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Communities

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Pensions

Section 75 and Schedule 9

The Northern Ireland Act 1998

Pensions (Extension of Automatic Enrolment) Bill

Draft Equality Impact Assessment

September 2023

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Pensions (Extension of Automatic Enrolment) Bill

An Equality Impact Assessment

Under the statutory duties contained within Section 75 of the Northern Ireland Act 1998, the Department for Communities (the Department) gave an undertaking to carry out an Equality Impact Assessment (EQIA) when appropriate.

This draft report relates to a proposed Northern Ireland Assembly Bill, the Pensions (Extension of Automatic Enrolment) Bill to extend automatic enrolment for workplace pensions in Northern Ireland and we would welcome any comments which you may have in terms of this EQIA and our preliminary recommendations with regard to measures to mitigate the adverse impacts.

Further copies of this EQIA report are available on our website at www.communities-ni.gov.uk.

If you have any queries about this document, and its availability in alternative formats, then please contact:

Social Security Policy, Legislation and Decision-Making Services

Department for Communities

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1-7 Bedford Street

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BT2 7EG

Telephone: **028 9082 3518**

Email: **sspld@communities-ni.gov.uk**

Deadline for comments will be 11 December.

Following consultation the Final Report will be made available.

Section 75 and the Statutory Duties

Section 75 of the Northern Ireland Act 1998 requires each public authority, when carrying out its functions in relation to Northern Ireland, to have due regard to the need to promote equality of opportunity between nine categories of persons, namely:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation
- between males and females generally
- between persons with a disability and persons without
- between persons with dependants and persons without

Without prejudice to its obligations above, the public authority must also have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

The Department has in place an Equality Scheme which outlines how the Department proposes to fulfil its statutory duties under Section 75. The legislation requires public authorities to conduct an EQIA where legislation or policy changes are likely to have a significant impact on equality of opportunity. An EQIA is a thorough and systematic analysis of a policy to determine the extent of differential impact upon the relevant groups and in turn whether that impact is adverse.

The Department is of the view that the proposals to extend Automatic Enrolment by reducing the lower age limit and adjusting the Lower Earnings Limit indicated that a full EQIA should be conducted on the changes. This document is the draft EQIA for the changes.

When conducting an EQIA, the Department acts in accordance with the guidance published by the Equality Commission in February 2005 which recommends that there should be seven steps in the EQIA process:

Step 1	Defining the aims of the policy.
Step 2	Consideration of available data and research.
Step 3	Assessment of impacts.
Step 4	Consideration of measures which may mitigate any adverse impact and alternative policies which may better achieve the promotion of equality of opportunity.
Step 5	Formal consultation.
Step 6	Decision and publication of the EQIA results.
Step 7	Monitoring for adverse impact.

1: Introduction

The main functions of the Department include:

- a social welfare system including focused support to the most disadvantaged areas
- the formulation and development of policy and legislation on private pensions
- the promotion of healthy housing and the provision of decent, affordable, sustainable homes and housing support services
- providing training and support to jobseekers and employers
- bringing divided communities together by creating urban centres which are sustainable, welcoming and accessible to live, work and relax in peace
- supporting local Government to deliver effective public services
- maximising public benefits from the culture, arts and leisure sectors
- tackling disadvantage and promoting equality of opportunity by reducing poverty, promoting and protecting the interests of children, older people, people with disabilities, and other socially excluded groups; addressing inequality and disadvantage

The Department aims to work towards a Common Purpose to support people, build communities and shape places. Through a collaborative response the Department strives to ensure continued delivery of public services to communities and to fulfil the commitment to help, support and improve lives.

2. Defining the Aims of the Policy

Although pensions are a devolved matter, in general Northern Ireland's pensions policy and legislation operate in line with corresponding pension provision in Great Britain in line with section 87 of the Northern Ireland Act 1998. In effect there is a single pension system and regulatory regime across the United Kingdom.

Automatic enrolment into workplace pensions was introduced in 2012 to enable more people to save for their retirement and to make saving the norm for most people in work. Automatic enrolment was phased-in by employer size (number of employees) between October 2012 and February 2018. Minimum contribution rates were also phased-in, reaching their full amount, 8% of earnings, in April 2019. Employers contribute a minimum 3% and employees 5%, part of which includes tax relief.

