



Northern Ireland
Assembly

Committee for Communities

OFFICIAL REPORT (Hansard)

Pensions (Extension of Automatic
Enrolment) Bill: Research and Information
Service

13 June 2024

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Colm Gildernew (Chairperson)
Mrs Ciara Ferguson (Deputy Chairperson)
Mr Andy Allen
Mr Maurice Bradley
Mr Brian Kingston
Mr Daniel McCrossan
Mr Maolíosa McHugh
Ms Sian Mulholland

Witnesses:

Ms Eleanor Murphy Northern Ireland Assembly

The Chairperson (Mr Gildernew): I welcome Eleanor Murphy from the Assembly's Research and Information Service (RaISe). Eleanor, I invite you to make your presentation, after which Committee members may ask questions.

Ms Eleanor Murphy (Northern Ireland Assembly): Thank you very much, Chair. I will try to make my presentation as succinct as possible.

I will cover a couple of areas, beginning with a brief overview of the Pensions (Extension of Automatic Enrolment) Bill. I will not linger on it, because you are already familiar with the Bill. I will look at what parity is, because parity is central to the Committee's remit, and, indeed, you have been discussing it for most of the morning. I will explore with you what the legislative basis for parity is, because it is relevant to the Bill. I will also look at the Bill's fiscal implications. I will then look at some of the issues that were raised by the relevant Westminster Public Bill Committee, because, in 2023, it looked at exactly the same Bill that you are going to be looking at, which was the Pensions (Extension of Automatic Enrolment) (No. 2) Bill. That Committee was largely supportive of the Westminster Bill, but it raised some issues that have already been raised by this Committee early in its consideration of our Bill. Finally, I will identify a few issues for the Committee to consider.

As you know, if enacted, the Bill will amend the Pensions (No. 2) Act (Northern Ireland) 2008 to provide the Department for Communities with regulation-making powers. Those regulations will reduce from 22 to 18 the age at which eligible workers are automatically enrolled and re-enrolled and reduce or abolish the lower earnings limit. As I said, this is a parity Bill, with the Pensions (Extension of Automatic Enrolment) (No. 2) Bill having already been enacted at Westminster.

Let us look at what parity is. Its definition is based on section 87 of the Northern Ireland Act 1998, which states that the Secretary of State for Work and Pensions and the Minister for Communities shall consult each other in order to maintain, as far as possible, a single system of social security, child support and pensions for the United Kingdom. The key word there is "shall". It does not state that they "must", or "should" consult. With welfare reform mitigations, there can be substantial cost implications, and information on that is set out in the UK statement of funding policy for the devolved Administrations. It states that, if the Northern Ireland Executive decide to deviate from parity in any way, the Treasury will take a decision on whether the Executive will pay those costs.

Pensions are a devolved matter, however, so it is within the power of the Assembly to deviate from that policy if it should decide to do so, but there would be cost implications from its doing so, and not only for the Assembly. For example, if the contribution amounts for employers or employees were to be changed, that would have implications for both. There are lots of ways in which, and mechanisms by which, the Assembly can challenge decisions that the Department for Work and Pensions has made, and this Committee is central to that. You have already proved that you are not shy in writing to DWP to question its decisions. Our MPs, our Members of the House of Lords, our Minister and our officials also have a role to play in questioning and working with DWP on pensions and social security.

Parity in pensions policy and legislation is a little more closely knit and a little more difficult to unpick. Eligible workers in Northern Ireland are employed by UK employers and are therefore members of UK-wide pension schemes. Northern Ireland employers will also use UK-wide pension schemes, although there are some local pensions providers. The regulatory system is very much interwoven, because there is a single pensions regulator for the UK, the Pensions Regulator (TPR). I will now look at the Westminster Bill, which has been enacted and is now the Pensions (Extension of Automatic Enrolment) Act 2023. It was introduced as a private Member's Bill, interestingly enough, by an MP called Jonathan Gullis, but it was then supported by the UK Government. DWP wrote the regulatory impact assessment (RIA) and the explanatory memorandum.

