

TO: STEVE WEBB MP, MARK PRISK MP & LOCAL MPS

Government Review of 2012 Pension Reforms: Response from XXX Chamber of Commerce

The 2012 Pension Reforms will cost business £4.8bn (net) per year, as well as a £200m one-off cost in the first year. Although we understand and support the drive to boost private pension savings, we do not believe enough consideration has been given to the costs these reforms will place on small firms, nor to their potential effect on job creation.

Business believes that the Government's recently announced review of these reforms must consider current economic conditions and other employment legislation due to be imposed on the business community in the next few years. Forthcoming changes to parental leave, the removal of the Default Retirement Age and the implementation of the Agency Workers Directive will all *directly impact* on both the cost of the pension reforms and the cost of employing a member of staff.

These increases in costs come at a time when the Office for Budget Responsibility has predicted the private sector need to create an average of 330,000 jobs per year for the next six years in order to fill the gap left by a shrinking state – even though in the 'boom years' (1997-2008), only an average of 200,000 private sector jobs per year were created.

Therefore, it is crucial that this review fundamentally reassesses the scope and breadth of the Pensions Act 2008. The review should consider:

- The exclusion of micro-businesses (those with less than 5 employees);
- Giving individuals the right to be auto-enrolled into a pension scheme only after 12 weeks in employment (current plans are for a day1 right);
- Reducing the excessive initial £400 penalty for non-compliance to £125, a similar level to a comparable HMRC penalty;
- Mitigating the effect the pension reforms will have on the temporary and agency sector; and
- Simplifying the staging process by reducing the number of months when staging occurs and shortening the length of the staging window to two years to reduce competition impacts.

This response, submitted on behalf of our business members, will be complimented by a more in depth report by the British Chambers of Commerce based on wide-ranging qualitative research.

Although we appreciate that the Government does not wish to hold up the pension reforms by conducting a lengthy review, it is crucial that such substantial and costly reforms are properly assessed before implementation, and urge you to take into account business concerns. These must be addressed to enable the wealth generating private sector to drive growth and create jobs.