

## Providing pensions information and advice in the workplace where there is little or no employer contribution

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This **pilot study** was designed to evaluate the effectiveness of four different ways of providing pensions information and advice in the workplace. The pilot targeted employers who had at least five employees, provided access to a stakeholder pension (SHP) scheme, and offered either no contribution or a low contribution of less than three per cent of salary.

The evaluation explored the effects of the pilot options on the pensions knowledge, attitudes, and savings behaviour of employees; and the roles, experiences and views of participating employers, employees, pension providers and Independent Financial Advisers (IFAs). The methodology included quantitative surveys 'before' and 'after' the interventions; analysis of pension providers' administrative data; and qualitative research including in-depth interviews, focus groups, observations and informal consultation. The research was carried out on behalf of the Department for Work and Pensions by RS Consulting.

### Key findings

- Pensions information was to be provided to employees via written packs, presentations and one-to-one sessions. Employee apathy and significant logistical barriers faced by employers resulted, however, in fewer presentations and one-to-one sessions being held than planned. Also, only 53 per cent of surveyed employees could recall the pilot Pensions Information Pack's (PIP) being available at their workplace despite the intention that all employees should receive a copy.
- Overall, the evaluation identified no significant impact on savings behaviour, pensions knowledge or attitudes towards pensions. However, amongst the minority of surveyed employees who had at least read the PIP, and particularly amongst those who had more than skim read it, there was evidence of enhanced knowledge, as well as some effect in changing the amount of thought given to preparing for retirement and on some attitudes towards pensions. The pilot appeared to have no impact, however, on surveyed employees' attitudes towards the perceived security of pensions or their commitment to saving now.
- There were many subtle differences in the implementation of the pilot: in the delivery by providers and IFAs; the role taken by employers; and between host environments. It was not possible to pinpoint exactly the aspects that will contribute more or less to changes in attitudes, knowledge or saving behaviour among employees. However, examples of particular aspects that seemed beneficial were a positive employer attitude; distributing personalised pension forecasts to employees; assistance in completing application forms for one-to-one meeting attendees, and a presenter able to build good rapport and to tailor his or her presentation to the specific needs, background and age of the audience.
- Providers and IFAs felt that employer contributions were the key to success for the types of intervention tested. Most surveyed employees thought that their employer should contribute and claimed an employer contribution would act as a catalyst for action.

The majority of employers were opposed to the idea on cost grounds, because they did not see employees' pension arrangements as their responsibility, or because they did not believe there would be recruitment and retention benefits.

## Summary of the research

The pilot was designed to evaluate the effectiveness of the following four ways of providing pensions information and advice in the workplace:

- Option 1: Distribution of literature, including a Pensions Information Pack for employees that was specially commissioned for the pilot.
- Option 2: Distribution of literature (as in Option 1) and a presentation focusing primarily on the employer's SHP scheme.
- Option 3: Distribution of literature (as in Option 1), a presentation and one-to-one pensions information meetings with the SHP provider.
- Option 4: As Option 3, but implemented by an IFA, so that one-to-one regulated, pensions-focused financial advice could be provided at the meetings.

## Pilot delivery

Participation in the pilot was voluntary, and pension providers and IFAs utilised their customer base to recruit employers. Many employers were reluctant to participate; others originally identified as eligible were later found to be outside the target population, and providers and IFAs contacted a total of over 4,000 employers to recruit an initial sample of 143 employers for the pilot.

Apart from ineligibility, many reasons were given by employers for not participating. Employers described common characteristics of those employees disinterested in pensions as being young, on low incomes, only part-time, or approaching retirement. Other barriers to employer participation were lack of interest in pensions among those who had only designated a SHP because they were legally obliged to do so; lack of trust in pensions and the financial services industry; being too busy, and the view that pensions were

not relevant to their employees. Some employers were concerned about logistical problems and the costs of lost productivity.

More employers were allocated to Options 2-4 than to Option 1. Even so, from the final sample of 100 employers who implemented the pilot 81 participated only in Option 1, with a high number declining to implement the more intensive Options allocated to them.

## Distributing written information in the workplace

As stated, the pilot Employee Pensions Information Pack (PIP) was intended to be distributed to all employees in the pilot. However, only just over half of surveyed employees recalled its availability at their place of work; this could be due to either poor distribution by employers or poor recall on the part of employees. Of the employees who did recall the PIP's being available, most had at least skim read it. Under a third of surveyed employees recalled the availability of provider SHP literature and a minority had read it.

