Review of the Automatic Enrolment Earnings Trigger and Qualifying Earnings Band for 2024/25: Supporting Analysis

Background

Automatic enrolment obliges employers to enrol all workers into a qualifying workplace pension, provided that they ordinarily work in Great Britain and satisfy the age and earnings criteria.

The automatic enrolment **earnings trigger** determines who is eligible to be automatically enrolled into a workplace pension by their employer in terms of how much they earn. There is also a qualifying earnings band in respect of which contributions are made – the band is defined by the **lower earnings limit (LEL)** and the **upper earnings limit (UEL)**. The earnings trigger and the LEL and UEL are often jointly referred to as the **Automatic Enrolment earnings thresholds**. They are set in legislation and reviewed annually. This report sets out the methodology, analysis, and outcome of this year's review. It is a statutory requirement that the Secretary of State reviews all three thresholds within each tax year.

The LEL is relevant to defining who falls into the category of 'non-eligible jobholders'. People in this group can opt-in to their employer's workplace pension and will receive a mandatory employer contribution if they earn between the LEL and the earnings trigger.

Automatic enrolment applies to employers and eligible workers. By the end of December 2023, over 11 million workers had been automatically enrolled since 2012 and over 2.3 million employers had met their duties since 2012[1].

Annual Review

[1] The Pensions Regulator Automatic enrolment declaration of compliance report Link

The Pensions Act 2008 requires that the Secretary of State reviews the automatic enrolment earnings trigger and LEL and UEL within each tax year. Section 14 of the Act sets out certain factors which the Secretary of State may take into account in reviewing these amounts. The government can also set out policy objectives and the principles to inform the setting of the thresholds for 2024/25. This does not pre-determine the approach for decisions on threshold levels in future years. The process allows the Secretary of State the flexibility to take into account prevailing economic factors when reaching a decision.

The first two annual reviews established three guiding principles to be used when reviewing the automatic enrolment thresholds. These principles were endorsed by stakeholders and the government’s view is that they remain relevant to this current review:

a. Will the right people be brought into pension saving? In particular, at what level will the earnings trigger bring in as many people as possible who will benefit from saving? At what level does the trigger need to be set to avoid the automatic enrolment of those who are unlikely to benefit from saving? And what are the equality implications of the different options?

b. What is the appropriate minimum level of saving for people who are automatically enrolled? Everyone who is automatically enrolled should pay contributions on a meaningful portion of their income. To ensure this, we need to maintain an appropriate gap between the LEL and the earnings trigger.

c. Are the costs and benefits to individuals and employers appropriately balanced? The cost implications of the thresholds remain relevant, and we need to factor in the continuing importance of simplicity of administering automatic enrolment.

The Secretary of State has considered each of the above principles alongside an assessment of the relevance of the review factors set out in the Pensions Act 2008 in reaching a conclusion on the level at which to set each threshold for 2024/25.

Results of the review for 2024/25

Earnings Trigger

The earnings trigger is one of the three key factors which ultimately govern who is enrolled into a workplace pension scheme through automatic enrolment. The Government’s view remains that if the trigger is too high, then low to moderate earners who can afford to save (and who are the main target group of the policy), may miss out on the benefits of a workplace pension. Set it too low, however, and the predominant impact will be upon people for whom it could make little economic sense to save into a pension. This would divert income away from their immediate day-to-day needs.

The Secretary of State has considered the latest analytical evidence and the policy objectives. He has concluded that the existing threshold of **£10,000** for the earnings trigger remains the correct level and will be maintained for 2024/25. This represents a real terms decrease in the value of the trigger. Therefore, as earnings continue to grow, keeping the earnings trigger at £10,000 will see private pension participation at 15.8 million in total.

The decision reflects the key balance that needs to be struck between affordability for employers and individuals, and the policy objective of giving those who are most able to save the opportunity to accrue a meaningful level of retirement savings. It also reflects the need for stability in the light of the current prevailing economic circumstances. It provides consistency of messaging for both employers and individuals.

The Secretary of State has also assessed the equality impacts associated with this decision which are detailed later in this report. The Secretary of State remains of the view that voluntary opt-in provides the most appropriate option for those earning less than the earnings trigger who wish to save.

The Secretary of State has accounted for the impact of both the National Minimum Wage and the National Living Wage when considering what the earnings trigger should be and continues to monitor the impact of this on low earners and the automatic enrolment earnings trigger.

Qualifying Earnings Band - Lower Earnings Limit (LEL)

Automatic enrolment into a workplace pension with the payment of both employee and employer contributions is intended to build on the foundation of State pension entitlement. The LEL of the qualifying earnings band determines the minimum level of an enrolled workers' earnings on which they and their employer have to pay contributions.

