House of Commons

Work and Pensions Committee

Oral evidence: Protecting pension savers - five years on from the pension freedoms: Saving for later life, HC 126

Wednesday 15 June 2022

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Watch the meeting

Members present: Sir Stephen Timms (Chair); Shaun Bailey; Nigel Mills; Selaine Saxby; Chris Stephens; Sir Desmond Swayne.

Questions 188 - 264

Witnesses

I: Terry Pullinger, Deputy General Secretary (Postal), Communication Workers Union; Jack Jones, Policy and campaigns support officer, Trade Union Congress (TUC); and Anna Mowbray, Research and Policy Officer, Community Union.

II: Tom Blenkinsop, Senior Public Affairs Advisor, Federation of Small Businesses (FSB); Jamie Heywood, Regional General Manager for Northern Europe, Uber; Tim Jones, Executive Director, Tata Limited; Carol Young, Director Reward & Employment, NatWest; and Gary Dewin, People Director - Pensions, Reward, Wellbeing, and Employee Relations, The Co-op Group.

Written evidence from witnesses:

Trades Union Congress PSL0061

Federation of Small Businesses PSL0054

Examination of witnesses

Witnesses: Terry Pullinger, Jack Jones and Anna Mowbray.

Q188 **Chair:** Welcome, everybody, to this meeting of the Work and Pensions Select Committee and our inquiry on saving for later life. A warm welcome to the three witnesses joining us on our first panel. Would each of you very briefly introduce yourself to us?

Jack Jones: I work for the TUC as a policy officer and I am responsible for our work on pensions.

Anna Mowbray: I am the Research and Policy Officer at Community Union.

Terry Pullinger: I am Deputy General Secretary (Postal) for the Communication Workers Union and lead negotiator on the new pension scheme, the CDC pension scheme.

Q189 **Chair:** Thank you all very much for being with us. I will start by asking each of you: given that it is 20 years on now from the establishment of the Pensions Commission, the Adair Turner Commission, what aspects of the current system do you think most urgently need change?

Jack Jones: I should probably flag the last session you had with a group of workers who may be in their 40s now, who had little chance to build up defined benefit pension savings and have missed quite a lot of the auto-enrolment throughout the early part of their careers. I think that is a group of people who quite urgently need attention. Generally, coverage is a problem. I am sure we will come on to that later, but there are a number of people who have fallen between the cracks of auto-enrolment, mostly because of low pay, which is a big issue. I think generally it is adequacy. There are a lot of people for whom, even though they will have been auto-enrolled into a pension scheme through all of their careers, the outcome will not match their expectations of what the pension is going to deliver.

I think that raising contribution rates is a fairly urgent task. We have a system that puts too much risk on to individuals, and away from employers or away from vehicles that pool risk, and on large groups and obviously then away from the state. It puts a lot more emphasis on private and occupational pensions and not a lot of other countries do. I think those are the main areas where we need to focus.

I worry a little bit about emphasising the negatives too much and I would be concerned if your report led to headlines about the pension system not being fit for purpose. It is probably quite important not to demotivate people from taking part because, for all the flaws that we have with the current system, it is by far and away the best way of individuals saving for retirement, and also for employers to help their employees save for retirement.

Anna Mowbray: The first thing I would suggest is the adequacy of people's incomes in retirement. Pensioner poverty has been rising and is, of course, higher among women, so I think the gender pension issue is one to focus on, and also coverage. I think there are a number of groups that are under protected, particularly the self-employed but also those with several low-paid jobs and those with caring responsibilities—again particularly women.

Terry Pullinger: For me, it is the sense that people have been in denial about the reality on the ground, over the last 20 years and looking forward, about what pension provision people will have. I think the lack of innovation in the pension space is disappointing. Effectively now the only answer until we got CDC has been DC for a period. I think it has been a bit tick-box with people saying, "Yes, I have a pension" or as an employer, "I am providing a pension", but in reality the contributions going into it are not going to give you the security in retirement that you need.

In essence now, in a society where people are well into their 30s, perhaps 40s, and don't even own property, the reliance at some point on the state will be huge. I think it is disappointing that that has not been recognised in the past 20 years and there has not been that innovation.

There are things like auto-enrolment, which is good, but if that makes people believe they are saving enough for their retirement or putting enough away for their retirement, or employers putting enough in, I don't think that has been the case. We have auto-enrolment but the contributions going into it will not give you that.

From our point of view, the reasons we have gone down the road of a wage in retirement or a wage for life, deferred wages—however you want to put it—is because we believe and recognise that an occupational pension running alongside your state pension gives people the best possibility of dignity and security in retirement. That has been our view and I don't think that that has been big enough in what has gone on in the last 20 years.

Q190 **Nigel Mills:** Thank you. Are your members crying out for you to get them an increase in their employer pension contribution? If you went to them and said, "Great news, we have managed to negotiate you a 3% pay rise and 2% more into your pension", would they be thanking you or would they be saying, "We would rather just have a 5% pay rise"?

Jack Jones: I think increasingly they are aware of the value of the pensions. But also, the fact that people tend to undervalue pensions is probably quite a good reason why we need to have higher statutory minimums, or why we need a role for trade unions in encouraging employers to provide higher default rates or—at the very least—to do more to encourage people to contribute more through matching contributions, through better communication of the benefits of saving into a pension for tax relief, and getting the employer contribution.

That probably flags up the need for us to do more as a default, and to do more to encourage people to take part in pensions rather than give them a reason to think, "We don't need to pay attention to contribution rates".

Q191 **Nigel Mills:** One of my favourite old hobbyhorses was why we don't quote remuneration packages as including the pension contribution and then people will have a more accurate comparison between jobs? You get the nightmare of people moving jobs for a 50p an hour pay rise and they have just given away £2 an hour in pension contributions.

Jack Jones: We certainly hear that from reps in industries where you have newer companies coming in that don't have union recognition agreements and don't have good relationships with unions. We hear quite a lot anecdotally of employees being lured away just like that, with higher starting salaries but lower overall remuneration packages. That is certainly a concern.

Anna Mowbray: It is certainly on our members' radar. We have recently had our union conference, and at least two motions on pensions were passed, so I think that people are increasingly aware of how important this is. However, given the current cost of living crisis that people are facing, there is a real temptation to say, "Well, I need the money in my pay packet now. I recognise that it is important to save more for my future, but I am struggling here and now today".

Terry Pullinger: I recognise what you are saying a lot because people drift through their lives and if you talk about retirement to certain generations it is like, "I will be all right. We will be able to sort that out later on". I think if someone takes up a job and they understand the terms and conditions and the contributions of the pension are explained to them, that is not a problem. If you are trying to do that when every pound is a prisoner in their lives, and then you say to them, "Give us 6% regardless of the employer", it still seems like 6% of their money going.

I have found even in respect of people in Royal Mail, where there has always been a pension provision, that the knowledge gap is massive on pensions. It is a tough gig because at a certain age you think, "I am not going to worry about when I am 65 or 70 or whatever" but unfortunately, as we all know, in the blink of an eye you are there.

There is an element of explaining it to people, there is an element of closing that knowledge gap, but I think there is an element of nanny state. If you walk away from the debate on the basis that people would rather have the money in their pockets, we will have a human stampede of people getting to a certain age when they cannot work anymore and are totally reliant on the state or the state pension, which you guys know is a problem here.

Q192 **Nigel Mills:** What do you think is the right level of employer contributions? What would you say is the minimum we should get that to? We heard last week from Sir Steve Webb that Australia does 12% employer contribution. That is quite a long way from the 3% that we are at with auto-enrolment. What do you think a good employer, who meets all your unions' expectations, would be doing?

Jack Jones: We have had a call for quite a long time for a 10% employer contribution as the minimum, maintaining the 5% expectation for an employee. That would give you the 15% contribution that is quite widely accepted as a rule of thumb for what you need for the average worker to get a decent pension. It returns to the kind of contribution structure that we had pre auto-enrolment, where you would probably get about two-thirds of the contribution from the employer versus one-third from the employee.

We recognise that that is an ambitious target. If we ended up where you have a 7% employer contribution and a 5% employee contribution that would probably give a sufficient kind of base as a statutory minimum. Then we could look at what you do to encourage employers or employees to bridge that gap and get the extra level of contributions that you would need to give people a decent pension.

Q193 **Nigel Mills:** When the PLSA is proposing getting to 2% more from employers by 2030, you would think that is pretty woefully inadequate. That is too little too late, is it?

Jack Jones: We would certainly want to be more ambitious, yes.

Anna Mowbray: I agree with Jack. I think that, given people are struggling, placing more of the burden here on employers is the right way to go.

Terry Pullinger: There would have to be an assessment about what genuinely delivers you the best chance of having security in retirement. That could mean 3%. Even with that, if people are honest about it, you have no chance—3% for the employer, 3% for the employee. In our new scheme, where we wanted to mirror the outcomes of a DB scheme, the contribution rate for Royal Mail is 13%. The contribution rate from the employees is 6%. That is where that fell because that generated the same outcomes, or aspired to the same outcomes that we wanted.

The problem with DB, of course, is that you ended up with employers potentially having to go to 17%, 18%, and that brought some of the demise of the DB schemes. I don't know exactly where it is—Jack has mentioned 10%—but I think realistically, if you are trying to generate outcomes that will give people the security and dignity in retirement that I am talking about, that has to be the start point.

Q194 **Nigel Mills:** In the meantime, would you support the auto-escalation of measures that try to encourage employers to match if employees go over the minimum, and try to find voluntary ways to get some extra saving in advance of having to do anything statutorily?

