

# Defying inertia

Employers' role in boosting pension saving  
beyond the automatic enrolment default

February 2026



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## Executive summary

The introduction of automatic enrolment (AE) in the UK is often viewed as a huge success for pension saving, with more than 22 million employees now saving into a workplace pension. However, the median contribution rate in Defined Contribution (DC) pensions remains at the 8% statutory minimum, and the first Pensions Commission's expectation of employer and employee pension contributions increasing over time has not been realised. The relatively low saving rate means millions are forecast to face disappointment at retirement – an urgent and significant challenge that the new Pensions Commission will need to address. Facing an uncertain economic climate today, many employees find it challenging to save more for the future and employers have expressed concern over their capacity to absorb further cost if pension contributions were to rise immediately.

In this context, the Standard Life Centre for the Future of Retirement commissioned new research to look at the role of employers in pension saving, and what they can do beyond the legal requirements in the AE system, especially to support low-to-middle earners balance affordability and adequate retirement provision. Through a rapid literature review, and in-depth interviews with pension experts and employers, the research assessed the feasibility of different options for employers, both within the current system and under potential future policy change, to better support workers to save for an adequate pension. These findings informed the report's recommendations for employers, the Pensions Commission and the UK government, aimed at improving pension outcomes particularly for low-to-middle earners.

### Key findings

- **Inertia helps boost participation but keeps saving levels low.** Interviewees consistently acknowledged AE as an important behavioural nudge, but many said it has unintentionally set the minimum rate as the default, even if this is unlikely to deliver adequate incomes in retirement. The challenge to balance immediate financial pressures and long-term saving needs is especially acute for low-to-middle earners, with some seeing pension contributions as unaffordable. Employers find it more difficult to engage staff who experience financial hardship or instability on long-term saving.
- **Employers want to support pension saving but struggle to prioritise.** There was a consistent call for the government to set out a clear, reasonable and phased timetable for any future changes to the AE system so that employers can plan with confidence. Employers recognise the undersaving problem and want to play a constructive role. However, they highlighted significant constraints and expressed varying views on how increased saving should be achieved. The existing 2017 AE review recommendations, the new Pensions Commission's review currently underway, and increasing hiring costs (notably National Insurance rises) have all added moving parts to what the right approach should look like.
- **The Pensions Commission has an opportunity to build consensus.** The Pensions Commission's review is an opportunity to bring together employers,

workers, and industry to shape the next phase of AE. There is consensus about topics that need to be urgently addressed, including:

- **Coverage of AE:** Employers and experts highlighted ongoing gaps in who is brought into AE. Part-time workers, those with multiple jobs, younger employees, and people with fluctuating hours continue to fall outside the system. While some employers proactively nudge entitled workers to join a pension, interviewees argued that expanding coverage, particularly through implementation of the 2017 Review recommendations, remains essential to improving long-term outcomes.
- **Minimum default level:** Most interviewees agreed that current minimum contribution levels are insufficient for a financially secure retirement for many savers. However, there was concern about raising contribution rates too quickly, particularly during a period of economic pressure. Interviewees favoured a phased approach, and mitigations will be needed to avoid risking an increase in opt-out. Employers also highlighted the need to improve communication to help employees understand the long-term benefits of pension saving to encourage engagement.
- **Incentives to support saving adequacy:** Many employers are already using measures such as salary sacrifice, or opt-down options, to complement employee contributions. Despite being positive about options like auto-escalation and sidecar savings, adoption rates and awareness remain low with complexity and administration cost frequently cited as barriers. Broader workplace financial wellbeing support is offered by some employers but not tied into pension engagement in the workplace. There is room to discuss how the government could incentivise good employer practice, as well as employers' role in supporting financial adequacy, alongside individuals' responsibilities.

Employer interviews also provided valuable insights into what employers can do today to help their workforce to save for the long term, while also supporting their financial wellbeing. Some practical examples include:

- **Understand workforce needs:** Regularly assess employees' financial wellbeing – for example, through staff surveys or feedback tools – to identify pressures and tailor support.
- **Support further options to increase contributions:** Offer choices to opt down or automatically increase contributions linked to career progression, coupled with proactive nudges for workers to join or rejoin pension schemes.
- **Use timely, targeted communication:** Engage employees during key moments, such as at pay reviews, promotions, or life events, to prompt them to review their pension and wider benefits.
- **Simplify pension information:** Use clear, jargon-free language and simple illustrations to help employees understand contribution options and long-term implications.
- **Integrate pensions with wider financial wellbeing support:** Align pension communications with financial wellbeing initiatives to help employees balance immediate financial needs with long-term planning.

# 1. Introduction

The first Pensions Commission brought a systematic change to how people in the UK save for retirement by recommending the introduction of a national pension savings scheme (NPSS) in order to reverse the trend of declining workplace pension saving. This was later adopted by the government in the form of automatic enrolment (AE).

## Background to this research

From October 2012 to February 2018, the government phased in AE as a policy measure to reverse the decline in the provision and level of workplace pension saving. Under AE, employers and employees both have a shared responsibility to contribute to a pension. On the employer's side, the introduction of AE means they now have a legal obligation to set up a pension for employees as well as to contribute into the pot. The implementation was not without challenges, especially when finding the right mitigations for small employers. Initially AE was introduced for large employers only and by 2018 it covered all employers. On the employee's side, saving into a pension has been made a 'default setting', where contributions are taken out from pay into their pension automatically at a fixed rate. This has led to an increase in the number of employees saving into a pension.

Today the new Pensions Commission faces a different challenge in a difficult and uncertain economic climate. Four-in-ten working-age people are undersaving for retirement, and while pension coverage has improved, 8.3 million workers are still ineligible for an AE workplace pension. Key examples of excluded groups are the self-employed, lower earners and younger workers. There have been many attempts to improve the workplace pension system in the last two decades, most notably the 2017 AE Review and the first part of the Pension Review last year. However, none of these reviews' recommendations are fully implemented yet.

It is also important to understand how we could support low-to-middle earners to improve pension saving in the meantime. Our previous work with Nest Insight has shown that allowing workers to adjust their contribution rates in line with their financial circumstances can help them balance immediate and long-term needs.<sup>1</sup> However, this approach will require both employer engagement and policy change to be effective.

The new Pensions Commission will be developing long-term solutions for pensions adequacy against this backdrop, while aiming to create a consensus with stakeholders on what the future of the system should look like. To explore possible options, we commissioned the Institute for Employment Studies (IES) to undertake research into what employers are offering to support pension saving beyond legal requirements today and whether there are good practices which could be promoted.

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<sup>1</sup> Nest Insight, [How much is enough? A contextual view of retirement savings](#), September 2024

## Research approach

The research undertaken for this report involved desk research and in-depth qualitative interviews conducted between July and September 2025:

- A review of policy documents, think tank reports and academic papers on auto-enrolment and flexibility options.
- 10 interviews with experts from think tanks and research and policy institutes.
- 14 interviews with relevant practitioners: heads of HR / HR directors, pension directors and employee benefit consultants.

Interview topics covered views on auto-enrolment to date, the voluntary options employers could provide, barriers and enablers to improving pensions adequacy, and recommendations for employer practice and government policy. Employers also outlined their current pension options offered, wider benefits packages and the role they see for employers in supporting pension saving.

## Organisational characteristics

Participating organisations were predominantly large employers (800-16,000 employees) across sectors including construction, transport, retail and the charitable sector, with staff across a range of pay levels. One SME (11 employees) was also included.

Many of the employers already offer more than minimum pension contributions and provided additional benefits to encourage and support pension and wider savings. Further details on these can be found in the appendix.

## 2. Automatic enrolment to date

The introduction and implementation of automatic enrolment has been a success, but many have highlighted gaps in coverage and ability to deliver an adequate retirement. This chapter discusses the impact that AE has had for pension savings in the UK since its introduction in 2012. It draws on background literature as well as interviews with experts and employers.

