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Northern Ireland Annual Survey of Hours and Earnings 2013: Pension Results

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**Northern Ireland
Annual Survey of Hours and Earnings: Pension Results
April 2013**

Published 14/03/14

The 2013 Annual Survey of Hours and Earnings provides a wide range of information on hourly, weekly and annual earnings of employees in Northern Ireland at April 2013. The key points of the pension results from the survey show that:

- The proportion of employees in Northern Ireland who belonged to a workplace pension scheme was in steady decline from 2004 but remained stable from 2012 to 2013 at 44%.
- Around 31% per cent of Northern Ireland employees in 2013 had a defined benefit occupational pension, a figure which remains unchanged from that recorded for 2012.
- In 2013, approximately 81% of public sector employees and 23% of private sector employees were members of a workplace pension scheme.
- Age is a key factor affecting workplace pension scheme membership. Less than 4% of employees aged 18-21 and around 27% aged 22-29 were members in 2013. This is in contrast to the 55% of employees aged 40-49 and 60% for 50-59 year olds who were members of a pension scheme in 2013.
- There was a higher percentage of workplace pension participation amongst full-time employees, with 53% members of workplace pension schemes, compared with 26% of part-time employees.
- Those in professional occupations were most likely to have a pension, with around 75% membership of workplace pension schemes in 2013, similar to the 74% in 2012.
- Those employed in public administration and defence were most likely to have a pension. Around 91% of employees in this industrial sector had a workplace pension in 2013.

The ASHE estimates are based on a sample and are therefore subject to an associated level of variability.

Contents

1

**Introduction and
Context**
Pages 1-2

2

**Workplace Pension
Membership**
Page 3

3

**Pension Membership
by Public and Private
Sector**
Page 4

4

**Pension Membership
by Age**
Page 5

5

**Pension Membership
by Gender**
Page 6

6

**Pension Membership
by Working Pattern**
Pages 7-8

7

**Pension Membership
by Occupation**
Page 9

8

**Pension Membership
by Industry**
Page 10

9

Definitions
Pages 11-13

10

**Background Notes
for Northern Ireland
ASHE**
Pages 14-16

11

Contact Information
Page 17

1

Introduction and Context

Annual Survey of Hours and Earnings

The Annual Survey of Hours and Earnings (ASHE) is a UK wide survey that provides a wide range of information on hourly, weekly and annual earnings by gender, work pattern, industry and occupation including public and private sector pay comparisons.

This report presents provisional results from the pensions element of the 2013 Northern Ireland ASHE, which surveyed employee earnings for the pay-week (or other pay period if the employee was paid less frequently) that included 17th April 2013, the reference date for the latest survey.

Full details of the Northern Ireland survey can be found on the ASHE section of the Department of Enterprise, Trade and Investment (DETI) website:

<http://www.detini.gov.uk/deti-stats-index/stats-surveys/stats-hours-and-earnings.htm>

Methodology and quality information

ASHE is based on a 1 per cent sample of employee jobs taken from HM Revenue & Customs (HMRC) PAYE records. Information is obtained from employers and treated confidentially. ASHE does not cover the self-employed nor does it cover employees not paid during the reference period.

Guidance and Methodology information for ASHE can be found on the Office for National Statistics (ONS) website at:

<http://www.ons.gov.uk/ons/guide-method/method-quality/specific/labour-market/annual-survey-of-hours-and-earnings/index.html>

Pensions Analysis

ASHE is a key source of information on workplace pension provision in the UK as it collects information on group personal and group stakeholder pensions as well as occupational pension schemes. The survey results are used widely in order to analyse pension participation and monitor the impact of pension reforms.

As ASHE is a survey of employers, it only covers workplace pensions, which are those that are either provided or facilitated by employers; it does not cover individual personal or stakeholder pensions, where individuals enter into a contract with an insurance company that is not facilitated by an employer.

ASHE only collects information on the current employer's pension scheme. An employee may hold preserved rights in a former employer's pension scheme or be in receipt of a pension from a former employer. This information would not be captured by the survey.

In ASHE, employees are defined as making contributions to a workplace pension if they have made a contribution, or had a contribution made on their behalf, in the survey reference period.