The law requires employers to enrol all their eligible workers into a qualifying workplace pension scheme and pay pension contributions.

Eligible workers are those who:

- are not already in a workplace pension scheme
- are between age 22 and State Pension age
- earn more than the minimum earnings threshold (£10,000 per year, or £833 per month, or £133 per week, since 2015/16)

Employers have to enrol eligible workers into a qualifying pension scheme that meets specified criteria. In 2022/23, contributions are required to be made on earnings between the Lower Earnings Limit of £6,240 and the Upper Earnings Limit of £50,270. Unless they opt-out, employees will build up a private pension through their contributions and those of their employer.

Workers can also ask to join an employer's scheme and must be enrolled within one month of such a request being received by the employer. In such instances employers will have to make employer contributions if the worker is:

- aged 16-74
- earns at least £520 a month or £120 per week

Workers can choose to opt out. Where they remain in the scheme, minimum contributions must be made on a band of "qualifying earnings". Qualifying earnings are earnings between £6,240 and £50,270.

Where a worker is automatically enrolled in a defined contribution (DC) scheme or NEST (the National Employment Savings Trust), there will be a minimum contribution of 8% of qualifying earnings, of which the employer must pay a minimum of 3%. If the employer chooses to pay the minimum 3%, the worker will pay 4%, with

a further 1% paid as tax relief by the government.

In Northern Ireland in 2021, 62% of private sector employees were members of a workplace pension scheme and 73% of employees in Northern Ireland belonged to a workplace pension scheme¹. This is an increase of 39 percentage points for private sector employees and 29 percentage points for all employees, since the introduction of automatic enrolment in 2012.

Proposals

A review of automatic enrolment carried out in 2017² confirmed that automatic enrolment should continue to be available to all eligible workers regardless of who their employer was. Key recommendations were to:

- lower the age for automatic enrolment from 22 to 18
- remove the Lower Earnings Limit so that contributions were calculated from the first pound of earnings. This would be intended to support all those who are automatically enrolled, particularly those with low earnings and multiple jobs, to save more for retirement

These proposed changes would continue to normalise pension saving among workers;

help lower earners build resilience for retirement; support individuals, predominantly women, in multiple part-time jobs; and simplify automatic enrolment for employers.

Proposal 1: Lowering the age limit from age 22

The 2017 review found widespread support for reducing the age limit. While there was no consensus on what the precise lower age limit should be, there was a strong view shared by almost all groups that the lower age limit should be reduced. Employer representatives, in particular, expressed the view that any changes should take place after the phased increases in contribution levels have been completed. Phased increases in contribution levels were completed in 2019 when minimum contribution rates were increased to 8%.

Employers and their representatives recognized that lowering the lower age limit would reduce the administrative burden and cost. The initial lower age limit of 22 had been based on National Minimum Wage (NMW) criteria which were superseded in 2010.

The 2017 review considered that reducing the age to 18 would re-align the lower age with the NMW age (18 to 20) thereby providing consistency, removing the arbitrary age 22 assessment and simplifying processes for

¹ The Annual Survey of Hours and Earnings (ASHE) 2021

<https://www.nisra.gov.uk/statistics/labour-market-and-social-welfare/ashe-pensions-results>

² <https://www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum>

most employers who would not have 16 to 17 year olds as part of their workforce.

Proposal one is to lower the age at which qualifying workers are automatically enrolled into a workplace pension. The current lower age limit is 22. The Bill would provide the Department with the power to make regulations to reduce the lower age limit following a period of consultation on the implementation approach and timing.

Proposal 2: Remove or reduce the Lower Earnings Limit

Removing the Lower Earnings Limit would mean that pension contributions would be made from the first pound earned, thereby increasing total pension saving and simplifying contribution calculations both for employers and individuals.

Everyone earning over £10,000 and under £52,270 a year (who meets the other eligibility rules) would be automatically enrolled by their employer and get pension contributions on 8% of all their earnings from the first pound earned rather than the current Lower Earnings Limit of £6,240.

Those earning at or below £10,000 would not be automatically enrolled, however if they opt in they would also benefit from pensions contributions on 8% of all their earnings from the first pound earned rather than the current Lower Earnings Limit of £6,240.

