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employee benefits

ALIGNING REWARD WITH BUSINESS STRATEGY

DIAMONDS IN THE ROUGH

Reward's role in creating a destination employer

Read all about it

Health headlines employers should take note of

House rules

Hyde Group's benefits strategy homes in on staff engagement

Calculated risk

Key issues to consider when offering group risk perks

eVouchers now available to order online

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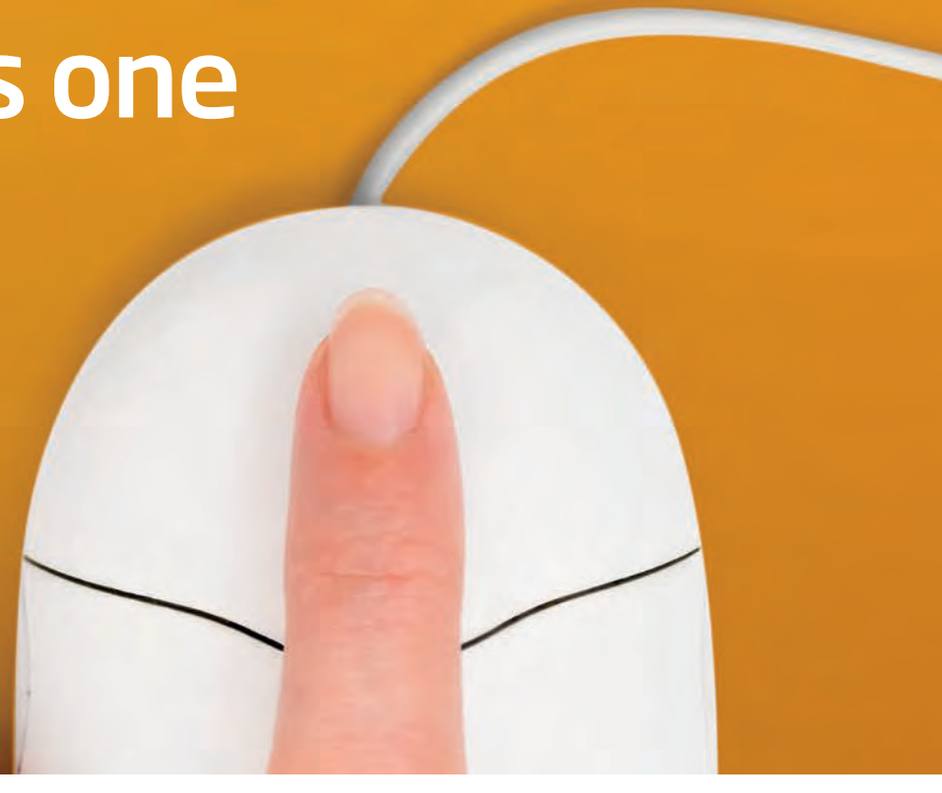
Well, perhaps one



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IN THIS ISSUE

Supplement: Group risk

Report: Fleet research

LEADER

What makes a destination employer?

We've all heard of them, and could probably even name a few without even trying: those organisations that are well known for being great places to work, have a reputation for being cool or standing out from the crowd or are seen as desirable employers, not just by those in their particular industries, but by employees across the board. Google and Innocent Drinks are two such employers that immediately spring into my mind, but there are, of course, many, many more.

But what is it that makes these organisations such desirable employers? How have they earned such a reputation? And what can other employers replicate in order to elevate their own organisation to such a status? We explore all of these issues in this month's cover feature (*Shine bright like a diamond*, page 18).

Employers' benefits strategies can be influenced by a range of factors, some of which can be quite emotive for employees. Health issues are a prime example. With the results of new studies, guidance and recommendations – not to mention the all-too-frequent scaremongering – hitting the headlines in the mainstream media on an almost daily basis, it can be baffling to know which to believe and who to trust for further information.

It can be tricky to identify which of the myriad headlines to believe. We unpick the truth behind the headlines

For employers looking to tailor their health and wellbeing packages to best support employees' needs, it can be tricky to identify which of the myriad headlines to believe. We unpick the truth behind the headlines in *Read all about it* on page 26.

Some organisations do this very effectively. Last month, we celebrated with the best in the industry at the Employee Benefits Awards 2015. BNP Paribas was the big winner on the day, walking away with five awards including the prestigious Grand Prix. Read more about the day on page five and see the full list of winners, along with the reasons why they were judged to be the best at: *http://botn.employeebenefits.co.uk*

Later this year, we'll be opening the Employee Benefits Awards 2016 for entries, so keep an eye out for details.

Have a great summer.

Debbie Lovewell-Tuck, *Editor*
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EMPLOYEE BENEFITS AWARDS

BNP Paribas gets top accolade

Robert Crawford

BNP Paribas won the prestigious Grand Prix award at the Employee Benefits Awards 2015, which took place on 12 June at the Artillery Garden at the HAC in London.

The organisation took five prizes in total: 'Best healthcare and wellbeing benefits – large employer'; 'Best flexible benefits plan – large employer'; 'Best alignment of benefits to business strategy'; 'Best benefits communications – large employer'; and the Grand Prix.

The judges selected the banking firm as the Grand Prix winner because of the scale of its achievements over the past year.

BNP Paribas' benefits team faced a daunting task. In order to achieve the organisation's business aim of being 'one bank', it was necessary to replace seven different benefits schemes in seven different businesses, each with its own workforce profile and culture, with a single benefits package.

If this was not complex enough, BNP Paribas' benefits team was also tasked with making more benefits available to more employees, while reducing benefits costs by £690,000 a year across the group by 2016.

The judges were impressed both with how BNP Paribas approached the project and the results achieved. This includes savings in the region of £4m from collectively negotiating and consolidating insurance and supplier arrangements, and savings on rollover costs. In 2015, national insurance savings of £3.4m a year will be realised, far exceeding the £690,000-a-year target ahead of schedule.

In addition, Ant Donaldson, global product expert, benefits, at E.On, was named 2015's 'Employee Benefits Professional of the Year'. During his career, Donaldson has racked up a number of industry accolades, including several Employee Benefits Awards.

Donaldson was nominated for the award by industry peers because, despite his list of achievements, he does not rest on his laurels. Each year, he drives his team to find new ways to improve, innovate and push benefits forward at E.On.

@ Read a longer version of this story at *bit.ly/1SvBZeq*

ROB'S REWARD

Follow Robert Crawford on Twitter: @RCrawford_EB

Employee Benefits Awards shows best strategies

Robert Crawford

The Employee Benefits Awards 2015 trumped my expectations. It was a day of festivities with wonderful food, drinks and not forgetting the now (in)famous funfair. However, it was also a day of recognition for the best employers in the industry, with BNP Paribas, BT Group, Heinz, Peel Ports Group and Visualsoft just some of the employers that came out on top.

BNP Paribas, which picked up the Grand Prix and four other awards, especially excelled due to the work it has done on flex and healthcare.

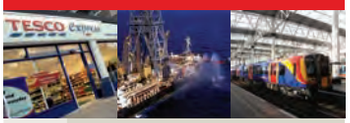
But it was talking to the winners backstage after they had collected their awards from the lovely host, Debra Stephenson, that really provided a fascinating insight into what the benefits and reward professionals had achieved.

A number of them were speechless, but all winners highlighted the huge impact that winning an award will have on the business and their employees.

Lisa West, reward manager at Heinz, put it into perspective: "These awards are so reputable it is amazing. For our business it is brilliant for talent attraction, as well as in terms of promoting our total reward proposition to employees."

What was also great to see during the day was everyone sharing their success with each other. Be that letting their hair down during the post-awards reception, on the bumper cars at the funfair or in the Aon-provided karaoke booth, which, for me, was a personal highlight this year.

TOP 15 MOST VISITED STORIES ON THE WEB*



1. **Virgin Management offers a year's parental leave on full pay** *bit.ly/1G6AgH4*
2. Queen's Speech confirms legislation on tax and NI *bit.ly/1Ex8qPY*
3. **British Gas appeals holiday pay decision** *bit.ly/1HdqvH5*
4. Government to press ahead with pensions agenda *bit.ly/1BdHC7b*
5. **DLA Piper increases maternity benefits:** *bit.ly/1SibgBW*
6. Simplyhealth sells PMI business to Axa PPP Healthcare *bit.ly/1HdqNOa*
7. **Willis Employee Benefits partners Benefex** *bit.ly/1GoYUEk*
8. How employers can support the transforming nature of employees *bit.ly/1K4tPqR*
9. **Buyer's guide to computer salary sacrifice schemes** *bit.ly/1QyRtke*
10. Key trends impacting health and wellbeing benefits *bit.ly/1C8X98J*
11. **The evolution of family-friendly benefits:** *bit.ly/1FonzKk*
12. Tesco introduces bonus clawback measures *bit.ly/1BfU3PQ*
13. **Network Rail staff reject pay deal** *bit.ly/1IAI7OW*
14. Facebook sets pay and benefits standards for suppliers *bit.ly/1HhBrUg*
15. **McDonald's focuses on motivation and reward** *bit.ly/1eOSEet*

*Ranked by number of page impressions from 13 May to 15 June.

The latest information on legislation and tax issues affecting benefits, including a High Court decision on the BBC capping pensionable salary, 'hypo tax' for expatriate staff and compliance developments in June

TRIBUNAL

High Court sides with BBC

Robert Crawford

The High Court's decision, in May 2015, agreeing with the BBC to cap pensionable salary is a comforting result for employers that intend to take similar action to curb defined benefit (DB) pension liabilities.

The BBC took the decision to introduce a 1% cap on increases to pensionable pay to its three DB schemes to cut its pension liabilities. But the approach that it took to implement the change, requiring members to accept the cap or receive no pay rise, or alternatively to cease accrual of their final salary benefits, was significant.

It led to an appeal that was lodged by scheme member and employee of the BBC Philharmonic Orchestra John Bradbury, who took his claim to the Pensions Ombudsman in 2011 on the grounds that his pensionable salary was his basic salary.

However, the ombudsman found that it was open to the multimedia organisation to determine that only part of Bradbury's basic pay was pensionable and it dismissed the case, and the employee appealed to the High Court.

In the High Court's latest ruling on 15 May 2015, it rejected the claims by Bradbury's appeal that the broadcaster breached its duty and pressured employees into accepting its pension changes, and therefore dismissed the appeal.

The initial High Court ruling in 2012 had held that a binding agreement was formed if an active member of a scheme accepted a pay rise on the grounds that only part of it would be pensionable. It also found that the ombudsman had not properly

considered the relationship of trust and confidence between the BBC and the employee, with the case referred back to the ombudsman in 2013.

The ombudsman again dismissed the claim the BBC had breached its terms, trust and confidence.

Bradbury's overarching submission was that the Pensions Ombudsman had wrongly failed to engage with the argument that, "taken overall, the conduct of the BBC was in breach of the implied duties in particular because of the mechanism and methodology that it used to achieve what it did and its alleged failure to consult".

The latest dismissal brings welcome news for employers that have capped pensionable salary within a final salary scheme, or are considering doing so. Alison Brown, global head of practice, employment, pensions and incentives at Herbert Smith Freehills, said: "The decision will give comfort to employers that enter into contractual arrangements with employees to cap future liabilities to the pension scheme."

@ Read a longer version of this story at bit.ly/1mkqTaj

COMPLIANCE

Developments impacting benefits in June

- The Employment Appeal Tribunal has returned a case to a tribunal for a re-hearing to consider whether redundancy dismissal, where the timing meant an employer avoided huge pension costs, could amount to age discrimination: *bit.ly/1I4XRv8*

- Compensation received by an employee to settle a discrimination claim is not taxable as earnings, a tribunal has ruled. The case involved a dispute over whether a payment of £600,000 made under a compromise agreement should be taxed as 'earnings': *bit.ly/1G7xOIj*

- Legislation will be brought forward to ensure there are no rises on income tax, value-added tax or national insurance for five years: *bit.ly/1Ex8qPY*

- The High Court ruled that a pensions top-up arrangement set up to provide security for unfunded pensions promises for four ex-directors at Granada Group did not require shareholder approval to be considered viable: *bit.ly/1AtukZm*

ADVICE FROM THE EXPERTS

Katie Davies
is senior director at Radius

Hypothetical tax for expatriate employees

Many UK employers and employees do not realise that staff sent abroad may have to pay taxes and file personal tax returns in both the UK and the host country.

These multiple tax obligations are inconvenient for expatriate employees. They may also result in significant employee financial losses, or sometimes even gains.

Many multinationals have tax equalisation policies to account for these tax differentials. The policies aim to remove any tax-related advantage or disadvantage that could affect an employee's decision to take an international position.

Hypothetical tax, or 'hypo tax', is a critical element of tax equalisation policies. The employer calculates the hypo tax based on the taxes the employee would have paid had he or she stayed home, excluding any assignment-related compensation.

The employer then withholds that amount from the employee's pay cheque and 'overrides' the actual payroll tax withholding. Meanwhile, the employer takes responsibility for the payment of actual tax liabilities in both the home and host countries. In tax terms, the employee then neither benefits nor loses by relocating to the different tax jurisdiction.

Depending on employer policy, different sources of income may be included in the hypo tax calculation.

Depending on the countries involved, tax equalisation may not be appropriate. As always, when operating in multiple countries, it pays for businesses to plan well in advance and seek expert advice to understand all their options.

@ To read more advice from tax and legal experts, go to: bit.ly/RYrvb6

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the perfect fit for every employee.

3 easy steps to pension flexibility.

The new pension rules bring a whole new world of choice on how to generate income in retirement. And it's not just about pensions - all savings will need to be taken into account (such as ISAs) if retirement income is to be properly considered.

We have a complete service offering to help ensure your employees are informed and can take appropriate action - not just at the point of retirement but in the years leading up to retirement and beyond.

1. **What do I need to know?**

   Financial education can be delivered via many routes such as seminars, webinars or through online tools but the most important thing is it will be tailored to your employees based on the benefits you provide. It will help your employees understand the advantages and disadvantages of all the new retirement income options available. In other words, it explains to them what they need to know!

2. **What is right for me?**

   Individual guidance and support can be provided including a helpdesk and fully regulated advice. Questions can be answered such as, 'should I retire now, delay retirement or work part time?' and 'how should I take my income?' Also, other considerations such as their partner's pension and savings can be taken into account.

3. **How do I do it?**

   We can then help them implement their chosen retirement income plan in line with their requirements whether that is taking some form of drawdown, buying an annuity or a combination of options. Many employees may want to make a series of decisions over time rather than a single choice at retirement and we can support them through this.