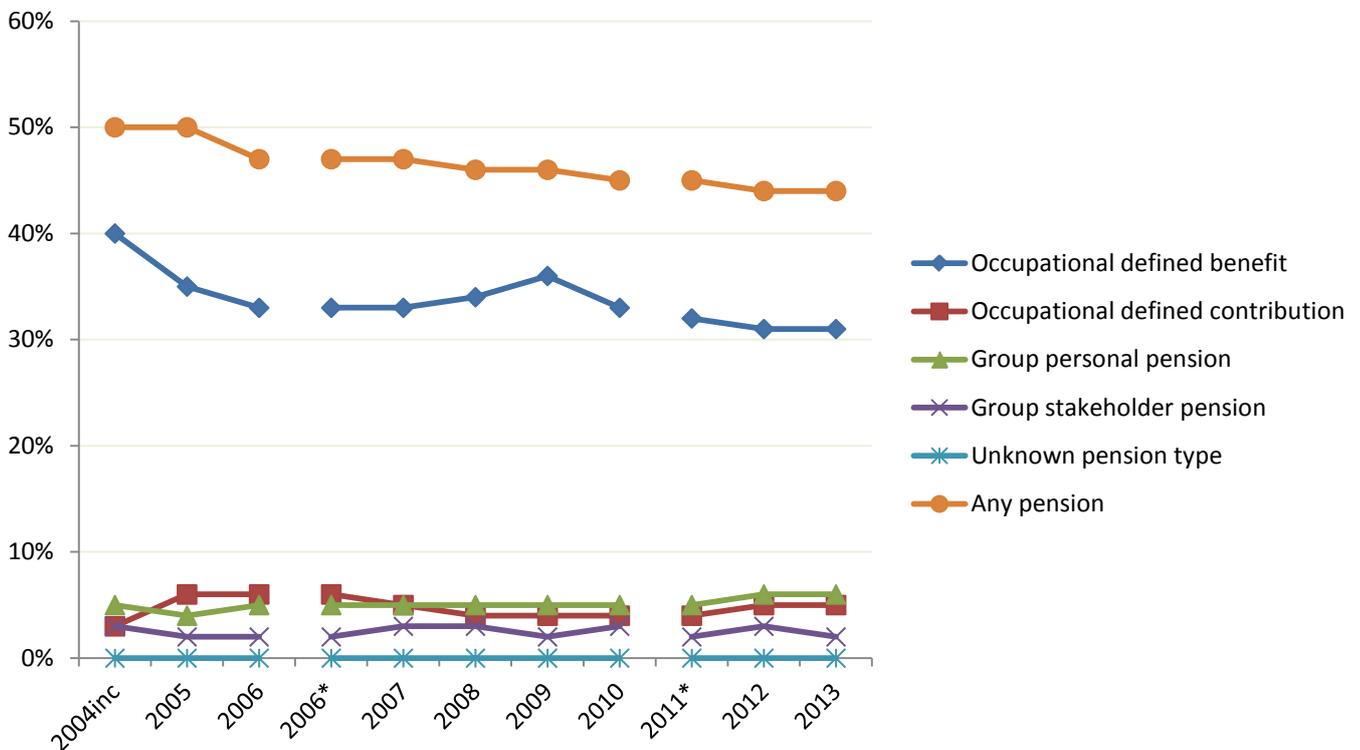
Detailed tables on pensions from the 2013 and 2012 (revised) surveys are published alongside this bulletin and can be found on the ASHE section of the Department of Enterprise, Trade and Investment (DETI) website (<http://www.detini.gov.uk/deti-stats-index/stats-surveys/stats-hours-and-earnings.htm>).

2

Workplace Pension Membership

Following a steady decline since 2004, the proportion of employees who belonged to a workplace pension scheme remained the same in 2012 and 2013, at 44%.

Figure 1: Proportion of employees with workplace pensions by type of pension, 2004-2013



* The introduction of methodological changes to improve the quality of ASHE data has resulted in discontinuities in trends. More details of this can be found in the background notes (section 10).

Figure 1 shows that defined benefit occupational pension schemes was the largest category of workplace pension in 2013; approximately 31% of all employees in Northern Ireland, and 70% of employees with a workplace pension, belonged to a defined benefit scheme.

The defined benefit occupational pension scheme is showing some signs of decline as the proportion belonging to defined contribution schemes increases (approximately 9% in 2011, 11% in 2012 and 12% in 2013).

3

Pension Membership by Public and Private Sector

Workplace pension participation differed significantly between the public and private sector, although this may change in future years as smaller employers become eligible for Automatic Enrolment – whereby every employer must automatically enrol all workers who meet certain criteria into a workplace pension scheme. (For further information please see section 10 **Background Notes.**)

- In 2013, 81% of all public sector employees were members of a workplace pension scheme. This is similar to the 80% recorded in 2012.
- In 2013, 23% of all private sector employees were members of workplace pension schemes (similar to the 22% recorded in 2012).

Table 1: Proportion of employees with workplace pensions by sector and type of pension

	Occupational Defined Benefit	Occupational Defined Contribution	Group Personal Pension	Group Stakeholder Pension	Unknown pension type
April 2013					
Public sector	96%	x	x	x	0%
Private sector	25%	29%	36%	10%	x
All employees	70%	12%	13%	4%	x
April 2012					
Public sector	91%	x	x	x	0%
Private sector	27%	25%	x	x	0%
All employees	70%	11%	13%	6%	0%

x Coefficient of variation too large to provide a reliable estimate

Table 1 shows that in 2013, 96% of public sector employees with workplace pensions had a defined benefit occupational pension, an increase from 91% in 2012. Within the private sector, only 25% of employees with workplace pensions were in a defined benefit scheme in 2013 (27% in 2012). Conversely, occupational defined contribution, group personal and stakeholder pensions were more common in the private sector than in the public sector.