Jack Jones: Absolutely. Auto-escalation seems to be quite an effective way of encouraging people to pay more. Looking at employers where there is some kind of agreement with a union that covers the pension scheme as well, it seems that quite common contribution structures are where they will flip that expectation of where the majority of the contribution is coming from. They may auto-enrol with a 6% employer contribution and a 2% employee contribution, and then have matching contributions after that. That seems like quite an effective way to ensure that people can afford to make contributions themselves but also have a strong incentive to stay in. Also, you have that match to get above that.

Q195 **Nigel Mills:** We had some evidence last week that it is almost counterintuitive to ask employers to make a higher contribution when they have had a National Insurance rise and they are probably facing quite high inflationary pay rise demands. If you are going to be giving an 8% pay rise to your staff based on inflation, a 6% pay rise and 2% in the pension is probably easier to do than when inflation is 2% and there is no real scope for a hike like that. Is that the sort of thing you would be encouraging employers to look at?

Jack Jones: Pay may be a separate kind of issue, but what we have seen over 15 years now is static or falling real pay. We had the latest figures out yesterday showing that pay is £17 a week lower on average than it was in 2008. I think that shows that, rather than the cost of living crisis we are talking about, it is a long-term crisis of low pay. That shows that we need to find ways of getting more money into people's pockets and people's pension pots at the same time.

There seem to be a lot of figures out at the moment that show that potentially there is money around that could be diverted into higher remuneration in total, when you look at near record levels of profitability, getting back to near record levels of CEO pay, really high levels—returning to 2008—of bonuses in some of the finance sector. I think there is a lot of money out there that could potentially be redirected towards remuneration. That means there is not necessarily that battle between: do we want a pay rise or do we want improved pension provision?

Q196 **Selaine Saxby:** Good morning. Do you have any suggestions as to what measures the Government should prioritise to reduce the gender pay gap?

Anna Mowbray: I can chime in with one. I think that more is needed to ensure that people with caring responsibilities are protected. For example, the Government could pay employer contributions while people are doing caring responsibilities. In parallel to running National Insurance credits—as you do now—you could earn the employer contribution towards your personal pension at the same time, so perhaps cutting that into NEST via auto-enrolment at, say, the National Living Wage. That would allow people to build up a small entitlement to a private pension, as well as their entitlement to the state pension during those periods.

The gender pension gap that we have is a structural problem. It is a feature of the fact that we have different labour market participation among women. Tweaks to auto-enrolment will only really work around the edges of that problem. We need something a bit more dramatic that increases the amount that people have set aside for their retirement during the times when they are perhaps not participating in the workforce or are participating at a lower rate on a very low wage because they are working part time, for example.

Jack Jones: I think that Anna is absolutely correct to focus on that time out of work because of caring responsibilities and, also, the likelihood of coming back to work part time. All the evidence shows that that is the biggest driver of the gender pensions gap. It is definitely worth doing all the measures to fix auto-enrolment to make it work better for low-paid people in general.

That is removing the £10,000 earnings threshold, phasing out the lower earnings limit—those kind of things—and tackling some of the issues around tax relief for some low-paid people. All the kind of stuff that will improve the system for low-paid people in general may disproportionately benefit women. If we are looking at people who are excluded from auto-enrolment by the earnings threshold, it is over two-thirds women. Those kind of measures would definitely help to address some of the problems.

It is probably slightly beyond the remit of this Committee, but looking at all the drivers of the gender pay gap and funding childcare properly, so that women have more of a choice as to whether or not to return to work, would be a huge one for us. I can see the appeal of some kind of auto-enrolment credits to go alongside National Insurance credits because it is addressing that key issue of time out of the labour market.

The state recognises through the National Insurance credits that you don’t want to punish people for this. If you have a system where, on average, you will get half of your income from an occupational pension and half from a state pension, it does not make sense to only compensate people for the state pension half.

I don’t quite see the sense in doing that by putting money into occupational pension funds. For the Government to take money and put it into a pension fund, and to hand it over to fund managers to then invest at a time when the Government are also pleading with the pension funds to invest more in public infrastructure and things, and are doing that through generally quite expensive, privately-funded projects, seems not the best way of doing it efficiently.

Something that replicated that through the state pension—I am sure there are very sensible reasons why, having dismantled SERPS, it would be really hard to reintroduce it for some people, but that seems a sensible way to go about that.

There are a couple of things that may seem a bit niche but would make a huge difference, like pension sharing on divorce. That kind of mandatory pension sharing would make a huge difference for the individuals affected.

I was told yesterday that only one third of divorces consider the pension as an asset and, apparently, 12% of that one third go and do a proper valuation to work out how much the pension is worth. It suggests that there is a lot that could be done there to make sure that people who get divorced do not end up being disproportionately punished. When you look at the pension wealth between the men and women—and particularly divorced women—you have a much bigger pension gap in their occupational savings.

Terry Pullinger: I cannot really add to the wider issues from a workplace perspective. In the workplaces I represent there is no gender gap. Everyone is paid the same and there is good maternity leave in place and the pension contributions are still being paid and so on. Outside of the much wider remit that the guys have spoken about, maybe there is an issue about appropriate maternity leave so that people come back. The expectation is these days that people are coming back to work.

Q197 **Sir Desmond Swayne:** Terry, what will anyone retiring on the Royal Mail CDC scheme get and will it be enough?

Terry Pullinger: Yes. The fundamental difference to it—I am sure everybody here knows this—is the big problem that has made DB almost disappear. That is the promise, the risk for an employer, and the balance sheet of an employer—these are all the things that have added to the demise of that. When we did our scheme it was basically: if it was a good idea once why isn't it a good idea now? Why is it not a good idea now to have a wage in retirement running alongside your state pension and so on? Those were the issues that we had to tackle.

This is a different approach to try to achieve the same aim, but you are sharing the risk and there is nothing on the company balance sheet. There are lots of reasons why companies should look at it as well because, if you are putting in the right contributions, you are getting a better bang for your buck if you are investing collectively. A huge amount of modelling has been done on that to demonstrate that fact and, of course, the individual is getting a better bang for their buck as well with what they are paying into it.

We went back to 1923. Obviously, with the CDC pension scheme you can have cuts. We are targeting CPI plus one. That would give us the same outcomes as the DB scheme. There will be years when it might just be CPI. It might be slightly less. In the worst case scenario, you may have cuts even to people in retirement, but people not in retirement on those years.

Going back to 1923, there were only two cuts and that was in the really early years in some of the big depression. There is every reason to be optimistic. I think the biggest thing of all is it means, because you have that flexibility, the scheme does not have to close. Therefore, you will end up with a wage in retirement and a lump sum, which is DB in nature.

It is very much designed like a DB scheme. You will get an outcome, whether you get the outcome that we are targeting or whether you get better. There is lots of research that suggests that that form of investment will have better results; I think 70% better than DC and in some cases 30% better than DB.

There are lots of reasons to be optimistic and, as I say, you will end up with a wage in retirement. In my humble opinion, you will certainly be better off than just getting a lump sum at DC and, quite frankly—and this is not being insulting to people—most people don't have the experience or the skills to know what to do to invest properly to protect themselves for their old age.

Q198 **Sir Desmond Swayne:** Given how difficult it is, and a perception or the reality of how complicated pensions are, and the notorious difficulty of engaging with people about their pensions, what have you learned that can be useful for communicating with workers about the pensions issue and what they should be doing?

Terry Pullinger: For a start, communication and transparency. That is key to the CDC scheme because it is adjusted annually, so you will have to talk to people and get them to understand. Certainly, you have to explain it to people coming from a DB environment.

We had a huge job on because we made that agreement in 2018 and the members—over 100,000, 130,000 people—had to take a leap of faith because the legislation was not in place. We are only just now getting ready for application. To explain to people, we had to go to great lengths, hold meetings, use every form of social media we could to communicate with people, and get people to vote on it and to take that leap of faith.

That closed the DB scheme. We have the DB lump sum there while we are waiting, but it closed the DB scheme. We had a split membership because the DB scheme had closed some years before and we had approximately 40% of people in the DC scheme, 60% in the DB scheme. DB people don't want their scheme to close because they don't like DC. How do you explain to the 40% that are already in the DC why they are in it and so on? We found the solution, but it meant that you had to up your game on communications.

I think that one of the requirements of the Pensions Regulator will absolutely be how you communicate to people, how you explain to them, because at some point you may have to say to someone in retirement, "This year you are going to experience a cut". It raises the bar on that but, being involved with it since 2018, I think the bar has been pretty low with DB, DC and everything else. When you go out and communicate you realise just how vast the knowledge gap is on people's pensions. They are in it and there is just an expectation at the end of it that they will be all right.

Q199 **Sir Desmond Swayne:** You have hinted at this already but how do you now foresee CDCs expanding beyond Royal Mail?

Terry Pullinger: For me, getting to this stage and I think everyone who has helped us get to this point—and particularly I would like to mention Guy Opperman and the late Jack Dromey, who was fantastic—we never expected it would take this long to get the legislation in place and so on. To get to this point, what I have experienced when we were first on the circuit was that it was not just among our members, it was also in the world of pensions, so we were going to actuaries' conferences and different things, and there was not a lot of support. I have seen that grow considerably over these years. That encourages me to say—obviously we were looking after our particular situation and the people in the Royal Mail Group—I believe it will drive innovation in the pension space. A lot of what we are talking about there I think has not been there for the last 20 years.

There are people who are not in pension schemes—we know how difficult it is for self-employed—and are in master trusts and big accumulations. The DC scheme, having options there, may prove to be an option for that, or multiemployer schemes. The potential is there. I hope it drives that innovation and encourages people to get back and recognise that with a lot of DCs the outcomes are not going to cut it for people.