Ensure you get ahead and take advantage of this service now. To find out more, please contact us on: **0800 234 6880**, email us at **info@wealthatwork.co.uk** or visit **www.wealthatwork.co.uk**

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employee benefits live

2015 is set to be another great year for Europe's largest dedicated reward and benefits exhibition and conference, with top employers lining up to speak

Olympia gears up to host Employee Benefits Live 2015

Employee Benefits Live will return to Olympia National in Kensington, London, on Monday 21 and Tuesday 22 September 2015.

The 17th annual exhibition and conference will provide a platform for compensation, reward, benefits and HR professionals to come together to network and to share ideas and best practice.

As the largest dedicated reward and benefits event in Europe, Employee Benefits Live is also a fantastic opportunity to meet with, and benchmark, suppliers, as well as source the latest solutions.

Delegates at the exhibition and conference will be able to learn new techniques to use in order to attract and retain the best talent for their organisations.

They can also attend an extensive range of conference sessions on topics such as pensions and workplace savings, flexible benefits, health and wellbeing and total reward.

Key suppliers to exhibit at Employee Benefits Live 2015

Aon, Elian, Jelf Employee Benefits and Pluris are among the organisations that will be exhibiting at Employee Benefits Live 2015.

Aon is the headline sponsor of the two-day event, which will take place at Olympia National in Kensington, London, on Monday 21 and Tuesday 22 September 2015.

Other exhibitors will include Lemonade Reward and Log Buy.

■ More details on exhibiting and registering for Employee Benefits Live 2015 can be found at *www.employeebenefitslive.co.uk*

BNP Paribas, Innocent Drinks and L'Oreal to speak at Employee Benefits Live 2015

Asda, BNP Paribas, BP, Innocent Drinks, L'Oreal and Sky are among the organisations that will be speaking at Employee Benefits Live 2015.

The 12-stream conference, which will run across both days of the event, will cover topics such as:

- Strategies for boosting staff engagement in a cost-effective manner
- Wearable technology and the future of workplace health
- Developing family-friendly policies to support working carers
- The changes to childcare vouchers and assessing their impact on organisations and the workforce
- Implementing successful workplace savings initiatives to enhance employees' financial wellbeing.

@www.employeebenefitslive.co.uk

@ email us at **eb.editorial@centaur.co.uk** with your views

PEOPLE MOVES

Sky promotes Ralph Tribe

Ralph Tribe has been promoted to director of people at Sky UK and Ireland. He is now responsible for all HR activity in the UK and Ireland, and will lead a team of 200 HR staff. Tribe was previously director of organisation and people development at the broadcasting business.

Baskeyfield moves to DWF

Law firm DWF has appointed Roland Baskeyfield reward manager (interim). He previously worked at The Co-operative Group as reward manager (interim) and at Discovery Communications as international compensation and benefits manager (interim) and at BAE Systems as HR manager, reward and recognition.

CNA Insurance recruits Masterton

Roland Masterton has moved to CNA Insurance to take up the role of compensation and benefits specialist. His previous positions include compensation and benefits analyst at Mitsubishi UFJ Securities, group reward specialist at Aspen Re and international reward manager at The Body Shop.

Cope moves to Konica Minolta

Michael Cope has become compensation and benefits manager at Konica Minolta Business Solutions. Cope was previously interim reward manager at Shop Direct, Morrisons, Ericsson and Severn Trent Water.

Invesco appoints Ramzan

Invesco has hired Shabnam Ramzan compensation and benefits analyst. Ramzan was previously compensation and benefits analyst at CBRE UK, HR compensation and benefits administrator at Chubb Insurance and HR rewards adviser at Ipsos Mori.

MOST TALKED-ABOUT NEWS

Virgin Management is to offer staff a year's pay when taking paternity, maternity or adoption leave, if they have been with the organisation for four or more years. Virgin Management workers who have less than two years' service will receive a quarter of their salary. bit.ly/1G6AgH4

"Richard Branson's [founder of Virgin Group] announcement will certainly grab the headlines and steal a march on Virgin's competitors.

"As a 32-year-old male looking to start a family in the not-too-distant future, I'd be very happy with a year off on full pay, but I know it would be unrealistic to expect this to become a trend. 99.9% of employers in the UK will be unable to follow suit due to the obvious financial and HR costs.

"However, this news should encourage employers to explore other ways to support their staff following the birth of a child, within the organisation's means.

"This could be by providing a [more] flexible work environment with a scheme such as bring your own device or introducing a formal sabbatical scheme, allowing a longer period out of the workplace but spreading the financial impact over 12 months."

Andrew Drake, head of flexible benefits, JLT Employee Benefits

TOP TWEETS ABOUT THE EMPLOYEE BENEFITS AWARDS 2015

@Lucywillmeister: **Reminded yesterday how fun bumper cars are #EBAwards**

@Visualsoft: **We had an amazing day in London on Friday at the #EBAwards (and walked away winners too!) – thank you @employeebenefit**

@JoannaLongman: **Congratulations to all the winners at the Employee Benefits Awards #EBAwards #Simplyhealth**

@john__deacon: **Congratulations to @HJHeinzCompany. Extremely proud of what we have achieved together @XeroxHRInsights #EBAwards**

@ahc_global: **Congrats to @asda! Winner of Best Total Reward Statements @EB_Awards! #EBAwards #reward #communications**

@adwordsMT: **EngineLondon: Our awesome HR team just won 'Employee Benefits Team of the Year' at Employee Benefits' #EBAwards. A very well-deserved congratulations**

The Crystal Trust : the trust based flexible drawdown plan by BlueSky

BlueSky Pensions UK Ltd has been proactively developing products for members of the 25,000-strong BlueSky Pension Scheme and the UK pensions markets with its award-winning Crystal Trust.

The Crystal Trust is the UK's first trust-based managed flexible drawdown plan and is open to any employer, pension scheme or individual.

Following the Chancellor's statement in 2014 that no one will be forced to buy an annuity, employers who operate their own pension scheme with their own Trustee Board have a major responsibility to its members to provide more than just a savings vehicle. The governance provided by the Trustee could be greatly undone by a poor, or non-existent, retirement offering.

Also, employers who use a multi-employer arrangement, relying on the governance offered by the larger Mastertrusts, should also ensure their provider of choice has developed suitable products for employees to access their retirement savings as they choose.

Employers need to be aware that their employees may have saved over a lifetime (or even a short period due to membership through auto-enrolment, which may form part of employees wider saving package), and the ability to access these savings is essential to lifelong financial plans.

Certain providers have already announced that they will not be able to provide an option and many others are suggesting at least a further 12 months before suitable products will be launched. With so many individuals retiring each month (last year's annuity market exceeded £110 trillion), if providers wait a further 12 months to create products or schemes do not install products as an option at retirement, a large part of pension scheme savings will be negatively affected.

Providing employees with a quality savings vehicle, by means of a pension scheme, is now only part of the retirement benefit package. If at retirement, employees need to find their own solutions, many will be forced into inappropriate products, part of which have been contributed to by their employer, resulting in poorer retirement outcomes. Ongoing charges for investments, transactions and amendments to policies could drastically reduce income or the length of time the retirement fund lasts.

The market for 'drawdown' products in the UK is very limited, with some old-style SIPPs offering limited investment choices with sometimes unbelievably high charges. Pensions Managers, Trustees, Consultants and IFAs have very few options, which will result in employees not taking their lifelong savings or buying into the wrong solution. With so few products, how should an employer choose a provider?

The Crystal Trust, operated by BlueSky Pensions UK Ltd, has been fully operational since 6 April 2015 with members transferring uncrystallised or crystallised funds from a variety of UK pension arrangements including GPPs, SIPPs and DC and DB benefits.

Individuals joining Crystal benefit from the innovative investment solution allowing them the freedom to access their pension savings whenever they choose at a fixed low charge between 0.75% and 0.85% with no additional fees at any point during membership.

Crystal has four different payout structures

Aqua provides a monthly income, chosen by the member, and aims to continually grow the fund to provide a long-term payout. Members can change their regular drawdown level once a year and take additional flexible payments.

Jade provides a monthly income, similar to a single-life non-increasing annuity, and aims to provide a greater outcome at age 75. Members can take additional flexible payments at any time, this will reduce the monthly payments.

Onyx provides a lower monthly income than Jade with the aim to protect the original investment to allow tax-free death benefits to dependents. Members can take additional flexible payments at any time; this will reduce the monthly payments.

Ruby provides the ultimate flexibility allowing members to take single payments, with a minimum of £100 at any point during their membership.

All four options incorporate market-leading investment strategies managed by AllianceBernstein, fixed low charges and administration using the latest systems provided by BlueSky.

This month's big question:

Should employers do more to help staff save for retirement?

If employers pay more into pensions, there will be less left for salaries.

The traditional source of private pension support in the UK was a generous employer defined benefit (DB) pension scheme. But those unlimited-cost pension promises proved unaffordable and we have now moved to a system of defined contribution (DC) pensions for most employees, where the costs can be pre-planned. After all, pension provision costs are part of the overall remuneration package, so if employers pay more into pensions there will be less left for salaries.

Forcing employers to do more is not necessarily what staff need, and employers are already helping with retirement savings as auto-enrolment rolls out to all employees.

As it stands, employers select a scheme for their workforce and ensure that money is deducted from their pay without the employee having to make arrangements themselves. Also, minimum contributions are increasing.

Employees should be encouraged to make their own decisions, with adequate information and guidance or advice.

I am in favour of auto-escalation, where staff are encouraged to put part of any pay increases into additional pension contributions.

Employers could also improve employees' retirement by facilitating more flexible working in later life, so that retirement happens gradually. This would keep employees engaged for longer.

It is important that employers provide financial education, financial planning and even advice sessions to help staff understand how to plan for their retirement.

Ros Altmann is the UK government minister for pensions

Employers should ensure staff have the knowledge they need. There has been a trend for employers to move from trust-based pension arrangements to contract-based pension provision.

Group personal pension (GPP) plans are the go-to arrangement because they offer more flexibility compared with trust-based schemes. However, there are serious governance considerations to be had.

A trust-based arrangement provides assurance that there is appropriate due diligence in place, with legislation providing clear criteria on how trustees must act and their fiduciary duties.

In contrast, there are no governance requirements for a GPP. The responsibility sits firmly with the employee, who is usually a pensions novice (at best).

From 6 April 2015, providers of personal workplace pension schemes have been required to inaugurate an independent governance committee to protect member interests and assure value for money. However, the legislation seems fundamentally flawed.

True independence would be in the form of an employer-led governance committee, which would allow for real critical challenge and protection of staff retirement savings.

Employers should ensure employees have the knowledge they need to make an informed decision in what is a complex industry. Staff are more likely to respond to their employer than absorb dry, generic, pension fund literature. Employers should pick up the baton and be less blasé with their pension strategies.

Gareth Hopkins is pensions manager at The Children's Society

Employers' input is vital for those who prefer not to engage with pension savings.

Pensions are often seen as complicated and confusing, resulting in people avoiding having much to do with them.

Employers' input is vital for those who prefer not to engage with pension saving and who would rather not make decisions for themselves.

An employer's active support of a good pension scheme can have a positive effect on members' retirement savings. The employer can also agree to pay in contributions that are a good percentage of pensionable pay.

To pass the Pension Quality Mark (PQM) standard relating to contributions, a contribution of 10% of pensionable pay must be paid in, with at least 6% coming from the employer. For the PQM Plus, the minimum is 15%, with at least 10% from the employer.

The size of a person's pension pot depends on how much is paid in and for how long, so an employer paying high contributions is taking a very positive step.

The investment return on employees' pensions depends wholly on the performance of the default fund chosen by the scheme.

A paternalistic employer may want to ensure that the default investment strategy is actively managed by the scheme's governors. The PQM has stringent conditions relating to this.

If the employer promotes and publicises the pension scheme so that its employees realise what a valuable benefit they are being given, this may result in a more stable workforce, which is a benefit for everyone.

Justine Tate is managing director of the Pension Quality Mark (PQM)

Do you agree with these views? Join the discussion by searching for the **EmployeeBenefits** group on LinkedIn

MOTIVATION IN NUMBERS

Robert Crawford takes a look at facts and figures on staff motivation

2,800
Co-operative Food stores competed in a challenge, run by reward and incentive provider Red Letter Days for Business, that incentivised employees to help improve the organisation's green credentials and boost staff motivation. *bit.ly/1yMtBy6*

£100,000
was invested by the University of Bolton to send all of its 700 employees on a staff development programme to help boost motivation. *bit.ly/1EQdpzn*

500
employees attended financial education seminars after Center Parcs introduced an incentive scheme to boost take-up. *bit.ly/1KdVSki*

12%
The percentage by which business-to-business gift-card and voucher sales grew in the fourth quarter of 2014 *(The UK Gift Card and Voucher Association [UKGCVA])*.