A Pensions Information Pack for employers was also distributed as part of the pilot. Both recall and perceived need for it were low amongst employers. This perceived lack of need was because employers either felt they were sufficiently knowledgeable, or had little requirement for this type of information since they simply passed on any queries to their provider or IFA.

## Presentations

Where presentations were held, typically between a quarter and three-quarters of employees attended them. There also appeared to be significant interest in presentations amongst surveyed employees who had not been able to attend one. In-depth interviews with presentation attendees revealed high levels of satisfaction with the presentations which were found useful and were felt to have increased attendees' knowledge, although not necessarily their intention to act. For some, the presentation confirmed negative or cynical opinions about pensions.

Attendance at presentations was not found to stimulate significant changes in savings behaviour. It is important to note that such presentations are generally not considered commercially viable by pilot providers in the absence of an employer contribution or worth the disruption by some pilot employers who faced considerable logistical difficulties in facilitating presentations.

### *One-to-one meetings*

One-to-one sessions were only offered at a small number of employers but an indicative pattern emerged. Attendance was related to how the sessions were offered and organised. Where it was left to employees to contact the provider to arrange the session, or when sessions were available immediately after the presentation, none were attended. However, in the two instances where sessions were announced at the presentation and the presenter returned on a fixed date a few days later, the sessions were attended by a high proportion of those who had been at the preceding presentation.

Feedback from the small number of employees who did attend a one-to-one meeting was positive, and there was also significant interest amongst employees to whom a one-to-one meeting was not available (over a third of surveyed employees reported being 'very interested' in a one-to-one session). However, as with presentations, providers and IFAs do not view one-to-ones as commercially viable in the absence of an employer contribution, and there are logistical difficulties faced by employers when trying to arrange them.

### *Impact on employees' savings behaviour, pensions knowledge and attitudes*

The pilot did not find evidence of significant changes in savings behaviour or stated intention to act. However, one in five of the surveyed employees who recalled receiving the PIP requested a State Pension forecast which may have been part of planning future action.

There was little evidence of the pilot's having a significant impact on employees' pensions knowledge, although surveyed employees who had more than skim read the PIP were found to

have increased their knowledge in selected areas (tax relief and where to obtain advice about planning for retirement).

While the pilot appears to have had little or no impact on action, planned action or knowledge, it has had a positive effect on the amount of thought given to making arrangements for retirement. This increase was highest amongst those surveyed employees who had read the PIP and/or attended a presentation, a small group who also reported an increased confidence in their ability to make decisions about pensions and less need for more information and advice about pensions.

### *Trust in the government as a source of pensions information*

The government was viewed as a relatively trustworthy source of printed information by surveyed employees, and most were unable to think of 'a more trustworthy source'. In-depth interviews revealed that information from government sources was more likely to be trusted if it was received via the employer with their implied endorsement.

### *Communicating about pensions via the workplace*

There was a general view from pilot employers, providers, IFAs and employees that the workplace is an appropriate channel for communicating information about pensions. Employers were the least supportive group due to concerns about the additional burden, and the majority wanted their role to be limited to the provision of written information. Providers and IFAs were most supportive of the workplace as a channel for pensions information, with the caveat that without additional incentives for employees to save this method would not be effective nor, without additional fees to allow providers/IFAs to recover costs, would it be commercially viable to service this target group.

## *Final remarks*

The evaluation has supplied new evidence about a previously under-researched population of employers and employees yielding valuable insights into the barriers to promoting pensions to this target audience. The evaluation has provided indicative findings that can inform policy decisions. However, the low opt-in for employees and the highly self-selected nature of the participating employers mean that the findings cannot be extrapolated to all employers or employees in the target group.

This evaluation has made very clear just how difficult a task is faced in trying to get employees in this target group to engage with the provision for income in retirement. Equally, the evaluation has demonstrated how difficult a task in practice is faced in using the workplace among employers who offer no or low pension contributions.

The full report of these research findings is published for the Department for Work and Pensions by Corporate Document Services (ISBN 1 84123 905 4. Research Report 294. November 2005).

It is available from Paul Noakes at the address below.

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