The change to how contributions are calculated would improve the incentives for those in multiple jobs to opt-in to their workplace pension scheme, as they would benefit from an employer contribution for every pound they earn in every job, up to the Upper Earnings Limit. This would proportionally affect the contributions of lower earners the most and would mean more workers would have access to a pension with an employer contribution and greater pension pots, supporting those with low earnings and multiple jobs.

Reducing, rather than removing the Lower Earnings Limit, would mean that contributions would start at the new Lower Earnings Limit. This would have the effect of increasing pension savings as contributions would be paid from the new Lower Earnings Limit. However the impact on pension savings by lower earners and those in multiple jobs would be less than if the Lower Earnings Limit was removed altogether.

Proposal two is to remove or reduce the Lower Earnings Limit. The current Lower Earnings Limit is £6,240.

Legislation

In GB the Pensions (Extension of Automatic Enrolment) (No. 2) Bill is expected to complete its passage through the Westminster Parliament before the end of 2023. Once enacted the legislation will give regulation making powers to the Secretary of State

for Work and Pensions to lower the age at which qualifying workers are automatically enrolled into a workplace pension and reduce or abolish the Lower Earnings Limit of the qualifying earnings band contained in the Pensions Act 2008. That legislation will only extend to GB.

The proposed Northern Ireland Assembly Bill, the Pensions (Automatic Enrolment Extension) Bill (“the Bill”) would make similar provision in respect to Northern Ireland.

The Bill would give any incoming Minister the power to make regulations which would implement these changes to automatic enrolment following a period of consultation on the implementation approach and timing, which will help to ensure they can be implemented in a suitable way for all parties.

3: Consideration of Available Data and Research

The proposals have been considered in the context of their impact on the groups set out in section 75 of the Northern Ireland Act 1998. Those impacts have been considered in light of available data and the policy intention to determine whether their effect is adverse. Where a potentially adverse impact has been identified, the Department has given consideration to mitigating measures.

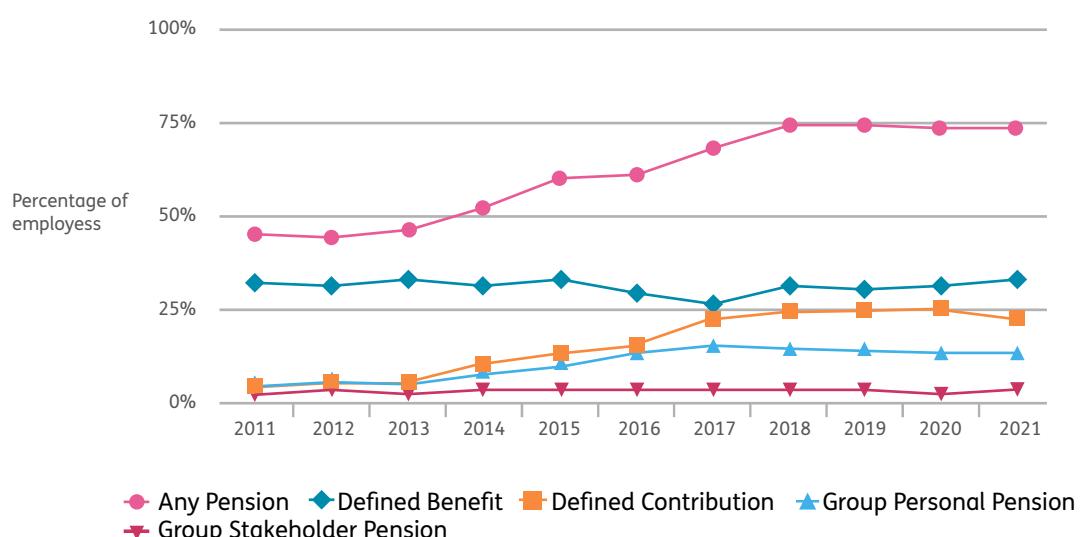
In considering mitigating measures or changes to policy, the Department has to be cognisant of section 87 of the Northern Ireland Act 1998 and in particular the risks to the funding arrangements which are explicitly predicated on the maintenance of parity and the implications for the many

schemes and regulatory bodies which operate on a UK-wide basis.

The Annual Survey of Hours and Earnings (ASHE)³ published in 2022 found that the proportion of employees in Northern Ireland who belonged to a workplace pension scheme in April 2021 was 73%. In 2013 the proportion was 44%.

