

FSB PENSIONS AUTO-ENROLMENT SURVEY

January 2016

The survey was sent on 12 November to FSB members registered on our 'Big Voice' survey panel that report having more than one member of staff in the business (i.e. firms that are required by law to complete auto-enrolment duties). The survey remained open until 10 December 2015. In total, 1026 members completed the survey.

KEY FINDINGS

1. Stage of business on the Auto Enrolment journey

- 25 per cent of FSB members had, at the time of being surveyed, already set up a workplace pension scheme and started complying with Automatic Enrolment (AE).
- 73 per cent of employers had yet to start complying with their AE duties.
- Larger businesses were more likely to have started complying with AE, as would be suspected given the AE staging profile. 85 per cent of FSB members with more than 51 employees had already started complying, compared to 21 per cent of firms with up to 10 employees.
- Of those yet to start complying with AE, 67 per cent knew their staging date when asked. Just over a quarter (26%) did not know their staging date.

2. Getting ready for auto-enrolment: experience and expectations

- Among members who have already started complying with AE, 47 per cent of members found the process of getting ready for AE straightforward (7% very straightforward, 40% fairly straightforward). In contrast, 44% said the process was not straightforward (20% not very straightforward, 24% not at all straightforward).
- 5% thought it was too soon to say, while 4% did not have an opinion as someone else in the business was responsible for AE.
- Of those yet to start complying with AE, 35% of members expect it to be a straightforward process (4% very straightforward, 31% fairly straightforward) compared to 50 per cent who do not (25% not very straightforward, 25% not at all straightforward). 15 per cent said it is too soon to say.
- Firms that have yet to start complying with their AE duties are therefore less likely to think the process will be straightforward, compared to those that have already set up a workplace pension for AE – although a significant share of the latter report challenges.

3. Level of understanding among businesses yet to commence their duties

- Of those businesses yet to start complying with auto-enrolment, 11 per cent said they understood what they needed to do very well and 44 per cent quite well. However, 45 per cent had a more limited understanding, with 16 per cent saying 'not at all well' and 30 per cent 'not very well'.

- Among those unsure of their responsibilities, the vast majority said the reason was because they had not read up on the rules or worked out what their business needs to do (71%). However, 14 per cent said they didn't think AE applied to them.

4. Specific challenges faced by members who have started complying with AE

- Members were asked to rank how challenging they have found different AE tasks on a scale of 1-7, with 1 being the most challenging task and 7 the least challenging. Members could rank as many or as few tasks as possible (as not all will apply to or be considered challenging by every business). In addition, depending on their staging date, not all the tasks may have been carried out at the time the survey went into the field.
- Of those that have started complying with their AE duties, the most challenging task was 'understanding the rules/what the business needed to do' with 39 per cent of members selecting this as the most challenging task. This was followed by 'selecting and setting up a qualifying workplace pension scheme' (19% said this was the most challenging task) and 'setting up/upgrading my payroll software or systems' (8%).
- In total, 71 per cent ranked 'understanding the rules/what the business needed to do', 62 per cent ranked 'Selecting and setting up a qualifying workplace pension scheme'; and 40 per cent ranked 'Setting up/upgrading my payroll software or systems'.
- 12 per cent of FSB members did not rank any option, which suggests that none of the tasks outlined were challenging for them.