The purpose of that Bill, similar to this Bill's, was to enact two proposals contained in the 2017 statutory review of automatic enrolment. The proposals relate to age threshold and the lower earnings limit.

I want to make the Committee aware that the 2017 review was wide-ranging. It looked not just at those two things but at pension provisions for the self-employed. That consideration does not form part of this Bill, but I mention it because it is likely to come up as part of your consultation. The statutory review did not recommend that automatic enrolment be used for the self-employed, as it did not feel that the framework was right. You may hear other opinions on that. It is a very complicated issue. The self-employed are not a homogeneous group. There is a tendency to think of the self-employed as affluent, but they are not. Some are, but most are not. There is a wide fluctuation in income, and that affects pension provision.

Recent Institute for Fiscal Studies (IFS) research shows that the number of self-employed is going up but that pension savings among the self-employed are going down. There are very complicated reasons behind that. It is just something to bear in mind. As I said, it is not part of the Bill, but it is likely to come up in your call for evidence.

The Public Bill Committee was largely supportive of the Bill, but it raised a number of issues. First, an amendment proposed to it was not successful. One Committee member wanted to lower the age threshold from 18 to 16 in order to bring it into line with National Insurance and income tax. The MP who introduced the Bill said that he was happy to discuss the issue with the member but that the purpose of his Bill was to action the 2017 statutory review proposals, and the proposal was to reduce the age to 18.

The then Parliamentary Under-Secretary of State for Pensions said that opt-in arrangements for 16- and 17-year-olds should be promoted as part of the communications strategy, which is something at which the Committee may want to look.

One Committee member also expressed concern about the lack of understanding of pensions in general and said that that was a real problem when it came to future planning. That is a salient and fair point. It is very difficult to get people excited about or interested in pensions. It is an issue that this Committee has already raised, and that member sought further information on what work DWP was going to do to consult pension savers, and young people in particular, about the changes, how it will make them aware of them and how it will encourage them to be enrolled automatically. Moreover, after the introduction of the subordinate legislation, it was asked what would be done to consult

employers, employee organisations and trade unions on the roll-out of automatic enrolment. The same Committee member also questioned the timing of the introduction of the subordinate legislation and asked whether the Government would take into consideration the performance of the economy and the cost-of-living crisis.

There are some potential issues for the Committee to consider. You have already considered how the communications strategy is key to all of this when the regulations are introduced and the roll-out happens. How are you going to communicate with young people in particular and low-income workers? How are you going to get small to medium-sized enterprises engaged with it as well?

The issue of pensions and the self-employed, as I said, is not part of the Bill, but the Committee may wish to consider it at another stage. It is an issue that you may want to look at more closely. The Institute for Fiscal Studies is undertaking a wide-ranging review of the pensions infrastructure. You may want to tap into some of the work that it has already done and perhaps receive a briefing from it on pensions in general, not just automatic enrolment.

After the regulations have been introduced, you may want to consider what plans the Department for Communities has to monitor progress made on the early identification of issues with local employers and eligible workers. You may want to consider DFC providing the Committee with regular updates on any problems or emerging issues. That is essentially it. It is a short Bill, so there is not a great deal to say about it.

The Chairperson (Mr Gildernew): Thank you, Eleanor. That was a useful refresher on the Bill and associated issues. A communications strategy for young people is a key issue. Building on one of the things that you said has prompted the need for ongoing communication, because the cost-of-living crisis could mean that some people are not just in the space of being able even to consider pensions.

It is clear that the price of food and other things is continuing to go up, albeit perhaps slightly more slowly, but prices are certainly not coming down. When people turn 18, if the communications strategy moves on and does not revisit them, there is a potential for people not to be engaged with. In light of that, do we know the impact that the communications strategy has had on the roll-out across the water? Are there figures for how many people signed up, how many did not and how people are being engaged with?

Ms Murphy: As far as I am aware, the regulations have not come into force across the water either. It will therefore depend on when the next Government decide to introduce them and whether they do, so there is no early research on or indication of what they may look like, and that is why the Committee may want to consider monitoring closely the roll-out in Northern Ireland.