Chart 1 below shows the breakdown of occupational pension scheme membership by scheme type and the growth in participation in pension participation in the period 2011 to 2021.

Chart 1: Pension scheme membership (%) by scheme type, NI 2011-2021



Source: Northern Ireland ASHE

³ <https://www.nisra.gov.uk/statistics/labour-market-and-social-welfare/ashe-pensions-results#toc-0>

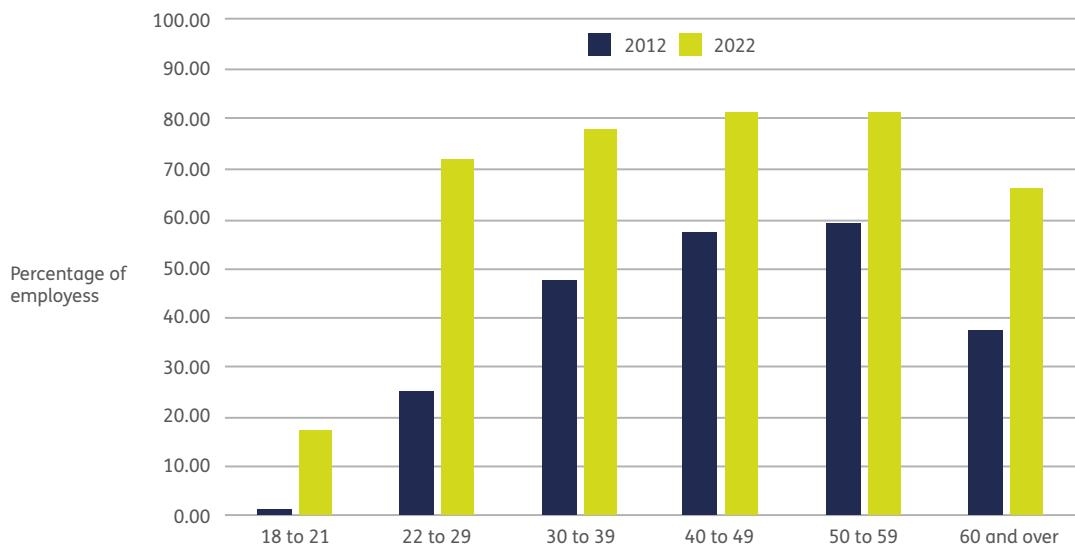
Age

Age is a key factor in determining whether or not an individual is a member of an occupational pension scheme.

Chart 2 shows the percentage of Northern Ireland employees who were members of

a workplace pension scheme in 2012 and in 2022. It shows 22-29 year olds have had the largest increase in workplace pension membership since the introduction of automatic enrolment in 2012, with an increase from 25% to 72%.

Chart 2: Proportion of employees with workplace pension by age band, NI 2012 and 2022



Source: NISRA

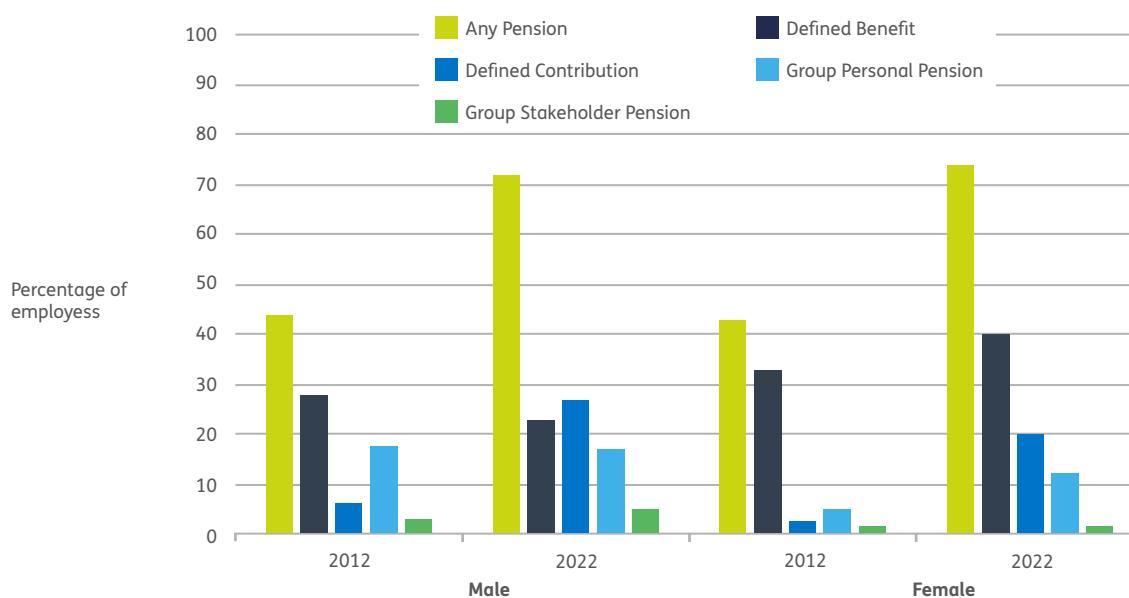
Those aged 18-21 had the smallest proportion of membership (17%), however this is up 17-fold from 2012 (1%).

