

ADVICE NEEDED!

A research report into small firms' readiness for the workplace pension reforms

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1. Summary

Purpose of research

- Automatic enrolment is a potential **game changer for UK pension provision** – bringing an estimated 10 million people into long-term saving for the first time.
- Successful implementation depends on the **decisions made by 1.1 million micro and small firms** who employ 30% of Britain's workforce. These firms need to make the right calls on what pension scheme they will offer their employees, how they will start-up and administer the scheme, and how they will advise staff members on pension saving.
- **Financial advisers may be able to help** in this regard though there has been some debate about whether, and how, firms might seek advice in the run-up to implementation of the reforms.
- There have only been a few attempts to ask small firms for their views about the reforms and financial advice. This paper helps to fill this gap **with up-to-date evidence from a representative sample of Britain's micro and small businesses on awareness and support requirements**.

Headline findings

- Our results suggest that only a **minority of small firms are ready** for the reforms with only a small proportion of firms having made plans and the majority unaware of the Government's proposals in this area.
- **A small number of firms have already sought external assistance** ahead of auto-enrolment. Nearly half of this group have consulted a financial adviser though this only equates to around 6% of firms in total. The vast majority of these firms were satisfied with the advice that they received.
- Out of all the firms we surveyed **financial advisers were the most popular potential source of assistance** on auto-enrolment above accountants and pension providers – consistent with a past DWP survey.
- There also appears to be a **clear willingness to pay for advice** for certain services particularly one-off tailored advice on setting up a pension scheme and ongoing advice on the pension scheme.
- Those firms with the **greatest levels of knowledge** about auto-enrolment and the **highest levels of turnover** in terms of sales were the most likely to consider paid-for advice.
- Firms place **specialist knowledge** and **trustworthiness** at the top of the list of attributes they look for from advisers.

Key implications

- **Small firms will be crucial to successful implementation:** The success of auto-enrolment depends on small firms making the right decisions before and after their staging dates.
- **Awareness:** Raised awareness is vital to ensuring firms choose the right workplace pension scheme and offer their employees appropriate assistance. Improved communications from government, industry and the regulator will be necessary as staging dates draw nearer.
- **Financial advice is favoured:** Small firms are increasingly likely to look to financial advice to help them navigate auto-enrolment as 2015 approaches.
- **Reducing the pensions gap:** Advisers may be able to play a crucial role in reducing the nation's pensions gap by providing appropriate assistance to firms in need.
- **Professional standards:** Small firms place **knowledge and trust** at the top of the list of attributes they look for from advice. Continuing to demonstrate high professional standards will therefore be key to ensuring that intermediaries benefit from improved levels of trust and confidence.

2. The policy context: nudging 10 million

Workplace pension reforms – a game changer

Automatic enrolment is the Government's flagship policy to get Britain saving for retirement. The policy is aimed at ensuring that all private sector employees (bar the very lowest earners) will be automatically enrolled into a workplace pension scheme with the ultimate goal of improving pension provision. The proposal is expected to bring an estimated 10 million people into long-term saving for the first time¹.

The policy is grounded in behavioural economics. Since many people are inert when dealing with complex financial issues, the government believes employees will most likely do nothing following enrolment, meaning that millions will start saving by default. A new government-backed workplace pension scheme known as the National Employment Savings Trust (NEST) was established to support successful implementation of the proposals. The reforms will be phased in from the largest firms in October this year to the smallest firms from 2015–2017.

The crucial role of small firms

Most of the debate around auto-enrolment has focused on the likely opt-out rate of employees in order to gauge the affect of the reforms on aggregate long term saving². There has also been significant discussion about employee contribution rates and the need for individuals to save more than the statutory minimum after enrolling. Both are of course extremely important issues, but there are other related areas of concern that also need to be addressed that have received relatively less attention. One of these, which is the subject of this paper, is **how small businesses will respond to these reforms** – something which has the potential to shape the success of the entire project including whether people choose to opt-out or not and whether they decide to up their contributions.

Businesses will have to make a number of important decisions in the run-up to their start date. These include (amongst others) what pension scheme they will offer their employees, how they will start-up and administer the scheme and how they will advise staff members on pension saving. Each decision is of crucial importance:

- Choosing the wrong scheme is likely to have a detrimental effect on employees' pension pots.
- Employers are perceived as **trusted intermediaries** in terms of communicating the benefits of saving³, so ensuring that firms provide appropriate assistance to staff will be important in increasing participation and contribution rates.
- The cost of administering the pension scheme itself is likely to be a significant issue for small firms with low profit margins.