4

Pension Membership by Age

Age is a key factor affecting workplace pension scheme membership. Young employees were less likely to be members of a workplace pension scheme than employees in their forties and fifties.

- Less than 4% of employees aged 18-21 and around 27% aged 22-29 were members of workplace pension schemes in 2013.
- This increased to 55% for employees aged 40-49, and to 60% for 50-59 year olds.
- Membership rates fell in the age bands around State Pension age because many employees in these age bands were no longer contributing to a pension.

Table 2: Proportion of employees with workplace pensions by age band and type of pension, 2013

	Occupational Defined Benefit	Occupational Defined Contribution	Group Personal Pension	Group Stakeholder Pension	Unknown pension type
18-21 year olds	0%	x	0%	x	0%
22-29 year olds	x	21%	15%	x	x
30-39 year olds	67%	12%	15%	5%	0%
40-49 year olds	70%	12%	13%	5%	0%
50-59 year olds	77%	8%	12%	x	0%
60+ year olds	x	x	x	x	0%

x Coefficient of variation too large to provide a reliable estimate

Table 2 shows that amongst employees who were members of a workplace pension scheme, the proportions of each pension type were broadly similar across the age bands.

Nevertheless, there were some differences. For instance, in 2013, 67% of employees with workplace pensions in the 30 to 39 age band were in defined benefit occupational pension schemes, compared with 77% in the 50 to 59 age band.

5

Pension Membership by Gender

Overall workplace pension participation in 2013 was similar across genders, with 45% of males and 44% of females that were members of a workplace pension scheme.

Table 3: Proportion of employees with workplace pensions by gender and type of pension

	Occupational Defined Benefit	Occupational Defined Contribution	Group Personal Pension	Group Stakeholder Pension	Unknown pension type
April 2013					
Men	63%	16%	16%	6%	0%
Women	77%	9%	10%	4%	x
All	70%	12%	13%	4%	x
April 2012					
Men	63%	13%	x	x	0%
Women	76%	8%	11%	x	0%
All	70%	11%	13%	6%	0%

x Coefficient of variation too large to provide a reliable estimate

Table 3 shows that amongst employees who were members of a workplace pension scheme, there were some differences in the type of pension for male and female employees.

A larger proportion of females belonged to a defined benefit scheme than male counterparts (77% females and 63% males), while occupational defined contribution, group personal and stakeholder pensions were more common amongst male employees.

These proportions were similar to those seen in 2012.

6

Pension Membership by Working Pattern

There was a higher percentage of workplace pension participation amongst full-time employees in 2013, with 53% of full-time employees members of workplace pension schemes compared with 26% of part-time employees.

Figure 2: Proportion of employees with workplace pensions by working pattern and gender, 2013