Gender

From 2012 to 2022 there has been a similar increase in the percentage of both males

and females who had a pension with 72% of males and 74% of females now belonging to workplace pension schemes.

Chart 3: Proportion of employees with workplace pensions by gender and type of pension, NI 2012 and 2022



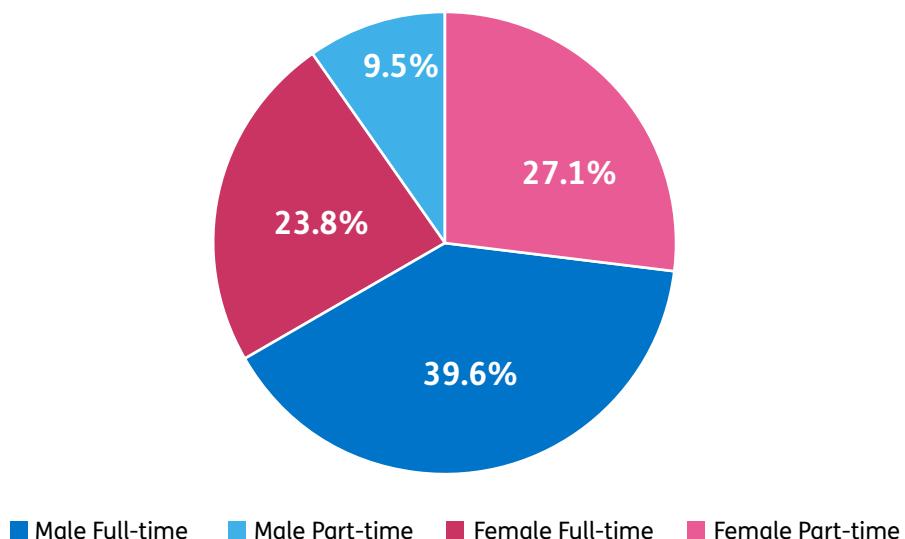
Source: NISRA

Abolishing the Lower Earnings Limit would improve incentives for those in multiple / part-time jobs, to opt-in to their workplace pension scheme, as they would benefit from an employer contribution for every pound they earn in every job, up to the Upper Earnings Limit.

As shown in Chart 4 below, employee jobs in Northern Ireland in 2021 were evenly split

by gender, with just over half of all employee jobs in Northern Ireland occupied by females (51%). Just over two-thirds of employee jobs were full-time. The majority of male jobs were full-time, whereas female jobs were more evenly split by working pattern, with 53% full-time, and 47% part-time.

