



Working Lives

A research report into employer and employee attitudes to workplace pensions, savings and benefits

Issue 2 – February 2013



Overview of the report

- **Working life in the UK today – pg 4**

Just under two-thirds (65%) of employees say their main workplace concern remains how their pay compares to the cost of living and just over a quarter (26%) do not feel they have a good work-life balance.

- **Financial confidence wavers – pg 6**

Nearly half (45%) of employers and almost two-thirds (60%) of employees say they are 'not very' or 'not at all' confident in the UK economy.

- **The corporate benefits scorecard – pg 7**

Almost two-thirds (65%) of employees say their salary is the most important aspect of their job, but UK workers do agree that other benefits are important too. More than half (53%) of workers have access to a workplace pension, but 45% who choose not to contribute to one say they do not have the spare cash to do so.

- **Transforming workplace pensions – pg 9**

Now that automatic enrolment has started to roll out, 87% of employers compared to 59% of employees are aware of the pension reforms.

- **Will I stay or will I go – pg 11**

A third of employees (37%) who are aged over 22 years and are not yet auto-enrolled say they will opt out, but 28% remain undecided.

- **Beyond pensions – the value of workplace benefits – pg 12**

Automatic enrolment will be the catalyst for 38% of employers to review their broader benefits package.

- **Awareness does not equal 'engaged' – the WEBS (Workplace Engagement in Benefits and Savings) Index – pg 13**

The WEBS Index shows room for improvement in engagement levels among employers and employees.

- **The critical lever – communications and engagement – pg 14**

More than a third (35%) of employers say they have discussed what automatic enrolment means with their employees. However, 18% of employees do not feel they understand 'very well' or 'at all' the benefits their employer offers.

- **Workers under pressure – pg 16**

Many of those on middle incomes and below spend more of their income on basic expenses than the UK average, such as housing (36.16% vs. 30.86% - UK) and much less on pensions than the UK average (3.52% vs. 14.88% - UK).

- **Big business – the experience of very large companies – pg 17**

Companies with 1,000-plus employees are further along in their automatic enrolment preparations and are more concerned with the on-going management issues and communication to employees.

- **Case study – Aviva's journey to automatic enrolment – pg 19**

- **Methodology – pg 19**

Introducing Aviva's second Working Lives report

Much has changed in the world of corporate benefits since we launched the first Aviva Working Lives report in May 2012. Automatic enrolment is already bringing pension saving to hundreds of businesses and thousands of their employees, and will benefit up to 11 million workers by 2018¹.

There is a great deal to learn from the larger companies who are leading the change. The likes of Tesco, Sainsbury's, Asda and Morrisons have been at the forefront of auto-enrolment and at Aviva we've just completed our staging, having looked at how best to meet the short and long-term requirements of automatic enrolment (see page 19).

This second Aviva Working Lives report tracks the views of more than 700 employers and 4,000 workers in the private sector*. The findings present a complex and evolving picture of the attitudes of employers and employees to corporate benefits, at a time of unprecedented change.

Each employer is tackling this challenge slightly differently with the size of their business playing a major role. This is not surprising, as many larger employers will undoubtedly have more resources to call on and will need to prepare for auto-enrolment earlier than their smaller counterparts, but it does provide an opportunity to learn from those who have already made these changes. In this report, we have chosen to include research results on the different sizes of companies**, where relevant, to highlight the significant differences between employers.

Overall, the report shows awareness about automatic enrolment has increased, with marketing campaigns on the subject having the desired impact. Many people are now beginning to at least consider saving for retirement, and businesses say they are progressing well with their automatic enrolment plans.

However, our research also shows that there remains a stark contrast in automatic enrolment awareness among employers (87%) and employees (59%). While both of these have increased significantly since May 2012 and there is a general agreement that automatic enrolment is a step in the right direction, there is still an overall reluctance to engage in workplace saving and benefits. Engagement by employers and employees leaves plenty of room for improvement, but at a time when continuing economic uncertainty is presenting financial challenges.

The challenge for employers and the broader industry is now moving from building awareness about automatic enrolment to actually influencing employee attitudes and behaviours towards saving.

The fact that so many employees say they cannot afford to save for their retirement, and yet there is strong support for the automatic enrolment legislation, suggests that employers and the wider industry need to focus on a deeper level of engagement. Employers need to think innovatively about ways of encouraging employees to save, and adopt practical tools that help their workers make decisions based on their personal circumstances.

There is no doubt that employers are looking for cost-effective ways to retain a loyal workforce. In difficult economic times, broadening a benefits package to include highly valued, non-pensions related options, such as life cover or critical illness cover, may prove an important step in influencing whether an employee chooses to engage in their financial planning in the workplace.



Change takes time, and it remains a combined responsibility of employers, advisers and consultants, the Government, the Pensions Regulator (tPR), the Financial Services Authority (FSA) and pension providers, such as Aviva, to focus on this critical area of workplace savings and benefits.

It's important that we come together to do everything we can to provide employees with straightforward, value for money pensions and benefits that are clearly understood and consistently explained. And equally, that we give employers the support they need as they transition to this new world of saving. There has never been a more important time to influence the nation's financial habits and no better place to start than the workplace.

Mark Noble

Managing Director Health and Corporate Benefits, Aviva

Working life in the UK today

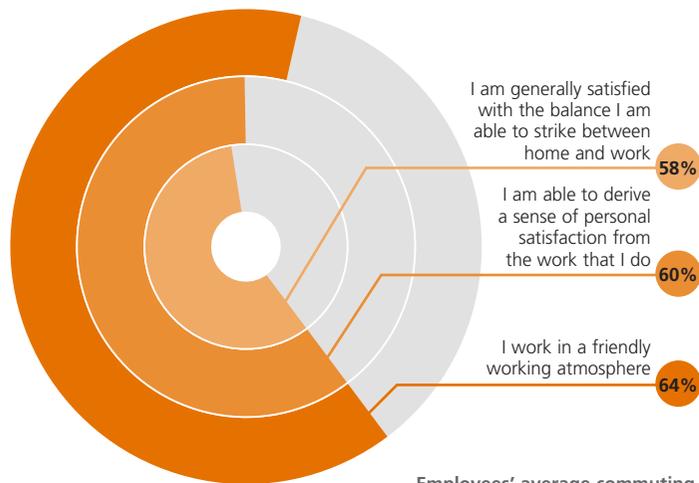
Automatic enrolment started to roll out from 1st October 2012 and by the end of the year, an additional 600,000 employees were estimated to be saving into a pension².

While this is an excellent start, there are still many thousands of workers and employers who need to decide how to best tackle these changes while dealing with their day-to-day priorities and financial concerns.

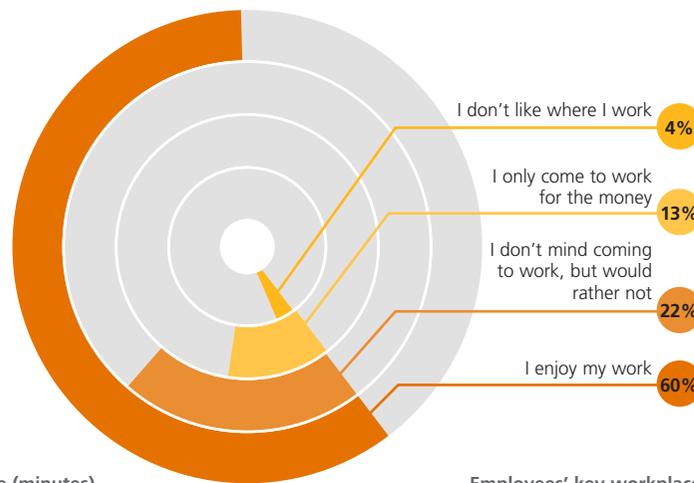
So what is the general sentiment on working life in the UK private sector workplace at the moment?

A snapshot of working life - employees' perceptions, enjoyment and concerns about their experience in the workplace

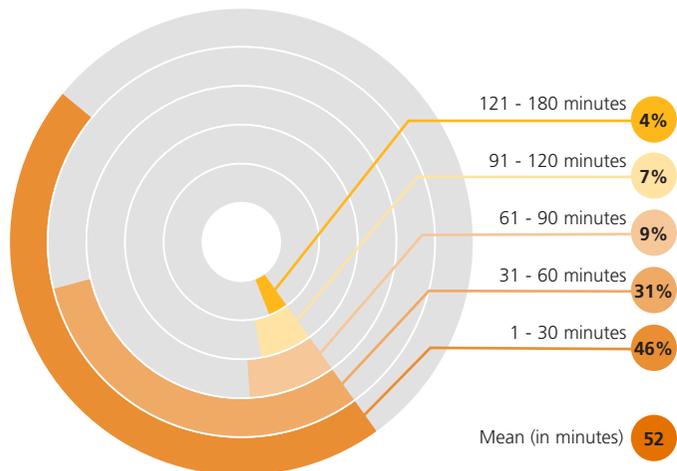
Employees' perception of work



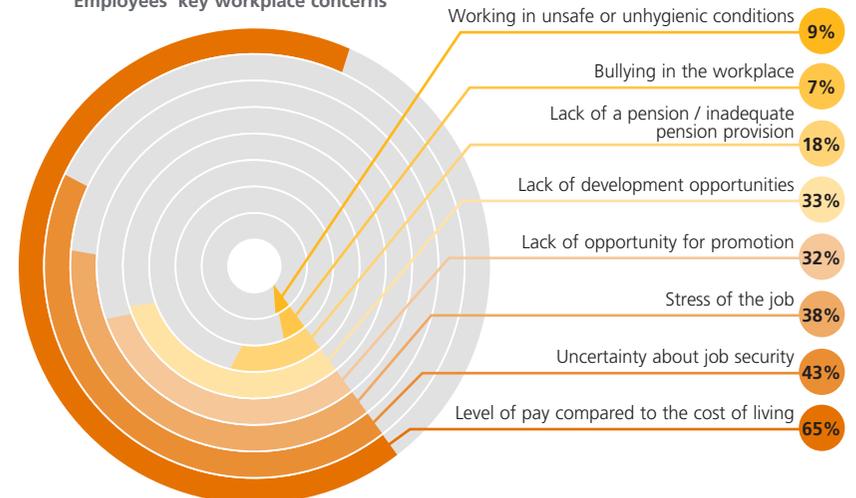
Employees' enjoyment of work



Employees' average commuting time (minutes)



Employees' key workplace concerns



All stats taken from Q1 2013

Working life is a complex balancing act

While more than half (60%) of employees say they enjoy their work, this is down from 72% in Q2 2012. Below inflation salary increases seem to be one of the main drivers behind this as 65% of employees say their key workplace concern remains how their pay compares to the cost of living (up from 53% in Q2 2012). Longer working hours are also likely to play a role as 26% of employees feel they do not have a good work-life balance and 29% work for nine hours or more each day. In sharp contrast, only 18% cited a lack of a pension or inadequate pension provision as a chief concern.

