

## **Notes for the Pension (Extension of Automatic Enrolment) Bill, Northern Ireland Assembly, Committee for Communities**

### **About CIPD**

The CIPD is the professional body for HR and people development. A not-for-profit organisation that champions better work and working lives and has been setting the benchmark for excellence in people management and organisational development for more than 100 years.

It has 160,000 members across all sectors and sizes of organisation and provides thought leadership through independent research on the world of work and offers professional training and accreditation for those working in HR and learning and development.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice, and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers. It also seeks to promote and improve best practice in people management and development and to represent the interests of our members.

### **Role of our members in AE**

The CIPD welcomes this opportunity to feed into your thinking on this topic. While some of our members see their workplace pensions simply as another business cost, many others see them as a way of standing out in the labour market, such as signalling that they are a good employer.

Pensions are also a crucial aspect of employee financial wellbeing, with 83% of UK employees surveyed by the CIPD in 2022 saying that being able to save for their future was important. CIPD research also finds that employee performance is more likely to suffer if they are experiencing poor financial wellbeing and 28% of UK employees questioned reporting that money worries (including pension worries) had negatively affected their work performance.

While AE has been great in getting more employees to save more money for their retirement, various surveys indicate that workers are not saving enough for a reasonable retirement. One way of boosting the size of pension pots is to lower the age at which staff must start saving. At present only 22-year-olds earning £10,000 or more are enrolled. By starting earlier, at 18, this can have a significant impact due to compounding.

Similarly, reducing or abolishing the lower earnings limit will also see more money going into pensions. While this is good, we should acknowledge that in those workplaces that use the lower earnings limit both employers and employees will be paying more.

### **Participation in workplace pension saving**

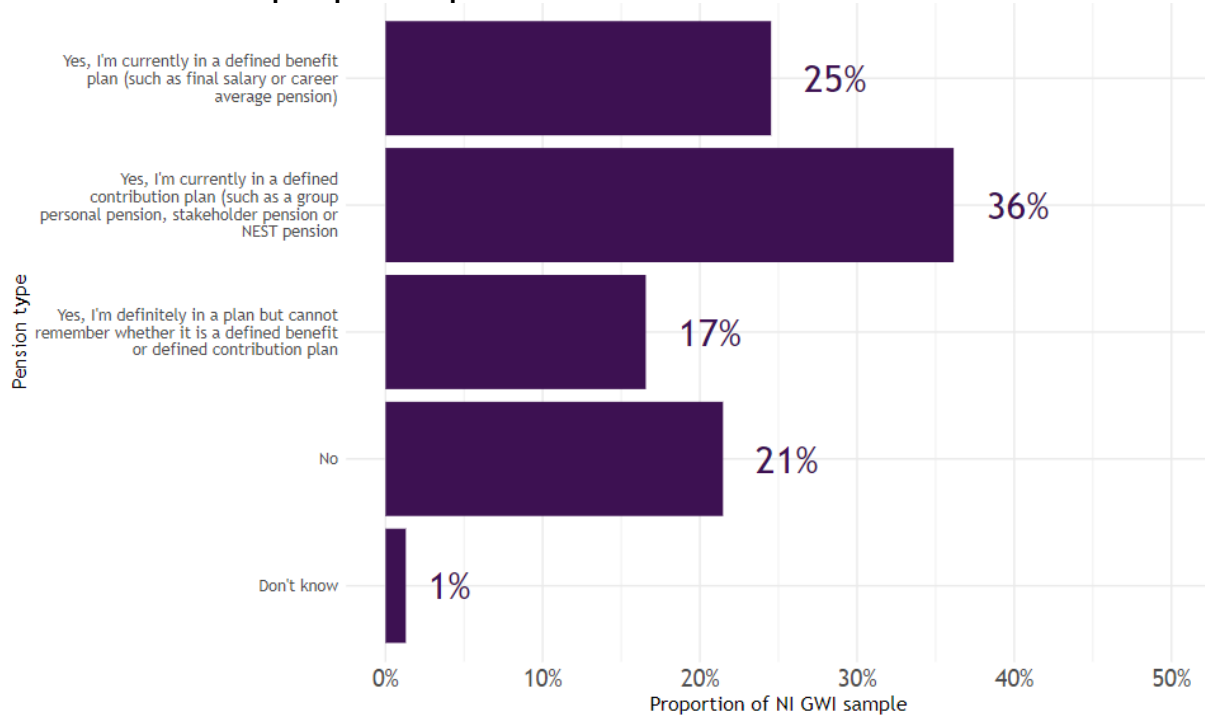
The CIPD's 2024 UK-wide Good Work Index, which is a survey of around 5,500 employees finds that, the percentage of employees who were in a pension plan in Northern Ireland was (77%), virtually the same as the proportion of people in the survey as a whole (78%).