5. Time and cost

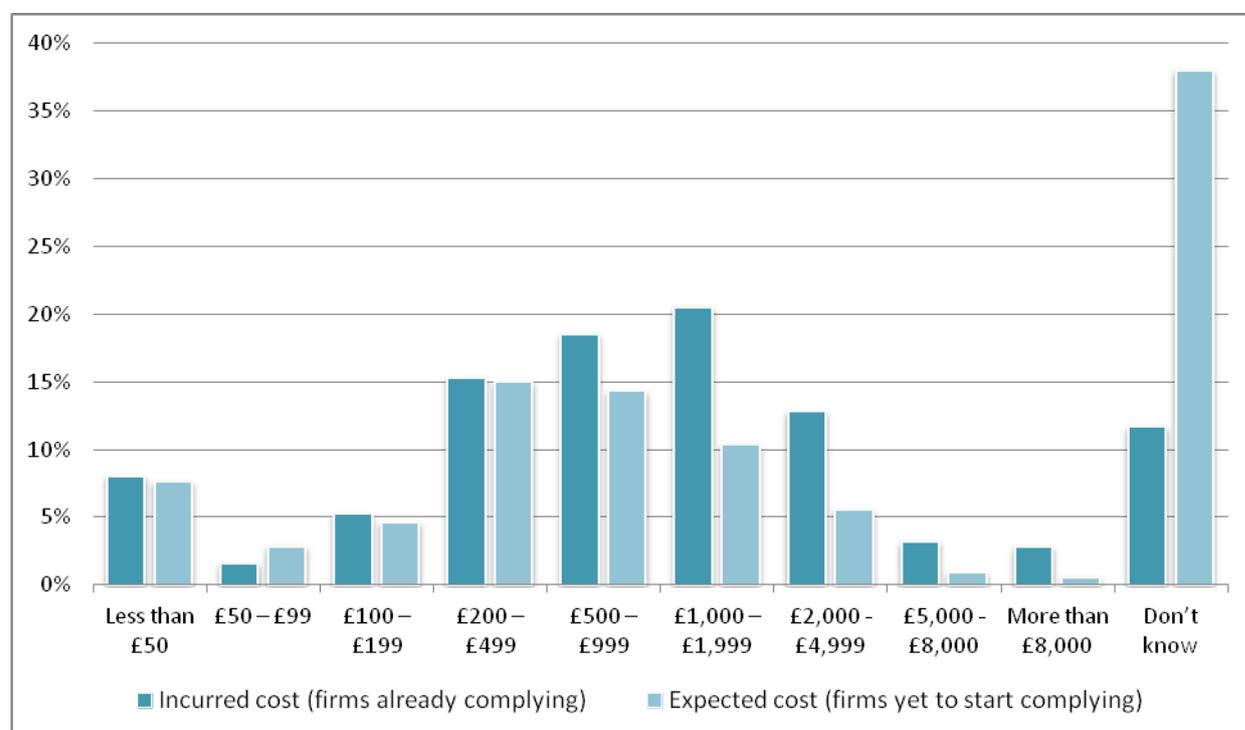
- Among members that have already started complying with their duties, the average (mean) time it took to get ready for auto-enrolment was five days, although the reported times vary significantly (the median was 1.5 days).¹ 41 per cent of members said it took less than 24 hours, while just under a third (30%) reported it taking between one and six days and a further 24 per cent claimed it took more than a week. Six per cent of members say it took them less than 2 hours.
- Similarly, the cost of getting ready for auto-enrolment also varied significantly. Of those firms that have already starting complying, the average set up cost was £1,437. In estimating costs, respondents were asked to consider the cost of setting up a qualifying scheme, making sure payroll is compatible, the cost of professional advice/services, and administrative costs.
- 10 per cent of firms that have already staged reported set up costs of less than £99. 21 per cent said it cost them between £100-499, while a further 39 per cent reported costs of between £500 and £1999. 19 per cent of members reported set up costs in excess of £2,000.
- On average, larger firms experienced higher costs than smaller businesses. For firms with more than 50 employees, average set up costs were £5,457 compared to £980 for firms with less than 10 employees.
- Typically, the largest cost component for firms that have staged was administration, including the cost of time taken to understand the rules and implement required tasks (£726 on average). This was followed by the costs of setting up the pension scheme

¹ In answering this question, we asked respondents to provide an estimate of the time it took to complete required tasks, as opposed to the length of time between the first communication sent to them by the Pensions Regulator and their staging date.