Ultimately firms must buy-in to the concept of auto-enrolment. Many small and medium sized enterprises (SMEs) are dealing with a range of regulatory developments such as national minimum wage, default retirement age and reforms to maternity/paternity leave. The workplace pension reforms must be seen as a win

¹ The DWP estimates that about 10 million employees will be eligible for auto-enrolment. They further predict that between 2 and 4 million people will opt out of their company pension scheme which will leave between 6 to 8 million employees still captured by the reforms. See DWP (2011) "Auto-enrolment and Workplace Pension Reform: The Facts" and, King (May 2012) "70% of workers 'unaware' of auto enrolment pension plans" Story in the Guardian last accessed 17 May: <http://www.guardian.co.uk/money/2012/may/02/workers-unaware-auto-enrolment-pensions>

² For example the National Association of Pension Funds, predicts that opt-out rate will be around 1 in 3 whilst the Government believes that it is more likely to be 1 in five. See Michael Trudeau (Mar 2012), "One in three will opt out of auto-enrolment, NAPF data show", article in FT adviser: <http://www.ftadviser.com/2012/03/07/pensions/group-pensions/one-in-three-will-opt-out-of-auto-enrolment-napf-data-show-Muu3PZtbvTNVN29qbAPAL/article.html?refresh=true>

³ Aegon (Jan 2011) "Towards more effective savings incentives: AEGON's conclusions from independent research"

for firms as much as employees, rather than yet another squeeze on already pressed income. Therefore, for many firms and particularly smaller businesses, auto-enrolment is a significant challenge.

In response to this challenge, the DWP is undertaking an employer communications campaign in collaboration with other stakeholders which will include information delivered through a range of media to inform firms about the reforms. As a part of this process, firms will receive a letter and information pack from The Pensions Regulator (TPR) providing details about the timing of their staging date and their obligations. TPR also has a website dedicated to meeting the needs of employers, including key fact sheets about the reforms, tips for communicating them to employees, and answers to frequently asked questions. There is also generic information about how to set up a workplace pension scheme and links to gain access to financial advice⁴. NEST has separately published a number of communications products for firms including a basic guide for employers to raise awareness about how NEST can help firms meet their statutory obligations⁵.

Financial advisers could have a crucial part to play

Financial services and in particular financial advisers could also play an important part in helping firms cope with the challenges posed by the workplace pension reforms. The debate about small firms and financial advice regarding auto-enrolment has been touched on by a number of high profile figures over the last few months. In January for example, Pensions Minister Steve Webb argued that firms would not necessarily need “specifically tailored individual advice”⁶ given the simple nature of the NEST product and its likely competitors. On the other hand, NEST managing director of scheme development Helen Dean implied that there was likely to be a role for financial advisers.

“They [firms] all certainly rate ease of use as their top priority right now and they want to be sure they understand all the features of the schemes they may use for automatic enrolment, as well as be sure they comply with the law. That’s where advisers might come in.”⁷

Whilst the debate continues between government, NEST and the wider financial services community, few have sought views directly from firms themselves. Recent research by Aviva helped fill this gap by looking at firms readiness for auto-enrolment⁸, but only limited research (to our knowledge) has been conducted to link this to use of and perceptions about financial advice other than the DWP baseline survey conducted in 2009⁹.

Enhancing the reputation of the sector

The stakes could not be higher. There are currently over 1.1 million small employers in the UK, employing 7.1 million people (equivalent to 30% of the total private sector workforce) and many of these firms do not have an occupational pension scheme in place.¹⁰ Auto-enrolment for these firms may therefore present an opportunity for financial advisers to help with the implementation and continued running of a company pension scheme. In turn, by helping to ensure that the reforms are successfully implemented, advisers could play a key role in reducing the size of the UK’s projected pensions gap¹¹. With this in mind, this paper now seeks to understand the perceptions of small firms about the workplace pension reforms and their specific views about financial advice.

⁴ See <http://www.thepensionsregulator.gov.uk/workplacepensions.html> and <http://www.thepensionsregulator.gov.uk/employers/finding-a-provider.aspx> last accessed 30 May 2012

⁵ See for example, [Employers’ guide to automatic enrolment: How NEST can help you meet your duties](#)

⁶ Steve Webb (Jan 2012) “Oral evidence to Work and Pensions Select Committee”

⁷ William Robbins (Feb 2012) [Nest and Webb clash over IFAs’ role in auto-enrolment](#), article in CityWire last accessed 3 May:

⁸ Aviva (May 2012) “Working Lives: A research report into employer and employee attitudes to saving in the workplace”

⁹ H. Bewley and J. Forth (2010) “Employers’ attitudes and likely reactions to the workplace pension reforms 2009: Report of a quantitative survey” for DWP

¹⁰ All stats on SME population: BIS Statistical Release, “Business Population Estimates for the UK and Regions”, Oct 2011.