In addition to the UK-wide Good Work Index, this year for the first time we published a dedicated report for Northern Ireland, which was based on a sample of 499 weighted to be representative of all working adults in Northern Ireland.

In total:

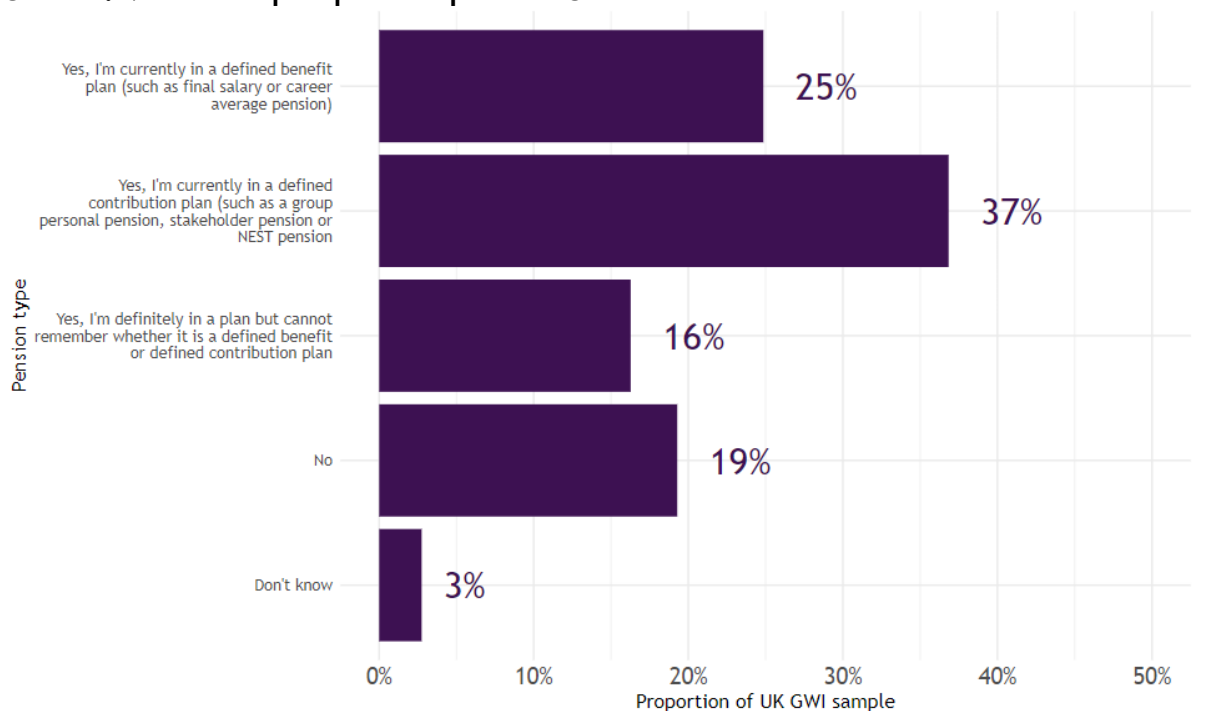
- 36% of Northern Irish workers are in a Defined Contribution (DC) plan;
- 25% said they were in a Defined Benefit (DB) plan;
- 17% said they were in a plan, but didn't know which type it was;
- 1% did not know if they were in a workplace pension or not; while the rest
- 21% said they were not in a plan.

