

# Small Enterprise Research Report

Pensions

February 2004



Lloyds TSB  
**Business**

Lloyds TSB

# Small Enterprise Research Report

Pensions

**February 2004 - Vol.1, No.2**

*Produced by:*

The Small Enterprise Research Team  
based at  
Open University Business School  
Michael Young Building  
Walton Hall  
Milton Keynes MK7 6AA

Tel: 0190 865 5831

E-mail: [b.porter-blake@open.ac.uk](mailto:b.porter-blake@open.ac.uk)

[www.serteam.co.uk](http://www.serteam.co.uk)

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## WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

## THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

## INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

## PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

## SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

**John Stanworth, Emeritus Professor,  
University of Westminster**  
<http://www.westminster.ac.uk/schools/business>

**David Purdy, Visiting Fellow,  
Kingston University**  
<http://business.kingston.ac.uk/sbrc>

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ISSN 0968-6444

1993 (Vol.1)

- 1 Surviving The Recession .....February 1993
- 2 Using Your Time .....June 1993
- 3 Management Style ..... September 1993
- 4 Financial Management .....December 1993

1994 (Vol.2)

- 1 Purchasing ..... March 1994
- 2 Quality Standards & BS 5750 .....June 1994
- 3 Management Succession.....August 1994
- 4 Customers & Competitors . November 1994

1995 (Vol.3)

- 1 Information Technology..... March 1995
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- 3 Company Vehicles.....August 1995
- 4 Pricing Policies..... November 1995

1996 (Vol.4)

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- 2 A Day In The Life .....June 1996
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- 4 Tax Compliance .....December 1996

1997/8 (Vol.5)

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- 2 Employee Recruitment.....July 1997
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- 4 Business Support Agencies.. January 1998

1998/9 (Vol.6)

- 1 Entrepreneurship..... May 1998
- 2 Work & Stress ..... September 1998
- 3 Employment Strategies.....December 1998
- 4 Small Firms & The Environment .. Mar 1999

1999/2000 (Vol.7)

- 1 The Impact of Holidays .....June 1999
- 2 Late Payment ..... September 1999
- 3 Management Development .December 1999
- 4 Exit Routes..... March 2000

2000/01 (Vol.8)

- 1 E-commerce .....June 2000
- 2 Sources of Finance ..... September 2000
- 3 Transport & Government ....December 2000
- 4 Government & Regulations .....April 2001

2001/02 (Vol.9)

- 1 Marketing & Sales.....July 2001
- 2 The Human Side of Enterprise ..... Oct 2001
- 3 Health Issues ..... January 2002
- 4 Premises.....April 2002

2002 (Vol.10)

- 1 Networking in Business .....August 2002
- 2 The Euro .....December 2002

Lloyds TSB & Research Team  
Small Business Management Report  
ISSN 1478-7679

- 3 Crime Against Small Firms ..... June 2003

Lloyds TSB & SERTeam  
Small Enterprise Research Report  
ISSN 1742-9773 No.2 (Vol.1) onwards

2003-04 (Vol.1)

- 1 Small Firms And Politics .....October 2003
- 2 Pensions ..... February 2004
- 3 Work-Life Balance..... July 2004

2004-05 (Vol.2)

- 1 Education & Enterprise .....October 2004
- 2 Made in Britain ..... February 2005
- 3 Management & Gender Differences..... July 2005

2006 (Vol.3)

- 1 Local or Global ?.....January 2006
- 2 Managing IT ..... May 2006
- 3 Networking in Business .... September 2006

2006-07 (Vol.4)

- 1 Owner-Manager Flexible Working..... December 2006
- 2 The Ageing Workforce..... April 2007
- 3 Travel & Transportation..... August 2007

2008-09 (Vol.5)

- 1 The London 2012 Olympic And Paralympic Games..... April 2008
- 2 Competition: Small Firms Under Pressure.....January 2009

## WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

## LIABILITY DISCLAIMER

The information and analysis in each report is offered in good faith. However, neither the publishers, the project sponsors, nor the authors, accept any liability for losses or damages which could arise for those who choose to act upon the information or analysis contained herein. Readers tracing web references are advised to ensure they are adequately protected against virus threats.

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## ACKNOWLEDGEMENTS

The Small Enterprise Research Team (SERTeam) wishes to thank all responding firms for their time and effort involved in participation in the production of this management report. The SERTeam acknowledges the help provided by David Purdy, The Open University, and The University of Westminster, in designing the survey, processing data and analysing the results.

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The Small Enterprise Research Team is particularly pleased to acknowledge the generous support provided by Lloyds TSB in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds TSB.

**Report Author – Professor John Stanworth (University of Westminster)**

**Series Editor – David Purdy**

## HIGHLIGHTS

This is the second in a new series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail/distribution and business services. The focus of this survey was on **Pensions**, and the principal findings were as follows:

- **Businesses already operating a formal pension scheme** – Nearly half (48%) of the respondent owner-managers belonged to such a scheme themselves. Formal schemes for **employees generally**, were found amongst 45% of respondents, and likewise for **senior personnel only**, 32% of respondents.
- **Businesses already operating a formal pension scheme and variations with age** – Respondents were increasingly likely to be making personal pensions contributions with rising age. This ranged from just 26% for the 35-44 years age group, up to 64% for the 55-64 years age group. **Around one-third of the respondents approaching pensionable age had no formal pension provision.**
- **Businesses already operating a formal pension scheme and variations with firm size** – The proportion of respondents catering for the general workforce rose from just 13% of the smallest firms, to 65% of the largest size band.
- **Using the business as an asset towards a pension** – 70% of the respondents felt that their own businesses as a saleable asset would eventually contribute to their personal pension provision.
- **The adoption of Stakeholder pension schemes** – 32% of respondent firms had established such schemes, which were also backed by **employer contributions**. A further 38% had set up schemes **without employer contributions**. 28% offered no Stakeholder scheme, some presumably because they already had other pension schemes in operation or were exempt from Stakeholder obligations.
- **The adoption of Stakeholder pension schemes and variations in size of firm** – Responses were linked closely to size of firm, rising from 19% participation for the smallest firms (0-4 full time equivalent employees) to 92% for their larger counterparts (20-49 FTE employees).
- **The adoption of Stakeholder pension schemes with employer contributions and variations in size of firm** – The proportions followed a similar pattern, rising from 6% for the smaller firms (0-4 FTE employees) up to 58% for firms employing 20-49 FTE employees.
- **The adoption of Stakeholder pension schemes and sectoral differences** – 82% of respondents from the manufacturing sector offered such schemes, compared with 65% for business services and 51% for retail & distribution. However, the manufacturing respondents typically employed larger numbers of employees and would have had proportionally fewer exempt firms (on the size criterion).
- **Responsibility for pension provision** – The majority of respondents (69%) felt that the responsibility is shared between the individual and the state.
- **Will we all be comfortably off in retirement?** – Looking forward 10-15 years, **not a single respondent thought that ‘most’ people will have an adequate income.**
- **Will some of us be comfortably off in retirement?** – 60% of respondents thought **some** people will have an adequate income then, but virtually all of the balance (39%) felt that **most people will not have an adequate income.**
- **Predictions for retirement income and gender differences** – The female respondents were considerably less optimistic. Males responded approximately 2:1 in favour of ‘adequate income for some’ over ‘inadequate income for all’, whereas the female respondents were evenly divided (1:1).

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## MANAGEMENT ISSUES

The emphasis of the management reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the report addresses one or more highly topical small business management issues. In this survey we focus on **Pensions**. The report is produced three times a year.

## THE SAMPLE

This report is based on the responses received from a panel of over 350 small businesses situated in the northern, midland and southern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. The precise distribution of firms varies from survey to survey, but typically over half of the participants employ fewer than 10 people.

## RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out during October 2003 and January 2004.

## BACKGROUND

The report originates from a longitudinal investigation into the development of small firms undertaken by the University of Westminster (then the Polytechnic of Central London) on behalf of the Department of Education & Science, between 1988 and 1992.

## PAST SURVEYS

### 2003-04 (Vol.1)

#### No.1 Small Firms and Politics

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## PENSIONS

The only certainties in life are death and taxes, and, in the case of pensions, it appears there are definite links between these two factors.

This investigation into pensions unearthed considerable pessimism amongst small business respondents and laid a fair amount of the blame upon politicians - one in particular, the Chancellor of the Exchequer, Gordon Brown.

One respondent (an audit accountancy and taxation consultant) said:

*"The withdrawal of A.C.T. [Advanced Corporation Tax] tax credit to pensions by Gordon Brown will be in time be seen as a serious mistake which the government should pay for."*

Another (stationery manufacturer), of similar mind, said:

*"I blame [Gordon] Brown and his tax raid on the pension companies for today's plight. It started the rot."*

Nonetheless, often as Gordon Brown's name was mentioned, the problem would appear to run a lot deeper than the introduction of an alleged stealth tax or, in this case, the withdrawal of non-taxable status on pension company's investment dividends.

### Key Issues

The problems, in order, appear to be as follows:

- (1) Demographics or, put another way, an aging population. The population is rapidly skewing with the result that the ratio of pensioners to active workforce is constantly rising. Most people are having small families today and delaying them until their late twenties, whereas, at the opposite end of the age spectrum, better diets and health care are extending life

expectation (at a cost).

- (2) Our current contributions towards the State pension 'fund', as collected via National Insurance, are not being saved for us for when we get old. Rather, they are funding current expenditure on pensions. Thus, where general State pensions are concerned, there is no reserve 'pot'.
- (3) A reduction in the numbers of people who will receive 'final salary' occupational pensions.
- (4) The 2000-02 stock market collapse, combined with lower interest rates/yields on bonds, savaged annuity rates with the result that a lot of private pensions will be worth only a fraction of their originally anticipated values. Even the stock market recovery of 2003 and beyond is unlikely to make any difference in the short term as insurance and pension companies struggle to rebuild their reserves.

One, perhaps obvious, solution to the looming pensions crises might be a general increase in income taxes. A catering equipment manufacturer in the sample said:

*"Government has eroded the value of pensions by taxation. They would be better advised to increase income tax rather than raiding pensions."*

However, this is not the conventional wisdom in political circles.

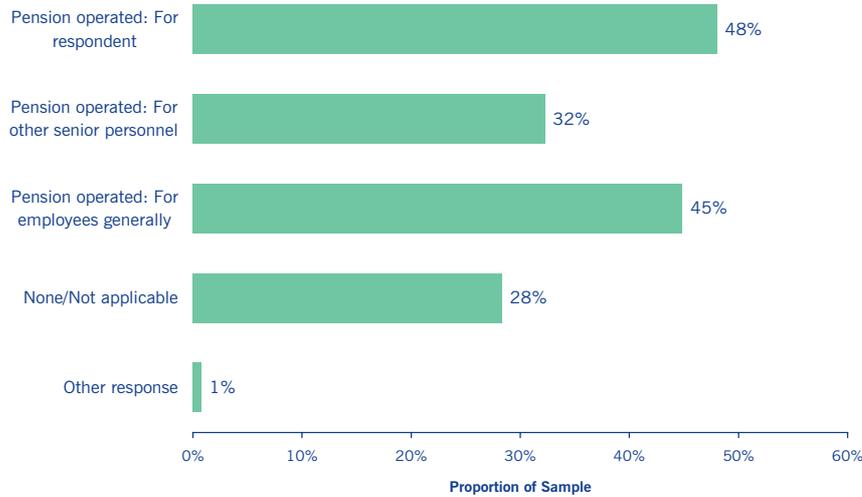
Income tax may well be easier and more efficient to collect than other sources of tax, but income taxes are deeply unpopular and lose general elections. Note the newly-elected leader of Her Majesty's Opposition promising to improve public services, not by increasing income taxes, but by 'eliminating waste'.

In a nutshell, pensions may well be a political problem in a general sense, but it certainly is not the central party political issue which divides the two main parties when either is in office.

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**Figure 1 - Respondents Already Operating Pension Schemes**



*Nearly half of the respondents were already offering pensions schemes for all staff*

The answer to the pensions problem, to date, has been political exhortation to individuals to save for their old age and for employers to offer Stakeholder pensions. Moreover, not only are employers invited to contribute to these, but, perhaps even more worrying, it is perceived that they will have to administer them. As a respondent from a hand tool manufacturer pointed out:

*“Any Government initiative requiring employers to administer it always places disproportionate costs and resource burdens on small companies. Some effort to shield small companies from such impositions would be worthwhile.”*

**PENSION PROVISION WITHIN THE SMALL FIRM**

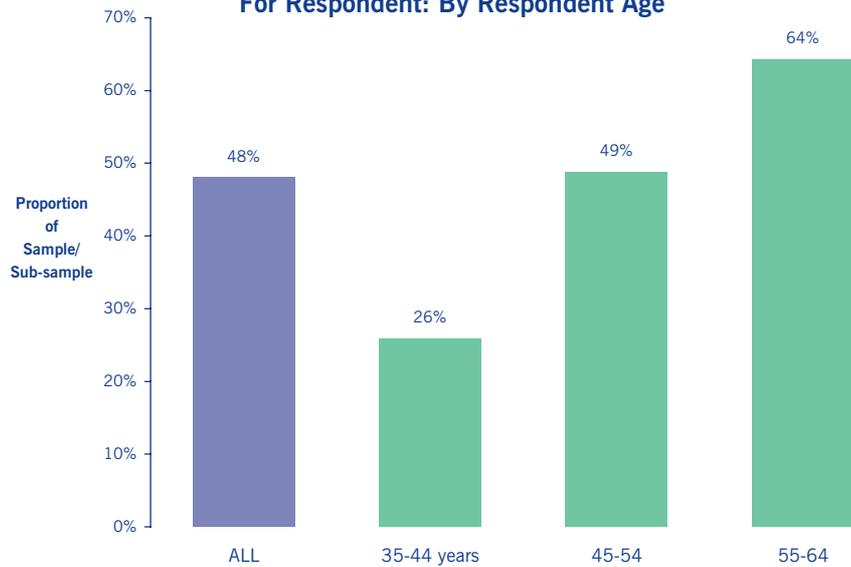
Respondents were asked to identify levels of personnel within their firms for which a formal pension scheme already existed.

**Figure 1** shows that nearly half of the respondents (48%) were in a formal pension scheme themselves. The next most common response was for ‘employees generally’, followed by just ‘senior employees’.

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**Figure 2 - Pension Scheme Already Operated For Respondent: By Respondent Age**



**Figure 2** shows that the small firm entrepreneurs were increasingly likely to have made personal pensions provision with rising age. This ranged from just 26% for the 35-44 years age group, up to 64% for the 55-64 years age group. Perhaps what is surprising here is that around one-third of the respondents approaching pensionable age had no private provision. One of the respondents (a reprographics specialist) said:

*“Eighteen years self-employed and still I have no pension. When you run a small business there always seems to be other priorities calling for your money.”*

A number of respondents expressed general doubts about the viability of private pensions. A management consultant in the sample felt that property was likely to prove a better investment:

*“Many people have given up on pension schemes and are putting their money into property, to cash in on retiring. It would be helpful if the government could make this easier by giving tax breaks on mortgages (MIRAS) and reducing capital gains tax. After all, you get tax relief on money put into a pensions scheme.”*

*Property is the pension scheme of choice for many people today.”*

In a similar vein, another respondent (a recruitment specialist) talked of small business people down-sizing the houses they lived in on retirement:

*“Most people are frightened of pensions due to the collapse of several provider companies. Many of my contemporaries are hoping the value they have in their houses will support them but they are worried about threatened tax increases that might affect them.”*