12,000
recognition e-cards have been sent by housing charity Home Group's employees. *bit.ly/1C9U33W*

8 percentage points
The amount E.On has improved on its employee engagement and motivation scores as a result of its recognition scheme. *bit.ly/1FuZCyT*

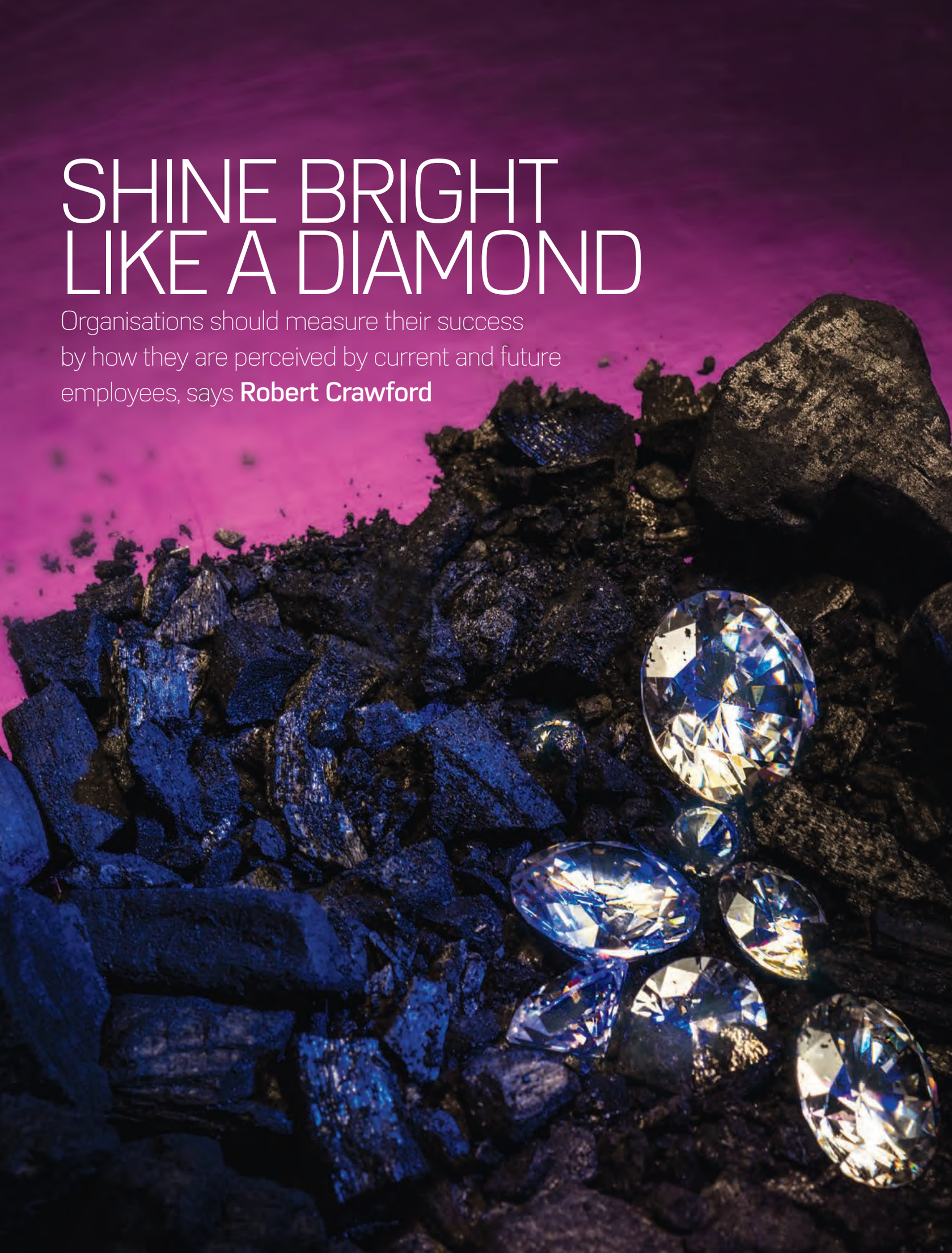
306
of Asons Solicitors' employees have access to the firm's incentive scheme. *bit.ly/1H5ykRg*

4,044
The number of Southeastern employees rewarded for their professionalism with £25-worth of vouchers. *bit.ly/1G2DDSl*

£1,500
The amount a Randstad employee was awarded during each quarter of 2014 as part of its peer-to-peer recognition scheme. *bit.ly/1DMOvAB*

SHINE BRIGHT LIKE A DIAMOND

Organisations should measure their success by how they are perceived by current and future employees, says **Robert Crawford**



When business leaders discuss being a top organisation, it is often in terms of profit, customer perception and quality of service. Unfortunately, one of the most important measurements is rarely considered.

It is the perception of an organisation by both current and future employees that is perhaps one of the most overlooked measurements of success in the business world. The way in which an organisation attracts, recruits and retains talented employees is one of the most critical components. Organisations that have made this a core focus are known as destination employers.

Patricia Hind, director of Ashridge Business School's Centre for Research in Executive Education, says: "Successful organisations understand that employing and engaging the best people available gives them a significant competitive advantage through increased productivity, and is therefore a key route to revenue growth.

"The way to becoming a destination employer involves processes being in place around the 'three-legged stool' (see p20) of hiring, retention and engagement. The role played by reward packages at each of these three stages is critical."

There is also a further process that should be taken into account to be considered a destination employer: the way new starters are treated can have a big influence on their tenure at an organisation. Employers need to focus on the onboarding of employees because, without it, new staff could quickly become disgruntled and disengaged. Michael Bourne, professor of business performance at Cranfield University's School of Management, says: "Reward comes in here when employers might want to establish a motivation strategy quickly, by introducing an internal mentoring programme that can help train and develop employees, with reward and recognition given to new employees for good performance. It can help encourage certain types of people."

Motivating new employees will help build engagement with an employer. Jamie Mackenzie, marketing director at Sodexo Benefits and Reward Services, adds: "If an employer regards itself as a destination employer, then creating engagement in benefits at the start of the hiring process will pay dividends. Reward and recognition schemes with true flexibility in the workplace help motivate people to do a better job, [and] it helps bring an organisation to life."

IF YOU READ NOTHING ELSE, READ THIS. . .

- **The ability to attract, retain and hire talented employees helps create a destination employer.**
- **Reward packages play a role in all three stages.**
- **Reward and benefits strategies must be engaged at an early stage of an employee's lifecycle, such as onboarding, to help motivate staff.**

Destination employers must offer relevant reward and benefits that demonstrate a deep understanding of what individuals really want. Not only is job satisfaction a fundamental requirement, but the potential to grow and develop a meaningful career is also a prerequisite if talent turnover is to be avoided. A solid benefits package that includes, for example, a flexible benefits scheme that provides true flexibility to entice employees to pick and choose the benefits they want can help to boost career satisfaction, productivity and retention of staff.

> "Becoming a destination employer involves processes being in place around the 'three-legged stool' of hiring, retention and engagement"
>
> Patricia Hind, Ashridge Business School

UKTV (see case study, p20) is one example of an employer that has created a strategy that rewards staff for being creative and offers new employees development opportunities to grow quickly inside the organisation.

According to research by recruitment firm Robert Walters, published in May 2015, 91% of millennial professionals say that the potential for rapid career progression is a top priority when choosing a destination employer. Ian Hodson, reward and benefits manager at the University of Lincoln, believes that learning and development is not just linked to the generation entering the workforce for the first time, but employers need to be much more aware of the increase in priority of development at other points of the employee lifecycle.

Strong employee value proposition

Charles Fair, head of consultancy at Great Place to Work, says: "A strong employer brand has a strong employee value proposition, which is not just all about reward and benefits but reward in the broad sense. It can build in the motivation strategy [and] the workplace itself, but also the learning and development opportunities. Millennials are looking for these things; they want to grow into a role."

For the reward strategy to be successful in creating a destination employer, it must align with an organisation's overall HR strategy and business objectives, while incorporating key brand messages.

Employer branding is essentially the application of techniques learnt from traditional marketing, which are then applied to people management. It can add significant value to an employer's overall business proposition through the recruitment and retention of the best talent in the market.

Michael Rose, partner at Rewards Consulting, says: "The employer brand question has been around for years and it has two different shapes: external and internal. Many organisations might appear to have a positive external brand but these organisations tend to have ➤

JACKO

Viewpoint

Neil Morrison
is group HR director at
Penguin Random House

A great place to work gives employees room to grow

In my time in the retail sector, I saw too many destination employers come and go to believe that somehow being the biggest makes you the best.

Certainly when it comes to careers, every employee will have their own reason for wanting to change employers, to move on and experience something new. It could be the location, the job opportunity, the pay and conditions or something completely personal. I don't think any one employer can provide every employee with everything they need throughout their employment life.

At Penguin Random House, we're trying to create the workplace that simply allows employees to do the best work of their lives. That means we need to think about their needs on multiple levels, their pay and reward, their development and their wellbeing.

We're privileged to do the work we do, connecting readers with the best thoughts and writing, but that doesn't mean we can rely on that to be enough for staff.

Since we merged Penguin and Random House in 2013, we've had a great opportunity to look at our entire employee value proposition, bit by bit, and tackle the areas that have needed improvement.

So far that's included developing a flexible benefits offering for all staff, looking at variable compensation and now fixed pay. We've relaunched our learning academy, amplified our wellbeing programmes and improved transparency of career opportunities.

Whatever we do, however, some people will always choose to move on and, in many cases, that is absolutely the right thing for their development.

I hope we're creating a real benchmark for them, so they look back fondly and compare us positively with their next employer. That way, when the time is right, they're more likely to get in contact and see what opportunities there are to come back.

CASE STUDY **UKTV**

UKTV creates ideas culture to attract staff

UKTV has created an ideas culture within the business, which helps it stand out from the crowd.

The TV broadcaster builds on this strategy to become a destination employer for top talent. It operates a strong focus on reward and recognition with three schemes: a peer nomination scheme, on-the-spot thank yous from managers and an staff awards ceremony.

It also offers employees the chance to apply for up to £1,000 grants to take non-work, life-enhancing courses.

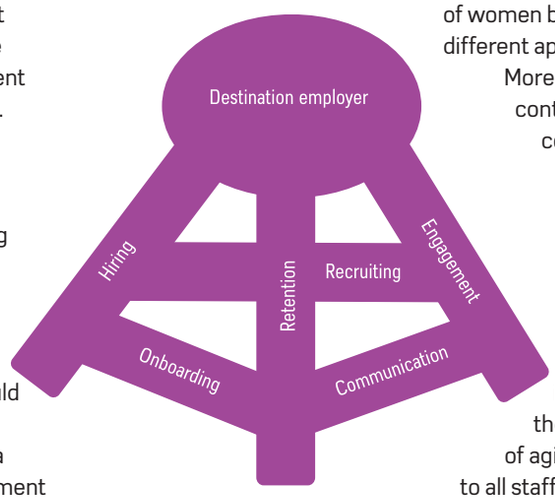
Darren Childs, chief executive officer, says: "I believe the brilliant, talented people who got through the tough recruitment process should be rewarded for their curiosity and creativity, at every step of the way."

It also has a strong focus on listening to its people, promotes equal opportunities and has a communication strategy that takes a top-down approach, with Childs taking full responsibility.

a poor internal brand for employees, with not enough investment in effective management or benefits.

"More employers are recognising that the external brand and internal brand should be aligned. Reward is a critical element to this and there is a need to make sure systems deliver the business values."

'Three-legged stool' concept



An example of this practice can be seen at McDonald's Restaurants, which aligns everything it does with its business values but also has a strong focus on the training and development of its people.

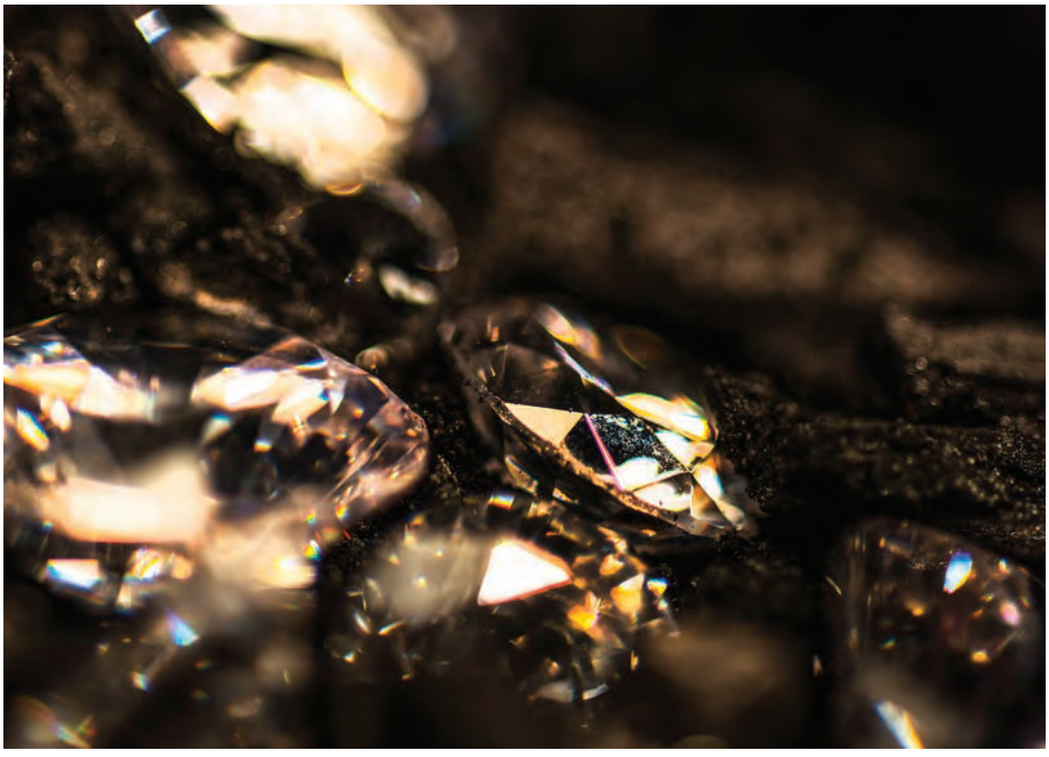
Diversity is another key aspect for destination employers to factor in, and one that is continually changing.

The Times' Top 50 Employers for Women annual recognition awards has seen a number of organisations make progress in increasing representation of women by using different approaches.

More employers continue to make commitments to publish pay audits to help close the gender pay gap, while others have focused on increasing the availability of agile working to all staff as well as ensuring that working parents can return to successful and fulfilling careers.

Marcus Hayes, co-founder and joint managing director of consultancy The Storytellers, says: "An organisation that is diverse will appeal to [an employee's] own sense of values. It is all part of the underlying motivations for why people would want to work at that organisation."

Winning external awards can really highlight to new recruits that what the organisation is doing is right for the



business and increase the probability of becoming seen as a destination employer.

External awards

"People look at organisations differently now than they did some years ago," says Rose. "External awards can show that an employer is developing a good place to work and if it can show to people it gives good opportunities to all; it can be very attractive."

Fair adds: "Employers need to take these awards seriously. Getting accreditation for what they have done does help attract people but it needs to be done for the right reasons. It has to be genuine and a reflection of their culture."

> "Line managers and HR professionals need to work together to ensure that what is offered is understood"
>
> Patricia Hind, Ashridge Business School

Integrated communication

To ensure that talent retention figures remain high for a destination employer, there must be an integrated system of communication about the many benefits available as well as their actual delivery.

Ashridge's Hind says: "Line managers and HR professionals need to work together to communicate well, to ensure that what is offered is understood and accessible, to deliver on promises, and most importantly to track engagement continuously to guarantee that the accolade of being a destination employer continues to be deserved."

The concept of being a destination employer can be incredibly challenging to implement.

For employers, being perceived as the top employer of choice in the market is entirely dependent on the ability of the entire organisation to implement and participate in each of the critical components.

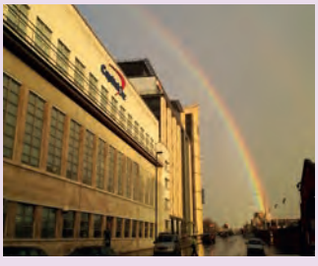
Mackenzie says: "It involves everyone and every aspect of reward, from hourly paid or seasonal employees, up to the CEO [chief executive officer]; everyone affects the ability to become a true destination employer." EB

CASE STUDY **CAPITAL ONE**

Capital One develops employee value proposition

Capital One has implemented schemes to help build staff engagement and has created a culture to help the organisation become a destination employer.