Employers' business concerns have evolved since Q2 2012 as many tighten their financial belts in light of the continuing economic uncertainty, with 42% (compared with 51% in Q2 2012) stating that keeping ahead of the competition is their key worry.

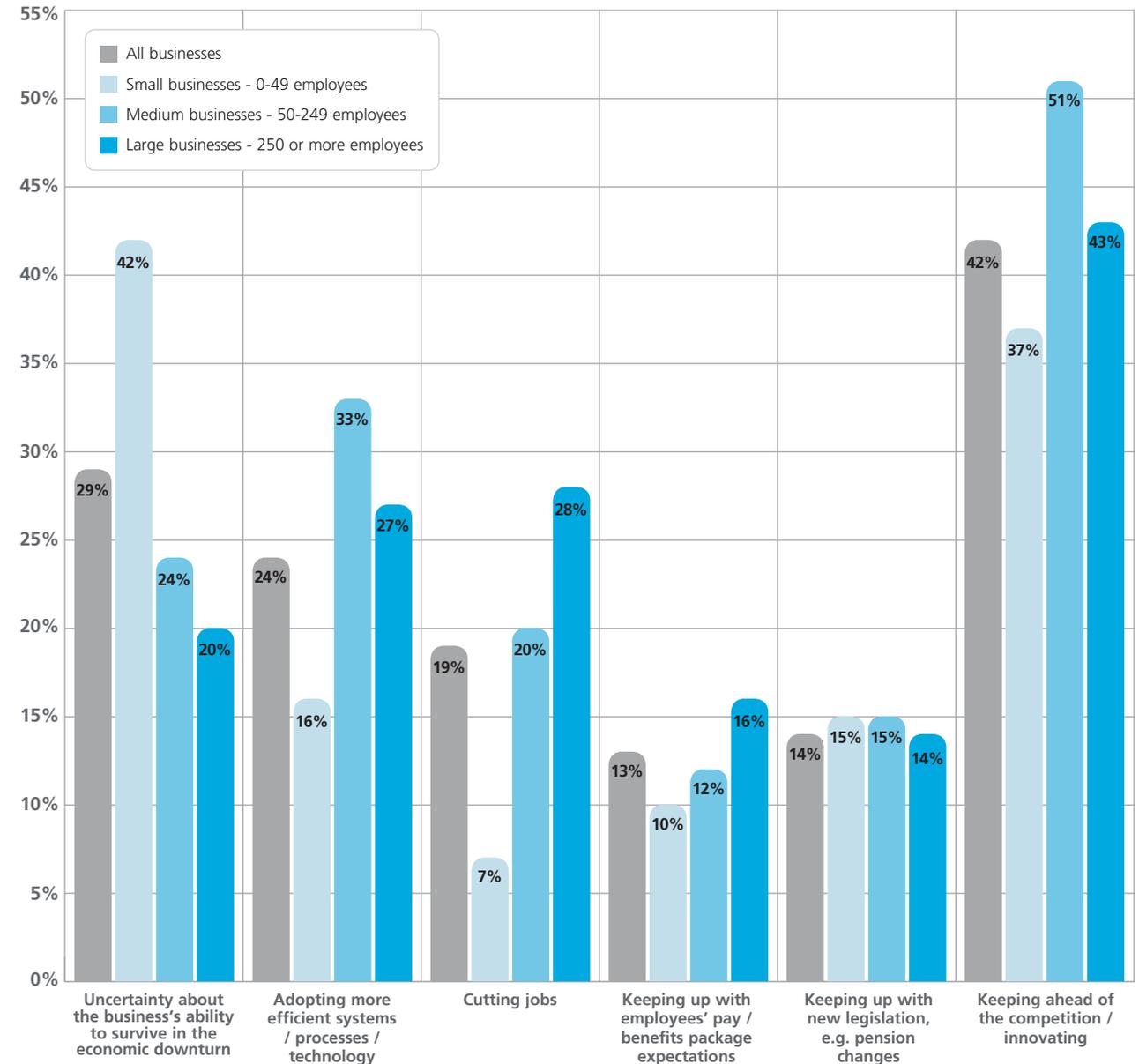
As they focus on business survival, employers are becoming less concerned about keeping up with employees' pay/benefits expectations (13%, down three percentage points from 16% in Q2 2012) and an increasing number (19%) are worried about cutting jobs (up from 6% in Q2 2012).

Although the current economic climate might make it difficult to demonstrate financially, employers value their employees. Three-quarters (74%) feel that it is difficult to replace people who leave with those of similar expertise.

It is clear that companies will need to find mechanisms to engage and retain employees without substantially increasing their salary/wage bills. Indeed, almost a third of businesses (32%) say they are looking for ways in the next 12 months to motivate employees 'without unduly increasing remuneration' and 31% are looking to ensure key employees stay with the organisation.

Employers are also more focused on maintaining headcount despite the economic downturn (20%, up eight percentage points on 12% - Q2 2012). As employers look for cost-effective ways to retain the loyalty of their employees, many may well consider extending their benefits package, with flexible and non-pensions related benefits.

Employers' key business concerns (Q1 - 2013)

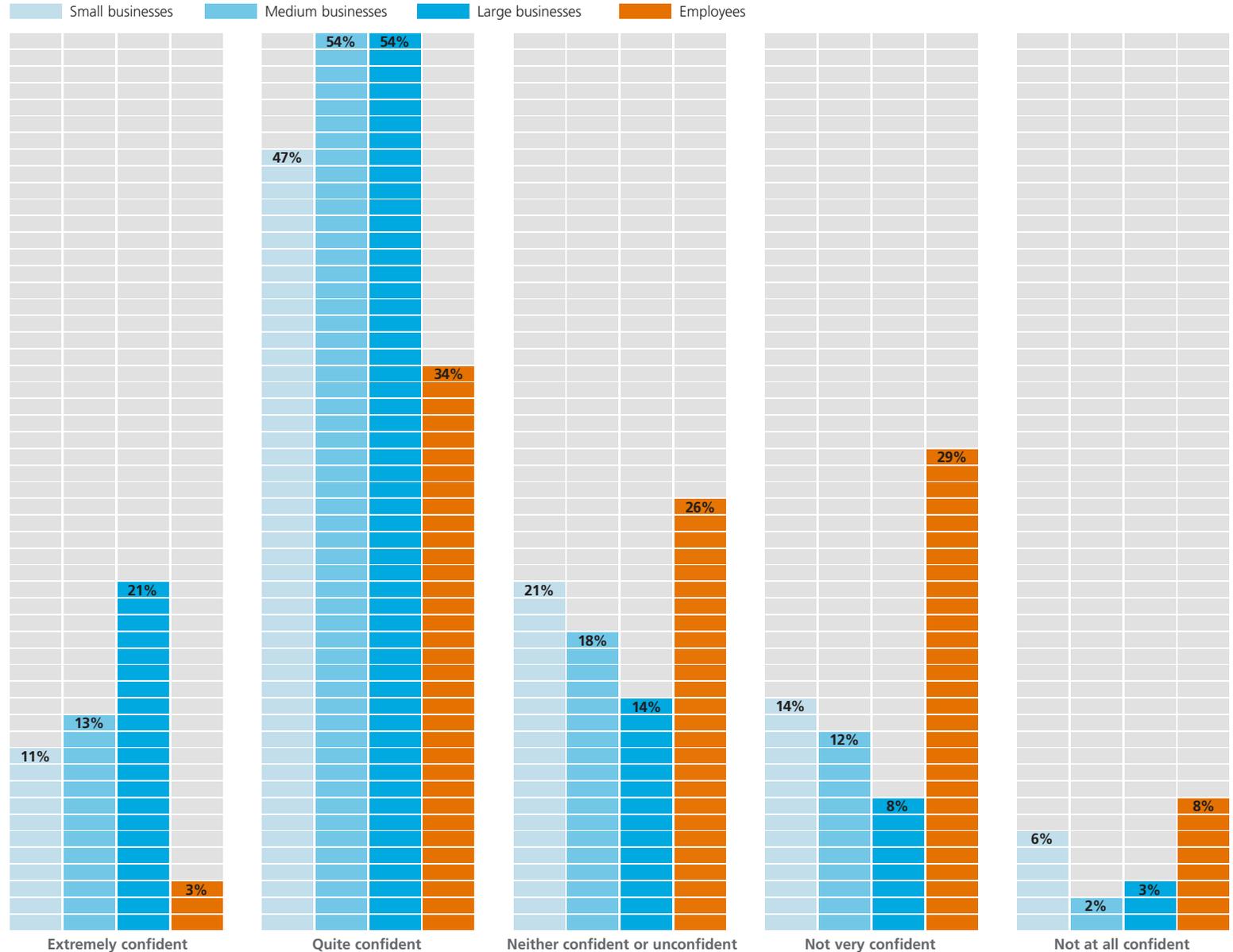


Financial confidence wavers

Overall, employees and employers differ in their level of financial confidence, with employees less optimistic than their employers. Among employees, 60% say they are 'not very' or 'not at all' confident in the UK economy, compared to 45% of employers. This falls slightly to 41% in large companies (large companies are defined as those with more than 250 employees).

The difference is even clearer regarding financial matters. While 68% of employers are 'extremely' or 'quite' confident in their businesses' financial situation, only 37% of employees are confident about their personal financial situation. Large companies are more buoyant with 75% saying they are confident about their businesses' situation.

Employers' confidence in the financial situation of their business vs. employees' confidence in their own financial situation



The corporate benefits scorecard:

While 65% of employees say their salary is the most important aspect of their job (up 15 percentage points on 50% - Q2 2012) UK workers do agree that other benefits are important. In comparing the benefits employees want with those they are offered, it appears UK employers are working hard to meet their workers' expectations.