The Secretary of State has considered all review factors against the analytical evidence and has decided to maintain the LEL at the 2023/24 level. Therefore, the value of the lower limit of the qualifying earnings band for 2024/25 will continue to be set at **£6,240**.

The decision to maintain the automatic enrolment LEL for 2024/25 supports the principle of ensuring that everyone who is automatically enrolled would continue to pay contributions on a meaningful proportion of their income. It is consistent with the government's ambitions to improve financial resilience for retirement, in particular among low and moderate earners. Maintaining the LEL helps ensure that pension savings will be broadly maintained – and slightly increased – compared to 2023/24.

For the future, the 2017 Review of Automatic Enrolment set out the ambition to remove the LEL in the mid-2020s, which would mean the proportion of income on which those who are automatically enrolled pay contributions will increase. The Government supported the Pensions (Extension of Automatic Enrolment) Act 2023 which received Royal Assent on Monday 18 September 2023. We intend to carry out a consultation on the detailed implementation of this measure, alongside the reduction of the age of enrolment, at the earliest opportunity and report to Parliament before using the powers in the Act.

Government remains committed to this, subject to discussions with employers and other stakeholders on the right implementation approach and finding ways to make these changes affordable. We will pay close attention to the impact and costs in order to develop an optimal approach on implementation which balances the needs of savers, employers, and taxpayers. This will include giving employers and savers the time to plan for future changes to help minimise any risk of deterring individuals from continuing to save or undermining employer engagement.

This longer-term policy direction does not pre-empt any future annual thresholds review, pending the introduction and enactment of legislation to remove the LEL.

Qualifying Earnings Band – Upper Earnings Limit (UEL)

The upper limit of the qualifying earnings band (the UEL) caps mandatory employer contributions. It aims to distinguish the automatic enrolment target group of low to moderate earners and the statutory minimum contributions from earners in a higher tax band. These higher earners might reasonably be expected to have access to a pension scheme that offers more than the minimum and are more likely to make personal arrangements for additional saving. The Secretary of State has concluded that mandatory employer contributions should remain capped and that the value of the upper limit of the qualifying earnings band for 2024/25 will continue to be set at **£50,270**. For the year 2024/25, the National Insurance Contributions Upper Earnings Limit has also been maintained at the 2023/24 level[2].

Proposed Thresholds for 2024/25

The current (2023/24) and proposed (2024/25) automatic enrolment thresholds are displayed in Table 1.

Table 1 – Current and proposed automatic enrolment thresholds (annual)

	Trigger	Lower limit qualifying earnings band	Upper limit qualifying earnings band
Current (2023/24)	£10,000	£6,240	£50,270
Proposed (2024/25)	£10,000	£6,240	£50,270

[2] 22 November 2023 Autumn Statement Link

Methodology

This section describes the methodology used to estimate the impact of proposed changes to the automatic enrolment thresholds. Impacts are calculated by comparing a modelled baseline scenario of thresholds in 2024/25 to alternative threshold scenarios. These alternative scenarios are based on a range of options for how the 2024/25 thresholds could be changed following a review under section 14 of the Pensions Act 2008.

The **baseline thresholds** (where the thresholds are left unchanged) for 2024/25 maintain the 2023/24 thresholds. This effectively reduces the thresholds in real terms.

Broadly, we model **three different types of options for each threshold** for comparison against the baseline. They are:

1. Maintaining the thresholds at their 2023/24 level;
2. Setting the thresholds in line with relevant 2024/25 National Insurance or tax thresholds, for example the personal tax allowance (PTA) thresholds; and
3. Uprating the 2023/24 thresholds by a relevant index (e.g., earnings, CPI etc.)

In the model, **total, individual and employer pension contributions** in each scenario are estimated for the 2024/25 tax year using:

- data from the 2022 Annual Survey of Hours and Earnings (ASHE) on private sector employees' earnings and current levels of pension participation and contributions
- estimates from 2022 ASHE data of the bands of earnings on which individuals are making pension contributions. We account for evidence showing that some employers and employees contribute on earnings below the LEL and/or above the UEL
- OBR forecasts of average weekly earnings (AWE) growth of 5.01 per cent between quarter 4 2022 and quarter 4 2023
- OBR forecasts of consumer prices index (CPI) inflation of 4.76 per cent between quarter 4 2022 and quarter 4 2023
- changes to the estimated size of the employee workforce between 2022 and 2024
- modelled impacts on eligible workers saving into a workplace pension (given known participation rates) using ASHE data as a result of making changes to the earnings trigger

- contribution rates for employers and employees, where the minimum for a qualifying pension scheme in 2024/25 is 8 per cent total contributions (including tax relief) on relevant earnings, of which at least 3 per cent is from the employer.

