

Auto-enrolment ‘will affect recruitment’

- But nearly two-thirds of finance directors surveyed by MetLife Assurance Limited do not know or have not reviewed how costs will be paid for

London, 19 December 2011 – Though nearly two-thirds (63%) of finance directors surveyed by pensions risk transfer provider MetLife Assurance Limited (“MetLife Assurance”) have not addressed the issue of how to fund auto-enrolment, some employers say that they will cut back on recruiting new staff in order to fund the introduction of auto-enrolment, research* from MetLife Assurance shows.

The study among companies with 5+ employees shows that 16% of finance directors are considering cutting back on recruitment, rising to 21% among firms employing between 11 and 50 staff.

Just 2% of finance directors surveyed said that they will consider cutting existing pension contributions to fund auto-enrolment.

Auto-enrolment will come into effect from October 1st 2012 for companies employing more than 120,000 staff, with the full three per cent minimum contribution being phased in to cover all employers by September 2017. Companies employing fewer than 50 people will be brought under the new auto-enrolment duty from August 2014.

MetLife Assurance’s research shows awareness of auto-enrolment is rising among finance directors – 69% of businesses surveyed were aware of the onset of auto-enrolment in October 2012 compared with 55% last year.

Emma Watkins, Director of Business Development at MetLife Assurance said:
“Auto-enrolment will make a major contribution to engaging employees with

retirement planning and should encourage millions to start or increase pension saving.”

“Employer engagement is crucial in making the introduction of auto-enrolment a success. Whilst it is encouraging that finance directors are not looking to cut existing pension contributions to fund auto-enrolment, the fact that so few have considered how to fund this pension provision demonstrates just how easily we defer consideration of pensions. Yet as longevity increases and asset returns remain uncertain, it will be critical that savings increase substantially to ensure that we avoid either significant tax increases in the future or be forced to accept that more of our elderly will live in relative poverty. Whether the increased contributions come directly from the employee – affecting their ability to spend today -- or through the employer – which may be funded through lower wages or a reduction in hiring -- it’s clear that a shift to a savings culture is necessary in order to ensure we can live out our retirements with dignity.”

The negative effect on recruitment is likely to be worst in the retail sector – 31% of those firms surveyed said that they are less likely to recruit new staff as a result compared with just 11% of construction groups.

Around 11% of finance directors surveyed said that auto-enrolment will have no cost effect on their company as they are already compliant, while 12% said that they will absorb the costs. Around 7% said that the new duty could mean caps or reductions in salaries and bonuses.

- Ends -

Notes to editors:

* Research was conducted among 462 businesses with 5+ employees by BDRC Continental Research between 5th September and 23rd September 2011

The BDRC Continental Business Opinion Omnibus is a monthly survey which interviews senior financial decision makers at a nationally representative sample of businesses. Senior financial decision makers are typically the Owner / MD of smaller businesses and the FD / Financial Controller of larger businesses. Quotas are set by size, region and sector. Results are weighted to the ONS profile of VAT/PAYE registered businesses in the UK with a turnover of £50,000+.

For further information please contact:

Citigate Dewe Rogerson
Stefanie Ives/Kevan Reilly
020 7282 2815/1096

MetLife Assurance Limited
Meghan Lantier
001 212 578 6734

About MetLife Assurance Limited:

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Registered Number: 6054422, Registered Office: 15 Bedford Street, London WC2E 9HE

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