### The success of automatic enrolment

In our literature review, automatic enrolment was commonly seen to have reversed the long-term decline in workplace pension provision.<sup>2</sup> Opt-out rates remain low at 8-10%, with around 89% of employees eligible for AE saving into a workplace pension in 2024, or about 21.7 million employees.<sup>3</sup> Since the AE earnings trigger has been frozen at £10,000 since 2014, rising wages, including increases to the National Minimum Wage, have steadily brought more lower earners into eligibility. This fiscal drag effect means the trigger has fallen in real terms, widening AE coverage. Research by London Economics (2023)<sup>4</sup> found that the rate of pension saving among the youngest qualifying age group (22-29) rose from 39% in 2012 to 86% in 2021. Over the same period, the gap in enrolment between professional and elementary occupations fell from 44% to 7%, similarly indicating wider coverage. The DWP (2019)<sup>5</sup> also reported high levels of awareness and understanding of AE, with British Social Attitudes survey indicating that there had been a ‘social norming’ of workplace pensions across all eligible age groups and occupational classifications.<sup>6</sup>

Under current auto-enrolment measures, all employers must enrol certain employees into a workplace pension scheme, including those who:

- Are not already in a workplace pension scheme,
- Are between 22 years old and State Pension age, and
- Earn more than £10,000 in 2025/26.

Both employers and employees contribute to the auto-enrolled pension based on an employee’s qualifying earnings. Employers are required to contribute at least 3% of the qualifying earnings, and together employers and employees contribute a minimum total of 8% (including tax relief). Employers must auto-enrol eligible employees, but employees may opt out, after which employer contributions stop.

<sup>2</sup> Standard Life Centre for the Future of Retirement, [Changing Journeys: How we save, work and retire](#), 20 November 2024

<sup>3</sup> DWP, [Workplace pension participation and savings trends of eligible employees: 2009 to 2024](#), 5 August 2025

<sup>4</sup> London Economics, [Auto-enrolment in the UK: A decade of success but what next?](#), 26 January 2023

<sup>5</sup> DWP, [Automatic enrolment evaluation report 2019](#), 24 February 2020

<sup>6</sup> DWP, [Automatic enrolment evaluation report 2019](#), 24 February 2020

Four key elements contributed to the success of auto-enrolment:<sup>7</sup>

- It substantially reduces the complexity of whether and how to save for a pension
- It helps reduce the procrastination of individuals deciding whether (and in some cases how much) to save in a pension
- The fact that employees are defaulted into a pension scheme under AE may mean that the employees see the default as an endorsement either from the government or from the employer
- There have been millions of individuals who have been automatically enrolled in a pension who were not previously offered an employer contribution to their pension

Pension experts we spoke to often echoed these sentiments, describing AE as a necessity and praising its impact on bringing discussion of pensions into the workplace.

**So obviously at the first approximation, it's working extremely well. The aim of it was to get the increasingly large population of people in work earning a moderate amount and above to start saving. It was a good intervention for those not already saving, and against that benchmark it has significantly outperformed what the government expectation was on the evidence base before the policy was rolled out.**

Matthew Blakstad, Pensions UK

**I think auto-enrolment is probably up there with one of the best policy successes. It has completely transformed pension participation and pension saving.**

Expert from Resolution Foundation

Employer interviewees also viewed the introduction and implementation of auto-enrolment as a positive step for workers, as it meant that people who were not previously saving anything for retirement, were at least now strongly nudged into doing so, and have to make the conscious decision to opt out. Many viewed the low opt-out rate as a marker of its success.

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<sup>7</sup> Cribb, J. and Emmerson, C., [What happens when employers are obliged to nudge? Automatic enrolment and pension saving in the UK](#), Institute for Fiscal Studies, 17 November 2016

**We were really in favour of auto-enrolment and were really pleased when it was introduced. It forced employees to be registered to save for a pension, where they could have easily ignored this before.**

Employer

## Remaining gaps and issues

Experts also noted a number of shortcomings to auto-enrolment that need further discussion.

**Compared to before automatic enrolment there has been a big improvement, many more millions are saving into a workplace pension thanks to AE. We are in a much better place than we were 15 years ago. So, in that way it has been a good news story. But there are ways that it could be improved to help many more people save.**

Laurence O'Brien, IFS

The main gaps raised in the interviews include:

- Coverage of AE
- Contribution levels and adequacy, and
- Challenges for low-to-middle earners

### Coverage of AE

One area of concern relates to large groups of employees who are still 'falling through the net' of AE and are excluded from the benefits that it can provide. A report by Pensions UK and the Pensions Policy Institute (PPI) (2023)<sup>8</sup> aimed to identify the profile of 'low earners' who currently are not contributing to a workplace pension. Their research found that among low earners, younger people are over-represented, but there were also a significant number of people at older ages, and an over-representation of women.

The cost-of-living crisis has also had an impact on pension coverage. The Living Wage Foundation<sup>9</sup> reported that, in 2024, 9% of UK adults had decreased or stopped their personal pension contributions in the previous six months, increasing to 17% of those who were earning below the real Living Wage, with cost-of-living being the main reason people cited. The same research found that 6% of UK adults expected

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<sup>8</sup> Pensions UK, [Uncovering the profile of low earners in the UK and the potential for pension saving through automatic enrolment](#), August 2023

<sup>9</sup> Wittevenn, A. [Retirement realities: Understanding the impact of the cost-of-living on pension savings and retirement expectations](#), Living Wage Foundation, September 2024

their personal pension contributions to decrease or stop in the following six months (with this number being higher among those earning below the real Living Wage).

This issue about pension coverage for key groups was also a topic discussed by our experts.

**There are still big challenges in increasing the amount that is going in for everybody and extending the coverage to bring in more people. It is really well known who the people are who are missing out – it is generally people on low pay, people in part-time jobs, the self-employed, those who face barriers getting into the labour market, women, ethnic minorities. We need something that works better for these people – this is key.**

Jack Jones, TUC

### Contribution levels and adequacy

The second main area of concern often discussed in the literature and by expert interviewees was about undersaving. Although AE has led to more people contributing to their pensions, evidence suggests that many people may not be saving enough. The Pensions Policy Institute (2024)<sup>10</sup> commented that, with the minimum contribution level set by the government, employees may believe that this is the ‘recommended’ level and that this will be sufficient for their retirement, when in fact this is not the case:

*With millions of people saving for retirement there is a risk that they believe that, by following the government’s requirements and saving at the prescribed level, they are doing what they need to do to achieve a good retirement. However, the consensus in the industry is that 8% contributions are unlikely to provide an adequate pension in retirement to maintain a similar standard of living in retirement as in working life.<sup>11</sup>*

### Challenges for low-to-middle earners

The focus on saving for retirement has also led to a potential tension, especially for low-to-middle earners who, having been enrolled into their workplace pension scheme, may see their day-to-day savings reduced. A report by Nest Insight (2024)<sup>12</sup> highlighted that a large proportion of workers who are auto-enrolled had no other form of savings, which implies that the behavioural nudge towards pension saving does not mean that non-pension saving behaviours are substantially changed. The report highlights:

*The effect of auto-enrolment on this group has been to get them started with long-term savings, while throwing into sharp relief their lack of accessible savings*

<sup>10</sup> Pensions Policy Institute, [General Election 2024 Briefing Paper #2 - AE Contributions](#), June 2024

<sup>11</sup> Pensions Policy Institute, [General Election 2024 Briefing Paper #2 - AE Contributions](#), June 2024

<sup>12</sup> Nest Insight, [How does pension automatic enrolment affect savings?](#), August 2024

*to fall back on in the case of financial shocks like an unexpected bill or an interrupted income.*

As AE relies heavily on inertia to enrol and maintain pension contributions, an unintended result is that many people do not move away from the default contribution level, or they think this is enough. However, there is no one size fits all answer to how much somebody should be saving into their pension, given the variety of needs and expectations. A single contribution rate might not even fit the same person at all times in their working life, as their career, income and ability to save change over time. Our partnership with Nest Insight explored how AE could be more flexible and supportive for individual needs.<sup>13</sup> This could be done for example by allowing temporary adjustments to contribution rates to help employees manage periods of financial hardship without opting out, such as through opt-down arrangements.

A number of the experts interviewed for this research also agreed that bringing in some elements of flexibility could be beneficial for low earners.

**I think there does need to be more flexibility, particularly for low-income people to opt down, or even just pausing the employee's contribution [but] still getting the employer contribution. Flexibility is important – importantly for [employees] not to opt out.**

Expert, Resolution Foundation

**I think that there is a good case for more flexibility here, especially if employers are worried about lower earners who can't afford pensions contributions.**

Laurence O'Brien, IFS

Employer interviewees agreed that flexibility could be an option if it did not become too administratively burdensome to introduce, or so complex that employees would not understand what was happening.