Q200 **Chair:** Terry, I think you mentioned earlier that the Royal Mail Group contribution is 13% and 6%.

Terry Pullinger: It will be in the new scheme, yes.

Q201 **Chair:** Is that the historic level of contribution? Is that what it has always been in Royal Mail or is that a new figure that you negotiated?

Terry Pullinger: No, it has fluctuated over the years because of pension deficit. When Royal Mail was privatised, as you know the Government took on board all the historic pensions debt, so then the scheme started again and it should be fine. Then you end up going into a care scheme rather than a final salary scheme. A number of plasters have been put on it, which has made the communication very difficult in the Royal Mail Group because some people have four different pension pots. That was really hard. Sorry, what was the question?

Chair: The 13%, 6% figure.

Terry Pullinger: Let's start with the DC. In the DC it is much lower than DB. Then people had the opportunity to increase their contribution, so I think this brings us back to Nigel's point. I believe that the vast majority of people did not do that for the very same reason—this is where the nanny state bit comes in—and they did not increase their contribution.

In the DB space, there was an evaluation every three years. Traditionally that was going up, so there was a period where the company took a pensions holiday and it was still in the public sector then but, other than that, it was going up. It has to cover the risk and the balance-sheet things.

We have CDC to get the same outcomes with all the people who have helped us do that, 13% across all of the membership. Everyone, from day one of this scheme, the day it opens—it will have somewhere in the region of 40,000 people in it. From day one, because it is everyone. It will just be one scheme, full quality for everyone. There will be no DC scheme and so on. That will be in place. That contribution and the 6% from the employee would, on the predictions, give us the same outcome as the DB scheme.

For the employer, because you are flexing, it means the contribution rate is static. It does not mean that every three years suddenly we have to up it to 19% of whatever to get over this. It does mean, with the flexibility, it stays static.

Q202 **Chair:** Thank you. Can I ask a question about pension saving for self-employed people, coming to you first, Anna? We heard last week that pension saving among self-employed people is falling and is at a pretty low level at the moment. What do you think needs to be done about that?

Anna Mowbray: It is concerning because it was already low and it is not getting better; it is getting worse. We did a small-scale study of our membership and we found that 43% are not saving at all for the future; 37% have a pension, which is slightly higher than some other estimates I have seen, and 20% are saving for retirement but not through a pension scheme.

There is a range of different issues that are preventing them from doing so: first is the lack of opportunity. As you know, self-employed people are not eligible for auto-enrolment and they are not prompted to do so. Nest Insight has done some trials looking at some nudges that would help to prompt people to save for their retirement. We participated in one that used a money management app. There is another one working with HMRC to remind people at the point of tax return. Both of these are positive but I do not think that they are going to go far enough to drive increased engagement. We perhaps need a version of auto-enrolment that happens at the time of tax return, because that is the point when people are most thinking about their money and thinking about their income.

Secondly, lack of suitability for self-employed people. Our members tell us, "I need this money to invest in my business". Some say, "My business is my pension", which is not always appropriate, given that sometimes when you retire, given you are the business, suddenly there is nothing there. People are also setting aside money for unexpected tax bills. They have fluctuating incomes, so setting aside a particular amount every month is not necessarily realistic or practical for them.

We have called previously for different models of pensions to be explored. We have called it a "sidecar pension" where you have a certain amount of money that can be accessed more easily, rather than locking it away until retirement when you do not necessarily know what is going to be coming in at different times and you think you might need it. As well as that lack of suitability, you also have reduced incentives. Lacking the employer contributions is a major reason why it is a lot less attractive for a self-employed person to save for a pension, even though you will still get tax relief generally.

There is also a lack of trust. I convened a group of our members to talk about whether they are saving for the future and why or why not. People were coming and raising all sorts of pensions-related scandals, from BHS to the state pension age changing, to DB schemes closing. They were saying, "I don't trust pensions". Terry talked earlier about a lack of understanding of what pensions are and how they work. That is prevalent among this group, so people do need more information and more support to understand what it is that they are doing when they invest into a pension product for their future.

Ideally, a version of auto-enrolment is one key step that would make a difference. Information and communication and transparency is critical as well, and changing the types of pension products that we have to make sure that they suitable for self-employed people.

Q203 **Chair:** The figures you gave at the beginning about the survey of your members—was that all members or just self-employed members?

Anna Mowbray: Among self-employed members, yes.

Q204 **Chair:** What proportion of your members are self-employed?

Anna Mowbray: That is a great question and I am not certain. I can come back to you on that one.

Jack Jones: Can I come in briefly on that as well? I agree with everything that Anna has said there. One thing I would add is that we have seen pension participation rates fall among every type and every income level of self-employed people, but it probably is worth focusing a little bit on the increase in bogus self-employment in people who should be classed as workers or as employees. We have seen examples like Uber drivers. As a result of the GMB legal action, it has to class its drivers as workers and has to give them a pension. That straightaway has brought in a lot of people who were not saving into a pension and has given them the chance to take part in an occupational pension. GMB is taking similar action against Bolt at the moment. That is one thing.

We also need to look a bit more about where you can get recognition agreements among gig economy employers, and whether that can be used as a way to encourage those employers, maybe even where workers are still classed as self-employed, to provide pensions for them.

Chair: Thank you. We are moving on to exactly those topics with a question from Chris Stephens.

Q205 **Chris Stephens:** Thank you, Chair. I do have some questions around the gig economy. Last week, in answer to my question, the Pensions Regulator had said it is working with gig economy employers covering about 150,000 to 200,000 people that it hopes will be auto-enrolled. Is it possible to say, Jack, what proportion of gig economy worker this represents? If not, how would we go about calculating the actual figure?

Jack Jones: It is a small proportion. It is a little bit difficult to give a definitive figure because the point of the gig economy is that people drop in and out of it a little bit. We have done research and we have found that about 4.4 million people—about 15% of the workforce—do platform work at least once a week. For some of those it will be their full-time job. For some of them it will be supplementing other income.

We found almost a quarter of people—about 23% of people—have done platform work at some point. That is 6 million-odd. Those are the ballpark figures you are looking at of people who are either regularly engaged in the gig economy or who have been in the past. That 150,000 is a small percentage of the total number.

It is probably worth expanding a little bit to look at insecure work in general, because there are lot of people who maybe would not be classed as gig economy workers but who do not get pension rights because they are either low paid, self-employed or—

Q206 **Chris Stephens:** You are very much anticipating my question. Let me stick to the Pensions Regulator for the moment. When I pressed him further, when he was in front of us, he said that it tells gig economy employers to "do the right thing". When I kept pressing him he said that it follows up on employment tribunal decisions and whistle-blower reports. Is that sufficient? It seems to me that that is a bit reactive, rather than being proactive. Are there any proactive measures that the TUC wants the Committee to recommend to the Pensions Regulator about some of these issues?

Jack Jones: It is a Pensions Regulator issue but we do want a presumption of worker status unless companies can prove otherwise, rather than what you have at the moment where you accept how the company classifies their workers unless it is challenged. I do not know if it would be HMRC or some other Government agency that would be responsible for that. That would be a significant step in the right direction, so that, unless companies can proactively prove that their workers are self-employed, the assumption would be that they are workers with entitlements to pension contributions.

Q207 **Chris Stephens:** You will be aware of some of my work around this, but I am assuming the TUC was as surprised as I was that there was no employment Bill in the Queen's speech. Could you clarify for the Committee the TUC's position on the importance of a Bill that would clarify the status of a gig economy worker, and how important that is in terms of pensions, auto-enrolment and these issues?

Jack Jones: Absolutely. I don't know if we were surprised but we were certainly very disappointed, and it is something that we have been calling for for a long time. The Government have been claiming it is in the works for quite a long time as well. Yes, we think that that is very important.

Q208 **Chris Stephens:** The regulator said to us last week that, before introducing legislation, we should take stock of how effective the encouragement approach has been in getting employers to do the right thing. How do we judge when we have taken enough stock and it is finally time to act, or are we at that point? Would you say that we are at that point, Jack, where the Government should now act rather than just keep taking stock all the time?

Jack Jones: I think that we probably are, yes. I would not like to nail my colours to the mast on that, but, yes. The degree of drift that we have seen over the last couple of years means that we need to show some urgency on all kinds of measures to bring more people into the occupational system.

Q209 **Chris Stephens:** Thank you. I am going to ask Anna and Terry also, because it is not just an issue about gig economy workers. As you have outlined, there are other sectors of the economy where the status of employment is unclear. Anna and Terry, how important do you think an employment Bill is in relation to that? Also, could the three of you tell me what might be the financial damage to workers if we continue to delay the legal update to the definition of employment, particularly around pensions?

Terry Pullinger: In all honesty, it starts off for me that there is a moral responsibility. There must be enough evidence out there now. There is an underlying workforce where people might say that these people are in work, but they are not even necessarily paying tax or National Insurance contributions. That is because of the people who are employing them in whatever form or fashion, and the pay that they are on.

The chances are that they are getting benefits. They will be certainly using our magnificent national health and everything else in the country, but the companies that are making lots of money out of them are not paying their tax, so the contribution of everyone putting something back in is not there with this type of employment model. That has been going on for far too long with bogus self-employed, so absolutely there should be some sort of Bill about it.

When it comes to the pension issue, I have stats here from 2020. This is the Money and Pensions research. Its research was that 69% of people have little or nothing in respect of retirement planning. Only 7% believe that they are prepared for retirement. There will be a stampede to old-age poverty in this country if people do not do something.

It is not just what type of scheme you have; it has to be about employers and the employment model. It has only become popular over the last few years, that type of bogus self-employed model. There needs to be a definition of self-employed in that sense. I have lots of friends who are builders who are self-employed people. On the pension side of it, they too need an option. It is an option that people need. You cannot necessarily force people to save but there needs to be an option for those types of people that will give them the best turnout.