Top five benefits employers offer vs. those most valued by employees

Annual/performance related bonus	1	Annual/performance related bonus
Money purchase/defined contribution pension scheme	2	Money purchase/defined contribution pension scheme
Health Insurance	3	Health Insurance
Life insurance/death in service	4	Life insurance/death in service
Company car/car scheme	5	Company car/car scheme

● Employer offers ● Employee values

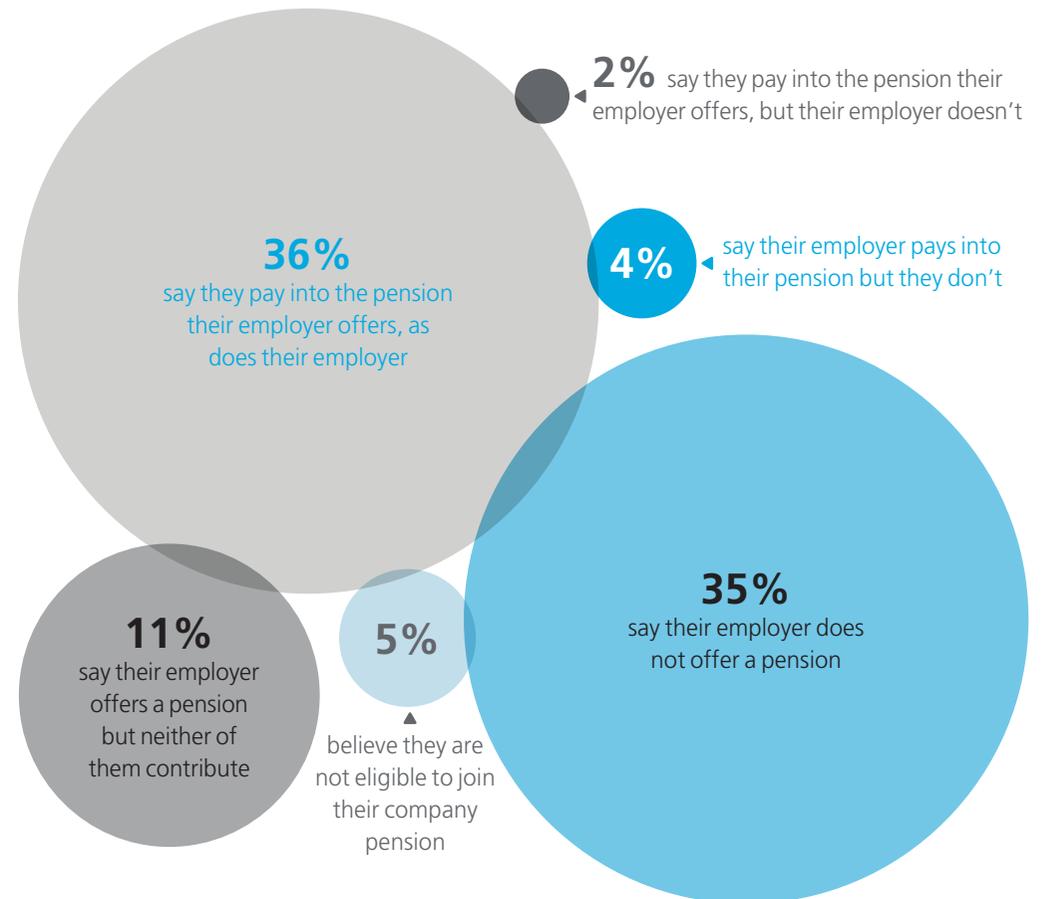
Top five benefits valued by male and female employees

	Annual/performance related bonus	1	Annual/performance related bonus	
	Money purchase/defined contribution pension scheme	2	Money purchase/defined contribution pension scheme	
	Life insurance/death in service	3	Health Insurance	
	Health Insurance	4	Life insurance/death in service	
	Company car/car scheme	5	Company share scheme/free shares	

Who is saving for retirement?

With 53% of employees having access to a workplace pension, it is worrying that only 38% of workers are actively contributing to one themselves, and a further 4% say their employer contributes to one even though they do not.

Employees in private sector firms report their pension situation as follows:



How much are they saving for retirement?

Aviva's Working Lives report shows the typical amount that a UK employee with a workplace pension is contributing to a scheme is 5.50% of their salary (or £1,421 per year). The typical amount that a UK company contributes to an individual's pension is 6.22% (or £1,607 per year).

Pension contributions by employers and employees across the UK

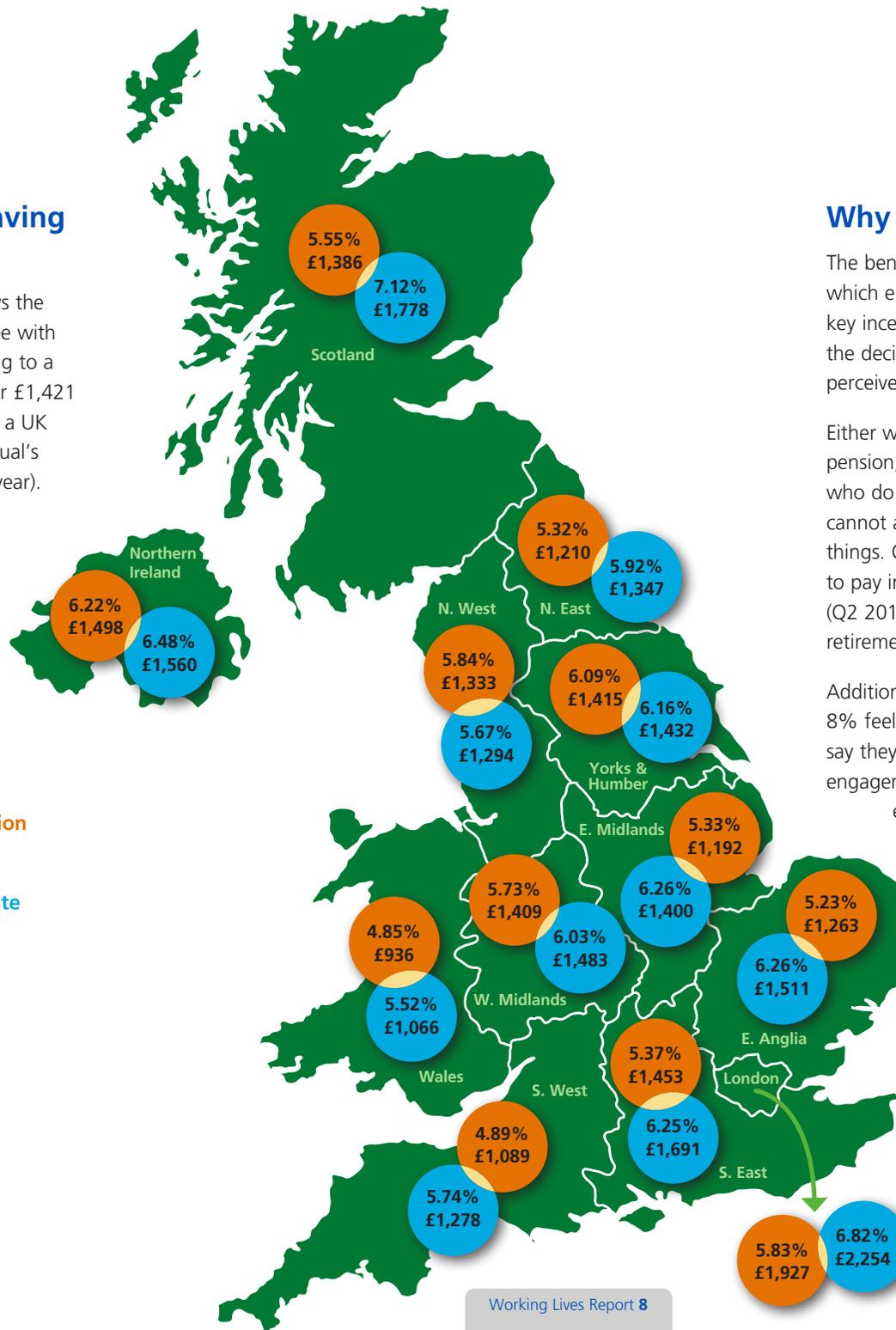
- Employee
- Employer

% % of salary

Employees in Northern Ireland contribute the highest proportion of their income (6.22%)

Employers in Scotland contribute the highest proportion of employee income (7.12%)

Pension contributions by employer size



Why are some people not saving?

The benefit of employer contributions – often seen as ‘free money’ which employees would otherwise not receive – has been cited as a key incentive for saving into a workplace pension³. However, it appears the decision whether or not to save into a workplace pension is firmly perceived as a practical, financial one.

Either workers feel they can manage their daily expenses and afford a pension, or they do not feel they can. Almost half (45%) of employees who do not contribute to a scheme they are offered say they simply cannot afford it, 19% are repaying debts and 17% are saving for other things. Of interest, the number of workers who say they cannot afford to pay into a scheme has dropped 10 percentage points from 55% (Q2 2012) which suggests that while general finances remain tight, retirement saving is becoming more of a consideration.

Additionally, 10% say they are too young to think about pensions, 8% feel they don't have the information to make a decision and 6% say they have not had time to join. So it is clear that communication, engagement and education remain critical factors in creating a shift in employees' attitudes to long-term saving.

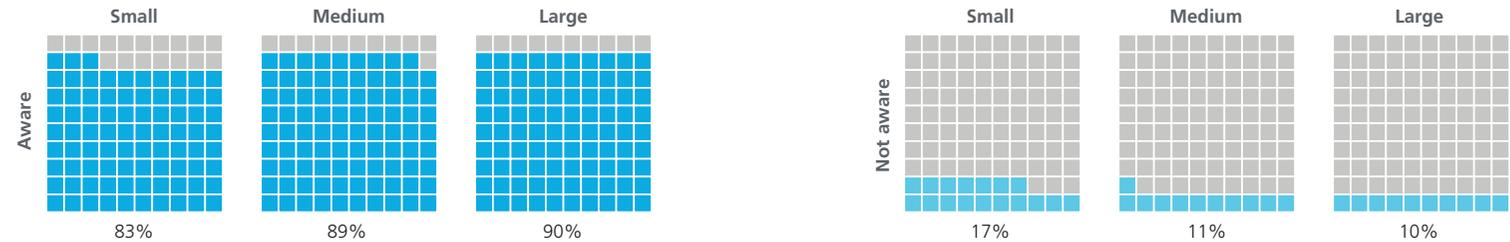
Transforming workplace pensions

When the first Aviva Working Lives report was launched in Q2 2012, automatic enrolment had yet to become a practical reality, but thousands of employers are already contributing to schemes and many more are preparing for their staging date.

