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Source: Research carried out among 270 companies Jan 2011.

IN THIS ISSUE

Report: Motivation

Roundtable: Fleet debate

LEADER

Time is precious, so make the most of it

Time is the most precious commodity we have. We can waste it, kill it, save it, spend it and lose it. And if we try hard, we can make it.

Making time during busy working days can be tricky, as so many tasks (and emails) pile up demanding our attention. But without time set aside to think creatively, to step back and consider strategy, to stop and do things differently, we get bogged down. We are often too busy to improve ourselves, our jobs, our departments or our businesses.

In our cover story, *Breaking the time barrier* (page 18), we explore how benefits managers can save time in their working day. Suppliers are only too keen to step in to help (of course) and when they have greater expertise, it can help to make better use of precious time and money.

Time is also one of the most valuable benefits we can offer staff. Allowing employees to leave work early or come in late after a busy period costs nothing, but shows appreciation. Buying extra holiday days is always popular. Flexible working and staggered hours, used with thought, can make all sides happier.

We are often too busy to improve ourselves, our jobs, our departments or our businesses

This isn't a benefit that is easy to quantify and too much red tape and rigidity can stifle it. But with good line management and trust on all sides, it has worth beyond all other reward. See more ideas in our flexible working article, *Finding a balance*, on page 53.

Of course, something I hope all readers will do when they manage to free up some time is to enter the annual Employee Benefits Awards. Our call for entries launches in October and you can start thinking about which categories to enter. The full list is on page 9.

Over the years, we have watched winners and finalists get a real career boost or broader recognition, either within their organisations or by being headhunted to new pastures. So whether you enter for yourself, your team or your organisation, it is a great opportunity to step back and see how well you have done.

Now that is something worth spending time on.

Debi O'Donovan, *Editor*
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REWARD

Auto-enrolment hits pay rises

Robert Crawford

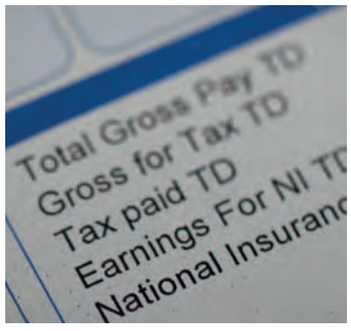
Auto-enrolment could be affecting employers' ability to award pay rises as they set out their reward budgets for the year ahead. Although the economy continues to improve, pay increases look likely to remain low.

In many organisations, funds that may previously have been earmarked for pay rises are being swallowed up to fund pension contributions post-auto-enrolment.

Roger Sanders, managing director of Lighthouse Group Employee Benefits, said: "Money going into auto-enrolment, either 1% of band earnings or 2% of basic pay, is impacting employers' ability to give staff a pay rise."

Research by engineering and manufacturing employers' association EEF, published in August, found that pay in the manufacturing industry rose by 2.6% in the six months from February to July, up from 2.4% in the equivalent period in 2013.

Meanwhile, according to the Chartered Institute of Personnel and Development's latest *Labour market outlook survey*, also



published in August, 42% of respondents expect their organisation to increase basic pay.

However, the Office for National Statistics' *UK Labour market, August 2014* report found that pay, including bonuses, for UK employees was 0.2% lower than it was a year ago.

Sanders added: "Essentially, employees are getting a pay rise by employers putting money into their pension schemes, but employees will not see it until they retire."

However, from April 2017, as pension contributions increase, employers will need to budget for the increases, as well as factoring in the other costs of running a pension scheme, which means pay rises are likely to remain low.

Elliott Silk, head of employee benefits at Sanlam Wealth Planning, said: "[Auto-enrolment] is certainly being factored in. Normally what we would see is employers allocating a 3% pay review amount, but as employers realise they have to pay higher pension contributions, they are only looking to set aside 2% of their budget for a pay increase and the other 1% for pension costs."

But there is some good news on pensions. Scottish Widows' *Annual workplace pensions report*, published in September, found half of UK employees on lower incomes are saving enough for retirement, compared with 34% in 2012.

Deborah Hargreaves, director at the High Pay Centre, said: "I think auto-enrolment is going somewhere to redress the issue of employees not getting a pay rise over the last few years, especially the more generous schemes, because they are getting back some of the benefits they will have lost to no pay rises."

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

LOVEWELL'S LOGIC

Follow Debbie Lovewell-Tuck on Twitter: @DebbieLovewell

Balance is needed between pay rises and pensions

Debbie Lovewell-Tuck

In an era of rising prices and below-average pay increases, salary levels have become an emotive issue.

All employees want to achieve the best standard of living possible, and many will base this on what they can afford to do with their take-home pay.

However, by focusing on their short- or even medium-term future, some employees could be overlooking the bigger picture: the type of retirement they would like to have.

What some may fail to recognise is that even though they may not see the rises they want in take-home pay, they are still benefiting from additional cash from their employer post-auto-enrolment.

The challenge for employers is how to communicate this to ensure staff recognise and value the pension contributions they are receiving.

This can be tricky when rising prices mean some staff may rather have the cash to spend on everyday items. Come retirement, however, I am sure that even the most hardened pensions cynic will be grateful for everything they have accumulated over their working life.

In the long run, this could help employers to manage cost increases, particularly as many will pay fees for the first time after the removal of commissions and consultancy charging.

With pay rises likely to remain low for a few years, employers that ensure staff understand the value of payments, such as pension contributions, could win the war for talent.

SHUTTERSTOCK

TOP 15 MOST VISITED STORIES ON THE WEB*

1. PAYE tax code changes could adversely impact employers *bit.ly/1Bb1WrX*
2. Dixons Carphone looks to harmonise benefits *bit.ly/1pMObwV*
3. What employers need to know about calculating holiday pay *bit.ly/VQok93*
4. What is the real take-up of flexible benefits? *bit.ly/1wBKMUK*
5. Kuoni boosts staff wellbeing with nutrition challenge *bit.ly/1p5wKFQ*
6. Should employers incentivise employees to keep healthy? *bit.ly/1qx1T4b*
7. Summer School: How to implement car salary sacrifice for your business *bit.ly/1Bndurf*
8. Summer School: How to provide financial education so that staff maximise their options *bit.ly/1pPgw2i*
9. Unmissable benefits tax keynote at EB Live *bit.ly/1t5TAgD*
10. Reading Uni launches salary sacrifice cars and bikes *bit.ly/XeJDD7*
11. BAE Systems redesigns pension website *bit.ly/1rpN6vQ*
12. Ocado launches share incentive plan for staff *bit.ly/1oQkede*
13. Social media is key to staff engagement *bit.ly/1kRizUw*
14. PageGroup launches voluntary benefits *bit.ly/VHEO3u*
15. Summer School: Building a proactive workplace health strategy *bit.ly/1CJBUwR*

Ranked by number of page impressions from 8 August to 8 September.

The latest information on legislation and tax issues affecting employee benefits, including the new rules on shared parental leave, an unfair dismissal hearing, and the debate on whether obesity is a disability

CHILDCARE

Parental leave rules change

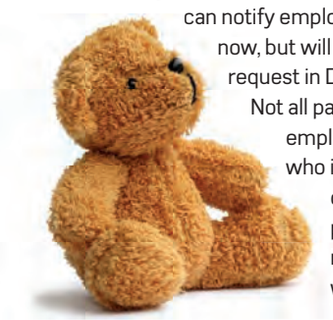
Robert Crawford

Employers will need to start updating their policies and procedures to comply with the incoming shared parental leave legislation.

Under the new rules, which take effect from December 2014, parents will be able to share 12 months' leave after the birth of a child.

Employees who discover they are pregnant and are due to give birth after 5 April 2015 can now send their employers a notice of eligibility and their intention to take shared parental leave.

Simon Kerr-Davis, managing associate at law firm Linklaters, said: "There are a lot of hoops to go through to understand who is eligible. Employees can notify employers of their intentions now, but will need to make a formal request in December."



Not all parents will be eligible, so employers will need to know who is, in order to develop a clear policy on shared parental leave for managers and staff, which is applied consistently, and assess likely take-up and budgetary implications.

Other matters include how employers will answer queries from employees, determine their entitlement to shared parental leave pay, which can be recouped from HM Revenue and Customs, as well as decide what evidence there is of an employee's eligibility to request.

Entitlement will depend on each parent meeting eligibility requirements.

For a mother to qualify for shared parental leave and pay, she must be entitled to maternity or adoption leave, or statutory maternity or adoption pay or maternity allowance, and must share the main responsibility for childcare with the child's father or her partner.

Esther Smith, employment partner at law firm TLT, said: "Employers need to start getting to grips with shared parental leave regulations pretty soon.

"Staff that have recently discovered that they are expecting will be affected by the new regulations, and employers need to act now to make sure they have updated their policies."

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

TRIBUNAL

Employee appeals unfair dismissal ruling

An employee has appealed against the initial ruling in an unfair dismissal case, *Mr Clutch Auto Centres v Blakemore*. The employment tribunal ruled that the claimant was still an employee of the respondent, despite arguing that he had been wrongfully dismissed and the respondent claiming he had resigned.

The claimant was signed off work by his doctor for three weeks on 10 October 2012 because of anxiety and depression. He returned to his workplace on 17 October in connection with his car, which was parked there. He returned the next day to remove tools from the premises, but the branch manager would not let him do so.

On 27 October, the claimant received a P45 form from his employer stating a leaving date of 18 October, and then, on 6 November, he received a letter claiming he had resigned.

The claimant denied this, and told the tribunal he had been wrongly and unlawfully dismissed.

The tribunal's ruling stated: "The claimant did not resign his position. As we have rejected the claimant's case that the respondent dismissed him, it follows that he remains an employee of the respondent."

But the claimant's solicitor did not include a complaint that the claimant had suffered an unlawful deduction of pay. Because of this and the failed unfair dismissal claim, he could not claim sick pay.

Sarah Henchoz, partner in employment practice at Allen and Overy, said: "The claimant pleaded he had been dismissed and the respondent said he resigned, and the tribunal found his employment was continuing. Because his own pleading stated that his employment had been dismissed, he could not then say his employment was ongoing."

@ Read more case studies at bit.ly/1uLruHr

SHUTTERSTOCK

ADVICE FROM THE EXPERTS

Hilary Aldred
is an employment partner at Penningtons Manches

Employers say obesity is not a disability

After the recent European Court of Justice case, my partner Tom Walker and I argued for and against using the Equality Act to protect obese and overweight employees. We also conducted a poll asking employers whether obese workers should be protected by disability law.

A vast majority of 98% of respondents made it clear that almost no one wants obesity to be classed as a disability and 89% do not make any adjustments for obese or overweight staff.

I do not believe the population as a whole disagrees with Tom's assertion that "the Equality Act is designed to ensure a level playing field in the workplace and in wider society for people who might otherwise be held back owing to prejudice over their personal characteristics".

Nor do I believe employers accept that people suffering from obesity can be harassed at work with impunity. I expect employers are already tackling such behaviour but do not want the law to do anything else to tackle harassment. I believe it is more likely that employers see this as the thin end of yet another wedge.

If overweight and obese staff could claim discrimination and demand adjustments, such as entitlement to parking spaces nearer the office, it would be even harder to balance the rights of one group against the entitlements of another.

In the main, whether this is right or not, it appears employers still believe that staff who are overweight should take individual responsibility for their choices and understand that those choices are often denied to those who are genuinely disabled.

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

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It's time to move from just giving your staff a great benefit, to also giving your business a more cost-effective, high quality service that can really show how much you are leading employee wellbeing in your organisation.

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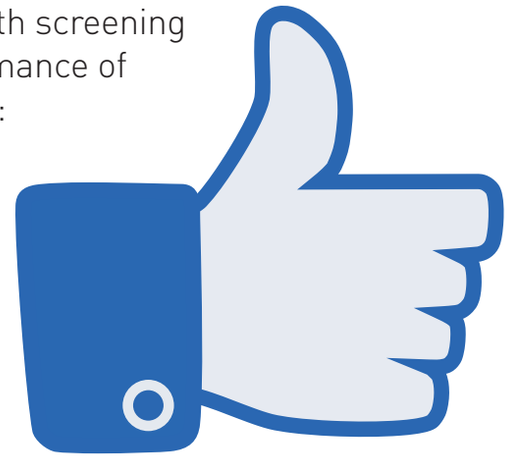

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WELLNESS

employee benefits AWARDS 2015

Get recognition for your benefits achievements

The Employee Benefits Awards 2015 offer 22 categories for reward and benefits professionals to vie for an accolade.

Employers are encouraged to enter benefits-related initiatives they have introduced during the past year, but can also enter successful longer-running strategies as long as the quantifiable measures that are used to demonstrate their success relate to 2014 and that submissions clearly show how original strategy objectives have been met.

Employee Benefits reviews the award categories each year to ensure they reflect the latest market trends.

The new award for 2015 is 'Best benefits to support working carers', which will recognise the employer with the most effective strategy to support carers in the workplace.

If you would like to make a nomination for 'Employee Benefits professional of the year', email *eb.editorial@centaur.co.uk*.

The winner will be an individual who has made their mark on the industry and is looked up to by their peers.

The deadline for entering the 2015 Awards is 12 December 2014.

Take your pick from 22 categories to enter the Employee Benefits Awards 2015. The deadline is 12 December 2014

Employee Benefits Awards 2015 categories

BEST STAFF TRAVEL POLICY
Most effective travel strategy for business and perk car drivers

BEST HEALTHCARE AND WELLBEING BENEFITS – SMALL EMPLOYER
Most effective healthcare and wellbeing strategy for employers with fewer than 1,000 staff

BEST HEALTHCARE AND WELLBEING BENEFITS – LARGE EMPLOYER
Most effective healthcare and wellbeing strategy for employers with more than 1,000 staff

BEST MENTAL HEALTH RESILIENCE STRATEGY
Most effective mental health resilience and stress management strategy

BEST DC PENSIONS CHANGE
Most effective strategy to drive pensions change

BEST PENSIONS COMMUNICATIONS
Most effective pensions communications strategy

MOST MOTIVATIONAL BENEFITS
Most effective motivation or incentive strategy

BEST DC PENSION DEFAULT INVESTMENTS
Most effective defined contribution (DC) pension default investment strategy

BEST FINANCIAL EDUCATION STRATEGY
Most effective use of financial education and workplace savings

BEST FLEXIBLE BENEFITS PLAN
Most effective use of a flexible benefits plan

BEST VOLUNTARY BENEFITS
Most effective use of a voluntary benefits plan and staff deals

BEST EMPLOYEE SHARE SCHEMES
Most effective all-employee share scheme strategy

BEST INTERNATIONAL OR EXPATRIATE BENEFITS
Most effective reward or benefits strategy for staff based outside the UK

BEST TOTAL REWARD STRATEGY
Most effective total reward strategy

BEST TOTAL REWARD STATEMENTS
Most effective use of total reward statements

BEST BENEFITS TO SUPPORT WORKING CARERS
Most effective strategy to support carers in the workplace

BEST BENEFITS COMMUNICATIONS – LARGE EMPLOYER
Most effective benefits communications strategy for employers with more than 5,000 staff

BEST BENEFITS COMMUNICATIONS – SMALL EMPLOYER
Most effective benefits communications strategy for employers with fewer than 5,000 staff

BEST ALIGNMENT OF BENEFITS TO BUSINESS STRATEGY
Most effective alignment of benefits strategy to business strategy

MOST ENGAGING BENEFITS PROPOSITION
Most effective use of benefits within an employee engagement strategy

BENEFITS TEAM OF THE YEAR

EMPLOYEE BENEFITS PROFESSIONAL OF THE YEAR

Awards categories should offer something for everyone

With 22 categories to enter, there is sure to be at least one to showcase any organisation's achievements. Employers can enter as many categories as they like, but they must tailor each entry to the relevant category.

See the entry process at *www.employeebenefitsawards.co.uk*. Information about each award category, the judging criteria, entry guidelines and tips, as well as instructions on how to submit entries can also be found here, along with the entry forms to download.

www.employeebenefits.awards.co.uk

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

PEOPLE MOVES

Teggart promoted by Misys

Anne Teggart is the new head of global benefits at Misys after being promoted from her previous role of head of performance and pensions. She is now responsible for the organisation's benefits strategy. Teggart previously worked at Sapient as head of reward for Europe, and before that held positions at Sony Pictures and the BBC.

Lloyds banks on Jackson

Helen Jackson has been appointed head of performance and reward for Lloyds Banking Group's retail and insurance divisions. Acting as the link between the business and group performance and reward, she will also be responsible for leading the reward agenda. She was previously executive reward director at Diageo and has held reward positions at Aviva and Prudential.

Crown Estate appoints Smith

The Crown Estate has appointed Eleanor Smith reward, benefits and pension manager, a newly created position. She was previously compensation, benefits and payroll manager at JLT. Smith has more than 19 years' experience in the HR and benefits industry, including roles as head of reward and people systems at Sainsbury's, global reward and mobility manager at Linklaters and head of reward at Boots.

Smith moves to Microchip

Microchip has appointed Emma Smith European compensation and benefits manager. Her new role involves the management and communication of pay and benefits across Europe. She was previously group compensation and benefits analyst at Hibu since April 2012. Smith has also held various roles at Yell, including reward manager and training manager.

Bromilow joins salesforce.com

Kirsten Bromilow has joined cloud technology firm salesforce.com as a benefits analyst. As part of the organisation's total reward team, she will be responsible for managing benefits across the EMEA region. Bromilow previously worked at Google UK as an HR business partner and benefits specialist for three years, before taking some time out to be a full-time mum to her three children.

MOST TALKED-ABOUT NEWS

The government has confirmed its intention to remove the annual contribution limit and transfer restrictions on the National Employment Savings Trust (Nest). The restrictions on contributions, which currently stand at a maximum of £4,600, and bulk transfers will be lifted on 1 April 2017.

■ We welcome plans to remove these restrictions on Nest. The introduction of a workplace pension price cap means many smaller employers will have few pension options as providers become more selective about the schemes they are prepared to run. For many of these employers, Nest could be the best remaining option, such as micro employers that reach their auto-enrolment staging from June 2015.
Sean McSweeney, auto-enrolment specialist, Chase de Vere

■ The original plan for Nest was to review these restrictions in 2017, so the government could be accused of jumping the gun. But there are good reasons for this decision. Auto-enrolment is working better than expected, opt-out rates have been lower than forecast, and so far the pensions industry has proved capable of working with Nest to meet market demand. Also, next year's budget freedoms could be awkward for the government if Nest members did not have the same freedoms as other scheme members.
Tom McPhail, head of pensions research, Hargreaves Lansdown

100 Club column

Simon Nash, HR director, Carey Olsen

I don't just want to make staff happy

Reward professionals are pretty straightforward people. We like to make salary and bonus decisions on an analytical basis, taking into account market data, labour market trends and the commercial drivers of the business and sector.

When it comes to benefits, a similar logic applies. We are looking for return on investment, for effective business outcomes. So when it comes to initiatives such as wellbeing programmes, it takes a lot to impress us.

This is what fascinated me in a slew of articles from a variety of academic fields that operate with quite different methodologies. It seems the occupational psychologists, who typically operate from a pragmatic, statistical and predictive model, and the neuroscientists, whose modus operandi is more focused on observational measurement, experiment and explanatory models, are coming to the same conclusions. Now that's good news for science, exciting news for business, and challenging stuff for HR and reward professionals.

The findings of positive psychology have been documented for decades. It is the field of psychology that looks at understanding the processes that make for healthy, successful and happy functioning. HR professionals have noted this work with interest, but organisations are in the business of making a profit, not just making their staff happier about life.

"I'm not interested in happy lawyers," said the late, great Stanley Berwin, founder of two high-powered City law firms. And, to an extent, he was right. It's not about making staff happier, but about creating the conditions under which they deliver superior performance, through deploying greater intelligence, working better with others and drawing on mental reserves of positivity, resourcefulness and focus.

Research tells us that the secret of enhanced performance could be as simple as a few daily practices, such as displaying gratitude to two or three colleagues, or focusing on the positive rather than the negative.

These practices can be quickly learned and, when added to good nutrition, hydration, exercise and sleep, can make for significant gains in employee performance.

And how do employers introduce such a shift? Well, that's the next challenge and it will call for a new approach from HR and reward leaders.