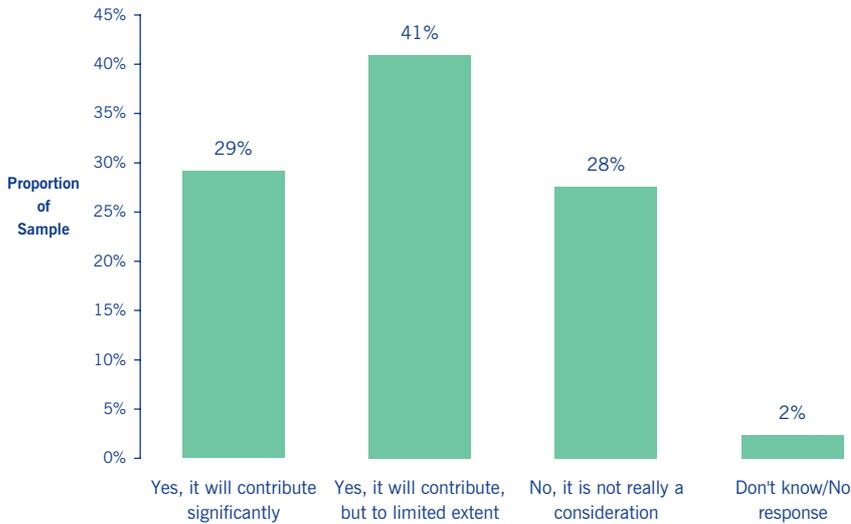
**Figure 3** indicates that some 70% of the sample felt that using their own businesses as a saleable asset would eventually contribute to their personal pension provision. However, this obviously undermined the dreams that some have for passing their businesses on to their children. As one corporate TV producer put it:

*“In the last few years, I have seen my substantial pension provision shrink by more than half ... I now cannot consider retirement and must continue to work for an indefinite period. My business and its assets*

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**Figure 3 - Possible Use Of Respondent's Business As A Contribution Towards Personal Pension Provision**



*70% of respondents say that their firm represents an asset to help with their future pension provision*

*will have to be sold to provide me with some sort of pension. That means that my daughter will not benefit from inheriting the business."*

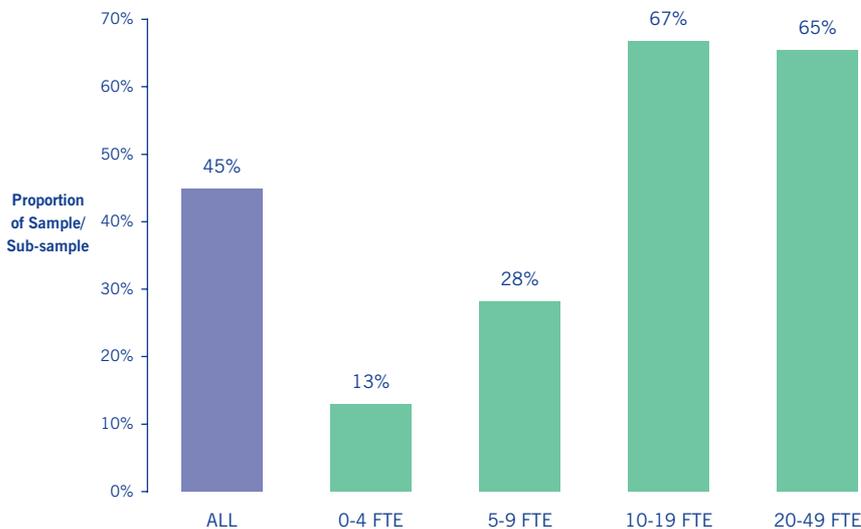
proportions catering for the general workforce rose from just 13% for the very smallest firms to 65% for the largest tranche.

Turning back briefly to Figure 1, almost as many firms (45%) provided pensions schemes for employees generally as did for the owners themselves (48%). Only 32% separated out 'senior personnel' for consideration to the exclusion of other workforce members. **Figure 4** shows that the

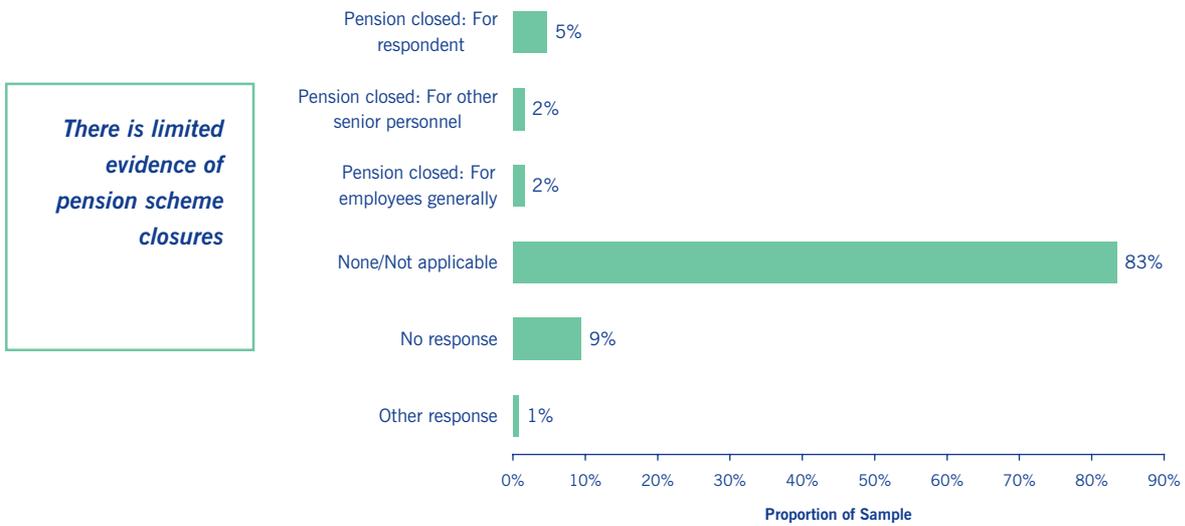
**PENSION SCHEME CLOSURES**

The closure of pension schemes - particularly final salary schemes - has been covered extensively in the media, although there was fairly limited evidence of this amongst the sample (**Figure 5**). No more than 9% reported the closure of schemes, but one of

**Figure 4 - Respondents Already Operating Pension Schemes For Employees Generally: By Employee Size**



**Figure 5 - Pension Scheme Closures Within Previous Year**



*There is limited evidence of pension scheme closures*

the respondents noted that his scheme had been closed so that he could commence drawing a regular pension.

**STAKEHOLDER PENSIONS**

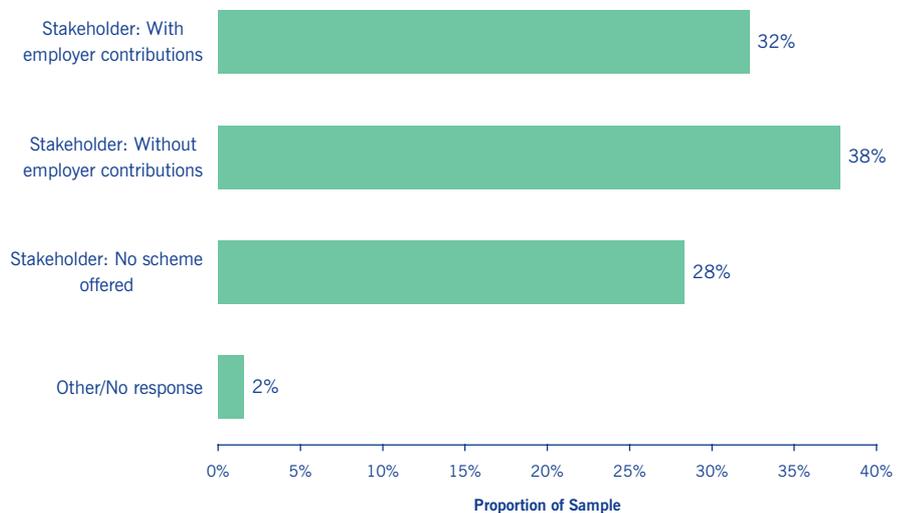
The government’s recent Stakeholder pension scheme launch is the latest political initiative to tempt particularly modestly-paid workers into becoming involved in pension provision beyond the current state benefits scheme.