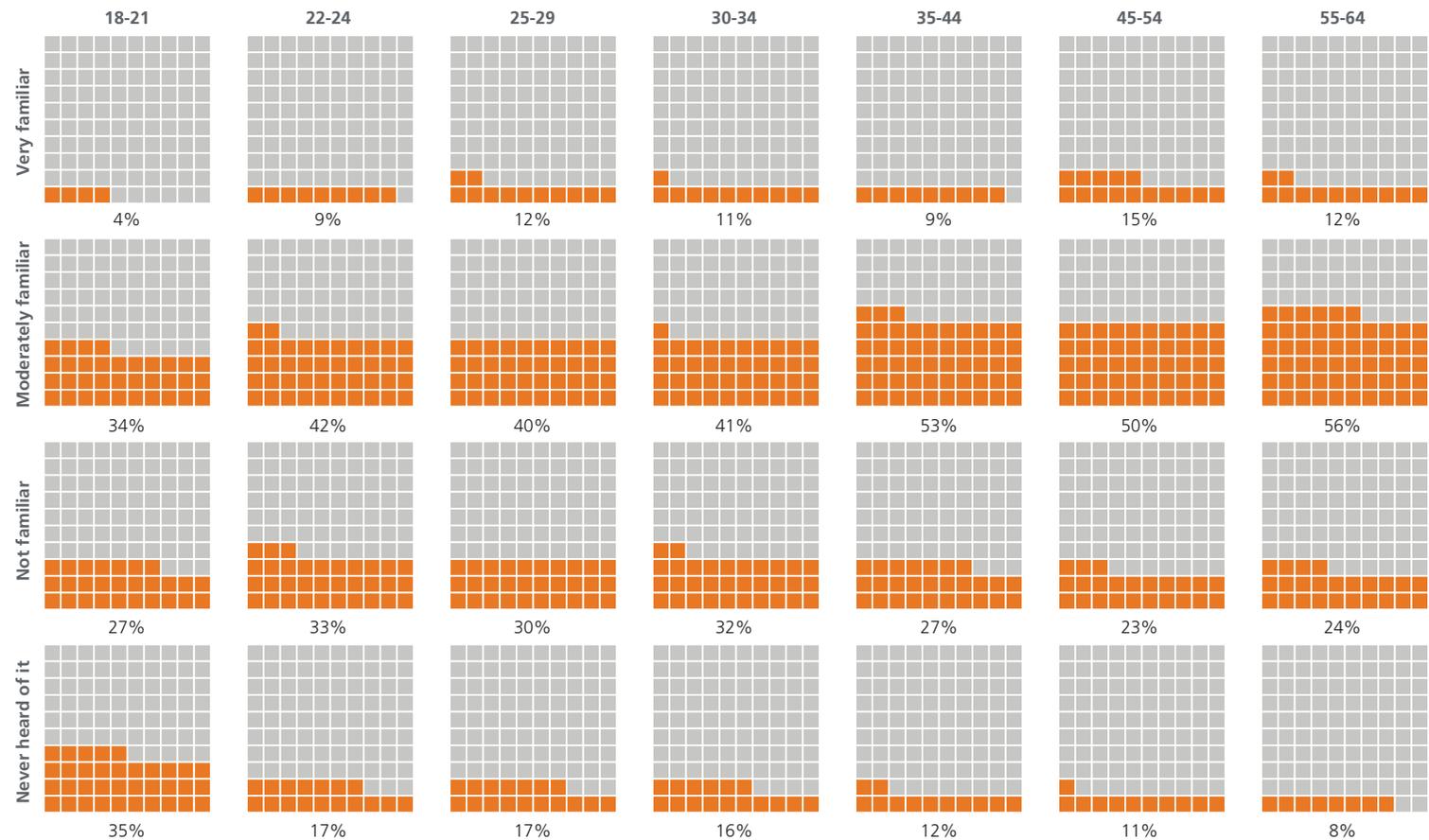
A great deal has been written about the importance of making employees aware of the benefits of saving into a workplace pension. It is therefore significant to see employer awareness of auto-enrolment now stands at 87% compared to 77% (Q2 2012). More significantly, employee awareness has increased from 31% (Q2 2012) to 59% (Q1 2013) – aided by initiatives such as the high profile Department for Work & Pensions advertising campaign.

By their own admission, 13% of employers (23% - Q2 2012) and 41% of employees (68% - Q2 2012) say they are not familiar with automatic enrolment. Perhaps unsurprisingly, 17% of 22-24s have never heard of automatic enrolment, while just 8% of 55-64s say this, which suggests that more age appropriate education could be initiated for those who are likely to derive the greatest long-term benefits from the pension reforms.

Employers' awareness of the new auto-enrolment pension regulations (by business size)



Employees' awareness of the new auto-enrolment regulations (by age range)

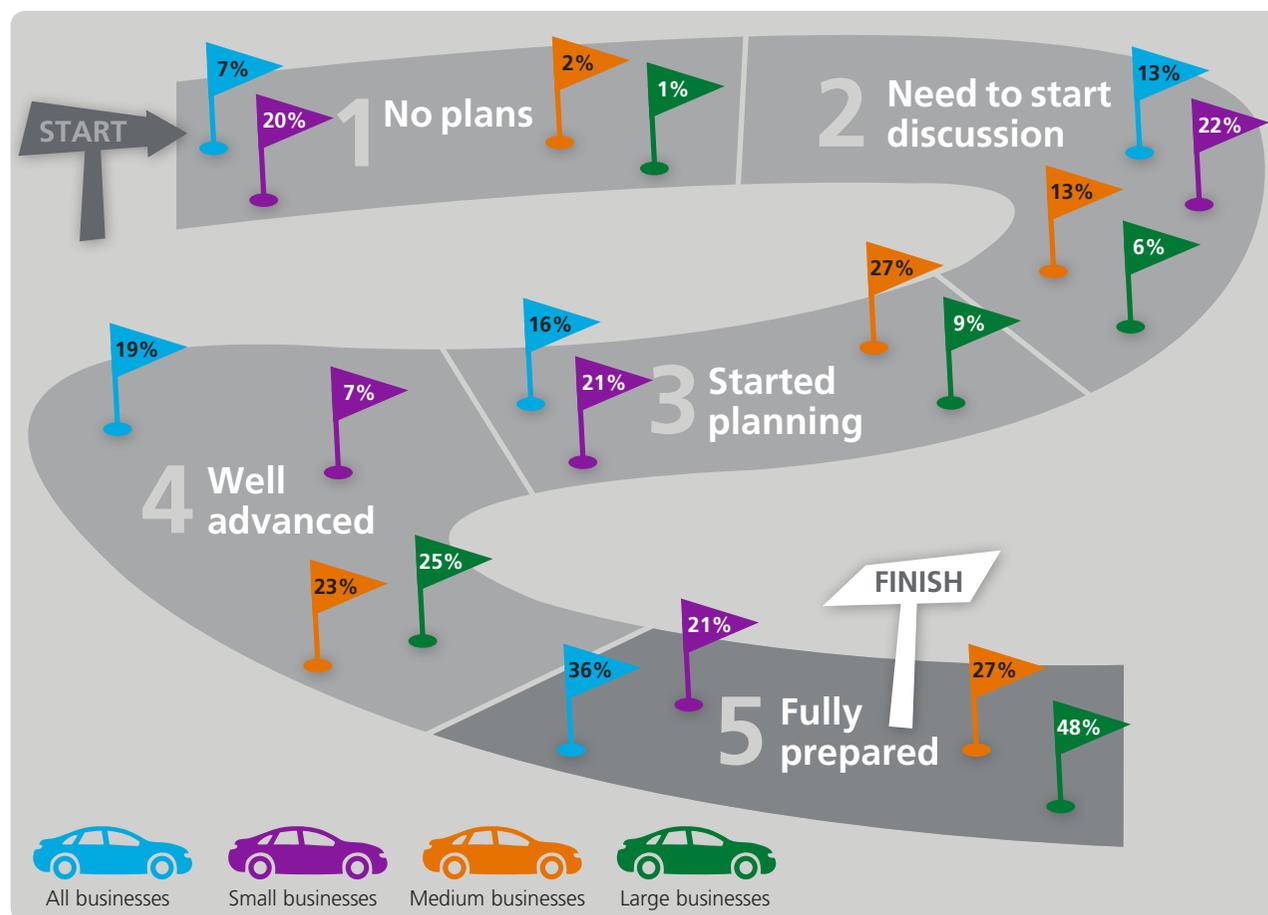


Employers confident about planning progress:

More than a third of employers (36%, the same as in Q2 2012) say they feel fully prepared for automatic enrolment and understand what they need to have in place, while 19% say their planning is well advanced (down 3 percentage points from 22% - Q2 2012).

As only a relatively small number of employers have actually begun automatic enrolment, many of these companies may not yet have encountered the full complexities of planning for the long-term compliance requirements.

Employers' readiness for introducing auto-enrolment



Not surprisingly there are still some employers who have yet to progress their plans: 13% of employers say they have not started discussing the implications and 7% have made no plans at all. Small businesses (those with between 0 and 49 employees), with automatic enrolment staging dates further in the future, are more likely to have not started discussing automatic enrolment (22%) and to have not made any plans (20%). However, only 2% of medium sized businesses (those with between 50 and 249 employees) and 1% of large businesses say they do not have any plans.

Employees support automatic enrolment changes:

Employees' support for the pension reforms bodes well for the future. Almost two-thirds (65%) of employees say automatic enrolment will encourage saving and 59% agree with the decision to pass legislation to automatically enrol workers. With the advent of this new legislation and increasing dialogue on the subject, more people (62%) see pensions as the best way to fund their retirement (56% - Q2 2012).

Not surprisingly, 61% see the state pension as a very important part of funding for their retirement, which suggests that the culture of placing some reliance on the State for old age may continue well into the future.

When asked what they think the potential impact of automatic enrolment might be, those who have yet to be automatically enrolled and are not contributing to a pension say they will receive less money in their pay packet (35%) – a key consideration when 65% rate salaries as the most important aspect of their job. This suggests that the notion of 'free money' from employers' pension contributions needs to continue to be a focus of communication campaigns.

Will I stay or will I go – employees remain uncertain:

Employees can opt out of a compliant pension scheme and those who feel they may struggle financially are likely to consider this option. Despite the positive signs of increasing awareness, there is a huge amount of work still to be done if auto-enrolment is to prove a success. Central to this is translating employees' awareness into positive action to not only stay in a pension scheme, but save enough for their retirement.

Overall, 37% of employees who are currently not auto-enrolled say they will opt out, which is unchanged from Q2 2012. While this shows a stable and largely expected opt out rate, there is an increasing number of undecided workers, which at 28% is up seven percentage points on 21% - Q2 2012.