**Chart 1: Membership of pension plans in Northern Ireland**



This picture is similar to findings for the UK as a whole, see Chart 2.

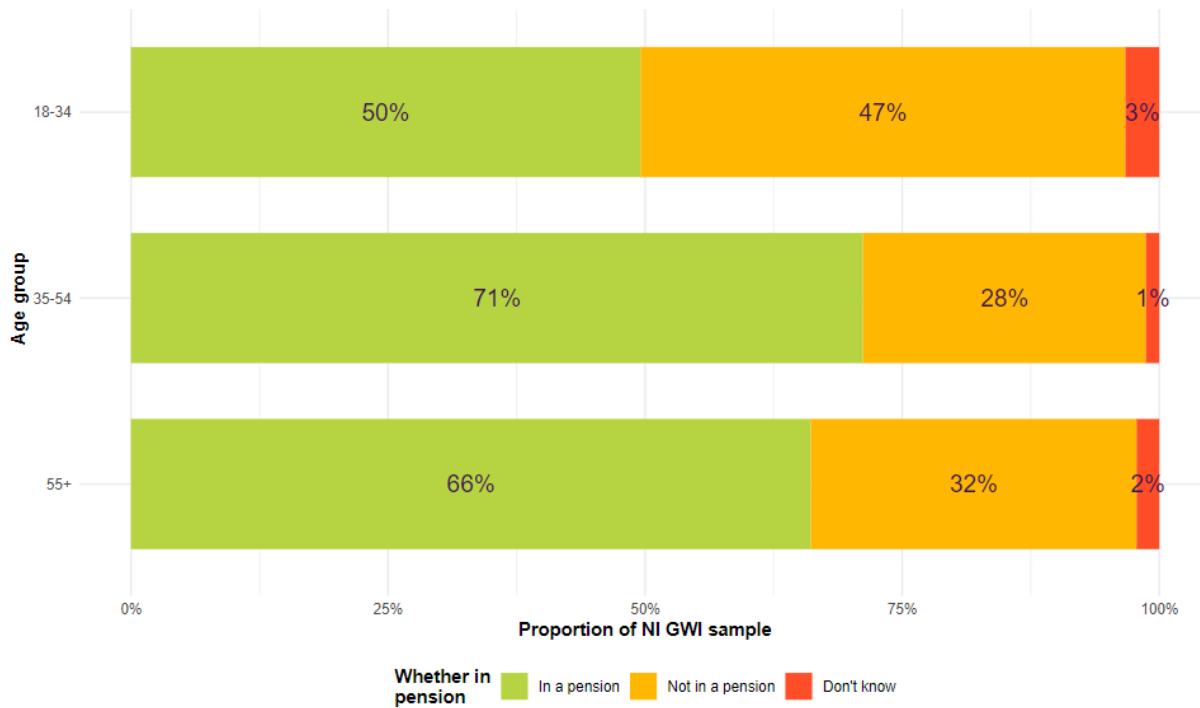
**Chart 2: Membership of pension plans in UK**



