking	32	4	13%
Barnsley Central	26	5	18%
Barnsley East	29	6	22%
Barrow and Furness	34	3	10%
Basildon and Billericay	34	6	18%
Basingstoke	46	6	12%
Bassetlaw	37	5	14%
Bath	31	4	12%
Batley and Spen	38	7	18%
Battersea	55	6	11%
Beaconsfield	39	5	12%
Beckenham	28	5	16%
Bedford	39	5	14%
Bermondsey and Old Southwark	55	7	13%
Berwick-upon-Tweed	19	2	10%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Bethnal Green and Bow	43	6	14%
Beverley and Holderness	28	5	18%
Bexhill and Battle	35	4	13%
Bexleyheath and Crayford	30	4	14%
Birkenhead	28	8	27%
Birmingham, Edgbaston	22	3	15%
Birmingham, Erdington	30	6	20%
Birmingham, Hall Green	24	2	9%
Birmingham, Hodge Hill	24	3	14%
Birmingham, Ladywood	29	4	12%
Birmingham, Northfield	25	4	17%
Birmingham, Perry Barr	29	4	14%
Birmingham, Selly Oak	27	6	22%
Birmingham, Yardley	27	4	14%
Bishop Auckland	27	5	18%
Blackburn	29	5	16%
Blackley and Broughton	30	4	15%
Blackpool North and Cleveleys	21	5	22%
Blackpool South	25	4	16%
Blaydon	27	3	11%
Blyth Valley	26	5	19%
Bognor Regis and Littlehampton	41	6	15%
Bolsover	33	5	16%
Bolton North East	24	4	15%
Bolton South East	26	4	16%
Bolton West	37	4	11%
Bootle	24	4	18%
Boston and Skegness	35	8	21%
Bosworth	39	4	11%
Bournemouth East	39	4	11%
Bournemouth West	34	5	14%
Bracknell	53	7	13%
Bradford East	30	5	16%
Bradford South	35	5	16%
Bradford West	24	4	15%
Braintree	42	7	16%
Brent Central	43	7	17%
Brent North	42	6	13%
Brentford and Isleworth	46	4	9%
Brentwood and Ongar	36	4	13%
Bridgwater and West Somerset	40	8	19%
Brigg and Goole	32	5	15%
Brighton, Kemptown	32	4	13%
Brighton, Pavilion	40	6	15%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Bristol East	39	4	10%
Bristol North West	36	5	13%
Bristol South	44	5	11%
Bristol West	49	6	11%
Broadland	30	4	13%
Bromley and Chislehurst	30	3	11%
Bromsgrove	33	6	19%
Broxbourne	30	4	12%
Broxtowe	34	4	11%
Buckingham	41	5	13%
Burnley	25	6	24%
Burton	42	5	13%
Bury North	24	2	10%
Bury South	29	3	11%
Bury St Edmunds	47	9	19%
Calder Valley	33	3	10%
Camberwell and Peckham	47	6	13%
Camborne and Redruth	36	6	15%
Cambridge	56	5	9%
Cannock Chase	36	6	17%
Canterbury	43	3	8%
Carlisle	29	5	18%
Carshalton and Wallington	31	5	15%
Castle Point	23	5	21%
Central Devon	32	5	16%
Central Suffolk and North Ipswich	41	5	13%
Charnwood	31	6	19%
Chatham and Aylesford	34	5	15%
Cheadle	32	4	11%
Chelmsford	37	4	12%
Chelsea and Fulham	32	3	8%
Cheltenham	44	6	13%
Chesham and Amersham	33	4	11%
Chesterfield	29	4	13%
Chichester	44	6	14%
Chingford and Woodford Green	32	5	16%
Chippenham	36	5	12%
Chipping Barnet	39	4	9%
Chorley	32	4	11%
Christchurch	28	4	13%
Cities of London and Westminster	31	1	5%
City of Chester	37	5	13%
City of Durham	23	3	13%
Clacton	22	2	8%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Cleethorpes	31	6	19%