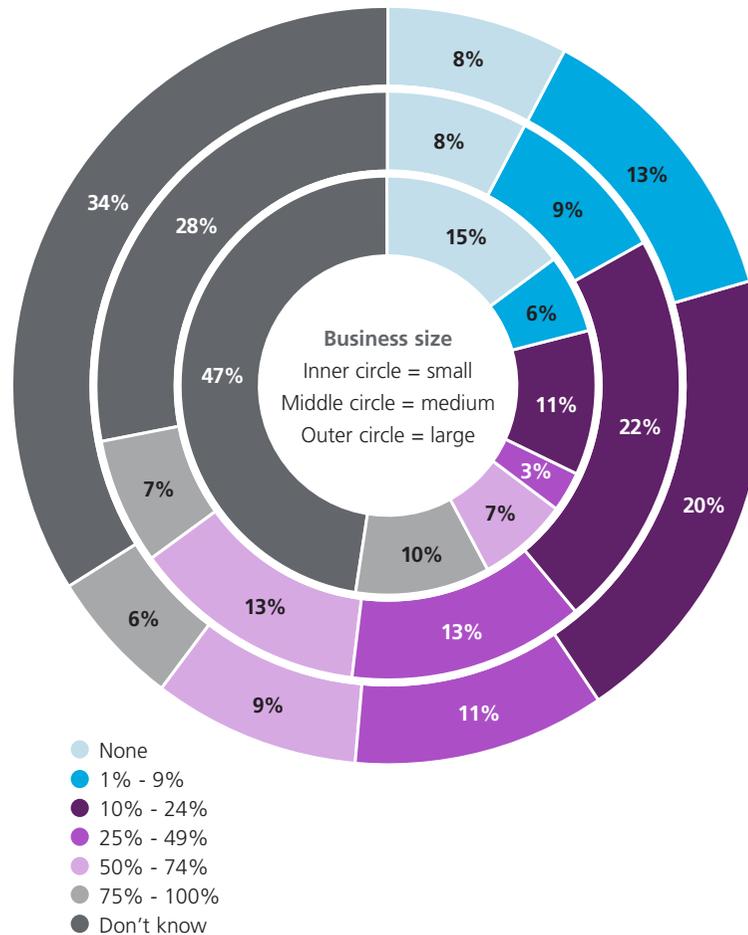
However, 36% (43% - Q2 2012) of employees who are currently not auto-enrolled say they will stay in an automatic enrolment scheme. This breaks down into: 19% say they will be pleased to have a pension, 6% will contribute more than the basic amount and 11% will stay in the scheme as they cannot be bothered to opt out.

Employers have mixed views on potential opt out rates, with 38% undecided on the percentage of their employees likely to opt out and 10% saying no one will opt out. A quarter (25%) of employers think that more than 25% of employees could opt out, and 27% say under 25% may opt out.

Expectations among employers and employees about automatic enrolment opt outs

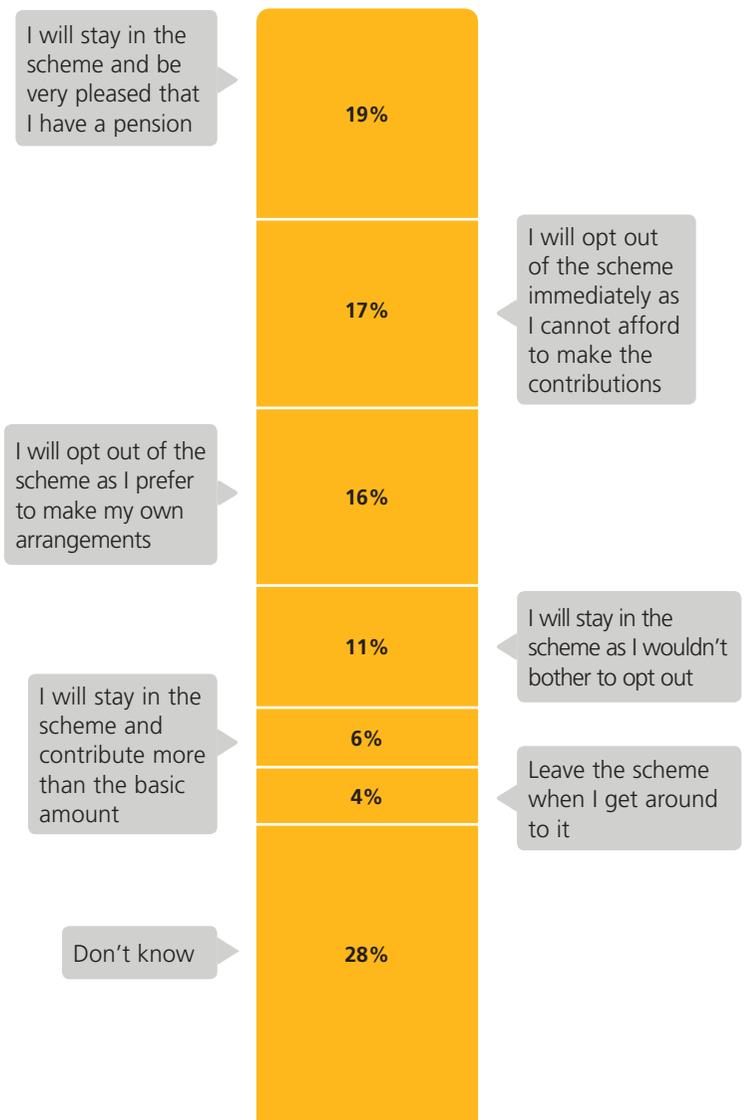
Employers' view

Anticipated opt outs among employees



Employees' view

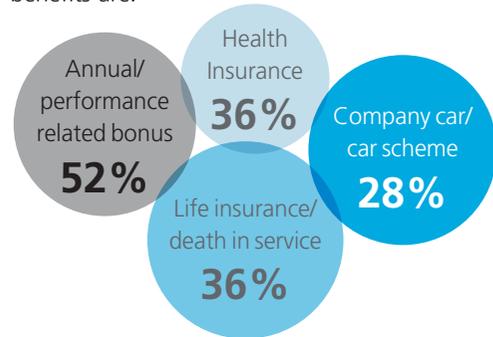
Intentions regarding auto-enrolment



Beyond pensions – the value of workplace benefits

While automatic enrolment has put the focus on workplace pensions, many UK private sector employers realise the value of offering a ‘well rounded’ benefits package. Almost half (44%) offer benefits as they believe it helps with recruitment and retention, 43% do so as they want the best for their employees, 28% believe it helps them to keep pace with their competitors and 24% say it is more cost-effective than a salary equivalent.

Excluding pensions, the top four most common benefits are:



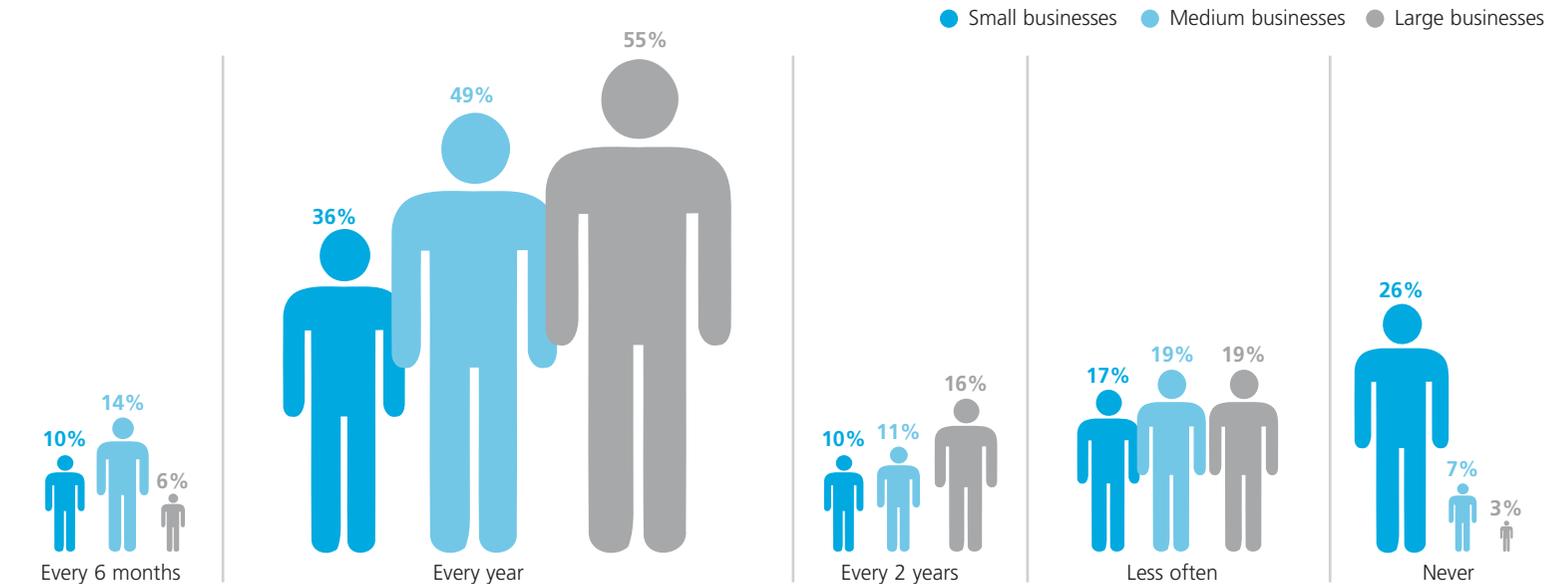
Of those types of risk-related products that can be linked to a pension, employees say by far the most valued is income protection (58%), providing monthly payments to cover costs in the event of ill health. About a third (34%) of employers say they currently offer some or all of their employees life cover, linked to their pension, rising to 52% in large businesses.

And 41% of employers say they ‘will’ or ‘may’ consider linking an employee benefit such as a group life cover in this way – creating a potentially powerful way of encouraging employees to stay in pension schemes.

Reviewing benefits packages:

With 39% of employees saying that their employer does not offer any of the traditional benefits (such as annual bonus, health insurance or a company share scheme), the advent of automatic enrolment may well be the catalyst for change or increased communication. The fact that 38% of employers say that they are likely to review their companies’ benefits packages at the same time as reviewing their automatic enrolment pension provision is positive news. Medium and large employers are more likely than small businesses to say they will review their benefits package. However, 39% of all employers say they will not be reviewing their benefits at the same time as their automatic enrolment provision.

How often employers review their employee benefits packages



Two-thirds (62%) of businesses say that the benefits/reward package they offer employees is a key part of their annual strategic planning process, rising to 71% in large businesses, and 60% seek feedback from their employees at least once a year. There are still a significant number of employers who are not as engaged with their employees in seeking feedback. For instance, 13% say they never ask for feedback from employees as to how appropriate the package is, and 27% only discuss this every two or more years.

A contributing factor to this lack of dialogue is likely to be the fact that despite 56% reviewing their benefits offering at least once a year, there are still 32% who say they do this every two years at most, and 12% who say they never do it.