The 100 Club comprises industry leading lights who have contributed to Employee Benefits

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employee benefits live

24 – 25 September 2014, Olympia, London

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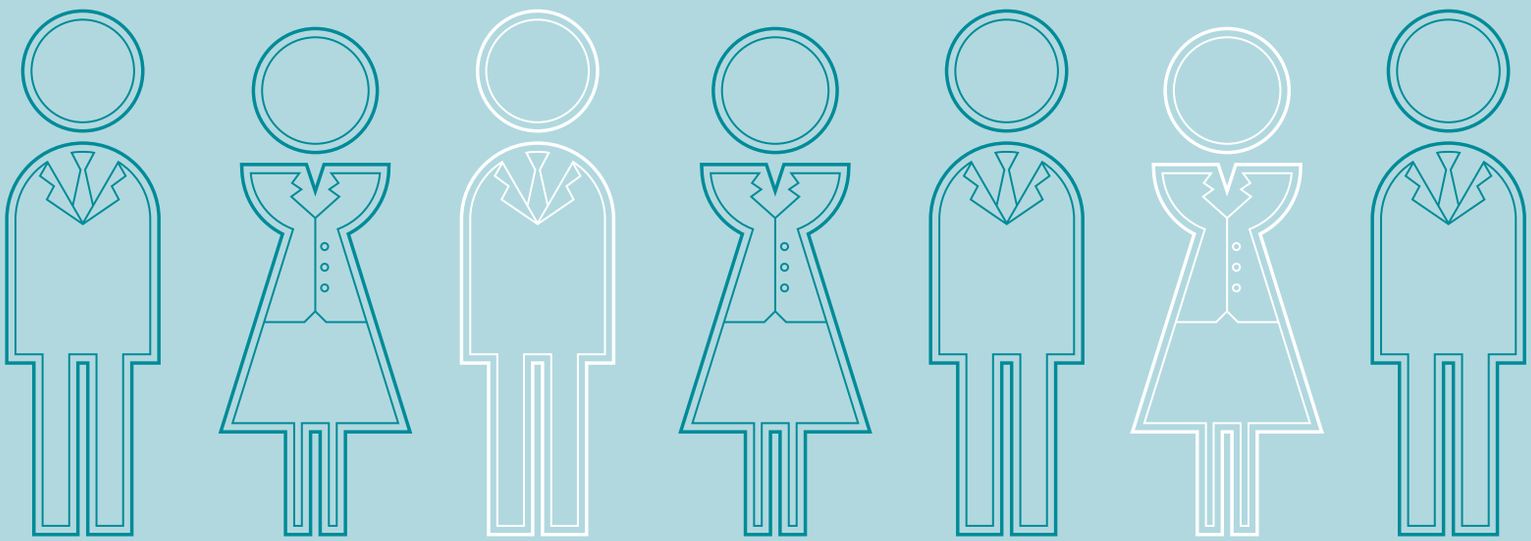
IS MENTAL ILL-HEALTH A HIDDEN COST TO YOUR BUSINESS?



You can't always see the effects mental ill-health has on your workforce, but it could be more damaging than you think.

For example, did you know that mental ill-health can be a contributory factor to a range of physical conditions, from back pain to irritable bowel syndrome? It can also be a direct cause of both absence or low productivity.

Which means it could be costing your business more than you realise.

By focusing on awareness, guidance and fast access to support, we aim to take a holistic approach to the mental wellbeing of your workforce.

Discover how we can make a positive impact.

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*Lines are open 8am to 6pm, Monday to Friday.

This month's big question:

Should employers use social media to communicate benefits?

Weber Shandwick's *Employees rising: Seizing the opportunity in employee activism* research, published in April 2014, showed that employers may not be communicating effectively with their staff.

According to the study of 2,300 global employees, only about four in 10 feel they can confidently explain to others what their organisation does or what its goals are.

The same report also found that 88% of staff use a social media site for personal use, and 50% of them post messages, pictures, videos or links about their employer on it. This is a huge communication opportunity for businesses to leverage employees' passion for social networking and spread the word about what a great organisation it is to work for.

A key feature of good engagement is that staff feel valued and respected at work. Much of this starts with communication in terms of how aligned they feel with the vision and values of the business, and also the various benefits that help to make them feel valued.

Sometimes these perks can be straightforward, such as having good-quality coffee and ergonomically designed furniture, but they will need to be balanced with more deep-reaching, wellbeing-oriented benefits, such as generous holiday entitlement and flexible-working arrangements.

The perks an employer offers are as much a part of its culture as its products or services. And the best way to get staff aligned is through open communication, for which there is probably no greater enabler than social media.

Mervyn Dinnen is a blogger and content and social engagement strategist
Tweet: @MervynDinnen

For every lover of social media, there is another who hates it. So why is it good to use social media to promote benefits?

Think back to the days when we 'discovered' podcasts and webinars. We embraced them, not because we found them easy or fun, but because they expanded our reach into parts of our workforce that remained untouched by leaflets, roadshows and posters.

Using social media is no different, with the UK being the second-highest user of social media in Europe. According to the Office for National Statistics, 57% of adults are active users, which makes the many and varied channels a godsend for reward managers.

And it is not restricted to the young: 48% of adults used social networking sites in 2012 and 62% of those aged 35 to 55 use social networks to communicate. Only a fool would not include it in their communications planning.

Some employers shy away from using public social media because they are afraid of criticism. Quite simply, if you don't have pride in your reward strategy, then it isn't the right strategy. We should use this platform to draw in new talent and even customers by extolling the great things we do.

The world is moving fast. We shop, converse with friends, travel the world, choose partners and broadcast our lives using hand-held technology and social media. In a time-poor situation, we must do the same with benefits to get engagement and return on investment.

All we need to do now is work out how to explain pensions in 140 characters...

Jane Vivier is an independent reward consultant
Tweet: @TheRewardingCo

I have a stock phrase I roll out about social media: "You go where the party is." If an employer wants to communicate effectively, it is best to use the channels people use, not try to create new ones.

There is an interesting additional dynamic that comes up when we start to look at organisations' internal use of external social media channels, such as Twitter and Facebook. Because non-employees can see the content, organisations can be fearful of the ramifications.

This can lead to a preference for corporate social tools, such as Yammer. Although these have their place, if we talk about the need for greater transparency in our organisations, then they don't really achieve that.

There are real opportunities we can take by using social channels to communicate internal employee messages, including benefits. First off is the chance for employees to opt in and to engage as and when they want, giving them control of their communications.

Second, employers get to see the level of engagement through free analytic tools. For example, a Facebook page can help you see which posts are really hitting home.

More importantly, the organisation lets prospective staff see what is going on. It is employer branding, but in the truest and most vivid sense. If information isn't confidential, why shouldn't we let the whole world view it?

Social media is not a panacea, but, as part of a blend of communications, it can have big upsides. And, given there are free options available, it seems foolish not to experiment.

Neil Morrison is group HR director at Penguin Random House
Tweet: @neilmorrison

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HEALTH SCREENING IN NUMBERS

Jennifer Paterson rounds up the latest facts and figures around health screening, including research findings and employer case studies

20%

of HR and benefits professionals receive employer-paid health screening as a benefit

Source: The Employee Benefits Salary survey 2014, published in January. bit.ly/1oUTrfN

14%

of respondents offer health screening to all employees as a core benefit, while 38% offer it to some staff as a core benefit

15%

of respondents offer health screening to staff via a flexible benefits scheme, with 35% of these offering it via a salary sacrifice arrangement

14%

of respondents offer health screening to staff as a voluntary benefit, with 27% of these offering it via a salary sacrifice arrangement

18%

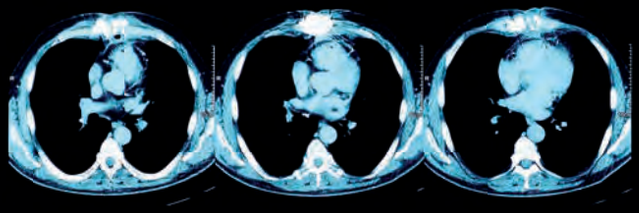
of respondents introduced health screening as a new benefit in the previous year, compared with 9% who did so in 2013

Source: The Benefits Research 2014, published in May. bit.ly/UfWBP2

12% **growth in the inclusion of health screening in flexible benefits schemes**

20 **most commonly offered flexible benefits include health screening, with 67% of respondents offering it to staff and 54% offering it to employees' partners**

Source: Employee Benefits/Towers Watson Flexible benefits research 2014, published in April. bit.ly/OeUozD



EMPLOYER CASE STUDIES

Law firm Mills and Reeve extended the range of health screenings it offers to employees, and added a salary sacrifice arrangement to the schemes. *bit.ly/1pzlRgO*

Danone extended access to employer-paid health screening to all its 1,300 UK employees in May 2014. *bit.ly/1ITotid*

UniCredit Bank launched a cancer awareness programme, which included presentations from clinical experts, access to online information and health screenings to identify early signs of breast or prostate cancer among staff. *bit.ly/Sr9O6T*

Wates Group is rolling out on-site wellbeing kiosks across all its sites, as a replacement for its three- and five-year employer-paid health screenings, which were previously only offered to monthly-paid employees. *bit.ly/QQoPOx*

JP Morgan won buy-in from its financial director to extend health screening to all staff by using data to demonstrate how early detection affected other health benefits. *bit.ly/1iqwTzS*

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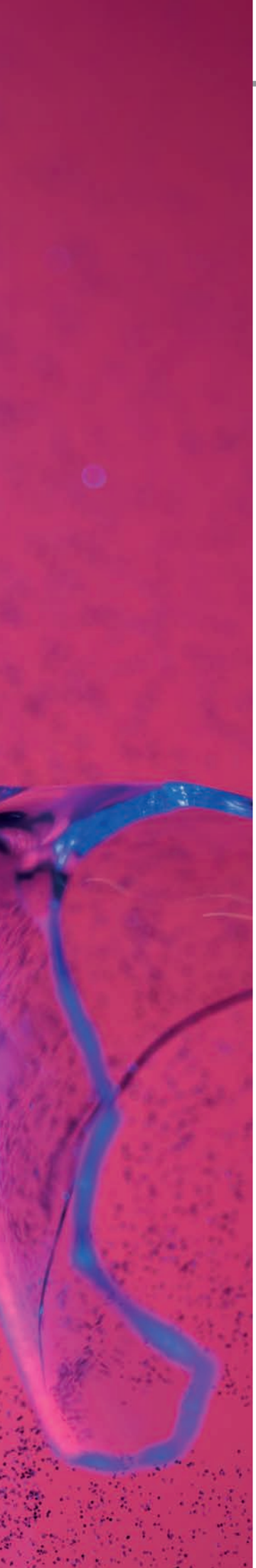
BREAKING THE TIME BARRIER

Time is becoming an increasingly rare commodity for HR professionals as they work to implement and administer benefits, but help is at hand, says **Nick Martindale**



JACKO

This July, the UK economy finally passed output levels last seen in 2008, before the full impact of the global downturn hit home. But for many HR, benefits and reward teams, the last few years have left their mark, with smaller in-house teams and greater pressure on those who remain to develop competitive benefits offerings to attract, engage and retain staff, often with fewer resources.

Cost will always be a factor in any decision about whether to implement, review or expand a benefits package, but increasingly the new realities are creating another important criterion: time. Benefits professionals simply do not have enough time to invest large amounts of it in implementing and administering perks, and are increasingly looking to consultants, brokers or suppliers to help them out.

James Malia, managing director of P&MM Employee Benefits, says: "It's always a factor these days. People will look at things and think 'is this going to be more work for us to set up and run?'. A lot of HR teams are smaller than they were and they are mindful of the work involved for them or payroll, or anybody else. It's also the case with switching providers; they have a fear that it's going to be over-complicated and time-consuming."

A single provider

But this doesn't have to be the case. Malia estimates that an HR team's involvement in running a benefits package can be as little as undertaking a couple of tasks a month, if it is managed through a single outsourced provider. "If you have one central point, it makes life a lot easier," he says. "If you're with the right provider, not only can it advise on products, but if there are any issues, you only have to deal with one firm. You don't have to call in different providers to talk about how their different products are running."

> "People will look at things and think 'is this going to be more work for us to set up and run?'"
>
> James Malia, P&MM Employee Benefits

Matthew Gregson, consulting director at Thomsons Online Benefits, says the effective use of technology can also help with the smooth administration of benefits. This includes both portals, which allow employees to manage their own benefits online without involving HR or benefits teams, and assessment tools, which can perform calculations around benefits such as childcare vouchers and company cars.

"The biggest challenge, and work that is sometimes split between HR and payroll, is having a back end that can do all the assessments and calculations to make sure you don't under-pay or over-tax someone," says Gregson.

Research by Thomsons Online Benefits suggests HR teams that use a single system to manage their benefits save an average of five and a half hours a month compared with those using multiple packages.

Chris Evans, senior consultant at Buck Consultants at Xerox, says consultancies can also help save time in other ways, particularly in making the right decisions about benefits selection in the first place. "If you get that right, it means you will not have to review it again six months down the line," he says.

IF YOU READ NOTHING ELSE, READ THIS. . .

- **Time is increasingly a factor for in-house benefits teams when implementing or reviewing products and services.**
- **Putting more of the burden on to consultants, brokers or suppliers is an option, and many will offer services they do not always shout about.**
- **New tools are emerging that can free up more time, and it is also worth investigating unused features of existing software.**

A related issue is troubleshooting any problems that arise, such as an insurance company failing to send out the right documentation, says Evans. "We are exposed to those sorts of problems more often than we'd like to be, but the net result is we are also experts in helping [employers] fix them when they occur."

Employers can also save time by opting for standard packages put together by consultancies using their own preferred suppliers. Manesh Patel, senior benefit consultant at Aon Employee Benefits, says this tends to appeal particularly to smaller organisations that do not have the capacity to employ someone to design bespoke schemes.

Aon Employee Benefits operates a preferred supplier system, but complements this with a preferred panel set-up, giving clients the option to choose from a further three providers if they do not want the default option.

"The advantage of the preferred route is that we've done the legwork," says Patel. "We've done the requests for proposals and the beauty parades, we've negotiated terms and we've also been able to streamline the set-up process in terms of contracts or agreements."

Ensuring consistency

Consultancies can also help with communications around benefits, he says, ensuring consistency in messaging and appearance across different products, and even branding this in the organisation's style. "It cuts out the cost of having to deal with it in-house, financially or resource-wise," says Patel.

But not everyone wants, or can afford, to go down the single-provider route, and plenty of organisations are willing to manage a range of suppliers in-house. Janet McKenzie, reward and recognition manager at B&Q, is one example, but her approach is to put as much of the administrative workload as possible on to brokers. ➤

"We work very closely with our brokers because they can provide a huge amount of help and assistance," she says. "But some are better than others. I have encountered some that do the minimum required to earn the fee, and it's only when you really push them that you find there are all these other things they can do. If you get a good broker, it will be proactively contacting you and telling you what it can do."

New tools are also emerging that should, in theory, help save benefits professionals time. Evans points to the huge amount of data that can be generated by providers around the take-up of benefits, which can help in-house teams analyse trends and make decisions quickly.

Converting data

"One of the tools we're developing allows you to convert that data into information, and then, by analysing that information, turn it into intelligence," he says. "It can turn what was previously a hugely time-consuming process, trawling through data and spreadsheets, into a more automated one."

Aon Employee Benefits, meanwhile, offers tools that can help benefits teams benchmark rates in the market according to their demographics, size and claims history, which Patel says can save time when it comes to researching and taking out new policies.

"It allows organisations to assess their profile and what the market is thinking of them at any point in time, which means that when it comes to reviewing products, benefits providers and rates, you're already ahead of the game," he says. "It saves you having to take the time to go through those discussions at annual renewal stage."

Help can often be closer at hand than it might initially appear. Jamie Winter, senior consultant in Towers Watson's health and group benefits practice, says many income protection or private medical insurers now offer absence management tools, either as part of the premium or for an add-on charge, which can free up HR teams from getting too embroiled in such matters.

"Absence recording systems are also often a core part of payroll management systems, such as SAP or Oracle, but often they're not switched on because employers don't know how to implement them," says Winter. "There is an argument for saying that if you want to understand what your absence levels are and what time you're having to invest in it and what it's costing you, why don't you switch that absence recording tool on?"

Early intervention

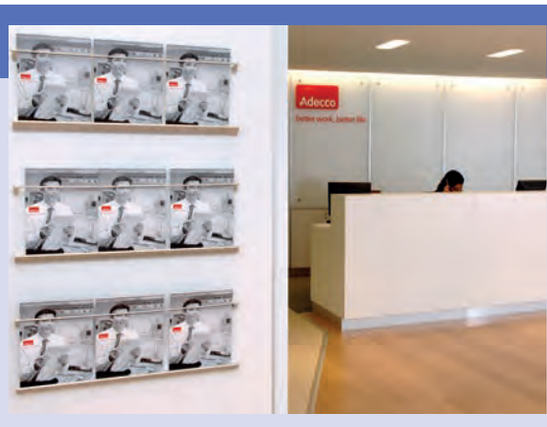
Many group income providers also offer early intervention services, which can ease the burden on in-house teams, he adds.

B&Q's McKenzie urges organisations to make more use of their existing software. "Some [employers] have a payroll system where they only use the vanilla side of what it can do, and if you investigate it a bit more, it can help you out," she says.

B&Q uses its payroll software to check that employees receive the right amount of reward, taking into account benefits such as childcare vouchers and pension contributions, she adds.

McKenzie has also taken advantage of a service offered by B&Q's company car provider, GE Capital. "It comes in and identify which processes give us the most grief or require the most admin and look at whether there are things it could do for us or that we could do ➤

ONE FOR ALL



Up to now, recruitment business Adecco has managed its employee benefits in-house, drawing on a standard package offered by a firm of advisers, with external administrators used for certain benefits.

Matthew Johnson, head of compensation and benefits at Adecco, says the decision to use a standard package was aimed at keeping internal administration to a minimum, but the reality has been different. "We try to get the two [organisations] to talk to each other, but they don't," he says.

As a result, Johnson says he has to spend a lot of time working with the two organisations, as well as managing relationships with benefit providers.

He is coming round to the idea of outsourcing the entire benefits offering to one provider, which can handle individual relationships with suppliers and provide the thought leadership around new products, which Johnson believes is missing.

"At the moment, we are provided with a report from our flex provider and we then send that information to individual benefit suppliers," he says. "But why isn't our flex administrator doing that for us? That would be far more efficient."

Viewpoint

Richard Higginson is head of reward at Towry

Providers: help or hindrance?

One of the biggest issues for in-house benefits teams is that they don't know how effective a benefits provider or supplier is until they start working on a project, says Richard Higginson, head of reward at financial advice and investment management firm Towry.

Higginson has learned this the hard way, having endured a bad experience with a pensions provider handling the move to auto-enrolment.

"It told us it had this fantastic new automated computer system, but eventually confessed that somebody at their end would manually type all the data into the system," he says.

"That meant it had a 10-day turnaround time on it, which went beyond our pay date each month. There was no way we could ever get anybody's contributions paid on time."

Higginson is currently looking at introducing a company car scheme, but admits to concerns over the time involved in running it. "If it is more than minimal, then it'll be a no-go, because we don't have the resources for it," he says.

differently, given its experience of dealing with other organisations," she says.

Taking on more of the legwork is a core selling point for The Voucher Shop when offering its MySpree discounted shopping card to employers. As well as managing the system itself, the provider takes responsibility for communicating with employees, tailoring messages depending on their usage.

Kuljit Kaur, head of business development at The Voucher Shop, says: "It takes the onus away from HR teams and they are quite happy not to have to get

involved at all. We've built a whole communication piece that supports the product, so the client doesn't have to worry about doing any of that."

Certain benefits carry a heavier administrative burden and require more employer interaction than others. Patel highlights company car schemes as difficult, largely because of the complexity of combining old and new schemes and the need to mitigate potential risks around leavers, while Thomsons Online Benefits' Gregson says childcare vouchers and even life cover and income protection can involve a significant amount of management time.

But here, too, employers should be able to turn to consultants, providers and brokers for an honest assessment of what is involved, says P&MM's Malia. "There are some that have more options as to how they can be run, and they all have their own idiosyncrasies," he says. "But that comes down to the provider to explain what those risks are.

"There is no harm in having a conversation about it and potentially putting a business case together. The provider should be the first person to say whether it's going to work. It doesn't want to waste its time, either." EB

Nick Martindale is a freelance journalist

@ Read also *Which key attributes will benefits professionals of the future possess?* at bit.ly/1CV4QSE

CHANGING CHOICES

Robert Crawford looks at the flexible retirement options contained in incoming pension reforms

When Chancellor George Osborne delivered his 2014 Budget on 19 March, he said it was a Budget for "the makers, the doers and the savers".

It contained some far-reaching reforms to how members of defined contribution (DC) pension schemes will be able to access their savings. The biggest change is that, from April 2015, DC scheme members will no longer be required to buy an annuity, but can instead take their pension wealth as a lump sum, drawdown or as an annuity.

The government also introduced a new requirement for everyone retiring with a DC pension pot to receive free and impartial guidance on their choices around how to use their retirement savings.

Osborne said: "Thirteen million people have defined contribution pension schemes, and the number continues to grow. We have introduced flexibilities.

Annuity rates

"But most people still have little option but to take out an annuity, even though annuity rates have fallen by half over the last 15 years.

"What I am proposing is the most far-reaching reform to the taxation of pensions since the regime was introduced in 1921."

So what are the changes?

From 27 March 2014, the maximum lump sum that an employee can take from a pension pot increased from £18,000 to £30,000. The cash received is known as a trivial commutation lump sum.

This change adds flexibility to how pension scheme members can access their savings by increasing the total pension wealth that employees can have before they are no longer entitled to receive lump sums.

However, employers should be aware that the increase is subject to individual pension scheme rules.

The number of small pots from which lump sums can be taken also increased on 27 March. Previously, 100% cash lump sums could be taken from only two pots; this has now increased to three.