The Chairperson (Mr Gildernew): Is there a communications strategy in place for when they do proceed with the regulations? Do we know what their communications strategy is likely to be?

Ms Murphy: No, I do not, but I can ask DWP whether it has already made decisions.

The Chairperson (Mr Gildernew): That might be useful to know, because the Minister, in previous debates on the Bill, mentioned a dashboard. I think that Committee members agreed with the point that young people checking government dashboards at any time may not be a priority for them, but their not checking for pensions has the potential to be a double non-engagement. I am not saying that that is the case for everyone, and young people are as astute as anyone else, but we should be looking to communicate with them via platforms where they get their news and information from. Should that be online, we should be imaginative and inclusive. Moreover, we need to be very alert to vulnerabilities when communicating.

Ms Murphy: I agree.

The Chairperson (Mr Gildernew): Language and literacy issues need to be considered as well so that no one is placed at a disadvantage.

Ms Ferguson: I would definitely reiterate two things. Communication is critical. Is there any analysis, even from back in 2017 about opting in and so on? I am not sure whether I recall this correctly, but around 20% opted out. Was any local analysis done of that 20%, such as where they live? From our previous presentation, you would assume that it is as a result of the cost of living and thus affecting

those most in need. That would be really good to know, because we need to prioritise those who are not opting in and know how we can support them.

I agree about the self-employed. That is quite concerning. Perhaps we can follow up after the election on the progress made on that issue in GB, by which I mean where it is at and what research has been done. As I said, has any deeper analysis been done of why 20% opted out, particularly of in which constituencies across the North they are? I am assuming that they are working families who are most in need in our most disadvantaged communities. How can they be supported?

Those are two areas on which the Committee could follow up.

Ms Murphy: I can definitively have a look at that. I did look for Northern Ireland-specific figures for automatic enrolment, but it was difficult to find any. There were UK-wide figures in the regulatory impact assessment that DWP produced. It could be that there are methodological difficulties with extracting Northern Ireland data from UK-wide pension schemes, but I will have another look at that. Studies have been done on young people and more vulnerable groups' engagement on pensions. I can pass those on to you.

Ms Ferguson: That would be great. Thank you.

Ms Mulholland: My point follows on from the self-employment issue. The issue of self-employed farmers who may not necessarily have the same access to online forums has been raised with me in my constituency. For me, it is about the communications strategy. We have discussed young people before, and I have discussed them in the Chamber, but the rural support element has come up quite a lot on the issues of universal credit and pensions.

Mr Kingston: Thank you, Eleanor. The advantages of extending automatic enrolment are that it makes pension contributions the norm for employees and employers and that it is seen as normal for employers to assist employees with their pension and for employees to pay into it. Will you clarify whether the employer's contribution, as well as the enrolment of the employee, will be automatic?

I know that that is an issue for young employees, who may have what they consider to be more pressing financial demands. They may not want some of their income going into their pension for a faraway day. It is about them knowing that, if they pay in a pension contribution, their employer will supplement it, so they will be getting more money.

Ms Murphy: The employer makes a contribution. There are figures in the paper on that, but I do not know them off the top of my head. The employee also makes a contribution, and there is also some form of tax relief involved from the Government.

Mr Kingston: Is it mandatory for the employer to make a contribution?

Ms Murphy: As far as I am aware, yes.

Mr Kingston: It is important that people see that benefit. More money will come to them, albeit some of it will be coming to them in the long term.

Ms Murphy: Again, that is part of the communications strategy. The Department has quite a task ahead of it, because people, particularly young people, are not really engaged so much on pension issues. It is also about getting the message across that there is a contribution from employers and from the Government and that becoming part of a pension scheme is therefore worth their while.

Mr Kingston: Yes, and it is about telling them that, if they opt out, which they have the right to do, they are missing out on those extra contributions.

Ms Murphy: We have to get the message across to people that, even if they can put in a little bit of money, doing that will benefit them in the long run. As I said, however, some people are struggling to make ends meet. Getting them to see that benefit, when they may not even have the resources available to pay into their pension at the minute, is quite difficult.