¹¹ For a discussion of the pensions gap see: CII (May 2011) “An age-old problem: developing solutions for funding retirement”

3. Headline survey findings

Approach

- In order to understand the views of Britain's small businesses on auto-enrolment, we commissioned the polling agency, Populus to survey a representative sample of 500 firms.
- Where possible, we repeated questions from the DWP research in 2009 allowing us to track whether small firms are more prepared for the reforms today than they were three years ago.
- We also added a number of questions of our own – particularly around likelihood to pay for advice for particular services related to auto-enrolment.

Findings: preparedness and awareness

- **Only 1 in 4 small firms (27%) offer all their employees** access to a company pension scheme or have started preparing for the Government's workplace pension reforms.
- The majority of firms **(59%) know little or nothing** about the workplace pension reforms which equates to roughly 650,000 firms nationwide covering approximately 4 million employees. We think this is in part, likely to be a function of the delay to the staging date for these firms.
- A small proportion of firms have already sought external advice about auto-enrolment. **Nearly half** of this group have been to see a financial adviser though this only equates to 31 out of our sample of 507 firms. The vast majority **(81%)** were satisfied with the advice that they received.

Willingness to seek financial advice

- All firms were asked what source of external assistance (if any) they would require for choosing a pension scheme. Financial adviser came top with **48%**. This would equate to roughly **462,000 firms** nationwide.
- There appears to be a clear desire to pay for advice for certain services in the run-up and aftermath of the reforms including **one-off tailored advice** on setting up a pension scheme and **ongoing advice** on the pension scheme (**half** of respondents answered in favour of both).
- Those firms with the greatest levels of knowledge about auto-enrolment and the highest levels of turnover were the most likely to consider paid for advice. This result suggests that **increased knowledge of pension reforms and improved financial performance** would likely be key drivers of demand for advice.

The importance of adviser knowledge and trustworthiness

- Firms place **knowledge and trust** at the top of the list of attributes they look for from advice. The results were robust across different types of firms and different types of assistance (i.e. set up of scheme versus ongoing advice).
- Given that the financial sector has suffered from a distinct lack of public trust, the results suggest the reforms provide a **historic opportunity** to demonstrate the professional value of advice at a crucial time to a significant number of firms and their employees.

4. Detailed results

Methodology

We commissioned the polling agency Populus to conduct an on-line survey of 500 small and micro employers. Within the universe of small and micro firms, 85% fall within the micro (1-9 employees) category and 15% in the small category (10-49 employees). This means that a proportionate sample of 500 firms would yield a very low number of small firms creating a possible bias in results. For this reason, Populus set quotas to ensure that 60% of the sample fell in the 1-9 employee category (rather than 85%) and 40% amongst 10-49 employees (rather than 15%).

The results were then weighted back to reflect the universe of firms enabling more robust results from which generalisations can still be made. Populus used an online screening method to identify business leaders with knowledge of their firm's pension provision. The table below outlines the sample size and relative margin of error at the 95% confidence interval. Where results do not sum to 100%, this may be due to rounding, multiple responses, or the exclusion of 'don't know' categories.

Table 1. Summary statistics

Business size	Universe of employers*		507 survey sample	
	Number of firms	Employees (thousands)	Unweighted	Weighted
Micro (1–9 employees)	968,545	3,651	303	431
Small (10–49 employees)	173,405	3,469	204	76
Margin of error at 95% confidence interval	4.4% (+/-)			

* According to BIS Statistical Release, "Business Population Estimates for the UK and Regions," Oct 2011.

In drafting question wording we were mindful of the DWP's research from 2009¹² which assessed firms' readiness for the workplace pension reforms and included a couple of questions related to financial advice. Where possible we have replicated the question wording so that we are able to make comparisons to that research in order to identify trends over time. We have also added a number of questions of our own, enabling us to go into more depth about firms' willingness to pay for advice and what external services in particular small businesses require related to implementation of auto-enrolment.

