

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT AUTOMATIC ENROLMENT (EARNINGS
TRIGGER AND QUALIFYING EARNINGS BAND)
ORDER 2020

Monday 23 March 2020

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Friday 27 March 2020

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The Committee consisted of the following Members:

Chair: SIOBHAIN McDONAGH

Afolami, Bim (*Hitchin and Harpenden*) (Con)

† Charalambous, Bambos (*Enfield, Southgate*) (Lab)

† Docherty, Leo (*Aldershot*) (Con)

Lammy, Mr David (*Tottenham*) (Lab)

McFadden, Mr Pat (*Wolverhampton South East*)
(Lab)

† McDonagh, Siobhain (*Mitcham and Morden*) (Lab)

† Penrose, John (*Weston-super-Mare*) (Con)

† Quince, Will (*Parliamentary Under-Secretary of
State for Work and Pensions*)

† Russell, Dean (*Watford*) (Con)

Smith, Greg (*Buckingham*) (Con)

Stevenson, John (*Carlisle*) (Con)

† Swayne, Sir Desmond (*New Forest West*) (Con)

† Thomson, Richard (*Gordon*) (SNP)

Vara, Mr Shailesh (*North West Cambridgeshire*) (Con)

Warburton, David (*Somerton and Frome*) (Con)

Webbe, Claudia (*Leicester East*) (Lab)

† Western, Matt (*Warwick and Leamington*) (Lab)

Peter Stam, *Committee Clerk*

† **attended the Committee**

Second Delegated Legislation Committee

Monday 23 March 2020

[SIOBHAIN McDONAGH *in the Chair*]

Draft Automatic Enrolment (Earnings Trigger and Qualifying Earnings Band) Order 2020

4.30 pm

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

That the Committee has considered the draft Automatic Enrolment (Earnings Trigger and Qualifying Earnings Band) Order 2020.

It is a pleasure to serve under your chairmanship, Ms McDonagh. I am pleased to introduce this draft statutory instrument, which was laid before the House on 2 March.

The draft order reflects the conclusions of this year's annual review of the automatic enrolment earnings thresholds required by the Pensions Act 2008. The review considered the earnings trigger and the qualifying earnings band for the tax year 2020-21. The earnings trigger determines the point when a qualifying worker becomes eligible to be automatically enrolled into a qualifying workplace pension. The qualifying earnings band determines the earnings upon which workers and employers pay contributions into a workplace pension. The draft order sets a new lower limit for the qualifying earnings band and is effective from 6 April 2020.

The earnings trigger is not changed within the order; it remains at the level set in the automatic enrolment threshold review 2014-15, so no further provision is required. Similarly, the upper earnings limit is not changed within the order; it remains at the level set in the automatic enrolment threshold review 2019-20, so no further provision is required. I am satisfied that this draft order is compatible with the European convention on human rights.

Today's debate is about a technical element of the automatic enrolment framework, which as a legal necessity that we need to have in place for 6 April 2020. The

decision to maintain the earnings trigger at £10,000, and to maintain the alignment of the qualifying earnings band with those for national insurance contributions, maintains simplicity and consistency.

4.32 pm

Bambos Charalambous (Enfield, Southgate) (Lab): It is a pleasure to serve under your chairmanship, Ms McDonagh. As the Minister has explained, the draft order revises the lower threshold of the automatic enrolment and rounded figures for the earnings trigger qualifying earnings band for the tax year 2020-21. It revokes the equivalent order from last year and provides that the amounts of the qualifying earnings band should continue to be aligned with the national insurance contributions lower and upper earnings limits for the tax year 2020-21, which have been set at £6,240 and £50,000 respectively. The automatic enrolment earnings figure should remain at £10,000.

Auto-enrolment was introduced following Adair Turner's 2006 review, commissioned by the then Labour Government, to ensure that people who were not adequately covered or who had no cover at all were able to have better workplace pension provision than before. Since auto-enrolment started in 2012 more than 10.2 million workers have been enrolled in the pension scheme, with 1.6 million employers having met their duties.

Auto-enrolment has been a huge success, with 77% of UK employees now members of their workplace pension scheme—an increase from 47% in 2012. Much more still needs to be done, with an estimated 5 million workers who are self-employed or who work in the gig economy not qualifying for auto-enrolment, and only 15% of self-employed people contributing to a pension scheme in 2017-18—a figure that has decreased from 27% in the late 2000s. That is a worrying trend. As the world of work changes, auto-enrolment needs to change too, and although that is not an issue for this debate I ask the Minister to take note in future. That said, we are happy to support the draft order.

4.33 pm

Will Quince: I commend the order to the Committee.
Question put and agreed to.

4.34 pm

Committee rose.