**Figure 6** illustrates that firms in the sample

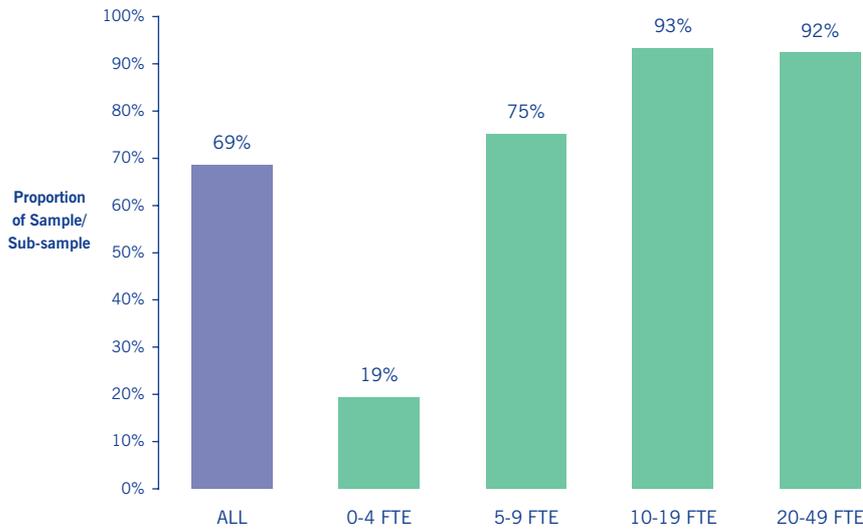
were fairly evenly divided in their policies on this. That is, 32% had set up Stakeholder schemes with employer contributions. A further 38% had established schemes without employer contributions, whilst 28% offered no scheme, some presumably because they already had other schemes in operation.

**Figure 7** indicates that the responses of firms to the Stakeholder initiative were linked closely to size of firm, rising from 19%

**Figure 6 - Government 'Stakeholder' Schemes Offered**



**Figure 7 - Respondents Already Offering Government 'Stakeholder' Schemes: By Employee Size**



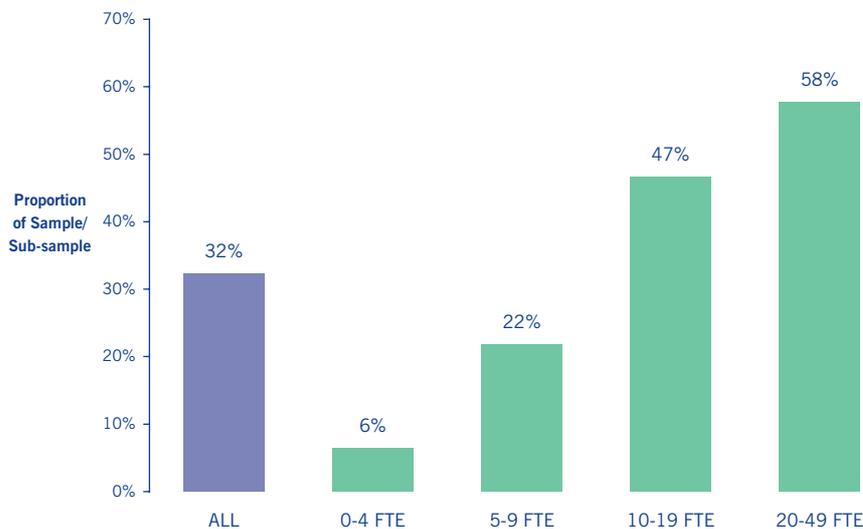
participation for very small firms to 92% for their larger counterparts. The proportions of firms both joining the scheme and also making employer contributions followed a similar pattern, rising from 6% amongst the smallest firms (0-4 full-time equivalent staff) up to 58% for firms employing 20-49 staff (Figure 8).

Some sector differences were evident (Figure 9), where 82% of firms from the manufacturing sector had Stakeholder

pension schemes on offer, compared with 65% for business services and 51% for retail & distribution. This bias might also be influenced by the fact that the manufacturing respondents tended to employ more people than those in the other two sectors, thus having a greater proportion of firms with a statutory obligation to provide a 'Stakeholder' scheme (firms with fewer than 5 employees are currently exempt).

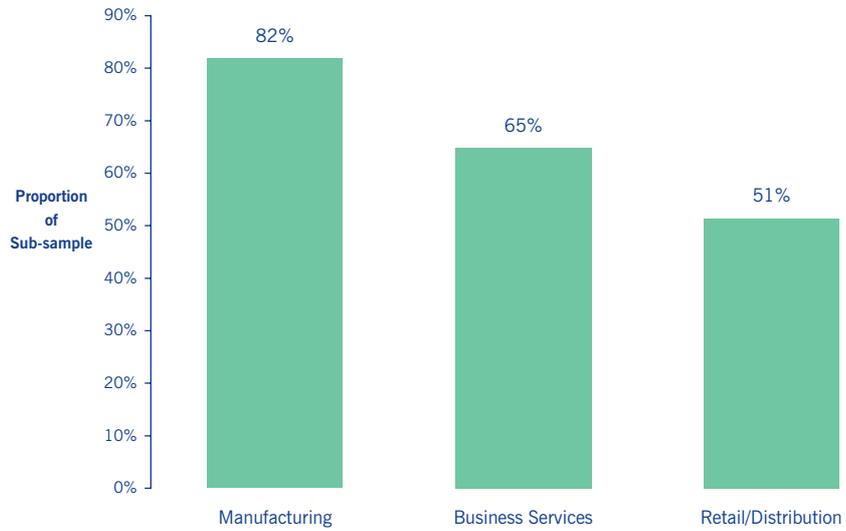
However, the offering of a Stakeholder

**Figure 8 - Government 'Stakeholder' Schemes Offered With Employer Contributions: By Employee Size**



**Figure 9 - Respondents Already Offering Government 'Stakeholder' Schemes: By Sector**

*More of the business services and retail firms, as smaller employers, may be exempt from the scheme*



scheme does not guarantee that large numbers of eligible staff will take it up. In the event, the impression from our sample was that take-up rates are modest at best. For instance, a manufacturer of refrigerated cooling systems noted:

*"We offer a Stakeholder scheme but only one person in 12 has taken the opportunity to join."*

Another respondent running a staff agency

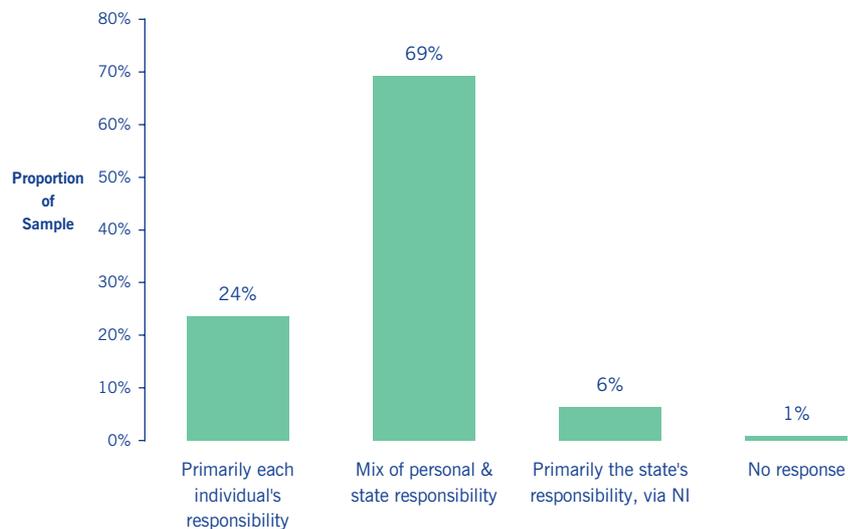
said:

*"We employ many 'temps' and, although we offer a Stakeholder pension, nobody has yet taken it up."*

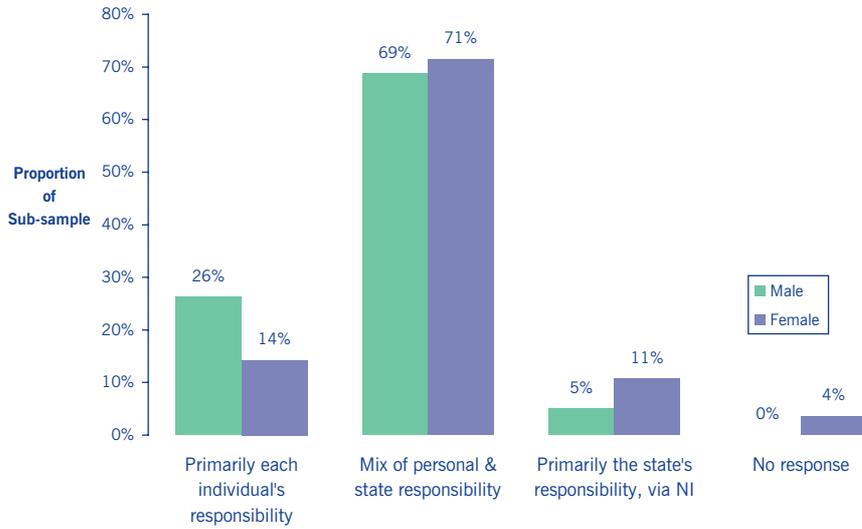
**RETIRE TO UTOPIA ?**

Will retirement be the utopia we have all learned to dream of, or will it be one of scraping by, hardship and drudgery ? And whose responsibility is it anyway ?

**Figure 10 - Primary Responsibility For Pension Provision ?**



**Figure 11 - Primary Responsibility For Pension Provision ?:  
By Respondent Gender**



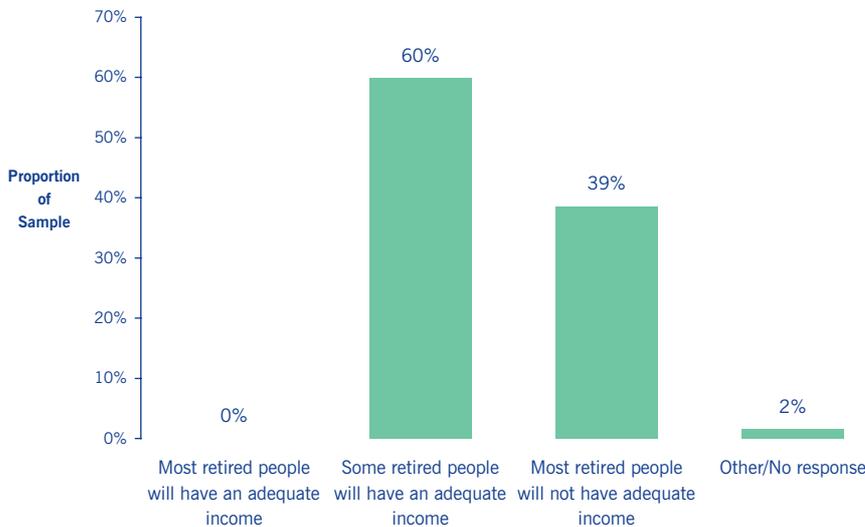
Figures 10 and 11 show that the majority of respondents feel that the responsibility for pension provision is a mixed individual/state commitment.

But will we all be comfortably off ?

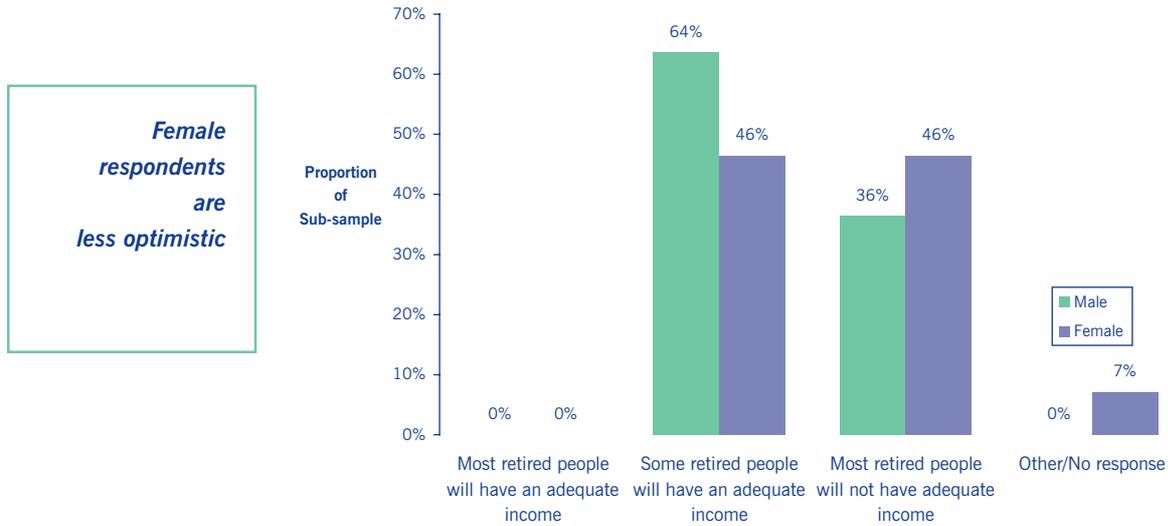
No, not according to the data in Figures 12 and 13 where not a single respondent thought that 'most' people will have an adequate income in retirement, 10-15 years hence. In fact, there was a 60/40 split in

terms of 'adequate income for some'/ 'inadequate income for most' with female respondents being considerably less optimistic here. Whereas males responded almost 2:1 in terms of adequate/inadequate, female respondents were more evenly divided at 1:1.

**Figure 12 - Future Retirement Prospects For The UK  
Within The Next 10-15 Years**



**Figure 13 - Future Retirement Prospects For The UK Within The Next 10-15 Years: By Respondent Gender**



**RESPONDENTS’ COMMENTS**

These commence in verbatim form on p.16.

**REFERENCES: PENSIONS**

The following references are offered as an aid to readers interested in seeking further information via the world-wide-web. The coverage is not intended to be definitive, and inclusion here should not imply either agreement or disagreement with the views expressed via these sources. Some web sites have appeared before, but there is usually a section noted with interests relevant to the theme of this report.

Special care should also be taken with material obtained from **outside** the UK, for example, the USA, where different legal issues may apply.

N.B. Some pages may contain links to other WWW pages offering related material. Tip: The WWW links were functional at the time of going to print, but the world wide web is in a state of constant change. So if later problems arise with a link, edit the link back to the ‘home page’ – e.g., truncate <http://www.bized.ac.uk/fme/xyz.htm> back to <http://www.bized.ac.uk/> – and look for a similar topic heading there.