The tax-free amount that can be taken out of an employee's small individual pension pots as a cash lump sum has also increased, from £2,000 to £10,000.

This is regardless of an individual's overall total pension wealth, and cash can be accessed from age 60. However, there are concerns that this change could hurt lower earners.

From April 2015, the tax treatment of cash lump sums withdrawn from an employee's pension pot will be reformed.

Individuals will still be able to take a tax-free lump sum of up to 25% of the value of the pension pot (as per current rules), but those that want to take more than the 25% tax-free amount from their pension as a lump sum will be taxed at the individual's marginal tax rate and will no longer incur a 55% charge for full withdrawal.

Jeremy Harris, pensions partner at law firm DLA Piper, says: "This means that drawing the full benefit as a lump sum, with 25% tax free, the remaining 75% will be subject to tax only to the member's marginal rate of income tax."

Drawdown limits

From 27 March 2014, the amount that a DC scheme member can draw down each year was increased from 120% to 150% of an equivalent annuity.

In order to be allowed to draw down from a pension, DC members must be earning at least £12,000 a year. This has been reduced from the previous £20,000 income limit.

In the Budget, Osborne said: "As the nature of retirement changes, annuities are no longer the right product for everyone. People are living longer and their needs are becoming more varied. The introduction of automatic-enrolment will dramatically increase the amount of pension savings. The landscape has completely changed.

IF YOU READ NOTHING ELSE, READ THIS...

- **A number of changes announced in the 2014 Budget will give workplace pensions more flexibility.**
- **Employees can choose to take their pension wealth as a lump sum, drawdown or as an annuity.**
- **New tax rules will help provide greater flexibility for employees.**
- **A guidance guarantee will ensure pension members receive advice on how to make the most of the new options.**

SHUTTERSTOCK

Viewpoint

Tim Smith
is senior associate in the pensions team at Eversheds

New freedoms will spell the end of pensions

Conversations around staff being unable to retire because they can't afford to will become more common from next April, when the government introduces radical changes to the rules relating to how staff can access their pension savings.

Under the new rules, individuals will have total freedom over how they use their pension savings, which will mean that, from age 55, they will be able to withdraw their savings and use them to pay for home improvements, pay off debts or go on the holiday of a lifetime.

But what will this mean for employers and how should they respond?

The new flexibilities mean a workplace pension will essentially become a workplace savings scheme and employers' pension contributions will no longer have to be used by staff to secure an income in retirement.

This means that employers could find themselves in a scenario where staff that have paid a decent amount into their pension scheme and had the benefit of employer contributions still cannot afford to retire because they have already spent their savings.

Given that employers will not be able to force their staff to use their pension contributions to secure an income in retirement, they may wish to consider ways in which they can influence what employees do with their savings.

This could include providing staff with financial education and training and/or rolling out a communication programme to help them understand their income needs in retirement and what steps they can take to achieve their ambitions.

However employers respond, the way in which they, and their staff, view 'pension' saving will change radically.

"Moreover, the annuities market is currently not working in the best interests of all consumers. It is neither competitive nor innovative and some consumers are getting a poor deal. It is time for a bold, modern and progressive reform."

Therefore, from April 2015, employees will no longer have to purchase an annuity to convert their pension pot into retirement income. Instead, they will be able to take their pension wealth as a lump sum, drawdown or an annuity.

> "Taking the whole amount of money overnight may raise some implications"
>
> Will Aitken, Towers Watson

Will Aitken, senior DC consultant at Towers Watson, says: "Clearly, buying an annuity is still an option. But taking the whole amount of money overnight may raise some implications. When taking into account these new flexibilities, an employee's tax rate will have a big influence on the route they take."

With more flexibility and choice available, employees may need more support and guidance around their options at retirement.

Guidance guarantee

In July, the government announced how it intends to deliver its guidance guarantee. Employees will have access to free, impartial guidance, provided by independent organisations rather than pension providers.

The guidance, which will come into effect in April 2015, follows the government's consultation on how best to deliver the changes to how employees access pensions.

The guidance guarantee will bring together a range of delivery partners, including the Pensions Advisory Service and the Money Advice Service, which already provide guidance and support to pension savers.

The guidance will be offered through a range of channels, including web-based, phone-based and face-to-face.

Stephen Greenstreet, a principal at Aspire to Retire, says: "With greater choice comes greater risk, and that leads to our view that people will need early education guidance.

"The guidance guarantee is a good idea but, if it is only being offered at the point of retirement, it is going to be limited in what that outcome could be.

"We believe early education guidance and information must be provided at an early date, but this is all positive news compared to where we were pre-March 2014."

There will also be a number of changes to tax rules to give providers greater freedom to create new products that meet consumers' needs better, including allowing payments from annuities to decrease and permitting lump sums to be taken from annuities.

New tax rules will ensure that individuals do not use the new flexibilities to avoid tax on their current earnings by diverting their salary into their pension with tax relief, and then immediately withdrawing 25% as a tax-free lump sum.

Amended tax charge

Future changes will also amend the 55% tax charge on pension savings in a drawdown account at death. The government says this is necessary because this charge will be too high when the new system begins in 2015. Changes around this will be announced in the Chancellor's Autumn Statement.

But despite the changes, employers should be aware that in applying the reforms, they will not need to overhaul their pension administration. DLA Piper's Harris says: "Schemes will have a 'permissive statutory scheme rules override', which enables, but not obliges, them to apply this flexibility without the need to amend scheme rules." EB

Robert Crawford is a reporter at *Employee Benefits*

@ Read also *The role of independent governance committees* at *bit.ly/1pa4TTa*

BUILDING A FUTURE

Employers have a lot of spadework to do to prepare themselves and their staff for next year's pension changes, says **Robert Crawford**

Come April 2015, there could be a seismic shift in the way members of defined contribution (DC) pension schemes take their retirement income, and employers will need to respond by creating new avenues for staff to explore all their options at retirement.

The changes should also prompt employers to revamp and enhance their benefits strategies to offer more flexibility, and adapt HR policies for staff who are working longer.

IF YOU READ NOTHING ELSE, READ THIS...

- **72% of pension professionals are not fully prepared to deal with the consequences of the pension reforms. (Aon Hewitt)**
- **Financial education could become a prominent feature of benefits packages to help employees plan for retirement.**
- **Employers will have to adapt working arrangements to cater for flexible retirement plans.**
- **Default investment strategies should also be reviewed.**

George Osborne's 2014 Budget gave employees in DC schemes greater flexibility around how they can use their pension pot at retirement. From April 2015, staff will no longer be required to buy an annuity, but can choose to take their pension wealth as a lump sum, drawdown or purchase an annuity.

But according to research published by Aon Hewitt in August, just under three-quarters (72%) of respondents [pension professionals] say they are not fully prepared to deal with the consequences of the pension reforms.

The study also found that one in five (20%) respondents say they need significant extra resources, in time, money and external support, to implement the changes.

Iain Chadwick, consultancy director at Johnson Fleming, says: "It is a challenging time for employers. These are fundamental changes and they should be looking at the need to educate and communicate to employees."

A priority for employers is to rethink their at-retirement communication and education strategies. Education is also vital for HR and benefits staff who will be talking to employees coming up to retirement, planning flexible retirement policies and facing workers who are daunted by the choices they must make.

Aegon's *Retirement readiness survey*, published in August, highlights this as an area in which employers could improve, with more than one-third (39%) of employee respondents not having a financial plan for retirement.

Other research by Jelf Employee Benefits, published in July, found that one-third (33%) of respondents expect employers to have to fund financial guidance for their entire workforce following the pension reforms.

Lifetime of education

Jo Thresher, head of money at work at Jelf Employee Benefits, says: "The reforms should lead employers to revamp their strategies, especially where they have not changed how they deal with employees planning for retirement. They need to put policies in place to provide a lifetime of education."

For example, employers can implement financial education tools for employees that highlight what the changes are and help them achieve a good income in retirement.

"It all depends on the age profile," says Thresher. "If [employers] have employees that are aged 55-plus, they need to communicate with them now and provide support, such as courses, to get them to understand how they

SHUTTERSTOCK

Pension rules that have been relaxed

Single small pots Total pension pots	£2,000 to £10,000 £18,000 to £30,000	For anyone over age 60 with small pension pots: Pension pots of £10,000 or less can be taken as cash (previous limit was £2,000) or Total pension savings of £30,000 or less can be taken as cash (previous limit was £18,000).
Minimum income	£20,000 to £12,000	If an employee has a guaranteed pension of at least £12,000 (requirement lowered from £20,000), they can take their other savings as and when they wish.
Drawdown	120% to 150%	Employees can draw an income from savings instead of buying a pension or 'annuity', up from 120% to 150% of the equivalent annual payment from an annuity.

Source: Towers Watson research on the impact of budget reforms on DC pensions'

can take their pension from April."

The government's guidance guarantee, which promises retirees free and impartial guidance on how to take these flexible retirement options, will be introduced in April 2015, but many believe it will only go so far.

Damian Stancombe, head of employee benefits at Barnett Waddingham, says: "It is fundamental that education is given at the time staff start to shape what their retirement may look like, not at the point of retirement. It is farcical. Suddenly, offering financial education because of the changes will become part of employers' corporate objective."

Tim Perkins, director of financial education provider Nudge Global, adds: "This is key to what organisations need to do. They recognise that employees will be asking for more support and they will want to give more in the hope that staff are maximising their pensions and not still hanging around at the age of 75 or 80."

The Office for Budget Responsibility's *Fiscal sustainability report*, published in July, found that future generations of UK employees will have to work until the age of 69 or 70 before they receive the state pension. This statistic, combined with employees' ability to take their pension wealth as a 25% tax-free cash lump sum, should prompt employers to revisit their policy on flexible working.

Paul Macro, partner and client leader of Mercer's UK defined contribution and savings team, says: "One of the options for employees is to retire or cut their working hours and use their DC pot to bridge the gap until they reach state pension age. This will encourage them to request to work flexibly, which could have implications for employers, especially if most of their staff are around 50, but it also allows them to ease the transition into retirement."

Employees may expect to be able to access their pension savings and carry on working, so employers also need to look at how this fits with other benefits. They will have to consider several key questions, including: Will they want employees to take their existing pension savings and then simply rejoin the scheme? Most employees who take their benefits early

CASE STUDY **BRISTOL MYERS SQUIBB**

Right formula for retirement education

Global biopharmaceutical organisation Bristol Myers Squibb has taken proactive steps to educate employees about their retirement options ahead of the pension reforms in April 2015.

It has informed staff about the changes following the closure of its defined benefit (DB) scheme in 2012 and the introduction of a group personal pension plan.

The employer has also launched an online retirement planning tool, provided by Aspire to Retire, which is available to employees who are five years from their default retirement age.

Daphne Lucas-Lee, UK associate director, compensation and benefits at Bristol Myers Squibb, says: "When we opened the DC [defined contribution] scheme, we had a number of concerns from staff that they did not know enough about pensions.

"We have done a lot of education to improve this and, as a result, have started to inform employees about the coming changes to DC schemes."

The scheme gives staff information about the importance of saving, access to information about their retirement options, interactive tools specific to their pension scheme and telephone access to consultants.

The organisation aims to engage staff with pensions and offer advice and guidance that goes beyond the government's guidance guarantee.

Lucas-Lee adds: "As employees near retirement, a number of decisions will need to be made. It is important that we give advice and guidance to employees so they understand the options available to them, especially after next year."

Viewpoint

Dr Ros Altmann is the government's business champion for older workers.

Older workers benefit business and the economy

The UK is facing a fundamental shift. Our society and our workforce are ageing and employers need to respond. Helping people stay in work longer is likely to be increasingly important for businesses.

Over the next 10 years, forecasts suggest there will be 700,000 fewer people aged 16 to 49, but 3.7 million more people between 50 and state pension age. To avoid labour shortages, extending working lives and embracing flexible retirement options will be an important part of the future workplace.

Redefining traditional retirement represents a tremendous opportunity to boost economic growth and benefit long-term corporate performance.

Ending the default retirement age and extending the right to request flexible working to all staff can help retirement become a process of cutting down working hours, rather than no work at all. A phase of life when older people are still working, but less than before, still contributing to the economy, is better for most people than suddenly stopping.

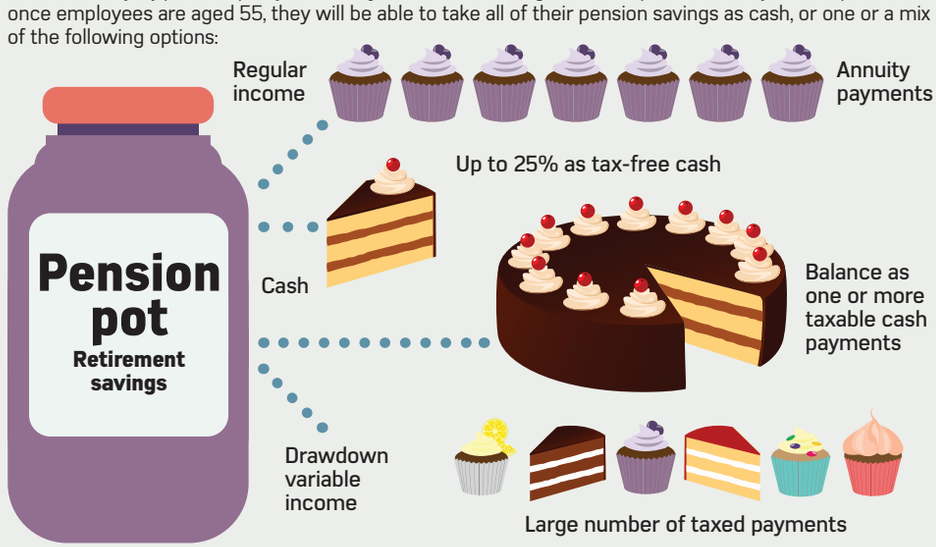
Keeping older workers in work will also, ultimately, mean more jobs for younger people, because it will increase the spending power of the economy.

As the government's business champion for older workers, I am meeting successful employers and seeing first-hand the business benefits of retaining and recruiting older staff.

Negative stereotypes about older workers are starting to evaporate, with organisations across the country seeing the benefits of an age-diverse workforce. As people are healthier for much longer and want a better standard of living in later life, flexible retirement offers a win-win for all.

Pensions flexibility from April 2015

Before April 2015, employees could take 25% tax-free cash and the rest as pension from their defined contribution (DC) pension pot (unless they met the small or guaranteed pension limits). From April 2015, once employees are aged 55, they will be able to take all of their pension savings as cash, or one or a mix of the following options:



Guidance guarantee	Tax on savings	Watch this space:
Employees will have access to an independent pension adviser to talk through their options (FCA monitored).	Once employees draw their pension pot as cash, extra tax will be payable if they then contribute more than £10,000 a year (down from £40,000).	The trustees and the employer will review the changes and decide how many of these options can be provided through the scheme. Employees will also have the option to transfer their DC benefits elsewhere for full flexibility.

Source: Towers Watson research on the impact of budget reforms on DC pensions

will still qualify for auto-enrolment, so will employers offer them just the minimum, or more? And are death benefits tied to membership of the pension scheme?

Faith Dickson, a partner at law firm Sackers, says: "Allowing employees to take their benefits and continue working can help them transition to retirement. But, equally, there will be employees who take cash in their 50s to meet financial demands and then won't be able to afford to retire in their 60s or 70s."

Another area where the new retirement options are driving change is in schemes' default investment strategies. According to asset management firm SEI's *Defined contribution pensions survey*, published in August, two-thirds (66%) of trustees are looking to change their pension scheme's default strategy within the next 18 months.

SEI's survey, which canvassed trustees and employers about their current approach to DC pension governance, also found that 52% of respondents operating a trust-based scheme are planning to implement new retirement solutions after the removal of compulsory annuitisation in April 2015.

Jeanette Makings, head of financial education services at Close Brothers, says: "Some employers are looking at de-risking their scheme. It is causing employers to go back and communicate to employees the various investment options."

Makings says employers should also be reviewing their annuity providers.

However employers revamp their benefits strategies, a key consideration is for messages to be communicated appropriately to staff, whether by offering financial education or hosting financial wellbeing events.

Martha How, partner, reward and benefits, at Aon Employee Benefits, says: "All this points towards staff being more concerned about their retirement and employers can no longer say they will not give financial advice." EB

Robert Crawford is a reporter at *Employee Benefits*

@ Read also *Top tips for engaging staff in at-retirement planning* at *bit.ly/1prBWVm*

@ www.employeebenefits.co.uk/benefits/financial-education

Employees need to be financially aware

Supplied by:

With more pension reforms on the horizon next year, now is a good time for employers to reassess their employees' needs for wide-ranging financial education, says **James Bolton**

Our rapidly changing financial world creates the need for better financial education and support.

With the implementation of auto-enrolment upon us, is the responsibility for providing a pension shifting from the government to the individual and the private sector?

From next April, savers will be able to use their pension fund as they see fit, from the age of 55. While we are happy to spend time finding cheaper car insurance or the best deal on our utility bills, do we have the confidence and ability to search for, and understand, the best solutions for our retirement?

Biggest-ever changes

The proposed structure from 6 April 2015 is arguably one of the biggest-ever changes to pensions in the UK, with every individual over the age of 55 able to draw on whatever funds they want from their pension pot. Ways to do this include: income for life, such as a lifetime annuity; funds into drawdown, known as flexi-access drawdown; a single or series of lump sums from uncrystallised funds, known as uncrystallised funds pension lump sums; or a combination of these.

The significance of the changes cannot be underestimated and generates the need for re-education to ensure that the appropriate outcomes for employees are achieved.

With schools reopening after the summer holidays, pupils will now be taught saving, budgeting and public spending as part of the national curriculum.

With money worries being a major cause of stress, leading to employee absence, it seems sensible for employers to offer financial education to their workforce.

So what next for an employer that is interested in implementing a financial education programme? First, identify what employees want and need. Promoting employee benefits is a good step and should not be ignored, but there may be other, more personal, areas that employees would value ahead of these.

Different generations will have different financial drivers. Younger employees may prefer help with student loans or early financial planning, such as protecting their young family, whereas older staff may need to know more about their journey after retirement.

Financial education is a significant part of the HR service. Employers of all sizes can use different approaches, such as employee surgeries and individual counselling.

Retirement workshops can cover the technical aspects of pensions, and experts can help with the psychological impact of retirement.

The needs of the management team must also not be overlooked. High earners and executives, more than ever, need financial education and counselling to ensure they make the best use of the options available to them.

As the pension and tax options for these individuals become more restrictive, there is a need to consider what other tax shelters are available to them. This requires a much broader view of the individual's overall tax and financial affairs to ensure the right decisions can be made and a personal plan designed and implemented.

Tax efficiency and flexibility

For high-earners, it is important to balance tax efficiency with flexibility to ensure that while tax is minimised, this does not compromise investment decisions and strategy.

One thing we can be sure of is that the next 10, 20 or 30 years will continue to bring even more radical and fast-moving change.

The challenge is for employers to ensure that their benefits packages, executive reward programmes and their employees' financial awareness are kept up to date and remain relevant in this ever more complex world.

James Bolton is employee benefits director (South) at Mattioli Woods

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HANDLE WITH EXTRA CARE

New pension rules are creating difficulties for the management of default funds, says **Justine Tate**

The pension changes announced in the 2014 Budget (see page 25) have cast great uncertainty on the traditional management of default funds and lifestyling strategies.

Now that members have the freedom to access their pension funds when they want (once they have reached the age of 55), it is harder to manage the default fund so that it is likely to give a good outcome for members.

The default fund has been part of the pensions landscape since the dawn of defined contribution (DC) schemes. Its purpose is to provide a safe haven for members who do not feel confident to make their own investment decisions, or who are disinclined to do so.

Default funds often make use of a 'lifestyling' strategy, so that when the member is approaching retirement (often 10 years before their normal retirement date), their investments are gradually moved from riskier assets, such as equities, towards safer assets, such as cash. This lessens the risk of a sudden drop in the fund's value just before retirement.

IF YOU READ NOTHING ELSE, READ THIS...

- **Pension plan default investment funds often use lifestyling so that investments are moved from riskier assets to safer ones as members get closer to retirement.**
- **The changes announced in the Budget mean it is harder to predict when a member will retire, so it is harder to lifestyle a member's assets.**
- **Members' investments will have to be more tailored to individual needs.**

Sweeping changes

The Budget made sweeping changes to the pensions landscape, and until people have started to retire under the new rules, it will be hard to predict what their behaviour might be, and at what age people will choose to take their pension.

It is therefore difficult for pension schemes to determine how to adjust the management of their default fund, and it will be important for schemes to monitor the situation so they can make appropriate changes in a timely manner.

The key to future success is for schemes to have a good knowledge of their employee members so that they can tailor an appropriate investment strategy. The best way to do this is to speak to members about what they want to achieve from their pension, explaining what they are realistically likely to get from their current savings compared to where they would like to be at retirement.

The Pension Quality Mark has noted an increase in schemes carrying out a review and refresh of their default investment strategy. Some schemes have simplified the default options so they are easier for members to understand; others have reconfigured their selection of funds to align investment growth more closely with members' needs.