Colchester	38	5	14%
Colne Valley	34	4	13%
Congleton	36	6	17%
Copeland	24	5	22%
Corby	57	7	12%
Coventry North East	35	5	13%
Coventry North West	36	5	13%
Coventry South	36	4	10%
Crawley	50	9	18%
Crewe and Nantwich	41	7	17%
Croydon Central	42	8	18%
Croydon North	46	8	18%
Croydon South	44	5	12%
Dagenham and Rainham	28	3	12%
Darlington	27	5	17%
Dartford	41	6	15%
Daventry	42	5	11%
Denton and Reddish	27	3	12%
Derby North	33	5	14%
Derby South	31	4	14%
Derbyshire Dales	22	3	14%
Devizes	34	4	13%
Dewsbury	34	4	11%
Don Valley	32	4	11%
Doncaster Central	35	7	21%
Doncaster North	29	4	15%
Dover	34	4	12%
Dudley North	26	5	19%
Dudley South	27	5	19%
Dulwich and West Norwood	33	5	15%
Ealing Central and Acton	45	4	9%
Ealing North	36	4	10%
Ealing, Southall	37	6	15%
Easington	31	5	17%
East Devon	34	5	16%
East Ham	40	7	16%
East Hampshire	41	5	12%
East Surrey	40	5	12%
East Worthing and Shoreham	38	4	12%
East Yorkshire	41	5	13%
Eastbourne	34	6	18%
Eastleigh	55	8	14%
Eddisbury	30	4	14%
Edmonton	30	7	22%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Ellesmere Port and Neston	28	5	18%
Elmet and Rothwell	32	3	9%
Eltham	27	4	15%
Enfield North	29	5	17%
Enfield, Southgate	28	2	8%
Epping Forest	35	5	14%
Epsom and Ewell	42	6	14%
Erewash	37	5	13%
Erith and Thamesmead	33	7	20%
Esher and Walton	43	5	11%
Exeter	42	5	13%
Fareham	35	6	17%
Faversham and Mid Kent	36	7	20%
Feltham and Heston	45	7	16%
Filton and Bradley Stoke	47	5	10%
Finchley and Golders Green	40	6	14%
Folkestone and Hythe	40	5	13%
Forest of Dean	30	6	19%
Fylde	28	4	15%
Gainsborough	34	4	12%
Garston and Halewood	30	3	11%
Gateshead	26	4	14%
Gedling	31	4	13%
Gillingham and Rainham	40	6	15%
Gloucester	46	6	14%
Gosport	37	5	13%
Grantham and Stamford	40	5	12%
Gravesham	36	4	12%
Great Grimsby	30	3	11%
Great Yarmouth	35	7	20%
Greenwich and Woolwich	45	6	13%
Guildford	49	6	12%
Hackney North and Stoke Newington	41	3	8%
Hackney South and Shoreditch	42	7	16%
Halesowen and Rowley Regis	31	6	18%
Halifax	32	6	19%
Haltemprice and Howden	30	4	12%
Halton	31	5	17%
Hammersmith	48	5	10%
Hampstead and Kilburn	42	5	12%
Harborough	38	5	14%
Harlow	33	3	8%
Harrogate and Knaresborough	37	4	12%
Harrow East	35	4	12%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Harrow West	37	6	17%
Hartlepool	26	3	13%
Harwich and North Essex	37	5	15%
Hastings and Rye	36	4	12%
Havant	35	5	14%
Hayes and Harlington	41	6	13%
Hazel Grove	28	4	15%
Hemel Hempstead	43	3	7%
Hemsworth	30	5	16%
Hendon	46	7	16%
Henley	33	3	10%
Hereford and South Herefordshire	44	7	16%
Hertford and Stortford	45	4	9%
Hertsmere	35	4	12%
Hexham	24	2	10%
Heywood and Middleton	34	5	14%
High Peak	31	5	16%
Hitchin and Harpenden	31	4	13%
Holborn and St Pancras	33	4	12%
Hornchurch and Upminster	36	3	9%
Hornsey and Wood Green	43	4	9%