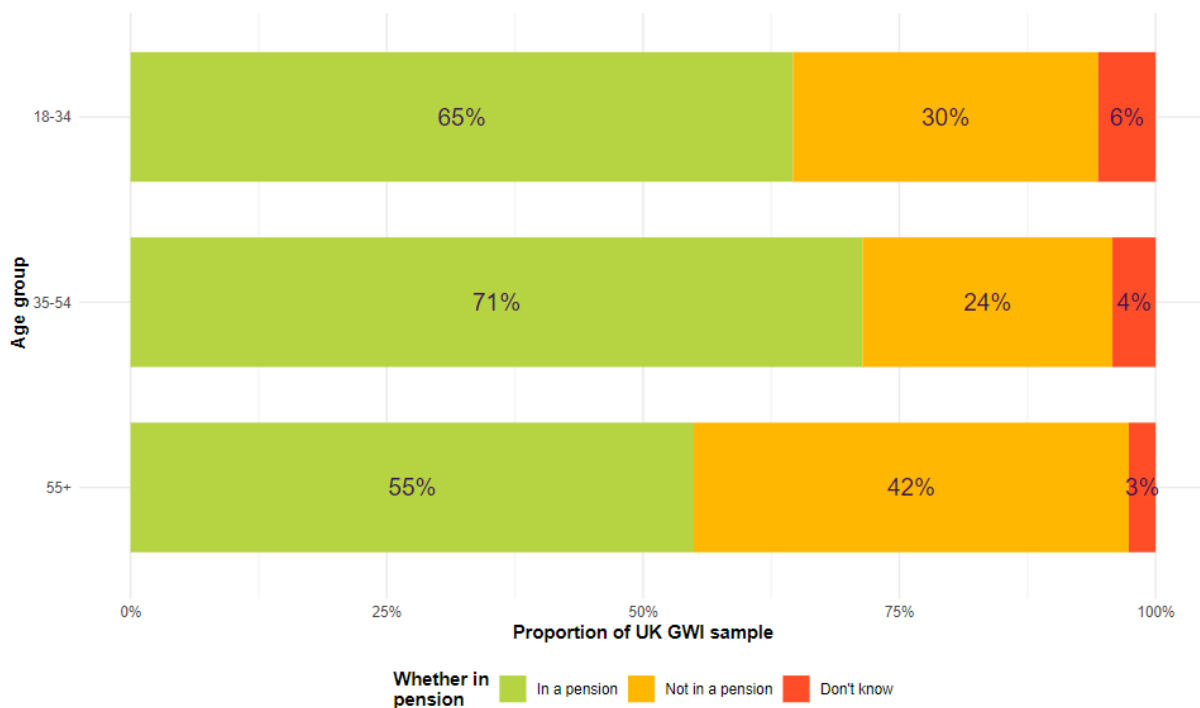
## The young

In Northern Ireland, staff aged between 18 years and 34 years are less likely to be in a plan than those aged 35 and 54 (50% v 71%). Two thirds of workers (66%) aged 55 years and over are in a pension plan. Whilst the difference between these age groups for NI is not statistically significant, see Chart 3, it largely mimics the UK picture where it is, Chart 4.

**Chart 3: Membership of pension plans, by age (NI)**



**Chart 4: Membership of pension plans, by age (UK)**



So, lowering the age of auto enrolment could increase the numbers of these people in a workplace pension plan. However, we should be realistic and recognise that many might be tempted to opt out because of their finances.

The CIPD's 2024 Good Work Index finds that 38% of Northern Irish workers agreed that they were keeping up with all bills and commitments without any difficulties. By contrast, overall in the UK, 49% of workers agreed that they were keeping up with all bills and commitments without any difficulties.

That said, while the rise in pension membership might not be as high as we hope for, and we could be wrong, those who do decide not to opt out should be better off compared with those who start a few years later.

Another option being talked about is that instead on putting young workers into a pension plan, they are put into a savings plan, which they can dip into should they face a financial emergency, and at 22 the savings pot gets transferred to the workplace pension.

There are other options to boost pension awareness and membership, which I would be happy to talk about later.

### Women

Across the UK, women are a little less likely 63% to be in a plan than men 67%. Similarly, women are less likely to know what type of pension scheme they were an active member of 14% v 19% for men, chart 5. Also, they are more likely to say that they did not know if they were saving for a pension or not. We are not able to make similar comparisons for Northern Ireland due to small samples.