Any changes a scheme would like to make to its default investment strategy must fall within the 0.75% charges cap due to come into force in April 2015.

The true impact of the pension changes is yet to be felt, but the best chance of securing a good outcome at retirement for default fund members is built on two core principles: to fully understand membership and keep the investment strategy under constant review, so it is best placed to meet members' needs EB

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

@ Read also *Top tips for managing default fund strategies* at *bit.ly/1nAHCsQ*

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CARVING UP THE CALENDAR

There are pros and cons to offering staff multiple flex enrolment windows, says **Robert Crawford**

Many employers are building on the flexibility and choice available in a flexible benefits scheme by becoming more creative in the way they provide the perks. They are not only offering a widening range of benefits under flex but, in many cases, are enabling employees to access these outside of a scheme's annual enrolment window.

Mercer's *2014 EMEA Employee choice survey in benefits* report, published in June, found that 53% of respondents provide some form of choice in the flexible benefits they offer to employees.

By having more than one enrolment window a year and offering wider choice, employers are likely to boost engagement and take-up of the benefits. Steve Watson, commercial director at Portus Consulting, says: "There is something engaging about opting to do it more than once a year. It helps keep the scheme and communications fresh, but it is also about having benefits that make it engaging for employees to have more than one window."

Moving to multiple flex enrolment windows can also suit employees' lifestyles. Most of the benefits that can be offered more flexibly throughout the year, such as bikes-for-work schemes, may have a seasonal appeal and are typically launched two or three times a year.

Car leasing is another benefit that can be made available virtually all year round. Mobile phones can also be offered more frequently because they are tied to contracts that terminate at various times of the year.

Matthew Gregson, consulting director at Thomsons Online Benefits, says: "Employees want more consumer experiences with their benefits. They want to be able to take it now and employers are being forced to respond."

But if employers want more flexibility in when to offer insurance-based benefits via flex, it may not always be possible. For example, insurers might suspect that staff will take up benefits only when they become unwell.

Clare Sheridan, head of flexible benefits at ➤

IF YOU READ NOTHING ELSE, READ THIS...

- More than one flexible benefits window could drive engagement and take-up.
- It can help to keep a flex scheme and its communications fresh.
- Employers must know that some benefits cannot be open more than once a year.
- Moving away from an annual window could complicate administration.

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CASE STUDY **DANONE**

Feeding life events

Food manufacturer Danone allows its staff to change the perks they have selected through its flex scheme when they go through a lifestyle change, so they can adapt their benefits to their new needs.

The organisation, which won 'Most engaging benefits package' at the Employee Benefits Awards 2014, opens benefits windows for such staff every month for benefits including childcare vouchers, pension, retail vouchers, gym membership and health cash plan.

The monthly windows open for any employee who undergoes a lifestyle change, such as getting married, divorced, having a baby, seeing a change in hours or pay or returning from special leave.

The annual enrolment window for Danone's flex scheme, provided by Thomsons Online Benefits, is in April.

John Mayor, head of UK rewards at Danone, says: "The annual window gives staff the opportunity to select about 30 benefits, but opening a monthly window gives employees the chance to opt in or out if they see a change in their lifestyle.

"We tend to look at more of lifestyle events and have the data to see whether a marriage is coming up, someone has given birth or an employee has seen a change in hours or pay."

Capita Employee Benefits, says: "The only issue around true flexibility is in the insurance market, which has not developed in some areas to support this."

Buying and selling holiday is another benefit that may be restricted to a single window because it needs to align with the employer's holiday year.

When considering moving away from an annual flex window, there are pros and cons for employers, particularly when it comes to communication.

When offering multiple enrolment windows, employers need to ensure communications are continuous throughout the year and built into the recruitment process to ensure all staff understand what they can do and when.

BNP Paribas (see box below) has tied opening a new flex window in with various events that it runs in the workplace, such as health and wellbeing fairs.

Administrative costs

Employers also need to consider the administrative costs of offering multiple enrolment windows, which will vary depending on employee headcount, scheme complexity and benefits provider costs. Terry Gostelow, account director at Staffcare, says: "Employers need to be mindful when moving away from the annual window of the [tax-efficient] benefits and contractual information, because problems can occur in the administrative area."

However, flex technology has improved to such an extent that much administration is now managed by automated systems, which could enable employers to open a window every month.

Danone (see box p35) does this for staff who have undergone a lifestyle change such as marriage, having a baby or a change in hours and/or pay.

Chris Wilson, a partner at Reward Consulting Partners, says: "This allows individual benefits to be selected and managed independently. There is a desire for employers to empower employees to be in control of their benefits, so that what they have at any point is what they want or need for their circumstances."

Mobile technology could also affect the way benefits are chosen, for example if employers want to be able to allow staff to access and renew benefits at any time.

Dan Ball, total reward manager at Tyco, who will be speaking at Employee Benefits Live on 24 September, says: "I feel [multiple windows] is the right way to go. It supports many aspects of HR and can help capture a positive moment in an employee's life. Offering more choice at more than one time is a step forward." EB

Robert Crawford is a reporter at *Employee Benefits*

@ Read also *What is the real take-up of flexible benefits?* at *bit.ly/1wBKMUK*

CASE STUDY **BNP PARIBAS**

Banking on events to boost flex

Bank BNP Paribas opens new flexible benefits windows when it runs related events, such as corporate social responsibility fairs and health and wellbeing fairs.

Its flex scheme, provided by Vebnet, allows staff to make changes to childcare vouchers, bikes for work, retail vouchers and pension contributions. It also lets employees add dependants to their critical insurance cover if they get married.

Tom Hiles, group benefits manager at BNP Paribas, says: "We have a high take-up per benefit because we flag up the open window during certain events, which helps boost engagement."

For example, bikes for work used to be offered outside flex, but now BNP Paribas offers the benefit quarterly to coincide with the summer. It also opened an enrolment window during its health and wellbeing fair.

Hiles adds: "We do that regularly. If there is an event on, we will always open a benefit window. We have spent a lot of time and effort on making sure the process of more than one window works for our employees."

Viewpoint

Mike Bourne is a professor of business performance at Cranfield University

Technology can help open multiple windows

Employee choice in flexible benefits schemes is becoming widespread. However, there are only two good reasons for offering employee benefits from the employer's point of view.

The first is that benefits add to the organisation's brand, making it more attractive to potential employees and reducing recruitment costs.

The second is that the organisation can offer benefits at a lower cost than the employee could obtain on the open market because of economies of scale.

Both these advantages have to be weighed against the cost of provision.

The employer takes on the administrative burden of offering more benefits choice and currently this is being controlled by making it simple and providing one enrolment window a year.

Increasingly, instant selection and choice is available through the internet. When done properly, this moves the cost of administration from the provider to the recipient because they have to fill in the information required.

Employees increasingly expect the flexibility offered by an online benefits system and employers will find online solutions cost-effective. For these reasons, employers are moving to offer flexible benefits 'on demand'.

But some benefits, such as health insurance, do not fall into this category. Staff can't pay for health insurance only when they are ill; they have to be covered for a certain period.

I expect to see health insurance, dental insurance and similar offerings continue to be provided annually only, while many other benefits increasingly become available more than once a year to meet growing employee demand.

Will flex technology be free in the future?

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Technology has transformed the delivery of flexible benefits, but will it become a free resource for employers to use? **Lawrence Sutton and Kelly Gajjar** put forward opposing arguments

Lawrence Sutton, senior manager, emxsolutions at KPMG, says yes:

Flexible benefits technology has evolved significantly in just 20 years. When it first arrived on the scene, it was a luxury for even large, wealthy organisations. Today, flex technology is ubiquitous, even in small and medium-sized businesses. In the future, I believe it will be free.

Of course, many flex benefits solutions are already free in a sense, where they are sold off the back of other products or services, for example. However, in the light of the Retail Distribution Review's rules about transparency around costing, fee-based technology is now more prevalent.

The technology trend of reducing costs (to free) is too strong, however. We have already seen it happen with the emergence of free apps, free social media sites and webhosting.

Many of the costs of implementing flex technology relate to bespoke or inefficient implementations. Repetition of implementations enables providers to find new ways to create a better service.

Also, we are now seeing flex providers working with employers' other technology providers. Years ago, this would be controversial; today it is seen as removing silos and cutting costs.

As this working relationship strengthens further, we will see the market consolidating, with providers joining up to become one of a small number of key players providing a free service to the whole market. They will do this by selling broader propositions, as at present, or by an online advertising revenue model.

Not everyone will be comfortable with going down the advertising route. But the concept of providers paying to be on the technology (rather than the consumer paying) in order to gain or maintain a competitive advantage is a real possibility.

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Look at the headway the industry is already making, in terms of product innovation, logistical efficiencies and by significantly reducing costs. If these things can all be provided free, who would pay for them?

Kelly Gajjar, manager, emxsolutions at KPMG, says no:

Market-leading flexible benefits technology will never be free. Although technology is becoming more competitive compared with 20 years ago, in our ever-changing market there will always be a demand for bespoke and innovative flex builds. Employers are willing to invest in this area.

Since the Retail Distribution Review, fee-based revenue models dominate. Some providers may opt to adapt a fee-free solution by offering an off-the-shelf standardised tool, but I believe these providers will lose their competitive edge.

As we are repeatedly told in this life, you get what you pay for and flex technology is no exception. A free solution will come at the expense of a truly intuitive, tailored and customisable service.

I am also sceptical about a cost-free solution's ability to appeal to prestigious employers that pride themselves in their unique benefits offerings, administered and communicated through an engaging online platform.

Some may argue that we can always improve efficiency and reduce prices, but someone will still have to foot the bill for implementation costs, compliance, governance and security.

Providers may be seduced by the success of Facebook and its advertising-based business model, but I would question whether the practices that facilitate this would be compatible with the principled practices of impartiality and independence.

There is no doubt that the market will become more competitive as providers find new ways to improve their solutions, but it will not be by giving away free technology. It will be through innovation, customisation and rapid reaction to industry changes: all things for which customers expect to pay a premium.

Lawrence Sutton is senior manager, KPMG emxsolutions

Kelly Gajjar is manager, KPMG emxsolutions

BUILDING INTEREST IN SAVING MONEY

Voluntary benefits are valued by staff, but employers must find out what is really needed, says **Nic Paton**

The economic climate may be steadily improving but, with wages still under pressure, it is not hard to see why voluntary benefits are becoming an increasingly popular bolt-on for employers and a valuable perk for employees.

Back in May, Capita Employee Benefits' *Employee insight research* argued that although, by and large, employees do feel better off than they did a year ago, managing to ends meet each month is still a struggle for many.

The majority (81%) admitted they were actively looking for ways to save money, with the ability to buy discounted technology products, subsidised gym membership and retail vouchers all considered perks of real value. And all these are popular in the voluntary benefits mix.

Employers also like voluntary benefits because they can help to generate employee loyalty and engagement in an increasingly competitive jobs market without needing to throw a lot of cash around.

IF YOU READ NOTHING ELSE, READ THIS...

- **Voluntary benefits are becoming an increasingly valuable bolt-on for employers and popular perk for staff.**
- **Constant communication is vital.**
- **It is important to understand employees' needs and priorities and obtain regular staff feedback.**

Employee wellbeing

Mike Morgan, chief executive of provider People Value, says: "For the past few years, employees have simply been grateful for their jobs and fearful about moving. We are now seeing people starting to feel more confident and more prepared to look at other employers to improve their package. So, increasingly, it is about focusing on employee wellbeing through voluntary benefits."

The challenge for any employer looking to introduce voluntary benefits is to maximise take-up and engagement. Ideally, employers will also want voluntary benefits to help generate staff interest in, and engagement with, the core and flexible benefits they offer.

Iain McMath, chief executive at Sodexo Motivation Solutions, says: "How the scheme is communicated is the key. A lot of employees do not understand the benefits they have, so clear communication is vital, as is getting feedback about what is important to them.

"We see a lot of organisations that just dump benefits on their employees and then wonder why they are not getting the take-up. It's about dialogue. Rather than piling benefits together, it is about really understanding what drives employee behaviour. Don't rush into it."

James Malia, managing director at provider P&MM Employee Benefits, says one of the advantages of voluntary benefits is that employees are likely to use them more often, particularly if they are available through an online portal.

Complete waste

"But employees still have to know that they are there," he says. "Employers can introduce the most amazing package, but if the employer does not communicate it, then it is a complete waste.

"You need as broad a suite of benefits as you can, but it is also about keeping the administration side as simple as possible."

McMath's point about understanding what drives employee behaviour is also important here. He cites the example of Sodexo's new Money Boost benefit. Rather than simply ➤

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offering retail discounts, the perk is designed to help staff save money from their salary towards a long-term goal while giving them an extra 5% to spend at various locations through a Money Boost Card, says McMath.

Voluntary benefits providers are also recognising the value of offering things that complement an employer's wider benefits package. Perks could be as diverse as educational tools unrelated to work, such as help with learning a foreign language or finding a local tutor, free access to the employee's credit score, streamed fitness videos or diet advice.

Broader proposition

"It is about trying to make it a much broader proposition, one focused on making the individual feel valued," says Morgan, citing People Value's Advantage6 product, which includes fuel and lifestyle discounts, recycling tools, wellbeing resources and a set-up 'wizard' designed to define an employee's shopping preferences right from the start.

"Too many employers put in a voluntary benefits package, tick the box and then move on," says Morgan. "But it has to be a journey, and it has to have buy-in at a very senior level. It is not just something you launch, it is a constant process.

"So it is about getting the message out there, refreshing it and supporting it over the whole lifetime of the contract." EB

Nic Paton is a freelance journalist

@ Read also *How to align tax-efficient benefits with a CSR strategy* at bit.ly/P3cKUH

CASE STUDY **NORTH YORKSHIRE COUNTY COUNCIL**

Council rates salary sacrifice

Last December, North Yorkshire County Council relaunched its Everybody Benefits salary sacrifice-based platform, introducing a range of voluntary benefits.

The platform offers lifestyle discounts, childcare vouchers, a bikes-for-work scheme, eco-friendly cars and now includes home technology, such as tablets, laptops and smart TVs.

The benefits, accessed through a bespoke portal, are from providers including Computershare Voucher Services for the childcare vouchers, Cyclescheme for the bikes-for-work scheme, Tusker for the car scheme and Xexec for lifestyle perks.

Most of the benefits are available to all the council's 19,000 staff, although the car and home technology schemes are restricted to non-teaching staff, says Sarah France-Gorton, principal adviser, resourcing and reward, at the council.

The benefits are also available for other public-sector organisations to access via a framework agreement, avoiding procurement exercises and increasing savings.

The council made an effort to generate, and sustain, employee interest pre- and post-launch and to align the new perks within its existing offering.

The existing platform was already popular with staff, but France-Gorton says it was still important to proactively promote the new-look package.

"All the benefits were re-procured, so we aimed to make the transition to the new providers as seamless as possible by communicating to staff through intranet news articles, weekly employee key messages, targeted emails to staff and holding employee benefits fairs where staff could come along, meet the providers and find out more," she says.

"We already offered some discounts for goods and services from local suppliers and retailers; these were given higher prominence on the new platform."

The result has been increased staff engagement with the benefits and a boost in take-up.

"Since the relaunch, the number of employees enrolled in childcare vouchers and green cars has been maintained," says France-Gorton. "There are over 600 employees registered for childcare vouchers and 265 currently have a green car."

The home technology scheme has generated "an overwhelming response", says France-Gorton, with 200 orders for computers, and tablets during the first window in May.

"We have continued to see interest in the Everybody Benefits platform and all other salary sacrifice schemes, and staff have said they value the opportunity to have access to the schemes and discounts on the platform," she adds.

"We recommend consulting with employees at the outset to ensure that the schemes will meet their expectations."

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Mental health issues must be a priority

Supplied by:

Good mental health is essential for an efficient workforce, and employers should do all they can to remove any barriers preventing employees from seeking help, says **Patrick Watt**

Mental illness is a serious problem for businesses and for the economy, with one in six employees dealing with a condition such as stress, anxiety or depression in any one year. All too often, the first the employer knows about it is when the employee has to take time off work. This can have a huge impact.

Even when an employee remains in work, presenteeism can be a problem. Stress clouds people's thinking, impairs judgement and inhibits productivity.

But mental health is not just about mental illness. Good mental health presents a great opportunity for businesses in terms of productivity and engagement. A Warwick University study found that people in a happy state of mind are 12% more productive. In knowledge-based industries, such as financial and professional services, human capital is an organisation's greatest asset.

Good business sense

If the mind is not functioning at its best, it is like operating with broken equipment. But if employees are fully engaged and resilient, then the sky is the limit. Creating an environment where talent can thrive makes good business sense, and early adopters of this are already reaping the benefits in employee retention and productivity. Maintaining mental health at work is a win-win for everyone.

Employers have a responsibility to eliminate practices or cultural habits within their organisation that cause staff to be stressed or unhappy. But stress will never just vanish.

Early intervention is the key to stopping mental health conditions spiralling out of control. Absence should not be the trigger for an employee to seek help. An employer would

not expect a physical condition like a back or knee problem to get better on its own; it would offer physiotherapy or other treatment. The same should be the case with mental illness. Providing high-quality treatment at an early stage is effective, but how can employers offer support early if people do not come forward?

The solution is to try to remove any barriers preventing employees from seeking help. Providing a confidential service is critical, as is making treatment easy to access.

But the most important thing employers can do is promote a culture where people can discuss problems openly and seek help when they need it. Make it absolutely clear that any support is confidential and there will be no negative consequences on anyone's career.

From a societal perspective, there have been significant changes to perceptions of mental health. Politicians, footballers and celebrities have stood up and talked about it, but there has been much less progress in the business world. It is the elephant in the boardroom. The irony is that business has most to gain from tackling mental health.

Failing to recognise the dangers of stress is the biggest danger. Breaking down the culture of silence around mental health should be a priority, and leaders must front this change.

Employees must feel that in being open about their struggles, they will be supported and their honesty will not count against them.

Line managers should be encouraged to talk to staff about stress. Managers must be trained to identify the symptoms and be able to signpost people to get the right help.

Employee engagement

Many people do not realise that stress, depression and anxiety are mental illnesses and help is available. Employee engagement campaigns can encourage people to seek help when they need it, preventing these conditions developing into more serious mental or physical illnesses.

Stress appears to be endemic in City jobs. This culture of high pressure and long hours must be addressed, or businesses will see an exodus of talented individuals.

Regardless of job role, employees need to feel comfortable discussing stress openly, and should never be allowed to get to the stage where stress is a daily issue and causes them to take time off or resign. Stress must not be seen as a personal weakness.

These cases are timely reminders of the need to put employees' health first. Only when this is built into the lifeblood of an organisation will it have a happy, and healthy, workforce.

Patrick Watt is corporate director at Bupa

BEWARE DATA DANGERS

Employers must take great care with medical data on staff, says **Helen Hall**

Healthcare benefits providers have access to significant medical information to assess employees' eligibility for cover or benefits and act as a data controller for the purposes of the Data Protection Act (DPA).

Employers are also data controllers under the DPA in relation to information they acquire about their employees, but they do not automatically have the right to access or use information about their employees held by benefits providers.

The DPA regulates the collection, use and destruction of most information that an employer holds about employees. When employers receive information from benefits providers, they must take care to comply with the DPA. Medical information is sensitive personal data under the DPA, which means it is tightly regulated.

Core principles for compliance

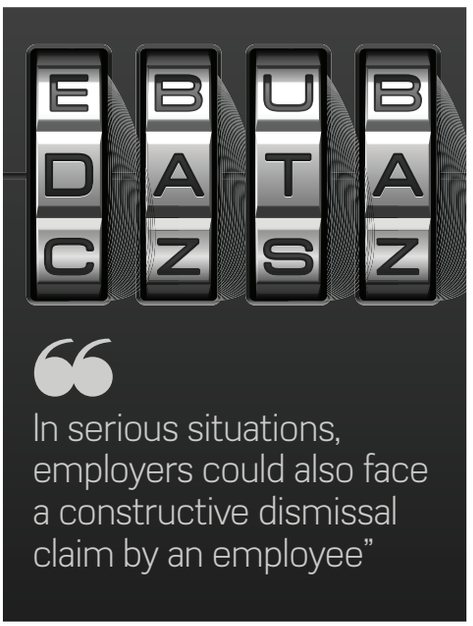
The bedrock of DPA compliance is this set of core principles:

■ Processing must be fair and lawful. Employees must know how an employer will use their data and only use it where one of a number of specific conditions is satisfied. This restricts an employer's use of medical information primarily to circumstances where the employee has given specific informed voluntary consent, medical emergencies, or where the use of the information is necessary for the employer to comply with its obligations under employment law, including health and safety compliance and avoiding unfair dismissal or unlawful disability discrimination. Wider use of data risks breaching the DPA.

■ Information should be used only for the purposes for which it was obtained. Care should be taken before using information that was gathered for benefits provision for wider management purposes.

■ Information should be adequate, relevant and not excessive. Employers should ensure they do not have more information than they need, while ensuring they have enough data for informed decisions.

■ Information must be accurate and up to date.