I do not know what the percentage is of the workforce, but everyone keeps saying that we have never had so many people employed. Those stats came out from people, from Government or anybody else, but nobody ever says, "What is that employment model like? What does that mean, being employed? Are you employed on benefits? Are you bogus self-employed and you are not paying National Insurance or not paying any tax?" Then there will be a secondary debate that, "We cannot afford the NHS. We cannot afford state pensions". These things are all connected.

My answer is, yes, there should be an employment Bill that drives the right behaviours to make sure that we are paying. If you are working in the United Kingdom you should also be contributing and your employment terms and conditions should reflect that you are able to do that.

Anna Mowbray: First, absolutely, we need to have that employment Bill—I completely agree. Sometimes we talk too much about bogus self-employment. Obviously it is an issue and it is a problem that should be resolved, but our members who are self-employed are legitimately self-employed. They are sole traders, company directors, small-business owners. These reforms will not help that group and we need to make sure that people who are legitimately self-employed are also supported, alongside ensuring that there is not bogus self-employed in the gig economy as well.

Q210 **Chris Stephens:** Jack, what is the financial damage to gig economy workers?

Jack Jones: I would have to defer to colleagues who work in this area but I will happily send you through some of the research that has been done. It is important to emphasise that, whatever people's employment status is, that should not be used as a reason to deny them access to a decent occupational pension.

Q211 **Chair:** Thank you. Can I raise one further question finally with you, Terry? You told us that you had quite a complicated job in communicating with your members about the pension changes, the new Royal Mail scheme. What communications did you find worked best to explain the position and engage your members with the issue?

Terry Pullinger: It is a bit old fashioned, but the best of all is eyeball to eyeball. Face to face is always the best communication and you get the best questions. Of course, as we learnt through the pandemic, now you can set up big meetings with Zoom calls and getting the right communication skillset in for the pension scheme.

We have been particular. In our scheme we have our trustee board. We have our advisers in place, and we have had to do all that ready for application in August. We also have communication advisers as well. Whatever the latest technology is: apps on your phone, regular stuff that people can look into but, more importantly, understand. For a lot of people, they get their statement on their pension and it is not in a language that people can understand—this is the truth of it—regarding what they are going to get, how it is going to look and what the outcomes could be. That is the bit people always want to know.

There has not been enough attention to that. That was the point I made. Having a CDC scheme means that you have to raise the bar. That will demand that you raise the bar on communication and hopefully that will flow through, because I do not think that communication on pensions has been top drawer for DB or DC schemes.

Jack Jones: Can I come in with a supplementary answer to that? We have had to do loads of work to win support for this completely new model of pension. There is going to be a job of ongoing communication around the potential for not getting indexation in some years and that kind of thing.

One of the beauties of CDC is that it does not require any member engagement to deliver a decent outcome for people. It is always a slight worry when we focus on communications. We know the principles of pension provision are that it works if you require people to make as few decisions as possible.

Anything that gets as close to that as possible, whether it is in collective DC or maintaining defined benefit or trying to replicate it within DC by having good default options for what happens when people come to retirement, is a greater priority than making sure that you engage with people and give them the information that they need to make good decisions. Having a default that means that they do not have to make good decisions and will still get a decent outcome should be a priority.

Q212 **Chair:** In the Royal Mail case—you make the point about eyeball to eyeball—presumably it would have been the union that did that rather than the employer?

Terry Pullinger: On issues like this, it can be either/or if it can be joined. Within workplaces we can do joint briefings, or the employer will do a briefing on certain subjects. If there is regular communication, which we would like to think there is with employees, this should be an agenda item where previously it was not.

Because I don't know how long we have here, I need to stress the point that, without a doubt, DB schemes are the gold standard. If it was possible to maintain DB—and there should still be scope for defined benefit schemes to not just disappear off the face of the earth—we should concentrate on that as well, but with respect to innovation there has to be other options and that is how we have arrived at ours.

There is no reason why there cannot be communication in the workplace as well as written communications or videos that you can put out. You can have meetings via Zoom and things like that, but it is possible, certainly in our industry, to have joint or separate face-to-face conversations with people about pensions.

Chair: Thank you all very much indeed. Thank you for a very interesting session and for being willing to come and speak to us. That concludes our questions to the first panel.

Examination of witnesses

Witnesses: Tom Blenkinsop, Jamie Heywood, Tim Jones, Carol Young and Gary Dewin.

Q213 **Chair:** A warm welcome to the members of the second panel. Thank you all very much for being with us. Can I particularly thank those who have come at quite short notice to be with us today? We are very grateful to you for being willing to do that. As I did with the first panel, can I start by asking each of you very quickly in one sentence to introduce yourselves to us, starting with Tom Blenkinsop?

Tom Blenkinsop: Thank you, Chair. I work for the Federation of Small Business and I am a public affairs adviser.

Jamie Heywood: I run Uber, a taxi and private hire business, in the UK and northern and eastern Europe, based here in London.

Gary Dewin: Good morning, I am the people director for the Co-op, which is the UK's largest consumer-owned co-operative.

Carol Young: I am the director for Reward and Employment at the NatWest Group, with 40,000 colleagues within the scope of auto-enrolment.

Tim Jones: Good morning, my job is to represent the Tatas and our various holdings in the United Kingdom. I work for a small company that is a wholly owned subsidiary of Tata Sons, which is the holding company of the various positions that are held in different companies.

Q214 **Chair:** Thank you all very much for being here. We have heard—and you will have heard some of this in the first panel—a lot of witnesses to this inquiry calling for employers to do more on pensions, to contribute more money and to engage more with employees than has been the case in the past. Are those calls right, do you think, Tom Blenkinsop?]

Tom Blenkinsop: In terms of the current status, looking at that question, you cannot avoid looking at the current economic backdrop. For small businesses and the self-employed, considerable economic pressure has been applied to them over the last two years coming out of covid. The number of cost inputs have increased, not just due to international inflation or domestic inflation but also costs in relation to input costs for those businesses but also labour costs and, as I said, inflation prior. The other issue is in April the NICs increase has had an impact upon businesses' ongoing costs going forward.

Small businesses do want to engage and be involved with their employees, but the situation that they sit in is one where they have all these competing, immediate pressures placed upon them, and they are in a situation where they just want to meet the regulations that are placed upon them. Let's not forget, over the last two years, regulation has been somewhat changeable given the circumstances.

In principle, the FSB does support the need to encourage communication between employers and employees, but there has to be a necessary understanding of the backdrop and economic context in which we are operating at the moment, rather than simply seeing it as an argument in silo.

Jamie Heywood: It is critical that employers do more. At Uber, we introduced the first pension scheme within the taxi and private hire industry six months ago. That has been quite a complicated process because many of the norms within the taxi and private hire industry and many elements that are integral to our model are geared around flexibility. That means that drivers can choose when and how they want. That means that their hours, and therefore their earnings, will vary considerably so it has been quite a difficult process.

We have worked with a number of partners like the Pensions Regulator, NOW: Pensions and Adecco to try to craft a pension scheme that works for all parties, and we feel that we have done that. As of today, we have 97,000 drivers enrolled in our pension schemes. Just over six months in we are still learning. There is still quite a lot to do. In answer to your question, it is important to note that there are still, according to the GMB, 200,000 drivers within the taxi and private hire sector who have rights to pensions who are currently not getting pensions. That is an urgent cause of concern.

Q215 **Chair:** You have 97,000 Uber drivers who are in the scheme. What proportion of all Uber drivers is that?

Jamie Heywood: We currently have—in terms of active drivers on the app today, which means driving on a frequent basis—around 80,000 drivers, so the number of drivers enrolled in our scheme is more than the number of drivers who are active. In many ways, that is one of the complexities of flexible working. We have drivers who are not just choosing to drive or not drive on a daily, hourly or weekly basis but also drivers who are choosing not to drive for a three-month, four-month or six-month period, because they have other commitments or other things they would like to do. We encourage that.

Therefore, you end up with these peculiar situations, which is what we have worked through with the Pensions Regulator, NOW: Pensions and Adecco, which is that we have more people enrolled in the scheme than we have active drivers, even though the scheme is only six months since full rollout.

Q216 **Chair:** When you introduced your scheme you suggested that other employers, other firms in the industry, might want to join the same scheme or similar. Has there been any interest in that?

Jamie Heywood: Yes, you are right. When we introduced the scheme we said that we felt that the law, at least within the taxi and private hire sector, was now clear on the point that all drivers were workers and, therefore, they had an obligation to introduce the scheme.

We also invited anyone who wanted to to join us in building a common pension pot, which we think would be more convenient for drivers. It would give them a single pot that they would pay into and it might, depending on how they wanted to use it, also ameliorate any concerns that might arise from various thresholds and limits that would occur. As yet, no one has approached us about that collaboration.

Gary Dewin: The concept of contributing more and doing more, from an employer perspective, makes absolute sense, but perhaps you would indulge me for a second in terms of the specifics of our scheme. We have a pension scheme that is open to everybody. It is a one-to-one match. We pension every penny, so to speak, from the first £1. However, a big proportion are frontline workers paid in line with the real living wage. Also, we have a high proportion of people who are part time.

Therefore, when you look at the earnings demographic for a lot of our people, earning somewhere between £12,000 and, say, £20,000, and 8% contribution—they pay 4% and we pay 4%—alongside the basic state pension is arguably fit for purpose. We have other people in the organisation too, but that is very important for us. We designed the scheme in that way. Of course, that 8% is the contribution requirement, but we designed it from the outset in that way because we had those very people in mind.