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<sup>13</sup> Nest Insight, [How much is enough? A contextual view of retirement savings](#), September 2024

**Introducing flexibility could be a double-edged sword, that may not always be beneficial for an employee. The more flexibility that is given, the more flexibility that someone has to both opt in and opt out, [and that] may not be always what is beneficial in the long run.**

Employer

For certain employee groups, especially low earners, contributions via auto-enrolment can mean they are left with very tight financial margins, and these are the individuals most likely to opt out. There was also concern for those who are on more 'irregular contracts' who may fall below the AE earnings limit, and so also miss out on employer contributions.

**Those at lower earning levels tend to be more interested in their base salary and their earning potential.. there is a lot of communication still to be done around pensions.**

Employer

With the current government committed to keeping AE minimum contributions at the same rates for the duration of this Parliament, the Pensions Commission will need to look at what changes are possible in the future. This leads to the timely discussion about what options are available for employers to implement to support low-to-middle earners save more for retirement in the meantime.

### 3. Employer options to support further saving within the current AE system

As Chapter 2 highlighted, the current AE system presents particular challenges for some groups of employees, prompting discussion about what further support employers can offer within the existing framework. Drawing on the literature review and interviews with experts and employers, this chapter examines a range of voluntary options, outlining their potential benefits as well as the barriers that may limit their implementation.

#### Salary sacrifice

Salary sacrifice is a scheme through which employees give up a portion of their pre-tax salary in exchange for a benefit from their employer, for example additional pension contributions. Both employers and employees receive National Insurance (NI) savings under the arrangement. Recent research conducted by IFF Research and commissioned by HM Revenue and Customs (HMRC, 2025)<sup>14</sup> found that employers viewed salary sacrifice as beneficial for both employers and employees and considered it straightforward to explain to employees. The research also found that employers were able to introduce flexibility to vary the level of salary sacrifice offered, as long as take-home pay still met the National Minimum Wage.

Interviews for our research were undertaken before changes to salary sacrifice were announced in the 2025 Autumn Budget, but the findings still provide a useful baseline for understanding how the arrangement operated at that time. In our interviews, salary sacrifice was the option that employers were most aware of, and many of them offered it. Some offered it as a default method for pension contributions, others as an option that employees could apply for through their pension provider or via their benefits portal. As with the IFF Research finding, employers viewed the NI saving as the main benefit for both employers and employees.

**We use salary sacrifice and are very supportive of it. Anyone can apply for it, and obviously the savings it can provide in NI is a huge positive.**

Employer

In terms of its benefit for employees, employers cautioned about its use with low earners, especially if it had implications for salaries falling under the minimum wage.

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<sup>14</sup> IFF Research, [Understanding the attitudes and behaviours of employers towards salary sacrifice for pensions](#), HMRC, 27 May 2025

**It's something that we as a company don't offer our employees, but I certainly see it as a huge benefit both for employees and employers... Obviously for a lower [earning] cohort of staff it's something that we probably wouldn't be able to implement across all our UK workforce because they would fall under the National Minimum Wage if we were to take in salary sacrifice.**

Employer

This echoes findings from the Low Pay Commission.<sup>15</sup> They explored the impact of National Minimum Wage increases and found some employers removed access to salary sacrifice as a result. While acknowledging the challenge to maintain a salary sacrifice scheme for low-paid workers, the Low Pay Commission highlighted the benefits of salary sacrifice in its report and cautioned against employers withdrawing the arrangement.

Employer interviewees also noted that offering the arrangement alone was not enough to drive uptake. The benefits of its use need to be communicated to employees to ensure proper understanding and potentially adoption:

**It needs to be clearly explained to employees, as some see it as a salary reduction. So, it does need to be communicated effectively in how it can be beneficial to people.**

Employer

As with the work from IFF Research, we heard that communications around salary sacrifice are normally embedded in broader pension discussions and education. IFF Research also suggested that employers found it challenging to do this effectively, often citing additional administrative burden, limited knowledge about the scheme, or feeling that the size of an organisation could mean that the benefit is not worthwhile. Some employers recognised that it could be harder to engage some staff (including younger staff, those who have less experience with pensions and those who did not have English as a first language). Employer awareness of salary sacrifice and ways in which it is communicated to staff could therefore have implications for its use.

The recent proposed changes to salary sacrifice add further complexity to the arrangement, which may exacerbate the communication and administration challenges already perceived as barriers to offering the scheme. Although not explored in our interviews, there are concerns about potential behavioural responses from employers and savers. For example, research by the ABI and the Reward and

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<sup>15</sup> Low Pay Commission, [Low Pay Commission Report 2024](#), 4 February 2025

Employee Benefits Association (REBA)<sup>16</sup> found that the £2,000 threshold on salary sacrifice for pension contributions could lead 31% of businesses to reduce their employee pension contributions. 70% of businesses surveyed mentioned the change would increase their administrative burden, and 34% reported it would make it harder for them to attract and retain talent.

### **Flexibility to vary contribution levels at times of need**

The second option we explored was support for employees to help prevent them from opting out. Without support, opting out entirely may be the only option available to employees going through financial difficulty (e.g. mortgage arrears) who want to reduce their pension contributions. This will result in a long-term loss as they also forfeit their employer's contribution. One possible way to avoid employees opting out of AE is giving employers and/or employees greater flexibility to reduce the level or timing of contributions. For example, allowing contributions to vary through adjusting the ratio of employer and employee contributions, and enabling employees to temporarily opt down with increased employer contribution. Employers can also consider nudging employees to re-enrol earlier than the compulsory three-year re-enrolment window.

Some experts worked with employers who offered flexibility around opt-out periods, especially for employees who were experiencing financial difficulties. On many occasions reviewing opting out or opting down after a year helped employees to continue to pay into their pension. A separate expert noted that several flexibilities already exist in the system, but their limited use may simply reflect low employer awareness:

**It comes down to employers (and any pension scheme rules) facilitating this option and their engagement piece. For example, you may have a core 4:4 contribution rate, but an employer could say you're allowed to opt down, and if an individual wishes to make that choice, perhaps for financial reasons, they can do. But when it comes to re-enrolment, which currently happens every three years, the individual will need to be increased back to the core level to meet any auto-enrolment requirements. Being mindful of overall pension adequacy, I don't think that is a bad option as retaining some level of contribution is better than nothing in respect of those who would otherwise duly opt out, but I don't think that many employers have facilitated... not because of any desire not to give people the option, but because they are not aware they can be flexible.**

Anonymous Expert

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<sup>16</sup> The ABI, [Firms say salary sacrifice changes would mean higher burdens and lower pensions](#), 22 November 2025

Although some of our employer interviewees already contribute more than AE default minimums, there were mixed views from employers about the option to provide varying contribution levels. Some favoured simplicity:

**Giving individuals flexibility would be burdensome and take a long time. We would prefer it if there were no options.**

Employer

**If more flexibility is given, more could opt down or out, which may not be beneficial in the long run.**

Employer

Others questioned whether greater flexibility around contribution levels would actually influence employee behaviour. Some employers interviewed had tracked employee pension contributions over time and found that, even when opportunities to adjust contributions were available, many employees did not engage. They believed that without a solid understanding of the savings needed for an adequate retirement, most employees would not vary their contributions.

Overall, employers and experts all agreed that whether varying contribution levels, allowing opt-down, or re-assessing opt-out periods can be effective depends on *how* it is done more than which specific option is offered.

**We may need to approach pensions differently depending on who is involved. Earlier scenario planning could be introduced to help people to understand what their pension could look like if more action was taken. Employers could encourage pension changes at pay review times. We need to make sure that any guidance given is relevant to the individual.**

Employer

### Auto-escalation

While varying contribution levels requires ongoing engagement from employees and employers, auto-escalation would gradually increase pension contributions over time in line with annual pay rises, with upfront agreement from employees. REBA's article (2025)<sup>17</sup> previously noted that auto-escalation works well because it tackles

<sup>17</sup> Hadley, E., [Is auto escalation the single biggest change that could improve pension adequacy?](#), REBA, 20 August 2025

'behavioural inertia', often seen as a big barrier to increasing contributions beyond the default minimum. The rationale behind auto-escalation is that, instead of asking employees to make large contribution increases all at once, the increases are broken into smaller, more manageable steps. It removes the need for constant decision-making from employees, requiring minimal effort, while boosting long-term savings.