Care should be taken if the information received contradicts other information held, or if the employee disagrees with it. Employers have a responsibility to try to verify the accuracy if this is in doubt. Employers need up-to-date information, such as an updated GP or occupational health report, before making important decisions, rather than relying on old information from providers.

■ Where information is no longer required or relevant, it should be securely destroyed. To ensure consistency, employers should have a standard policy for retention and should carry out regular reviews to remove information that is no longer required. Information retained as an exception should be noted, along with the reason.

■ Employees' individual rights in relation to personal data must be complied with. This includes an employee's right to a copy of their data, to ask that inaccurate information be corrected, or to stop the use of information where processing causes unjustified distress.

■ There must be adequate security. Access to medical information should be restricted to those who need to know, and care taken to avoid unauthorised access or use.

■ Particular care should be taken when data is transmitted to avoid accidental disclosure or loss. Destruction should be secure. Additional restrictions apply to the transfer of information outside the European Economic Area (EEA), for example transfers of medical information to the US or Asia.

Consequences of non-compliance

Employers that do not comply with the DPA may be exposed to: complaints to the Information Commissioner's Office (ICO) from employees, resulting in an investigation by the ICO into the specific incident, or, potentially, a wider-ranging investigation into the employer's data protection compliance; a fine if there is a serious breach of the Data Protection Principles; and a claim by employees in the courts if they can demonstrate they have suffered distress, and even a nominal actual loss, as a result of the breach.

In serious situations, employers could also face a constructive dismissal claim by an employee and, in exceptional circumstances, a criminal offence, for example if an employer obtains information by deception.

An employer risks breaching the DPA if, without consent, it uses information given by an employee to a provider to assess eligibility for cover, to make management decisions about the employee's future. Employers would do better to seek separate, tailored, up-to-date information EB

IF YOU READ NOTHING ELSE, READ THIS...

> **Employers do not automatically have the right to access or use information held by benefits providers about their employees.**

> **Where given, information must be used only for the purpose for which it was obtained.**

> **Particular care should be given to the transmission and destruction of data.**

Helen Hall is legal director at DLA Piper

@ Read also *Why hard data on employee benefits has become so crucial* at *bit.ly/1kxogVF*

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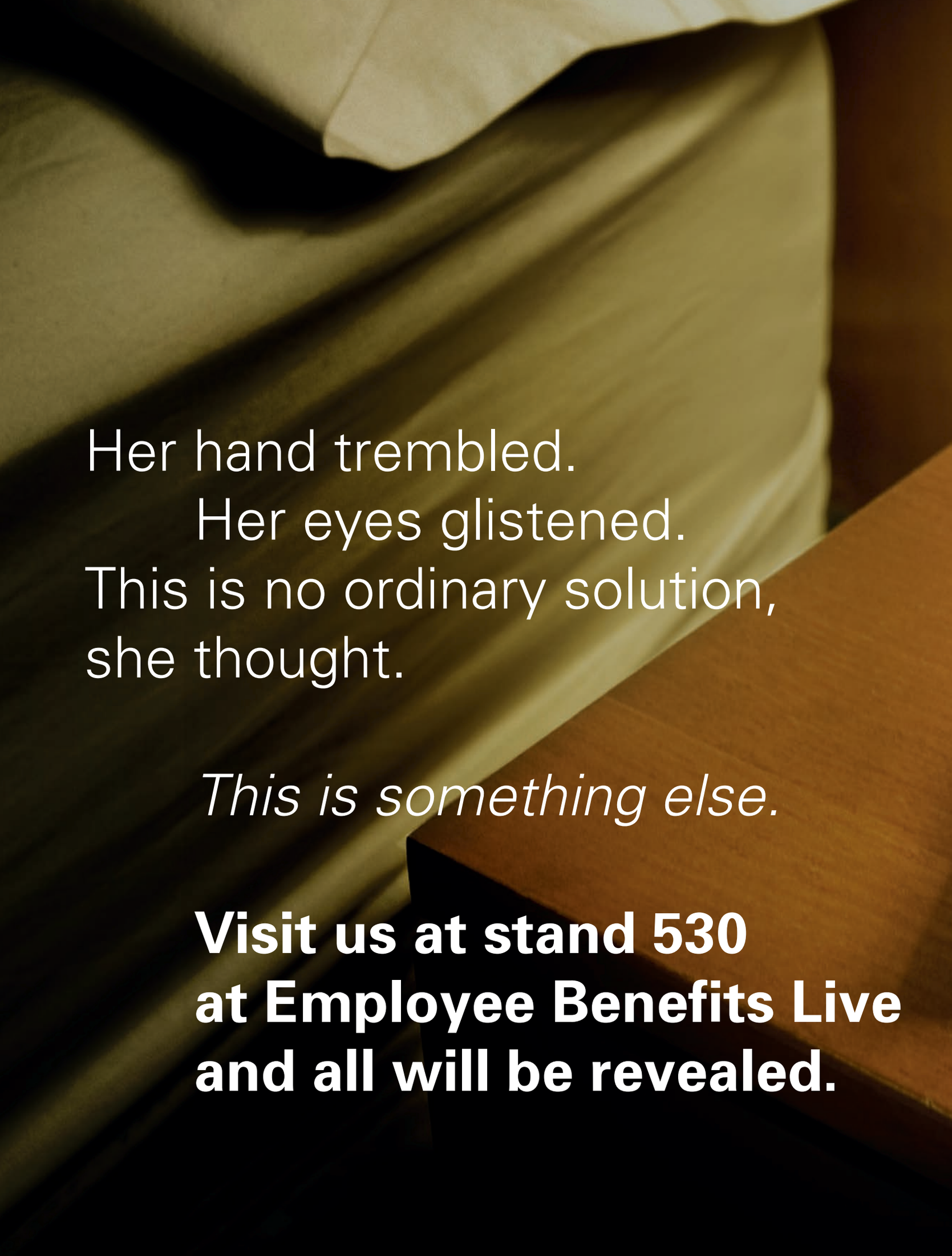
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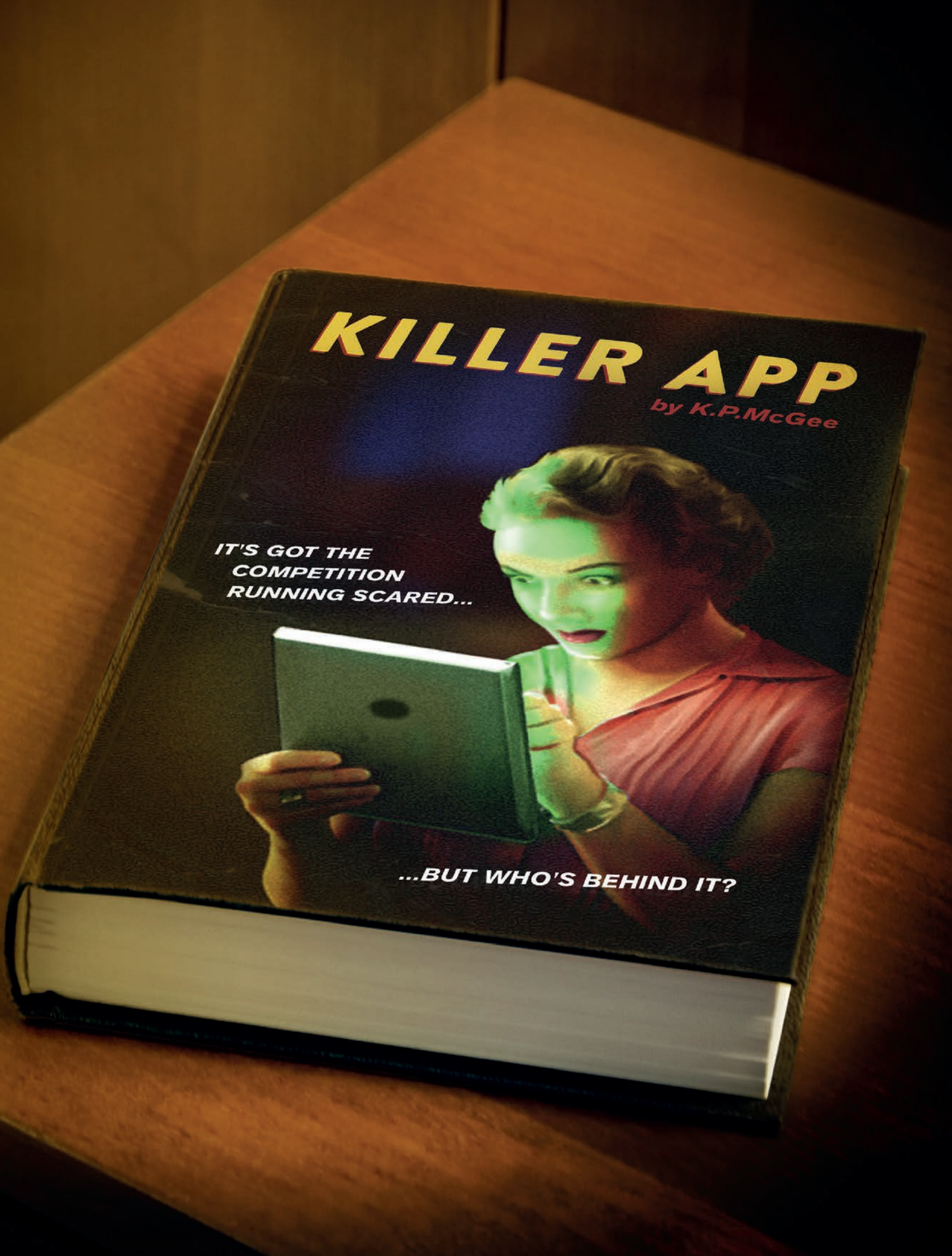
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EASING THE PRESSURE

Stress in the workplace has become easier to talk about, and employers can use a variety of benefits to help tackle the problem, says **Sam Barrett**

During the recent recession, many organisations suffered declines in business, made redundancies and imposed pay freezes, and the pressures of recent years have helped raise the profile of stress management.

Dr Katie Tryon, head of clinical vitality at PruHealth, says high-profile stress cases such as that of Lloyds Banking Group chief executive Antonio Horta-Osorio, Norwegian prime minister Kjell Magne Bondevik and former Barclays head of global compliance Sir Hector Sants have helped to put stress management on the corporate agenda.

"These cases have been a real tide-changer," she says. "It's made it much more acceptable to talk about stress in the workplace now."

As it has become easier to raise the subject of stress, it has also made employers more aware of the need to tackle the problem. Eugene Farrell, executive board member of the UK Employee Assistance Professionals Association (EAPA), says he has seen an increase in take-up of stress-related training.

"Stress-awareness training is more common, but I've also seen more resilience training to help employees deal with stress," he says. "This can include learning coping strategies, and related techniques such as mindfulness to help employees learn how to stay calm and objective."

Employee assistance programmes

Greater acknowledgement of stress has also led to significant growth in the number of employee assistance programmes (EAPs) in the workplace. Figures from the UK EAPA show that 13.8 million employees now have access to an EAP, equivalent to about half the workforce, and there has been a 69% increase in coverage since 2008.

Insurers have also recognised the power of EAPs, and often provide them as free add-ons to other healthcare benefits, such as private medical insurance (PMI), group risk products and health cash plans. For example, PruHealth offers an EAP alongside its medical insurance, and members of its Vitality scheme can access online cognitive behavioural therapy (CBT).

Employers' stress management strategies have also focused on early identification of potential problems, because this can improve the chances of a full recovery. Matthew Judge, director at Jelf Group, says this is now a key objective for some insurance products.

"Absence management systems have become more user-friendly and will highlight an issue before it becomes a problem," he says. "Group income protection insurers are also keen to get involved, often as early as day one, to support employees back into work."

To facilitate this, group income protection insurers such as Ellipse and Legal and General will incentivise early notification of absence and Ellipse has incorporated an absence management system into one of its plans.

But although many employers and insurers are taking a step in the right direction in dealing with stress, more needs to be done, says Judge. "We have lost the British stiff upper lip mentality towards stress, but I don't believe the support for people who are suffering has improved sufficiently, from either the state or the private sector," he says. "Waiting times for CBT on the NHS are too long, making it less effective, and there can be holes in the support provided through insurance products."

For example, free add-on EAPs will often be cut-down versions that provide just a helpline and access to counselling. This removes the management information that can help an employer to identify stress hotspots, but also,

"We have lost the British stiff upper lip mentality to stress"

Matthew Judge, Jelf Group

IF YOU READ NOTHING ELSE, READ THIS...

- **The pressures caused by the recession, coupled with some high-profile stress cases, has made stress a more acceptable topic to talk about.**
- **Support for stressed employees has increased, with employers and insurers offering employee assistance programmes and other tools.**
- **Employers should take a robust approach to tackling stress by implementing a variety of support mechanisms and plugging gaps in insurance cover.**

SHUTTERSTOCK


Estimated rate of self-reported stress, depression or anxiety caused or made worse by work, by age and gender
Employees
Rate per 100,000 employed 2011/12
All employees 730
All male employees 540
All female employees 960
All employees 16-34 580
Male employees 16-34 480
Female employees 16-34 710
All employees 35-44 830
Male employees 35-44 540
Female employees 35-44 1,160
All employees 45-54 920
Male employees 45-54 710
Female employees 45-540 1,130
All employees 55+ 670
Male employees 55+ 420
Female employees 55+ 970
Source: Office for National Statistics Labour Force Survey

because the service is free, it is less likely to be publicised within the organisation. And if the EAP is included with a product that is offered only to a subset of employees, it will be almost impossible to promote.

The EAPA's Farrell has also noted possible issues with insurance cover for stress. "The products are in silos," he says. "An EAP offers a relatively short model, which will help with a lot of stress-related problems, while the psychiatric benefit on medical insurance is more suited to serious mental health conditions. It would be better if we could merge all the benefits together."

Counselling sessions

As an alternative, some EAP providers and employers are open to extending their support model by either adding, or paying for, further counselling sessions where necessary.

Jelf Group's Judge says he would like to see changes made to medical insurance to make it more suitable for a broader range of psychological problems.

"It would be really beneficial if insurers included a triage system, enabling employees to be directed to the most appropriate form of care," he says.

While there is room for more innovation around the stress-related products on offer, there is also more that employers can do to support employees who are suffering from stress. Farrell says it is about building a robust approach, including training line managers to identify warning signs, promoting EAPs and launching wellbeing initiatives that promote healthy lifestyles.

"There isn't a simple solution; employees respond to different things," he says. "The broader the range of support, the better."

Allowing employees to work flexibly to achieve a better work-life balance, particularly if they have caring responsibilities, can go a long way to preventing stress.

Flexible working can also enable staff to take part in activities that may help to ease their stress levels, such as participating in sports or going to the gym.

Mental health

Although employers have come a long way in improving their approach to managing stress in the workplace, it is also important that they look beyond it to mental health, says PruHealth's Tryon.

"The real challenge for business is mental health," she says. "Significant progress is being made with initiatives such as Time to Talk Day, but employers really need to build on this.

"About a quarter of people in the UK will suffer from a mental health problem in any one year, so it is essential that employers keep up the good work." EB

Sam Barrett is a freelance journalist

@ Read also *How to manage workplace burnout* at *bit.ly/1yRoTzp*

CASE STUDY **DELOITTE**

Learning to work under pressure

Pressure is an integral part of the working week for many of Deloitte UK's 12,000 staff, but, while many thrive in such an environment, the organisation's head of human resources, Stevan Rolls, is keen to ensure there are no unpleasant consequences.

"People do enjoy the challenge this environment brings, but we need to ensure they can manage the pressure and prevent it having a negative impact on their health," he says.

To do this, Deloitte offers its employees courses to help them build robustness. For example, all partners are sent on a course called Sharpening Your Edge, where they learn psychological, nutritional and physical strategies to sustain high performance under pressure.

Stress management is also an important part of Deloitte's broader wellbeing agenda. This includes access to on-site gyms, doctors and sports and beauty therapists. "We have also set out to create a flexible working environment," says Rolls. "We focus on output rather than input, so as long as staff achieve what is required, we don't really mind how, when and where they do this."

As well as supporting flexible working, earlier this year Deloitte introduced a new initiative, Time Out, to help staff strike the right work-life balance. The scheme enables employees to take up to four weeks' unpaid leave, if required.

Its open approach to mental health is championed by former Deloitte partner John Binns, who is now a trustee at charity Mind.

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BIRTH OF A NEW GENERATION

The introduction of the tax-free childcare scheme next year will make a significant difference to both employers and employees, says **Fiona Shields**

As many employers will know, there is just over a year to go until the introduction of tax-free childcare (TFC), a government initiative aimed at supporting parents with their childcare costs.

This new scheme will provide 20% of working families' annual childcare costs, capped at £2,000 for each child. For employers, TFC could have consequences for their family-friendly working practices.

IF YOU READ NOTHING ELSE, READ THIS...

- **Tax-free childcare will be introduced from October 2015.**
- **Working parents who are not in receipt of childcare vouchers at that date will go into the new scheme.**
- **The change will have significant tax and cost implications for both employers and working parents if neither prepares for it in advance.**

More than 50,000 employers currently offer the popular employer-supported childcare scheme, or childcare vouchers, which parents receive through a salary sacrifice arrangement. Through this scheme, employers and employees both save on national insurance (NI) contributions, and employees also save on income tax.

The scheme can save a two-parent, basic-rate taxpaying family £1,866 a year on childcare costs. By comparison, the same family would have to spend upwards of £9,330 a year on childcare costs to reap the same level of support from TFC. The Department for Education's *Early years survey* shows the annual mean spend of families is about £5,000.

No formal role for employers

The design of the new scheme is very different from childcare vouchers, and there will be no formal role for employers. Parents will be solely responsible for setting up and managing their accounts with public-sector body National Savings and Investments. However, the government expects employers to remain a source of information for their staff about TFC, and the potential benefits it brings

Next year will see the last opportunity for employers to offer childcare support to new staff or new parents, given there will be no formal role for them under TFC.

A survey of 1,600 businesses by the Childcare Voucher Providers Association (CVPA) found that 65% believe offering childcare vouchers improves retention rates and 94% think it improves the family-friendliness of their business.

Employees agree: only 9% of parents believe removing the role of employers is a positive development.

Negative consequences

So what do employers need to do to mitigate the negative consequences of moving to TFC? Firstly, ensure they are signed up to a childcare voucher scheme because not everyone will benefit from TFC.

Unlike childcare vouchers, households in which only one parent is working will not have access to financial support. Employers should make sure they have a childcare voucher scheme in place, so parents can determine which scheme works best for them.

The CVPA also recommends that employers consider how important the childcare voucher scheme is to their business, both as a family-friendly benefit and as a form of tax relief.

The current childcare voucher scheme provides employers with NI savings worth up to £402 a year per scheme member. Without these savings, employers may not be able to fund other employee benefits that they offer. This could have significant implications for recruitment and retention.

A CVPA survey of 40,000 parents has shown that 20% would be forced to leave work if the support they receive through the scheme is no longer available. Given that about 550,000 parents currently use childcare vouchers, removing this support could see more than 100,000 people leave the labour market.

Employers need to understand what the changes mean for them on a practical level, and what they can do to ensure working parents continue to receive this form of support EB

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Fiona Shields is chair of the Childcare Voucher Providers Association

@ **Read also *Buyer's guide to childcare vouchers* at** *bit.ly/1wrGf3l*

FINDING A BALANCE

SHUTTERSTOCK

Flexible-working practices can boost employee wellbeing and engagement, says **Jennifer Paterson**

In 2013, more than 20 employers, including B&Q, Ford and Mitie, joined forces to launch the Agile Future Forum, which aims to develop practical support to increase flexible-working practices across the UK.

The government has also joined the effort through its Children and Families Bill, which legislates that, from 30 June 2014, all UK employees have the right to request flexible working from their employer.

Employment minister Jo Swinson says: "We want to change the culture around flexible working so that it becomes the norm in many workplaces, not a special case. The extension of the right to request to all employees will be beneficial for employers because they will reap the benefit of a motivated, efficient workforce."

The term flexible working covers many different styles of working, including part-time hours, job sharing, extended hours, working from home, compressed hours and flexi-time.

Dr Mark Winwood, clinical director of psychological services at Axa PPP Healthcare, says: "Different types of arrangement will suit different people. The more control any of us feel we have over our working lives, the better we feel about work."

The concept of flexible working has evolved over the past decade to become part of an employer's overall engagement and wellbeing agenda. Sarah Henchoz, partner at law firm Allen and Overy, says: "It's good for retention, good for morale and it gives people the ability to have more balance, which is good from a health perspective. As long as employers can balance that with the needs of the business, it's a win-win situation for everybody."

Flexible-working arrangements were first introduced to create more family-friendly working environments. Anne Longfield, chief executive of charity 4Children, says: "The likes of John Lewis, Royal Mail, Barclays and Danone all proudly espouse their family-friendly credentials, not just because it sends a positive message about their ethics and values, but also because it makes excellent business sense."

Swinson adds: "Flexible working has helped people to balance their caring responsibilities with work, and has helped stamp out the notion that starting or supporting a family means the end of your working career."