Yes, absolutely, we need to do more. For certain cohorts we have people sitting almost at automatic enrolment level whose earnings are considerably higher than that. Therefore, they do need to do more and we target it that way. However, as a default position, contributing more does need to be seen alongside that, and also the papers issue and the rise in inflation and pay challenges that are here and coming down the track.

Q217 **Chair:** We have heard lots of evidence that we ought to be getting up to a 12% overall contribution or even 15% it was suggested and perhaps more. Do you agree that that is the right level of ambition?

Gary Dewin: I am not sure I do, Chair. I think that there is an argument for it. If we went to 12%, my concern would be that would threaten people's wellbeing today. We do an awful lot of work around financial wellbeing, and the platform that we see for long-term saving is very much around having the firm foundation today. There is a risk that that would threaten that and maybe drive opt-outs.

If it is done in a measured way, if it was done alongside pay increases and pay negotiations, there is a place for that, but I am not entirely convinced that, for the population that I have just outlined, a 12% contribution would be the right thing. If it was shared at 6% and 6% I think that both employee and employer would find that a stretch, certainly in the next few years.

Carol Young: We have a slightly different demographic to Gary and a different contribution structure as a result. In our scheme, a similarity is that we provide 10% pension funding for everybody from the first penny of pay. That is applied across the board. That is 10% effectively non-contributory. We do not have a matching structure. You do not have to be able to afford to put more in in order to receive the maximum from us. Everybody in our organisation receives that 10%.

From that point of view, we are an employer that is already doing more than is required under auto-enrolment. The things that are being described would not lead to any increase in costs for us as an employer, but I think it is definitely the case that, when you look at the broader employment population, it is something to be considered for the individuals who may over save, who are at the lower-earning levels. We also pay ahead of the Living Wage, so that is not such an acute issue for our colleagues.

We are much more focused on how we get people saving adequately so that they can have security and dignity in life after work, as one of your previous contributors mentioned. We have been focusing far more on engagement and we found that behavioural science interventions—we have a very successful auto-escalation programme already in place—are the types of things that we want to focus our attention on. We do not think, despite providing the level of funding that we do, that people are necessarily saving adequately across their working lives.

Q218 **Chair:** Are you able to tell us what proportion of employees are making a contribution on top of the 10% that you are providing?

Carol Young: Very few. Perhaps I can give you a very brief history. Although we have always provided that, there was a long period where the default contribution into the scheme was zero and people could take that funding as cash. We found that was a huge disincentive to pension saving. We have a large population who we have had to work to move actively towards making that contribution into pension.

We changed our new-joiner default in 2019, so that people have to direct that into pension unless there is a tax reason, for example, not to do so. That has been very successful. That has really changed so that the average contribution now is 8%. Every April, in line with changes to tax rates and changes to our pay review kicking in, we have what we call a Save More Tomorrow programme, where we auto-enrol everyone who is saving less than 12% to save 1% more. That has been far stickier and more effective than any engagement activity we have undertaken. That has moved and doubled the average contribution rate in four years.

Tim Jones: Tata has businesses here that include Jaguar Land Rover, Tata Steel, Tata Consultancy Services and some other smaller businesses. I have reached out to a number of those to get a sense of what I am going to say to you now. In general, our larger companies already do more than the statutory minimum and are involved in things like auto-escalation. Jaguar Land Rover has recently had a very successful auto-escalation thing running. It does a lot of engagement but I would echo what Carol has said, which is that it is the behavioural science stuff, it is the defaults that drive significant change.

The other thing that I have picked up in these conversations is that arguably the bigger concern, rather than the structure of contributions, is the totality of pot available—this is, if you like, the Steve Webb challenge—over the next 20 years. That was quite vocal from Jaguar Land Rover, which is saying that there are people coming through who will get to retirement age with relatively small pots, and that that is a concern for the firm. Jaguar Land Rover does a lot. They all do a lot, but they are sitting on cohorts of individuals who are in completely unique and quite different situations.

Q219 **Nigel Mills:** Could I check first whether your organisations have different pension schemes for the highest-paid staff compared to lowest-paid staff, or is it all the same pension scheme for everyone? That will not apply to you, Tom, but, Jamie, what is the employer pension contribution for you?

Jamie Heywood: We have two schemes. For employed individuals, which is a group of people who work in head office, we have one scheme and then for our worker status, which is the drivers, we have a different scheme—that i]s the one I described that we partnered with NOW: Pensions, Adecco and the Pensions Regulator setup.

Q220 **Nigel Mills:** What employer contribution do you enjoy?

Jamie Heywood: It varies depending on how much the employee puts in.

Nigel Mills: Can you give me a rough guide?

Jamie Heywood: I think it runs up to about 3% or 4%.

Q221 **Nigel Mills:** That is the most that you get, 4% of salary from your employer? Gary.

Gary Dewin: The Co-op is the same for everybody irrespective of where you are in the organisation. There is a one-to-one match up to 10% of base pay.

Carol Young: It is the same for everybody and 10% pension funding for everybody.

Tim Jones: I am afraid I don't know.

Q222 **Nigel Mills:** Are you employed by Tata or not?

Tim Jones: I am employed by Tata Limited, which is a tiny company that is a wholly owned subsidiary of Tata Sons. I am talking about companies such as Jaguar Land Rover, Tata Steel and Tata Consultancy Services. Tata Sons owns a portion of each of those companies, but they are separately listed, typically on the Mumbai stock exchange. Jaguar Land Rover is listed under Tata Motors, and Tata Consultancy Services lists separately. I do not have any power over them; I cannot command them to provide—

Q223 **Nigel Mills:** You do get a pension yourself. You are not working without one, I assume.

Tim Jones: I do not get a pension because I have had, immodestly, a reasonably successful career and I am the wrong side of the lifetime limit, so my package is very simple.

Q224 **Nigel Mills:** Tom, what is the FSB pension? You might as well tell us; everybody else has.

Tom Blenkinsop: I don't know but I can write to the Committee if the Committee so wishes.

Q225 **Nigel Mills:** It is helpful context, given you are not so keen on your members paying generously. I would be keen to know whether your members are paying for you to have a good pension.

Do you accept that employers have a duty to promote pension saving to their employees as a good thing? That they should be promoting opting in and trying to increase saving that is a due that you yourselves and your members have. Does anybody not agree with that? No.

I was flicking through some websites. Tom, the FSB offers a workplace pensions and payroll system. Rather miserably, it is solely focused on making compliance easy for people. There is no mention of how a good-quality pension might help motivate or retain your staff and be a good business thing. Do you think that is appropriate?

Tom Blenkinsop: That is a fairly sharp way of looking at it, if I may say so, Chair. If anything, our pension scheme is being talked about within the organisation quite regularly, and people are aware of this. Our main concern is about trying to increase the amount of self-employed people who can get access to a pension scheme to look forward to in the future.

We are looking at means and methods of how we can represent our members and increase that capacity, looking at alternatives like the sidecars, as Anna mentioned in the first panel, but also at things that could be used in future, whether it be through National Insurance contributions or the regular self-assessment that businesses and the self-employed have to reply to on an annual basis.

Q226 **Nigel Mills:** You offer this service to your members and its caption is, "Stay in control of pensions and payroll". The first line is, "Worried about keeping your workplace pension scheme compliant? Hiring your first employee and don't know where to start?" The next captions are, "How can I stay compliant? How much do employers have to pay into workplace pensions?" There is no mention there that you could pay more. If you are offering to run people's payroll and pensions, don't you think that you could have something there that says, "Offering your staff a decent pension is a good thing to do. We offer a high-quality pension with good investment returns and great communication with members that will help your staff engage with this"? There is nothing of that on that page.

Tom Blenkinsop: In terms of members of the FSB, you are talking about various sectors and various regions, lots of different businesses and lots of very different situations. It is a very general position because we are talking to very different businesses, on the whole.

In the main, as I articulated earlier, a lot of small businesses have felt the very difficult economic context of the last two or so years. They do want to deal with their immediate problems or their immediate issues because they want to get going again. They want to employ people and they have personal relationships. Invariably, small businesses employ family members and friends. They want the best for them, but they are having to keep their head above water at this moment in time and need as much support as possible. I think that your comments earlier are a bit too harsh in terms of small businesses.

Q227 **Nigel Mills:** I was being harsh about the FSB's pension offering. You all agreed that employers had a duty to promote pensions and the importance of saving and not just see it as, "The Government make us do this and here is how we can make it as easy and painless and cheap for you to do that as possible". I have raised this with most of the auto-enrolment pension providers. All they say on their websites is, "We are cheap and easy to use". They don't ever say, "and we offer a great pension and we are getting great investment returns". It feels like auto-enrolment has not moved on from being a big compliance job to being a good thing. That is where I would like to see the market go.

Gary and Carol, you are offering pensions to employees, and you have quite sophisticated websites that I can see some of. I guess what you are trying to do is promote this as an idea rather than just see it as a burden, are you?

Carol Young: Absolutely. To your earlier point, when we talk to people about their remuneration package on coming to us, we talk about something called a value account. That is salary plus pension funding plus, at the appropriate levels, benefit funding. We are trying to make sure that people can, from day one, understand the fact that there is a generous pension funding in there.

When people join us—graduates, apprenticeships and, going forward, any new joiners—we do an initial onboarding that includes some financial wellbeing support. Pension is one of the pillars of that. Then, as I have already laid out, we engage with them annually to try to encourage anybody who is not saving for life after work to save more. We use the PLSA retirement living standards to try to engage. We have hired a strategic design consultancy to go through our members' journeys, to sit with them and highlight the points of difficulty to see if we can make it easier for them to engage and to save.