Horsham	47	9	19%
Houghton and Sunderland South	31	4	13%
Hove	45	10	21%
Huddersfield	31	3	10%
Huntingdon	52	6	12%
Hyndburn	28	4	14%
Ilford North	30	4	12%
Ilford South	35	5	14%
Ipswich	46	8	17%
Isle of Wight	42	7	16%
Islington North	39	4	11%
Islington South and Finsbury	34	4	11%
Jarrow	26	2	9%
Keighley	33	5	16%
Kenilworth and Southam	36	4	11%
Kensington	27	2	6%
Kettering	41	7	16%
Kingston and Surbiton	46	4	9%
Kingston upon Hull East	31	5	15%
Kingston upon Hull North	34	6	16%
Kingston upon Hull West and Hessle	26	5	19%
Kingswood	38	5	13%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Knowsley	25	4	14%
Lancaster and Fleetwood	27	3	12%
Leeds Central	43	8	20%
Leeds East	29	5	19%
Leeds North East	28	3	12%
Leeds North West	33	4	13%
Leeds West	32	4	11%
Leicester East	32	5	15%
Leicester South	28	3	11%
Leicester West	35	6	16%
Leigh	32	5	15%
Lewes	35	5	15%
Lewisham East	35	4	12%
Lewisham West and Penge	38	5	13%
Lewisham, Deptford	41	5	12%
Leyton and Wanstead	34	4	13%
Lichfield	33	6	19%
Lincoln	38	6	17%
Liverpool, Riverside	32	5	15%
Liverpool, Walton	23	3	15%
Liverpool, Wavertree	24	3	14%
Liverpool, West Derby	24	4	15%
Loughborough	42	6	15%
Louth and Horncastle	31	4	11%
Ludlow	29	5	16%
Luton North	27	3	11%
Luton South	30	4	12%
Macclesfield	32	4	14%
Maidenhead	45	5	11%
Maidstone and The Weald	35	3	9%
Makerfield	30	5	17%
Maldon	28	3	12%
Manchester Central	36	5	13%
Manchester, Gorton	23	3	15%
Manchester, Withington	31	4	13%
Mansfield	30	5	15%
Meon Valley	45	7	15%
Meriden	36	5	15%
Mid Bedfordshire	43	5	12%
Mid Derbyshire	30	4	14%
Mid Dorset and North Poole	31	4	13%
Mid Norfolk	37	6	15%
Mid Sussex	57	8	14%
Mid Worcestershire	44	9	20%
Middlesbrough	25	4	17%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Middlesbrough South and East Cleveland	26	5	20%
Milton Keynes North	59	7	11%
Milton Keynes South	58	6	11%
Mitcham and Morden	39	7	17%
Mole Valley	36	5	15%
Morecambe and Lunesdale	27	3	12%
Morley and Outwood	40	6	14%
New Forest East	38	6	16%
New Forest West	32	5	14%
Newark	29	5	18%
Newbury	45	5	10%
Newcastle upon Tyne Central	25	3	12%
Newcastle upon Tyne East	26	4	14%
Newcastle upon Tyne North	26	3	10%
Newcastle-under-Lyme	30	5	16%
Newton Abbot	33	6	18%
Normanton, Pontefract and Castleford	38	6	17%
North Cornwall	28	5	17%
North Devon	32	3	10%
North Dorset	38	6	15%
North Durham	23	4	17%
North East Bedfordshire	44	6	14%
North East Cambridgeshire	46	8	18%
North East Derbyshire	29	3	12%
North East Hampshire	40	4	11%
North East Hertfordshire	39	5	14%
North East Somerset	37	5	14%
North Herefordshire	29	5	19%
North Norfolk	23	3	15%
North Shropshire	39	6	15%
North Somerset	44	6	14%
North Swindon	53	6	12%
North Thanet	31	4	12%
North Tyneside	36	4	10%
North Warwickshire	31	3	11%
North West Cambridgeshire	52	8	15%