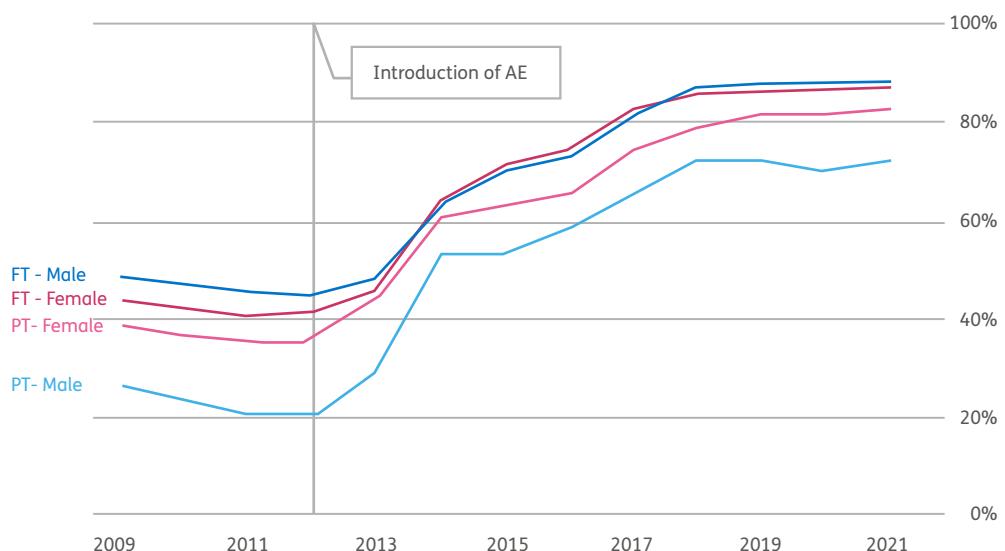
Chart 4: Percentage of employee jobs by Gender and Working Pattern



Figures from ASHE (GB) show that male and female participation rates in the private sector have equalised for full-time employees but gaps remain between full-time and part-time

employees and male and female part-time employees. Chart 5 below provides private sector pension participation by gender and working pattern.

Chart 5: Private sector pension participation by gender and working pattern



Source: Workplace pension participation and savings trends of eligible employees (Note figures derived from ASHE (GB), 2009-2021)

There is only a small gap in pension participation rates by gender among full-time eligible employees in 2021 (89% for male employees and 91% for female employees).

Among part-time eligible employees the gap is bigger: 86% of female part-time employees are participating compared to only 74% of male part-time employees.

Among part-time employees the participation rate has remained persistently higher for female than male employees, although the rates for both genders have increased greatly since 2012.

The results of the ASHE employee earnings NI survey⁴ show that when pay is considered by working pattern, full-time females earn more than full-time males and part-time females earn more than part-time males.

Marital Status

Information is not readily available in relation to the marital status of members of occupational pension schemes.

Religious Belief / Political Opinion

The religious belief or political opinion of members of occupational pension schemes is not recorded.

Racial group

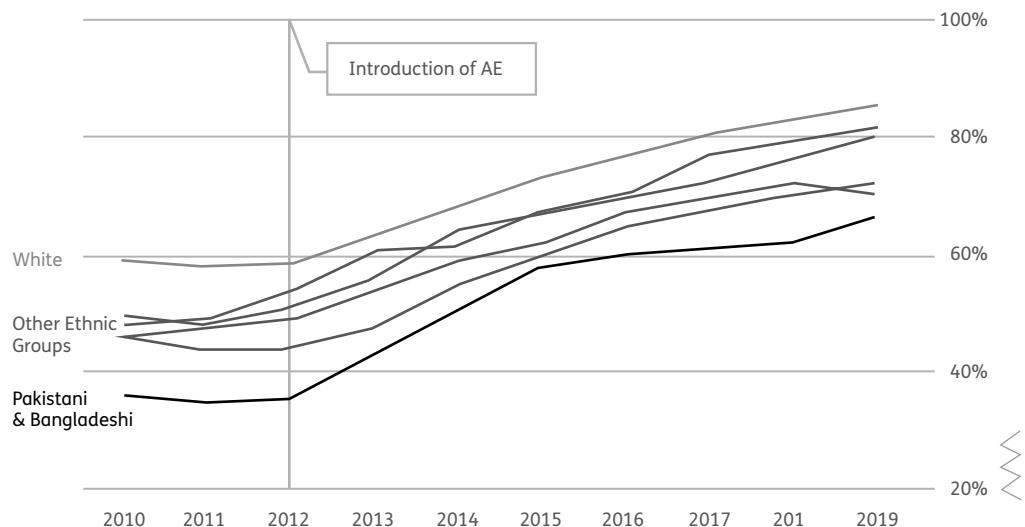
Whilst there is no specific data available for Northern Ireland, the ONS publication Ethnicity pay gaps: 2019 report (GB)⁵ found that most of the minority ethnic groups analysed continue to earn less than White British employees. The report also found that in 2019, those in the Chinese, White and Asian, and Indian ethnic groups all earned higher hourly pay than White British employees. The ethnicity pay gap is larger for men than women (though for most ethnic groups, men continue to earn more than women).