We have run a deliberative democracy-style exercise in the last year, where we took a stratified sample of our colleagues and spent 18 hours with them with specialists to try to help them answer the question, "What should you think about when managing your pension scheme?" It is a very constant and important activity for us that people understand this and that they are saving at adequate rates. It is the right thing to do, and it is an important part of strategic workforce planning. We want people to be able to retire with dignity and to afford to do so at a time of their choosing, so, yes, we try.

The honest truth, though, Nigel, is it is not an easy sell. It really isn't. If you were a smaller employer I can also imagine—we are a large employer and we are able to think more about engagement. Compliance with auto-enrolment is non-trivial. It is quite a complicated thing and I understand why employers would want to focus on that as a base and then move to engagement thereafter. Whatever we do from here, keeping compliance as simple as possible will free employers up to be able to focus on engagement.

Q228 **Nigel Mills:** One more question. Do you think that we should move to quoting remuneration packages gross, including employer pension contributions so that people can see?

Carol Young: We already do.

Gary Dewin: That is something we do as well. The thing for me that is I have been in pensions for a long time. I feel almost foolish, in a sense that it is only in the last couple of years that we have started to get far greater traction through using financial wellbeing and wellbeing generally as the way in to the conversation. In some ways, ironically, the pandemic has helped with that. It was a focus about you as a colleague.

If you bring somebody in and there is an interest in terms of something that we can offer you right now, whether that is something to do with the credit unions or helping to manage debt, that quite quickly can be a pathway to pensions. Although it does not sound that obvious to start with, it does make a difference. We have found that the single biggest game changer for us has been moving towards financial wellbeing. That is a pathway into talking about more long-term and retirement savings.

We do see it as an important tool, but it does take a while for colleagues/employees to understand it and to value it. As Carol says, you need to start to put it in statements and articulate how much it is actually worth.

Forgive me for a second, but when automatic enrolment happened, we automatically enrolled thousands of people overnight that had never been in a pension scheme before. Now, 10 years on, they have a sizeable pension pot. It is a journey that we are on but we do see it as a critical part of what we are about as a co-op.

Q229 **Sir Desmond Swayne:** Tim, we have stressed in our reports the need for employers to be much more proactive in providing guidance and sources of advice. What do you think the role of employers should be in this respect and what can Government regulators do to assist you, bearing in mind that difficulty of going beyond guidance and treading on advice?

Tim Jones: Thank you. I am not a fan of employers trying to trip over that boundary into advice at all. What employers should do is to stress the importance of pension saving and do everything that we can—there is a lot of stuff that gets done—about encouraging it to be the norm. People save for their retirement here. That is the norm and that is the way things are here, to provide equality-compliant pension scheme or schemes to meet the needs of their business. But I think it should finish there. It is quite difficult for employers to pretend to have any regulator financial advice skills, and I would be loath to see employers go in that direction.

Carol Young: I would agree that employers as a whole would struggle to provide that advice, but it is very important—as a hopefully trusted source of information—that we can design journeys for colleagues that put them on pathways that allow them to access that advice at the right time.

There is a lot we can do that sits the right side of the guidance/advice boundary. Then there are processes that you can put in place—and indeed that we have in place in our scheme—where there are established pathways for colleagues to go and take advice when they need it, and also stronger nudges, for example, to things like Pension Wise at the appropriate time.

Q230 **Sir Desmond Swayne:** What would an established pathway look like?

Carol Young: For example, when people are coming towards retirement, we are communicating with them five to 10 years out from when they say that they want to take their benefits. As part of that communication, we will make webinars and workshops available for them. There is an agreement already in place between our pension provider and an advice provider. That allows them to go and take advice if they want to, and to fund it out of their pot so that they do not have to find money to do that. That pathway is already there.

We don't have that many people who are at that point yet. The pathway is there and the take-up is not great. We have had about 10 people who have looked at it, in a scheme of 70,000. However, it is important to have them there and have them running so that, as the numbers progress, those things are already established.

When we had the design consultancy work with our members to ask them about the points where they could get better support, they used the phrase "consumer-grade experiences". To the extent that you can make it really slick for people, that they have a single hub that they can log on and be passed to the right points of information—those are the things that we are focusing on to make sure that they get the right things at the right time.

Gary Dewin: I would echo a lot of things that Carol has said there. Creating the environment for those conversations to take place, giving colleagues the permission to have those conversations and know where they can go to is important. I have found that the more we have peers in the organisation, leaders in the business, fellow colleagues and the trade union representatives, all talking to the same story, to the same agenda. That is hugely powerful.

As much as I would like to go to one of our depots and have everyone listen to every word that I say, I tend to find that there are other people more likely to be listened to than me, because it is all about advocacy in many ways. That is hugely powerful. Those relationships and those partnerships are hugely important to us.

Frankly, we have to do more of it, but it is in terms of picking the right time. Very recently we wrote to colleagues who had just turned 50, to highlight the point of the retirement age. Few people have changed their retirement age in the DC scheme because in old money you did not need to think about that, but you do need to think about it in this context. The reaction and the response that we got from that was fantastic. People were engaging with their account, trying to understand what would happen if they moved their retirement age.

That is just one example but we are learning all the time and there is so much more to do. So much of what we have done in the last few years in particular is based off the insight that we are getting back. We are using that insight much better than before.

Tom Blenkinsop: Most small businesses do not have an HR department and certainly do not have pension officers or things like that. Most businesses do not have the expertise either. They like the fact that they can buy a product and bring it in to make sure that their employees are covered. The FSB supports the mid-life MOT initiative to help employees find out—

Q231 **Sir Desmond Swayne:** To what extent do you think that small businesses are aware of the Money Helper service and the mid-life MOT service?

Tom Blenkinsop: They are aware of it. It is the difficulty of having lots and lots of other immediate issues to deal with. They hope that they can have a product that they can go to to help their employees be able to save for the future.

As I said earlier, they are not HR experts. They are not pension experts. Invariably, they are single-vanned operations, running their businesses and employing their team and want to make sure that they are doing the right thing by their team. However, they are not the go-to person to ask for their particular expertise in the matter, because they will not usually have it. Therefore, they see this as a product that they can buy in and use to make sure that they can do that. That is the beauty of auto-enrolment. It does help people who do not know what auto-enrolment entails and ensures that they can supply that service for their employees.

Jamie Heywood: Our drivers will have come to us through multiple channels and many will have had previous experience of having full-time work and a pension scheme. Others may have come to us through traditional private hire. Therefore, communication and making sure that what is quite a ground-breaking, novel scheme has been very, very important to us in the six months that we have had the pension live, and in the build-up to that.

We have done a lot of work trying to promote the benefits of enrolling in the pension scheme, both through email and app. We also have 20 driver hubs across the UK where they can have face-to-face interactions and we have a contact centre in Limerick where they can talk through that.

In answer to the original question, we also then have worked through NOW: Pensions, which has a dedicated pension hotline that is specifically for advice on the pension post the auto-enrolment. We keep those two channels separate.

A lot of the work that we have been doing has been education because, even if you were in a pension scheme before, if you move into a pension scheme like the one we have developed with NOW, Adecco and the Pensions Regulator, which is a flexible, variable pension scheme, there will be changes and there will be differences and we need to communicate that. If you are coming to us from the private hire industry, obviously you have never had a pension scheme before and, therefore, there is education to do there too.

Q232 **Sir Desmond Swayne:** To be clear, the service provided by NOW: Pensions to you—you said was providing advice. Are we talking about real advice rather than guidance?

Jamie Heywood: It is more guidance.

Q233 **Chris Stephens:** Jamie, I have some more questions for you. The GMB and others have called on other foreign-based operators to follow Uber's lead in providing pensions for drivers. Is there any evidence that you have seen of other employers in similar sectors volunteering to follow Uber's lead?

Jamie Heywood: Within the taxi and private hire sector I have not. There is none that I have seen or can think of.

Q234 **Chris Stephens:** At what stage do you believe Uber would be at currently with pensions if the Supreme Court had not given its judgment in 2021?

Jamie Heywood: Uber, like the rest of the UK, or the vast majority of the UK taxi and private hire industry, operated historically where drivers were deemed self-employed. When the Supreme Court took the decision last year that drivers were workers, we made the move—we provided them with holiday pay and we provided them with pensions.

In my view now, the law is entirely clear with respect to the taxi and private hire industry and people operating in the way that we have operated and the way that the rest of the industry has operated. With the clarity that the Supreme Court gave us, we were able to make the moves that we did, which, as you say, the GMB has called out as leading the industry.

Q235 **Chris Stephens:** Thank you. You have explained to us how your pension arrangements work, Jamie. Could you explain to us how the auto-enrolment system currently works at Uber? Do you auto-enrol everyone or is it only those earning a certain amount, and is it only those who have been working for, say, three months? Could you explain that to the Committee?

Jamie Heywood: We auto-enrol all drivers who meet three criteria. The first one is that they have fulfilled the three-month postponement period. The second one is that they are over 22—from 22 and up to 65—and the third one is that we have a qualifying limit, which is that they need to have earned more than £192 in a given week. Once they trigger those three thresholds, we auto-enrol them in.

To put the £192 in context, the average Uber driver is now earning around £29 an hour in Q1—that is roughly seven hours of work—in order to reach that threshold. Once they have been auto-enrolled, the pensionable earnings threshold is £120 a week.

Q236 **Chris Stephens:** Is Uber reviewing that all the time? Is there a stage where Uber may consider changing the auto-enrol rules? I am thinking in respect to what has been referred to as a £10,000 earnings trigger. Is there any suggestion that Uber may consider reducing that or removing that altogether? Is that something that is moving all the time?