**Chart 5: Membership of pension plans, by gender (UK)**



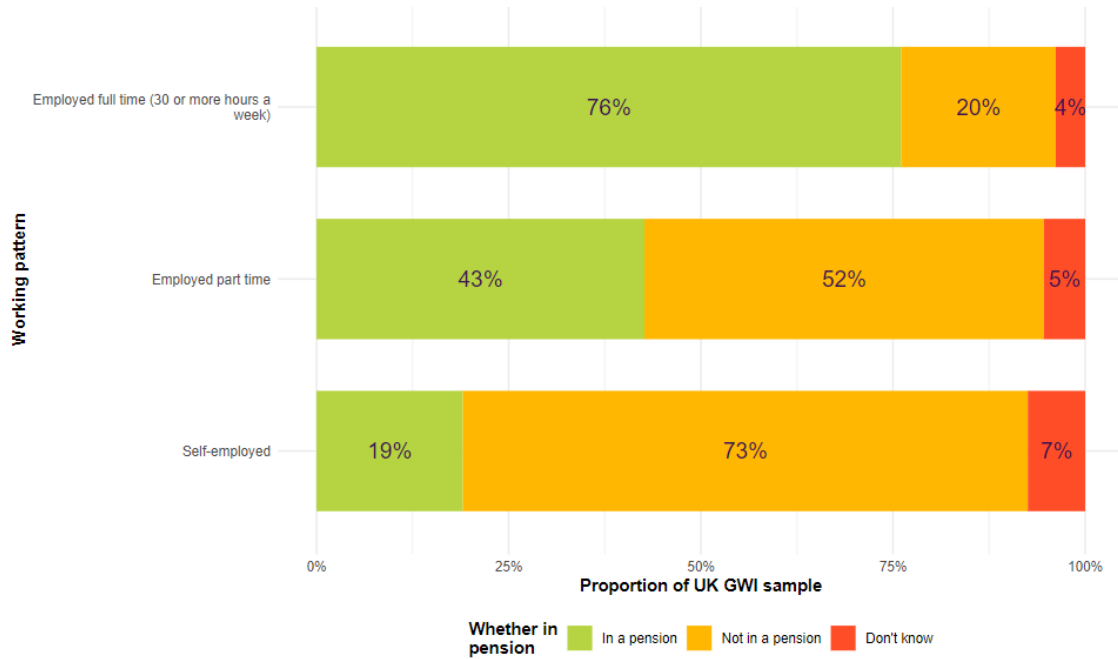
### Disability

Across the UK, those with a disability in work are a less likely (56%) to be in a plan than those without (67%).

## Working pattern

Those workers in UK that are employed full-time are more likely to be in a pension plan (76%), than those employed part time (43%), or who are self-employed (19%), see chart 6. This full time vs. part differential is also evident in Northern Ireland where the figures are 70% and 54% respectively.