The employer's vision of 'making lives better' underpins everything it does, having gone on a journey of rebuilding trust between the business, management and employees.



Karen Bowes, vice-president of international HR and sustainability, says: "It is hard to compete with employers with a big external brand to attract people, but our employment brand is strong and is key to attracting the best talent.

"We have a number of things that stand out to create this environment, pulling on all the levers to be a great place to work and an environment that is a destination for new people."

Capital One's transformation focused staff towards four different principles: power of purpose, leadership being present, motivation and a sense of camaraderie and fun.

Its employee value proposition also focuses on benefits in the context of total reward. It ensures that staff are given details about their working environment, development opportunities and health and wellbeing initiatives.

Capital One has been named the UK's best large employer in the Great Place to Work Institute's 'Best Workplaces 2015' awards for the third year running.

■ *Karen Bowes will be speaking at Employee Benefits Live on 22 September.*

Robert Crawford
is a reporter
at *Employee Benefits*
@RCrawford_EB

@ Read also *How to build a compelling business case for benefits* at *bit.ly/1yUCYxk*

WHO BENEFITS?

Employee Benefits has teamed up with sister title *The Lawyer* to look at how law firms motivate, recruit and retain staff

iSTOCK

Almost 70 firms participated in *The Lawyer Employee workplace benefits and wellbeing research*, conducted during May 2015. More than a quarter of the firms were in regional private practice, almost a quarter in London mid-sized firms and a fifth from large London/international firms.

Overall, the results show that while in the corporate sector there is widespread adoption of many benefits, there appears to be less flexibility and innovation among law firms than might be expected, especially when the stiff competition for talent and the high cost of recruiting the best-quality candidates is taken into account.

Not surprisingly, there were some marked differences between what the largest law firms and those in London do compared with smaller firms and those in the regions.

However, it is unclear whether these differences are a result of some firms having greater financial resources and human resources expertise, stiffer competition for talent or the lifestyle choices of the lawyers.

MAIN FINDINGS

Holiday

● Generous paid leave, especially in London and larger firms

More than half of all law firms (and it is similar in London and the regions) provide 25 days' paid leave each year. The figure rises to 62% when only the largest firms are considered. Yet nearly a third of firms provide more than 25 days; this is more common in regional and smaller firms. Half award extra holidays for long service but only a fifth allow staff to buy and sell holidays.

Flexible working

● Low workflow monitoring, except in the regions

With workload being a major contributor to stress, it is surprising that only half of firms monitored employee workflow. Regional firms lead the way here, with 61% having programmes compared with 41% of London firms. Smaller firms are more likely than larger firms to monitor workflow.

● Flexible working popular, particularly in the regions and for women

Three-quarters of all firms offer flexible-working opportunities. It was available in 90% of regional firms and 86% of the largest firms. Indications are that this is adopted more by female staff than male.

● Only a third of firms offer sabbaticals

Only a third of firms offered time off for sabbaticals, and they were slightly more popular in the regional firms. Larger firms are twice as likely to offer them.

Mental wellbeing

● Patchy support for mental wellbeing

Two-thirds of firms have a strategy in place to support wellbeing; this was similar for London and regional firms. However, this rose to 80% for large firms and was 55% in smaller firms.

● Minority of firms offer stress training

Only a quarter of firms provide training to help line managers support staff experiencing stress.

This rose to a third of the London firms. There was no difference between large and small firms.

● Poor mental wellbeing information
Only 17% of firms have a dedicated information service on mental wellbeing, although this increased to a third for London and larger firms.

● More than half of law firms provide employee assistance programmes (EAPs)
60% have EAPs, which is low compared with the corporate sector (80%). Three-quarters of London firms used them compared with just more than half of regional firms.

● A third of law firms offer other counselling services
More than a third of law firms offer counselling services, which rose to half of large firms.

● Half of law firms provide occupational health support
Almost half provide occupational health support and this was similar for large and small firms.

Cash and bonuses

● Most firms offer cash bonuses
80% offer cash bonuses for performance. Mostly these are for individual performance.

● Little incentive for team performance
Less than half of firms take account of team performance for bonuses.

● Bigger bonuses in London
Almost a third of London firms reported bonuses of between £10,000 and £75,000; in the regions there were less than 5% of these.

Pensions

● Most firms provide pensions
More than 85% of firms provide a pension. The figure was highest for London and larger firms.

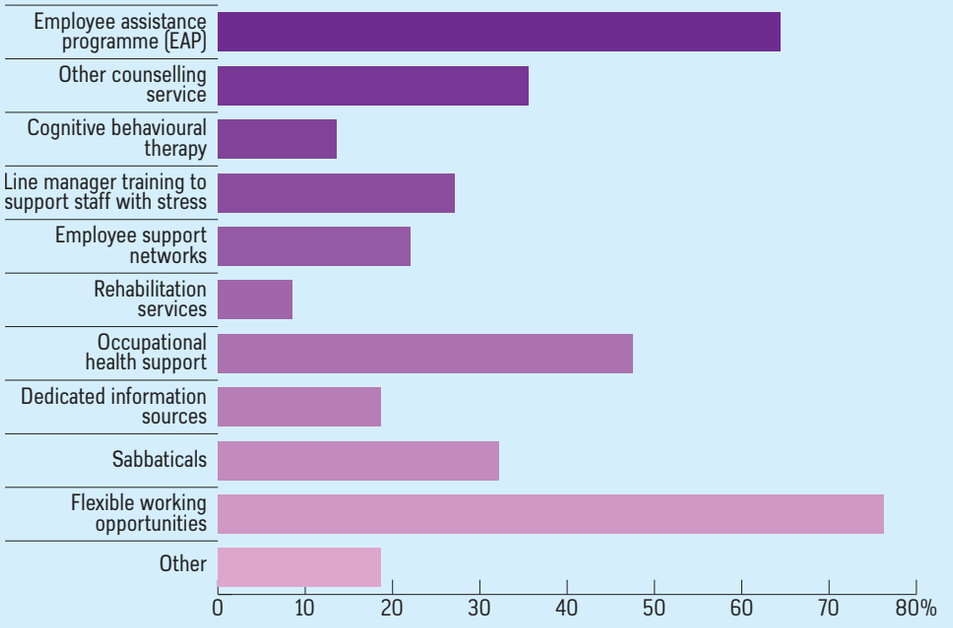
● Death of defined benefit (DB) schemes
Only 10% have a DB scheme and they are all closed to new members. Larger firms are more likely to have them than London or smaller firms.

● Rise of the defined contribution (DC) scheme
Nearly two-thirds of firms have DC schemes and this is higher than the corporate sector.

● Regional variations in DC scheme type
There are more group personal pensions in London (68%) than the regions, but the regions had more stakeholder pensions.

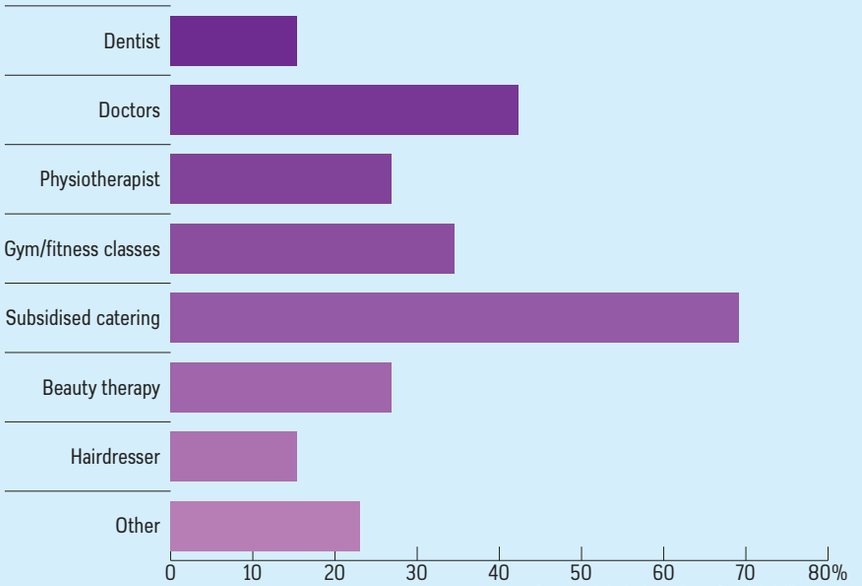
● Larger and London firms give more generous contributions
69% of larger firms contribute 5% or more (39% in smaller firms). 59% of London firms give 5% or more (46% of the regional firms) EB

What does your mental wellbeing strategy include?



Source: Workplace Benefits & Wellbeing Report 2015

What on-site services does your organisation offer?



Source: Workplace Benefits & Wellbeing Report 2015

Kim Tasso
is a freelance reporter

@ Read also *Revamping a motivation strategy* at *bit.ly/15bnhW2*

TAKING A SLICE

April's tax changes will have an impact on international employee share plans, says **Lee Hamilton**

Employers with internationally mobile employees who participate in employer share plans are likely to be affected by new tax and national insurance contributions (NIC) rules introduced from 6 April 2015.

While many employers will (understandably) not want to review the detailed changes to the legislation, it is important they are aware of the changes and what they may mean to the plans they operate.

The cost of getting it wrong is likely to be a deemed pay as you earn (PAYE) and NIC compliance failure, with all the financial penalties this could entail.

There is also a human capital aspect to consider. Many employees will no doubt be expecting their employers to understand the new rules and to operate PAYE and NICs correctly. Previous guidance given in an overview or a frequently-asked-questions document may need updating.

Generally, the changes will affect employers where internationally mobile employees participate in certain types of share plans involving share options, restricted stock units, restricted shares or convertible shares.

IF YOU READ NOTHING ELSE, READ THIS...

- **The tax changes will generally affect employers with internationally mobile employees that participate in certain share plans.**
- **Employers need to be aware that getting changes wrong could result in possible financial penalties.**
- **The impact depends on the specific plan rules in each case.**

The impact will depend on the specific plan rules in each case and, therefore, the way the plan is currently taxed under the share scheme legislation.

The name of a share plan does not necessarily mean that a certain UK tax treatment will follow. A restricted stock unit under one plan can be taxed differently to a restricted stock unit under another plan.

Employers are recommended to seek specialist advice to confirm whether their current share plans are affected.

The changes

Under the old rules, prior to 6 April 2015, share incentives were often taxed by reference to an employee's UK residence status at the time when the share options or shares were awarded.

For example, take an employee who was granted share options three years ago when they were a non-UK resident and were not expecting to come to the UK, but then moved to the UK on 1 January 2014. They became resident in the UK and exercised their share options in June 2014. Under the old rules, tax (and thus PAYE) and NICs would not generally be required on exercise because the shares were granted when the employee was non-resident and not expecting to come to the UK. Given this position, many UK employers ignored the exercise of share options by employees who were non-resident when the share options were granted.

In some circumstances, the old rules meant that employees who were granted or awarded share options when they were resident may have been still subject to PAYE and NICs in full, even where the options were exercised or shares vested when the employee was non-resident.

Under the new rules, the UK tax and NIC treatment will take into account the employee's UK residence position during the entire period from the award of options or shares to the point these vest or are exercised. The effect of this is that while the exercise or vest of options and/or shares may have escaped UK tax and NICs under the old rules, the same options or shares are likely to now be subject to UK PAYE and NICs, on at least a part of any gain.

The new tax treatment applies to all exercises and vests that occur from 6 April 2015, even where the grant or award of the options or shares was before 6 April 2015.

To address the changes, employers can determine whether the PAYE and NIC treatment of an existing share plan needs to be updated; identify any current expatriate employees who may be affected; communicate the changes with affected employees; update any internal documentation and establish a new process where required so PAYE and NICs may be applied correctly upon vest or exercise EB

Lee Hamilton
is a director
at Crowe Clark Whitehill

@ Read also *Top tips for communicating benefits strategies to overseas employers* at *bit.ly/1SkI3pY*

READ ALL ABOUT IT

With so many health-related issues hitting the headlines, which should employers take note of to support staff health, asks **Marianne Calnan**

Focused on topics from mental health, to cancer, obesity and the ageing population, headlines about healthcare are rarely out of the news.

Keeping employees healthy should be a priority for employers because of the impact wellness has on productivity and retention. So should employers take note of how headlines might reflect in their workforce's health?

Supporting mental illness

The *Group Risk Development (Grid) 2014 Employer research* published in October 2014, found that stress and mental illness are the main causes of sickness absence. With these issues so prominent in the workplace, it is no wonder they are also abundant in the news.

The March 2015 aircraft crash in the Alps, involving pilot Andreas Lubitz, brought mental health to the forefront of people's minds, but not in a positive way. Emma Mamo, head of workplace wellbeing at Mind, says: "Thanks to the primarily sensationalised media reporting, many of the references linked mental health with danger. This type of reporting only served to fuel the stigma, which can prevent people speaking out and receiving support from their employer."

Daryl Maitland, senior HR manager at Cafcass, also understands the importance of mental health awareness. "I buy into the concept there's a connection between physical and mental health," he says. "If an employer cares about wellbeing, it can really help improve mental health because [employees] know they care."

Headlines can improve workplace support with mental illnesses, says Maitland. "If there is lots of coverage of a health problem, some employees will come to expect help around it from their employer."

Increasing diabetes awareness

According to a study by the NHS published in February 2014, 3,208,014 adults had diabetes in 2013, an increase of more than 163,000 compared with 2012. A rise in a condition

IF YOU READ NOTHING ELSE, READ THIS. . .

- **Staff's health should be prioritised.**
- **Media coverage can tarnish the way health problems are perceived, or give employees and employers confidence to discuss issues.**

such as diabetes can put a considerable strain on the NHS and workplaces. Mike Blake, director at PMI Health Group, explains: "Illnesses such as diabetes and obesity are inversely linked to productivity and lost time."

HIghlighting the issue in the media can help employers promote awareness in the workplace. Blake says: "Headlines can help healthcare matters stick, and make employees worry about their own health more rather than bury their heads in the sand. They also mean employers become part of the solution."

The aforementioned NHS figures also revealed that 90% of diabetes cases are type two, which tends to be caused by lifestyle choices and obesity levels. It can have extremely serious consequences on an employee's health.

Jeremy Chadwick, managing director of VSP Vision Care EMEA, says: "Unmanaged diabetes can lead to sight loss, cardiovascular diseases, strokes, amputations and early death."