These figures then inform estimates of:

- **Income tax relief**. Individuals receive tax relief on their pension contributions. It is estimated by multiplying total pensions contributions from individuals by the appropriate income tax rates.
- **Employer tax relief**. Because some employers have indicated that they have responded to increases in the cost of employer pension contributions by reducing wages and/or profits, it follows that they will have paid less employer National Insurance contributions and/or corporation tax due to these increased contributions than otherwise. We estimate both of these effects by multiplying the overall size of employer pension contributions by:
- the percentage of employers who indicated that they behaved in that way in the Employers' Pension Provision Survey 2019[3], and
- the appropriate tax rate, either employer NICs or corporation tax.

Finally, estimates of the **equalities impacts** of different thresholds are produced using 2022 ASHE data and the Labour Force Survey (LFS). ASHE is used to analyse the proportion of additional/fewer participants and contributions for each option by **gender** and **age**. The LFS was used to analyse the impact of earnings threshold changes by **disability status** and **ethnicity**. The LFS is used for these characteristics as ASHE does not include this data. The LFS does not include data on pension contributions, so the equalities assessment by disability status and ethnicity is limited to an analysis of individuals brought newly above or below the earnings trigger by changes to this threshold relative to earnings. This is a proxy measure of the impact on participation by these characteristics, which may be less accurate if the participation rates of low earnings with disabilities or from minority ethnic groups differ significantly from the participation rates of other low earners.

The breakdowns of these demographics are presented in Annex A.

Sources of Uncertainty

[3] Employers' Pension Provision Survey 2019 Link

There are a number of sources of uncertainty in the analysis. The main sources of uncertainty are:

- the approximation of real-world changes by modelling techniques.
- statistical sampling uncertainty arising from the use of survey data. This uncertainty is greater when sample sizes are smaller. This means for example that the equalities impact assessments are more uncertain for changes to the thresholds which affect fewer individuals.
- the validity of behavioural assumptions. This uncertainty may be greater this year if past data on the impact of automatic enrolment on individuals’ pensions savings behaviour is a poor indicator of their behaviour in response to the prevailing economic conditions. We review the behavioural assumptions in our modelling against available data on a regular basis. To date, data has continued to indicate that historic pension saving behaviour remains a good indicator for current pension saving.

Results

A – Trends in Pension Saving

Since April 2019 the minimum total contribution rates for automatic enrolment into a workplace pension has been fixed at 8 per cent (on the qualifying band of earnings). Increases in the estimate of annual contribution levels are driven by earnings growth. Table 2 compares estimated pension contributions from the 2023/24 thresholds and under the baseline thresholds in 2024/25 and shows a £3 billion increase in pension saving resulting from earnings growth.

The recommended thresholds for the 2023/24 automatic enrolment threshold review were to maintain the trigger at £10,000 whilst also maintaining the LEL and UEL at £6,240 and £50,270 respectively. The 2024/25 baseline thresholds also maintain the earnings trigger at £10,000, and the LEL and UEL at £6,240 and £50,270 respectively.

Table 2 – Nominal increase in total pension contributions from private sector employers, individuals, and initial impacts on income tax relief. 2023/24 and 2024/25 (£ million, cash terms)

	Employer Contributions (£m)	Employee Contributions (£m)	Income Tax Relief (£m)	Total Contributions (£m)	(Employer Tax Relief (£m))
Thresholds - Level of Pension Saving in 2023/24 (£10,000; £6,240; £50,270)	£42,600	£21,400	£9,100	**£73,000**	£4,000
Baseline Thresholds - Level of Pension Saving in 2024/25 (£10,000; £6,240; £50.270)	£44,600	£22,200	£9,700	**£76,000**	£4,200
Difference	£1,900	£800	£600	**£3,000**	£200

Source: DWP Modelling

Notes

1. To estimate the baseline level of pension saving in 2024/25, the 2023/24 thresholds are maintained, and employee earnings are increased by a combination of OBR forecasts and National Minimum Wage/National Living Wage increases.
2. Amounts saved are rounded to the nearest £100m. Figures may not sum due to rounding.
3. Total contributions are the sum of employer contributions, employee contributions, and income tax relief on the employee's contribution.

B – Impact of Proposed Thresholds for 2024/25

The proposed thresholds for 2024/25 are:

i. retaining the 2023/24 automatic enrolment earnings trigger (£10,000),

ii. retaining the 2023/24 LEL (£6,240), and

iii. retaining the 2023/24 UEL (£50,270).

This proposal is consistent with 2023/24, when the earnings trigger, LEL and UEL were all maintained at their existing level.

Table 3 compares the impact of the baseline to the proposed thresholds on employers, employees, and Exchequer. The approach taken in previous years has also been considered in Table 3. However, the impact of taking this approach would have moved the LEL further away from the proposals outlined in the 2017 Review of Automatic Enrolment. Furthermore, it would have reduced pension contributions of low earners compared to the proposed option.

