

Auto Enrolment - How Does It Affect Agency Workers?

Background

Auto Enrolment can be traced back to the 2003-5 Pension Commission review which found that up to 12 million people in the U.K. were not saving enough for retirement.

The Commission recommended a system whereby workers would be automatically enrolled in to pension schemes and would contribute via deductions from their pay. Employers would also be expected to make contributions and the system was designed to provide a low cost way of saving for moderate earners. The Commission's recommendations were accepted and Auto Enrolment is being introduced on a staged basis from October 2012 onwards.

What is the Staging Timetable?

The staging timetable runs from October 2012 to April 2017 and each organisation's Staging Date depends on the number of staff that it employs. Throughout this period the minimum contribution level for employees will be 1% and employers will be expected to match this 1% payment. From April 2018 the threshold is due to increase (e.g. 2% for employers) and full staging details can be found on the Pensions Regulator's website (www.thepensionsregulator.gov.uk).

Are Agency Workers Included?

In most cases the answer to this question will be yes. If a worker has a contract to perform work or services personally for a temporary work agency then he or she will be eligible for Auto Enrolment in the agency's scheme (this depends on earnings level and age criteria). However in some cases agencies provide workers who are genuinely self employed and these workers are excluded from the definition. The classic test of self-employment is whether workers work under their own supervision, direction and control.

The Earnings Threshold

Auto Enrolment is triggered when a worker exceeds the Qualifying Earnings threshold during the Pay Reference Period and becomes an Eligible Job Holder. The Pay Reference Period is typically one month for permanent employees but it is more likely to be one week for agency workers (as they are normally paid on a weekly basis). The earnings threshold during this week will be £192 (2016/17) for workers between 22 and state pension age. However a worker will also be able to

opt in to the agency's scheme if he or she earns £112 or more.

The Right To Postpone

All employers and temporary work agencies have the right to postpone Auto Enrolment for a period of up to 3 months from when a worker becomes an Eligible Job Holder. At the end of this period the worker will need to be auto enrolled if he or she is still employed or engaged.

The Right to Opt Out

Once a worker has received Auto Enrolment notification he or she can opt out of the scheme at any time. However the worker will need to opt out within one month of notification to ensure that payments already deducted are refunded. If the worker opts out before the end of the first Pay Reference Period then a contribution will not be taken.

The Effect In Practice

Industry commentators have varying views as to how many agency workers will take advantage of Auto Enrolment due to the transitory nature of temporary work. There are now a number of flexible, pension solutions on the

market and the government hopes that this will aid take up. It will be some time before there is a clear idea of enthusiasm amongst workers, although many could remain enrolled simply through apathy.

The Berry Recruitment Approach

Our approach to Auto enrolment was to act in an ethical and proactive manner to ensure that we were fully prepared in advance of our Staging Date which was 1st September 2013. We teamed up with "Now: Pensions" who are a well established pension provider who can offer qualifying workers a low cost model and award winning service. We are working closely with the team at Now and we see Auto Enrolment as a means to continue to attract and retain workers of the highest quality on behalf of our clients.

For more information about Auto Enrolment or to discuss the Berry Recruitment service in greater detail please phone 01727 898650 and we will be delighted to help.