¹² Bewley & Forth for DWP (2010), *supra* Note 9

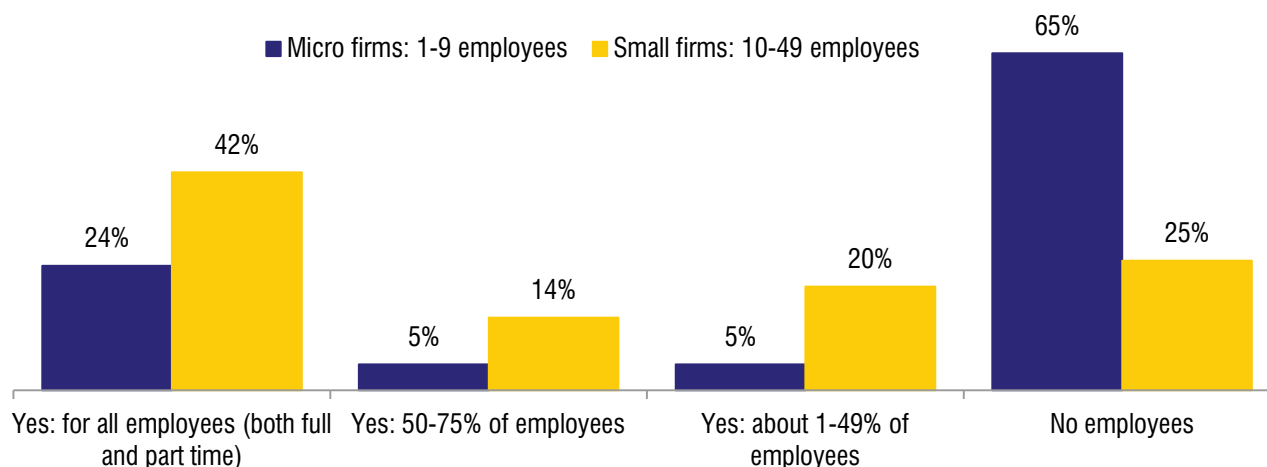
1. Preparedness for the workplace pension reforms

...few firms currently offer a workplace pension scheme for all employees

According to our results, 59% of small firms do not currently offer their employees any form of workplace pension scheme, whilst just 27% offer a scheme for both full and part-time members of staff. There is a significant difference between small and micro firms with 42% of small firms offering all employees a pension scheme compared with 24% of micro firms. Perhaps most concerning of all, 65% of micro firms offer no pension scheme at all.

Figure 1. Proportion of firms currently offering occupational pension schemes

Do you currently provide a workplace pension scheme for your employees to which you offer an employer contribution? (Base: 507 respondents)



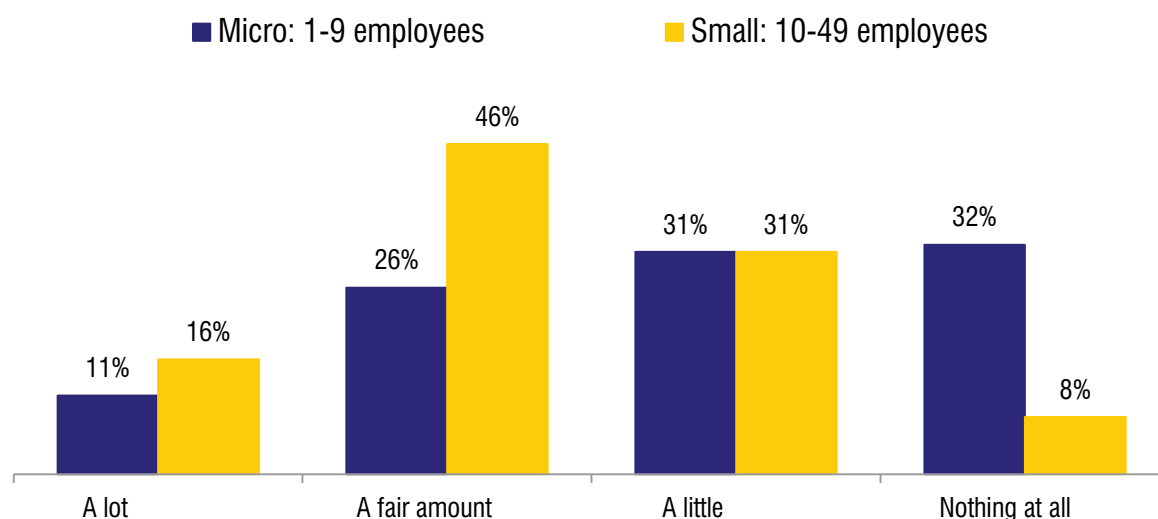
Our results are consistent with DWP research which showed that smaller firms are far less likely to offer pension schemes than larger firms.¹³ The findings highlight that there is a significant dearth of small and micro firms (approximately 650,000 in total) offering any sort of workplace pension scheme to the long term detriment of large swathes of the private sector workforce.