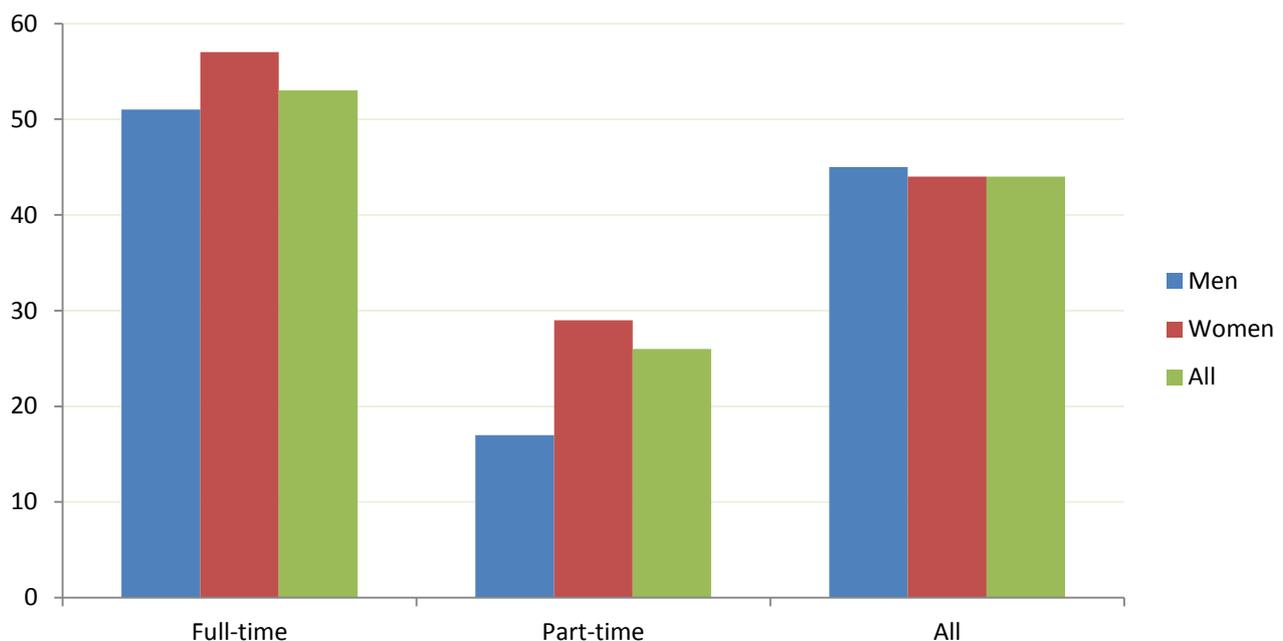
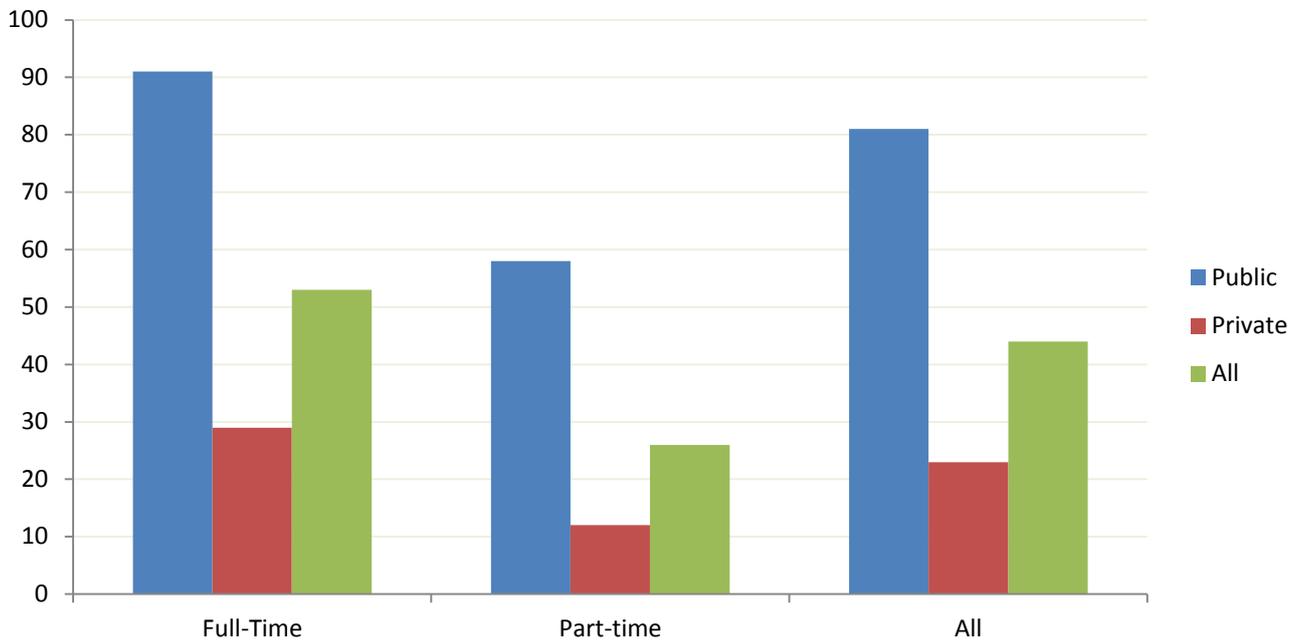


Figure 2 shows that there was a higher percentage of workplace pension participation for female employees working both full-time and part time. Approximately 57% of full-time (29% part-time) female employees were members of a pension scheme, compared to 51% full-time (17% part-time) males.

Figure 3 (below) shows that working pattern variations were also seen across the public and private sectors.

Figure 3: Proportion of employees with workplace pensions by working pattern and public/private sector, 2013



In the public sector, 91% of full-time employees were members of a workplace pension scheme compared to 58% of part-time employees.

In the private sector, 29% of full-time employees were members of a workplace pension scheme compared to 12% of part-time employees.