- **Department for Work and Pensions**  
 “... responsible for the Government’s welfare reform agenda ... It delivers support and advice through a modern network of services to people of working age, employers, pensioners, families and children and disabled people.”  
[www.dwp.gov.uk/](http://www.dwp.gov.uk/)
- **Equitable Members Action Group (EMAG)**  
 For Equitable Life policy-holders, regardless of policy type/cover.  
[www.emag.org.uk/](http://www.emag.org.uk/)
- **Financial Services Authority (FSA)**  
 “The independent watchdog set up by government under the Financial Services and Markets Act 2000 to regulate financial services in the UK, and protect the rights of retail customers. The FSA’s aims are to maintain efficient, orderly and clean financial markets and help you get a fair deal.” There is a section on pensions (under Financial Products), with booklets and factsheets.  
[www.fsa.gov.uk/](http://www.fsa.gov.uk/)
- **Occupational Pensions Regulatory Authority (OPRA)**  
 “OPRA was established by the Pensions Act 1995 and supervises a range of legal

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requirements to protect people's occupational pensions. Our responsibilities have been extended by the introduction of stakeholder pensions." Offers guidance to employers and others, including a decision tree to help employers decide if they have to offer a stakeholder pension.

[www.opra.gov.uk/](http://www.opra.gov.uk/)

● **Office of Fair Trading**

*Report of the Director General's inquiry into pensions*, to download - examining pension provision in the UK and the nature and extent of any detriment suffered by consumers (summary, background, the issues, provision overseas, conclusions & recommendations, glossary and bibliography, published 1997).

[www.oft.gov.uk/](http://www.oft.gov.uk/)

● **Office of the Pensions Advisory Service (OPAS)**

"The Pensions Advisory Service (OPAS) can give you information about any aspect of occupational, personal and stakeholder pensions. You can complain to OPAS if you are having problems with your pension scheme that your scheme managers or trustees cannot sort out."

[www.opas.org.uk/](http://www.opas.org.uk/)

● **National Association of Pension Funds (NAPF)**

"The principal UK body representing the interests of the employer-sponsored pensions movement. Among its members are both large and small companies, local authority and public sector bodies. Together they provide pensions for over 10 million employees and 5 million people in retirement, and account for more than £600 billion of pension fund assets." The NAPF produces booklets and leaflets on a range of pensions related topics.

[www.napf.co.uk/](http://www.napf.co.uk/)

● **Pensionguide**

Managed by The Pension Service, part of the Department for Work and Pensions, "The Pension Service will work from pension centres making best use of technology to deal with queries accurately and efficiently".

Offers a State Pension forecast, "telling you in today's money the State Pension you have already earned and what you can expect to have earned by State Pension age." Also, *Pensions for the self-employed - Your Guide* to download (under Resources).

[www.pensionguide.gov.uk/](http://www.pensionguide.gov.uk/)

● **Pensions Management Institute**

Based at Birbeck College, London University: "The mission of the Pensions Institute is to undertake or organize high quality research in all fields related to pensions, to disseminate the results of that research to both the academic and practitioner community ...". A comprehensive 'virtual library', also offering an online pensions terminology.

[www.bbk.ac.uk/res/pi/](http://www.bbk.ac.uk/res/pi/)

● **Précis**

A joint initiative between Sense Worldwide and the Tomorrow Project ([www.tomorrowproject.net/](http://www.tomorrowproject.net/)), and is "a bite-sized account of factors affecting Britain's present and future." *Precis 'Edition 03'* to download is an overview on Retirement.

<http://precis.senseworldwide.net/>

● **The Motley Fool**

The name was inspired by Shakespeare's 'As You Like It': the aim being to "tell people the truth about finance, helping them take control of their money and make better financial decisions." Independent web site, requiring free registration, with an informative section on pensions, and also special interest message boards.

[www.fool.co.uk/](http://www.fool.co.uk/)

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## MANUFACTURING

### Advertising Calendar Manufacturer

*"It is far too complicated for most people. Make it simple and people will accept whatever is made law. It suits the pension providers to have it complex so they can make more profit."*

### Axminster Carpet

*"Poor wage rates and greater unemployment will mean a larger section of the population will **not be able** to provide adequate pension provisions, not that they don't want to. This will need to be addressed by 'someone' so that retirement is something to be looked forward to and not dreaded because money will be an issue."*

### Cash Register Ribbons and Stationery

*"I blame [Gordon] Brown for his raid on the pension companies for today's plight. It started the rot."*

### Catering Equipment

*"This government has eroded the value of pensions by taxation. They would be better advised to increase income tax than raiding pensions."*

### Commercial Printing

*"There needs to be better control of the companies offering pensions. Is it my fault - [named life assurance company] for example - are not good at their job? Why should investors risk their hard-earned money to incompetent 'fund managers'? The government cannot expect people to invest in these companies that waste **our** money and give massive bonuses to people not doing their job properly. This government is keen to make up pointless jobs - perhaps [they should create] a Regulator of 'where has our money gone'."*

### Design & Publishing

*"Stakeholder Pensions are a total waste of time - since the government admits it is sitting on a time bomb, it should be forcing individuals to save rather than (once again) passing the buck to SMEs to administer."*

### Design, Printing & New Media

*"Small businesses simply cannot afford to offer pensions to staff (or other benefits such as health care or extended sick pay) which makes staff recruitment and retention that little bit harder still."*

### Fabrication, Welding, Machining, Special Purpose Machines

*"We have a group personal pension scheme that exempts us from stakeholder"*

### Fibreglass-handled Hand Tools

*"**Any** government initiative requiring employers to administer will always place disproportionate cost and resource burdens on small companies. Some effort to shield small companies from such impositions would be worthwhile."*

### Metal Fabrication

*"I favour an equal contribution by employees and employers as percentage of pay, enforced by law."*

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## MANUFACTURING continued

<b>Moving Electronic Information Signs</b>	<i>"Yet more red tape. Why do we pay NI in the first place, if not for our own pension. This government does not understand how to run a small company, only to expect us to pay more tax and ask us to fill in ... more paperwork."</i>
<b>Newspaper Holders</b>	<i>"I hate the financial services sector. The judges that destroyed Equitable Life should be sent to prison."</i>
<b>Office Screen Systems</b>	<i>"The changes being made next year regarding pensions do not go far enough. It means that most employees will not be able to have a pension pot big enough to make it worth while. People who do not bother will be given extra means-tested benefits making an average pot useless. If employees have money they wish to save for their retirement, a cash ISA makes more sense."</i>
<b>Pipework Fabrication</b>	<i>"[There is a] Lack of trust in government. They always change the rules to suit themselves."</i>
<b>Printers</b>	<i>"The impact of taxation on pension schemes, which as a result, requires larger premiums from employers, makes it less likely that employers can indeed afford the sort premiums needed to produce adequate pensions."</i>
<b>Printing</b>	<i>"'Somebody' should be made responsible for pension companies, e.g., Equitable Life. Need I say more !!"</i>
<b>Refrigerated Cooling Systems</b>	<i>"Most individuals do not recognise the extent of the potential pension problems. The government must take steps to make stakeholder pensions compulsory. We offer a stakeholder scheme but only one person from 12 has taken the opportunity to join."</i>
<b>Reprographics</b>	<i>"18 years self-employed and I still have no pension - when you run a small business there always seems to be other priorities over your money !"</i>
<b>Textile Yarns</b>	<i>"All employees, say from age 25, should compulsorily contribute a percentage (25-30) of each annual inflationary increase in pay to a Treasury-controlled pension fund, absolutely ring-fenced, and separate from their present state pension scheme."</i>
<b>Timber Fire Doors</b>	<i>"Index-linked pensions for employees of government, local authorities and state agencies are grossly underfunded. Private business/individuals should not bail them out. Increase employee contributions."</i>
<b>Toys/Educational Products</b>	<i>"Your questionnaire is value loaded from the outset in using the term 'pension provision' rather than 'retirement planning' ... Pension arrangements and the legal framework in which they operate is not a good thing in the UK. They offer poor investment/reward options and should be revamped urgently."</i>

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## BUSINESS SERVICES

### Agency for Office Staff & Typing Services

*"1) We employ many 'temps' and although we offer the stakeholder pension, nobody has taken it up. 2) I personally have doubts as to the efficiency of pensions and long-term life insurances, having recently suffered a large loss on our endowment policy, and feel that putting the money into a savings account would have been more effective."*

