

 Regulatory Policy Committee	Validation of the One-in, Two-out Status and the Net Direct Impact on Business	
Validation Impact Assessment (IA)	Workplace Pension Reform Secondary Legislation 2015 – changes to employer information requirements	
Lead Department/Agency	Department for Work and Pensions	
IA Number	DWP0048	
Origin	Domestic	
Expected date of implementation	SNR 9	
Date of Regulatory Triage Confirmation	6 October 2014	
Date submitted to RPC	29 January 2015	
Date of RPC Validation	9 March 2015	
RPC reference	RPC14-FT-DWP-2213(2)	
Departmental Assessment		
One-in, Two-out status	OUT	
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	-£0.53 million	
RPC Assessment	VALIDATED	
Summary RPC comments		
<p>The IA says that this is a deregulatory proposal with an estimated annual net saving to business of £0.53 million. This saving results from a reduction in the information that needs to be provided to employees about the changes resulting from automatic enrolment. The Committee is able to validate this figure but the Department should note the comments below.</p>		
Background (extracts from IA)		
<p>What is the problem under consideration? Why is government intervention necessary?</p> <p><i>“Under automatic enrolment employers must provide certain information to their workers about the changes and how it will affect them. Providing this information places an administrative burden on the employer. The government considers that the current information requirements are too onerous and could be streamlined, particularly as small and micro employers will be staging from 2015 onwards. The current legislation means there are five different pieces of information that an employer must give to different types of worker about what is happening to them under automatic enrolment. The requirements can impose more than one communication or notice to be given to the same employee in quick succession. This has led to a degree of confusion for the individual and</i></p>		

imposes an unnecessary burden on employers because they need to continually assess their workforce and send different letters to different people. Government intervention is necessary to reduce this unnecessary burden on employers.”

What are the policy objectives and the intended effects?

“The policy objective behind the reduction of the information requirements is threefold: to reduce the employer’s obligation to make an assessment of all categories of workers; facilitate one individualised communication, which suits all circumstances; and to reduce the information requirements to a basic minimum that would be appropriate for all types of worker. The changes are intended to simplify the information requirements placed on employers, thereby reducing burdens on employers whilst at the same time maintaining an appropriate minimum standard for the information that is provided to workers. This measure is intended to give those (smaller) employers yet to automatically enrol their workers, the option to use a more streamlined process to meet the information requirements.”

RPC comments

The Department proposes to reduce the information employers are required to give employees about the changes resulting from automatic enrolment, and how these will affect them. Currently, five pieces of information have to be given to employees and the Department proposes to reduce this to three. It is expected that this measure will reduce confusion for employees and lessen the administrative burden on employers.

Small and micro-businesses are likely to be the main beneficiaries of the proposal as they have not yet started automatic enrolment. These businesses are due to start automatic enrolment between 2015/16Q1 and 2016/17Q4. The benefit from simplified information requirements for this group is estimated at £6.04 million. This comprises the entirety of the EANCB (-£0.53 million). There is also a non-quantified saving to business of reduced correspondence with workers eligible for automatic enrolment.

The savings are the avoided costs of providing information about the changes resulting from automatic enrolment to employees. These costs were estimated in the 2010 DWP IA “Workplace pension reform legislation”. The present IA uses the estimates for small and micro-businesses from that IA and updates them to 2014 prices.

The present IA would be improved by the following:

- Demonstrating explicitly that these estimates remain robust, for example by saying whether they are supported by more recent information on costs that have already been incurred by larger employers.
- Explaining why it is reasonable to assume that the full saving occurs in the first year, given that the staging process runs to 2016/17Q4.

On the second point above, spreading the savings evenly across the first two years of the appraisal period would, however, only reduce the net benefit by around £0.01 million.

On this basis, the estimated equivalent annual net cost to business of -£0.53 million appears to be a reasonable estimate.

Signed

A handwritten signature in black ink, appearing to read "Michael Gibbons", with a long horizontal line underneath it.

Michael Gibbons, Chairman