North West Durham	25	4	17%
North West Hampshire	53	8	15%
North West Leicestershire	39	5	12%
North West Norfolk	35	5	15%
North Wiltshire	41	6	14%
Northampton North	31	4	14%
Northampton South	40	7	16%
Norwich North	31	4	12%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Norwich South	34	4	11%
Nottingham East	30	3	11%
Nottingham North	23	3	12%
Nottingham South	26	3	12%
Nuneaton	37	6	15%
Old Bexley and Sidcup	28	3	12%
Oldham East and Saddleworth	29	3	11%
Oldham West and Royton	29	4	13%
Orpington	37	4	10%
Oxford East	56	4	8%
Oxford West and Abingdon	49	4	9%
Pendle	27	6	23%
Penistone and Stocksbridge	28	3	12%
Penrith and The Border	30	7	22%
Peterborough	41	6	15%
Plymouth, Moor View	26	4	14%
Plymouth, Sutton and Devonport	35	5	15%
Poole	40	5	13%
Poplar and Limehouse	61	6	10%
Portsmouth North	31	5	16%
Portsmouth South	38	12	31%
Preston	28	3	11%
Pudsey	37	4	11%
Putney	35	4	11%
Rayleigh and Wickford	34	5	15%
Reading East	51	6	11%
Reading West	47	7	15%
Redcar	23	4	17%
Redditch	38	4	11%
Reigate	32	3	11%
Ribble Valley	38	4	10%
Richmond (Yorks)	32	6	20%
Richmond Park	37	4	11%
Rochdale	24	4	16%
Rochester and Strood	42	6	15%
Rochford and Southend East	31	4	14%
Romford	29	3	9%
Romsey and Southampton North	35	3	10%
Rossendale and Darwen	34	7	21%
Rother Valley	32	4	11%
Rotherham	22	3	13%
Rugby	38	5	12%
Ruislip, Northwood and Pinner	34	7	21%
Runnymede and Weybridge	39	6	15%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Rushcliffe	37	4	10%
Rutland and Melton	35	7	19%
Saffron Walden	45	6	13%
Salford and Eccles	40	7	18%
Salisbury	41	6	14%
Scarborough and Whitby	35	5	16%
Scunthorpe	27	7	26%
Sedgefield	25	4	16%
Sefton Central	19	4	19%
Selby and Ainsty	42	4	10%
Sevenoaks	32	3	9%
Sheffield Central	26	4	14%
Sheffield South East	33	4	12%
Sheffield, Brightside and Hillsborough	32	6	19%
Sheffield, Hallam	22	3	14%
Sheffield, Heeley	30	6	19%
Sherwood	37	4	12%
Shipley	32	6	18%
Shrewsbury and Atcham	38	9	24%
Sittingbourne and Sheppey	48	8	17%
Skipton and Ripon	32	6	18%
Sleaford and North Hykeham	38	7	17%
Slough	55	7	12%
Solihull	32	2	6%
Somerton and Frome	35	6	17%
South Basildon and East Thurrock	27	4	16%
South Cambridgeshire	55	6	11%
South Derbyshire	45	8	18%
South Dorset	34	4	13%
South East Cambridgeshire	56	7	13%
South East Cornwall	26	5	19%
South Holland and The Deepings	37	6	17%
South Leicestershire	37	5	14%
South Norfolk	36	4	12%
South Northamptonshire	52	8	16%
South Ribble	35	5	13%
South Shields	20	2	10%
South Staffordshire	29	4	14%
South Suffolk	33	5	14%
South Swindon	41	5	12%
South Thanet	32	6	17%
South West Bedfordshire	46	7	16%
South West Devon	33	6	18%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
South West Hertfordshire	38	5	14%
South West Norfolk	39	6	16%
South West Surrey	42	8	20%
South West Wiltshire	37	6	15%
