SMEs Not Learning From Larger Firms' Auto-Enrolment Mistakes, According To Survey

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- Report Also Highlights the Difficulties That SMEs Are Due To Face From 1 April 2014

Over a one third of UK companies that have already introduced the Government's auto-enrolment pension rules would have approached it differently if they had the chance again - according to a new report by national law firm, Irwin Mitchell.

Published the day before 6,000 SMEs start auto-enrolling over 1 million* staff into a workplace pension scheme, the survey found that half of the larger companies that have already had to comply with the rules wished that they had given themselves more time to prepare.

The same proportion of company bosses said that on-going administration and ensuring that their back office systems were ready have been the two most difficult aspects of auto enrolment compliance. Interestingly, 33% confirmed that they had taken on extra staff in order to deal with the additional administration.

Auto-enrolment means that all UK employers must automatically place certain members of their workforce into a qualifying pension arrangement. All employers must contribute to that pension arrangement and must monitor and keep records of their workforce's membership of the scheme.

The laws came into effect for the UK's largest businesses in 2012 and there have been staging dates on a reducing basis so that from 1 April 2014, firms with a PAYE scheme size of between 160 and 249 will need to be ready. Firm with fewer staff members will be required to comply with the rules by a particular staging date according to their size up until 2017.

It is anticipated that 30,000 employers will stage over a four-month period from the beginning of April 2014.
Although Irwin Mitchell's survey revealed major difficulties being faced by larger businesses, the survey also highlighted that many soon to be affected SMEs are underestimating the impact of auto-enrolment on their business.

Only 28% of small and medium sized firms believe they will struggle with the ongoing administrative burden. Less than 5% said they thought finding a suitable pension product would be an issue despite many financial institutions announcing that they would not be supplying a product to the SME sector.

Compared to large businesses, Irwin Mitchell's survey also found that SMEs are less inclined to seek legal advice in relation to changes to their existing pension schemes or their employment contracts.

Nigel Bolton, Pensions partner at Irwin Mitchell, said: "Two things are clear from this report. Larger businesses that have already staged found and continue to find the process a lot more challenging than they expected, whilst smaller firms are underestimating what the true impact of auto-enrolment will be.

"We conducted an earlier survey last year to see how prepared SMEs were for auto-enrolment and the overall finding was that a number had not considered many of the key issues.

"Sadly this still appears to be the case. Many larger organisations say that they regret their approach to auto-enrolment and say they wished they had given themselves more time. I have major concerns that the impact will soon be felt by SMEs and because they do not have the back office teams and systems that their larger counterparts have, the impact could be considerable."

Interestingly, over half of SMEs who responded to the survey said that they would welcome an online solution to deal with the entire auto-enrolment process.

* figures from The Pensions Regulator

- Ends -

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Irwin Mitchell conducted the survey in March 2014 and received responses from 260 businesses which had and had not yet staged for auto-enrolment.

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