REBA also mentioned that auto-escalation remains underutilised in many workplaces, despite the fact that it has potential to improve retirement outcomes. Our research echoes the observation, as many of the organisations interviewed had not heard of auto-escalation. However, having participated in the research, many employers said they would like to explore it further and would consider adopting it in their organisations.

One employer who had heard of auto-escalation thought it seemed to be an interesting pension offer due to the gradual build-up of contributions, and argued that if contributions were timed with pay rises then:

**Employees will not realise small increases are happening.**

Employer

Some employers thought that employers and employees should be made aware that auto-escalation is a viable option, but cautioned that it would need to be communicated in a way that ensures people understand what the arrangement means.

**I think it's a great idea, but there is a communication piece. How do you communicate it in a transparent way?**

Employer

One employer had considered using auto-escalation, and they were already very proactive in monitoring the level of pension contributions their employees make. Although they could see the benefit of using auto-escalation for a proportion of their employees (often those on higher wages), they argued that auto-escalation may not be suitable for some lower earners especially with ongoing cost-of-living concerns.

Experts were often supportive of the auto-escalation approach, but suggested that employees should be allowed to take part voluntarily. Some questioned whether this would be beneficial for those who move jobs more frequently, as they would not have the career stability to demonstrate consistent pay growth. The arrangement might also not be beneficial for those already struggling with affordability.

**This is a good design of a contribution structure, although it still may be more beneficial for higher earners who will earn more and see more pay growth throughout their career, and it doesn't work for people who change jobs often or are on short contracts. It could be effective for a lot of workers, but it would be something that employers and employees choose to do rather than it being legislated.**

Jack Jones, TUC

## Share plans and Workplace ISAs

Beyond pensions, we also explored whether other tax-efficient saving vehicles like share plans or workplace ISAs could improve saving adequacy. These products could offer more flexible and earlier access, which could support short-term saving needs to balance different saving goals, alongside pension saving.

Of all the options, share plans and workplace ISAs were discussed the least among employers. Employers who had considered these options questioned whether this moves from pension savings to personal financial planning, and whether employers had a role in this. An employer was concerned that this option could bring risks of mis-selling, as they would be seen as responsible for providing the 'best deal' to employees. They noted that while financial advice from pension providers, EAPs or signposted services could prompt discussions about saving schemes, they themselves would not provide them. This highlights the challenge of introducing other workplace saving vehicles outside the mandatory pensions auto-enrolment framework.

Employers also mentioned the complexity of adding another scheme or employee benefit, with further administrative burden and a layer of difficulty for payroll to manage:

**It would be brilliant to advertise this to staff, but from an administration perspective, it will be hugely complex if we were to introduce ISAs or different saving schemes. It's not something that I think our company itself will be able to introduce... other employers in different areas of the business would also look for additional benefits to be introduced. So, it's something that would be too complex for us, but it would be a nice thing to be able to offer to your staff.**

Employer

Finally, there were concerns from a small number of employers about how this would help low-to-middle earners save more for their pension if savings were being made for more present concerns. However, it could also be argued that offering this as an

option could nudge staff into saving habits, which could then be extended to pension savings:

**It's not my place to say, but I feel the pension may be better than an ISA because they are likely to draw down on an ISA a lot sooner than the pension, and so it is not really safeguarding their lifestyle later on.**

Employer

Although some experts felt that share plans and ISAs could play a role in improving savings, many argued that these options are likely to benefit higher earners more, and there is currently little evidence about how these options may affect saving behaviours.

### Sidecar savings

A sidecar savings account can be defined as “an instant access savings account that is tied to a pension” (House of Commons, 2021).<sup>18</sup> Sidecar savings have been proposed as a way of helping certain groups of employees save for retirement as they provide a means through which people can use savings that have been intended for retirement in an emergency situation.

Nest Insight (2023)<sup>19</sup> highlighted that the sidecar saving solution was designed to:

- Work with the way that people naturally think about savings, including any behavioural biases
- Enhance financial wellbeing by ensuring that some money is available for any immediate financial shocks
- Protect retirement savings
- Boost pensions saving through a pre-commitment to save more for retirement in the future.

The House of Commons (2021) report<sup>20</sup> outlined the two common proposed models for sidecar products:

- The **two account model** where a saver has a workplace pension and signs up to a separate savings account with the savings provider. The saver then sets up a savings cap on this sidecar account, and the employer makes contributions into this account until the cap has been reached. When this has been reached further savings are then rolled into the pension on top of normal pension contributions. If money needs to be withdrawn, savings are made into the account until the cap is reached again.

<sup>18</sup> Prabhakar, R., [Sidecar Savings](#), House of Commons Library, 21 December 2021

<sup>19</sup> Nest Insight, [Workplace sidecar saving in action](#), April 2023

<sup>20</sup> Prabhakar, R., [Sidecar Savings](#), House of Commons Library, 21 December 2021

- An **in plan model** where an employee signs up to save with their employer, and the employer pays a pension provider the total contribution made by an employee to a workplace pension as well as an emergency savings account. The pension provider then divides the contribution between the pension and the emergency savings account.

In a trial of the two account model by Nest Insight, results found that the approach has high appeal with employees who needed support with saving, and that savers valued having the control and flexibility that the two account model approach provided. However, even though a large proportion of eligible employees thought that sidecar savings would help them, the take up was very low. When employees needed to access their savings they usually only withdrew what was needed, and so the model was seen to support those who had previously struggled with savings to save more. Some employers interviewed in the Nest Insight research believed the two account model fitted in with their increased focus on financial wellbeing and other benefits for employees, but few employers offered this scheme. Employers who had set-up and managed sidecar saving schemes reported they were no more complicated to implement than other benefits, and their ongoing day-to-day administration was minimal.

As with auto-escalation, a number of employers in our research had not heard of sidecar savings but were planning to explore further after participating in the research. For the small number of employers who did know about sidecar savings there were mixed views about their use and application.

Some employers thought that sidecar savings were a ‘good idea’ but then discussed a number of caveats to their use. For example, despite the Nest Insight finding that sidecar savings were no more cumbersome to implement in comparison to other employee benefits, there was often the perception that they would be costly and burdensome to introduce:

**I don't think that is something that we would look to introduce, just the complexity around it. But if employers could do this or facilitate it, would be good.**

Employer

Others questioned whether introducing sidecar savings would distract employees from current organisational pension offers, which they thought were well designed and positive for employees.

**We don't want to distract them with too many options when actually we've got a very good pension plan, and if we can encourage employees to spend a little bit more time thinking about putting more into that if they can afford it, that is where we will see the value of our efforts.**

Employer

Some experts were positive about the sidecar approach as it does encourage employees to think about savings.

**Sidecar savings vehicles could potentially be a good way of balancing the competing priorities of pension saving and more liquid savings.**

Laurence O'Brien, IFS

However, some also questioned whether this type of scheme would encourage further savings into pensions, or lead to competing priorities between current financial concerns and saving adequately for retirement.

Another concern from employers was whether this veered away from helping with pension provision or support and ventured more into financial planning. Some employers questioned whether this was an area they wanted to stray into, and whether there ought to be a clearer distinction between what does and does not fall within an organisation's duties to support employees.

Finally, and a common theme throughout this research, was how sidecar savings can be best and suitably communicated to employees, so they understand the scheme, any benefits of it, and how this can support better pension adequacy in retirement.

**We think that it is a good idea, but how easy it would be to communicate and raise awareness of something like this – well that's another question.**

Employer

## 4. Communicating and engaging with employees on pensions

Employers and experts consistently highlighted the importance and challenges of engaging employees with pension saving. Relying on inertia means employees often do not engage with pension savings during the early stages of their career, and miss out on opportunities that their employers offer to adjust contributions to their needs. This chapter outlines employer views on how best to engage and communicate with their employees about pensions.

### Current pension communications

Employers emphasised the importance of being clear and transparent about their pension offer, and making sure employees understand what this means both for their current situation and for their future. This involves using established engagement opportunities, such as career conversations or appraisals, to talk about pension offers. Being able to tailor pension messages to different employee life stages, and different salary groups, is also important.

**It's absolutely the employer's responsibility to ensure that the communication that has been offered is clear and concise for employees... they may need to adapt and try different ways to communicate to staff because there are different pay brackets and one size doesn't fit all.**

Employer

Employers reported offering a range of benefits alongside pension schemes, including financial wellbeing information days, and visits from pension providers to discuss pension offers. However, those with a dispersed workforce noted that not all employees could attend in-person sessions to meet pension provider representatives or attend talks on specific days. They highlighted the importance of being able to reach all staff with pension communications in a fair and accessible way. Employers also stressed that pension messages should be simple and targeted, and efforts should be made to check for understanding.