...most firms have made little preparation to implement the reforms and have a low level of awareness about them

In response to the lack of company pension scheme provision, the Government is planning to phase in automatic enrolment for small and micro firms from 2015 to 2017. Our results show that few firms have started preparing for these reforms. Over half (59%) of all firms appear to know very little or nothing about the workplace pensions reforms with only 12% saying they know a lot about the auto-enrolment proposals. In turn, only 8% of firms have put a plan in place to comply with the reforms and only 13% have sought advice from external sources. Again, the micro firms are the worst performers on both of these indicators.

¹³ Bewley & Forth for DWP (2010), *supra* Note 9

Figure 2. Knowledge about pensions reforms by size of firm



Clearly then, there is much work to be done by small firms in preparation for the reforms. Pushing back the staging deadline for small firms has probably not helped this situation. Indeed, for many of the firms within our sample, they will now not have to offer a workplace pension scheme until 2017 with speculation that it may be pushed back even further. While such low levels of awareness are not surprising at this stage they could potentially inhibit successful implementation if they continue to persist over the coming years.

There is evidence however, that firms are relatively more knowledgeable and prepared today than they were in 2009 (when they were last surveyed by the DWP).¹⁴ At that time, around 90% of small and micro firms knew little or nothing about the workplace pension reforms (by comparison to 59% today) and around 55% had not thought about them at all (by comparison to 42% today). Consistent with our results, levels of awareness and readiness also increased with firm size across the DWP sample. The authors of the DWP report suggest that this is likely to be a consequence of larger firms having a designated human resources staff.¹⁵

Table 2. Preparations for automatic enrolment 2012

	Total	1-9 employees	10-49 employees
Not thought about them at all	42%	48%	13%
Thought about them but have not done anything yet	23%	23%	23%
Had informal discussions	13%	10%	28%
Sought advice from external sources	13%	11%	25%
Put a plan in place to comply with the reforms	8%	8%	11%

¹⁴ Ibid.

¹⁵ Ibid.

2. The views of those that have already sought advice

...advice via a financial adviser is the most popular external source of assistance and most firms are happy with the advice provided

A small proportion (13%) of firms have already sought external advice on auto-enrolment representing a 9 percentage point increase since 2009¹⁶. Of these firms, more have been to see a financial adviser (46%) than any other source, including accountants, pension providers and the DWP. More micro firms have consulted a financial adviser than small firms¹⁷. 81% of all firms that received advice were either very satisfied or fairly satisfied. Just 4% were either very or fairly dissatisfied.

Table 3. Sources of external advice

	Total	1–9 employees	10–49 employees
Independent financial adviser or planner	46%	50%	37%
Accountant	42%	44%	37%
Pension provider	27%	18%	49%
The government (Department of Work & Pensions)	15%	9%	31%
The Pensions Regulator	10%	9%	14%
Employee benefit consultant	7%	3%	16%
Bank	4%	0%	16%
Trade/Industry body	4%	3%	8%
Solicitor	3%	3%	4%
Other	7%	9%	2%

It should be noted that only a very small number of firms in our survey had seen a financial adviser (31 out of 507 firms) which is likely to be a function of the fact that so few employers are aware of, or doing something about the reforms. Therefore, whilst it is reassuring that most firms were satisfied with the external advice they received, it is difficult to generalise the findings to the universe of firms given the sample size.

3. Who will small firms turn to for advice?

...of all potential sources of external assistance firms would most likely choose financial advisers

All firms in our sample (including those who had not yet sought advice) were asked what external sources of advice they would likely use to **choose a pension** in line with the reforms. Across the entire sample, more respondents said they would seek an independent financial adviser (48%) than any other source of assistance. Once we exclude the number of firms who have already sought financial advice this equates to 42% of respondents or 462,000 firms across the universe of small and micro firms. The result is robust to changes in the size of firm though not to changes in turnover – firms with lower turnover (in terms of sales not staff) were less likely to say they would seek independent financial advice than those with high turnover.