Employers can offer proactive support to help prevent diabetes by implementing initiatives such as exercise classes and by providing healthy-eating information.

Managing weight levels

Obesity is also a burning issue for employers: some 64% of UK adults are overweight, according to a Public Health England survey published in February 2014. To help prevent lifestyle-associated illnesses such as increasing obesity levels, Blake believes senior staff must lead by example. He says: "Workplaces need to have a culture of fit and healthy staff, leading from the top, and giving incentives can create that. The trouble is that employers can be seen to be meddling, but headlines make it okay for employees to initiate asking for help."

Ageing workforce

The ageing workforce brings challenges for employers in supporting the health of their staff. Some 37% of HR directors plan to review their benefits to meet older workers' needs, according to research by MetLife Employee Benefits, which can only be a positive shuffle towards supporting the workforce as it works longer.

Michelle Rae, medical product manager at health insurance provider Cigna, believes that the issue of the ageing workforce is only just beginning to be recognised. "The ageing workforce is a big issue, but it's really starting to resonate with employers, which is great because the issue will only get worse," she says.

A healthy office environment

Sick building syndrome, an unhealthy building environment, has made its way onto numerous news agendas. Oliver Heath, biophilic design ambassador at global manufacturer of commercial carpet tiles Interface, says: "It has been suggested that sick building syndrome can have detrimental effects on wellbeing, potentially bringing on illnesses, such as a sore throat and sinus problems. It can also affect decision-making skills, increase absenteeism and reduce productivity, which can have a big impact on the effectiveness of a workforce.

> It has been suggested that sick building syndrome can have detrimental effects on wellbeing
>
> Oliver Heath, Interface

"The good news is that to address these issues and ensure a workforce is performing effectively, there are some simple, inexpensive things employers can do to improve wellbeing. These include reducing office temperature, increasing ventilation and reducing carbon dioxide [CO_2] levels."

Cancer awareness

As highlighted in the news, cancer affects everyone in all walks of life. Yet, just 62% of male cancer patients feel supported by employers, according to YouGov research commissioned by Unum with cancer charity Maggie's, published in September 2014.

IMPROVING WELLBEING IN THE WORKPLACE

Wordcloud created by Employee Benefits

CASE STUDY BALREED

Balreed boosts cancer awareness at work

Balreed ran workshops and screenings to highlight cancer awareness for employees in January 2015. All 204 employees at the managed print services provider attended.

The programme, which is provided by HealthScreen UK, offered male staff over the age of 40 a free prostate-specific antigen test following a workshop. Invitations were extended to family and friends of female staff, as well as to men under 40.

The organisation created its 'Be A Hero' campaign when its managing director, Robin Stanton-Gleaves, was diagnosed with prostate cancer in 2014.

Kim Mason, HR adviser at Balreed, says: "Cancer is all you read and hear about. It's worrying to see younger people getting cancer, so raising awareness is important.

"The campaign encouraged our male-dominated workforce to make sure they're aware of the symptoms of cancer, and to feel comfortable enough to talk about it."

Viewpoint

Rachel Dineley is partner, employment and pensions group, at DAC Beachcroft

How far should an employer's duty of care go?

A recent High Court case gives useful insight into approaches taken by courts to an employer's duty of care in anticipating a worker's psychiatric illness, and how to manage risks in that regard.

In *Easton v B&Q*, a manager claimed for damages in respect of his nervous breakdown following workplace changes, which had caused him undue stress.

Although he had raised the issues with managers, the court found that his concerns had not been expressed in such terms as to put the employer on notice that there was significant risk, and there was no duty-of-care breach.

One in four people suffer from mental ill health at some point, and depression affects one in 12 workers, so the need to cater for such issues is unquestionable. Many employers could do more in providing training and affordable benefits.

Since Fit for Work is in its infancy, employers should be proactive in making the most of opportunities to maintain a healthy workforce; it is plainly in their interests to do so.

Although cancer is appearing in headlines, some employers are not grasping its importance. This was reiterated by a study by Bupa, published in February 2015, which revealed that just 4% of employees say their employer has run cancer-related initiatives.

One employer, print provider Balreed, ran cancer awareness workshops in January, which were attended by all staff (see case study, p27).

Stretching the NHS

It is no secret that the NHS is being stretched to its limits. This is a colossal difficulty that employers need to be aware of, because it calls upon them to offer more support. Blake says: "NHS and general practitioner [GP] services are under pressure, which could indirectly create problems for employers if staff can't get treated quickly."

> NHS and GP services are under pressure, which could indirectly create problems for employers
>
> Mike Blake, PMI Health Group

Mamo adds: "NHS mental health services have always been underfunded, but evidence shows that they have suffered cuts of about 8% in the last five years. This has an impact on employers because people can become unwell while waiting for treatment, and they potentially need time off or even end up in hospital."

JP Morgan provides staff with healthcare benefits to help work around the stretched NHS services. Adam Brookes, vice-president, employee benefits (UK), at JP Morgan, says: "Waiting times for NHS hospitals and GP surgeries are coming on very strongly in the news, which is why we provide all UK staff with private medical insurance [PMI]."

Staff also have access to a confidential employee assistance programme (EAP) and a private GP service, provided by Nuffield Health, entitling them to up to 12 appointments with a private GP annually.

Using headlines to promote health

But can the abundance of health issues illustrate their importance to employees?

Chris Rofe, senior vice-president at Lockton Benefits, says: "There's barely a month that goes by when there isn't an awareness week of some sort. These kinds of public events, such as Mental Health Awareness Week and Movember [which raises awareness of male health issues in November], improve employee understanding.

"Employers should be looking to leverage anything in the public domain that has enough information for them to start conversations with staff. The holy grail of this is to help employees change their habits and attitudes."

Health issues highlighted in the mainstream press can certainly bring home important messages for organisations.

As Rae says: "Employers can't give employees scare stories about their health, but they can hone in on what staff might want and need." EB

Marianne Calnan is a reporter at *Employee Benefits* **@Mazsays**

@ Read also *How to build a compelling business case for benefits* at *bit.ly/1yUCYxk*

International retirement plans for a global workforce

Supplied by: GENERALI Employee Benefits Network

Organisations need to provide their expatriate employees with adequate benefits in order to retain valuable talent and expertise, says **Paolo Lippi**

Globalised economies rely on an increasingly mobile workforce. A growing number of workers across sectors plan their career abroad. They are less inclined to return home and more likely to relocate.

While expatriate employees are a key asset for organisations operating across countries, providing them with adequate benefits can be challenging. Employers need dedicated solutions and support to unlock opportunities that the mobility of skills and talent can offer, while reducing the administrative burden.

International retirement plans are a key component in a competitive remuneration package to retain valuable staff and expertise. With shrinking state-funded benefits and longer life expectancy, employers are called on to help their employees save throughout life. Once taken for granted, securing an adequate income at retirement is among the major concerns to most individuals today, the more so to those moving across jurisdictions.

International plans can help HR departments respond to their employees' urgent needs, and to address challenges of co-ordination across geographies by enhancing portability, flexibility and transparency.

The importance of portability

Portability is essential in any international plan for expatriates. A single plan that operates across geographies ensures protection for employees when local solutions are not available or not appropriate. Reconnecting an otherwise fragmented experience, it allows benefits to continue accruing after any change in location so that paid contributions are not lost. HR managers will find it simpler to manage rather than running and monitoring separate contracts across the globe.

This approach will also enable employers to deliver a consistent benefits strategy at global level, independent of the country or nationality of their employees. In order to ensure the necessary portability, the plan should be issued from a well-regulated international centre, with well-established pension legislation and investor protection.

International plans allow for greater flexibility than local solutions. They can be tailored to the specific requirements of each organisation through flexible benefits design, including bespoke vesting rights, currency choice, wider investment options and more flexible drawdown options.

Investment options are important both for the build-up phase and the drawdown phase. Traditional pension return is challenged by the latest trends, such as an ageing population, rising unemployment and low interest rates. Drawdown is increasingly being seen as a more attractive option than a guaranteed annuity, because the plan can hold a range of assets to provide a higher income, and flexible options such as transfer rights in case of death.

The drawdown option has, in turn, challenged the traditional structure of pension build-up. Traditionally, defined contribution pension planning was structured by investing in more volatile assets the further away someone is from retirement (they have a higher risk/return ratio), then switching to more stable investments as retirement approaches.

Now the investment horizons extend from the start of the build-up process to death, rather than to retirement. Employees should look at higher allocations to equities for a longer period. These assets have provided the highest returns over a 30-year period than bonds or cash and also provide some protection against inflation.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With increased responsibility on employers and individuals, providers such as Generali Employee Benefits' (GEB's) role is to deliver effective and transparent pension solutions to best equip employers, independent of their size, risk appetite and financial expertise. Educational tools, online platforms for secure and simple operations and dedicated members' engagement programmes are no longer just nice to have, but essential. The development of international pension plans dedicated to small and medium-sized organisations shows how these plans are becoming a comfortable solution for more employers, and confirms providers' capacity to make sophisticated solutions accessible and available to the widest possible number of employees.

Paolo Lippi is international pension manager at Generali Employee Benefits Network

DEFENSIVE MEASURES

Employers must protect pensions data ahead of changing regulations, says **Nick Martindale**

The new EU General Data Protection Regulation, likely to come into force in 2017 or 2018, will have significant implications for how employers handle data, and pension schemes in particular.

The regulation introduces a number of changes to the current data protection regime, including tougher sanctions for breaches of rules, stricter notice and consent rules, new obligations on data controllers to notify breaches and more emphasis on a data controller's accountability.

Comron Rowe, a partner at law firm Temple Bright, says: "Employers will need to toughen up their approach to data protection and the way it applies to their employees and pension arrangements, including introducing more comprehensive data protection policies and procedures and taking non-compliance more seriously. Many employers may even need to appoint a dedicated data protection officer."

In practice, this will create several new obligations on those who are seen as 'data controllers', particularly trustees, warns Nicola Fulford, head of data protection and privacy at Kemp Little. "It is likely that some of the new obligations will involve the trustees providing more comprehensive information to individuals before beginning any processing," she says.

Where external administrators have been appointed to run pension schemes, trustees must also review contracts to reflect the new obligations for the administrators, adds Fulford.

The biggest issue for many employers will be how to ensure compliance across the range of active, deferred and pensioner members. Helen Powell, counsel in Allen and Overy's pensions practice, says: "Current best practice is to get express consent to data processing when a member joins the scheme, and to frame the consent widely to cover possible future changes of provider, administrator or scheme sponsor."

Auto-enrolment has further complicated this because those joining schemes do not need to give consent as a condition of joining, but this exception will not last for the duration of a member's lifecycle.

IF YOU READ NOTHING ELSE, READ THIS...

- Employers will have to assess their approach to protecting data, including that processed through pension schemes.
- Ensuring compliance for all members of a workplace pension scheme will be a big issue for employers.
- Employers should review their position now in order to be adequately prepared.

Practical issues

Other practical issues include the extension of the notice requirement of the current directive with the addition of new fields of required information, meaning employers will have to review and amend existing notices. Ann Bevitt, a partner at Cooley, says: "If employers fail to meet these new stricter requirements they may be fined up to €100m (approximately £715,000) or 2–5% of annual worldwide turnover; whichever is greater."

In the event of any data protection breaches, employers will have act immediately. Monica Cope, chief operating officer at Veratta, says: "Organisations must notify the relevant data protection authority of the incident occurring without delay, and the data subjects must be notified if there is likely to be an adverse effect."

For now, employers must focus on planning to ensure they are ready for the introduction of the regulation. "This will very likely be agreed this year and then come into force two years later," says Fulford. "However, updating internal compliance processes and external-facing documentation in order to be able to meet the standards will take some time and effort, so trustees should start reviewing their position and planning remediation activities soon." EB

Nick Martindale
is a freelance journalist

@ Read also *Employers must consider the potential risks involved in data mining* at *bit.ly/1fhlKmW*

DOING THE ROUNDS

Auto-re-enrolment gives employers the chance to review their pensions offering, says **Tynan Barton**

October 2012 saw the first tranches of large employers go through the pensions auto-enrolment process, and thousands of employees began saving for retirement for the very first time.

Three years on, and those organisations are facing the re-enrolment stage for the first time. It is at this point that employers repeat the duties they first carried out at their initial staging date, and re-enrol eligible staff into a pension scheme if they are not already in one.

While at their staging date employers may have been concerned primarily with complying with their new legal duties, re-enrolment presents opportunities for them to assess what they are offering to staff. Employers should start assessing and planning well in advance of their re-enrolment date, even if they have a high percentage of employees already enrolled in the pension. At this stage, an employer should engage with its consultants and providers to establish what it already has in place, and if there are any weak spots.

It is also an ideal time to re-issue communications to employees, reminding them about auto-enrolment. Steve Herbert, head of benefits strategy at Jelf Employee Benefits, says: "In some respects, it's not dissimilar to the first staging process, so there's quite a lot of planning and execution required."

Secondary market

Pensions re-enrolment can almost be considered a secondary auto-enrolment market, says Angela Seymour-Jackson, managing director of workplace solutions at Aegon. While most employers have had a good experience of auto-enrolment to date, others have not been as fortunate, and can use this stage to make changes. Problems may include a difference in the level of support received from providers during the initial staging and beyond, compared with that originally expected.

"We always believed that once employers start coming up to that three-year stage, that would act as a trigger for many to start looking if they are with the right provider and whether they had the right proposition for their employees," says Seymour-Jackson. "We are seeing the

IF YOU READ NOTHING ELSE, READ THIS...

- At the auto-re-enrolment stage, employers will need to re-enrol eligible staff into a pension scheme.
- It is an ideal opportunity for employers to review the systems and processes they have in place for auto-enrolment, as well as looking at the support they receive from their provider.
- Employers should start planning well in advance of their re-enrolment date to ensure their pension provision is best suited to their organisation.

CASE STUDY WELCOME BREAK

Welcome Break plans for smooth re-enrolment

Welcome Break is planning for a smooth process when it comes to its re-enrolment date in June 2016.

The motorway service operator began planning for its initial auto-enrolment six months prior to its staging date in June 2013, and, working with advisory service Aspira, it ensures a relatively smooth operation once the first contributions were made.

Welcome Break operates two pension schemes for auto-enrolment: one for its weekly paid staff and one for its monthly paid staff. It auto-enrolled 2,000 eligible staff, and had few opting out.

The organisation worked with its advisers to plan and create the communications around auto-enrolment for staff, which were sent out two months before its staging date. Its monthly paid staff received one-to-one sessions with Aspira, which covered all areas of pensions.