The decision to maintain the LEL is to ensure that the policy does not move further away from the proposal to abolish the LEL, as outlined in the 2017 Review of Automatic Enrolment. Furthermore, keeping the LEL held at its 2023/24 rates allows for more contributions from low earners, with more net additional contributions coming from women than men. A detailed description on protected groups including women can be found in Annex A – Equalities Impact on Affected Groups.

The National Insurance Upper Earnings Limit for the year 2024/25 has been held at the 2023/24 level. This decision was announced in the Chancellor of the Exchequer's Autumn Statement 2022. Therefore, retaining the 2023/24 UEL is the same as aligning the UEL with the National Insurance Upper Earnings Limit. The decision to maintain the UEL at the 2023/24 rates helps to control costs for all parties, including employers.

Under the proposed thresholds, the overall level of pension contributions is estimated to be £76 billion in 2024/25. The proposed thresholds lead to contributions at no additional cost to employers, employees, or the Exchequer compared to the baseline.

Table 3 – Estimated impacts of changes to the earnings trigger and upper and lower limits of the qualifying earnings band on contributions from private sector employers, employees, and tax-relief (in 2024/25)

Earnings Trigger	LEL	UEL	Rationale	Participants (000s)	Employer cont's (£m)	Employee cont's (£m)	Income tax relief (£m)	Total cont's (£m)	(Employer tax relief (£m))
£10,000	£6,240	£50,270	**Baseline**	15,800	44,600	22,200	9,700	**76,000**	4,200
£10,000	£6,240	£50,270	**Proposal**	0	0	0	0	**0**	0

£10,476	£6,537	£52,664	**Uprate by CPI**	-31	-1	-18	2	**-18**	-
£10,501	£6,552	£52,787	**Uprate by AWE**	-32	-1	-19	2	**-19**	-
£12,570	£6,396	£50,270	**Align to NICs**	-152	-86	-65	-17	**-168**	-8
£12,570	£12,570	£50,270	**Align trigger and LEL to PTA**	-152	-678	-642	-190	**-1,511**	-64
£6,396	£6,396	£50,270	**Align trigger and**	166	8	23	5	**36**	1

LEL to NICs
LEL

Source: DWP Modelling

Notes

1. Scenarios after the baseline present the change in costs when compared to the baseline.
2. Number of participants are rounded to the nearest 100,000 and the nearest 1,000 for the difference from baseline. Amounts saved are rounded to the nearest £100m for the baseline and the nearest £m for differences to baseline, with amounts between +/- £0.5m replaced by dashes. Figures may not sum due to rounding.
3. The baseline scenario is that all thresholds are maintained at the 2023/24 thresholds.
4. The OBR's November 2023 forecast for CPI between 2022 Q4 and 2023 Q4 of 4.76 per cent was used.
5. The OBR's November 2023 forecast for earnings growth between 2022 Q4 and 2023 Q4 of 5.01 per cent was used.
6. When estimating tax relief, this analysis takes account of the Treasury change to the payment of tax relief for individuals in Net Pay Relief pension schemes that will be introduced from April 2024[4]. All employees are therefore assumed to be Relief at Source (RAS) scheme members.
7. Tax relief has increased while employee contributions have decreased for the uprate by CPI and uprate by AWE options. This is because of the different tax rates below £12,570, and above £50,270.

C – Impact of Changing the Earnings Trigger in 2024/25

Table 4 shows the impact on employers, individuals, and Exchequer associated with the various options for the value of the earnings trigger in 2024/25. These are isolated effects – both the LEL and UEL remain unchanged compared to the baseline. There are additional sources of uncertainty to the figures this year such as the prevailing economic conditions, as discussed in the Methodology section.

---

[4] Relief relating to net pay arrangements [Link]

Maintaining the trigger at £10,000 for 2024/25 will see private sector participation at 15.8 million in total and total annual contributions at £76 billion.

Lowering the earnings trigger would increase pension participation among lower earners compared to the baseline. For example, aligning the earnings trigger with the NI Lower Earnings Limit would increase pension participants by 166,000 people, increasing total contributions by £74m.

Conversely, raising the earnings trigger would decrease pension participation compared to the baseline. For example, aligning the earnings trigger with the Personal Income Tax Allowance (£12,570) would decrease the number of savers into a workplace pension by an estimated 152,000 people, reducing total pension saving by £133m.

The main section of this publication lays out the reasons behind the Secretary of State's decision to maintain the earnings trigger at £10,000 for 2024/25. This will bring as many people into automatic enrolment as possible who will benefit from saving, whilst avoiding the automatic enrolment of those unlikely to benefit.

