

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fourth Delegated Legislation Committee

DRAFT AUTOMATIC ENROLMENT
(EARNINGS TRIGGER AND QUALIFYING
EARNINGS BAND) ORDER 2018

DRAFT NATIONAL EMPLOYMENT SAVINGS
TRUST (AMENDMENT) ORDER 2018

Tuesday 6 March 2018

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Saturday 10 March 2018

© Parliamentary Copyright House of Commons 2018

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: MR ADRIAN BAILEY

- | | |
|--|---|
| † Amesbury, Mike (<i>Weaver Vale</i>) (Lab) | † Opperman, Guy (<i>Parliamentary Under-Secretary of State for Work and Pensions</i>) |
| † Blackman, Kirsty (<i>Aberdeen North</i>) (SNP) | † Patel, Priti (<i>Witham</i>) (Con) |
| † Djanogly, Mr Jonathan (<i>Huntingdon</i>) (Con) | Shah, Naz (<i>Bradford West</i>) (Lab) |
| † Dromey, Jack (<i>Birmingham, Erdington</i>) (Lab) | † Shapps, Grant (<i>Welwyn Hatfield</i>) (Con) |
| † Foxcroft, Vicky (<i>Lewisham, Deptford</i>) (Lab) | † Shelbrooke, Alec (<i>Elmet and Rothwell</i>) (Con) |
| † Howell, John (<i>Henley</i>) (Con) | Western, Matt (<i>Warwick and Leamington</i>) (Lab) |
| † Jayawardena, Mr Ranil (<i>North East Hampshire</i>) (Con) | † Whittaker, Craig (<i>Lord Commissioner of Her Majesty's Treasury</i>) |
| Kendall, Liz (<i>Leicester West</i>) (Lab) | Robert Cope, <i>Committee Clerk</i> |
| † Lamont, John (<i>Berwickshire, Roxburgh and Selkirk</i>) (Con) | † attended the Committee |
| Leslie, Mr Chris (<i>Nottingham East</i>) (Lab/Co-op) | |

Fourth Delegated Legislation Committee

Tuesday 6 March 2018

[MR ADRIAN BAILEY *in the Chair*]

Draft Automatic Enrolment (Earnings Trigger and Qualifying Earnings Band) Order 2018

8.55 am

The Parliamentary Under-Secretary of State for Work and Pensions (Guy Opperman): I beg to move,

That the Committee has considered the draft Automatic Enrolment (Earnings Trigger and Qualifying Earnings Band) Order 2018.

The Chair: With this it will be convenient to consider the draft National Employment Savings Trust (Amendment) Order 2018.

Guy Opperman: It is a pleasure to serve under your chairmanship, Mr Bailey. The Automatic Enrolment (Earnings Trigger and Qualifying Earnings Band) Order aligns the lower and upper limits of the qualifying earnings bands for automatic enrolment with the respective national insurance thresholds of £6,032 and £46,350, ensuring stability and consistency in the way ahead. The order does not change the earnings trigger, which remains at £10,000. That strikes a balance between bringing in those most likely to benefit from pension saving with affordability for employers. The decision to maintain the alignment of the lower and upper earnings qualifying bands with those for national insurance contributions maintains simplicity and consistency and minimises burdens on employers.

The National Employment Savings Trust, commonly known as NEST, was established to support automatic enrolment by ensuring that all employers have access to a low-cost workplace pension scheme to meet their duties. NEST was specifically designed for and targeted at low to moderate earners and smaller employers that the wider pensions market had historically failed to serve adequately. It has a public service obligation to admit any employer that wishes to use the scheme to meet their automatic enrolment duties. It is a success. It has more than 6 million members, in excess of 554,000 participating employers and more than £2.4 billion of funds under management. All the measures in the order will improve the way in which the scheme operates for participating employers and members.

There are four minor and technical changes that I will briefly outline. First, there is a change to contractual enrolment. The order will make it possible for participating employers to enrol their workers in NEST whether or not the automatic enrolment duties apply to the employer. Secondly, the order will require the NEST Corporation to carry out research with scheme members and participating employers or their representatives in connection with the operation, development or amendment of the NEST pension scheme. Thirdly, the order will give NEST the ability to remove a member with an

empty account from the scheme where certain conditions are met, including if the account has been empty for at least 12 months. These accounts are of no value to the member and incur administrative costs for other members. Finally, the order allows an individual to join NEST in the event of a bulk transfer with consent.

All the changes are deregulatory and positive for employers, but they are minimal. They are not expected to have a material impact and they will mitigate NEST scheme inefficiencies. I commend the order to the Committee.

8.58 am

Jack Dromey (Birmingham, Erdington) (Lab): The Minister will forgive me if I say what I said in a debate in Westminster Hall this week: auto enrolment was the creation of a Labour Government, but this continuity in public policy is very welcome and is supported across the House. The proposals are entirely unobjectionable and we will not oppose the two orders.