¹⁶ Ibid

¹⁷ It should be noted that subsample analysis at this level is difficult due to such a small sample size. For the purposes of this subgroup analysis we only achieved a sample size of 85 firms.

The views of small firms on automatic enrolment

Accountants came a distant second with 26% of firms ranking this source of assistance highest whilst 15% said they would not look for any kind of external help. Rather worryingly, far more micro firms (17%) than small firms (2%) said they would be prepared to go it alone despite many of these firms having little, if any, knowledge of the pension reforms.

We repeated the same question but with respect to **setting up and running a pension scheme rather than choosing one**. The results were similar, with financial advisers coming top of the list, and a large proportion of the “going it alone” firms, having little or no knowledge of the reforms.

Our results are consistent with DWP research from 2009¹⁸ which found that around 40% of small firms would choose a financial adviser. It should be noted though that results are not directly comparable because the DWP’s list of options for external advice was not as extensive as our own. Nevertheless, the two sets of results do suggest that IFAs may well be a key source of advice – a finding that appears relatively robust over time.

Figure 3. Likely sources of external assistance for choosing pension scheme

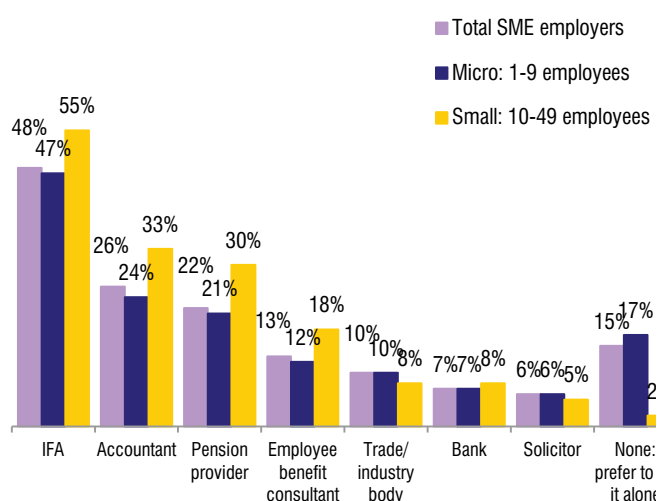


Figure 4. ...for setting up and running of the scheme



4. What do small firms want from paid-for advice

...firms would be willing to pay for financial advice – particularly associated with set up and ongoing advice about the company pension scheme

A vital component of assessing the likelihood of firms seeking financial advice is the willingness of firms to pay for it. Evidence from our survey suggests that some firms would be prepared to pay a fee for financial advice particularly for ‘one-off tailored advice on the setting up of a pension scheme’ and ‘ongoing tailored advice on the pension scheme’. Approximately half of our respondents said that they would be prepared to pay for advice for these services and there is very little difference in sentiment between micro and small firms. Around 40% of respondents also said that they would be prepared to pay a fee to ‘outsource the administration of the pension scheme’ and for ‘financial advice for employees on their pension arrangements’.

¹⁸ Bewley & Forth for DWP (2010), *supra* Note 8

Table 4. Willingness to pay for advice by type of service (% yes)

	Total	1–9 employees	10–49 employees
One-off tailored advice on setting up a pension scheme	48%	48%	47%
Ongoing tailored advice to your firm on the pension scheme	45%	43%	53%
Outsourced administration of the pension scheme	39%	37%	50%
Individual financial advice to employees on their employee pension arrangement	37%	36%	42%
Presentations to employees to explain the workplace scheme	29%	28%	36%
One-off generic information about the different options for your firm to take forward	27%	26%	30%

