

## **Auto-enrolment to hit 200,000 jobs**

**IFA Online – 3<sup>rd</sup> July 2009**

**By Jenna Towler**

Auto-enrolment could lead to 200,000 job losses at smaller firms as labour costs will increase by around 2%, academic research predicts.

From 2012 workers will be auto-enrolled into a qualifying work place pension, or the personal accounts scheme, unless they opt-out.

Advertisement

Pension Commission, and later the department for work and pensions, research estimated labour costs of 0.6% for all firms, and 1.1% for the smallest firms.

However, a study from the University of Warwick's Institute for Employment Research said the figure would stand at 2% when administration, target market salary levels and predicted take-up rates are taken into account.

Author Bernard Casey surveyed small employers and questioned them on the possible effects of a 2% hike in labour costs – without mentioning auto-enrolment or personal accounts.

Many businesses said they would do nothing at all, but face substantial competition, while others said they would pass costs on to their customers.

Casey said the higher costs associated with auto-enrolment “might well weaken them and lead to business failures and redundancies”.

B&CE Benefit Schemes deputy chief executive John Jory said pressure will be more on costs rather than jobs.

He said: “There are a lot of companies that do not currently make contributions for a big chunk of their workforce. For those companies it will increase costs and they are going to have to deal with those increased costs.

“But it is part of the remuneration package for their employees. You can not just cut jobs and hope to still meet your out put requirements.”

Jory also said levelling down could come as a result of cost pressures.

“My biggest concern is as employers look to balance the books they will see levelling down as the easiest way to cut costs.”

The department for work and pensions said “reports like this distort the debate”.

A spokesman said auto-enrolment and personal accounts would help millions of people save for later life – many for the first time, including those in small businesses.

He said: “In a society where people can now expect to spend up to a third of their lives in retirement, increasing opportunities to save for later life is essential.”

He added balancing the needs of workers while minimising burdens on employers, had been a guiding principle in the development of the reforms.

“The personal accounts scheme itself will be simple, low cost and easy for any employer to use.

Stakeholder engagement continues, including with organisations that represent small businesses, on the draft regulations.

“Consultation on the first set of draft regulations recently closed and DWP are now carefully considering all responses to ensure that the regulations minimise burden on employers and create the best possible combination of arrangements and time limits to deliver simple, standard and effective arrangements for automatic enrolment.”