As is appropriate on occasions such as this, I will briefly set out some issues and ambitions for the next stage. First, auto enrolment does not cover the self-employed or workers in the gig economy. Female workers with disabilities and black and minority ethnic workers are over-represented among low earners, the self-employed, those with multiple jobs and carers. Self-employment and bogus self-employment are becoming increasingly prominent in the modern economy, so tackling the issue at the next stages will be of the highest importance.

Secondly, the advent of auto enrolment has increased the number of workers saving for retirement. More active savers are now in defined contribution pension schemes, rather than defined benefit schemes. While having a greater number of savers is a positive move, we do not want to threaten good DB schemes.

Thirdly, the rise in the number of pension savers is a step in the right direction, but DC plans must continue to evolve to provide savers with an adequate pension. A report by the Pensions Policy Institute in 2016 found that the median saving of DC scheme members could yield only £3,000 a year as an annuity, which is not a lot of money. Eight per cent should not be the summit of our ambitions and the sooner the age threshold is reduced, the better.

In conclusion—and fourthly—more workers having access to a pension pot is welcome, but the public's awareness and knowledge of their pensions needs to increase at the same time. As one of the proposals put forward, and referred to by the Minister, carrying out research is welcome as, in different ways and on different fronts, these are issues that need to be addressed at the next stages. Having made those points for the record, we will not oppose the orders.

9 am

Kirsty Blackman (Aberdeen North) (SNP): It is a pleasure to take part in this Delegated Legislation Committee at this early time in the morning. On NEST, the Scottish National party has no concerns to raise about that part of the discussion. Our position on automatic enrolment and particularly the earnings trigger is that the scheme should be expanded so that as many employees as possible can take part. This has been our long-standing position and the Minister would expect me to put this forward today.

I am slightly concerned that the Minister seems to be slanting the decision-making process around both the earnings cap and the qualifying earnings band towards benefit and simplicity for employers, rather than the widest possible benefit for employees. I am sure that is not necessarily what he meant; it was just the way it was put across in this relatively short debate this morning. I understand what the Minister says about simplicity and consistency around the qualifying earnings band but, again, it should be the best possible deal for employees and those taking part in this deal, rather than one that is simply the easiest for businesses to administer.

The Minister did not seem to provide much evidence for keeping the earnings cap at £10,000. We believe that it should be expanded to cover those earning less than that amount. To add a point, if there were more people earning a real living wage that people could live on, it would be less of a concern that they would have to divert possible savings money into day-to-day spending.

Our major concern is that the Department has been unable to show a significant level of consultation around the decisions that have been made. I cannot see evidence for consultation with a wide range of people to decide the best possible level for either the earnings cap or the qualifying earnings trigger. I know the Government are busy dealing with Brexit—as we all are—but this is particularly important for those earning very little and who are most likely to be in poverty when they hit pension age. It would have been better if the Government had done more in the way of consultation and providing evidence about why they have suggested these figures as the most appropriate levels, rather than just some arbitrary level that happens to have been chosen.

Having said all of that, we will not oppose the measures at this stage. However, it would be useful for the Minister to give us a little more information on the decision-making process and, if possible, a commitment to wider consultation next year or the year after—or the next time this is discussed—so that we can see the evidence for the decisions that are made.

9.3 am

Guy Opperman: I will address those points. In relation to my friend, the hon. Member for Birmingham, Erdington, it is fair to say that we all wish to have larger numbers of the self-employed signing up to automatic enrolment. That is a manifesto commitment by this party and it is being pursued. A number of pilot projects are on the go,

and the hon. Gentleman will know from the debate we had on this particular issue last week that he is welcome to attend the two-day seminar at the Association of British Insurers on 26 March to explore the specifics of how we involve greater numbers of the self-employed. We will be using the private sector to assist us on that particular point.

In relation to the present limit of 8% of savings under automatic enrolment, it is entirely the case that we wish to get 8% over the next two years. However, we all accept that is not sufficient in the longer term and there is a commitment across the House of Commons to push beyond that 8%, because the savings required on a longer-term basis are clearly going to come to more than that.

The hon. Gentleman knows—and referring to the points made by the hon. Member for Aberdeen North—that the auto enrolment review that reported to the House in December last year set out the reasons why long-term considerations should include a reduction to the first £1 people earn, bringing the qualifying age down from 22 to 18, and addressing the lower earnings limit. I am pushing back on the consultation on that, given that there was a review throughout pretty much all of 2017 across the entire sector. We then received information independently from a number of different experts as to why we should go down to 18 and why we should start from the first pound.

The main objective for the Department and the Government is to ensure that the April rises in 2018 and 2019 proceed in the appropriate way. If the hon. Member for Aberdeen North feels that there has been insufficient consultation, I take that on board. I propose to look at the documentation and write to her in detail. I take on board her point that there has to be consultation in future. I believe that I can provide quite a detailed explanation and I am happy to do so in writing.

Question put and agreed to.

DRAFT NATIONAL EMPLOYMENT SAVINGS TRUST (AMENDMENT) ORDER 2018

Resolved,

That the Committee has considered the draft National Employment Savings Trust (Amendment) Order 2018.—(*Guy Opperman.*)

9.7 am

Committee rose.