(including set up charges) (£592) and purchasing professional advice or services (£552). The average cost of upgrading payroll software was £331.

- Firms that have yet to start complying with their AE duties expected the overall cost of getting ready for AE to be £903 on average. This is lower than the average cost experienced by businesses that have already implemented AE (£1,437), which suggests that firms yet to stage may be underestimating the costs.
- Larger FSB members (with more than 50 members of staff) are more likely to experience higher costs than smaller members, and are also more likely to have staged. However, micro firms (members with up to 10 members of staff) that have already staged also report higher costs (£980 on average) than the costs micros that have yet to stage expect to incur (£771). This suggests that the smallest firms may also be underestimating costs.

Chart 1: Estimated costs of getting ready for auto-enrolment, % of FSB members²



6. Support and advice

- Firms that have already set up a pension scheme and started complying with AE accessed a broad range of information, advice and support from third parties. 53 per cent turned to their accountant, while 51 per cent accessed information from the Pensions Regulator. Other popular sources of information or support included independent financial advisors (IFAs) (37%), FSB (36%) and a payroll bureau or adviser (19%). 10 per cent turned to a bookkeeper, while 12 per cent sought advice from other business owners.
- Among those businesses yet to stage, the most likely source of advice is again their accountant – with 56 per cent expecting to turn to them. 37 per cent expect to turn to

² Based on responses to Q4 'Approximately, how much has it cost your business to get ready for automatic enrolment?' (base: 241) and Q12 'Overall, how much do you expect it to cost to get ready for auto-enrolment?' (base: 733).

the FSB for advice or practical support, while 33 per cent say they will use the TPR, 25 per cent an IFA and 11 per cent a payroll bureau/adviser. Eight per cent expect to turn to other business owners for support while 7 per cent will use a bookkeeper.

7. General attitudes towards auto-enrolment

- Finally, respondents were asked about their general attitudes towards auto-enrolment and pensions saving.
- 41 per cent of respondents agreed with the statement 'auto-enrolment is good for my staff', while 28 per cent disagreed. The remaining 31 per cent were undecided or unsure. Younger business owners (16-44 years old) were more likely to agree with this statement (54%) than those aged 45 and older (40%).
- 44 per cent agreed that 'auto-enrolment is good for society as a whole', while 30 per cent disagreed.
- 58 per cent believe 'it is right that employees should save into a workplace pension, compared to 20 per cent who do not.
- Opinions are evenly divided on whether or not employers should contribute to their employees' pensions. 41 per cent think 'it is right that employers should contribute towards their employees' workplace pensions, compared to 40 per cent that do not.
- 51 per cent are 'confident that my business will be able to cope with auto-enrolment' (19% strongly agree, 32% somewhat agree) compared to 25 per cent that are not (10% strongly disagree, 15% somewhat disagree).
- 76 per cent feel that 'auto-enrolment puts too much pressure on businesses like mine' (49% strongly agree, 27% somewhat agree), while 10% disagreed with this statement (4% strongly disagree, 6% somewhat disagree).
- 62 per cent agree that 'the resources spent on auto-enrolment would be better invested in a different part of the business, compared to 11 per cent who disagree.

8. Concluding remarks

The findings from this survey suggest that the experiences of auto-enrolment among small businesses to date vary. Generally speaking, those firms that have already started to comply with their duties find that the process has been more straightforward than those firms that have yet to arrive at their staging date. However, a significant share of members that have already implemented AE also reported challenges. Furthermore, our findings suggest that members that have yet to implement AE may be underestimating the cost to their business.

While our survey finds general support for pensions saving among business owners, there is concern among many over how their business will cope with auto-enrolment. As we enter a critical phase in the roll out of the programme, the Government must continue to monitor the impact on business. The planned departmental review into AE in 2017 provides an important opportunity to review the programme and, if necessary, introduce any adjustments to ease the burden of compliance on small firms.