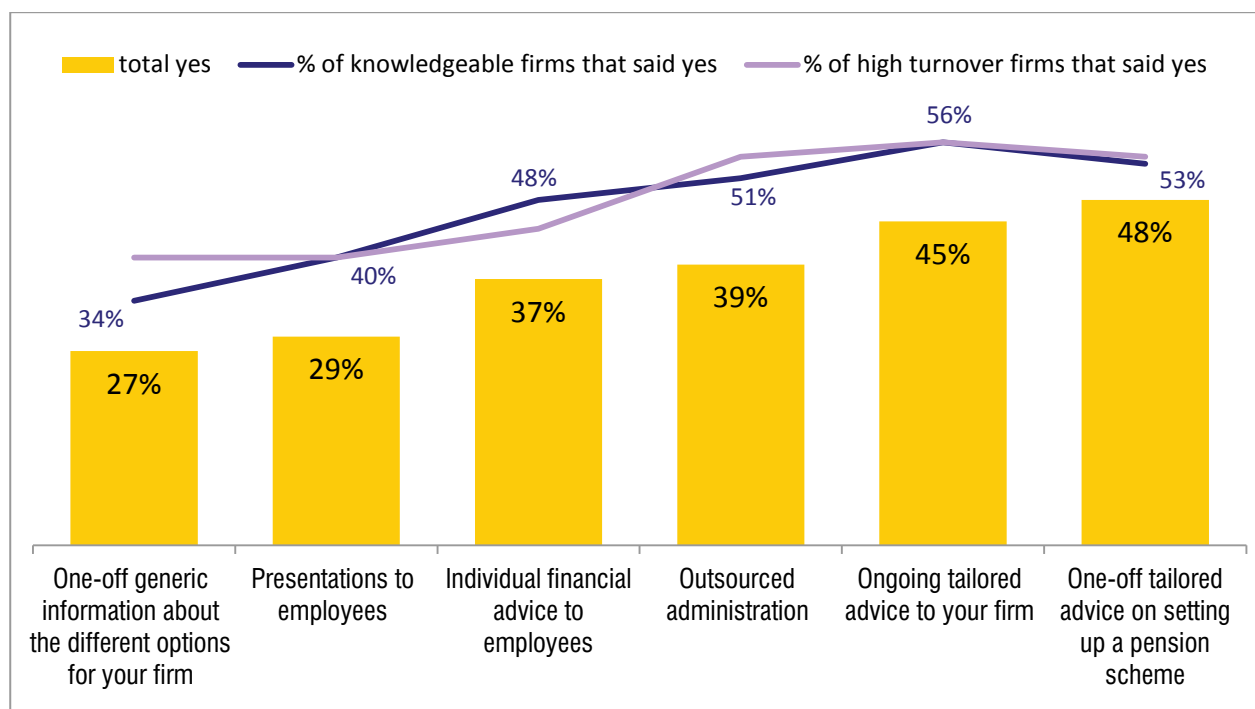
...high levels of awareness are strongly related to a high level of willingness to pay for financial advice

There is a significant difference in willingness to pay for advice between those who know a lot about the pension reforms and those that only know a little or nothing. Of those that know a lot or a fair amount, 56% said they would be willing to pay for ongoing advice on the pension scheme, 50% on outsourced administration and 50% on financial advice to employees – all significantly higher than the aggregate scores. This result suggests then, that as firms become more knowledgeable about auto-enrolment, they may become more likely to seek financial advice. This result goes some way to suggesting that far from small firms shirking advice in the run-up and aftermath of auto-enrolment, take-up may actually increase.

...high levels of sales turnover are also strongly related to willingness to pay for advice

A word of caution is necessary though. Firm turnover (in terms of sales not staff) is also highly related with knowledge of reforms as well as with willingness to seek advice. There is the possibility then that it is firm turnover and not knowledge of the reforms that is driving firms to answer in favour of paid-for advice. One possible conclusion to draw from this is that **firms' financial positions** in the run-up to and aftermath of auto-enrolment will be an important factor in determining take-up of advice. How the wider macro economy and business environment impacts upon these firms is therefore likely to be of crucial importance in driving demand for financial advisers. There is also the related risk that a worsening economic environment may convince the government to delay implementation of reforms even further.

Figure 5. Willingness to pay for advice split between total, highly knowledgeable and high turnover firms



5. What small firms look for in advice

...professional advice and trust is key

We asked all firms what they would look for in external advice if they were (1) choosing a workplace pension scheme and (2) setting up and running a workplace pension scheme. With respect to the first, respondents ranked 'specialist knowledge of pensions issues' as the most important (57%) followed by trustworthiness (40%) and professional integrity (36%). The larger firms across our sample ranked specialist knowledge particularly highly – 70% of these firms had this attribute in their top three. Only 16% of all firms ranked 'long standing relationship' as one of the most important issues.

The results were very similar when we asked firms what they look for in advice on **setting up and running** a workplace pension scheme. Once again, specialist knowledge came top (61%) followed by trustworthiness (43%) and professional integrity (33%). Again the larger small firms ranked specialist pensions knowledge particularly highly. For many firms then, competence and honesty are likely to be the key attributes that firms look for when choosing advisers to assist in supporting implementation of auto-enrolment.