Jamie Heywood: One of the complexities that we had to work through when we took the £10,000 figure and tried to work out what it meant for drivers who could work just one week in a year or 12 months a year—completely at their discretion—is how to apply it. The way that we have applied it is that we have taken that and we have broken the £10,000 into £192 per week, so in order to qualify you just need to have done £192 in a week. If you only work one week in that year, provided you earned more than £192 in that week, you are qualified. Therefore, the £10,000 number, as an annualised figure, disappears.

Q237 **Chris Stephens:** You said in a question to the Chair earlier that you have a number of drivers who work for other employers and that you very much encourage that. Does that make the pensions issue more complicated for them if they do work for other employers, particularly other gig economy employers? Does that make it more complex for not just them but Uber as an employer?

Jamie Heywood: When I talk to drivers they are quite confused and puzzled by some of the discrepancies that they see in the way that they work. Drivers will work across multiple apps; they will earn across multiple apps. Some third-party sources estimate that there could be as many as up to 80% of drivers in London who are working with Uber and also earning on other apps. That means that a driver who is on one trip with Uber will earn holiday pay and pension rights on that trip. The next trip that they pick up, which could be two minutes later and may be with a competitor, they would have no comparable rights for holiday pay and pensions. Drivers find that situation very confusing.

Q238 **Chris Stephens:** That is certainly something we would want to pick up, Chair.

Uber was threatened with legal action over the fact that NOW: Pensions did not offer a Shariah-compliant fund. With hindsight, Jamie, what would Uber have done differently?

Jamie Heywood: We are absolutely committed to making sure that we offer a completely inclusive set of pension options to our drivers. To get the scheme stood up has been complicated and, therefore, we have prioritised making sure that it is available to all drivers. We have had very good opt-in rates from drivers.

We are very conscious that we need to be introducing and we will be introducing a Shariah scheme. We are going to be gathering driver choices on that in August and we will have implemented it in October. It would have been great if we had been able to advance that but, at the time, we prioritised getting the whole scheme set up and, therefore, we were slightly slower maybe than would have been optimal.

Q239 **Chris Stephens:** Uber has been very much a test case in relation to all this. What lessons has Uber learned and what experience could they pass on to other gig economy employers to save them going through the legal process that Uber had to go through?

Jamie Heywood: There are probably two aspects to that. First, from a legal perspective, as you said, we have been the test case for providing much greater clarity on what the status of drivers in the taxi and private hire sector are, and they are workers. That is very clear. I think what would be useful is we share the Committee's disappointment about the lack of an employment Bill because that would have taken the Supreme Court decision and substantiated it. Nonetheless, we think there is an important opportunity for guidance to clarify that.

In terms of the learnings from the execution that we have had, the work we have done to try to work out how to make pensions applicable into flexible work, I am delighted to share some of our learnings now. It is early days, but we are very happy to continue to share those with the Committee as and when we learn more.

Q240 **Shaun Bailey:** I want to touch on some of the practicality elements particularly around the gig economy employees and auto-enrolment. We know the Pensions Regulator has been working with gig economy employers who cover 150,000 to 200,000 employees.

Tom, you might pick this up from the FSB perspective: do you think we have a full grasp of the numbers that are there? From a logistical challenge, particularly for your members, as small businesses that may fit within this, do you think that there is potentially a wave and we will not be system-ready if we go down the route of auto-enrolling gig economy employees? I am trying to understand because if we are to legislate or regulate for this, clearly it has to work. Would you say at the moment we are system-ready for that and, if not, what do we need to do to ensure that we can be?

Tom Blenkinsop: It is a good question. I would say that we support legislation going ahead and we wish to see it successful and see people saving for the future, but more work needs to be done in terms of self-employed people, particularly around their ability to save. About 88% of the self-employed have a former pension from a previous workplace that they would have worked in.

Whether the Government could look at using NICs or the annual self-assessment as a means to sell and promote products to those self-employed workers, for example, going forward would be a very useful, ambitious project to build upon. Anna's comments in the first panel about the sidecar model is very useful for the self-employed. There is lots of scope there to be done, but I think the legislation is great and it is great building blocks upon which to go forward but there is more work needing to be done in terms of the self-employed.

Q241 **Shaun Bailey:** Jamie, do you have any thoughts on that from an Uber perspective? I appreciate your dealings with GB in terms of the systems that you are using at the moment, if you then have that obligation would you be system-ready at the moment to deal with that?

Jamie Heywood: When we started the process of looking to roll out pensions within the gig economy, because of the variable nature of contributions and they are varying by week, we did not have that many providers who were able to meet the stringent requirements that we had because it is not traditional. Critical to being system-ready is to make sure there is clarity, certainly in the taxi and private hire sector, that this is an obligation on all operators for the 200,000 drivers, That will then cause other providers to lean in and start to develop more flexible offerings.

I think that once there are more flexible offerings available, competition between providers will make sure it continues to get better and better. At the moment, where there is some ambiguity, we are the only company that has made that move. Therefore, the number of providers providing that option are not as many as would be optimal.

Q242 **Shaun Bailey:** Gary, do have any perspectives on this, making sure we are system-ready to enrol people in the gig economy more broadly?

Gary Dewin: To be fair, it is not something I have value to add.

Q243 **Shaun Bailey:** Tim, I do not know if you have any perspectives on that either. No, great.

In terms of the enforcement element of this, Chris has picked up on what the TPR said around doing the right thing and asking employers to do the right thing. Clearly, it seems there needs to be some sort of bespoke enforcement regime around this. We are looking towards an Employment Bill hopefully that will look into that. In terms of that engagement piece more broadly and that carrot and stick approach we talked about, from the FSB perspective, how do we craft that to ensure it is a mix of enforcement but that is the partnership working there with business as well?

If we go in there with a heavy hand, perhaps that will cause difficulties down the way. How do we get that balance right in trying to build an enforcement regime to be sure that businesses are meeting those obligations, more broadly?

Tom Blenkinsop: Are you inferring a path towards a pensions commission of some form?

Q244 **Shaun Bailey:** Yes, basically, but ultimately the nub of the question is: how do we build that regime to ensure people who should be auto-enrolled and people in the gig economy are auto-enrolled? We can ask employers to do the right thing, but how will we make them do the right thing?

Tom Blenkinsop: Small business is engaged with the Low Pay Commission and the Migration Advisory Committee. The models exist out there and small business complies with them and also has input into those organisations. I would not see that as a problem. Small business needs to be represented there, voices heard, and in particular, the self-employed to articulate some points I made earlier.

Jamie Heywood: The fact that we have implemented a flexible pension scheme shows it can be done. At least within the taxi and private hire sector, the question is can it be done? Will it be managed appropriately? There is now a model and a blueprint. We are happy to share that, as I am sure our partners would be as well. I think the difficulty is enforcement. The difficulty is at the moment there are 200,000 taxi and private hire drivers who are not getting the rights they deserve, and enforcement of that is taking longer than I think would be in their best interest.

Q245 **Shaun Bailey:** Carol, do you have any perspectives on that in terms of enforcement more broadly?

Carol Young: This is enforcement not in terms of their minimum compliance and gig workers. However, if by enforcement you are looking at things like pension commissions and increasing contribution rates over time, from the perspective of a large employer that already willingly complies and goes beyond those rates, we are trying to engage tens of thousands of people in a very system-integrated way. We need visibility, transparency and a road map. I am trying to plan out how I will engage people over multiple years, what investment I might need to do that, so it is very helpful to understand if the compliance underpin will move, and how and when that compliance underpin will move, so I can factor that in and build my engagement on top of it.

Q246 **Shaun Bailey:** It is that communication element, knowing where the land lies.

Carol Young: Yes, and some sort of outlook.

Gary Dewin: I completely agree with that. It is about being able to plan, to engage and to communicate. These things take time. We obviously want to go well beyond the compliance at all stages, yet we do not see it from a compliance perspective such as it is about the value add. Getting that value add at times is hard because it is hard sometimes for people to understand the value. From a roll perspective, they may just be looking at one level of pay from one employer to another and it is a competitive place out there.

The fact that we offer a better pension scheme than others does not necessarily give us an advantage. That is why we bring it back into the broader wellbeing because we think that maybe does. Advanced notice and being able to factor it into pay negotiations, into our financial plans three or five years out is so important for us.

Tim Jones: I echo what Gary and Carol have said. Large corporations like to be able to see the road ahead and plan for it.

Q247 **Chris Stephens:** I have some quick questions for my old friend, Mr Blenkinsop. Tom, it is good to see you. I had the impression in your answer to a question that the FSB's position is that a solution to auto-enrolment for the self-employed is through the tax system. Is that the case?

Tom Blenkinsop: Yes.

Q248 **Chris Stephens:** Thank you. What is needed to increase the number of self-employed people saving on a pension if there were three recommendations that FSB has for this Committee?

Tom Blenkinsop: The first is to reiterate the self-assessment rule whereby products could be advertised to the self-employed to look at the options out there. Making use of the money server advice that the Government can offer, and whether the Government will be able to finance that rather than putting the onus on small businesses, given the increasing costs. I point to the increase in NICs in April, for example, whereby the benefit of that could be used more flexibly for the self-employed or the employees of a small business, in promoting saving among employees in small businesses.

Q249 **Chris Stephens:** The last question, Tom, is this. Does the Federation of Small Businesses have a view on whether a change of law is necessary to clarify the status of workers and how that can help people auto-enrol?

Tom Blenkinsop: At this moment I do not know but I can write to the Committee about that.

Q250 **Chair:** There are a few more points to raise with you, starting with Jamie. You have made the point to us that following the Supreme Court case, the legal position for taxi and private hire drivers is now very clear. Does that mean in your view, your competitors are breaking the law at the moment?