**There is a balance between what you have to say and what you need to say to help people understand their pensions more.**

Employer

Employers said it is important to start talking to staff about their pensions earlier, using existing meetings and processes to nudge employees to think about what contributions are required for their retirement aims. They often stated there is no 'one size fits all' way to do this, so employers should be prepared to try new and different ways to engage employees. Additionally, they also noted employees were often focused on short-term financial pressures, so helping them to understand the long-term benefits of pension saving is essential.

### **Communications in the future: Pensions Dashboards**

In the future, people will be able to view all their pensions in one digital place of their choice through the government-backed Pensions Dashboards programme.

Employers were very positive about this rollout for a number of reasons:

- To help employees to track how much they have saved and whether that will be adequate for their retirement.
- To support employees to better understand the need to tailor their pension planning.
- If an employee has opted out of their workplace pension, it could be used to see how much they could have accumulated if they had remained in the scheme.

**To be able to direct someone to a pensions dashboard where they can log in and see all the pensions they've had through employment is amazing. A huge positive.**

Employer

**People will have the ability to understand and tailor their pension requirement... it could help people to think about what they need for the life they want in retirement.**

Employer

**If someone opts out, they could see how much they could have earned, and it could encourage them to opt back in.**

Employer

For pensions dashboards to be effective, employers again emphasised that information must be presented in a simple way. They argued dashboards need to strike a balance between essential details and avoiding overwhelming users with too much information, which could be counterproductive. This also highlights the importance of improving financial literacy.

**Pensions dashboards can be viewed as a good use of technology to help people see what they have pension wise, but financial literacy is still key.**

Employer

Expert interviewees similarly saw the potential of dashboards to support pension savings and education. However, they were also keen to ensure that they were trialled adequately to ensure they are fit for purpose, effective, and the information is relevant for users.

**If you want something that clearly shows what pension you've built up, and what you're likely to get from that in terms of income, then introducing something like this is a no-brainer. It has taken a long time to get to where we are with having a viable dashboard and so making sure that it actually works is a priority. There is a potential that multiple dashboards could become a sales tool for various parts of the financial sector and that could undermine its effectiveness.**

Jack Jones, TUC

**We do need to see what impact the rollout of dashboards has, and how much people will really engage with them. Dashboards are a very positive move towards giving people the information they need in a clear and immediate form. But success will depend on having an engaged population who know how to access a dashboard, and who have the knowledge and understanding to benefit from what it tells them.**

Matthew Blakstad, Pensions UK

### **Small pots consolidation**

Another by-product of AE is the proliferation of small pension pots accumulated across different jobs, making engagement and management of pensions inefficient. In April 2025, the government proposed a new automatic small pots consolidator regime through the Pension Schemes Bill. The reform aims to tackle the growing

number of small, deferred pension pots that employees accumulate as they move between jobs, reducing administrative waste and helping savers achieve better value for money. Under the proposals, small pension pots – initially those worth £1,000 or less – would be transferred into an authorised consolidator scheme unless the individual chooses to opt out. Bringing these pots together is expected to help employees to keep track of their pension savings and could have the potential to increase the pension pot of an average earner by around £1,000.<sup>21</sup>

Few employers considered the development, but those who did were positive about it. They were supportive of the aims of the reform, mentioning that it is important to help employees track their pensions and understand how much they have in accumulated savings. They also agreed that many employees found having small pension pots a hassle, and this would help to reduce employee burden to consolidate pensions themselves.

**It makes no sense having minuscule pots dotted all over the place where you can amalgamate them all into one or into your current one. I think it's a fantastic idea as well. It will also help reduce administration for employees when they come up to retirement. It's just again a no brainer. I think it's fantastic.**

Employer

### Pot for life

The previous government considered a different model for small pots consolidation, referred to as 'pot for life'<sup>22</sup>. Under the proposal, an employee's deferred pension pot would automatically transfer to their new employer's scheme, unless they opted out. Very few employers considered this option, however those that did voiced concerns. The debate was especially around whether the employer or employee should make the decision on selecting a pension provider/scheme. One employer discussed how there needs to be more individual choice with regards to what employees wish to do with their pensions, but this will only work if individuals have a better understanding of organisational pension schemes and what will benefit them most.

Another employer described how this could remove the incentive from employers to provide a unique pension offer:

<sup>21</sup> DWP, [£1,000 retirement savings boost from plans to bring together small pension pots](#), 24 April 2025

<sup>22</sup> DWP consultation, [Ending the proliferation of deferred small pots - GOV.UK](#), 22 November 2023

**I think that is totally the wrong way because it completely removes the value which is introduced to someone by an employer, a benevolent employer who spends a lot of money and time and effort trying to craft something with its provider, which we do. And to have that just simply ripped away because somebody arrives at us with a different company's pension completely weakens why we should put any effort into it. So no, we're deeply opposed to that idea.**

Employer

## 5. Wider workplace financial wellbeing support

Employers widely recognised that pension saving is only part of employees' overall financial wellbeing. Effective pension saving must be balanced with shorter-term financial necessities based on an individual's circumstances. Achieving this relies not only on offering appropriate options, but also on ensuring employees understand their pension and the choices available to them. This chapter explores how wider financial wellbeing benefits offered by employers help to support employees to make better retirement saving plans.

### Financial education and literacy

Employers consistently talked about the need for improved financial and pension literacy for any pension policy to be effective and balanced with needs across the life course. Interviewees explained that they provide a range of financial education and signposting to relevant services. Much of this support is directly related to pensions, such as pensions providers visiting workplaces bi-annually to discuss pension offers and offer individual pension support. Other support is targeted at specific career transitions where employees may be considering pensions changes, such as around maternity leave or retirement. These are in addition to other 'background' employer communications on pension provision, such as how to contact pension providers, and information on how current pension contributions work or can be adjusted. Examples of other specific financial planning support include guidance on mortgages, medical and life insurance, and wills.

However, there were differences in opinion about who should be responsible for providing financial literacy and when this should start. Employers recognised that they had a role in supporting employee financial literacy, but not the sole responsibility, and often argued that pensions awareness should start before employees enter the workforce.

**I think it is definitely an employer's role to educate their staff... but there is only so much you can do. It's up to the employer to provide the relevant information, and then after that it is up to the employee to avail or not.**

Employer

**Financial literacy needs to be taught earlier than the workplace, it needs to be taught in school. Education is really important.**

Employer

Others felt that there was a need for improved access to independent financial advice. Although pensions dashboards will help, there were concerns that employees still may not be able to understand the information they provided. Thus, employers have a role in signposting employees to further sources of information.

**I think there needs to be independent third-party advice that is separate from the pension provider, almost like a pension GP.. The Money Advice Service [MoneyHelper] could be a good place for people to go for issues wider than pensions too.**

Employer

Many employers felt that movement in this area has been slow, and argued that the earlier in life support is provided, the greater the chance that employees can make better saving decisions.

**We accept that we are currently very slow at this... we need to see what is actually needed for the staff, because there can be a lot of information, but we are not sure how people engage with it.**

Employer

### **Support for financially struggling employees**

While support to make informed decisions is important, there are employees who simply cannot afford to save. Employers recognised that over the last few years with the cost-of-living crisis, COVID and the increase in mortgage rates, it has been difficult for employees to prioritise long-term savings. To help them get through immediate challenges, some introduced benefits such as salary advances, company finance schemes, or shopping vouchers to provide more direct financial support. They also highlighted more 'holistic' wellbeing support services they offered, which included access to financial help, confidential advice, and the development of staff wellbeing groups (where both health and financial wellbeing could be discussed).

There were employers who also offered debt advice and debt management to their employees. One of the most common systems for the provision of debt advice, debt management and financial advice was through Employee Assistance Programmes (EAPs). However, employers were unsure how many people engaged with EAPs in general, and even less for this specific purpose.

**We do provide an EAP service and mention it can help with money matters. We don't get the sense it is widely used for that purpose.**

Employer

Experts acknowledged that, as with general financial wellbeing, there is still a stigma around employees speaking to employers about personal finances and debt, and consequently, being able to signpost employees to support is an important role for employers to manage.