As automatic enrolment prompts more employers to review their benefits package, driven also by the need to find cost-effective ways to enhance their overall reward package, it will be essential that they enter into a two-way conversation with their employees about the types of benefits that will best suit them.

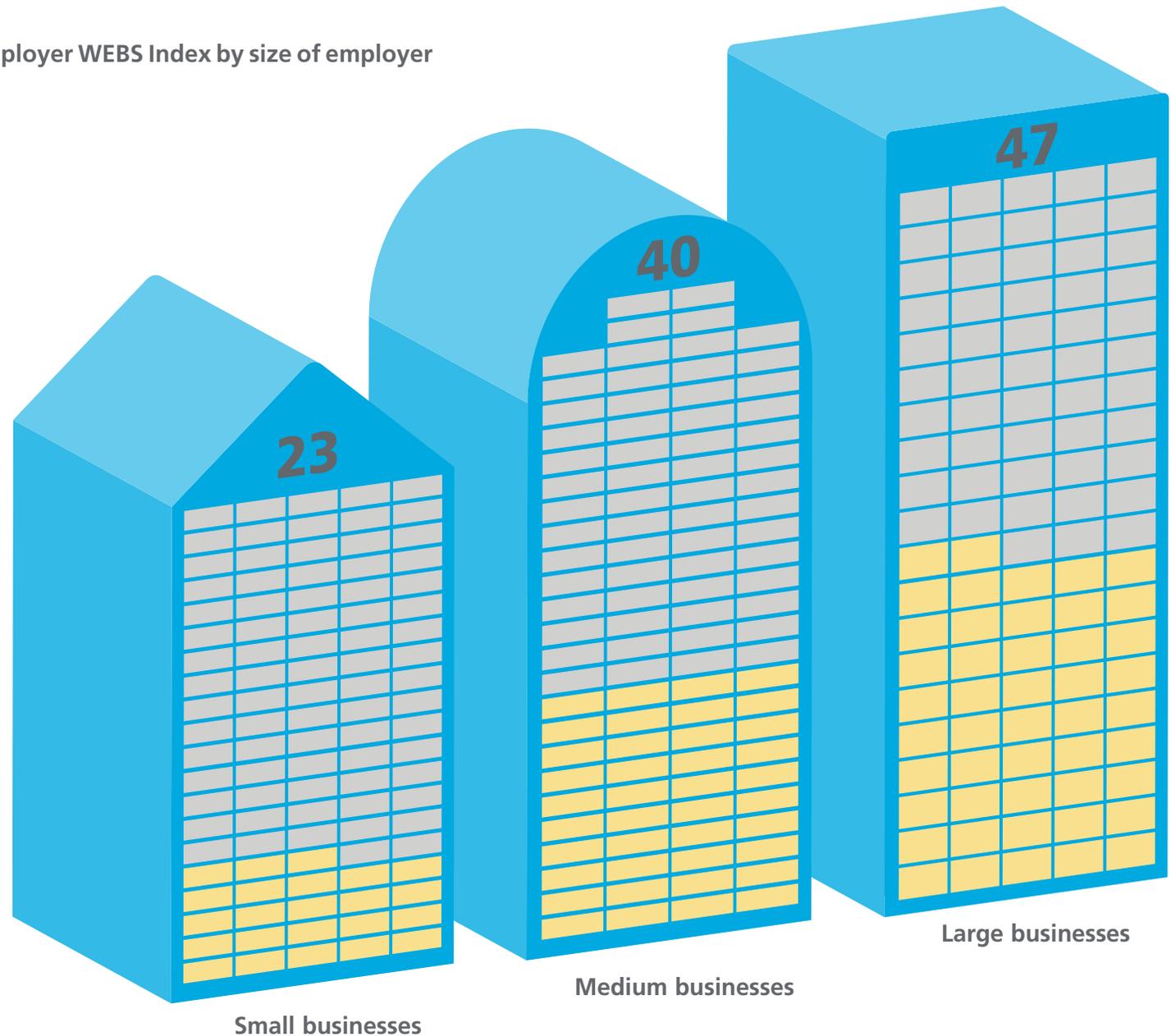
Awareness does not equal 'engaged' – the WEBS Index

As part of the Working Lives report, a new corporate benefits tracker – called the Workplace Engagement in Benefits and Savings (WEBS) Index – has been developed to assess the overall level of engagement in workplace pensions and benefits: including awareness levels, ownership and enthusiasm on the part of UK private sector employers and employees.

These factors were given different weightings to produce a score out of 100 that will be tracked over the coming months and years. The initial mean WEBS Index scores are: employees (38 out of 100) and employers (37 out of 100), suggesting there is plenty of room for improvement. Of the various employees tracked, the most engaged are those earning more than £50,000 (57 out of 100), and engagement rises in employers if they have 1,000-plus employees (51 out of 100).

While the primary aim will be to see how engagement varies as auto-enrolment comes into play in the coming years, there are some early interesting results. Engagement in benefits increases as employees earn more, men are typically more engaged than women, and more engaged employees tend to enjoy their jobs more. In terms of employers, there is a clear link between the size of the company and level of engagement, illustrated here.

Employer WEBS Index by size of employer



The critical lever – communications and engagement

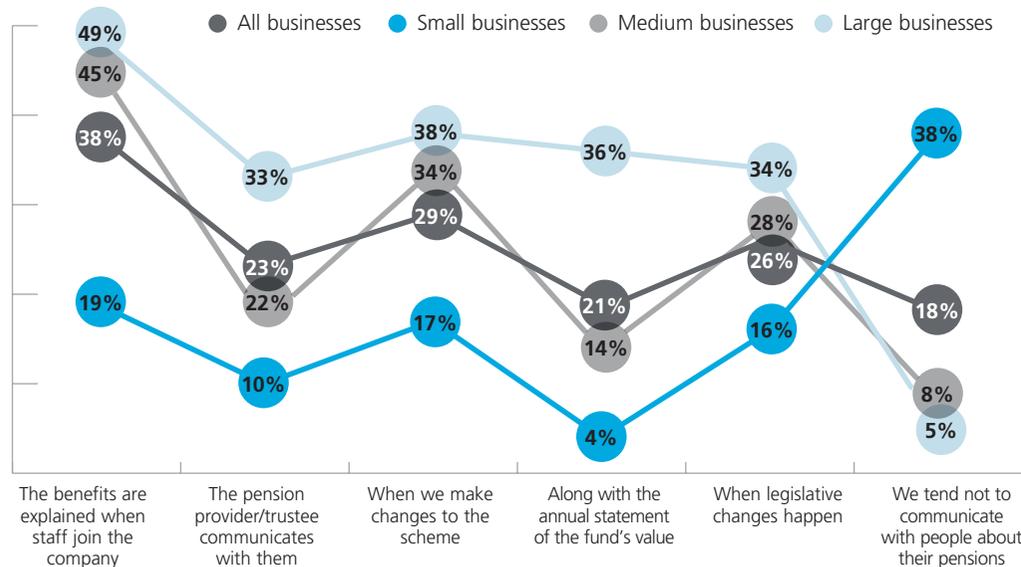
How employers communicate with their employees about workplace benefits will be instrumental to the success of automatic enrolment as well as the take up of wider benefits.

Employers say they speak to their employees about pensions when they join the company (38%), when changes are made to the scheme (29%) or when legislation changes (26%). Nearly a quarter (21%) use an annual statement as the basis for additional communications about workplace benefits, 20% have an intranet site with regularly updated information, 15% have a dedicated point of contact so people can ask questions and 17% hold discussions using their line managers.

While this may not seem frequent enough, some employees do not demonstrate strong opinions about communications as 14% say they don't know when they want to receive communications, and 11% 'don't care'. However, 24% of employees say they are happy with communications about their savings and options via their annual statement, a further 5% are happy with speaking about their pensions less often than annually, 6% as part of an on-going discussion with their employer, and 7% only 'when something changes'.

Some employees indicate a desire to have more frequent communications, with 19% saying they would like to hear about workplace savings on a regular basis, similar to their payslip, and 15% saying they would like information accessible at all times via a secure intranet site.

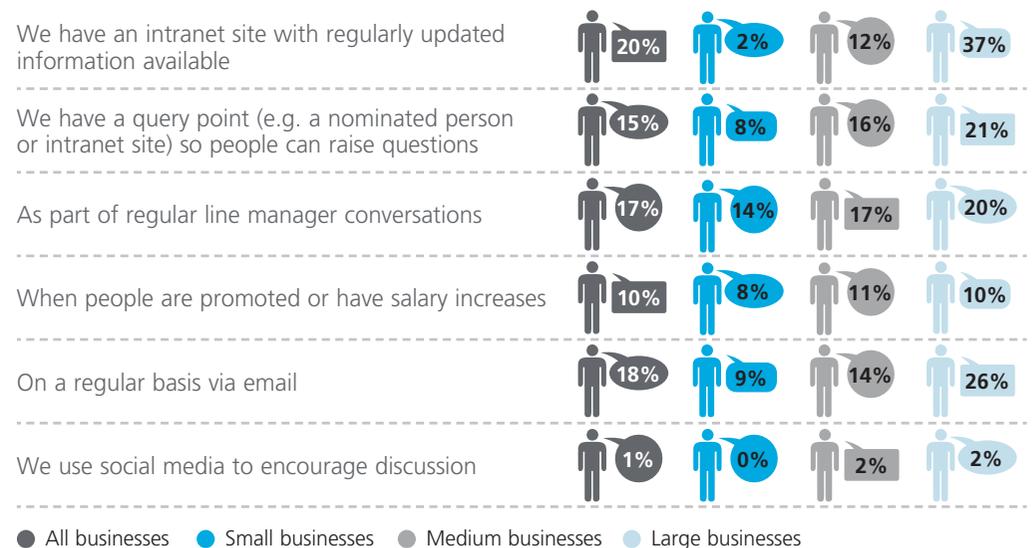
When employers communicate with workers about their pensions