### Architect

*"Improvements in health make it possible for most people to go on working into their 70s. People who retire in their 50s should just get another job - perhaps one that they enjoy !"*

### Architects

*"Although our firm has been established for more than 100 years, everyone is remunerated sufficiently to make their own choice as to the type of pension they wish. The partners do not want to be responsible for choosing a bad investment, or inappropriate pension route, for either other partners or members of staff. This policy has proved itself successful in recent years. We don't have company cars either - because we don't waste time discussing the merits of Fords and Bentleys !"*

### Audit Accountancy and Taxation

*"The withdrawal of A.C.T. [Advance Corporation Tax] tax credit to pensions by Gordon Brown will in time be seen as a serious mistake which this government should pay for."*

### Broadcast & Corporate TV Production & Provision of Technical Facilities

*"In the last few years, I have seen my substantial pension provision shrink by more than 50% due in my opinion to the policies of past governments. I now can not consider retirement and must continue to work for an indefinite period. My business and its assets will have to be sold to provide me with some sort of pension. This means that my daughter will not benefit from having the business."*

### Chartered Civil Engineer

*"I am a sole trader. My pension for retirement does not depend on financial instruments as recent events have proved my long-held view that fund managers are no better at predicting the future than I am. The government is even worse as it has a planning horizon of 5 years max."*

### Economic Research, Surveys and Consultancy

*"The regulation of pensions and related taxation requires drastic simplification."*

### International Freight Forwarding Services

*"Staff do not realise the seriousness of the looming pensions crisis. The Chancellor (through his tax on dividends) has devalued all pensions - and for what, more public spending and its inevitable waste. You only mention stakeholder pensions, but what about final salary schemes and money purchase schemes ? We offer stakeholder pensions but all the staff take the money purchase scheme as we pay **all** contributions."*

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## BUSINESS SERVICES continued

<b>Legal and Debt Recovery Services</b>	<i>"Yet again the governments take large sums from us all and promise a return which never materialises."</i>
<b>Management Consultancy</b>	<i>"Many people have given up on pension schemes and are putting their money into property, to cash in on retiring. It would be helpful if the government could make this easier by giving tax breaks on mortgages (MIRAS) and reducing capital gains tax. After all, you get tax relief on money put into a pension scheme. Property is the pension scheme of choice for many people today."</i>
<b>Recruitment</b>	<i>"I have no confidence in pensions. I feel forced to invest in my own initiatives to create a pension for my old life."</i>
<b>Recruitment - Contract &amp; Permanent</b>	<i>"The situation is very serious and the full scope and extent of the under-funding is kept quiet by the government to avoid panic and mass revolution ! It could happen !"</i>
<b>Recruitment Agency</b>	<i>"Most people are frightened of pensions due to the collapse of several companies. Many of my contemporaries are hoping the value they have in their houses will support them but are worried about threatened tax increases that might affect them."</i>
<b>Textile Marketing</b>	<i>"A cocky pensions industry crowed about its invincibility and our enviable and generous provision in contrast with the rest of Europe. But since Gordon Brown put his snout in the trough we find ourselves with an impoverished and discredited industry within a matter of a few years. This says little for any good husbanding during the so called years of plenty during the eighties and nineties. We can only conclude that, like this country, the pensions industry was spending more on itself and its aspirations than on its customers. It will take generations for it to recover its dignity and reputation."</i>

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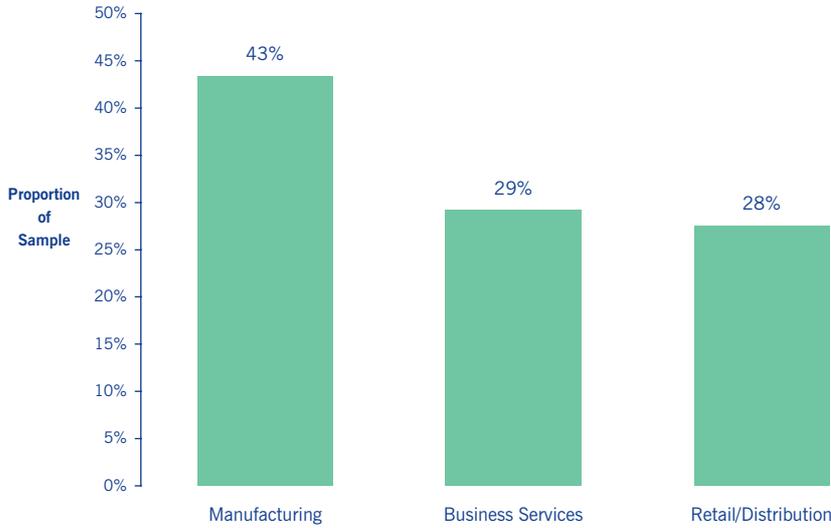
## RETAIL & DISTRIBUTION

<b>Fashion Goods</b>	<i>"Although we offer stake-holder pensions, no-one has taken it up. Maybe because staff are middle-aged and they won't have time to build up."</i>
<b>Hardware and Pet Store</b>	<i>"We no longer have a clear view of this problem. After 2 - 3 years of detail, information minutae, we are totally brain deadened. Even our accountants only pretend to understand the present situation. Scary, huh !"</i>
<b>Packaging Materials</b>	<i>"[There is] Progressively less and less incentive to save. A single man would have to save about £70,000 in a pension to get £70 per week index-linked at 60. Why should a driver earning £250 per week even try ?"</i>
<b>Retail House Furnishers</b>	<i>"[There is] Far too much government 'meddling' in pensions."</i>
<b>Shoes, Handbags &amp; Accessories</b>	<i>"Tax, PAYE, NI and council tax [are] far too complicated. Governments and [their] ever-growing personnel army with large inflation-proofed pensions [are] the only ones to gain from ever-increasing legislation paid for by over-worked and taxed small businesses."</i>
<b>Tank Container Haulage</b>	<i>"The government is not using taxpayers' money wisely for pensions and small firms. This government wastes money which could be used in pension fund[s] and helping old people."</i>
<b>Tool Plant &amp; Equipment Hire, Sales &amp; Repair Service</b>	<i>"I do <b>not</b> recommend people start their own business (as I did). Better work for government - run a quango - keep your head down. Home Office biggest employer in Croydon - where my shops are. No worries about job security or pensions. Ideal for early retired, i.e., bankers, emergency services or armed forces personnel. Why put up with regulations, bad debts, cash flow and staff. Be a career civil servant or local government 'officer'. Live longer with less worries. I have enjoyed 25 years running my own show - but it has been very hard - I would have done better elsewhere."</i>
<b>Wholesale Bathroom Products Distributor</b>	<i>"The 'robber baron' approach of the government towards pension funds has put most people off considering investing in their own pension schemes - this and the requirement to purchase an annuity at age 75. They will have to do far more if they are going to reduce dependency on state pension. Five years ago I was contributing as much as possible to my own pension fund, but since Equitable's trauma and the government's 'anti-pension' attitude, I have made no contributions whatsoever and have no intention of resuming."</i>

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**Figure 14 - Profile Of Sample:  
Respondents By Industrial Sector**



**APPENDIX 1 - ADDITIONAL INFORMATION**

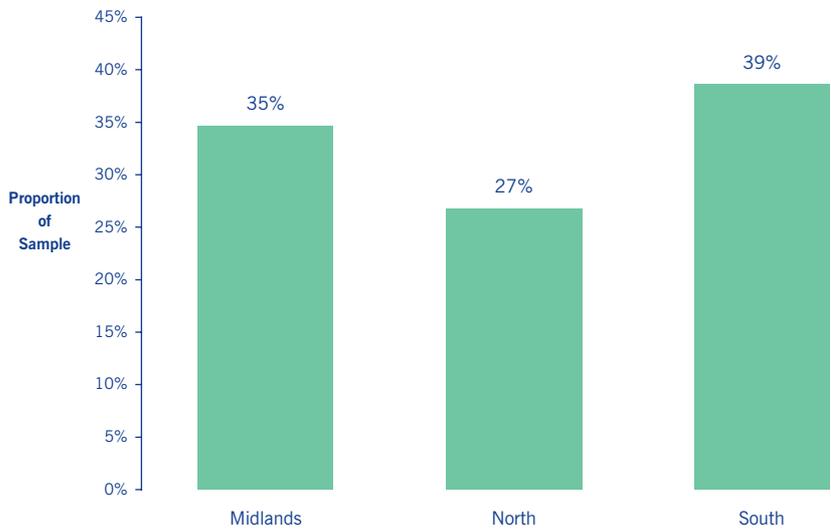
As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey.