**There is still a stigma around admitting that you have money worries, and people only really tell others when the problem gets worse. So, it is a case of letting people know that EAP help exists and how it can help them, because it could become more of a problem the longer an employee leaves it.**

Charles Cotton, CIPD

Another source of support for debt management mentioned by a few employers was from financial advisors through Trade Unions. Experts also agreed that Unions (if employers had them) were a good avenue for employees to seek advice from.

**There are issues with how comfortable people feel about talking about financial difficulties and debt with their employer and this could be an area where unions could be useful where they are recognised and where they have a presence in the workplace, and are able to deliver these things within the workplace. Help should come from a trusted third party.**

Jack Jones, TUC

Employers often recognised that there was more work to be done to provide employees who need it with more support, but questioned where this additional support should come from. Some highlighted the role that pension providers have in offering support in decision-making, although those who opt out of pension contributions may not have access to it.

## A holistic financial wellbeing strategy

Research from the CIPD (2021)<sup>23</sup> reported that strategies of financial wellbeing in workplaces still fell significantly behind other workplace strategies, for example, strategies to support mental wellbeing. Among employers with health and wellbeing strategies, only 11% actively focus on financial wellbeing, in comparison to the 57% that actively focus on mental wellbeing. In their reward management survey, the CIPD<sup>24</sup> reported that most organisations who responded provided a wage the same or higher than the voluntary Living Wage and had other common benefits such as debt counselling and alerting staff to financial scams. Less widely adopted financial wellbeing benefits included earned pay access, set your own pay date, or set your own pay. The review also noted that employers could do more to explain the value of benefits and wellbeing packages, including explaining why and how benefits are being offered and what employees need to do to access what is available.

**Organisations need to do more in this area with policies and strategies. This is not only about education and literacy, it's about the provision of certain benefits either to help people who get into financial difficulty or prevent people from getting into financial difficulty in the first place.**

Charles Cotton, CIPD

A small number of employers had been proactive and undertaken financial wellbeing surveys of the workforce, to understand current employee needs and challenges, and to see where improvements to support employees could be made. For some, these wellbeing surveys included questions on issues such as confidence in decision-making about pensions. Others reported difficulties in engaging their staff in broader financial wellbeing activities. Some employers had no financial wellbeing policy or strategy at all.

**This is really difficult, and employers have been grappling with this. They can struggle to get data on people's financial literacy and wellbeing and the outcomes of any financial benefits. Understanding financial wellbeing outcomes is years behind other benefits outcomes such as health. There is no strategy that looks across all financial wellbeing benefits. Employees just do not know what is out there, it is all far too complex.**

Debi O'Donovan, REBA

<sup>23</sup> CIPD, [Financial wellbeing: An evidence review – Practice summary and guidance](#), November 2021

<sup>24</sup> CIPD, [Reward management survey: Focus on employee benefits](#), April 2022

A minority of employers questioned who was ultimately responsible for improving employee financial wellbeing – the employer or the employee themselves. They also questioned who it was in the organisation that employees should go to for help with financial wellbeing – between a line manager, HR, or a more dedicated finance team.

**I don't actually think that the responsibility lies on the employer... at the end of the day people are adults.**

Employer

Wider research suggests there is an important role for employers to play, considering the impact that improved financial wellbeing can have for health and wellbeing, sickness absence and employee productivity (CIPD, 2021).<sup>25</sup> While there were mixed views on the employer's role in supporting financial wellbeing more broadly, most employers did see a continued responsibility to support their employees through pension contributions.

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<sup>25</sup> CIPD, [Financial wellbeing: An evidence review – Practice summary and guidance](#), November 2021

## 6. Employer and expert views on policy options to improve pension adequacy

Auto-enrolment has had an enormous positive impact to date, and many employers voluntarily contribute more than the legal minimum rates to boost savings. Despite this success our literature review and interviews with experts and employers highlight the importance of further policy changes to extend AE's coverage and benefits. There was consensus across experts and employers that more needs to be done, but awareness of and enthusiasm for different policy options varied. This chapter outlines where there is alignment, where perspectives diverge, and what this means for policy development in the years ahead.

### Increasing automatic enrolment contribution rates

Since the introduction of AE, there has been debate regarding the right level of contribution rates and how they should be increased to ensure adequate retirement savings. There has been a growing consensus among some that contribution rates should increase from 8% to 12%, to support current employees with their future pension adequacy.<sup>26</sup> However, there are different views on when and how this should happen.

Some experts raised questions about employers' overall willingness to increase contribution rates. While most employers recognised the importance of higher contributions, many felt they already offered strong pension and benefits packages, which could limit their appetite to do more. The relatively small scale of take-up for the Living Pension was cited as showing that this was a lower priority for many employers. A recent report by the CBI suggested that employers would potentially offset the cost of a rise in minimum pension contributions through reducing pay, limiting future pay rises and job cuts.<sup>27</sup>

Among our employer interviewees, we saw little opposition to higher employer contributions. However, they stressed the need for sufficient time to prepare, and for changes to be implemented with caution so costs can be managed. Our previous report similarly highlighted the importance of a phased implementation when economic circumstances allow, with households and businesses facing a range of financial pressures at present.<sup>28</sup> This was often compared to the recent changes to NI contributions, where employers felt the announcement came with too little notice. Both policy experts and employers favour gradual increases in contributions, in a similar way to how AE was originally introduced.

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<sup>26</sup> The ABI, [Automatic Enrolment: What will the next decade bring?](#), June 2022

<sup>27</sup> The CBI, [At what cost? Jobs and growth in a stalling labour market](#), November 2025

<sup>28</sup> Standard Life Centre for the Future of Retirement, [A roadmap to adequate retirement incomes for all](#), 12 September 2024

**When AE was introduced, it didn't cause any major issues. For any future changes, the more time and notice we have of the changes, the more we can work to make sure our employees can understand them and that our employees can see the benefits.**

Employer

**Organisations should be able to manage increases if they were gradual as when automatic pension enrolment was introduced. I think because contributions were phased in, they had little impact on the organisation. We can contrast that with the increase in National Insurance contributions which came in one fell swoop. If these cost increases can be gradually introduced, then organisations will be able to plan ahead and it will be less of a shock.**

Charles Cotton, CIPD

**You have to look at the pressures on both individual and employer costs at the moment... there needs to be a clear roadmap and timetable so that employers can plan and work around implementing it.**

Jack Jones, TUC

**I definitely think the phasing in is really important. I think that any way employers can spread the cost of any increases over time and have a forward view so that they can plan around it will be really, really helpful.**

Shelley Morris, Living Wage Foundation

Even with these noted challenges, the employers included in this research were keen to champion pensions and wanted to be able to better support their employees save more for their retirement.

**Long term I think it is the right thing to see those AE contributions going up but I would hope it would be done in a way that employers could plan and adjust for.**

Employer

**It's not just about what is good, but what there is already political consensus for. There is already some degree of comfort around some of this. The recognition that this will need to be phased in gives urgency to setting a timetable, because if it takes five years to get phased in, then you need to look at getting something started... the more we wait, the more people are missing out. We need to address it now to help people going forward.**

Jack Jones, TUC

There are wider concerns about how rises in contribution rates could have an adverse impact on some employees. Experts highlighted concerns about the current 'architecture' of contribution schemes, for example, whether arrangements such as matched contributions are genuinely inclusive or whether lower earners are less able to benefit. There were also different views on what AE contributions should increase to, and what the split between employer and employee contributions should be.

Although compliance with the AE system has so far been high, there was a shared concern that further changes to contribution levels could prove challenging for employers and workers alike.

**There has been a high level of compliance with auto-enrolment and we've not had widespread enforcement proceedings going against employers who are refusing to comply with auto-enrolment, they have been responding to it. However, it could be more difficult now if employers are having to make trade-offs because of higher costs and affordability.**

Matthew Percival, CBI

One employer also noted that there may be some pushback from unions if employee contributions were to increase, once again highlighting the need for flexibility so that employees have the option to opt down on their contributions if needed.

## 2017 Automatic Enrolment Review recommendations

The recommendations from the 2017 Automatic Enrolment Review were frequently quoted by our interviewees and regarded as beneficial to further support low-to-middle earners save for retirement. Two of the main considerations were:

- Lowering the age of eligibility from 22 to 18 in order to make pension saving the norm from when people start work, and
- Lowering the minimum level of the contribution earnings band to £0, so that contributions by employers are calculated from the first pound earned to include low-earning and part-time staff<sup>29</sup>

The previous government had agreed to implement these recommendations during the mid-2020s, but this has not yet happened and seems unlikely in the current Parliament, given the wider economic pressures for both employers and employees. However, many of the experts and employers we spoke to saw these changes as ‘low hanging fruit’ for the Pensions Commission and the government as they have already secured cross-party agreement. We explore these two options in more detail below.

