



Auto-enrolment; making it work

Auto-enrolment – challenges for employers ? *A view from the BCC*

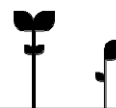
Abigail Morris
Employment Adviser

November 2010



2012 Reforms: view from business

- Overall – support the principle of auto-enrolment
 - Demography
 - UK savings rates
 - Fiscal position
- Welcomed the Government's moves in October to simplify the process for business (more later)



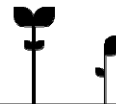


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2012 Reforms: view from business

- Key concerns since 2006:
 - Potential impacts on labour market flexibility
 - Direct costs to employers
 - SME impacts and compliance

- Timing of auto-enrolment
- Staging
- Penalty regime



2012 Reforms: view from business

- BCC concerns articulated to the Government in September, ahead of the Auto-enrolment Review

- Some were taken up – others were not

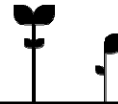




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2012 Reforms: view from business

- LABOUR MARKET FLEXIBILITY:
 - Temporary, casual and seasonal workers: enrolled from day one, or later?
 - Agency workers: combined impact with EU Agency Workers directive?
 - Employment agencies: would the costs and administrative burdens just put them out of business – with clear effects for the UK labour market as a whole?



2012 Reforms: view from business

- DIRECT COSTS TO EMPLOYERS
 - 3% contribution grudgingly accepted... but how will SMEs adjust wage bills to cope with new overhead costs?
 - Impact on overall benefit packages (loss of non-contractual benefits)
 - Changes to staff structure (more part-timers, more zero-hour contracts, more temporary workers?)

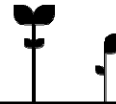




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2012 Reforms: view from business

- SME IMPACT AND COMPLIANCE
 - Reforms are complex – SMEs will get things wrong
 - Opt-out notices
 - Timeframes
 - Registration
 - Re-enrolment etc...
 - Lack of dedicated in-house HR and legal resource could mean procedural infractions – and more indirect costs than faced by large companies



2012 Reforms: view from business

- TIMING OF EMPLOYEE AUTO-ENROLMENT
 - Day 1 vs. Week 13
 - Business view:
 - Day 1 rights = a step too far (unfair dismissal – 12 months!)
 - Match with probation periods (usually 12 weeks)
 - Churn: harder with high staff turnover; harder when you have temporary peaks in demand
 - Align with Agency Workers Directive
 - *Business has won this argument – a victory for flexible labour markets and addressing unemployment...*





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2012 Reforms: view from business

- STAGING
 - Too complex, too many tranches, arbitrary
 - Businesses need to know their staging dates ASAP
 - Competition impacts
 - Communications nightmare... Especially with a Government marketing freeze



2012 Reforms: view from business

- PENALTY REGIMES
 - Spirit vs. letter of the law – when well-meaning SMEs will get some things wrong...
 - £400 per minor infraction – too harsh (HMRC minor infractions £125 !!)
 - Penalties should be about unscrupulous companies that short-change employees and undercut compliant businesses – to the detriment of everyone.





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To conclude...

- 2012 reforms: improved – but poorly understood. 18 months to get this right before the first businesses are hit.
- **Primary Legislation VERY DIFFICULT!!**