Minority ethnic group members are also less likely to be contributing to a private pension scheme than White employees. Chart 6 below shows participation in a workplace pension by ethnicity in the period 2010 to 2019. The chart shows that the White ethnic group has had the highest participation rate over the entire time-series and had an average participation rate of 86% over the period from 2018.

⁴ <https://www.nisra.gov.uk/news/employee-earnings-ni-2021>

⁵ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/ethnicitypaygapsingreatbritain/2019#main-points>

Chart 6: Participation in a workplace pension by ethnicity



Source: Workplace pension participation and savings trends of eligible employees (note that the ethnic analysis was derived from Family Resources Survey UK)

From 2012 and the introduction of automatic enrolment, there were large increases in pension participation among all ethnic groups. The Pakistani & Bangladeshi ethnic group also shows the largest increase from 35% to 66%.

Sexual Orientation

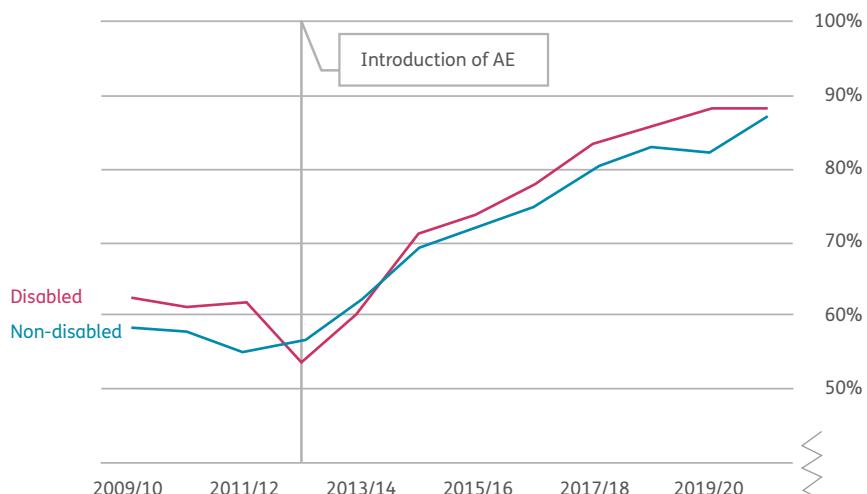
Information is not available in relation to the sexual orientation of members of occupational pension schemes.

Persons with a disability and persons without

From 2014, there has been a small but persistent gap between disabled and non-disabled eligible employees with disabled eligible employees having higher participation rates than non-disabled.

Chart 7 below shows trends in pension participation for disabled and non-disabled eligible employees. In 2019/20 the gap has reduced to 1% with 88% of disabled eligible employees participating and 87% of non-disabled eligible employees participating.

Chart 7: Participation by disability status



Source: Workplace pension participation and savings trends of eligible employees (note that the disability analysis was derived from Family Resources Survey UK).

Persons with dependants and persons without

Information is not available in relation to persons with dependants and persons without.

4: Assessment of Impacts

The proposals have been considered in the context of their impact on the groups set out in section 75 of the Northern Ireland Act 1998. Those impacts have been considered in light of available data and the policy intention to determine whether their effect is adverse. This EQIA has not identified any adverse impacts.

Extending automatic enrolment by decreasing the lower age limit would contribute to increasing the participation of younger workers in saving for retirement, embedding pension participation at an earlier age and ultimately feeding through to increased participation in older demographics.

The proposals to remove or reduce the Lower Earnings Limit will be beneficial for those with low earnings and with multiple jobs. This is because it would improve incentives for those on lower incomes to opt-in to their workplace pension scheme. In the case of removing the Lower Earnings Limit, they would benefit from an employer contribution for every pound they earn in every job, up to the Upper Earnings Limit.

It is not expected that the proposals would have any adverse differential impact on the grounds of gender.

The proposals make no direct provision in relation to marital status and are not expected to result in any adverse differential impact.

The proposals make no direct provision in relation to religious belief or political opinion and are not expected to result in any adverse differential impact on those grounds.

The proposals make no direct provision in relation to sexual orientation and are not expected to result in any adverse differential impact.

The proposals make no direct provision in relation to persons with dependants and persons without and are not expected to result in any adverse differential impact.