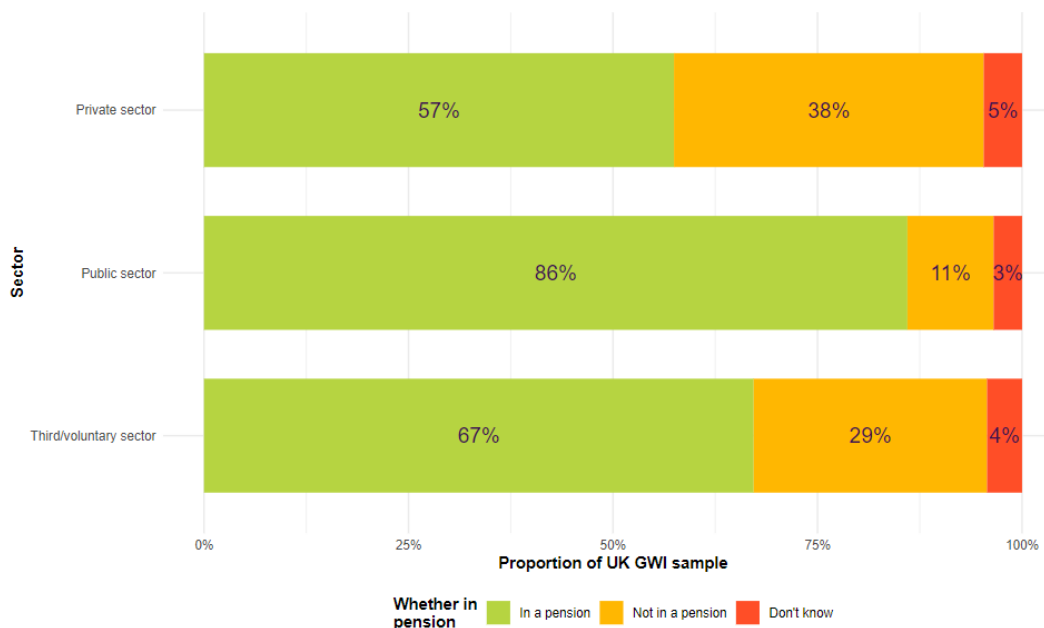
**Chart 6: Membership of pension plans, by working pattern (UK)**



## Private/public/voluntary sector

Across the UK workers in the public and voluntary sectors are more likely to be members of a pension plan than those in the private sector.

**Chart 7: Membership of pension plans, by sector (UK)**



## CIPD overall recommendations

We suggest that NIA considers requiring employers to put in their job adverts **details of pension schemes**. The CIPD's *Pay, Performance and Transparency survey 2024* finds that only 33% of UK firms always include details of the workplace pension in the job advert, by contrast 59% of public sector employers and 75% of voluntary sector organisations do the same. In addition, 30% of companies admit that they never include this information in their adverts, something that rarely happens in the other sectors.

We believe that if all employers published this information, then it could help:

- inform applicants which employers offer the better pension;
- raise the profile of workplace pensions among job hunters, so organisations are more likely to see a return on what they are spending on their pensions;
- encourage those workplaces that are contributing less than the 'going rate' to increase their contributions to ensure they remain competitive in the jobs market; and
- reduce the size of the gender pension gap.

If Stormont wants to extend AE in conjunction with Westminster, then we believe that pension transparency is something that Stormont should consider while it waits for Westminster to catch up. If Stormont was to press ahead with AE extension, then initially there would be some extra work involved for those employers that operate both in GB and NI, in adapting their HR and payroll systems to accommodate this change.

We suggest that the NIA works to ensure that **financial awareness** becomes a formal part of apprenticeship courses for young people. For many young people, this is when they start earning money, so it makes sense for them to start learning about money at the same time, such as how their pay slip works, as well as about workplace pensions.

We also suggest that the NIA encourages more employers to consider the negative impact of **poor financial wellbeing** on the workplace and have a policy in place. CIPD research shows how financial worries can negatively affect people at work. Our *CIPD Good Work Index: Northern Ireland* finds that only 38% of all employees said they can keep up with all their bills and commitments without any difficulty, with those on lower incomes struggling more. Of those earning less than £20,000 per year, 19% said keeping up with bills is a constant struggle.

We suggest that the NIA look at other saving options for low waged workers. A **savings sidecar** or rainy-day fund might be more appropriate for younger workers, a pot that they can access should they face a financial emergency. Once the emergency fund has hit its target, then money can go into the pension fund. However, there are no employer NIC savings on this option, while there are for pension savings.

We suggest that the NIA supports initiatives by the pensions industry to **engage with younger people**, such as showing that they represent value for money and where they invest their money.

We suggest that the NIA supports **phase two of the UK Government's review** of workplace pensions to ensure financial security in retirement, which explores how much more must be contributed to improve pension outcomes, who should pay what, and over what period.