### Lowering age limits for AE contributions

Employers had mixed views about changing the age limits for contributions. For some, there were no concerns regarding this option, especially if it encouraged employees to save more. These employers felt it would provide employees with a level playing field, and a number of organisations explained they already include younger workers in their AE scheme, on the basis that employees should have the chance to save if they wish to and that it is unfair for employers to provide pension contributions to the majority of workers, while excluding the youngest and lowest paid.

One employer did have a staff member below the AE age ask if they could be enrolled into a pension (which they allowed). However, it was not advertised widely that this was an option. Thus, in this organisation, it depended on individual staff members’ knowledge of AE and pension/financial literacy to start to make pension contributions. Another noted that they have had more younger members of staff ask about organisational pension schemes and recognised that this may lead to more questions about their ability to enrol.

A number of employers recognised that this was a positive move for employees on a personal level, but could be costly for employers to manage, and so once again, it may be important to phase in any changes.

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<sup>29</sup> Pensions Policy Institute, [Automatic enrolment: a success worth building on](#), March 2020

**I personally think that this is something that I agree with. Why should someone who is 16 or 18 not be paying into a pension? Isn't it the earlier the better? But from a company perspective, it's an additional cost that employers will have to pay... the additional cost may just be too much.**

Employer

One employer questioned whether lowering the age limit would lead to more opt outs if younger employees had competing financial priorities (e.g. cost of living, student debt, rent/housing costs).

**So the age level. I don't see any particular obstacle about younger people. If people are legal to work, then why shouldn't they? The earlier money goes in the more powerful it is in accumulating interest in the future... I'm sure there would probably be a greater number of opt outs... we would deal with more in the future, but we'd react accordingly.**

Employer

Another employer questioned whether younger employees are in stable enough roles to make AE worthwhile, whether they will be in the job for long enough, and what this will mean for the number of pension pots that young people may accumulate.

**I can see why they fix it as starting at 22, but I suppose it depends on what path that person is on. If they're on a university path, and if you're trying to keep track of all your pensions, it's just going to be throwing money into nowhere because they wouldn't have kept track of it because of moving house and stuff, whereas when you get to 22, you're more stable.**

Employer

From the expert perspective, the overall sentiment was that lowering the age limit had already been legislated for, and should now be a priority for the government to implement. There were some concerns that this will impact some sectors more than others, but this should not be seen as a deterrent to implementing this policy change.

## Removing the lower earnings limit

Another proposal from the 2017 AE review was that pension contributions would be calculated from the first pound earned rather than from the lower earnings limit. It was estimated that the change could bring an estimated extra £2.6 billion into pension saving annually, with lower earners seeing the biggest proportionate benefits. It should also improve incentives for people in multiple jobs to opt in to pension savings because they would get an employer contribution for every pound earned in every job. The review did however recognise the additional costs this change could have for employers, especially given that it would be unrealistic to ask these employees to contribute and that the existing shared cost model for AE could not be applied to this section of the workforce. Employers and/or government would have to fund the extra cost.

Perhaps surprisingly, there was little awareness from employers about this proposal. One employer was beginning to have internal discussions about the possibility to implement this, seeing it as both a recruitment and retention strategy in a tight employment landscape. Another believed that if this was to be a requirement, employees should also be contributing from the first pound of pay. However, of the 2017 policy options, they viewed this as less of a priority in comparison to increasing contribution levels or changes to age limits.

One employer had practical concerns about the policy, and the likelihood of this change creating a greater administrative burden for their organisation.

**I would really question employers paying contributions from the first pound of pay, just from an employer's perspective, we get employees that don't show up or don't stay with us for more than a week or two. I think that's the concern practically is that it could create more administrative hassle for an employer, so that is one we'd be cautious about.**

Employer

Expert interviewees thought that this option for change was one that could be implemented, but a number of caveats needed to be discussed and settled to help employers do this successfully. Concerns included the administrative burden on employers, and the complexity about what organisations should do with regards to probationary periods, which needed to be clarified.

**You have to be wary of making things too complicated... it can be difficult if you have people on probation. If you start putting in processes that have a lot of complexity around payroll and it then just becomes a burden.**

Debi O'Donovan, REBA

As with other potential policy options, experts emphasised the importance of phasing in any changes to give employers the opportunity to prepare (both financially and administratively). Experts also argued that consultations were needed in order to consider what the potential changes would mean for different employee populations (including low-to-middle earners), what the level of contributions should be, and what this would mean for different sectors.

**We have been thinking about employer contributions of 3% from the first pound of pay. That could affect the pay of low earners if more goes into savings. We also think that there is a good case that employees should receive this even if they choose to opt out of the employee contribution.**

Laurence O'Brien, IFS

**We have calculated that this would be an extra £187.20 per individual on the minimum wage per year, which is a much larger sum for small businesses, as this means that a business with six employees would need to pay an additional £1,123.20 in pension contributions per year.**

Kristina Grinkina, Federation of Small Businesses

## Employer-only contributions

Over the last few years, there has been more discussion about the option of a proportion of employer contributions being made non-contingent on employee contributions. For example, the IFS has made the case for employees to receive an employer pension contribution of at least 3% of pay, regardless of the contribution of the employee.<sup>30</sup> This proposal could ensure those who are not currently eligible for AE, or those who make the decision to opt out for affordability reasons, do not miss out on receiving pension contributions from their employer.

Some experts agreed that for those at risk of falling out of pension saving this could be a feasible option, but would depend on whether an employer would be prepared to bear the additional cost.

**If for those who have opted out this means they are still getting some pension contribution then this could be a good policy. There should also then be some emphasis on re-enrolling periodically so people don't fall away from the system.**

Expert, Resolution Foundation

<sup>30</sup> Institute for Fiscal Studies, [The Pensions Review: final recommendations](#), 2 July 2025

**It's an interesting one. It could be helpful for low paid, and for women who especially take the burden of childcare costs. But from an employer's point of view it may not be supported because of the additional costs employers are currently experiencing.**

Debi O'Donovan, REBA

However, there was very little support for this option from employers. Although a few conceded that it 'would be positive if employers could do this', especially as it would highlight that employees are valued, there was a consensus that pensions need to be a joint venture and should be seen as a social partnership between employers and employees.

**I don't think that necessarily sends out the right message. It doesn't create this sense of partnership. It could reinforce the idea or the image that employees don't have to do anything for their pension.**

Employer

**If it is just something that the employer does, it weakens their buy-in to the whole process. I think it is essential that the employee pays in some money to see some sense of ownership of that.**

Employer

One employer did however suggest this could be a possibility, if there was a risk of employees opting out of pension saving completely for a temporary time period if they were in financial difficulty.

**We would consider this if an employee was opting out for a temporary period, but other than that I am not sure what signal it would send if there was no employee contribution in the long term.**

Employer

## 7. Conclusion and recommendations

The findings in this report reveal a complex relationship between the undersaving crisis and existing challenges in the labour market. AE has firmly linked pension saving to the workplace, creating a shared responsibility between employers and employees. Employers now play a crucial role in ensuring that immediate rewards, such as pay, are balanced with long-term savings so that employees can maintain a good standard of living throughout their lives. Achieving this balance is far from straightforward, particularly in the current economic climate and given the existing gaps in AE. There are still questions about where employers' responsibility begins and ends, but overall, willingness to address the undersaving crisis remains strong.

As shown in the research, some employers are already doing extra to support their employees, for example by contributing beyond the legal AE minimum, and prompting employees to do more to ensure they are saving adequately for retirement. Their experience and good practices should be shared and promoted. However, for some employees, even meeting the minimum levels of AE contributions could be challenging at times. They may prioritise other financial goals, such as saving for a mortgage deposit or building an emergency fund. In addition, some workers remain excluded from AE because of their age or earnings. Addressing these gaps will require policy changes to ensure the pension system better reflects people's diverse saving needs and capacities.

Based on the research findings, we propose the following recommendations for the Pensions Commission, the government and employers.