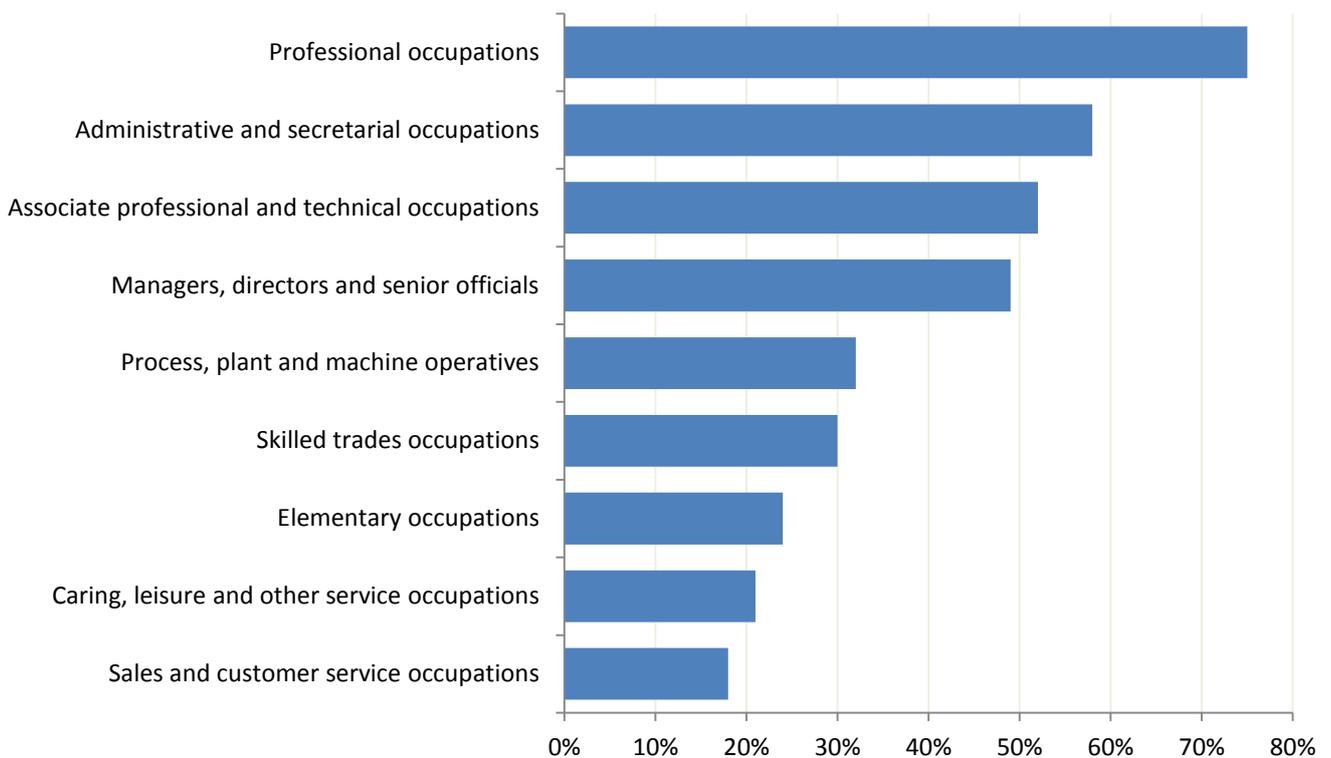
7

Pension Membership by Occupation

Membership of a workplace pension was also related to the employee's occupation. Figure 4 shows the proportion of all employees with a workplace pension by occupation in 2013.

- Those in professional occupations were the most likely to have a pension, with around 75% of employees in workplace pension schemes in 2013 (similar to the 74% in 2012).
- At around 18% of employees with a workplace pension in 2013, those in sales and customer service occupations were least likely to have a pension; however, this was up from around 9% in 2012.