Eldercare responsibilities

More and more employees will also struggle to balance eldercare responsibilities with their working life. Winwood adds: "Going forward, so many more of the workforce are going to be full-time carers, as well as full-time employees."

Jonathan Swan, research and policy manager at Working Families, says that with these caring responsibilities, the UK will move towards a flexible lifestyle approach.

This means an employee might work full-time for the first part of their career, reduce their hours when they start a family, come back to regular hours, work flexibly again to manage care for an elderly relative, then return to work full-time before gradually reducing hours as they approach retirement.

"It is an approach where there are troughs and peaks, where people's needs change and working arrangements change to fit those needs," says Swan.

Alastair Denton, managing director at ➤

IF YOU READ NOTHING ELSE, READ THIS...

- **The right to request flexible working was extended to all UK staff on 30 June 2014.**
- **Options allow staff to be more flexible about managing their health, including the times they take medication, frequent the gym or cycle to work.**
- **Flexible working allows employees to balance their personal and working lives.**

Edenred, says: "[Flexible working] enables a much more controlled way for a family to manage their life well. It means that partners have the ability to share things, and that is a massive mental health positive, physical health positive and child nurturing positive as well."

Flexibility also enables staff to work at their optimum times. Axa's Winwood cites individual body clocks, which mean that different times of the day suit different people. "We don't all fit into that nine-to-five pattern," he says.

"People with psychological conditions might also benefit from flexible working, in order for them to complete various interventions."

Denton adds: "Stress is a massive issue in the workplace. If [employers] give employees flexibility that reduces stress, the long-term wellbeing of the workplace will be improved."

Flexible-working opportunities can also help employees' physical wellbeing, for instance if employers provide staff with morning or lunch-time exercise classes, or offer more flexible hours to enable them to go to the gym.

Ultimately, flexible working allows staff to balance their home and working lives in a way that suits them. Winwood adds: "It is really important to balance the spiritual and healthy you, family and important relationships, and work in equal harmony. If work is taking over the other two, the other two bits of your triangle will not be very enriched. Flexible working will allow a more balanced life." EB

Jennifer Paterson is senior reporter at *Employee Benefits*

@ **Read also *Extended right to request flexible working comes into effect* at** bit.ly/VzxMia

CASE STUDY **NORTHERN TRUST**

Home-office mix is productive

Northern Trust, which has 1,400 staff in the UK and a 35% female workforce, introduced work-life balance initiatives in 2012 with a view to increase flexible working, raise its return-to-work ratio among working mothers, and improve employee engagement and productivity.

The firm's WorkSmart programme offered participants, their managers and extended teams training on how to work remotely and effectively.

Jessamy McGregor, associate consultant, diversity and inclusion at Northern Trust, says: "We asked 'why not?' rather than 'why?' when considering flexible-working requests.

"We consider all requests equally and have offered flexible working to 120 employees under the WorkSmart programme, in addition to standard flexible-working requests."

The programme requires employees to work at home one day a week and in the office one day a week, and then the team agrees mutually convenient working arrangements for the remaining days.

"Staff enjoy the fact that they are empowered to manage their workload, working in environments where they feel more

productive and engaged," says McGregor. "There is also a significant financial and physical benefit of spending less time commuting and less on the cost of travel."

In 2012, Northern Trust also introduced access to My Family Care's website, Work+Family Space, which offers webinars and guides about work-life balance.

Northern Trust won the award for 'Best work-life balance strategy' at the 2014 Employee Benefits Awards.

Viewpoint

Denise Keating
chief executive, Employers Network for Equality and Inclusion (Enei)

Flexibility boosts wellbeing

Employers typically offer formal flexible-working policies, such as leave for parents, and flexibility around sabbatical or other opportunities.

The reality is that flexible working is driven only when an employee has a need, such as childcare and eldercare.

On the other hand, agile working is where an employer provides employees with flexibility in determining how, when and where they work. If employees have autonomy over how and where they work, this increases productivity, performance and engagement.

If we provide employees with agility, we can create a lot of flexibility around how we operate our work environments. The vision is to get organisations to a place where staff determine where, when and how they work, and organisations provide environments where they can come together for creativity, socialisation and innovation.

The more enlightened organisations make flexibility available for all employees. It is about empowering teams to be able to adopt flexible practices that people need.

From a wellbeing point of view, flexible working removes a number of individual stresses for employees. Removing a level of individual stress allows employees to feel a stronger sense of purpose and wellbeing.

Nuffield Health

Optimum health is a journey not just a single step

Dr Davina Deniszczyc, Medical Director - Wellbeing, Nuffield Health.

Health and wellbeing has shifted from a traditional healthcare model to a patient-centric one in which the individual is proactively involved in their own healthcare. Many factors have influenced this change not least the utilisation of technology in health and the improved health literacy of the population.

Our Health Assessments have always been a core part of our suite of corporate wellbeing solutions. A tiered portfolio, from the contemporary Lifestyle Health Assessment to the robust 360+ Health Assessment, all our health assessments are engineered to cater for the fact that every organisation, and its work force, is different.

We recently introduced the Executive Health Programme, a unique concierge approach to healthcare for senior executives and management. This programme is specifically tailored to bring healthcare to those in your workplace with the most demanding schedules and make it as accessible as possible. The year-long programme starts with a bespoke health assessment and continues with a detailed report and follow-on plan, designed around your specific results and goals, supported by on-going case management from a dedicated Nuffield Health physician.

Preventative healthcare and the early detection of disease are crucial for the minimisation of absence and long term illness or injury. Our Health Assessments allow an individual to fully map their current wellbeing and address any health issues they currently have or that may arise in the future.

However, preventative healthcare crucially requires the commitment of the individual in order to move towards a successful outcome. Setting goals to improve overall health and wellbeing can often mean significant lifestyle changes. Nuffield HealthScore™ acts as a 'health mentor' that you can carry around with you. The results and recommendations of the initial Health Assessment are fed into the tool and in turn it creates a programme of tips and advice including the right level of support and the vital motivation to keep the individual on track.

For the individual this represents a 'with you for the journey' approach to healthcare in which they are supported to make positive changes to their health and lifestyle. For an organisation this can mean a significant return on investment due to reduced absence levels and improved productivity within the workforce. What's more, HealthScore is a remote option for those employees that may not be confident enough for face-to-face appointments. It also acts as an e-health platform where resourcing costs may be an issue for large organisations. The result is that we are there to support the whole journey towards optimum wellness for the individual and their employer.

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SHARED RESPONSIBILITY

Jennifer Paterson explains the new system for shared parental leave, which begins next year

From April 2015, working mothers, fathers and adopters will be able to share parental leave around their child's birth or placement. The legislation is part of the government's commitment to support working families, and is part of the Children and Families Bill 2013, which received Royal Assent in March 2014.

What is shared parental leave?

The new system will allow working families to have more choice around how they balance their work and caring commitments.

- Parents can choose to be at home together or to work at different times and share the care of their child.
- Employees must give their employer eight weeks' notice of any leave they plan to take.
- The number of times a parent can notify their employer will be capped at three: the original notification and two further instances.
- The cut-off point for taking shared parental leave is 52 weeks after the birth or adoption of a child.

What are the basic rules around shared parental leave?

- It must be taken before the child's first birthday.
- It must be taken in complete weeks.
- A minimum of one week must be taken.

What are the eligibility criteria for shared parental leave?

- For a mother and a father to each be eligible for shared parental leave, they must have been in employment for 26 weeks at the 15th week before the expected week of childbirth or adoption and remain in that employment.

EMPLOYER TIMELINE

LATE 2014:
Employers' policies should be ready.

FEBRUARY 2015:
First requests can be made, eight weeks before the legislation takes effect.

5 APRIL 2015:
Legislation takes effect.

LEGAL OPINIONS

"A key concern from the outset is around how resource can be managed if people take time off in less predictable chunks."

Ed Bowyer, employment partner, Hogan Lovells

"With shared parental leave just around the corner, organisations should set in motion a plan of action to deal with the changes, sooner rather than later."

Paul Griffin, head of employment and labour, London, Norton Rose Fulbright

"Organisations are going to have to change their thinking for working families and will need to plan staff needs in more detail."

Julian Cox, employment partner, Fletcher Day

"It is vitally important to remain well informed on all current and upcoming employment legislation to ensure that, as an employer, you are aware of your employees' rights and the ways the new rules may affect your business."

Heather Grant, employment partner, Maxwell Hodge

What should employers be thinking about around shared parental leave?

- How will they communicate the new right to employees? For instance, will it be treated as an opportunity to promote other family-friendly policies?
- What will the organisation's attitude be to requests for leave? For instance, will it take requests on trust or will it contact the other parent's employer?
- What will its response be to approaches from the other parent's employer? (Employers will not be legally obliged to respond.)
- Will they offer keep-in-touch days with shared parental leave to trial flexible-working arrangements?

RESEARCH

65% of respondents are unaware of the shared parental leave legislation.

Source: The Good Care Guide Parenting survey, published in June 2014.

59% of respondents see shared parental leave as an opportunity to enhance their family-friendly policies for staff.

Source: Research published by Hogan Lovells in May 2014.

67% of respondents are concerned about the potential complexities and increased administrative burden of shared parental leave.

Source: Research published by Norton Rose Fulbright in April 2014.

70% of SME respondents were opposed to the shared parental leave system.

Source: Research published by High Performance Consultancy in December 2013.

What is next for shared parental leave?

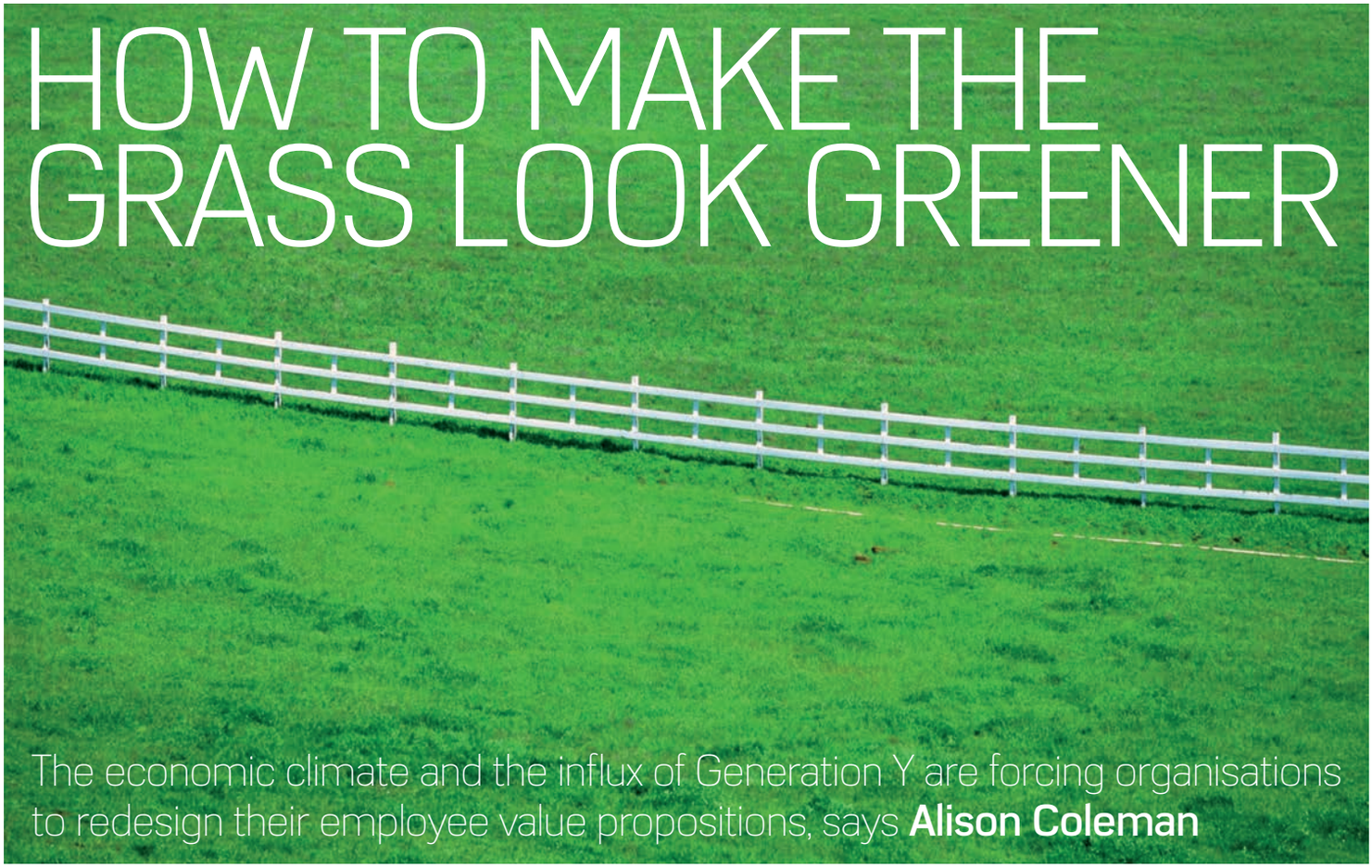
- The government has asked the Advisory, Conciliation and Arbitration Service (Acas) to produce a code of practice to help employers manage employees' new right.

It will also produce a non-statutory good practice guide with practical examples of managing this in the workplace. The aim is to publish this alongside the final code of practice in early 2015 EB

Jennifer Paterson is senior reporter at *Employee Benefits*

@ Read also *What makes an organisation a family-friendly employer* at bit.ly/1n6ZR6G

HOW TO MAKE THE GRASS LOOK GREENER



The economic climate and the influx of Generation Y are forcing organisations to redesign their employee value propositions, says **Alison Coleman**

Talent management is back on the corporate agenda, with organisations investing huge amounts of time and money in attracting and retaining the best people.

Key to their success is an effective employee value proposition (EVP) that communicates clearly what staff can expect from the organisation in return for their own performance.

However, what proved effective seven or eight years ago is unlikely to have the same impact on a new generation of recruits in the current economic climate. It is time for employers to rethink their EVP.

Legacy EVPs have done a great job in attracting and retaining baby boomers and Generation X, but their days of efficacy are numbered, says independent HR consultant Thomas Giles.

Millennials at war – reshaping the workplace, published by PricewaterhouseCoopers in 2011 showed that by 2020, 50% of the global workforce will comprise people born after 1980. "These individuals, known as Generation Y or the Millennials, bring a new, very distinct approach to life and work, " says Giles.

If employers hope to attract their share of this new talent, their EVP must meet the latest requirements. Generation Y are known to strive for great careers, with feedback, camaraderie and professional development, but they also want time for family and friends. Work environments that demand excessive hours and long travel away from home will be less appealing to them.

> "Generation Y bring a new, distinct approach to life and work"
>
> Thomas Giles, independent HR consultant

"They are natural users of technology, social media and the internet, are more attuned to what is going on in the world and are keenly aware of employer reputations," says Giles. "They will disdain work environments that inhibit or discourage free expression."

Employers also need to understand the type of working environment they need to provide. This is likely to involve moving towards more flexible-working patterns, staff empowerment and better recognition for employees' contribution to the business. They also need to differentiate themselves from other employers that are pursuing similar objectives.

This means big decisions for employers, says Iain McMath, chief executive officer at Sodexo Benefits and Rewards Services. "Do they stay with a one-size-fits-all approach, or consider a more tailored EVP that reflects the ambition and needs of the individual?" he says. "Employers need to engage effectively with

IF YOU READ NOTHING ELSE, READ THIS...

- **Regardless of what it offers, an employee value proposition (EVP) must be authentic and true to an organisation's brand and culture if it is to attract today's talent.**
- **A compelling EVP is less about pay and financial reward, and more about workplace culture, work-life balance and career opportunities.**
- **Employers looking to define the key components of their EVP will find the answers in feedback from staff surveys.**

CORBIS

Anatomy of a present-day EVP

Source: Buck Consultants

employees to understand what drives them, and develop benefits that are linked more to the personal development and aspirations of staff. We are seeing employees challenge the values and visions of organisations."

There are also economic factors for employers to consider, although organisations rarely differentiate their EVP by financial means, says Stuart Hyland, business leader, UK reward solutions consulting, at Hay Group.

Fairness of reward

In most cases, it is not about paying more than everyone else, but more about fairness of reward and how reward is distributed.

"Differentiation is more likely to come down to legacy and values," says Hyland. "There has been a real focus on rebuilding trust with employees and, on occasions, with the market. Consequently, many more [organisations] are looking to restate their values and ensure they are brought to life through an appropriate EVP."

An authentic and unique employer brand proposition, based on the organisation's true culture, is a real USP for prospective and existing employees.

Recruitment firm Kelly Services' *2014 Kelly Global workforce index*, published in May 2014, found that corporate values are lower on the list of priorities, with only 34% of those polled in the UK viewing this as an important factor in making an employer attractive.

Sally Hunter, senior director, Europe, the Middle East and Africa (EMEA) practice lead at Kelly Services, says: "Our data tells us that while 80% of UK employees indicate salary as the factor that would influence their decision to choose one job over another, 59% count work-life balance as important and 57% say opportunities for advancement."

Ideally, employers should survey employees to discover what motivates them and what they value about working for the organisation, before using the feedback to build a strong EVP. They then need to communicate exactly what that value means EB

Alison Coleman is a freelance journalist

@ Read also *Key challenges in delivering the EVP of the future* at bit.ly/1pbMwuc

CASE STUDY **KLOUD**

Staff consulted on benefits package

HR consultancy Kloud has developed an EVP to meet the rigours of the current economic environment.

Claire Langford, resource manager at the organisation, says: "When it comes to recruitment and retention, we are up against the major league, so we've had to build our strong, flexible culture into our benefits suite because we can't compete with the bigger players on salaries.

"Many employees would rather work for less money in a more intimate, relaxed environment, where they can make more of a professional impact and take advantage of SME [small and medium-sized enterprise] staff benefits, such as flexible working."

Because of its collaborative culture, Kloud engaged its entire 62-strong workforce in reviewing its EVP and benefits package. Using a simple survey tool, staff were asked to rank 15 potential new benefits in order of preference.

"Pub membership vouchers, dedicated CSR [corporate social responsibility] days, together with long-service awards featured highly, so we are exploring ways to build these into our business," says Langford.

Flexible-working arrangements, pensions, health plans and bonuses are core elements, as are childcare-related benefits that appeal to working parents.

Langford adds: "Our consultants tend to be early adopters, so having access to techie-type products and tools, such as iPads, Skype and Yammer, also appeals.

"As we recruit more Generation Y employees into the business, we need to ensure that our benefits remain attractive to them as well as our long-standing team members."

Greying workforce's impact on benefits

Supplied by: ZURICH

The global workforce is ageing and employers will have to reassess the benefits they provide, in light of the changing risk environment, says **Stewart Allanson**

Improving human longevity is unquestionably a global trend driven by major improvements in health and medical advances.

The greying workforce is particularly pronounced in the developed economies of Europe, the US, Australia and Japan. For the emerging economies of India, Mexico, Brazil and Indonesia, it is much less of a concern.

But is the trend towards a greying workforce happening across all industry sectors? In Zurich's *Impacts of an ageing population* survey on employee benefits, 56% of employer respondents see a trend towards people staying in employment past traditional retirement age, and it would seem that certain sectors of the workforce, such as energy, engineering, hospitality and manufacturing, are faced with a more serious problem than others.

Financial implications

While longevity is ever-increasing, chronic illness does not appear to be declining at the same pace. This potentially has serious implications for the provision of employee benefits.

Against the backdrop of people living and working longer, the question employers face is whether to change the benefits packages offered to accommodate the greying workforce, and, if so, when is the right time to implement any changes.

The abovementioned research found that 35% of employers said the greying of the workforce was having an impact on the benefits they offer today.

But when asked about the impact on benefits in the future, this figure jumped to 65%. Not surprisingly, private healthcare, group life insurance and income protection were at the top of the list of benefits affected.

This is resulting in more requests from employers to continue providing life and income protection benefits for employees after their 'normal' retirement age and increasingly into their 70s.

The cost of providing cover for this older group, particularly for health, disability and income protection benefits, escalates rapidly and, in some cases, perhaps because of existing chronic conditions, obtaining cover at any price from insurers can be a challenge.

So, who will foot the bill of the greying workforce? Cost remains the unanswered question. According to the results of the *Impacts of an ageing population survey*, 40% of respondents were unclear about how they will deal with the potential increase in benefits costs. Only 15% plan to absorb the extra cost, with 37% of organisations planning to share the cost with employees.

Only a small number plan to remove the uncertain elements altogether, so it is likely that some of the cost of providing benefits will transfer to the employee at some stage in the future.

What was clear was the employers' approach to the future cost of additional retirement funding: 80% said they would not increase levels of retirement funding to offset the impact of increasing longevity. Instead, 87% of organisations plan to communicate and encourage staff to save more themselves.

Understand the benefits

Making sure that employees fully understand and appreciate the benefits on offer is clearly an important aspect of this encouragement.

Longevity and the greying of the workforce will bring both challenges and opportunities for employers. Benefits design will need to change, as will flexibility around the working day.

Improving longevity and the greying of the workforce are happening right now, raising challenges for employers and employees alike.