Mr Kingston: I have two other questions, Chair, if we have time.

The Chairperson (Mr Gildernew): Go ahead.

Mr Kingston: Is the choice of pension provider up to the employee, or is it between the employee and the employer to decide? I presume that employees who have an existing pension policy can say that they want to use that one. Sometimes employers have a preferred pension policy.

Ms Murphy: Largely, the employer picks the pension. I am not quite sure. I will clarify that and come back to you on it.

Mr Kingston: When I moved around between different jobs, I found that each job that I went to had a preferred pension scheme. Eventually, I had to combine them all. Nest is the official government scheme, I think.

Ms Murphy: We have a local scheme, which is the Workers Pension Trust.

Mr Kingston: Yes, I have a small pension with it as well from one of my previous jobs.

Ms Murphy: Hopefully, you will hear from representatives from the Workers Pension Trust as part of the call for evidence as well. It will probably be able to provide you with a more local perspective on some of the issues with automatic enrolment.

Mr Kingston: The other benefit, I hope, is that automatic enrolment will impact on people who are unofficially employed. They may think that that is to their advantage, but getting paid in cash in the grey market is to their employer's advantage. Those people are not getting any pension contributions, and they are therefore very vulnerable. I hope that automatic enrolment will reinforce the idea that people should be properly employed and thus have employee rights and make contributions to a proper pension. People are being exploited, even though they may think, "I am getting cash here". Everything that promotes proper employment is better for all concerned.

Ms Murphy: I hope that that forms part of the communications strategy. Another issue was with people working in the black market, people working in the gig economy, freelancers and people working on zero-hours contracts, all of whom have limited means to pay into a pension and reap the benefits of it. Work is being done on that as well.

Mr McCrossan: Thank you, Eleanor, for your work on this. I have a couple of things to say. I am interested in how the 16-year-olds element is being explored and how young people generally are being reached. Sian has mentioned that in the past few weeks. We may need a better communications strategy about the importance of pensions, because a lot of young people think that pensions are just for old people. Their view is, "I will be ancient by the time that I need that", but that is not at all accurate. Rather, it is about planning for the future. Having a proper communications strategy that steers that narrative will be important.

Ms Murphy: That is a really important point, and it is not an issue for just the Department for Communities. It starts with education, by making sure that young people are financially educated, not just about pensions but about rent, mortgages and budgeting. It is a much wider issue than one for only the Department for Communities.

Mr McCrossan: We have long argued that it should be a key part of the curriculum in schools in order to create greater awareness. That would be much more useful for young people.

Another point, which, I know, relates more to the state pension, is the Government's messing about with the stage pension age. Has that had an impact on the general reputation of pensions and on their uptake?

Ms Murphy: I do not know whether there is research to prove that. I can have a look. I think that pensions have generally had a bit of a rough time. In the 1980s and 1990s, a lot of pension providers crashed, and that had an impact on people's general perceptions of pensions. There is therefore a large body of work to do to make people trust pensions again, and not just automatic enrolment but all forms of pensions, as well as the state pension age.

Mr McCrossan: The statistics on the uptake of pension schemes point to positive moves in the right direction. In 2021, uptake was 73%, compared with 45% in 2011. The increase has been quite significant in the private sector, where uptake is up by 39%, as opposed to 12% in the public sector. That having been said, only 62% of private-sector workers are in a pension scheme, as opposed to 92% of public-sector workers. When conducting your research, did you become aware of the reason for such a disparity?

Ms Murphy: No, I did not. Again, I can look at that.

Mr McCrossan: Similarly, did you encounter any information to suggest that the changes brought about by the Bill could reduce the disparity between the uptake in the public sector and that in the private sector?

Ms Murphy: The short answer is that I am not sure. I will need to go away and consider that. I am far from a pensions expert. I cover such a broad range of issues.

Mr McCrossan: I know that. Your research is very good. Those were probing questions more than anything else.

Ms Murphy: That is what I am here for. It is definitely something that I can take away and look at.