Figure 4: Proportion of employees with workplace pensions by occupation, 2013



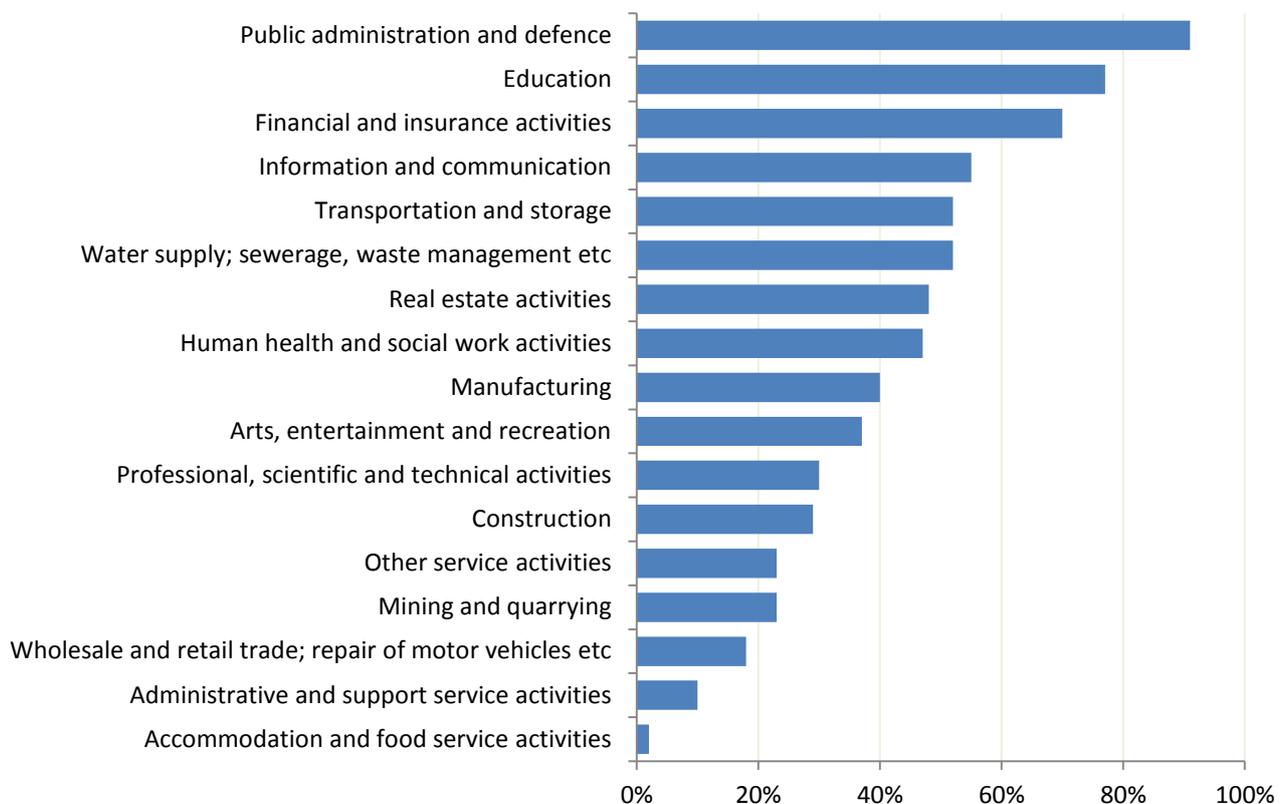
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Pension Membership by Industry

Membership of a workplace pension also varied according to the industry that the employee worked within. Figure 5 shows the proportion of all employees with a workplace pension by industry in 2013.

- Employees in 'Public administration and defence' were most likely to have a pension, with around 91% members of workplace pension schemes in 2013.
- At around 2% of employees with a workplace pension in 2013, those working in 'Accommodation and food service activities' were least likely to have a pension in 2013.

Figure 5: Proportion of employees with workplace pensions by industry, 2013



Note: Results for 'Electricity, gas, steam and air conditioning supply' and 'Agriculture, forestry and fishing' were unreliable in 2013 and have therefore been excluded.

9

Definitions

Contracted out: This refers to a statutory arrangement under which pension schemes that meet certain conditions may contract out of the State Second Pension (S2P), formerly the State Earnings Related Pension Scheme (SERPS). The members' and employers' National Insurance contributions are reduced or partially rebated. Members of a contracted out pension scheme obtain rights in the scheme in place of rights to an additional state pension. Contracting out through defined contribution schemes (occupational defined contribution, personal and stakeholder pensions) was abolished from 6 April 2012. Anyone contracted out of a defined contribution scheme at that time will automatically be contracted back into the State Second Pension. Contracting out through an occupational defined benefit scheme continued although this will be affected by proposed changes to the State Pension (see White Paper: The single-tier pension: a simple foundation for saving - <http://www.dwp.gov.uk/policy/pensions-reform/state-pension/>).

Contributions: Payments into a pension by employees (and other individuals) or by employers.

Coefficient of variation (cv): The ratio of the standard error of an estimate to the estimate, expressed as a percentage. The smaller the cv, the higher the quality of the estimate. Therefore, the smaller the cv, the smaller the confidence interval around the estimate will be.

Defined benefit scheme: An occupational pension scheme in which the rules specify the rate of benefits to be paid. The most common defined benefit scheme is a salary-related scheme in which the benefits are based on the number of years of pensionable service, the accrual rate and either the final salary, the average of selected years' salaries or the best year's salary within a specified period before retirement.

Defined contribution scheme: A pension scheme in which the benefits are determined by the contributions paid into the scheme, the investment return on those contributions, and the type of annuity (if any) purchased upon retirement. It is also known as a money purchase scheme. Defined contribution pensions may be occupational, personal or stakeholder pensions.

Full-time employees: Those working more than 30 hours each week excluding overtime and main meal breaks (25 hours for teachers and academics).

Group personal pension (GPP): An arrangement made for the employees of a particular employer or group of employers to participate in a personal pension on a group basis. This is a collecting arrangement only; the contract is between the individual and the pension provider, normally an insurance company. In ASHE, this category also includes group self-invested personal pensions. GPPs are a form of workplace pension.