Southampton, Itchen	47	6	14%
Southampton, Test	43	6	15%
Southend West	32	4	14%
Southport	26	4	16%
Spelthorne	41	6	14%
St Albans	37	5	13%
St Austell and Newquay	28	5	18%
St Helens North	33	3	11%
St Helens South and Whiston	26	4	15%
St Ives	23	4	15%
Stafford	32	4	14%
Staffordshire Moorlands	25	3	12%
Stalybridge and Hyde	32	5	16%
Stevenage	33	5	14%
Stockport	31	4	13%
Stockton North	26	3	13%
Stockton South	31	3	11%
Stoke-on-Trent Central	25	4	17%
Stoke-on-Trent North	31	6	19%
Stoke-on-Trent South	31	4	14%
Stone	28	4	14%
Stourbridge	31	4	14%
Stratford-on-Avon	38	5	14%
Streatham	48	5	10%
Stretford and Urmston	34	6	18%
Stroud	41	4	11%
Suffolk Coastal	37	3	9%
Sunderland Central	25	3	13%
Surrey Heath	47	6	12%
Sutton and Cheam	40	5	12%
Sutton Coldfield	35	5	13%
Tamworth	34	5	16%
Tatton	28	3	12%
Taunton Deane	38	8	20%
Telford	39	7	17%
Tewkesbury	38	5	14%
The Cotswolds	42	5	12%
The Wrekin	37	3	9%
Thirsk and Malton	37	6	16%
Thornbury and Yate	41	6	14%
Thurrock	43	6	13%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Tiverton and Honiton	39	8	20%
Tonbridge and Malling	42	5	12%
Tooting	33	5	14%
Torbay	34	6	18%
Torridge and West Devon	36	6	18%
Totnes	22	3	12%
Tottenham	43	5	12%
Truro and Falmouth	32	5	15%
Tunbridge Wells	44	5	12%
Twickenham	45	5	12%
Tynemouth	31	4	13%
Uxbridge and South Ruislip	35	5	14%
Vauxhall	48	4	9%
Wakefield	32	5	16%
Wallasey	23	3	12%
Walsall North	28	5	20%
Walsall South	25	5	18%
Walthamstow	35	7	19%
Wansbeck	21	4	18%
Wantage	53	7	13%
Warley	28	4	15%
Warrington North	38	5	13%
Warrington South	37	4	11%
Warwick and Leamington	43	6	14%
Washington and Sunderland West	30	5	18%
Watford	45	7	15%
Waveney	36	6	16%
Wealden	35	6	16%
Weaver Vale	31	5	15%
Wellingborough	47	9	18%
Wells	38	5	12%
Welwyn Hatfield	32	5	15%
Wentworth and Dearne	30	2	8%
West Bromwich East	28	6	20%
West Bromwich West	26	6	21%
West Dorset	28	3	9%
West Ham	56	9	16%
West Lancashire	27	5	19%
West Suffolk	42	7	16%
West Worcestershire	30	4	14%
Westminster North	31	4	14%
Westmorland and Lonsdale	33	7	21%
Weston-Super-Mare	40	7	18%
Wigan	27	4	13%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Wimbledon	39	5	12%
Winchester	38	6	15%
Windsor	45	5	11%
Wirral South	26	2	9%
Wirral West	17	2	14%
Witham	33	5	15%
Witney	56	8	14%
Woking	41	6	16%
Wokingham	49	6	12%
Wolverhampton North East	29	5	18%
Wolverhampton South East	24	3	13%
Wolverhampton South West	27	5	19%
Worcester	47	8	18%
Workington	29	6	21%
Worsley and Eccles South	34	4	12%
Worthing West	39	6	16%
Wycombe	45	4	8%
Wyre and Preston North	34	6	19%
Wyre Forest	37	5	14%
Wythenshawe and Sale East	29	4	14%
Yeovil	47	10	20%
York Central	35	7	19%
York Outer	35	5	14%
Aberdeen North	33	4	12%
Aberdeen South	30	4	14%
Airdrie and Shotts	22	5	21%
Angus	26	4	14%
Argyll and Bute	23	2	10%
