

Auto-enrolment: Q&A

James Markham of SBC systems answers questions on technology to support auto-enrolment

Is auto-enrolment really that difficult for HR directors and pensions managers?

Until very recently the lack of regulatory clarity around auto-enrolment was a challenge for everyone, making it difficult to finalise company policy. Now we are getting towards final legislative details, implementing auto-enrolment should not be difficult.

It does, however, require a new perspective on employee reward technology. To date, HR/Reward functions have tended to purchase engagement focussed ‘point solutions’. These address a particular employee need, such as flexible benefits or total reward statements, but do not automate the data management in the back office. Auto-enrolment requires a far more integrated data management approach – or back office data administration will quickly become an unsustainable burden.

The HR/Reward function must challenge providers to develop better tools and services – and employers need to understand the importance of fit-for-purpose data management technology. Such technology would be able to administer all aspects of auto-enrolment, from eligibility to pension contributions, using a “one-touch” or “no touch” business process.

A weakness across the industry is the

expectation of what constitutes acceptable service levels for reward administration. Current industry standards might set an acceptable service level as being five days to pass member data to a provider – but that’s not demanding enough. The data management systems needed to support auto-enrolment should be able to do that in five seconds! We often hear that such “real-time” data management is too onerous for reward departments – but other parts of a business, such as the finance function, expect real-time system integration all the time.

What are the broader benefits to the company of implementing auto-enrolment well?

Auto-enrolment requires a change in mindset. If HR/Reward functions do not put appropriate data management systems and procedures in place, they will end up with excessive effort, manual workarounds and point solutions. On the other hand, implementing effective data management technology will yield three broader benefits:

- **Improved efficiency.** If you have a data management rules engine to run pensions cost effectively, you have a rules engine to run other benefits for little additional cost.
- **Better management decisions.** With more data management automation, you can collect more

data around rewards, and analyse it to support better decisions on future policy.

- **Develop social technology.** Better data management technology will support more powerful communication capabilities and enable you to move towards more dynamic, Facebook-style interaction with employees.

What are the barriers to achieving those benefits at present? How can these be addressed?

The reward consultancy industry as a whole needs to put more emphasis on process re-engineering and the value of data-driven metrics to help develop effective reward strategies. Employee engagement and accurate reward payments are crucial. However, getting to those outcomes in a cost-effective and error-free way depends on engineering efficient reward processes and automating them with appropriate technology. No-one at the moment is provoking sufficient debate around that.