Mr McCrossan: Chair, if you will indulge me, may I ask whether there are there any comparators between the uptake in other jurisdictions and that in Northern Ireland? Have we an acute issue here?

Ms Murphy: Again, it is difficult to find a breakdown of those figures. They all tend to be UK-wide figures. As I said, there are probably methodological reasons for that. People belong to UK-wide pension schemes, so it is hard to break down the figures into jurisdictions. I may be able to see whether DWP or the Office for National Statistics (ONS) has other data that we can use so that we can compare and contrast the different jurisdictions.

Mr McCrossan: Is there any information available on why some workers have chosen to opt out of pension schemes in Northern Ireland?

Ms Murphy: Employers may not be promoting them enough. People also probably cannot afford them, or they view pensions as something that they cannot afford.

Mr McCrossan: Briefly, Chair, I recently heard from a constituent who is the partner of someone who, having worked all their life and paid significantly into their pension, passed away, unfortunately, a few years later. Their pension then halved, leaving my constituent with only half of what their partner had worked all their life to build up. Does that disincentivise people from going down the pension route, as, in that case, the person and their partner could have invested that money all along? I am playing devil's advocate a wee bit, but all those things are real questions on people's minds, because, in the current climate, people are looking after every pound and asking, "Why would you pay into a system?". Is that coming up in your research?

Ms Murphy: Not that I have come across — as I said, I had only a cursory look at it — but bodies such as the Pensions Institute have done a lot of work on the behavioural reasons behind why people do not engage with pensions and why they may not trust pensions, so —

Mr McCrossan: Yes. "Trust" is the word.

Ms Murphy: — I can send you links to information on that.

Mr McCrossan: That is great. Thank you.

The Chairperson (Mr Gildernew): It is worth reiterating that the self-employed issue is a real concern, because work, especially for young people, has become more precarious. I am aware of young people in my community who are working multiple jobs — some across the border and some in the North — and having to put together two, three or four pieces of work weekly. We must be very alert to the self-employed issue.

I agree with Sian's point about farmers. I know that they have massive difficulty with universal credit, because of fluctuations in income. An awful lot of self-employed people are on the lower end of the income scale rather than affluent, which is the perception that Eleanor rightly identified. We could be creating a pensions time bomb. Some of the people who are at a disadvantage by not being able to afford a pension now will experience that disadvantage deepening across their life as the result of decisions that they may be aware of but not able to make at this time. That also speaks to the need for ongoing communication about the value of having a pension so that if, this year, people cannot afford to pay into a pension, that is picked up next year, and they are prompted to reconsider by being asked, "Have things changed? Could you start contributing now?". For young people, that is particularly important.

Ms Murphy: I mentioned that the Institute for Fiscal Studies is doing a three-year project on pensions. One of its concerns is that people are not saving enough for the future and that, although the current cohort of pensioners is, relatively speaking, in not too bad a position, it is likely that future generations are heading for difficulties. The pensions infrastructure will therefore have to change to ensure that our future generations' pensions are protected. It would be useful if the Committee could engage on that in some way. I can send you links to early reports from the project, but it would be useful for the Committee to keep a watching brief and perhaps have some briefings from the IFS or other institutes so that the Committee can take a view on pensions overall rather than just a view on automatic enrolment.

The Chairperson (Mr Gildernew): On the cross-border issue, is there coordination or the potential for coordination, memoranda of understanding or anything like that on the split or multiple pensions that people may have?

Ms Murphy: There is a protocol between the UK Government and the Southern Government on social security matters that may include pensions; I will have a look at that. The Centre for Cross Border Studies is another important body. You could ask it to contribute as part of the call for evidence, not necessarily on automatic enrolment but on wider pension issues.

The Chairperson (Mr Gildernew): We are looking at pensions at this juncture, so it may be useful for us to start feeding into some of the threads that could improve the situation as we move forward with the Bill.

OK. Thank you, members. I think that that is everything for now. Thank you, Eleanor, for clarifying the issues, taking our questions and taking away further questions to come back to us on.