Group self-invested personal pension (GSIPP): An arrangement made for the employees of a particular employer, or group of employers, to participate in a personal pension on a group basis. The GSIPP is similar to the group personal pension except that it is the policy holder rather than the pension provider who chooses the investments. GSIPPs are a form of workplace pension. In ASHE, GSIPPs are not collected separately from group personal pensions.

Group stakeholder pension: An arrangement made for the employees of a particular employer or group of employers to participate in a stakeholder pension on a group basis. This is a collecting arrangement only; the contract is between the individual and the pension provider, normally an insurance company. Group stakeholder pensions are a form of workplace pension.

Inter-Departmental Business Register: Introduced in 1994, the Inter-Departmental Business Register (IDBR) is the sampling frame for surveys of businesses carried out by the ONS and by other government departments. It is also a key data source for analysis of business activity.

Occupational pension scheme: An arrangement (other than accident or permanent health insurance) organised by an employer (or on behalf of a group of employers) to provide benefits for employees on their retirement and for their dependants on their death. In the private sector, occupational schemes are trust-based. Occupational pension schemes are a form of workplace pension.

Pension scheme: A legal arrangement offering benefits to members upon retirement. Schemes are provided by employers and are differentiated by a wide range of rules governing membership eligibility, contributions, benefits and taxation. Pension schemes in the private sector have trustees. Personal pensions and stakeholder pensions offered by insurance companies may also be referred to as schemes, but technically they are individual accounts rather than schemes.

Personal pension: An arrangement where the contract to provide contributions in return for retirement benefits is between an individual and an insurance company. Such plans may be taken out by individuals on their own initiative – for example, to provide a primary source of retirement income for the self-employed, or to provide a secondary income to employees who are members of occupational schemes. These would not be covered in the ASHE results. Alternatively they may be facilitated by an employer. These pensions are covered by ASHE and include group personal pensions and group stakeholder pensions. Personal pensions are a form of defined contribution pension.

Private sector schemes: Schemes covering the part of the economy consisting of individuals, firms and other institutions. In ASHE, the public and private sectors are classified using the legal status from the Inter-Departmental Business Register. ‘All employees’ categories include employees from the public and private sectors plus employees working for organisations classified as non-profit bodies.

Public sector schemes: Schemes covering the part of the economy that is state-provided, including central and local government, schooling, health and social services, policing and the armed forces. In ASHE, the public and private sectors are classified using the legal status from the Inter-Departmental Business Register. 'All employees' categories include employees from the public and private sectors plus employees working for organisations classified as non-profit bodies.

Stakeholder pension: Available since 2001, a flexible, portable, personal pension arrangement (provided by insurance companies) with capped management charges, that must meet the conditions set out in the Welfare Reform and Pensions Act 1999 and be registered with The Pensions Regulator. They can be taken out by an individual or facilitated by an employer. Stakeholder pensions are a form of defined contribution pension.

Standard Occupational Classification (SOC): The classificatory system used in the UK to place individuals into occupational groups.

Workplace pension: A workplace pension is a pension which is provided or facilitated via a workplace, principally for employees. It includes both occupational pension schemes and all forms of group personal and group stakeholder pensions.

10

Background Notes for Northern Ireland ASHE

Methodology

The Annual Survey of Hours and Earnings (ASHE) is a UK wide survey that provides a wide range of information on earnings and hours worked. The Office for National Statistics (ONS) carries out ASHE in Great Britain and it is carried out by the Northern Ireland Statistics and Research Agency (NISRA) in Northern Ireland.

ASHE replaced the New Earnings Survey (NES) from 2004, and ASHE comparisons are therefore only available on a consistent basis from that year onwards. ASHE is the first survey to be designed as part of the ONS statistical modernisation programme and benefits from improved methodologies and statistical tools. The development of the survey follows the recommendations made in the National Statistics Quality Review of the Distribution of Earnings Statistics for improving the collection of earnings statistics, with ASHE results satisfying a variety of different user-needs identified in that document (e.g. low pay issues). This release contains summary statistics from the pensions element of the 2013 Northern Ireland survey.

In order to allow NI ASHE results to be appended to the GB results produced by ONS to create estimates for the whole of the UK, NI ASHE follows exactly the methods adopted by ONS. A summary of the methods adopted throughout the lifecycle of ASHE, including explanations of why particular choices were made, can be accessed via the link below:

<http://www.ons.gov.uk/ons/guide-method/method-quality/specific/labour-market/annual-survey-of-hours-and-earnings/annual-survey-of-hours-and-earnings/index.html>

An information paper, issued by the Office for National Statistics, outlining the quality and reliability of ASHE statistics can be accessed via the link below. Issues highlighted in this document include accuracy, comparability, weighting and statistical disclosure:

<http://www.ons.gov.uk/ons/guide-method/method-quality/quality/quality-information/labour-market/summary-quality-report-for-annual-survey-of-hours-and-earnings--ashe-.pdf>

Coverage and Sampling

As in previous years, the sample used for the survey included approximately 1% of all employees in Northern Ireland who were covered by PAYE schemes. Someone who is in more than one PAYE scheme may appear more than once. Information on earnings and hours is obtained in confidence from employers under the authority of the Statistics of Trade and Employment (Northern Ireland) Order 1988. Information collected is treated as strictly confidential and is used only for statistical purposes.