How often employees want to hear about workplace savings



How employers communicate with workers about their pensions

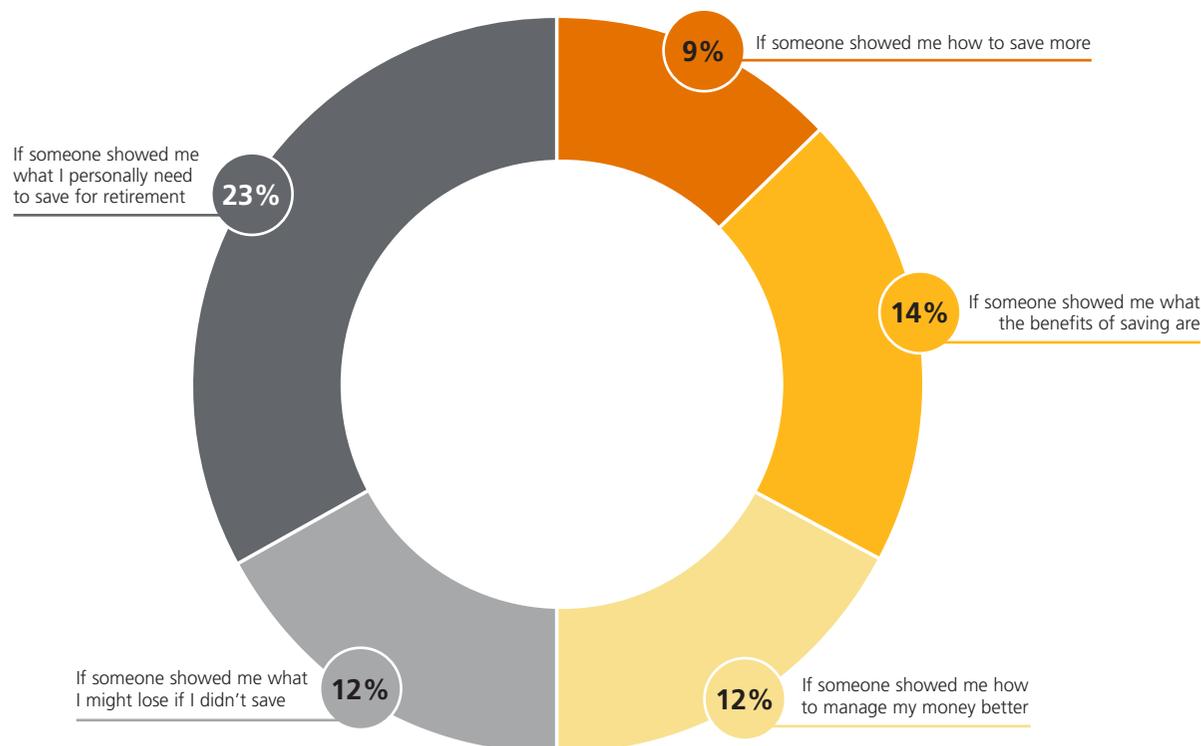


The communication drum-beat:

As we move more into automatic enrolment, it is likely that a regular drum-beat of relevant information and news will prove more effective in engaging employees, as will self-serve planning tools that help employees make practical, personal choices about benefits, including pensions.

Additionally, when asked what would most likely encourage them to save more for their retirement through the workplace, different styles of communication are favoured by employees. Almost a quarter (23%) of employees say being shown 'personally' what they need to save would encourage them to save more, while 14% say being shown the benefits of saving and 12% being shown how to manage their money better would have this effect. This personalisation of information, making it wholly relevant to the individual employee possibly through face-to-face conversations, is therefore likely to become increasingly important as an engagement lever. Regardless of communication styles, more than half of employees (55%) admit an increase in pay would encourage them to save more.

How different communications approaches would encourage employees to save more



Engagement point:

Automatic enrolment provides employers with a real opportunity to not only enhance their benefits offering but also to start the dialogue with employees on this topic, and 62% of companies have started providing information.

Many companies say they have begun the dialogue on automatic enrolment with their employees, covering a range of subjects:

- 33% have covered the contribution levels that employees will make, and 35% the contributions by the employer.
- 35% say they have discussed what automatic enrolment means for their employees and the options open to them.

However, with financial advice being a heavily regulated and complex area, 25% worry about communicating the right messages to their employees and 19% are concerned about correctly outlining the benefits of their pension scheme. Less than half (47%) say they have not experienced any communication issues relating to pensions and automatic enrolment.

Companies are right to be concerned as 18% of employees currently feel that they understand little about the benefits their employer offers, and only half (53%) say they understand them 'reasonably' or 'very well'. However, knowledge increases as people age from 38% (22-24 year olds) who understand their benefits package well to 64% (55-64 year olds).

This seems to highlight the fact that employers need to carefully consider how they engage with the different age groups, yet 18% say they currently will not adapt their communications for the under-35s and 14% do not feel it is the employer's role to encourage saving.

Thankfully, these percentages are relatively low. The typical employer says they will adapt their communication methods for younger workers with 26% explaining the tax and employer contribution benefits, 21% highlighting how they are giving away 'free money' and 18% saying they will talk less about retirement and more about long-term savings.

Workers under pressure

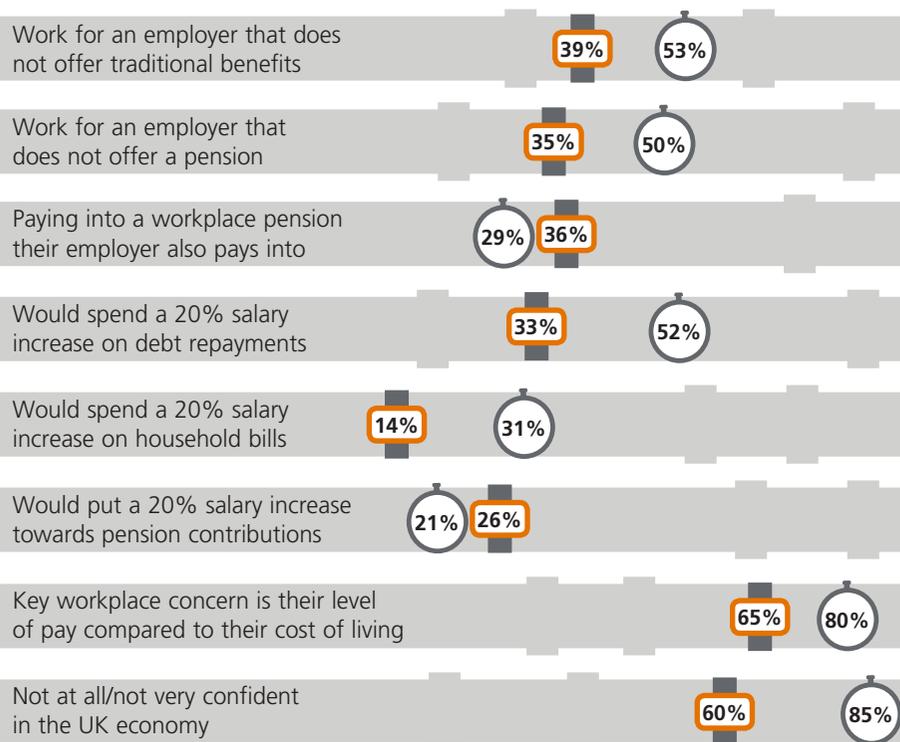


Automatic enrolment stands to benefit those millions of employees in the UK who do not have any savings for their retirement. To ascertain the challenges that they may face, the Working Lives report looks at a sub-group of the total sample: **people who earn less than £35,000 a year and save less than 5% of their income**. They are all also supporting children under 21 or elderly relatives, and pay rent or a mortgage.

Most importantly, the employees in our 'workers under pressure' group say they lack confidence in their financial situation.

All this comes at a time when the Office for National Statistics (ONS) and Eurostat⁴ have released figures which show that in 2011 the standard of living in the UK dropped two places to sixth highest in Europe.

The differing fortunes of workers under pressure



Workers under pressure
 UK average

Lack of current benefits:

While arguably, this **'workers under pressure'** group comprises people who could use workplace benefits to help them make the most of their money, 53% say they work for an employer that does not offer traditional benefits, such as an annual bonus or life insurance (39% - UK).

They are also typically less likely to be saving into a workplace pension with 50% saying that their employer does not offer a pension (35% - UK) and just 29% paying into a workplace pension their employer also pays into (36% - UK). Of those who have a workplace pension, they pay in just 3.86% of their salary (5.50% - UK) and their employers contribute 5.49% of their salary (6.22% - UK).

This lack of workplace benefits may well be due to the fact that 50% of those under pressure work for companies with fewer than 100 employees and are therefore less likely to have access to a workplace pension, particularly as their employer is unlikely to have reached their automatic enrolment staging date.

Juggling priorities and increasingly worried:

While some of this group earn more than the typical full-time UK salary (£26,500)⁵, they spend more of their income on basic expenses such as housing (36.16% vs. 30.86% - UK) and food (19.72% vs. 18.46% - UK) but less on items such as entertainment (5.98% vs. 9.50% - UK) and even less of their income goes towards savings, including pensions (3.52% vs. 14.88% - UK).

If they were offered a 20% increase in their salary, the largest proportion say they would use it to repay debt (52% vs. 33% - UK), and pay household bills (31% vs. 14% - UK) rather than to save into a pension (21% vs. 26% - UK).

Interested in automatic enrolment:

While 'workers under pressure' are less familiar with the new pensions legislation, with 52% saying they have never heard of it (41% - UK), they do express an interest when it is clearly explained. More than half (63%) say it will help people to save for the future and 56% agree with the Government introducing automatic enrolment legislation.

Those under pressure are more likely to opt out immediately as they can't afford it (25%), than the average UK employee (17% - UK). The overall automatic enrolment opt out rate for 'workers under pressure' (36%) remains similar to the UK average (37% - UK) – due mainly to 16% of UK employees saying they will actively choose to opt out as they prefer to make their own individual pension arrangements (compared to 2% - workers under pressure).

Big business – the experience of very large companies (1,000-plus employees)

Among companies with 1,000 or more employees there are significant differences in their experience of workplace savings and benefits compared to the average UK employer. The majority of these companies (59%) have multiple UK and international sites (22% - UK), with more sophisticated online communication infrastructures, for example, an intranet site.

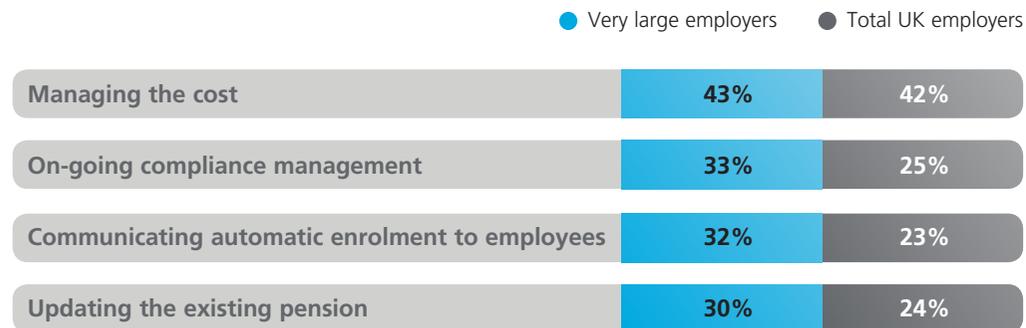
They are also more confident about their companies' financial situation (76%, up eight percentage points on the UK average of 68%), and less concerned about their ability to survive the economic downturn (16%, down 13 percentage points on the UK - 29%).