The impact of the proposals will continue to be monitored with specific focus on Section 75 groups.

The responses to the Department's EQIA on this proposal will also be considered if reviewing this screening decision. Where a potentially adverse impact is identified, the Department will give consideration to mitigating measures. In considering mitigating measures or changes to policy,

the Department has to be cognisant of section 87 of the Northern Ireland Act 1998 and in particular the risks to the funding arrangements which are explicitly predicated

on the maintenance of parity and the implications for the many schemes and regulatory bodies which operate on a UK-wide basis.

5: Consideration of Measures to Mitigate any Adverse Impact

The proposals have been considered in the context of their impact on the groups set out in Section 75 of the 1998 Act. The Department has concluded that the proposals have no

significant adverse impact on any Section 75 groups. In light of this the Department considers that no mitigations are required.

6: FORMAL CONSULTATION

The Department wishes to consult as widely as possible on the findings included in this EQIA together with the recommendations offered above. With this in mind we propose to take the following actions:

- a press release will be prepared and submitted to various media outlets and a corresponding tweet with a link to the press release on the Department’s website
- this report will be issued to all of the consultees listed in our Equality Scheme and to any member of the public on request

- a copy of this report will be posted on the Department’s website
- the report will be made available, on request, in alternative formats

The arrangements for consultation are being co-coordinated by Social Security Policy, Legislation and Decision-Making Services, to whom all enquiries should be made. Details of how to make contact can be found on Page 3 of this draft EQIA.

**The closing date for responses is
11 December 2023.**

7: PUBLICATION

The outcomes of this EQIA will be published on the Department's website. In addition, all consultees who participated in the

consultation process will be advised of the availability of the final EQIA on the website.

8: MONITORING

Data will be collected on a regular basis about the effect the policy changes are having on the relevant groups and sub-groups within the Section 75 equality categories.

If this monitoring and analysis of results shows a greater adverse impact than

expected, or if opportunities arise which would allow for greater equality of opportunity to be promoted, action will be taken to determine whether better outcomes for the relevant equality groups can be achieved.

9: CONFIDENTIALITY

The Freedom of Information Act 2000 gives the public the right of access to any information held by a public authority, namely, the Department in this case.

This right of access to information includes information provided in response to a consultation. The Department cannot automatically consider as confidential information supplied to it in response to a consultation. However, it does have the responsibility to decide whether any information provided in response to this consultation, including information about identity, should be made public or treated as confidential.

This means that information provided in response to the consultation is unlikely to be treated as confidential, except in very particular circumstances. The Lord Chancellor's Code of Practice on the Freedom of Information Act provides that

- the Department should only accept information from third parties in confidence if it is necessary to obtain that information in connection with the exercise of any of the Department's functions and it would not otherwise be provided

- the Department should not agree to hold information received from third parties "in confidence" which is not confidential in nature
- acceptance by the Department of confidentiality provisions must be for good reasons, capable of being justified to the Information Commissioner

For further information regarding confidentiality of responses please contact the Information Commissioner's Office at –

Information Commissioner's Office – Northern Ireland

3rd Floor

14 Cromac Place,

Belfast

BT7 2JB

Telephone: [028 9027 8757](tel:02890278757) / [0303 123 1114](tel:03031231114)

Email: ni@ico.org.uk

Website: <http://www.ico.org.uk>

10: CONSULTATION QUESTIONS

The measures outlined in this document arise from the recommendations made by the 2017 Review.

We now welcome comments on the proposals set out in this document particularly if you feel that the policy could be implemented more effectively to ensure equality of opportunity.

If you are aware of other groups or individuals who may wish to comment, please contact us.

In consulting on these proposals for the extension of automatic enrolment in Northern Ireland, views are welcomed on the following:

1. Are there any data needs or issues in relation to any of the Section 75 equality categories that have not been identified in Section 3 of the EQIA consultation document? If so, what are they and can you provide details?

2. Are there any adverse impacts in relation to any of the Section 75 equality groups that have not been identified in Section 4 of the EQIA Consultation document? If so, what are they?
3. Are there any other comments you would like to make in regard to this proforma or the consultation process generally?

Comments are sought by online survey or postal response.

The Department welcomes comment on any aspects of this document. Interested parties are encouraged to make responses by 11 December 2023.

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