The government recognises the different impacts of the two systems of paying pension tax relief on pension contributions for workers earning below the personal allowance. The Government conducted a Call for Evidence[5] on pensions tax relief administration and responded to this in the Autumn 2022 Budget. The response stated that a system to make top-up payments directly to workers with incomes below the personal allowance saving into pension schemes using a net pay arrangement will be introduced for contributions from 2024/25 onwards. The analysis accounts for this by assuming all employees are Relief at Source (RAS) scheme members.

The Pensions Regulator (TPR) provides guidance to employers on choosing a pension scheme for their staff in order to discharge their statutory obligations under automatic enrolment. This guidance covers the choice between net pay and relief at source schemes, and the implications for employees who do not pay income tax. More information can be found on the Pensions Regulator website[6].

---

[5] Pensions tax relief administration: call for evidence Link
[6] The Pensions Regulator website Link

Table 4 – Estimates of the direct impact of changing the earnings trigger on contributions from private sector employers, employees, and tax relief (in 2024/25)

Earnings Trigger	Rationale	Participants (000s)	Employer cont's (£m)	Employee cont's (£m)	Income tax relief (£m)	Total cont's (£m)	(Employer tax relief (£m))
£10,000	**Baseline**	15,800	44,600	22,200	9,700	**76,000**	4,200
£10,000	**Proposal**	0	0	0	0	**0**	0
£10,476	**Uprate by CPI**	-31	-8	-10	-3	**-20**	-1

£10,501	**Uprate by AWE**	-32	-8	-10	-3	**-21**	-1
£12,570	**Align to PTA**	-152	-71	-50	-12	**-133**	-7
£6,396	**Align to NICs LEL**	166	24	39	10	**74**	2

Source: DWP Modelling

Notes

1. Scenarios after the baseline present the change in costs when compared to the baseline.
2. Number of participants are rounded to the nearest 100,000 and the nearest 1,000 for the difference from baseline. Amounts saved are rounded to the nearest £100m for the baseline and the nearest £m for differences to baseline, with amounts between +/- £0.5m replaced by dashes. Figures may not sum due to rounding.
3. The baseline scenario is that all thresholds are maintained at the 2023/24 thresholds.
4. The OBR's November 2023 forecast for CPI between 2022 Q4 and 2023 Q4 of 4.76 per cent was used.
5. The OBR's November 2023 forecast for earnings growth between 2022 Q4 and 2023 Q4 of 5.01 per cent was used.
6. Total pension saving is the sum of employer contributions, individual contributions, and income tax relief.

7. Employer tax relief represents the tax no longer paid by employers who respond to the additional pension contribution costs of the workplace pension reforms by reducing profits or wages paid to their employees.
8. When estimating tax relief, this analysis takes account of the Treasury change to the payment of tax relief for individuals in Net Pay Relief pension schemes that will be introduced from April 2024[7]. All employees are therefore assumed to be Relief at Source (RAS) scheme members.
9. £12,570 is the HMRC personal allowance rate[8].

D – Impact of Changing the Lower Limit of the Qualifying Earnings Band in 2024/25

Table 5 shows the impact on employers, employees and government associated with the baseline thresholds and various options considered for the value of the 2024/25 qualifying earnings band lower limit. As before, these are the impacts of isolated LEL changes. Unlike the earnings trigger, changing the LEL does not directly impact the number of people participating in a workplace pension.

Total pension saving increases as the LEL decreases (compared to the baseline), as pension contributions are paid on more of an individual's income. Maintaining the LEL at the 2023/24 rate of £6,240 keeps total contributions constant relative to the baseline at £76 billion.

Increasing the LEL would reduce total pension saving compared to the baseline. For example, uprating the LEL by CPI would reduce total pension saving by £68m compared to the baseline scenario. Furthermore, increasing the LEL would be inconsistent with the Government's 2017 AE Review ambitions, and disproportionately impacts low earning savers.

Table 5 - Estimates of the direct impact of changing the lower limit of the qualifying earnings band on contributions from private sector employers, employees, and tax relief (in 2024/25)

[7] Relief relating to net pay arrangements Link
[8] Income Tax rates and Personal Allowances Link

LEL	Rationale	Participants (000s)	Employer cont’s (£m)	Employee cont’s (£m)	Income tax relief (£m)	Total cont’s (£m)	(Employer tax relief (£m))
£6,240	**Baseline**	15,800	44,600	22,200	9,700	**76,000**	4,200
£6,240	**Proposal**	0	0	0	0	**0**	0
£6,537	**Uprate by CPI**	0	-30	-30	-9	**-68**	-3
£6,552	**Uprate by AWE**	0	-31	-31	-9	**-72**	-3