Stewart Allanson is international corporate distribution manager at Zurich Corporate Life and Pensions

TOP CAUSES OF CLAIMS

Jennifer Paterson looks at which ailments result in the most employee claims on group risk benefits

With the group risk industry increasingly reporting the amount and percentage of claims it pays out each year, *Employee Benefits* has investigated the top ailments for claims via group life assurance, group income protection and critical illness insurance.

Looking at data shared by the UK's leading group risk insurers, it is clear that cancer and heart disease top the list for group life assurance claims. For critical illness insurance claims, cancer and heart issues also lead the way, with heart attacks ranking second and strokes coming third. Meanwhile, group income protection claims are most often for cancer, mental health issues or musculoskeletal problems.

According to research by Group Risk Development (Grid) published in May 2014, the group risk industry paid out £1.24 billion in 2013, up slightly from the £1.2 billion paid out in 2012. A total of 24,102 claims were made.

The research showed that the main causes for claims under group life assurance were for cancer (46%) and heart disease (17%). Through group income protection, the most common claims were for cancer (25%) and mental illness (24%), and through group critical illness insurance, cancer (69%) and heart attacks (10%) elicited the most claims.

Employee Benefits asked each of the main providers of group risk benefits which conditions resulted in the most claims among their employer clients EB

IF YOU READ NOTHING ELSE, READ THIS...

- **The top ailments for group life assurance claims are cancer and heart disease.**
- **The top ailments for group income protection claims are cancer, mental health issues and musculoskeletal problems.**
- **The top ailments for group critical illness claims are cancer and heart issues.**

Aviva

Group income protection: cancer, psychiatric and musculoskeletal.
Group critical illness insurance: cancer, heart attack and stroke.

Source: Aviva's claims paid in 2013.

Canada Life

Group life assurance paid out as lump sums in 2013: cancer (52%), heart (10%), miscellaneous (9%).
Group income protection claims paid out at 31 May 2014: mental and nervous disorders (26%), musculoskeletal (24%), cancer (12%).
Critical illness insurance claims in 2013: cancer (66%), heart attack (11%), stroke (6%).

Source: Canada Life Insurance Group, June 2014

Unum

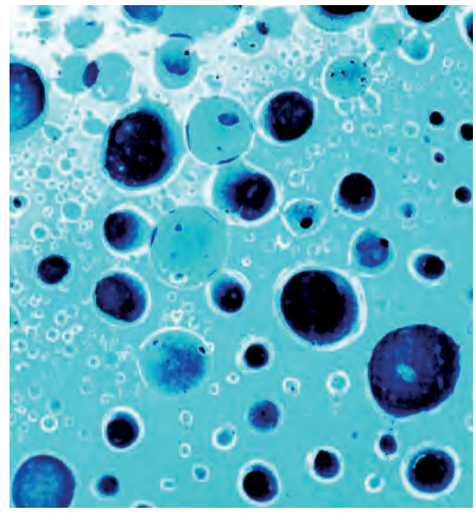
Group life assurance: cancer (54%), ischaemic heart disease (17%), other (9%).
Group income protection: mental health (29%), cancer (18%), musculoskeletal (10%).
Group critical illness insurance: cancer (63%), heart attack (13%), multiple sclerosis (8%).

Source: Unum's top ailments for claims received in 2013

Zurich

In 2013, out of 599 claims paid under group life assurance, 274 were for cancer, 83 were for Ischaemic heart disease and 42 were for accidents.
In 2013, out of 89 claims paid under group income protection, 28 were for mental illness, 20 were for cancer and 10 were for musculoskeletal issues.

Source: Zurich UK Life



Friends Life

Group life assurance: cancer, heart disease, cerebrovascular accident.
Group income protection: mental illness, musculoskeletal, cancer.
Critical illness insurance: cancer, heart attack, stroke, multiple sclerosis.

Source: Friends Life's top ailments for group risk claims in 2013

Ellipse

Group life assurance claims paid out in 2013:
Cancer 36%
Heart/circulation illnesses 16%
Respiratory illnesses 12%

Source: Ellipse

Aegon

In 2013, 80% of critical illness claims and 59% of life assurance claims from women were for cancer.

Source: Aegon

Jennifer Paterson is senior reporter at *Employee Benefits*

@ Read also *How group risk benefits must adapt to an ageing workforce* at bit.ly/1m05LvW

SHUTTERSTOCK

UNDER PRESSURE

Court advisory service Cafcass is focusing on employee health and wellbeing to counter rising workloads and shrinking budgets, says **Debbie Lovewell-Tuck**

Back in 2008, the case of Baby Peter generated hard-hitting headlines. Six years on, the impact of the case is still being felt, not least among children's social workers, who are experiencing increased demands.

As the UK's largest employer of social workers, Cafcass has recognised the pressures its employees are under. The organisation, which works to represent the interests of children involved in family proceedings, has put staff wellbeing at the heart of its business strategy. One of its primary organisational objectives is to support the wellbeing of its workforce, their resilience and their ability to deal with operational challenges.

Daryl Maitland, HR manager at Cafcass, says: "We had changes to the legal aid system last year, which means a good number of parties no longer qualify for legal aid and the intention is to direct more of those cases out of court.

"You then have parties bringing cases into family courts without representation and solicitors. That means the demand on our social workers is much greater because they're working with people who are completely uncontained, have unrealistic expectations, and they are the only professionals involved now."

Cafcass works to represent the interests of children involved in family proceedings

CAFCASS AT A GLANCE

Cafcass, the Children and Family Court Advisory and Support Service, was formed in April 2001 from more than 100 previously decentralised organisations. It is a non-departmental public body, which is independent of the courts, social services, education and health authorities, and all similar agencies.

Its statutory role is to safeguard children in family court proceedings, either in matters of public law where the child has been removed from their home or in private family proceedings.

It employs 1,800 staff, split between social work roles and business support roles. Its gender make-up is 80% female and 20% male.

Charlotte Brett, senior HR project manager at Cafcass, adds: "It's about doing more for less. All these changes that we're having to adapt to, we're doing with a decreasing budget, which is obviously creating challenges in itself."

Over the last six years, Cafcass has invested a lot in improving staff health and wellbeing. In 2008, its absence levels had reached 16.2 days a year per employee. Also, about 9,000 working days were lost to stress, of which 80-90% were due to work-related issues.

Proactive strategy

To tackle these issues and improve employees' overall health, wellbeing and resilience, Cafcass introduced a proactive strategy that includes day one sickness intervention, an employer-funded health cash plan, an employee assistance programme, including six face-to-face cognitive behavioural therapy (CBT) sessions a year for each employee, and regular staff resilience workshops.

By the end of last year, days lost to stress had fallen to 2,000 a year, and sickness absence levels to 7.1 days a year per employee.

Also last year, Cafcass' 1,800 staff made 2,500 claims through its health cash plan, which has achieved take-up of more than 98%.

BUSINESS OBJECTIVES IMPACTING BENEFITS

- To continue to improve practice quality.
- To support the wellbeing of the workforce, their resilience and their ability to deal with the operational challenges.

Cafcass's strategy was rewarded when it was named 'Best healthcare and wellbeing benefits – large employer' at the Employee Benefits Awards 2014.

"These results are due, in a big part, not just to the benefits package we've created in the traditional sense, but the culture and environment," says Maitland. "People feel safe, they feel happy coming to work and they feel they will be treated with dignity and respect.

"Also, social workers are fixers: they want to help people. Our statutory remit as an organisation is quite contained. From 2010, with the budget going down but an increased demand for services, we had to be firm with people and say 'we know you're trying to help

and do more and more, but you need to stop doing all this work on the cases; our statutory remit is this, and this is all you need to do'.

"Helping people to understand that this is okay and they aren't a bad person for doing their bit helps their wellbeing and ability to deal with the emotional demand of the work."

This holistic approach reflects Cafcass's philosophy on staff reward and engagement. Rather than focusing on pay and benefits, it looks at the total employment proposition.

Increase in demand

"To some degree, that strategy has come out of necessity," says Maitland. "Although we've seen a big increase in demand for our work since Baby Peter, the budget has been going the other way, so trying to differentiate on pay and benefits is not going to work.

"Regardless of the financial climate, I don't think it's right for an organisation like us to try to differentiate on salary and benefits. Social work is a tight labour market. If you start trying to differentiate on salary, it becomes an arms race, where we put our salary up a little, the local authority does the same, and so on.

"Our strategy is to try to differentiate ourselves on other things. That's not to say we underpay, because we still pay upper quartile in terms of salary, but we don't just want people to think about the salary. We want them to think about how they feel about working. Is it a nice environment, do they have the flexibility to work remotely, achieve a work-life balance?"

Going forward, Cafcass's aim to support employee health and wellbeing is driving some new initiatives, not least its introduction of the National Employment Savings Trust (Nest) early next year to complement the Local Government Pension Scheme (LGPS) offered to all its staff under auto-enrolment.

"We had some people who opted out and we suspect that is partly due to the contribution rates for that scheme," says Brett. "So we're looking at offering an alternative."

Although Cafcass is still finalising the contribution levels it will use for Nest, these will be lower than the 5.5% to 12.5% range that are mandatory under the LGPS.

"When we looked at auto-enrolment, we had around 300 people who were not in the pension scheme and 80% of them were our lower earners, so that told us there is an issue about affordability," says Maitland. "That's why we want to introduce a second pension scheme, not mandatory because we want people to have the choice, but to say that if affordability is an issue, here's a second option."

With a number of other planned benefits changes in the pipeline, Cafcass shows no desire to slow down in its aim of providing a total employment proposition that truly makes it stand out from the crowd EB

THE BENEFITS

Pensions

> Defined benefit career average revalued earnings (Care) Local Government Pension Scheme available for all staff and used for auto-enrolment purposes. Employer contributions of 15.8%. Employee contributions range from 5.5% to 12.5%, depending on earnings.

Healthcare and wellbeing

> Health cash plan available to all staff.
> Dental and eye care available through health cash plan.
> Employee assistance programme including cognitive behavioural therapy.
> Bikes-for-work scheme available via salary sacrifice.

Holiday

> 28 days a year plus bank holidays as standard.
> Rises to 33 days after five years' service.

Voluntary benefits

> Employee discounts scheme.
> Tastecard and Gourmet Society membership.
> Discounted gym membership.

Other benefits

> Paid membership of the College of Social Work for social workers.
> Fees paid to Health and Care Professions Council (HCPC) for social workers.

CAREER HISTORY

Daryl Maitland joined Cafcass in 2008, initially in a temporary position. Eight months later, he moved into an entry-level HR role. Since then, he has held various posts within the organisation's HR department, in both transactional and operational roles.

He is currently HR manager, managing the team responsible for employee reward, benefits, engagement and wellbeing.

Maitland says HR holds a key position within Cafcass's structure. "If you speak to our CEO [chief executive officer], he will describe HR staff as frontline staff because we are well integrated and we understand the business," he says.

Before joining Cafcass, Maitland held a graduate role at retailer Aldi.

Charlotte Brett, senior HR project manager, joined Cafcass in 2004 as HR assistant in a regional HR team. In 2008 she became a co-ordinator for the north of England in one of three transactional teams.

Brett took one of her first steps into reward and benefits in 2011, when she became an HR officer, with responsibility for pensions and payroll. She moved to her current position in March 2014.

During her time at Cafcass, Brett is particularly proud of the work she has done around pensions auto-enrolment. "It was quite a complex piece of work involving partnership working and ensuring that auto-enrolment was understood by the workforce and that we implemented in line with legislation," she says.

Daryl Maitland will speak on 'Health and wellbeing benefits for an ageing workforce' at Employee Benefits Live on 24 September.

Debbie Lovewell-Tuck is deputy editor at *Employee Benefits*

@ Read also *Cafcass uses health cash plan to cut costs* at *bit.ly/1wiCKz3*

REPORT

employee benefits

October 2014

MOTIVATION

Motivation moves

Jennifer Paterson rounds up the latest facts and figures around staff motivation, including research findings and employer case studies

Corporate gift card and voucher sales grew by nearly

6%

in the first quarter of 2014

Source: Research by the UK Gift Card and Voucher Association in May 2014. bit.ly/TPDwDj

When asked what benefits activities they are planning to take or have taken,

15%

of employers said they motivated, or plan to motivate, staff to maintain morale in 2014. This is up from

12%

in 2013

Source: The Benefits Research 2014, published in May. bit.ly/UfWBP2

58%

of respondents said their flexible benefits scheme has improved staff motivation or engagement, while

33%

said it will do so.

79%

of respondents use staff motivation and engagement to measure the success of their flex schemes' objectives in 2014, compared with

35%

who said the same in 2013

Source: Employee Benefits/Towers Watson Flexible benefits research 2014, published in April. bit.ly/OeUozD

76%

of respondents said pay helps to motivate staff, but only

22%

claimed this is the case in their organisation

Source: Hot 100/Lorica Thinktank debate, published in June 2014. bit.ly/1uDONad

EMPLOYER CASE STUDIES

- Asons Solicitors launched a range of initiatives to boost staff motivation. *bit.ly/XmrX8z*
- Unify won the award for 'Most motivational benefits' at the Employee Benefits Awards 2014. *bit.ly/UIDQDt*
- McDonald's Restaurants raised employee engagement and boosted staff motivation with events based around the 2014 Fifa World Cup. *bit.ly/1pnjMnz*
- Coca-Cola and Telent were among the employers that signed up to a new employee engagement initiative. *bit.ly/1fWhDKp*
- Recruitment firm Goodman Masson trademarked its employee engagement philosophy. *bit.ly/1izlnSp*

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Send the right messages

Benefits need to align with an organisation's declared values to achieve proper employee engagement and motivation, says **Michael Rose**

> *One of the messages flexible benefits carry is that they treat employees as adults and respect their ability to make their own decisions"*

All parts of reward carry messages, either explicit or implicit. While much attention is given to the extent to which money is a motivator (my view is that for most people, it is not), little is said about the role of benefits in employee motivation.

With the money spent on salaries and bonuses normally dwarfing the cost of benefits, perks are often overlooked. It is pretty common to find a patchwork of benefits that have grown up over time with little strategic intent or examination of the messages they carry or the impact they make.

While I do not see benefits having much of a role in motivation as such, I do believe they can play an important role in building, or damaging, engagement. The range of benefits and their design can say a lot about the values of the organisation.

Shaun Tyson, emeritus professor of HR management at Cranfield University School of Management, says in *Human Resource Strategy*, published in 1995: "Monetary rewards may not motivate in the long term, but they certainly symbolise the value that corporations attach to specific behaviours, for example rewarding long service, interpreted as loyalty, or rewarding performance above other attributes."

Because benefits carry messages about what is important in the organisation, they need to be thought through so they align with what the employer says it values. If not, they will generate confusion between what may be seen as the rhetoric against the reality, and this conflict between the desired culture and the design of reward programmes can contribute to disengagement.

A good example is employee service versus contribution. Few businesses espouse length of service as a value; rather, they talk about contribution, teamworking, customer focus, and so on. Yet, particularly with the constant changes in technology, experience built up in another organisation can be more valuable than that built up within the current organisation. But it is common for benefits to increase with length of service, and so carry the message that service itself is valued. If such misalignment exists, it needs to be reviewed and, if possible, fixed.

As styles of management have moved from the old command-and-control model, organisations want to encourage contribution from all staff with less of a hierarchical and directional approach. Because benefits can be more visible than an individual's pay, it may be particularly important to consider the alignment of benefit eligibility with this culture. Moving to single-status benefits, or at least reducing the number of differences by grade, can reinforce this value.

Traditionally, benefits packages have been fixed and imposed on staff, reflecting a somewhat paternalistic culture. But organisations have flattened and sought to push accountability to those closest to the customer, giving them more flexibility in their decision-making.

The old traditional benefit model no longer fits this culture and could be a source of disengagement. One of the messages that flexible benefits carry is that they treat employees as adults and respect their ability to make their own decisions on the benefits they want. So a move to flexible benefits is likely to improve engagement.

A potential source of disengagement is employees' perception of their reward package, rather than the reality. This may mean how competitive it is in the market and/or the value of the benefits on offer. So it is critical to spend time to explain both really well. This may be done by emphasising total reward using total reward statements, or introducing flex. But whatever the approach, upping the communications as well as the design is likely to pay dividends.

Michael Rose *is director of Rewards Consulting*

Inspired performance

A well thought-out recognition scheme can drive employee productivity and engagement, says **Nicola Sullivan**

Late US psychologist Frederick Herzberg's dictum "If you want someone to do a good job, give them a good job to do" is still relevant today for employers that want to motivate employees to use the best of what they have got.

In his article *One more time. How do you motivate employees?*, first published in the 1960s and again in the *Harvard Business Review* in 1987, Herzberg outlined his motivation hygiene theory, which states that so-called 'hygiene' factors such as pay do not motivate, but if the rate at which someone gets paid is unreasonably low, it will act as a demotivator. What actually motivates people is factors such as recognition, responsibility, promotion and the nature of the work itself, he argued.

Employers that are planning to invest in incentive and recognition schemes will be pleased to know that recognition is a key motivator and not just a 'nice and fluffy'. But Stephen Bevan, director of the Centre for Workforce Effectiveness at The Work Foundation, warns organisations that do not take the full range of motivators into account to brace themselves for failure.

"Reward strategies designed to motivate and retain people are almost always bound to be unsuccessful," he says. "This is because what motivates most people is doing an interesting job, having autonomy, having some control and discretion over what you do, as well as having a sense of use and a voice."

Worst-case scenario

The worst-case scenario, says Bevan, is for a motivation scheme to improve one performance measure but damage another. For example, a financial services organisation might use a motivation scheme to incentivise staff to sell more, but may later be hit by an increase in the number of loans that default. "Be careful what you wish for," he adds.

Employers should also be aware that employees who take part in a motivation scheme might just be playing the 'transaction game' and are not necessarily engaged and loyal or deliver high-quality customer service or products. "It could even incentivise perverse behaviour," says Bevan.

But Stuart Hyland, business leader, reward solutions consulting at Hay Group, says a recognition scheme can add value to an organisation if it is well thought out, integrating financial and non-financial elements.

Hyland says employers are increasingly using wider performance metrics in recognition schemes, which can be fronted by a dashboard-style system that gives employees an overview of their individual performance, the performance of their team or division, and the performance of the business.

This performance can be measured against a number of agreed financial and non-financial objectives. The latter could include risk and compliance, collaboration and teamwork.

Hyland says this diversity ensures that outcomes have a sustained benefit to the business. "We don't want to over-reward in the short term for something that dies or wilts on the vine next year," he adds.

Chris Charman, director of talent and reward at Towers Watson, says: "There has been greater awareness, particularly during the banking crisis, that driving people towards quite focused and narrow outcomes can be damaging."

IF YOU READ NOTHING ELSE, READ THIS . . .

- **Badly thought-out recognition and incentive schemes may improve one performance measure, but damage another.**
- **A recognition or incentive scheme cannot be used in isolation.**
- **Schemes are most effective when aligned with corporate values.**

NICK LOWNDES

CASE STUDY

University of Reading offers cash and non-cash rewards

The University of Reading operates a three-tiered recognition scheme that offers both cash and non-cash rewards while being aligned with organisational values.

An online recognition portal, introduced in 2012, enables managers to nominate employees for awards with values ranging from £25 to £100. These can be redeemed for vouchers from various retailers.

When nominating an employee, a manager has to specify what behaviours the individual has displayed and how these relate to university values, which include working together and professionalism.

Exceptional achievements are recognised with cash bonuses. Heads of schools make nominations for these awards, which are signed off by faculty heads. Typically, the bonuses range between £500 and £1,000, and have been awarded to staff that have worked hard to manage the university's clearing process, taken part in graduation ceremonies or helped to widen participation in higher education.

Staff who demonstrate continued excellent performance can apply for a pay rise, which could see them move up one, two or more pay increments. Typically, each increment represents a 3% increase.

Claire Eckett, HR manager, reward and benefits, at the university, says: "This process has been devolved down to faculty level rather than being managed centrally. This has encouraged managers to take greater ownership and responsibility for it."

Kuljit Kaur, head of business development at P&MM, says systems that allow employees and line managers to track progress against different targets can also be motivational. It can motivate individuals to see how their performance stacks up against others in their team and contributes towards a collective goal.

"We want to make sure that everyone is playing their part in that target and no one is dragging anyone down," she says. "Using targeted communications, line managers can encourage the low performers."

When it comes to driving the performance of individual employees, it is important to show clearly how the goal can be met in a manageable way, says Kaur.

An obvious way of rewarding an employee for their hard work might be to give them a bonus. Duncan Brown, a principal at Aon Hewitt, says this form of reward has become more popular at all levels of organisations.

"More employers are participating in bonus schemes," he says. "Whatever the criticisms have been in financial services, organisations are putting more people into bonuses, not just their sales staff."

24%
proportion of employees who are disengaged

23%
proportion of employees who are highly engaged in organisations where they perceive their managers (but not their leaders) to be effective.

35%
proportion of employees who are highly engaged in organisations where they perceive leaders (but not managers) to be effective.

