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## Bill to extend AE continues passage through HofL

 By Sophie Smith  17/7/23

MP Jonathan Gullis' Private Member's Bill to extend auto-enrolment (AE) to lower earners and younger workers has passed its second reading in the House of Lords, and will now be scheduled for the committee stage.

The **bill**, which is also sponsored by Baroness Ros Altmann, seeks two extensions to AE, abolishing the lower earnings limit for contributions and reducing the age for being automatically enrolled to 18.

Commenting during the reading, Altmann argued that there are "several benefits" to the extensions including in the bill, including improving inclusivity and giving younger generations a chance to start saving earlier, as well as potentially helping to narrow the gender pensions gap.

She stated: "Helping to narrow the gender pensions gap is an issue that many of us across this House have been exercised with for some time and is another reason to support these measures. Of course, this alone will not close it entirely.

"By ensuring that all their earnings are used to calculate contributions in future, even lower-earning women will build much bigger pensions.

“As the government have promised, this measure will be in place—or the intention is that it will be in place—by the mid-2020s. Of course, there is more to do, including extending auto-enrolment to workers with earnings in any one job below £10,000 as well, but that can be covered elsewhere, and to the self-employed. However, these measures are an important start.”

Despite this, concerns over pension inequalities remain, as Lord Brinley Davies argued that the bill is “irrelevant to the pensions gap and hence a diversion from what we should be doing”, highlighting low pay for women and caring responsibilities as “two key issues” behind the gender pension gap.

Davies also raised concerns around issues around net-pay tax relief, noting that whilst the government has outlined proposals to address this, these start “in effect, two years in the future”.

“I cannot see any sound reason why we should not go back to 2023,” he continued. “There is the whole process of individuals being able to object to whatever assessment is made and additional technical issues which I will not detain the House with today.

“There are a number of issues with net pay that need to be addressed. So, okay, let us go ahead, let us expand auto-enrolment, but unless at the same time we resolve the other issues of net pay and small pots, it will not have the impact that it should have.”

These concerns have also been seen in the industry, as Legal & General managing director of workplace savings, Katharine Photiou, argued that while the reforms go some way to closing the gender pensions gap, still more needs to be done to level the playing field.

“We think there is an opportunity to explore the issue of people, often women, working multiple jobs,” she continued. “These are often people who earn above the £10,000 auto-enrolment trigger if you totted up all their income but earn less than this in each individual job.

“These people often slip through the net which leaves multi-jobbers and freelancers and those who are part of the gig economy missing out.”

Commenting in response to Davies' concerns during the House of Lords debate, Altmann suggested that while more women being on low pay means that fewer women will have as good pensions as men, “[Davies] might be persuaded that the fact that we will be taking earnings contributions from pound zero will make a difference”.

“It might be a small one, but it will make a difference in the right direction to the gender pensions gap,” she emphasised, admitting however, that “more can and should be done”.

Adding to this, Department for Work and Pensions (DWP) Parliamentary Under-Secretary of State, Minister for Lords, Viscount James Younger, emphasised that the “pensions gap is a complex issue tied to the labour market, the pensions system and demographic differences, but one that the government take seriously”.

"We remain committed to implementing the 2017 review measures, which will disproportionately benefit lower earners, including people working in multiple jobs, who are predominantly women," he stated.

### **Getting the timing right**

Altmann also confirmed that the DWP will be required to carry out a public consultation on the proposed use of these powers to lower the minimum age and abolish the lower earnings limit, with the findings having to be reported to parliament before regulations are made.

"It is promised, I believe, that the consultation will be later this year, so I do not think that we will have to wait too long," she added.

Indeed, Pensions Minister, Laura Trott, recently **reiterated her plans to consult on these measures**, stating that she will look to consult "as soon as humanly possible" once the bill has received Royal Assent.

Commenting on the issue of timing more broadly, Younger emphasised the need for the implementation of these measures to be "affordable, balancing the needs of savers, employers and taxpayers, with a suitable lead-in time for implementation".

He stated: "While we are all rightly keen to build on the success of AE—and many Peers call for more and faster change, hence the questions on timing—the approach needs fully to take account of the impact of these measures on employers, workers and the Exchequer in a way that makes the changes both beneficial and affordable for all.

"To clarify, we **intend to consult in the autumn** with employers, payroll and delivery partners throughout the supply chain to get the implementation approach and timetable right before changes are introduced."