These very large employers are generally more confident about the UK economy (27%, up two percentage points on 25% - UK), and more so than small businesses (19%). However, with their large workforces they indicate more concern about cutting jobs (30%, up 11 percentage points on the UK - 19%). At a time when they are leading the charge on automatic enrolment, big businesses are no more inclined than others to increase their spend on benefits in the coming year.

Leading the way on automatic enrolment

As might be expected, these larger employers are further along in understanding, not just the practicalities, but the impact and benefits of automatic enrolment. Therefore, it is very positive that companies with 1,000-plus employees agree with the Government's decision to make the workplace the focus for automatic pension saving (73% vs. 58% of all UK businesses).

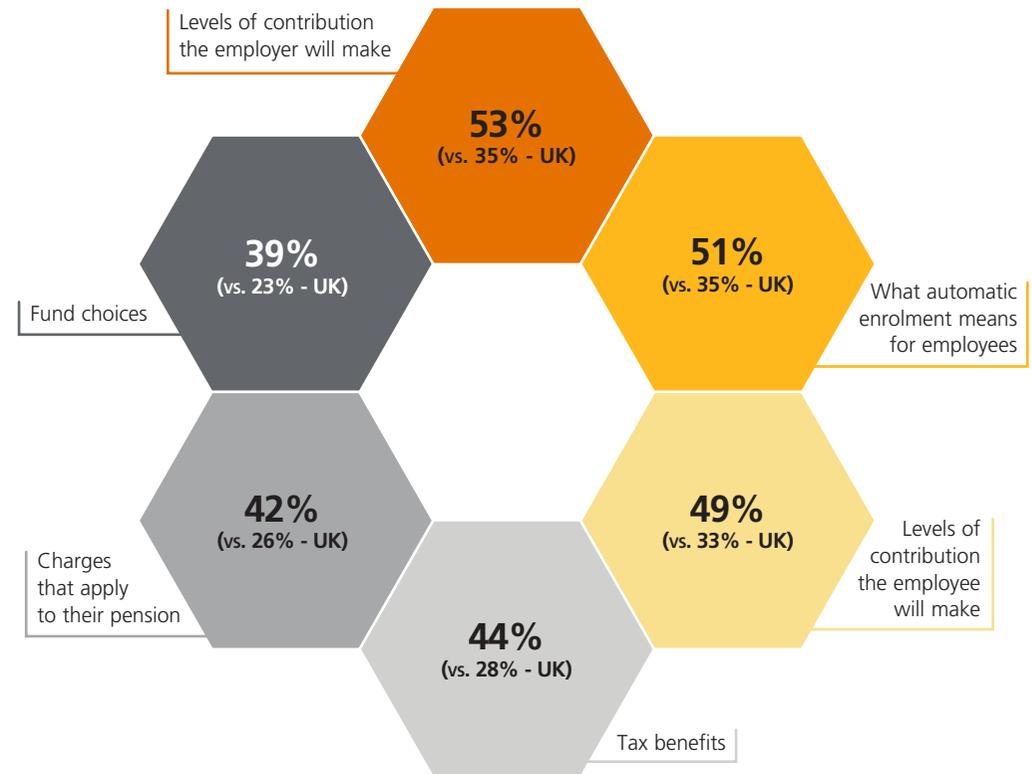
Most difficult and challenging aspects of automatic enrolment for very large employers



Communicating change:

As they have the resource, these employers are more likely to communicate with their employees regularly about pensions, and show a high degree of diligence in conveying the benefits and options with automatic enrolment.

Asked about the types of information provided to employees about their auto-enrolment scheme, very large employers focus on:



However, they indicate that due to their size they can have issues around communicating with employees across multiple sites (28% vs. 14% - UK) and reaching those who don't have email access (15% vs. 9% - UK).

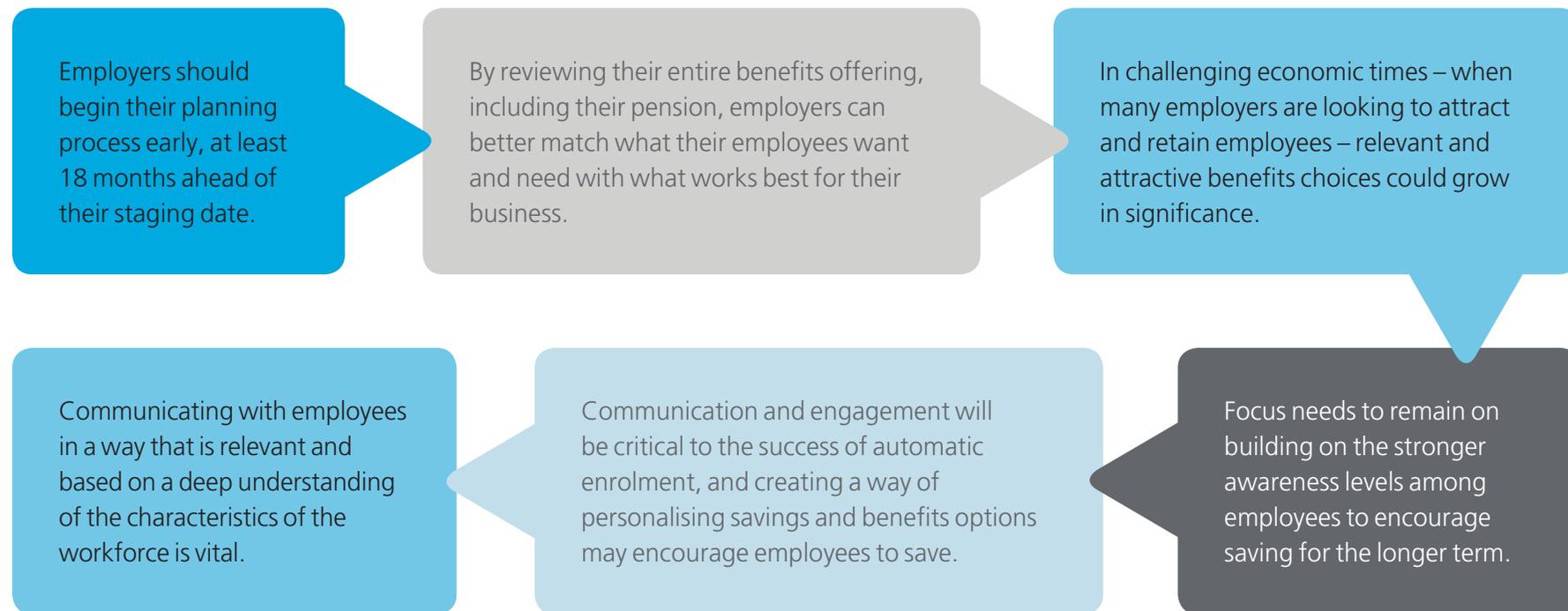
In conclusion

Aviva's Working Lives report shows that there is still significant work to do before automatic enrolment can be called a success, and there are still a number of uncertainties – not least the interplay between workplace pensions and the wider benefits on offer.

What role a choice of wider benefits will play in engaging employees in workplace saving is yet to be fully seen. It is likely though, that the more employers understand the needs and attitudes of their employees and match these to relevant benefits packages, the stronger engagement is likely to be.

That is not to say that every employer should offer a multitude of benefits; more important is the recognition that when it comes to employees 'one size does not fit all.' A number of carefully selected benefits, offered by an employer which has taken the time to understand its workforce, along with a straightforward and modern auto-enrolment scheme are likely to be highly valued by employees.

Insights from this report give some strong indications for consideration, particular in relation to automatic enrolment:



Appendix 1

Case study: Aviva's journey to automatic enrolment

Aviva's staging date was 1st February 2013. Aviva is using its existing employee money purchase scheme as the core pension for automatic enrolment. Almost all employees (approaching 99%) already take part in the scheme, with minimum contribution rates of 2% employee, 8% employer, rising to 8% employee, 14% employer. An innovative communication policy with members has helped put the scheme on a strong footing.

By the time the staging for automatic enrolment arrived, the project team had been working directly with the administrators and trustees over an extensive period of time. At staging, Aviva only needed to auto-enrol approximately 332 employees, and invited an additional 78 people to join the scheme despite not qualifying automatically because of their age or earnings.

The project team established the best way to work with the legislation and guidance to maintain continuity for members and auto-enrol all new Aviva recruits in line with the existing process. Contribution rate requirements were measured against qualifying earnings, ensuring Aviva comfortably met the initial phased requirements.

Having made the key decisions about automatic enrolment, Aviva ensured its systems and processes were compliant with the legislation – noting any risks and acting accordingly. This was a considerable task, involving a range of departments including recruitment, payroll, legal, tax, human resources, staff pensions and the trustee.

What has Aviva learned from auto-enrolment?

- Engaging early with stakeholders has been fundamental to a successful outcome.
- Auto-enrolment requires a keen focus on managing a clear, end-to-end process, which takes account of every step from assessing the best pension provision, to on-going compliance around enrolments and opt outs.
- The Aviva scheme is in excellent shape, with high participation and attractive contribution rates.

Methodology

The Aviva Working Lives Report was designed and produced by Aviva and Wriglesworth Research in association with ICM.

*4,012 private sector employees and 760 private sector employers were interviewed in two waves, producing the first report in Q2 2012, and this second report in Q1 2013. All interviews were conducted online and the sample targeted to:

- Ensure there was a comprehensive cross-section of the UK working population
- To capture similar people as those interviewed in wave one
- This data was combined with additional information from the sources listed below and used to form the basis of the Working Lives Report in February 2013.

**For the purposes of this report, a 'small business' is a company with 0-49 employees, a 'medium company' is 50-249, and a 'large business' is 250 or more employees. A subset of the large business category, called 'very large business', is included and comprises businesses of 1,000-plus employees.

Additional data sources/information includes:

1. Automatic enrolment into a workplace pension, key facts, Department for Work & Pensions, September 2012.
2. Department for Work & Pensions – Automatic enrolment announcement – October 2012.
3. Bryan, M et al. – Who Saves for Retirement? Institute for Economic and Social Research (ISER) & Strategic Society Centre – 2011.
4. Office for National Statistics - News Release - UK standard of living drops to sixth highest in Europe – December 2012.
5. Office for National Statistics – Average UK Salary for Full-time Workers – November 2012.

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