The survey information related to the pay-week (or other pay period if the employee was paid less frequently) which included 17th April 2013, the reference date for the latest survey. The results are therefore not necessarily representative of pay over a longer period. They do not take account of subsequent changes in rates of pay which have become effective since April or changes which have been introduced with retrospective effect since the survey returns were completed.

The resulting analyses do not show information about identifiable people or private businesses.

Since the 2004 survey, supplementary information has been collected in order to improve coverage and hence make the survey more representative. This includes employees who have either moved jobs or entered the labour market between February, when the main ASHE sample is identified from Her Majesty's Revenue and Customs (HMRC) records, and April, when the survey is conducted. In 2007, ONS also introduced a small number of methodological changes (to the sample design) to improve the quality of the results.

The ASHE results since 2004 are therefore discontinuous with earlier results, as are those since 2007. However, for 2004 two sets of results are available (the first include supplementary information and the second exclude this information), and similarly for 2006 (the first set not reflecting the methodological changes to the sample design and the second set consistent with the new methodological changes).

In 2009, in line with the major revision to the European Union's industrial classification system, NACE, ASHE moved from using the SIC 2003 categorisation of business activities to the new SIC 2007 activity codes. The UK is required by European legislation to revise the SIC in parallel with NACE so that both systems remain identical down to and including the 4 digit class level.

These revisions are motivated by the need to adapt the classifications to changes in the world economy. The revised classifications reflect the growing importance of service activities in the economy over the last fifteen years, mainly due to the developments in information and communication technologies (ICT).

More information on the extent of the revisions and correspondence between SIC 2007 and the former SIC 2003 can be accessed via the following link:

<http://www.ons.gov.uk/ons/guide-method/classifications/development-projects/operation-2007/index.html>

With the aim of improving the alignment with the new International Standard Classification of Occupations (ISCO 08), from 2013 the Standard Occupational Classification 2000 (SOC 2000) used for ASHE has been replaced by the Standard Occupational Classification 2010 (SOC 2010). Since the SOC forms part of the methodology by which ASHE data are weighted to produce estimates for NI, this has caused a discontinuity in the ASHE time series. Therefore all of the estimates for 2011 (revised), 2012 and 2013 are not directly comparable to earlier results. The major differences between the SOC 2000 and SOC 2010 classifications are summarised in the following document, starting at page 62:

<http://www.ons.gov.uk/ons/rel/elmr/economic-and-labour-market-review/no--3--march-2011/economic---labour-market-review.pdf>

Response and Weighting

A total of 6,343 returns were received by NISRA (93.2% of those sampled).

ASHE responses are weighted to the number of jobs measured by the Labour Force Survey (LFS) and this weighting is carried out by ONS. The weighting factors include age, sex, occupation and workplace and take account of differing response rates.

From 2006, the LFS moved from using seasonal quarters to calendar quarters. As ASHE uses LFS data in the calculation of aggregation weights, it was necessary to move from using data taken from LFS Spring to LFS Quarter 2.

In July 2012 the LFS was re-weighted to the latest (2011 based) population projections. Previously LFS results were based on 2010 based projections. The revised LFS figures have been used for 2012 (revised) and 2013 ASHE results.

Users and Usage of ASHE Statistics

Information on the users and common uses made of NI ASHE statistics can be accessed through the link below:

http://www.detini.gov.uk/ashe_summary_of_usage-2.pdf

Automatic Enrolment

A new law means that every employer must automatically enrol workers into a workplace pension scheme if the employee:

- is aged between 22 and State Pension age
- earns more than £9,440 a year (£10,000 a year from 6 April 2014)
- works or usually works in the UK

This is called 'automatic enrolment' and began in the UK in October 2012 for the biggest businesses (in excess of 120,000 employees). This process is to be completed by 2018 when all employees meeting the above criteria must be automatically enrolled in a workplace pension regardless of the size of their employer.

Although this does not create a discontinuity in the data with previous years it is likely to have a significant impact on the pension's data from 2013.

Further information can be found on the Department for Work and Pensions website:

<http://www.gov.uk/dwp>

11

Contact Information

If you require further information about the figures contained in this publication or the accompanying tables, please contact the Annual Survey of Hours and Earnings section by writing to:

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Web: <http://www.detini.gov.uk/deti-stats-index.htm>

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This document is also available on the Department of Enterprise, Trade & Investment's website at: <http://www.detini.gov.uk/deti-stats-index/stats-surveys/stats-hours-and-earnings.htm>.