### Recommendations for policy makers

- **A long-term plan supported by consensus:** Through our research, we found widespread agreement across employers on increasing coverage and the minimum contribution level of auto-enrolment. However, most reported that they cannot afford to do so in the current economic climate and against the backdrop of other changes to employment policies. Consensus needs to be reached on how and when these could be done (e.g. metrics used to determine the timing and level of contribution increases) in order to allow employers to plan for the additional cost. A proportion of this cost will inevitably be passed on to employees, so extra consideration should be given to industries with a large proportion of part-time workers and lower earners.

### Recommendations

The Pensions Commission should leverage their review to consolidate a consensus and recommend a plan and implementation timeframe focused on pension adequacy to ensure long-term legitimacy of any reforms.

- **Expand AE's coverage:** While most experts and employers agreed with the 2017 Automatic Enrolment Review's recommendations to lower the age threshold,

employers were less certain about removing the lower earning limit. In part, their concerns reflect a different attitude towards pension contributions for part-time and transient workers, as well as the uncertainty about where employer and employee responsibilities lie. While this was not in scope of this research, consideration also needs to be given to those who are self-employed.

### Recommendations

The Pensions Commission should make clear recommendations on how to expand AE to cover those who are not in scope, and establish the expected roles of employers, employees and the government in saving for adequate pensions. This principle should underpin all subsequent recommendations in the review.

- **Finding the right contribution level and split.** Employers and experts are in agreement about the need to increase minimum contribution rates and expect this to be done incrementally over an agreed timetable. As we discussed in our report *How much is enough?*, a single default will not be suitable for everyone and appropriate mitigations need to be put in place.<sup>31</sup> Further work will need to be done to understand the right level of contributions and the split between employers and employees, especially for lower earners. Employers are generally opposed to making non-contingent contributions, but we have seen employers increasing their contributions to support employees' short periods of financial difficulty in order to avoid people opting out entirely.

### Recommendations

The Pensions Commission and the government should explore how to incrementally increase contribution levels for both employers and employees, and consider making a proportion of employer contributions non-contingent for lower earners.

- **Maintaining incentives to support contributions beyond the minimum.** Salary sacrifice was the most common incentive used by our employer interviewees to encourage contributions beyond the minimum level. Many praised the arrangement for its simplicity and benefits to both employers and employees, including those on lower pay. However, some noted the challenge of covering lower earners alongside the increase in the minimum wage. The 2025 Autumn Budget announcement limiting tax relief on salary-sacrificed pension contributions could also reduce employer interest in providing additional contributions for their employees.

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<sup>31</sup> Standard Life Centre for the Future of Retirement, [How much is enough? A new retirement adequacy model](#), 11 March 2024

## Recommendations

The government should review the decision to introduce changes to salary sacrifice arrangements. This should involve a thorough consultation to fully understand the proposal's impact on employers' incentives to offer salary sacrifice, and the subsequent implications for lower earners.

- **Promote measures to drive overall financial wellbeing in workplaces.**

Improving financial wellbeing in the workplace is increasingly understood as integral to successful pension saving, rather than a separate issue. Evidence from various research showed that many employees, particularly those on low-to-middle incomes, struggle to balance long-term retirement saving with immediate financial pressures. Where financial stress is high, engagement with pensions tends to be low, increasing the risk of opt-outs, persistence at minimum contribution levels, or disengagement altogether. Employers should be encouraged to take a more holistic approach and be supported by accessible pension communication tools and materials to improve financial wellbeing support in the workplace.

## Recommendations

The government should promote a holistic workplace financial wellbeing framework and rollout pensions dashboards at the earliest opportunity.

## Recommendations for employers

### Finding the best approach for your organisation

There is no 'one size fits all' answer to what communications and support work best to encourage employees to engage with pension saving. Some common good practices include:

- **Understanding the workforce's needs:** Regularly seek to understand the financial wellbeing of the workforce to ensure pensions and remuneration packages suit employees' needs, for example through staff survey and engaging with trade unions. This helps inform decisions on designing pay, pensions and benefits to balance short-and long-term financial wellbeing needs.
- **Targeted communications:** Pay review windows or life events (e.g. return from parental leave) are effective windows to engage with employees to understand changing financial needs. Proactive nudges should be sent to encourage employees to review their benefit package, including pensions. If employees have opted out, consider contacting them at the 12-month mark to remind them their right to opt back in before the 3-year re-enrolment window.

**Tailor messages to financial literacy and needs:** Communications should use plain language and varied formats to ensure inclusivity and improve engagement. Providing pound-and-pence illustrations of contribution changes (net pay impact and projected pension), especially where salary sacrifice is offered, could help explain the value of contributions.

## Contribution adjustments that support long-term adequacy

We have explored different mechanisms to boost contributions beyond the minimum in this report. Below is a summary of benefits and considerations to help employers decide what may be effective for their organisation and workforce, especially for low-to-middle earners:

- **Stabilise short-term finances to improve saving capacity**
  - **Give employees in an auto-enrolment scheme the option to opt down** as a preferable alternative to opting out. Options could include temporarily increasing employer contributions to cover the lost portion of employee contributions (e.g. contributing 5% instead of the minimum 3%) during periods of financial difficulty.
  - **Signpost to financial guidance services and materials** that would aid understanding of the employer's pension offering and impact on wider financial planning. For example, signpost to pensions dashboards when they are available, and work with pension providers to educate employees on the workplace pension offer.
  - **Consider sidecar savings** for employees who may require emergency funds. Clear communications about the implications will be needed to enhance knowledge and awareness of the potential saving opportunity.
  - **Encourage non-eligible jobholders and entitled workers to join a workplace pension.** Explain the option to join a pension scheme to non-eligible jobholders and entitled workers and consider contributing into their pension pots.
- **Embed a long-term strategy for saving levels**
  - **Auto-escalation:** Employees may not always be able to afford higher contribution levels early in their career and remain on the minimum level without further thought. Auto-escalation can gradually increase contributions in small increments, aligned with pay rises, so employees do not experience a sharp reduction in take-home pay. There should also be holistic consideration of pay and progression for low-to-middle earners to ensure fairness.
  - **Living Pension accreditation:** Many employers are accredited as Living Wage employers to demonstrate their commitment to supporting their workforce and demonstrating commitment to employees' financial wellbeing. The newer Living Pension accreditation goes further by setting a target level for annual pension savings needed for a decent standard of living in retirement.<sup>32</sup>

## Improve delivery of support and engagement

There may already be opportunities and support mechanisms within the workplace that, if streamlined and viewed more holistically, could deliver stronger overall financial outcomes for employees. Areas to consider include:

- **Integrate financial wellbeing support and pension offering:** Supporting employees' wider financial wellbeing beyond pay, benefits and pensions could help to increase engagement with employees and boost morale. This can also complement and balance efforts made to boost pension savings, so employees

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<sup>32</sup> Living Wage Foundation, [Living Pension accreditation](#), 2026

can benefit from the extra financial support in the short term and be more empowered to plan for their future.

- **Ensure pension providers have up-to-date employee information** so documents like annual statements and wake-up packs are communicated in a timely manner, especially when employees are approaching retirement.
- **Consider how different financial support offers work together** to improve financial literacy and prompt holistic planning, for example by reviewing any gaps and overlaps between pension communications, EAP provision and career MOTs.

## Appendix - Pensions offered by employers participating in this research

On top of the minimum contributions required by auto-enrolment many interviewees offered higher minimum contributions and/or matched contributions if employees wanted to increase their contributions (some up to 6%, 8% or 10%).

Contributions over minimum requirements are usually delivered through:

- Offering salary sacrifice arrangements.
- Auto-enrolling employees at all ages as long as they meet the earning thresholds
- Employer contributions to pensions from the first pound of pay.
- Opportunity to opt down employee contributions to avoid opting out completely. One organisation managed this through switching employee contributions to 3% and employer contributions to 5%.

Due to the range of organisations included in the research, and the differences in workforce complexity and seniority of staff employed, organisations offered varying tiers of pension contributions dependent on employee salaries and occupational types. A small number of organisations also had legacy Defined Benefit pension schemes that are closed to any future accruals.

Opt-out levels among the organisations interviewed were lower than reported national average rates of 8-10%, with 4% being the highest rate of auto-enrolment opt-out being reported.

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## Employers

Action for Children

Amey

Ardagh Group

A representative from the travel industry

Cadent Gas

Holcim

Kellanova

Surface Matter

The Children's Society

University of Salford

Wood Mackenzie

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