The analyses involve key variables, and **industry sector** and **employee size** are those most frequently used as they are reasonably reliable indicators and less prone to

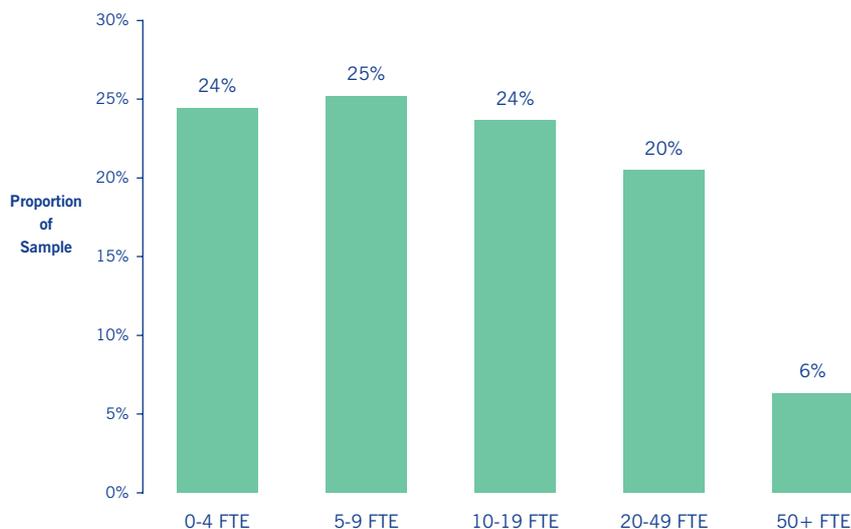
misinterpretation. Other variables have also included **region, sales growth, respondent age** and **sex**.

**Industrial sectors** – based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped into manufacturing, business services, retail/distribution. Firms falling outside these 3 bands – which would otherwise be classified as ‘other’ – are allocated

**Figure 15 - Profile Of Sample:  
Respondents By Region**



**Figure 16 - Profile Of Sample:  
Respondents By Employee Size**



to the foregoing sector which offers the closest match.

**Regions** - firms are also classified according to their physical location, namely, North, Midlands and the South.

**Employee size** - finally, firms are placed in bands according to the number of employees. Each part-time employee is assumed to be equivalent to 40 per cent of a full-time employee ('FTE' = full-time equivalent). All of the surveys to date have received only a small number of responses from firms with 50 or more FTE employees. These responses have been **included** in the breakdowns for the **sectoral** and **regional** analyses, but have been **excluded** as a '50+FTE' band in the **employee-size** analyses (the 'All' band in each histogram includes all usable responses regardless). This is because a percentage breakdown band based on just two or three firms may not be representative of this size of business.

### Distribution of firms

The highest proportion of respondents is in manufacturing (43%, compared to 45% for the previous report), see **Figure 14**.

The South region has the largest representation, with 39% of the sample's respondents (42% previously), see **Figure 15**.

Manufacturing and business services firms in samples can tend to be larger, in terms of employees, whereas the firms in retailing/distribution may have fewer full-time equivalent employees. Likewise, the sample is biased towards the smaller businesses – but not the very smallest (sole traders), of which there is a preponderance amongst the small firms population generally. The employee size distribution for the sample is shown in **Figure 16**.

In terms of respondent age, they are predominantly 35 years or older, with the bulk between 45 and 64 years' old.

Finally, the sample is predominantly male (78%, compared to 82% previously).

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# Small Enterprise Research Report PENSIONS

Report No.2 - 2004 - Sponsored by Lloyds TSB

This questionnaire will take approximately 5-10 minutes to complete – most answers require only a single tick.  
All information received will be treated in complete confidence. PLEASE RETURN AS SOON AS POSSIBLE.

## 1a Workforce size - Please indicate the total number of people working in your business (including yourself):

Full-time..... \_\_\_\_\_ A  
Part-time (16 hrs/wk or less) \_\_\_\_\_ B

## 1b Respondent age - Your age last birthday:

16-24 years.....  A  
25-34 .....  B  
35-44 .....  C  
45-54 .....  D  
55-64 .....  E  
65 or over.....  F

## 1c Respondent gender - Your gender:

Male .....  A  
Female .....  B

## 2 Pension schemes within the small firm - Please indicate where your business already operates a formal pension scheme:

*✓ All which apply*

For yourself .....  A  
For other senior personnel .....  B  
For employees generally .....  C  
None/not applicable .....  D

## 3 Pension scheme closures - Please indicate where your business has withdrawn or closed a formal pension scheme within the past year:

*✓ All which apply*

For yourself .....  A  
For other senior personnel .....  B  
For employees generally .....  C  
None/not applicable .....  D

## 4 Government 'stakeholder' pension schemes for employees - Which ONE of the following best describes the situation for your firm ?

*Just one ✓ only*

- We already offer such a scheme .....  A  
or We plan to operate a scheme within a year from now  B  
or We plan to operate such a scheme within 1-2 years from now  C  
or We would like to operate such a scheme at some later date  D  
or We have no plans for such a scheme  E

## 5 Government 'stakeholder' pension schemes and employer contributions - Which ONE of the following best describes your firm ?

*Just one ✓ only*

- We offer a 'stakeholder' scheme with employer contributions  A  
or We offer a 'stakeholder' scheme but without employer contributions  B  
or Not applicable (no scheme offered)..  C

## 6 Attitudes towards employer contributory schemes for small businesses - Please indicate the viewpoint with which you most strongly agree:

*Just one ✓ only*

- If a firm can afford it, such a scheme offers an important staff benefit  A  
or The cost and administrative effort of such schemes is too burdensome  B  
or Employees tend not to stay long enough to justify such schemes  C

**7** Small businesses as an asset towards pension provision - Some owner-managers see their own business as an asset that will contribute to their personal pension provision. Please indicate which most closely describes your own circumstances:

*Just one ✓ only*

- Yes, it will contribute significantly ....  A
- or Yes, it will contribute, but only to a limited extent  B
- or No, it is not really a consideration ....  C
- or Don't know .....  D

**8** Prime responsibility for pension provision - Please indicate by the option with which you most strongly agree:

*Just one ✓ only*

- It is primarily each individual's responsibility  A
- or It is a mix of personal and state responsibility  B
- or It is primarily the state's responsibility, via National Insurance contributions  C

**9** Future prospects for the UK - With an aging population and an impending pensions crisis, which one of the following scenarios do you feel is most likely to come to pass in the UK within the next 10-15 years ?

*Just one ✓ only*

- Most retired people will have an adequate income  A
- or Some retired people will have an adequate income, but a sizeable number will be struggling to cope  B
- or Most retired people will not have an adequate income, and will have to make significant cuts in their anticipated lifestyle  C

**10** 'Pensions & Small Firms' - If you have any strong views, especially if you feel that any aspect is not fully appreciated by important sections of the business community (such as the government help agencies or the financial services sector), then please comment:

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*Thankyou for your co-operation. Please return the completed questionnaire using the accompanying pre-paid envelope, to:*

**Ms. Beverley Porter-Blake  
The Research Team  
based at  
Open University Business School  
Michael Young Building  
Walton Hall  
Milton Keynes MK7 6AA**

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