£6,396	**Align to NICs LEL**	0	-16	-16	-5	**-36**	-1

Source: DWP Modelling

Notes

1. Scenarios after the baseline present the change in costs when compared to the baseline.
2. Number of participants are rounded to the nearest 100,000 and the nearest 1,000 for the difference from baseline. Amounts saved are rounded to the nearest £100m for the baseline and the nearest £m for differences to baseline, with amounts between +/- £0.5m replaced by dashes. Figures may not sum due to rounding.
3. The baseline scenario is that all thresholds are maintained at the 2023/24 thresholds.
4. The OBR's November 2023 forecast for CPI between 2022 Q4 and 2023 Q4 of 4.76 per cent was used.
5. The OBR's November 2023 forecast for earnings growth between 2022 Q4 and 2023 Q4 of 5.01 per cent was used.
6. Total pension saving is the sum of employer contributions, individual contributions, and income tax relief.
7. Employer tax relief represents the tax no longer paid by employers who respond to the additional pension contribution costs of the workplace pension reforms by reducing profits or wages paid to their employees.
8. When estimating tax relief, this analysis takes account of the Treasury change to the payment of tax relief for individuals in Net Pay Relief pension schemes that will be introduced from April 2024[9]. All employees are therefore assumed to be Relief at Source (RAS) scheme members.

E - Impact of Changing the Upper Limit of the Qualifying Earnings Band in 2024/25

Table 6 shows the impact on employers, employees and government associated with the baseline upper earnings limit and various options considered for its value in 2024/25, where these changes are made in isolation.

[9] Relief relating to net pay arrangements Link

Increasing the UEL increases total pension saving compared to the baseline, specifically by those in high income employments, because it increases the amount of income on which employers and employees pay contributions. For employees who earn less than the UEL, which was £50,270 in 2023/24, maintaining or increasing the UEL has no effect on their total pension savings. Like the LEL, changing the UEL does not affect pension participation.

Uprating the UEL with CPI would increase total contributions by £70m compared to the baseline, which maintains the 2023/24 UEL. Maintaining the UEL at the 2023/24 rate of £50,270 keeps total contributions constant relative to the baseline at £76 billion. Therefore, this does not incur any additional costs to employers, employees, or the Exchequer relative to the baseline.

Table 6 – Estimates of the direct impact of changing the upper limit of the qualifying earnings band on contributions from private sector employers, employees, and tax relief (in 2024/25)

UEL	Rationale	Participants (000s)	Employer cont's (£m)	Employee cont's (£m)	Income tax relief (£m)	Total cont's (£m)	(Employer tax relief (£m))
£50,270	**Baseline**	15,800	44,600	22,200	9,700	**76,000**	4,200
£50,270	**Proposal**	0	0	0	0	**0**	0

£52,664	**Uprate by CPI**	0	36	21	13	**70**	3
£52,787	**Uprate by AWE**	0	38	22	14	**73**	4

Source: DWP Modelling

Notes

1. Scenarios after the baseline present the change in costs when compared to the baseline.
2. Number of participants are rounded to the nearest 100,000 and the nearest 1,000 for the difference from baseline. Amounts saved are rounded to the nearest £100m for the baseline and the nearest £m for differences to baseline, with amounts between +/- £0.5m replaced by dashes. Figures may not sum due to rounding.
3. The baseline scenario is that all thresholds are maintained at the 2023/24 thresholds.
4. The OBR's November 2023 forecast for CPI between 2022 Q4 and 2023 Q4 of 4.76 per cent was used.
5. The OBR's November 2023 forecast for earnings growth between 2022 Q4 and 2023 Q4 of 5.01 per cent was used.
6. Total pension saving is the sum of employer contributions, individual contributions, and income tax relief.
7. Employer tax relief represents the tax no longer paid by employers who respond to the additional pension contribution costs of the workplace pension reforms by reducing profits or wages paid to their employees.
8. When estimating tax relief, this analysis takes account of the Treasury change to the payment of tax relief for individuals in Net Pay Relief pension schemes that will be introduced from April 2024[10]. All employees are therefore assumed to be Relief at Source (RAS) scheme members.

[10] Relief relating to net pay arrangements Link

Annex A – Equalities Impacts on Affected Groups

Introduction

This section describes the estimated impact of the changes to the automatic enrolment earnings thresholds on the demographics of private sector pension savers.

The demographic breakdowns for the following characteristics are presented:

a. Women;

b. Age;

c. Those from Black, Asian and minority ethnic (BAME) backgrounds; and

d. Those with a disability.

There is no available data to assess the impact of changes by other protected characteristics, for example marital status or religion.

Table 7 shows the estimated impact by gender and age on the pension participants from changes to the earnings trigger relative to baseline. The qualifying earnings bands do not impact participation and are therefore not included in this table. Table 8 shows the estimated impacts by gender and age on total contributions for all threshold changes listed in the Results section.

In table 7, the demographic impacts of every scenario after baseline are shown using the proportion of additional/fewer participants under that scenario belonging to each demographic group. Under the baseline, approximately 43% of participants are female. As a result of maintaining the trigger at £10,000, pension participation remains unchanged compared to the baseline, as does the proportion of female participants. Similarly, table 8 shows what proportion of increased/decreased contributions under each scenario come from each demographic group.