Table 5. What SMEs look for in external advice when choosing a pension scheme

	Total	1–9 employees	10–49 employees
Specialist knowledge of pensions issues	57%	55%	69%
Trustworthy	40%	40%	44%
Professional integrity	36%	35%	40%
Independent status	32%	33%	29%
Member of a professional body	29%	28%	31%
Relevant: only giving information that pertains to your firm	18%	17%	22%
Long-standing relationship	16%	15%	25%
Updated expertise	11%	10%	17%

Implications

Our results suggest that firms may well seek financial advice as a consequence of the pension reforms, particularly on setting up a workplace scheme as well as ongoing advice on running the scheme. Firms are likely to look for advisers that can demonstrate high levels of specialist knowledge and trustworthiness across a range of services. Awareness of the reforms does however remain low, and needs to be improved to ensure the delivery of auto-enrolment is smooth for government, employers and employees. Our survey results clearly show that where firms are aware they are taking action and financial advice is an important part of the picture.

5. CII view – opportunities for financial advice

Automatic enrolment could provide a significant opportunity for financial advisers to play a key part in improving the state of the nation's long term savings by helping small firms successfully navigate their way through auto-enrolment. Small firms are clear about what they want from practitioners in return – they want their advisers to have specialist knowledge, be trustworthy and act with professional integrity. If advisers are able to demonstrate these attributes then they will go some way to improving the reputation of the sector and helping to reduce the UK's savings gap in the process.

Continuing to embrace professional standards following the Retail Distribution Review and demonstrating high standards above and beyond minimum compliance will be crucial in this regard. Indeed our recent survey regarding consumer views of **chartered status** illustrates that the public place greater trust in practitioners and firms who have attained this 'gold standard' in professionalism¹⁹.

The results about awareness of the auto-enrolment reforms give some cause for concern. Our findings are consistent with recent research from Aviva which suggests that only 30% of small businesses are prepared for, or well advanced, in their preparations. This may in part be due to the pushing back of staging dates for small firms. But the lack of awareness and readiness is still a somewhat worrying given the number of employees who will be enrolled through these firms over the next five years or so.

In summary then, automatic enrolment is a significant challenge for small businesses but getting it right for these firms will be crucial to the overall success of the project. Our research suggests that firms are likely to see financial advisers as an important way of coping with some of the more complex and arduous issues associated with the pension reforms. The reforms may therefore represent a significant opportunity to boost the reputation of the advice sector. But first, small firms need to have a better understanding of the reforms themselves and for this they must have assurance that the staging date will not continue to be pushed back and they may also require more direct communications and external support to raise awareness.

¹⁹ CII (2009) "Consumer views of chartered status"

Key findings

- **Small firms will be key to successful implementation:** The success of auto-enrolment depends on small firms making the right decisions.
- **Awareness:** raised awareness is vital to ensuring firms choose the right workplace pension scheme and offer their employees appropriate assistance. Improved communications from government, industry and the regulator will be necessary as staging dates draw nearer.
- **Financial advice is favoured:** Firms are increasingly likely to look to financial advice to help them navigate auto-enrolment as 2015 approaches.
- **Reducing the pensions gap:** Advisers may be able to play a crucial role in reducing the nation's pensions gap by providing appropriate assistance to firms in need.
- **Professional standards:** Small firms place **knowledge and trust** at the top of the list of attributes they look for from advisers. Continuing to demonstrate professional standards will therefore be key to ensuring that intermediaries benefit from improved levels of confidence in the advice sector.

Implications for stakeholders

- **Employers:** Small firms need confidence that auto-enrolment will not dramatically disrupt the normal running of their business. Our research shows that small firms may well seek financial advice to ensure that the implementation process runs smoothly before and after their staging date.
- **Employees:** Employees want peace of mind about future pension entitlements and will look to guidance from their employers on pension saving. Again advisers may be able to help here and some small firms appear, in principle at least, willing to pay for advisers to provide assistance to employees.
- **Advisers:** Auto-enrolment is an opportunity to engage a new group of customers. Our research shows that for the minority of firms who have already sought external assistance, financial advice is the most popular source of support. The survey findings also suggest that for those who have not yet sought assistance but are aware of the reforms, there is a willingness to pay for competent and knowledgeable advisers.
- **Government and regulator:** There is clearly a big challenge to ensure the small firms have the capability to implement the reforms in the right manner. Government-led communications will be vital and the DWP has made some progress in this regard. However, given that small firms are likely to see financial advisers as a key source of support on auto-enrolment, perhaps the Department and The Pensions Regulator should work more closely with advisers (in addition to employers amongst other stakeholders) in the run-up to the staging dates for small firms.