Jamie Heywood: The Supreme Court decision was very clear about the conditions of control, the relationship between the company and the driver that constituted worker status, and stipulated very clearly things like who sets the price. If it is the operator that sets the price, that is a form of control. If there are any restrictions placed on the types of vehicles a driver can drive, that is also a form of control, and they listed five or six items.

When we looked at that with respect to Uber, we looked at those items and said that we accepted absolutely that, as of the facts of 2016, which is when the Supreme Court made the judgment based on those facts, our drivers are workers. We felt it would not be possible or appropriate, or good for drivers or riders, to make changes to the nature of our model to mean we would not be caught by those facts. I think it is for others to look at the models of the other operators. My personal view is they operate with very similar models to the way we did in 2016 and the way we do now.

Q251 **Chair:** It would be hard to see how they could reach a conclusion other than the one that you reached.

Jamie Heywood: Yes, but that is my conclusion.

Q252 **Chair:** I understand. Do you think Uber is suffering commercially from having these more generous terms than your competitors at the moment, or is there perhaps a commercial benefit to you from doing that?

Jamie Heywood: When I talk to drivers, they definitely appreciate the changes we have made. They are particularly appreciative of the change on holiday pay because that means they get an additional 12% incremental earnings than they would have previously. That comes to them in a weekly or monthly basis, so it is real time. They also appreciate pensions, and we now have 10,000 more active drivers than we did a year ago, suggesting there is some degree of positivity about the changes we have made.

Q253 **Chris Stephens:** Is that in relation to other people moving to Uber from other companies as a relation to more generous terms and conditions?

Jamie Heywood: It is difficult to know exactly where the 10,000 additional active drivers have come from. Some will have moved from potentially other taxi and private hire companies and some may not, so I do not exactly know the source of that. I just know that we have 10,000 more active drivers than we did and when I speak to drivers, they appreciate the changes we have made.

Nonetheless, I think we are operating where we are the only ones making these contributions and there will be some proportion of the driver base who would probably prefer that it was all cash in hand. To the degree to which our offer, that we are legally required to do, does not apply to them yes, we would be disadvantaged.

Q254 **Chair:** It sounds from the figures you gave us at the start, as though almost all your drivers—hardly any have opted out of pension auto-enrolment. Is that right?

Jamie Heywood: In terms of the opt-out rate, at the moment it is about 19%. The reason why we have 97,000 drivers enrolled and 80,000 active drivers is just the variability. There will be the variability of how drivers drive, but the opt-out rate is around 19%, which from my conversations with NOW: Pensions, my understanding is traditional opt-out rates vary a lot by sector and by the demographics of the individuals concerned. It would be broadly within the range of the rest of the industry.

Q255 **Chair:** Can I turn to the other large employer witnesses? As you have gathered, a number of people have said to us there ought to be a 12% contribution from employers plus employees to build an adequate income in retirement for people. Gary, you thought there are some of your employees for whom that would not be appropriate. If the Government were to set that goal—I think, Carol, you are probably close to achieving it, but for Gary and Tim, could the companies you are speaking for cope with that, if that was a requirement? If it was a requirement, what do you think would be a reasonable timescale to deliver it?

Gary Dewin: If it was mandated, of course we would seek to comply with that. The timeframe, in an organisation like ours you are typically working with a three to five-year timeframe in terms of your financial plans. One of the key constraints there would be how it is tied to wage and pay negotiations, especially in the next few years, because I can see there would be significant pressure. There has already been a lot of pressure, but significant pressure in pay increases.

We increased front-line colleague pay by something like 25% in the last four years. That does feed through into pension contribution in an absolute sense. The percentage may be the same but in terms of absolute contributions to the pension scheme, that is increasing. We would need time to factor it in. We work very well with our trade unions, so we would need to have those conversations and understanding about how that would work.

My concern would be in the current economic climate it would almost certainly have an impact on what we were able to pay colleagues. It would have to come from somewhere and we would have to find a way to make that work. I cannot answer the question too specifically at the moment. We would have to work at it. We would find a way, but there would be ramifications, I suspect, across the wider organisation. In an organisation like ours—it is no secret—food retailers, funeral businesses, there are not huge margins in profit. We would have to work hard to make that but time would be very important.

Q256 **Chair:** Can I ask you what the auto-enrolment opt-out rate is in the Co-op?

Gary Dewin: It is less than 5% and has been fairly consistent throughout the duration.

Q257 **Chair:** Tim, what would the reasonable timescale be?

Tim Jones: I echo a lot of what Gary has said. Clearly, if something was mandated, we would comply. We are already at those kinds of contribution levels for some of the people in the main companies we have here, and it is all about planning again. It would need to be a new settlement.

All markets are competitive and, therefore, we would not want to feel disadvantaged and would want to understand that our competitors had to come along with this alongside us. The Tata group of companies has a long, 100-year plus heritage of being benevolent in terms of its relationship with workers in India and here, so I think we would want to work with it and not hugely resistant but it would need to be carefully planned in.

Q258 **Chair:** Are you able to tell us what the auto-enrolment opt-out rates are in the Tata Group?

Tim Jones: I am not. I could seek to write to you on that.

Q259 **Chair:** It would be of great interest, thank you. Carol, I did not quite understand from what you were saying earlier. I think you said everybody gets 10%. I presume nobody would opt out of getting 10%. Is that right?

Carol Young: Everybody has received 10% for a long period of time. Prior to 2018, they could choose whether to direct that 10% employer contribution to their pension or to take it as cash, so a large number of people did take it as cash, despite significant education on our part. There are a group of people who we employed on that basis. They made financial decisions on that basis. They may have taken mortgages and other things, so we did not feel we could change that for the people who had that entitlement already.

All new joiners from 2018 onwards can only, other than in very limited circumstances, take their pension contribution as a pension contribution. They cannot take a cash equivalent. That has made a huge difference on its own because, you are quite right, in that group nobody opts out. It is a more challenging picture in the group that still has the ability of the opt-out to take the pension contribution as cash, and that is where auto-escalation has been very successful.

We have moved from over 30% of people not saving in 2019, to about 15% now, and we have a target to reduce that again by 2024. We only had about 25% of people saving at least 8% in 2019. It is two-thirds now and we have a target to get it to 90% by 2024. We only had about 9% of people saving 12% or more, so choosing to put their own money in, in addition to the employer contribution in 2019. We have pushed that to 14% and we are aiming to push it to 25% and are using our auto-escalation to do that.

We had already actively targeted getting people to 12%, albeit in a different balance to the way the Committee is considering, with 10% coming from employers. From an employer cost perspective, we would already meet a 6% and 6%, so there would be no cost implication. I can anticipate if there was a requirement for colleagues to put, in our case, at least 2% in that they are not used to putting in, that would still be a factor in our trade union negotiations to the extent that people had to direct their own money beyond our pension contributions towards.

Q260 **Chair:** What would be a reasonable time period for you to be required to do that?

Carol Young: If I look at us as an employer, we find that people are generally able to tolerate a 1% increase per annum. When we put people into an auto-escalation, it is being sticky with about 60% of those people. I think 0.5% per annum sounds like something they may be able to tolerate, so if you are trying to move people 2% you are looking at a five-year timeframe. I am a little bit torn because I agree with the general sentiment the Committee has heard: that people are not saving adequately and we need to do something, so I would prefer to do it as quickly as is tolerable, but I suggest that tolerable is in the 0.5% to 1% a year camp.

Q261 **Chair:** Given that quite a lot of people were taking their 10% pension contribution as cash before 2018, how did you comply with the auto-enrolment obligations?

Carol Young: That has always been the structure and we have always been fairly compliant because people are choosing to opt out but we are auto-enrolling them and opting them in. There was certainly no cost avoidance on our part because we are giving the money either way. We were the first scheme to go through auto-enrolment, I believe. It predates me and that structure has been compliant from the outset.

Q262 **Nigel Mills:** You are having to re-enrol them every three years.

Carol Young: We are, so that is why I need time to plan and engage. Every time we bring a few more people in and on top of my baseline auto-enrolment obligations, I have this annual auto-escalation, so everybody who is saving less than 12% we put them back in to save 1% more than they are currently every year and they have to opt out again. The combination of those behavioural pieces, those nudges and being done for them that is making the type of change I have described.

Q263 **Chair:** You auto-enrol the full 10% every three years, do you?

Carol Young: When we go through the auto-enrolment compliance, so strict auto-enrolment, we think that would be counterproductive, so at that point we focus on compliance. If you are already saving less than the auto-enrolment level, we try to enrol you at the auto-enrolment level as a minimum. That focuses on compliance, which is why I am saying this compliance underpin is so important to understand, as I am also trying to run an annual auto-enrolment piece so that I can make them make sense. But we have had some individuals who have been subject to some form of re-enrolment in a pension scheme three times in a 12-month period. With heavy engagement going alongside that, but some of them still do not wish to be enrolled.

Q264 **Chair:** Is the mode you have described to us a fairly typical model in the banking industry?

Carol Young: No. I would say the typical model is MAT. The typical model is you put in three and we put in six. The level of contribution that is available is typical for banking, being able to access 10% of employer funding is typical. Some may even be slightly higher, but the fact that we give it to everybody, irrespective of what they can afford to contribute, I believe is unique. It comes down to the point Nigel and I were discussing earlier about us trying to be very transparent about your salary, your pension funding, your benefit funding.

Chair: That has been extremely interesting. Thank you all very much indeed for coming to talk to us this morning, particularly those who came at very short notice, we are particularly grateful to you. Thank you all. You have given us lots to think about. That concludes our questions to you this morning and concludes our meeting.