Table 9 shows the estimated impact by ethnicity and disability. As these characteristics are not present in the data used in our main modelling, we use estimates of the characteristics of those whose eligibility for automatic enrolment changes due to changes in the earnings trigger as a proxy for the impact on participation. Impacts by contributions are not available. As the qualifying earnings bands do not affect eligibility, they are not included.

Women

Table 7 shows approximately 43% of participants under the baseline scenario are women. Women are under-represented in this group because they are less likely to work in the private sector, and because they are more likely to work part-time where pension participation is lower[11].

Maintaining the trigger or reducing it further from the baseline would bring more women into workplace pension participation. Women are more likely to fall into lower earning employment compared to men[12]. Therefore, bringing in more participants who earn below £10,000 per annum will have a greater effect on women than men. For example, approximately 70% of new participants in pension saving as a result of reducing the earnings trigger to the NICs LEL are women. Under the proposal to maintain the trigger, the estimate on the proportion of female pension savers is unchanged compared to the baseline.

As shown in table 8, we estimate approximately 36% of total contributions in the baseline come from women. By maintaining all thresholds, this does not change the proportion of female pension savers compared to the baseline.

Table 8 shows various impacts of changing the thresholds, including the impacts of uprating all thresholds by CPI or average earnings growth which both increase all thresholds.

The option to uprate all thresholds by CPI leads to a reduction in total contributions of £18m relative to the baseline, by increasing male contributions by £7m while reducing female contributions by £25m. Therefore, women's contributions make up 139% of the total loss in contributions. This is principally the result of more male employees earning above the UEL than female employees. This means that increases in pension contributions from male employees from raising the UEL in line with CPI is greater than the

---

[11] ONS Employee workplace pensions in the UK: 2021 provisional and 2020 final results Link
[12] ONS Employee workplace pensions in the UK: 2021 provisional and 2020 final results Link

losses from raising the earnings trigger and LEL. This is not true for female employees. A similar explanation can also be applied to the option to increase all thresholds with average weekly earnings.

Age

Approximately half of participants under the baseline scenario are people between the age of 30 and 49. This age group contributed more than half of the total contributions under the baseline threshold.

Under the proposal to maintain the trigger at £10,000, we estimate that the group of participants aged under 30 will remain the same at 19% compared to the baseline. Under the same proposal we estimate that the group of participants aged 50 or over will remain at 31% compared to the baseline. We estimate that scenarios increasing the trigger compared to the baseline, would have proportionately fewer new participants aged under 30, and proportionately more new participants aged 50 and over, compared to the population of existing savers.

In the baseline, of the £76 billion in total contributions, 12% are from participants aged under 30, and 35% are from participants aged 50 or over. By maintaining the 2023/24 thresholds, the proportion of contributions that come those aged under 30 or aged 50 or over does not change compared to the baseline.

Ethnicity

Table 9 shows that Black, Asian and minority ethnic people make up 14% of the eligible population under the baseline scenario and a higher proportion of those who would be made eligible by lowering the trigger. For example, we estimate that if the trigger was lowered to the level of the lower earnings limit, 23% of newly eligible individuals would be from these ethnic groups compared to 14% of the existing eligible population. Figures for the proposal to maintain the trigger are unchanged compared to the baseline.

Disability

Table 9 shows that people with a disability make up 18% of the eligible population under the baseline scenario and a higher proportion of those who would be made eligible by lowering the trigger. For example, we estimate that if the trigger was lowered to the level of the lower earnings limit, 28% of newly eligible individuals would have a disability compared to 18% of the existing eligible population. Figures for the proposal to maintain the trigger are unchanged compared to the baseline.

Table 7 – Equalities impact of threshold changes on participants – age and gender

Scenario	Participants (000s)	Of which female	Of which aged <30	Of which aged 50+
Baseline	15,800	43%	19%	31%
Combined options:				
Proposal	0	-	-	-
Uprate all thresholds by CPI	-31	66%	12%	41%

Uprate all thresholds by AWE	-32	66%	12%	42%
Align to NICs LEL and PTA	-152	71%	15%	39%
Align both trigger and LEL to PTA	-152	71%	15%	39%
Align both trigger and LEL to NICs LEL	166	70%	17%	36%
Trigger only options:				

Uprate trigger by CPI	-31	66%	12%	41%
Uprate trigger by AWE	-32	66%	12%	42%
Align trigger to PTA	-152	71%	15%	39%
Align trigger to NICs LEL	166	70%	17%	36%

Source: DWP Modelling

Notes

1. The number of participants under the baseline is rounded to the nearest 100,000, and the change in participants as a result of changes to the thresholds is rounded to the nearest 1,000.
2. Percentages show what percentage of participants under baseline comes from each demographic group, and what percentage of additional/fewer participants under changes to the thresholds comes from each group, both rounded to the nearest percentage point.
3. The baseline scenario is that all thresholds are maintained at the 2023/24 thresholds.
4. The OBR's November 2023 forecast for CPI between 2022 Q4 and 2023 Q4 of 4.76 per cent was used.