Welcome Break is fully aware of its upcoming duties of re-enrolling eligible staff at its three-year staging date anniversary, and has already begun to plan for the task. Cashmore believes the re-enrolment stage will not be too challenging and plans to send out communication two months in advance. She says: "In theory it shouldn't take too much [work]; it will be the communication again to inform [staff] that we're re-enrolling everybody."

early signs of this secondary market really start to emerge. Changing a provider is never straightforward or simple; employers will also have to go through a review, but we're expecting to see a kick-up in that activity as employers come up for that three-year staging process."

Additionally, if employers did not give themselves enough time to prepare for auto-enrolment, they may use this stage to look at how they do things. John Copsey, chartered financial planner at Informed Financial Planning, says: "[Some employers] are finding their scheme cumbersome. The amount of administration they have in the process each month is forcing them to look at what they are doing, and who with."

The re-enrolment stage also allows employers to review their whole benefits offering while looking at their pensions provision. Derek Miles, managing director at Aspira, says: "We are seeing a definite move to look at the whole benefits package as part of that review, as opposed to just carrying on with the status quo."

One of the big problems with benefits is that employees can easily forget what is available to them, so reinforcing communications can help drive take-up of all offerings. "This is a good opportunity to drive home the message about what's already there, because that then helps to engage people," says Jelf's Herbert.

Since the first waves of auto-enrolment three years ago, the pensions industry has also seen the introduction of the pension freedoms. With the vast number of new pension savers now in schemes, employers can use their re-enrolment date to ensure staff are aware of the new retirement choices, as well as ensuring their pension provision can cope with the changes.

Key to going through re-enrolment is that employers have given themselves enough time to once again review their proposition and ensure it is the best fit for employees and the organisation. "The main thing is that it's a good opportunity for employers to put their foot on the ball and check the level of support they've got," explains Seymour-Jackson EB

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@ Read also *New exemptions introduced for auto-enrolment* at *bit.ly/1CBVLdF*

Viewpoint

Tim Middleton
is technical consultant at the Pensions Management Institute

Re-enrolment must be well communicated

This summer will see some employers implementing the first cyclical re-enrolment exercises. These will be the nation's largest employers. Having been the first to implement auto-enrolment, after an interval of three years, they are now the first to apply re-enrolment. It will be important they understand the way in which the process differs from the initial enrolment into a workplace scheme that they went through. Effective communication will be vital.

Employers will need to select a re-enrolment date from a window that stretches for three months either side of the third anniversary of their initial staging date. Those workers who are to be re-enrolled must have previously been a member of the employer's scheme and: must not be an active member of another qualifying scheme; must have left the employer's scheme more than 12 months prior; and must qualify as 'eligible jobholders' at the re-enrolment date.

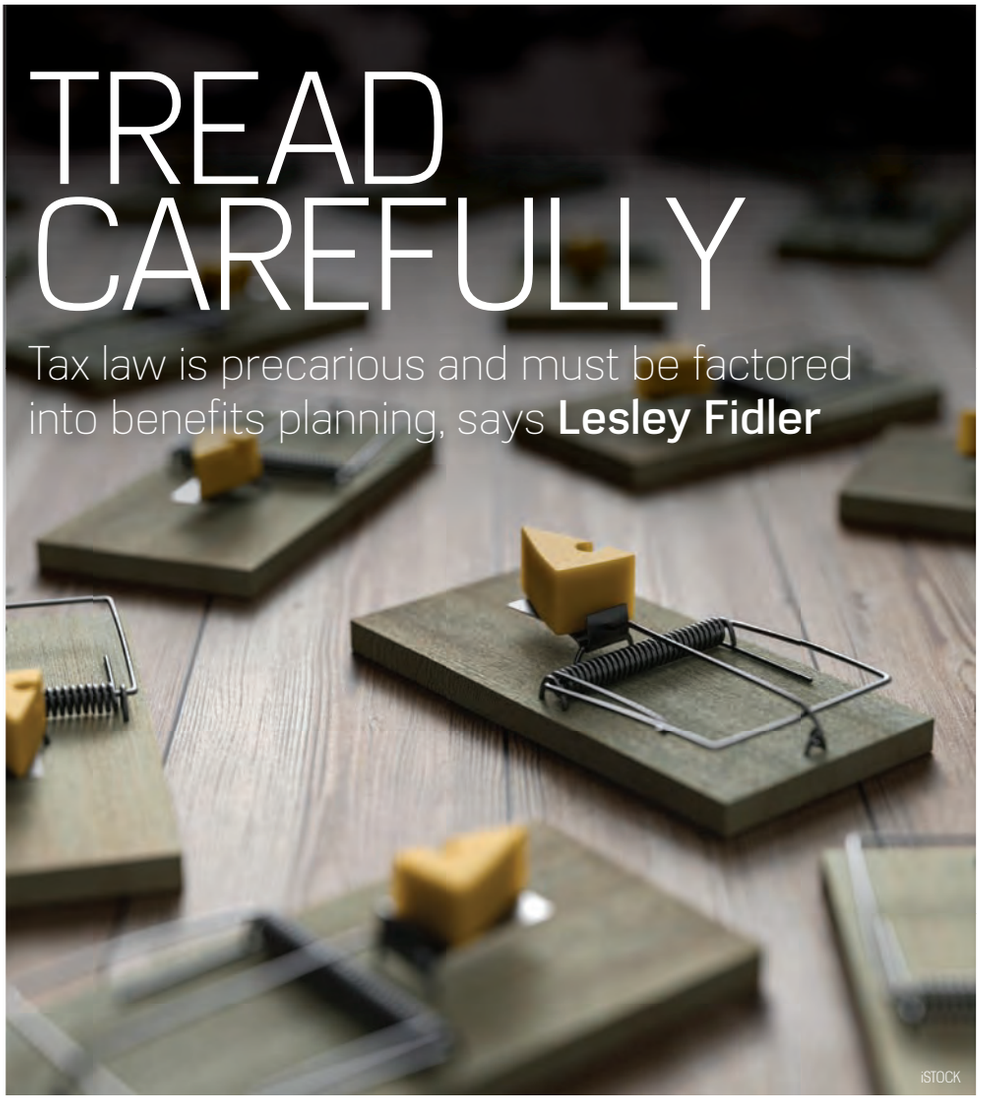
Re-enrolment differs from the original exercise in that the assessment need only identify workers who are eligible jobholders. Also, there is no option for the employer to use postponement.

Effective communication to staff will be key; they will need to understand why they are being brought back into a scheme they had previously chosen to leave. It is important they are aware of their options, including how to opt out again.

This is also a good time for employers to review the design of their scheme. Since April this year, there are statutory duties for employers requiring them to ensure schemes continue to represent good value for money for members. Regular review is now more important than ever.

TREAD CAREFULLY

Tax law is precarious and must be factored into benefits planning, says **Lesley Fidler**



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IF YOU READ NOTHING ELSE, READ THIS...

- **Employers should consider the business reasons behind their reward policies.**
- **Employers must be aware of any tax consequences of providing benefits.**
- **They should include any tax considerations when planning and budgeting.**

Before employers start to think about the tax efficiency of their employee benefits offering, they need to consider the business rationale for their policies. Once they are certain that they know what each policy is intended to achieve, then tax law is only one of the legal codes that needs to be considered.

Other considerations include health and safety responsibilities such as food handling for working lunches; employment law, including discrimination in its many unintended forms (gifts of wine for those whose religion prohibits alcohol, for example); and data protection.

The old adage about not letting the tax tail wag the commercial dog remains true in relation to employee benefits.

To this can be added two more maxims. The first is that just because it makes good business sense to provide employees with a particular facility or benefit, there will not necessarily be a corresponding tax break. The second, that employers can provide their employees with any (legal) benefits or payments that they choose, comes with the caveat that those employers still need to get the tax reporting and payment consequences correct.

So just because there is a tax and national insurance contribution (NIC) exemption for an annual party or similar event that costs no more than £150 per head, employers are not prevented from offering a more costly event. They may have extra reporting processes and additional tax and NICs to pay if they wish to avoid their employees getting a tax bill, but that is their choice.

Employers must also consider difficulties that they may have when providing benefits in kind to their staff, particularly in recognising that there could be a tax or NIC consequence.

Delegating responsibilities to line managers may be operationally effective for employers, but unless those managers are unusually tax aware, unexpected employer costs, plus interest and even penalties, can arise when benefits are provided.

Similarly, employers must consider the possible danger of missing a key detail that is needed if an exemption is to apply. For example, if a staff party is to escape tax as a benefit in kind, it needs to be open to all employees at the same workplace; a managers-only event will not qualify.

Monetary limit

Many exemptions come with a monetary limit. Tax-free incidental overnight expenses are £5 per night, averaged over a UK trip, or £10 overseas. The £150 per head for annual parties is well known. Employers that exceed these limits will find that the entire cost becomes taxable, not simply the excess.

Employers should embed tax considerations into all planning and budgeting, and keep a record of the steps taken. An employer should be able to show that 'reasonable care' was taken to get its tax and NICs position right, because this can go a long way in reducing or even cancelling any penalties. This may involve checking HM Revenue and Customs' (HMRC's) website or consulting a professional tax adviser.

Thinking ahead is key, particularly given employers' new reporting requirements. Only a handful of unusual employers are outside HMRC's real-time information requirements, so reporting is not necessarily only a year-end exercise.

Ultimately, employers must be mindful of the fact that almost nothing in relation to compliance with income tax and NIC rules is simple. If there is a tax exemption, there is almost certainly a set of essential requirements and probably some exceptions too EB

Lesley Fidler
is tax director
at Baker Tilly

@ Read also *A guide to tax-efficient benefits* at *bit.ly/1K24zQd*

ENSURE STAFF SCOOP UP THE BENEFITS

Clear, regular communication about the perks on offer is essential to ensure employees engage with voluntary benefits schemes, says **Tynan Barton**

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IF YOU READ NOTHING ELSE, READ THIS...

- **A voluntary benefits scheme needs to be well communicated and promoted to ensure employees engage with it.**
- **Using benefits champions and savings examples can help engage staff with the scheme.**
- **Communications must be ongoing and kept relevant in order to maintain employee engagement.**

Too often an employer will spend time and money implementing a voluntary benefits scheme only to treat it as a tick-box exercise and not pay it any more attention. But for a scheme to be successful both in providing employees with valuable benefits and discounted offers, and increasing staff engagement, motivation and productivity, employers must ensure that it is regularly communicated to staff, and that they are fully aware of what their employer offers.

Jenny Hard, senior communications manager at consultancy Aon, says: "It's all very well having these great discounts available, but if employees don't know about them then there's no point having them. It's about looking at the media channels [employers] can use."

Employee engagement should start prior to the launch of a scheme. Putting in a plan will often mean an employer is starting from nothing, so getting employees on board early will help promote the benefits. If a scheme has been requested by employees, they can also help put the word out about what is coming. Mark Carman, director of communication services at recognition and reward provider Edenred, says: "It's important to have a very good launch because without it it's very hard ➤

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Viewpoint

Clare Kelliher is professor of work and organisation, Cranfield School of Management

Can voluntary benefits motivate employees?

Anything that enhances the lives of employees and adds to their reward package is generally to be welcomed.

Non-monetary benefits, which may include shopping or restaurant discounts and childcare vouchers, can be useful ways to motivate and engage employees. However, the value attached to non-monetary reward is always subjective and so may be more attractive to some employees than to others.

It is important for an employer to give careful consideration to what benefits are offered to staff and how these fit with the organisation's overall people strategy.

For example, if an organisation is keen to promote health and wellbeing, then offering discounted gym membership might make sense. And for sectors such as financial services, where the demands on employees' time are high, offering a concierge or dry-cleaning service at work could help to make employees' lives easier.

Other benefits such as experience day vouchers may also be valued by employees because they may be viewed as 'treats' by those who receive them.

However, just because an organisation is offered a benefit by a supplier does not necessarily mean it has to offer it. They should consider if it fits into its overall people strategy, rather than just accepting offers on an ad-hoc basis. There may also be issues of fairness if some significant benefits may not be accessible or relevant to all parts of the workforce.

The available benefits also need to be communicated clearly as part of a good overall communications strategy. Details should be accessible and understandable, kept up to date and regularly reviewed to ascertain the level of uptake and interest. Benefits have to be meaningful to staff.

to maintain momentum because you're coming from a low base. It's worth investing a lot of time in creating a communications programme that requires involvement from the HR team, and also peer engagement groups, pre-launch."

Achieving good take-up levels

Take-up levels are a good indication of how well employees appreciate and are engaged with a benefit. With voluntary benefits, take-up figures can vary depending on, for instance, how often an employee will use a shopping discount or sign up to a health cash plan. Many voluntary benefits schemes see usage figures of between 50% and 90% of employees logging on and using the benefits.

Keeping track of the take-up and usage figures can help an employer understand what employees want and appreciate from a scheme. Lisa Turnbull, communications manager at employee benefits and technology provider Reward Gateway, says: "Once a programme has gone live, we constantly evaluate the management information (MI) data so that we can see what staff are using; and which groups of staff are using it more than others. We'll do engagement surveys so that we can keep on top of the trends and be sure we're always offering the best to get that engagement for [employers]."

> "Once a programme has gone live, we constantly evaluate the management information data"
>
> Lisa Turnbull, Reward Gateway

72% of UK employers communicate benefits programmes to employees

(Source: Aon's Europe, Middle East and Africa (EMEA) benefits communication survey 2015)

Employers can maintain high engagement with a scheme by keeping up regular contact with employees to find out what they think. This can be done face to face, or by conducting a pulse survey or poll. "The data [employers] will get out of the programme in terms of how many people have used certain pages and how often they have logged in will be very indicative of what's going on, but there will always be reasons why people aren't using a programme, which [employers] will only find out by asking them," says Turnbull.

53% of employers that are satisfied with the impact of their benefits communications inform employees several times a year

64% of these would recommend segmenting the audience and providing targeted information

61% of these employers regularly use multimedia channels

(Source: Aon's Europe, Middle East and Africa (EMEA) benefits communication survey 2015)

Creating a buzz

There are many things an employer can do to create a buzz around voluntary benefits and to increase staff engagement with a scheme. A popular method is to use benefits champions from the very first conversations about implementing a scheme. Aon's Hard says: "If someone in the business is an advocate of it, and [employees] know who that advocate is, they're more likely to use [the scheme]. With discounts more than anything, it's more of a viral engagement: if [the scheme has] people who are really engaged, the word spreads so quickly."

