

Pension law may burden employers

SMALL BUSINESSES

Firms may be reluctant to take on staff if Pensions Bill lands them with a bureaucracy mountain, writes Jonathan Moules

Government plans to force employers to offer personal pensions for their staff need significant fine-tuning to avoid overburdening small businesses that currently do not have such schemes, the UK's main accountancy body has warned.

The Pensions Bill, which has entered the House of Lords on its final stages before becoming law, could discourage businesses from hiring staff, according to the Association of Chartered and Certified Accountants.

Robin Jarvis, head of ACCA's small and medium-sized enterprise (SME) affairs unit, said: "We fear the introduction of the scheme could have un-

intended consequences."

"The increase in paperwork could lead to increased reluctance by SMEs to take on permanent staff, and could encourage employers to scale down their existing, better quality schemes to the minimum requirement."

The warning was backed by the Federation of Small Businesses. Simon Briault, FSB spokesman, said three in five of the organisation's members believe the bureaucracy involved in new legislation is a contributing factor to whether they hired more staff. "It is a disincentive for small business that want to expand," he said.

When the Pensions Bill becomes law, employers who do not already offer a pension scheme will be required to enrol their employees automatically into the personal accounts scheme.

This will mean a 4 per cent deduction from employees' pay, matched by 3 per cent from the employer.

Mr Briault noted that employees earning as little as £5,000 will be obliged to pay a significant percentage



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of their salary into a pension scheme.

"It could be viewed as low-paid employees being taxed more," he said.

ACCA is also concerned that little thought appears to have been given to educating staff about the new pension scheme.

"We believe that the government has underestimated the need for financial education to make the scheme a success," Mr Jarvis said.

"Without this problem being directly addressed, the mammoth task of educating staff on pensions, and the associated concerns about joining the scheme, will fall to employers."

ACCA believes that employees are not being given enough time to opt out of the scheme, so employers

will end up shouldering the cost of enrolling their staff.

Mr Jarvis said: "It looks possible that the scheme may not even provide sufficient income in retirement for the very groups for which it was intended.

"Women who have taken career breaks to care for children are an example of those who may find they have not accrued sufficient pension through the personal accounts scheme for their retirement."

Business Wisdom



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