5. The OBR’s November 2023 forecast for earnings growth between 2022 Q4 and 2023 Q4 of 5.01 per cent was used.
6. Figures relating to the NICs aligned thresholds scenario are not included in this table as both this scenario and the proposal to freeze all thresholds set the earnings trigger to £10,000. The difference in the thresholds for the LEL and UEL do not make a difference on number of additional savers from the baseline. Since it is the earnings trigger that impacts the number of participants, both the NICs aligned threshold scenario and the proposal to freeze all thresholds has the same effect on the additional number of participants.

Table 8 – Equalities impact of threshold changes on total contributions – age and gender

Scenario	Total contributions (£m)	Of which female	Of which aged <30	Of which aged 50+
Baseline	76,000	36%	12%	35%
Combined options:				
Proposal	0	-	-	-

Uprate all thresholds by CPI	-18	139%	61%	10%
Uprate all thresholds by AWE	-19	139%	61%	11%
Align to NICs LEL and PTA	-168	65%	14%	39%
Align both trigger and LEL to PTA	-1,511	45%	19%	32%
Align both trigger and LEL to NICs LEL	36	101%	21%	29%

Trigger only options:				
Uprate trigger by CPI	-20	71%	13%	32%
Uprate trigger by AWE	-21	71%	12%	33%
Align trigger to PTA	-133	71%	12%	41%
Align trigger to NICs LEL	74	72%	20%	30%
LEL only options:				

Uprate LEL by CPI	-68	44%	20%	31%
Uprate LEL by AWE	-72	44%	20%	31%
Align LEL to NICs LEL	-36	44%	20%	31%
UEL only options:				
Uprate UEL by CPI	70	27%	7%	36%
Uprate UEL by AWE	73	27%	7%	36%

Source: DWP Modelling

Notes

1. The amount of total contributions under the baseline is rounded to the nearest £1000m, and the change in total contributions as a result of changes to the thresholds is rounded to the nearest £m.
2. Percentages show what percentage of total contributions under baseline comes from each demographic group, and what percentage of additional/reduced contributions under changes to the thresholds comes from each group, both rounded to the nearest percentage point.
3. The baseline scenario is that all thresholds are maintained at the 2023/24 thresholds.
4. The OBR's November 2023 forecast for CPI between 2022 Q4 and 2023 Q4 of 4.76 per cent was used.
5. The OBR's November 2023 forecast for earnings growth between 2022 Q4 and 2023 Q4 of 5.01 per cent was used.

Table 9 – Equalities impact of earnings trigger changes – ethnicity and disability

Scenario	Participants (000s)	Of which BAME	Of which have a disability
Baseline	15,800	14%	18%
Changes			

Proposal	0	-	-
Uprate by CPI	-31	..	..
Uprate by AWE	-32	..	..
Align to PTA	-152	19%*	30%
Align to NICs LEL	166	23%*	28%

Source: ASHE 2022, LFS 2022/23 and DWP Modelling

Notes

1. Information on ethnicity and disability is not present in the ASHE data used to estimate changes to participation. The proxy measure used instead is the impact on eligible employees using LFS data. See the methodology section of this document. Percentages show the percentage of eligible employees under the baseline from each demographic group, and the percentage of additional/fewer eligible employees under changes to the baseline from each group, both rounded to the nearest percentage point.
2. Figures are the average of 4 quarters to ensure a sufficient sample size and to account for seasonality in the data.
3. The baseline saving scenario is that all thresholds are maintained at the 2023/24 levels.
4. The OBR’s November 2023 forecast for CPI between 2022 Q4 and 2023 Q4 of 4.76 per cent was used.
5. The OBR’s November 2023 forecast for earnings growth between 2022 Q4 and 2023 Q4 of 5.01 per cent was used.
6. The number of participants under the baseline is rounded to the nearest 100,000, and the change in participants as a result of changes to the thresholds is rounded to the nearest 1,000.
7. Demographic breakdowns for uprating by CPI and AWE are not available due to very small sample sizes. Figures marked * carry a relatively high degree of uncertainty due to small sample sizes.

Contact Details

Press enquiries should be directed to the Department for Work and Pensions press office: newsdesk@dwp.gov.uk

Other enquiries about the content of this document should be directed to:
AUTOMATIC.ENROLMENTPOLICYTEAM@DWP.GOV.UK

Website: https://www.gov.uk/government/organisations/department-for-work-pensions