If a scheme has been requested by members of staff, those employees can make ideal advocates of the advantages of logging on. These groups of benefits champions can be chosen by the employer, or they could form organically, says Turnbull. "It could be staff council representatives or other employee groups. They can be the human face of the programme and that makes it more realistic for future higher employee engagement," she explains.

Another way of getting employees on board with a scheme is to show real-life examples of the savings that are possible. ➤

CASE STUDY **MERSEYRAIL**

Train operator drives business engagement through voluntary benefits

Merseyrail, part of the Abellio Group, uses its voluntary benefits scheme as part of a multi-channel approach to recruiting, retaining and engaging the best talent for its business.

The train operating company introduced its staff discount scheme, 'Benefits for you', five years ago with Personal Group. While employees have access to offers including cinema vouchers, holiday discounts and reloadable cards, the organisation uses the scheme as a way of driving engagement and increasing discretionary effort.

Andy Parry, head of engagement and reward at Merseyrail, says: "If we want to reward our employees and make them feel wanted, then we try and give them the best offer we can, be it salary, benefits and everything else that comes with that, to make them feel that the business values them. The 'Benefits for you' scheme is an additional piece that helps us towards that goal."

The voluntary benefits scheme sits within the organisation's total reward package, which includes free rail travel for employees, discounted domestic rail travel, a final salary pension scheme and a bikes-for-work scheme.

Merseyrail receives monthly reports from Personal Group that highlight how many employees have signed up to the scheme and accessed their benefits. It has seen more than 90% of staff register for the scheme since its launch. While the benefits are an important talent management tool for the organisation, Merseyrail is aware that it also has to be beneficial to the business. Parry says: "Although we do it solely for the benefit of our employees, the first thing we check is are our employees achieving savings that justify the costs of running the scheme, and we outstrip that."

Merseyrail credits its total reward package as playing a vital role in its employee engagement and retention success: its turnover stands at 10%, while in its most recent engagement survey in 2014, scores increased by 10% to 76%.

> It's not all about the big flash bang on launch day. It's about building up anticipation and creating a buzz"
>
> Mark Carman, Edenred

Employers need to ensure that not only are employees informed about the implementation of a new scheme, but they are also kept up to date with any changes or new offers to keep engagement and take-up levels high. "It's all very well creating these great examples, and having these great discounts available, but if employees don't know about them, then there's no point having them," says Hard.

Getting the communication right is as important as any other part of running a scheme, and from the implementation stage these have to be effective in making the scheme a success. "It's not all about the big flash bang on launch day," says Edenred's Carman. "It's about building up anticipation, starting a conversation, creating a buzz and setting people's expectations about what's coming along."

Specific communications can help highlight the relevance of a scheme to an employee's lifestyle; whether the messages are passed on through emails, posters, intranet, benefits books or online portals, targeted information will keep employee engagement with voluntary benefits high EB

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is features editor
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Making the most of tax-free mileage allowances

Supplied by: TMC

There are numerous travel-related areas where employers and business drivers can maximise the value of tax reliefs and allowances., says **Paul Jackson**

Whenever the subject of tax-efficient car benefits comes up these days, people naturally think of salary sacrifice.

However, there are other travel-related areas where employers and business drivers can maximise the value of tax reliefs and allowances. For instance, anyone who receives a cash allowance in lieu of a company car will be familiar with claiming tax-free mileage payments for business trips.

Even so, around two-thirds of cash allowance claimants and their employers do not get the full benefit of these approved mileage allowance payments (Amaps). Why is that so? And how can employers maximise the value of Amaps for themselves and their staff?

Employers do not usually pay the maximum Amap rate of 45p per business mile to car allowance takers. This is because the full figure includes an amount for depreciation and maintenance. Those costs are covered by the monthly car allowance.

Cash allowance takers are typically able to claim 12p or 15p per mile instead to cover the cost of fuel. However, they can claim tax relief on the 'unused' portion of the Amap rate at the end of the tax year.

For example, if the employer pays 15p per business mile, the employee can claim relief on the difference between the full Amap rate and the amount paid: 45p – 15p = 30p. A higher-rate taxpayer would claim 40% of 30p, which is 12p per mile tax relief.

However, it is down to the employee to pursue the relief. They have to keep a complete record of their business trips, calculate the relief due and submit the claim. A survey of more than 100 employers by The Miles Consultancy suggests that just 30% of cash allowance takers are even aware that the option exists.

Employees obviously lose out if they do not claim the relief, which would be worth £840 to the employee in the example above if they claimed for 7,000 business miles. Employers also miss out because staff do not get benefit-related cash that is there for the taking. Those employees who do claim relief must wait for the end of the tax year to apply for it and then again for their claim to be approved.

It does not have to be like that for cash allowance takers. If they agree to a change in the way their allowance and mileage expenses are paid, they can receive the maximum relief available to them immediately.

The employee relinquishes part of their cash-for-car allowance in favour of tax-efficient reimbursement via Amaps. The adjustment to the cash allowance reduces the employee's liability for income tax and national insurance (NI), while the mileage allowance payment is free from tax and NI contributions.

As well as the advantages it provides for employees, the process generates Class 1A NI savings for the employer due to the reduction in cash allowances.

The adjustment and the enhanced mileage payment are calculated each month, based on the employee's business mileage claims. This requires a process for capturing mileage records, performing out the calculations and outputting the additional payroll lines for the adjustment and payment.

The process can be handled in-house, although most employers operating the scheme prefer to use an external specialist for the mileage capture and payroll file calculations. Mileage claims must be supported by detailed logs showing the date, reason for travel, and start and finish postcodes to satisfy HM Revenue and Customs (HMRC).

For organisations that offer cash allowances to business drivers, this tax-efficient approach offers an immediate opportunity to generate monthly savings with minimum disruption while enhancing drivers' reimbursement for business journeys.

KEY POINTS

- Introducing a more tax-efficient settlement of approved mileage allowance payments for cash allowance takers offers immediate savings for the employer.
- Employer national insurance is reduced and drivers maximise tax relief without waiting to make retrospective claims.

Paul Jackson
is managing director of The Miles Consultancy

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DRIVE DOWN TAX COSTS

There are steps employers can take to keep company car tax low, says **Marianne Calnan**

Company cars can be an expensive benefit to provide, but there are steps employers can take to reduce some associated costs, not least around tax liabilities. So how can employers keep tax low around this benefit?

To keep costs low, employers must first do their homework about the costs associated with running a company car scheme. For the most tax-efficient car, they need to consider the carbon dioxide (CO_2) emissions of a car, which determines the tax rates. The government's efforts to reduce the country's CO_2 emissions has led to the introduction of low-emission company car tax rules.

1. Put in a CO_2 cap

Capping CO_2 emissions that company cars produce can help to keep tax low, because benefit-in-kind (BIK) tax is determined by the CO_2 emissions and the car's list price. Making cars available via salary sacrifice can also help employers and staff save money, but it is vital employers emphasise the savings to employees.

Terry Harvey, head of group tax at Hitachi Capital Vehicle Solutions, says: "The use of CO_2 capping is increasingly frequent, ensuring only cars below certain emission levels are chosen. Limits are often linked to government policy, so caps of 130g/km are commonplace. This limit ensures drivers' BIK tax is no more than 25% over the next three years under existing rates. Employers also benefit because they can keep national insurance [NI] contributions down, which are linked to the car's price."

Iain Carmichael, chief commercial officer at Tusker, also advocates the benefits of capping CO_2 emissions. "A sensible gap of around 120g to 130g of CO_2 is what more employers are looking to offer," he says.

2. Introduce green cars

Introducing green cars into a company car scheme could potentially increase take-up among employees, and help address CO_2 output. Electric cars and plug-in hybrid electric cars offer the most significant savings through their ultra-low or zero-CO_2 emissions. "A company car being a green car is directly linked to its fuel efficiency and miles-per-gallon capabilities, so there are real savings to be made," says Carmichael.

Shawn Healy, tax principal at BDO International, adds: "Environmental factors are becoming part of the choices employees make about cars. Government policy seems to have pushed manufacturers into selling more green cars."

BDO introduced a car salary sacrifice scheme for its 3,000 employees in September 2014.

There is also now a greater range of low-emission cars on the market. More electric cars are being sold, which is driving their price down, and making charging points more widespread, says David Brennan, chief executive officer at Nexus Vehicle Management. "As an extra incentive, electric cars should not be taxed," he adds.

3. Follow manufacturers' lead

Even the lowest-emission cars will be subject to tax rises over the next five years, but as manufacturers strive to reduce emissions, company car drivers and employers can look to maintain tax rates that are similar to, or lower than, the current rates.

With just 16% of employees considering an electric car as their next company car, according to research by the Leasedrive Group published in March 2014, there is clearly more that could be done around highlighting the benefits of green cars to improve tax savings EB

IF YOU READ NOTHING ELSE, READ THIS...

- **Choosing low-emission cars will keep tax bills low.**
- **Green cars can boost employees' interest and reduce tax.**
- **Benefit-in-kind (BIK) tax is determined by a car's list price and CO_2 emissions.**

Marianne Calnan
is a reporter
at *Employee Benefits*
@Mazsays

@ Read also *Top tips for boosting take-up of car salary sacrifice schemes* at *bit.ly/1RfsZb0*

PROPERTY VALUES

The Hyde Group strives to make as much of an impact on its employees as it does on the residents of its many homes, says **Robert Crawford**

Housing association The Hyde Group's (Hyde's) employee benefits strategy has established a strong link with employee engagement, building everything around the needs of its 1,300-strong workforce in order to resonate with, and help staff live, the organisation's business values.

Hyde's external brand is strongly associated with its internal brand, with reward linked to the organisation's goal of making a lasting difference to both the residents in the 50,000 homes it owns and manages, and the people it employs.

Employees have had a constant say in Hyde's benefits offering through its 'iFlex' flexible benefits plan, its 'iSave' voluntary benefits scheme and its new focus on health and wellbeing.

The organisation's HR Hub helps to maintain employee engagement with its benefits, and staff are directed towards this where possible.

Sarah Bissell, head of reward at Hyde, says: "We move things forward and have a great sense of employee engagement with what we do here at Hyde. We have a group of flexible benefits champions, wellbeing champions and voluntary benefits champions that regularly meet to help build engagement in the workplace, and it helps the development of the reward strategy. It helps take everything in the right direction."

This approach, along with the use of staff surveys, has enabled the organisation to grow and add to its benefits package in the two years since the launch of its Aon-provided scheme in 2013. In 2014 alone, Hyde added five new benefits to its flex plan to reflect staff preferences.

Engagement scores have also increased across its offering. This is largely a result of the organisation sticking with similar communication processes in the first year, such as using focus groups, holding roadshows with benefits providers and talking openly with its workforce through its champions.

"Our iFlex engagement increased in year two in terms of the number of people [logging on] using it and making selections," says Bissell. "The score has increased from 69% in the first year of launch to 73% in the second year.

"I think the increase in engagement came because of specialist work we did with offline employees that are always on the road. It was key for us to learn the communication methods they needed to engage and by going down to visit them, holding roadshows and giving them their own reminders, such as car air fresheners with information on. Just showing them how to make selections on a computer really made the difference this year."

It is a strategy that has been built over the last five years and it is now more of an evolution process for the organisation. Earlier this year, Hyde reviewed its package, and its aim for what it wants the offering to achieve has stayed the same: to attract and retain the best people, with a broad range of benefits that motivate people and meet individual needs.

Health and wellbeing focus

While the end goal remains the same, minor tweaks have been made, such as around pay and performance. The organisation also has a renewed focus on health and wellbeing.

Its Beingwell programme takes a holistic approach to the wellbeing provision

HYDE GROUP AT A GLANCE

Hyde Group is a housing association that owns and manages around 50,000 homes and 95,000 residents in London, Kent, Surrey, Sussex, Hampshire, the east of England and the East Midlands.

The organisation was founded in 1967, and has more than 1,300 staff across 15 offices. The average age of staff is 42 and some 57% of employees are female.

The average length of service is six years and around 800 employees have been with the organisation for more than three years.

BUSINESS OBJECTIVES IMPACTING BENEFITS

- Having a package that remains competitive in its market
- Increasing the health and wellbeing of employees
- Attracting new people from outside of the housing sector

for employees, and covers all aspects of workplace wellbeing from physical and mental health to employee financial wellbeing.

It has four pillars to its design (Livewell, Spendwell, Workwell and Copewell) and has a year-long campaign put together by its wellbeing champions to drive the engagement and wellbeing of employees at the organisation.

Sue Bunt, organisational development specialist at Hyde, says: "It has four quadrants that make up wellbeing at Hyde. There is Livewell, which is around a healthier employee and incorporates campaigns, the global corporate challenge and our health-related benefits. Then there is Workwell, which is aimed at encouraging an employee's work-life balance.

"Pillar three, Copewell, is around stress and resilience. We know that this is a big issue for us so we have built resilience and mindfulness programmes to combat this.

"Spendwell is about the financial side of things; we build it into our flexible benefits scheme and it incorporates both spending for today and saving for tomorrow."

These all link back to the benefits the firm offers and tie in with the needs of employees. The scheme was shaped by data gained from Hyde's occupational health provider.

THE BENEFITS

Pension

> Trust-based defined contribution pension scheme, with the option to make contributions through a salary sacrifice arrangement available via flex
> Contribution rates are set at 1%, 3%, 4% or 5%, which are doubled by the employer. Employees can pay more but employer contribution is capped at 10%
> A number of legacy trust-based defined benefit schemes are still open to future accrual
> A new Individual savings account

Healthcare and wellbeing

> Private medical insurance as core for senior staff with further options available via flex. Offered as a flexible benefit for other staff
> Health cash plan
> Health screening
> Employee assistance programme
> Occupational health
> Gym membership
> Dental insurance

Group risk

> Income protection
> Life assurance
> Critical illness insurance

Staff travel

> Company car scheme as a core benefit for senior staff
> Season ticket loans and car parking tickets
> Bikes for work

Family-friendly benefits

> Flexible working for all staff
> Five days' paid dependants leave
> Five days' paid special leave
> Five days' paid compassionate leave
> Support for working carers
> Options to add family to benefits via flex
> Childcare vouchers

Holiday:

> Minimum of 26, 28 or 30 days dependent on employee grade. Employees are granted an additional day per year of service up to a maximum of 30 days

Laurie Davis, reward adviser at Hyde, adds: "Employees have been looking at and finding information on losing weight, exercising more and how to eat more healthily, as well as sleep better through our occupational health service. Knowing what [staff] want validates what we are doing with our Beingwell programme."

