



# The final stage

With more small businesses reaching their auto-enrolment staging dates, Talya Misiri talks to the Federation of Small Businesses policy adviser Alex Metcalfe about the challenges and benefits of auto-enrolment and future pension reform

## How have small employers taken to the responsibilities of auto-enrolment?

Overall, many of our members see the benefit of auto-enrolment for society as a whole. But of course there have been concerns about the extra burden – both administrative and financial – it would place on a small business owner, alongside various other increases in the cost of doing business. In FSB's pension auto-enrolment survey last year, only 35 per cent of members expected automatic enrolment to be a straightforward process. But 47 per cent of those who had actually experienced the process found it straightforward – suggesting that it can be easier than expected.

## What have been the main difficulties in encouraging small businesses to engage with their pension responsibilities?

Of those businesses yet to start complying with auto enrolment, our research found a majority didn't understand very well what they needed to do. Within this group, the vast majority said the reason was because they had not read up on the rules or worked out what their business needs to do (71 per cent). This may be because their staging date is not for some time. However, it is also likely that many will be leaving it late – a trend that The Pensions Regulator has identified as increasing in its recent compliance bulletin.

## Has there been high opt-out rates? If so, what are main reasons for this?

Anecdotally, we've heard that opt-out rates have been below expectations and

remained stable as the programme rolls out to smaller employers, but we do not have any of our own data on employee opt-out rates.

## Do small employers value having to provide a pension scheme as a benefit or is it seen as more of a burden?

A majority of our members (51 per cent) told us they felt confident that their business would be able to cope with auto-enrolment. Many of them agree with the overall benefit to society. But at the same time, around three quarters of our members have had concerns about the extra pressure auto-enrolment would put on their business. Many of our members only employ a handful of people; they don't have HR and compliance departments to look after the admin – that all falls on the business owner themselves.

## What has the FSB done to encourage greater pensions engagement?

We provide FSB members with access to a really strong workplace pension solution designed to help smaller businesses to put in place a fully compliant and competitive scheme that's quick to set up.

## What would you like to see the next government introduce for small business pensions?

The previous government was completing the *2017 Auto-Enrolment Review* – the first statutory review of the programme. There is considerable discussion about raising the contribution rates for employees and employers, as

well as expanding the scope.

It's not the role of FSB to advise on what contributions are required to provide an adequate pension. Our focus is on making sure that any increases are implemented over an extended timescale because it is important to give both employers and workers time to adapt. Raising minimum contributions too quickly could have unintended consequences, for instance it could lead to an increase in opt-out rates as well as having a larger fiscal impact on employers. Smaller businesses could be more inclined to cut costs elsewhere in response, and this could impact on other areas, for example, lower or frozen wages.

We also believe there is scope for extending the principles of auto-enrolment to the self-employed, and this would need specific arrangements to be devised and put in place as the arrangements for employees aren't appropriate for the self-employed.

To help increase retirement savings amongst the self-employed, our *2016 Self-Employment Report* recommends that self-employed people should be given the option to opt into a private pension when completing their self-assessment. This voluntary opt-in should be supported by the practical application of behavioural economic theory, by providing a simple enrolment journey for the self-employed, while also offering simple default solutions to limit the number of choices required when a self-employed person decides to save into a private pension.

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