Ayr, Carrick and Cumnock	21	3	12%
Banff and Buchan	28	5	19%
Berwickshire, Roxburgh and Selkirk	27	4	16%
Caithness, Sutherland and Easter Ross	16	2	10%
Central Ayrshire	21	5	22%
Coatbridge, Chryston and Bellshill	25	4	17%
Cumbernauld, Kilsyth and Kirkintilloch East	22	4	17%
Dumfries and Galloway	22	3	16%
Dumfriesshire, Clydesdale and Tweeddale	26	4	16%
Dundee East	22	3	13%
Dundee West	20	3	14%
Dunfermline and West Fife	37	4	11%
East Dunbartonshire	23	3	14%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
East Kilbride, Strathaven and Lesmahagow	30	5	18%
East Lothian	32	3	11%
East Renfrewshire	21	3	13%
Edinburgh East	30	3	9%
Edinburgh North and Leith	41	6	14%
Edinburgh South	23	3	12%
Edinburgh South West	37	4	9%
Edinburgh West	30	4	12%
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Falkirk	33	4	13%
Glasgow Central	27	4	14%
Glasgow East	30	5	16%
Glasgow North	23	3	13%
Glasgow North East	24	3	13%
Glasgow North West	20	2	9%
Glasgow South	26	3	13%
Glasgow South West	27	2	8%
Glenrothes	26	2	8%
Gordon	34	5	14%
Inverclyde	17	2	10%
Inverness, Nairn, Badenoch and Strathspey	32	7	22%
Kilmarnock and Loudoun	26	4	15%
Kirkcaldy and Cowdenbeath	25	4	17%
Lanark and Hamilton East	26	5	20%
Linlithgow and East Falkirk	35	4	11%
Livingston	33	5	14%
Midlothian	35	6	16%
Moray	21	2	11%
Motherwell and Wishaw	25	3	12%
North Ayrshire and Arran	22	2	10%
North East Fife	19	3	17%
Ochil and South Perthshire	34	5	14%
Orkney and Shetland	14	2	16%
Paisley and Renfrewshire North	27	2	9%
Paisley and Renfrewshire South	24	3	11%
Perth and North Perthshire	33	5	16%
Ross, Skye and Lochaber	20	3	16%
Rutherglen and Hamilton West	32	4	12%
Stirling	23	4	18%
West Aberdeenshire and Kincardine	29	2	9%
West Dunbartonshire	20	3	15%
Ynys Môn	18	4	22%
Delyn	28	6	22%

Constituency	Private sector employees (,000s)	Of which impacted (,000s)	Proportion of constituency impacted
Alyn and Deeside	35	6	18%
Wrexham	26	4	17%
Llanelli	20	3	14%
Gower	18	2	10%
Swansea West	18	2	11%
Swansea East	22	5	20%
Aberavon	23	4	17%
Cardiff Central	20	3	13%
Cardiff North	23	3	13%
Rhondda	18	2	13%
Torfaen	27	3	11%
Monmouth	27	4	17%
Newport East	27	3	13%
Newport West	28	5	17%
Arfon	17	2	10%
Aberconwy	13	2	18%
Clwyd West	21	5	25%
Vale of Clwyd	18	3	16%
Dwyfor Meirionnydd	14	2	16%
Clwyd South	25	5	21%
Montgomeryshire	17	2	12%
Ceredigion	19	2	11%
Preseli Pembrokeshire	21	4	20%
Carmarthen West and South Pembrokeshire	19	3	14%
Carmarthen East and Dinefwr	16	2	12%
Brecon and Radnorshire	15	2	15%
Neath	20	2	11%
Cynon Valley	18	2	13%
Merthyr Tydfil and Rhymney	22	1	7%
Blaenau Gwent	21	3	13%
Bridgend	26	4	15%
Ogmore	27	4	16%
Pontypridd	20	4	19%
Caerphilly	26	4	14%
Islwyn	23	4	18%
Vale of Glamorgan	24	3	13%
Cardiff West	24	3	11%
Cardiff South and Penarth	30	4	12%