With everything in place for the organisation and after consistent improvement over the last few years, Hyde plans to consolidate its offering before making any further changes.

Bissell says: "We do have overarching challenges because we are in an increasingly competitive market in terms of building new property and giving customers what they expect, but equally in attracting and retaining new employees.

Right direction

"The strategy has moved in the right direction and the focus now on health and wellbeing shows staff that we take it seriously and want to help them be more productive.

"Before we go again, we will consolidate the schemes, and let them grow instead of introducing something new. There has been a lot of change in the last few years with new benefits in flex, the voluntary benefits upgrade and the health and wellbeing focus.

"We will start again in the new year and see what we can do differently." EB

CAREER HISTORIES

Sarah Bissell joined The Hyde Group in 2002 and held many different roles before becoming head of reward. In her current role, she is responsible for reward, pay and benefits at the organisation, as well as managing payroll and Hyde's HR system.

Laurie Davis is a reward adviser at The Hyde Group and works closely with Bissell. Davis works on the implementation of benefits, in addition to helping with the rollout of projects. She previously held the role of research assistant within the HR team at The Hyde Group.

Sue Bunt is organisational development specialist at The Hyde Group and works closely with HR and the people management team. She has been with the organisation for three years and her remit covers engagement, the new health and wellbeing project and organisational diversity.

Robert Crawford
is a reporter
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@ Read more employer profiles at *bit.ly/1IRQYOS*

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PRODUCT FILE

FINANCIAL EDUCATION

Providing a financial education programme for employees is becoming increasingly important for UK employers, says **Georgina Fuller**

Financial education is clearly becoming more of a priority for UK employers. The number of organisations either considering or currently introducing financial education programmes has increased by a whopping 121% in the past year, according to research by financial education provider Nudge Global.

More than three-quarters (79%) of the 252 respondents believed that financial education improved employees' awareness of, and engagement with, their employee benefits. In addition, 74% said that financial education also improves business performance.

Financial guidance

A financial education programme typically provides guidance about financial benefits, including pensions, share schemes and individual savings accounts (Isas). One option for employers is to appoint a financial education provider or independent financial adviser to provide guidance in the form of workshops that cover a range of topics relevant to their particular workforce.

A further option is for employers to segment their workforce and organise tailored workshops for different employee groups to optimise the effectiveness of the programme. For example, debt management workshops could be targeted at younger staff who may be struggling with student debt.

Employers that want to offer a financial education programme should first consider the needs of their workforce and then the basis on which they are prepared to offer guidance. They should consider if they want to work exclusively with one provider or share the workload

STATISTICS

96% **of employers think that the new pension flexibilities have created a need for more financial education in the workplace** *(Jelf Employee Benefits, February 2015)*

40% **of employers plan to introduce a financial education strategy in 2015** *(Hargreaves Lansdown, January 2015)*

73% **believe workplace financial education should be employer funded** *(Jelf Employee Benefits, February 2015)*

The facts

What is financial education?
Workplace financial education involves employers, or a third-party provider, educating employees about financial benefits, such as pensions and share plans. It can also include individual savings accounts (Isas) and tax planning, and how to use these perks to optimise financial wellbeing.

Financial education can be delivered to staff through one-to-one sessions and group workshops, and covers a range of topics, such as investment guidance and retirement planning. Online programmes can also be arranged, using webinars and video-conferencing technologies, such as Skype and Google Hangouts.

What are the origins of financial education?
Financial education programmes first began to emerge in the 1970s, triggered by mass redundancies, when many long-serving employees received sizeable lump-sum payments and needed some guidance on how best to use their redundancy packages. Initially, this focused mainly on pensions before evolving into the much broader offerings seen today.

Where can employers get more information?
Through *Employee Benefits*' financial education channel at *bit.ly/1kXeOYs*

What are the legal implications?
Employers are prohibited from giving employees financial advice. Only Financial Conduct Authority-registered advisers are permitted to do so.

PRODUCT FILE

STATISTICS

121% **the increase in the percentage of organisations either considering or currently introducing financial education programmes** *(Nudge Global, April 2015)*

79% **of respondents believe financial education has improved their awareness of, and engagement with, their employee benefits** *(Nudge Global, April 2015)*

12%: **the percentage of income workers need to save to achieve financial security later in life** *(Hargreaves Lansdown, January 2015)*

among several providers that offer different specialisms.

The surge of interest in financial education has no doubt been driven by the plethora of pension legislation, including auto-enrolment regulations and pension freedom reforms, low savings and mortgage rates and workforce planning initiatives.

Auto-enrolment, for example, hit the headlines in May when it was revealed that The Pensions Regulator (TPR) had issued four escalating penalty notices, with a daily fine ranging from £50 to £10,000, against businesses that failed to comply with their auto-enrolment obligations. The regulator used its auto-enrolment powers 446 times in the first three months of 2015, with the total coming in at 1,962 since the legislation took effect in October 2012.

This year has also seen the introduction of the Pension Schemes Act in March. The act, which was first introduced as the Pension Schemes Bill in June 2014, sets out a new legislative framework for private pensions that aims to make risk sharing between employers, individual members and third parties easier. It is intended to encourage and facilitate shared risk pension schemes and collective benefits.

Under the new act, defined benefit (DB), shared risk (also known as defined ambition) and defined contribution (DC) schemes will all become potentially more cost efficient than the traditional final salary schemes where the member is promised a retirement income usually based on their final salary and years of service.

> The surge of interest in financial education has been driven by the plethora of pension legislation, including auto-enrolment regulations and pension freedom reforms

Free financial education

Announced in the 2014 Budget, the government has also guaranteed that everyone who retires in a DC pension will be offered free, impartial, face-to-face guidance about their choices at the point of retirement through its Pension Wise service.

Pension providers and trust-based pension schemes have a new duty to offer this guidance guarantee from April 2015.

Providers and trust-based schemes are also required to ensure that the guidance given follows a set of robust standards, which will focus on helping DC members to understand the choices available to them at retirement, engage with products and providers confidently and access professional independent financial advice.

Growing awareness

The *HL Corporate pensions report*, published in January by investment firm Hargreaves Lansdown, found that almost 40% of organisations plan to implement a financial education strategy in 2015.

In addition, almost half of the 250 employees surveyed said that they were concerned they would not be able to afford to retire. According to Hargreaves Lansdown, workers need to save a minimum of 12% of their income in order to achieve financial security later in life.

Numerous other organisations, including retail and brand consultancy Fitch (part of the WPP Group), sport, fashion and media behemoth IMG and global healthcare organisation Becton Dickinson, have launched financial education programmes in the last year or two.

Center Parcs also incentivised staff to wise up on their financial knowledge by offering them the chance to win an iPad, while HSBC expanded its financial education provision ahead of the pension changes due to come in in July of this year. The banking giant's programme, called KnowYou, which launched in 2013, is intended to educate its 45,000 UK employees about its operational changes.

With so much change afoot in the pensions and financial advice sector, it is no wonder that more and more employers are looking to implement a financial education programme EB

The facts

What are the costs involved?
A financial education programme can be expensive for employers, although costs will vary depending on an employer's size and the provider it chooses. Prices can start from less than £1 per employee per year.

What are the tax issues?
HM Revenue and Customs regards individual financial education as a benefit in kind, with the tax charged generally on the cost to the employer providing the benefit. There are exceptions, for example on pensions advice costing below £150 per employee per year.

What is the annual spend on financial education?
No official figures are available on the annual spend on financial education, but employers can spend as much as £3,500 per employee per year on independent financial advice.

Which providers have the biggest market share?
Providers include Aon Employee Benefits, Aviva (now incorporating Friends Life), Anthony Hodges Consulting (AHC), Clarity, Close Brothers Asset Management, Lemonade, Jelf Employee Benefits, Life Academy, Mattioli Woods, Money Advice Service, Nudge Global, Origen, Secondsight, Towers Watson and Wealth at Work.

Which have increased their market share the most?
Pensions providers are probably the most likely to have increased their market share following the introduction of auto-enrolment.

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Effective financial education for those nearing retirement

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WEALTH at work
KNOWLEDGE | EXPERIENCE | OPPORTUNITY

Financial education is key in the years leading up to retirement due to the choices an employee can now make about their income options, says **Jonathan Watts-Lay**

The most radical pensions overhaul in nearly a century has arrived. These changes offer employees in a defined contribution (DC) scheme who are aged 55 or over greater flexibility in how to access their pension. But without the right financial education, employees could be left incredibly vulnerable to making poor and costly decisions.

Many employees start working life with only the most basic financial knowledge, so an effective financial education strategy should take account of this and support them throughout their career. In the years leading up to retirement and at the point of retirement, it is even more important due to the choices an employee can now make about their retirement income options.

A good starting point is to consider what the appropriate age is to begin this process. In Wealth at Work's experience, 45 has become the new latest age to begin planning for retirement. It is a move from the traditional idea of educating those just a couple of years away from retirement but is more effective because, given the new rules, choices need to be made much sooner.

For example, an area that is a cause for concern is that employees need to give greater consideration to their retirement glide path.

Glide path

Glide path here refers to a chosen investment route that will take an employee up to the point of retirement and potentially beyond. The glide path typically creates an asset allocation that becomes more conservative or takes less investment risk the closera fund gets to the targeted retirement date.

However, experience indicates that employees find selecting funds for their pension confusing at the best of times, and most choose to invest in the default fund provided by their workplace pension. Prior to the pension changes, a lifestyle approach was used and the asset mix in the default fund changed as their retirement date approached. This is because the default option assumed that an employee would buy an annuity in the future.


iSTOCK

Many organisations are realising this will not now be the choice made by many and consequently want employees to look at their glide path at least 10 years before their anticipated retirement date, because if they want to choose another form of retirement income such as drawdown, they may wish to address their fund selections at this point. In other words, pick a more suitable glide path.

This is important because the new pension changes have made more retirement income options accessible to all DC pension savers. If employees have selected a default fund that is geared towards an annuity purchase at retirement and they are now considering drawdown, they should consider other fund choices, for example exposing them more to equities and less to fixed-income assets. Of course, if this is the case, employees will need financial education in order to understand this and have the confidence to make their selections.

And it is not just about pensions. Staff now have to think beyond pensions and consider all savings, such as individual savings accounts (Isas), share schemes and any deposit accounts, because the tax-efficient withdrawal of cash from pensions or any other savings to use in retirement should be an important consideration.

Of course, once employees have received financial education and are at the point of retirement, they will want to know what they need to do next and how to do it. This is where regulated advice can help employees make the right choices at retirement and prevent costly mistakes from being made.

Jonathan Watts-Lay is a director at Wealth at Work

Something fishy

Candid is faced with a period of uncertainty when the jobs of the whole reward team are deemed to be at risk

You know when you get the feeling something big is going down? Well, I've got one of those right now.

The Higher Beings have been having extra meetings, and not even Big Bad Boss seems to know what it is about. A data room has been set up in the large conference room, but only managers from the top floor have been seen to go in, not even anyone from HR. And it really is fishy; I found a confidentiality agreement on the photocopier that referred to 'Project Cod'. Anyone who has worked here for long knows that mysterious projects with fish names are generally divestitures or, at the very least, redundancies. Acquisitions are usually given wild animal code names. I don't know who comes up with these names but they are consistent if not imaginative.

The worrying thing is that the reward team doesn't know anything about this 'Cod' project. It is strange because we are always at the sharp end of culling exercises; we draw up severance pay costings and surreptitiously find senior managers' employment agreements without anyone noticing. I like to think we are the secret agents of the HR team.

It isn't long before we find out just why we have not been told anything this time. When the HR director for corporate functions calls my manager to a meeting, Big Bad Boss comes back looking haggard. The jobs of the whole reward team are at risk. They want to slim down European headquarters and they are even considering running all the specialist teams out of the US or India. He hands me the formal notice letter. There will be a full-blown consultation process, and we will all have to re-apply for our jobs. You can be a star player on the high potential list but still be put at risk. Geez.

Lazy Susan bursts into tears when she hears. Actually, I am not convinced she is all that bothered; I am fairly sure she just wants an excuse to go home early. The sales are on after all. She gathers all her magazines and other junk on her desk and leaves, still sobbing. I can hardly argue.

Not given to bursting into tears at work, I burst into action. Quickly, I copy all the severance plans I have worked on in the last couple of years to my own flash drive. I know the US will think they can get by offering statutory redundancy pay, but I've seen the richest leaving packages around here, and I don't intend to accept anything less than the best.

I also copy all the best documents I have ever worked on so I can take them to my next employer. I update my CV and check my LinkedIn profile. It feels so much better to be prepared.

> **Changing jobs is a chance to start again, to reinvent yourself as someone better and more experienced**

Finally, I put my salary details into the redundancy calculator that I created for the last mass lay-off. I've been with the organisation for a while now, and I am rather impressed by the resulting number. With that kind of money I could do many things: I could pay off a big chunk of my mortgage; I could go on a world tour; I could get a new kitchen. Suddenly, the idea of leaving seems quite attractive. Changing jobs is a chance to start again, to reinvent yourself as someone better and more experienced. I might even wangle a pay rise out of it. Yeah, bring it on.

Then it all goes quiet. Weeks pass. No more letters. No more communication. It is hard to stay motivated with a sword of severance hanging over my head. Lazy Susan is being even more lazy than usual. Big Bad Boss is, well, just as bad.

The workload goes quiet too. No one is asking for reports at a moment's notice. We are not even asked to many meetings. I feel like an outcast and I haven't even gone yet.

Then we get a request to provide a bunch of data about the Danish location for Project 'Sardine'. What is uncomfortable is that they don't ask us to work on it; just to send it off. To India. I can guess what this is. This is a little test for our esteemed Indian HR colleagues. I pull the data, and start to make the notes they will need to know to do the job properly. Things like the holiday pay calculation required to get to proper salary data, and the special terms of the senior management employment agreements. And then I stop. No one has asked us for that level of detail. So let's just see what happens.

Later, I suggest that Big Bad Boss calls the Higher Being in Denmark just to ask how it is going. She confirms that they have a small business unit for sale. Big Bad Boss suggests they should check any calculations carefully because we have not been involved this time. Bravo, Big Bad Boss. I wish he always followed my instructions so carefully.

It is a few weeks before we get given Project 'Sea Bass' to work on. I feel a bit bad because it is to scale down the HR team in India and move specialist operations to European headquarters.

Our Higher Beings are fickle about their toys, just like spoilt toddlers; one minute they love us, then they rattle us, and the next they are throwing us out of the pram.

Honestly, sometimes I don't know if I am coming or going.

Next time...*Candid learns to network*.

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