Source: Towers Watson's 2014 Global Workforce Study, conducted between April and May 2014. Sample: More than 32,000 full-time staff working in large and mid-size organisations.

Cash rewards

However, commentators such as Cary Cooper, professor of organisational psychology and health at Lancaster University, are sceptical about the motivational power of cash rewards. "What motivates people is having good colleagues, having interesting work, being valued by your line manager, your boss and your organisation," he says.

This chimes with research by the Institute of Leadership and Management in October 2013. Of 1,000 workers surveyed for its report *Beyond the bonus: Driving employee performance*, only 13% agreed that a bonus would affect their motivation. The top motivator was job enjoyment, cited by 59% of respondents.

Global top drivers of sustainable engagement
Leadership
Goals and objectives
Workload and work-life balance
Image
Empowerment

Some recognition schemes are focused on non-cash rewards, which are acclaimed for being memorable, meaningful and personal. At its most basic, a recognition scheme may consist of a manager acknowledging and thanking an individual in a team meeting or sending a thank-you card.

Francis Goss, commercial director, employee solutions at Grass Roots, says the importance of such inexpensive measures should not be underestimated. "It creates a culture in which people believe that what they are doing is being seen and noticed," he says.

Peer-to-peer recognition

Other inexpensive gestures could include letting an employee go home an hour early, have an extra day's leave or even use a certain parking space outside the office, says Goss. The next step up in terms of budget and sophistication is a peer-to-peer recognition scheme (see case study p71), in which individuals are put forward for awards (normally vouchers or prepaid cards) by colleagues and line managers.

At the higher end of the recognition spectrum are awards for employee or team of the year or quarter. Rewards could include a weekend away in Paris, being wined and dined by the board, or having lunch on a barge. Hyland says: "Experience-led rewards will live in the memory a lot longer and far outweigh a splash of money into the bank account."

Whatever form a recognition or incentive scheme takes, it will have maximum effect if it is linked with the organisation's values, says Goss. This not only makes it clear to staff what kind of behaviour reaps rewards, it also ensures that an organisation's recognition strategy is closely aligned with its ethos and objectives.

Messages from leaders

Nick Tatchell, director of employee research at Towers Watson, says a recognition strategy should also reflect messages from the organisation's leaders. Top executives may preach about how important it is to address customer satisfaction, but this may not translate into what employees are rewarded for, for example speed and bottom-line sales.

"It is evident that when there is a misalignment between the message [the words of leaders] and the actions of leaders, as expressed in incentive schemes, this does not create engagement or the right kind or behaviour," says Tatchell.

In fact, how employees perceive their leaders has been found to have a significant impact on engagement (see statistics, p71).

Recognition and motivation schemes have their place, as long as they are designed to draw out behaviours that sustain business performance in both the long and short term ■

Nicola Sullivan is a freelance journalist

Read also *How to identify motivation cold spots* at: bit.ly/1e9Xlh6

Viewpoint

Peter Reilly is principal associate at the Institute for Employment Studies

Do motivation plans and recognition schemes really drive staff productivity? This is a deceptively straightforward question with an unhelpful answer: it depends. The devil is really in the detail: what are motivation plans and recognition schemes and how do they relate to productivity?

Crudely, we can divide plans and schemes into those that offer financial rewards to drive productivity and those that involve non-financial recognition.

The offer of a payment in return for individual contribution works best where there is a simple relationship between effort and reward: if I do X, I will receive Y. Such schemes depend on the unambiguous achievement of the goal. The reward is of value to the individual and commensurate with the effort to achieve the goal.

Schemes fail if objectives are complex and their attainment a matter of debate. Also, if the employee derives satisfaction from the content of the job more than the employment terms and conditions, financial reward will struggle to succeed.

Non-financial recognition tries to get at the intrinsic elements of work: satisfaction with the work, pride in the organisational purpose, and so on. Through simple forms of acknowledgement, it can reinforce positive feelings towards job and employer.

Schemes must be carefully designed to fit the type of work and type of employee.

High points

Celebrating employees' key life events can be a strong motivational strategy for employers, says **Jennifer Paterson**

During the years an employee spends with an employer, they are likely to pass through significant life events. The more common of these are birthdays, long-service landmarks and retirement, while many staff will also get married or have a child.

It is appropriate for organisations to celebrate these life events with staff, providing them with a relevant gift card, voucher or other type of recognition, while other events might be more suited to a celebration with the employee's direct team.

Andrew Johnson, director-general of the UK Gift Card and Voucher Association, says: "It really depends on individual organisations. Some smaller employers have a formal policy for when an employee gets married, and purchase a gift of some kind, and the same for the birth of a child. But for other organisations, that would just be down to work colleagues."

Clare Rutherford, customer insight manager at House of Fraser for Business, says: "A gift awarded for achieving key workplace milestones, such as long service, promotion or retirement, is given in acknowledgement of the employee's contribution to the business."

1. Birthdays

Birthdays tend to be a life event that is more often celebrated within an employee's direct team. All employers will have their employees' birth dates on file, so birthdays are one of the easiest life events to recognise.

Cash awards are not standard workplace birthday presents because these are often spent on everyday items. Instead, birthdays are an ideal time to present a gift card or voucher.

"For weddings, travel is popular again. It is a way to fund the honeymoon rather than buy stuff for the home"

Andrew Johnson, UK Gift Card and Voucher Association

Danny Clenaghan, managing director at Argos for Business, says: "Cash bonuses have long been a popular choice of staff benefit, particularly for birthdays and Christmas. However, the true impact of this has been brought into question over time, as employees have begun to expect a bonus."

2. Weddings

For life events such as weddings or anniversaries, it will often come down to a line manager or team to celebrate with staff.

To celebrate a wedding, an employer might create a gift that is personal, for instance a Harrods voucher. Tracy Finn, head of corporate services at the department store, says: "Harrods can create personalised and unforgettable experiences for gift card recipients for the ultimate gift, from bespoke perfume-making classes to a 'Couples Day', featuring a private concierge tour and champagne afternoon tea for two in Harrods' iconic Georgian Restaurant."

CASE STUDY

Timpson strives for personal touch

Timpson gives gifts to celebrate employees' significant life events so that its staff feel appreciated.

The shoe repair company also felt it was important to avoid impersonal benefits.

Awards include £25 for expectant mothers to help them buy comfortable maternity clothes for work, as well as £25 worth of Mothercare vouchers for all new parents.

The organisation also has benefits to celebrate an employee's marriage, which people support adviser Laura Rowley will experience when she marries in 2015. "When [an employee] gets married, they are given an extra week's paid holiday and £100 to go towards their big day," she says. "There is also a Mercedes our managing director and chairman use, which can be hired for free at weekends if people want it for a wedding."

Rowley says Timpson wanted to show its appreciation for staff by understanding what is important to them.

"We didn't want to offer something where people

charge a card. Babies, birthdays and marriages are the key moments of life and should be celebrated.

"On 18th, 21st, 30th and other key birthdays, we send bottles of champagne to staff. Everybody also gets his or her birthday off, or the day before, or after to recover. It is more personal and people think 'isn't that lovely'."

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IF YOU READ NOTHING ELSE, READ THIS . . .

- **Key life events might include birthdays, weddings, the birth of a child, long service and retirement.**
- **Whether an employer awards or recognises staff at these key life events will depend on the relationship it has with its employees.**
- **It is important, whatever life event is being celebrated, that the award or recognition is attainable by all staff.**

Another type of gift card that lends itself to wedding celebration is a travel voucher. Johnson says: "In the past five years, travel has become popular again. It is a way to fund the honeymoon rather than buy stuff for the home."

Tracy Aslam, board director of Jordan Media Group, which looks after retailers such as Asda, Boots, Costa Coffee and New Look, says: "A Swissport voucher is really popular for staff when they are getting married because they can start the honeymoon in style at the lounge with free food and drink, possibly including champagne."

These types of celebration will depend on the relationship the organisation has with its employees. Francis Goss, commercial director at Grass Roots Group, says: "Employers are probably on slightly risky ground when they get into personal anniversaries for an individual.

"I have no problem getting a wedding anniversary card from a relative, but I would find it a bit odd getting any kind of acknowledgement of stuff in my personal life."

3. Birth of a child

The birth of a child is another life event for which a multi-retailer gift card or voucher might be the most appropriate way to celebrate.

Colin Hodgson, sales director at Edenred, says: "When we look at the rewards that might celebrate these events, gift cards and pre-paid cards are a main component.

"Instead of an Amazon or Marks and Spencer voucher, by issuing a multi-retailer voucher or gift card, the organisation is providing the employee with the ability to celebrate that life event with their family."

A more tailored gift card or voucher might be appropriate, too, so the parents-to-be can choose to spend money at a department store or a dedicated baby-care shop. Employers might also choose to give mothers a bouquet of flowers to celebrate the birth of a child.

4. Long-service awards

Awarding employees for long-service landmarks are much safer from an employer's perspective because an organisation will have all employees' start dates on file.

"These tend to be recognition after five, 10, 15 or 20 years' service," says Goss. "There is also more of a push towards recognition or reward on an employee's service birthday."

Johnson adds: "Gift cards and vouchers are one of the popular items for long-service awards. We often see travel vouchers used for particularly long service, so 20 years-plus."

Research statistics on gift cards and vouchers

11%
of respondents offer retail or leisure vouchers as a core benefit to all employees, while 7% offer dining cards.

26%
of respondents offer employees retail or leisure vouchers on a voluntary basis, while 25% offer dining cards.

8%
of respondents offer retail or leisure vouchers through a flexible benefits scheme, and 8% offer dining cards.

Source: The Benefits Research 2014, published in May.

5. Retirement

The end of an employee's working life is arguably the most significant work-related life event that they will spend with their employer. Employers could send their staff off in style, with travel vouchers or other types of leisure-oriented reward, such as garden, theatre or experience vouchers.

But employers should be wary of falling into retirement stereotypes. Johnson says: "It is about knowing something about the individual and not just having a policy that says, 'as soon as you reach this milestone, you will only receive this type of voucher'.

"It is really down to individual events. It is about trying to find the right gift card or voucher for the right person for the right event. So, making it as personable as possible." ■

Jennifer Paterson is senior reporter at *Employee Benefits*

Read also *Top five long-service awards for employees* at:
bit.ly/YAdarm

Accurate measurement

Employee feedback and business data can help employers to assess a motivation strategy's success, says **Rebecca Patton**

With most organisations still focusing on how to make savings and gain a return on investment on any spend, it is important for employers to ensure the benefits they offer motivate staff and are cost-efficient.

For a motivation strategy to achieve its goals, an organisation must first set out what objectives it wants to achieve. Mark Pemberthy, director at JLT Group, says the objectives could be financial, such as keeping within a certain budget or motivating staff to achieve targets. Or the focus could be on staff participation, with employers looking at what proportion of the workforce is taking up, or engaging with, specific benefits.

Motivation strategy

The methods an employer can use to measure whether its motivation strategy is a success tend to fall into two categories: employee feedback and analysis of business data.

Staff surveys usually cover wider engagement issues and are typically carried out on annually. Asking certain questions can provide specific data about staff motivation and engagement. Matt Duffy, head of online consultancy at Aon, says: "It is important to ask whether employees feel they are fairly rewarded. High scores would indicate that the benefits being offered are good.

IF YOU READ NOTHING ELSE, READ THIS . . .

- **Setting objectives for a motivation strategy will help to check that it provides a return on investment.**
- **Employee surveys and forums enable staff to provide direct feedback on strategies.**
- **Business data, such as staff turnover and absence levels, can provide information on motivation and return on investment.**

"Another good indicator is the question 'would you recommend a friend to work here?'. That is normally a really good indicator of how engaged and motivated employees are."

Organisations are also using more regular employee forums and focus groups to gather more detailed information. Alastair Denton, managing director at Edenred, says such forums help employers to immediately address any issues employees may have. Employers are also increasingly using social media to enable employees to give feedback.

Helen Ives, vice-president for people at Peer1 Hosting, says the organisation uses exit interviews and an annual benefits survey to talk directly with employees about benefits offered.

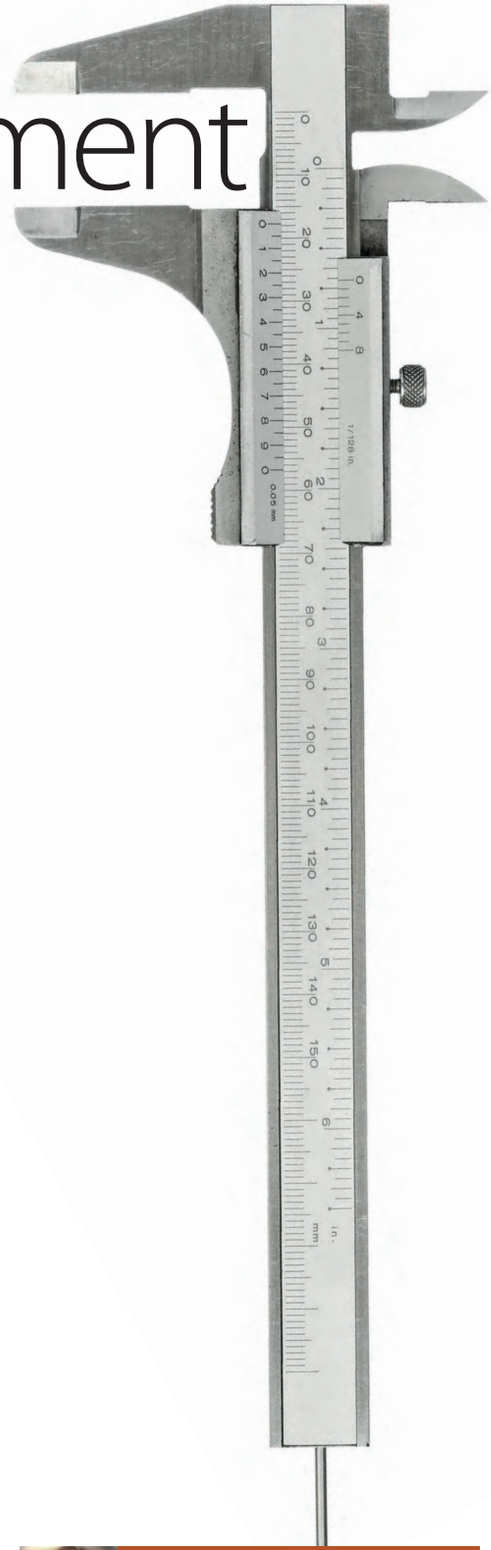
Employee motivation and engagement are a key focus for Peer1 Hosting, says Ives. "We don't measure return on investment in the same way as others. We look at how much it boosts employees' motivation, whether it makes them feel financially secure and achieve a work-life balance. We want staff to come to work and do their best, focusing on growing the business, not worrying about money problems or healthcare."

Saving costs

Business data is also important for measuring the success of a motivation strategy. One factor to consider is how much is saved in recruitment and training costs by retaining staff who are engaged with the organisation. Other data could include productivity levels, staff retention rates and turnover rates, as well as absence figures.

Ives says Peer1 Hosting also examines how employees are using benefits. For example, if there is an increase in the use of medical benefits, it will reassess whether employees are having problems at work because of stress.

But whatever employers' objectives and means of motivating staff, assessing their strategy's effectiveness is key to ensure they obtain maximum return for their spend ■



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Rebecca Patton is a freelance journalist

Read also *How to select the right motivation vouchers for staff* at bit.ly/1nIz7gK

PRODUCT FILE

SHARE INCENTIVE PLANS

Recent legislation has increased the amount employees can save through share incentive plans, says **James Dyble**

The Finance Act 2014 introduced several changes to share incentive plans (Sips) for both employers and employees.

The act, which received Royal Assent on 17 July 2014, increased the maximum value of shares that an employee can acquire with tax advantages through Sips by £300 a year to £1,800 for partnership shares and £3,600 a year for free shares, from 6 April 2014.

The act also introduced changes to the way Sips must be administered, with employers being required to register all new and existing share scheme participants online.

Self-certify

In addition, the act introduced the requirement for employers to self-certify any new approved schemes, rather than having to gain approval from HM Revenue and Customs (HMRC).

The number of employees taking part in Sips reached one million in 2013, up 4% from the previous year, according to IFS ProShare's 2014 *Share incentive plan (Sip) and SAYE [sharesave] employee share plan survey*, published in July 2014.

The value of the average employee's Sip holding increased to £7,028.57 in 2013, up from £6,131.88 in 2012.

Sips include four types of scheme, and were set up by the government in 2000 to encourage employee share ownership.

Free shares given to employees are exempt from income tax and national insurance (NI), while partnership shares are paid for from an employee's pre-tax salary.

Employers can also give staff up to two matching shares for every partnership share they buy, and dividend shares enable employees to buy more shares with the dividends they gain from free, partnership or matching shares

Shares are purchased by the plan administrator within 30 days of the end of the accumulation period. The main advantage of a Sip for employers is improved staff retention and motivation.

The longer an employee stays with their employer, the more they can benefit from the tax advantages of a Sip and they will probably be more likely to take an interest in the organisation's performance. The employee also has an opportunity to become a shareholder in the business.

Employers can offer all, or a combination of, the four share options, according to their business requirements.

For example, they do not have to offer free or matching shares if it does not make economic sense to do so.

Tax-free status

If employees keep their free shares in the plan for five years or more, they will retain their tax-free status. However, if the shares are withdrawn before three years have elapsed, income tax and NI will be due on the value of the shares at the time of removal. Removal of shares after three to five years means income tax and NI are payable on the award (purchase) price or the price at the time of withdrawal, whichever is lower.

Any employee that leaves the organisation for a 'good' reason (retirement or redundancy, for example) will have no tax liability when removing shares, irrespective of how long they have held them. If the shares are held in the plan for a minimum of three years, no income tax or NI is payable on the investment.

STATISTICS

£983.01 The weighted average value of free shares given to individual employees in 2013

820 The number of employers that offer Sips to all employees

194% The increase in the 2013 market value of free shares compared with 2012

Source: Share incentive plan and SAYE employee share plan survey, IFS ProShare, 2014

The facts

What are Sips and how do they work?

Share incentive plans (Sips) are a tax-efficient savings vehicle for employees, who can receive up to £3,600 worth of free shares a year, free of income tax and national insurance. If the shares are kept in the plan for at least five years, they retain their tax-free status.

Where can employers get more information?

HM Revenue and Customs' Share incentive plans: guidance for employers and advisers is available at *http://www.hmrc.gov.uk/*
HMRC's share schemes team helpline is 0300 123 1079.
IFS ProShare's employee share ownership helpline is 020 7444 7104.

Who are some of the main providers?

Capita Asset Services, Computershare Investor Services, Barclays, RM2, Yorkshire Building Society and Equiniti, which bought competitor Killik Employee Services in October 2013.

@ Read also *What the new share scheme limits mean* at bit.ly/1plX2CN

GROUP PERSONAL PENSIONS

Changes announced in the 2014 Budget will have a significant effect on GPP schemes, says **James Dyble**

Changes announced in the 2014 Budget are having a huge impact on the pensions industry, and employers must keep up to speed with how the reforms will affect their workforce.

Under a group personal pension (GPP) scheme, an employer agrees to make monthly contributions, but the contract is between the employee and the pension provider. Currently, a GPP ends when the member retires and buys an annuity with the proceeds, so there is no obligation on the employer to pay retirement benefits to the employee for the whole of their life, as was the case with final salary schemes.

If the employee moves to a new employer, the contract reverts back to an individual basis, leaving the previous employer free of any obligations to former staff.

STATISTICS

320,000

defined contribution pension retirees each year will have complete control over how they access their funds.

£195m

The estimated increase in pension savings over the next 10 years due to the government's annual management charge cap.

Source: Budget 2014, published March 2014

But changes announced in the 2014 Budget allow greater flexibility in employees' retirement options. From April 2015, scheme members aged 55 or over can take their retirement savings from their GPP in any way they choose, with 25% of the fund available tax-free and the rest taxed as an income in the year of withdrawal.

Pension scheme members will also be offered free guidance from an independent third party to help with retirement planning.

Investment governance

Gone are the days when GPP governance was considered a light touch for employers. The Pensions Regulator (TPR) has introduced regulations governing scheme best practice, including its six principles for investment governance, covering initiation, set-up and design, ongoing monitoring, reviewing and communications.

In November 2013, TPR released its defined contribution (DC) guidance document, *Regulatory guidance for defined contribution schemes*, to help trustees meet the standards the regulator deems sufficient. These service levels include making sure all members are regularly made aware of their scheme's current investment strategy and what it means for them, and ensuring that the costs and charges are good value for members in relation to the benefits and services provided.

Trustees should also clearly disclose all fees and costs to members at the point of selection, and offer flexible contribution structures to enable members to save more if they choose.

TPR also suggested ways to help scheme members optimise their retirement fund, such as by ensuring pension providers regularly inform them of their contribution levels and give advice on how to maximise their income at retirement.

These changes follow the introduction of pensions auto-enrolment legislation in October 2012, which requires employees to be automatically enrolled into their workplace pension scheme if they meet the required criteria.

A key criticism of GPPs, and any other money purchase-style

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schemes, is that outcomes depend completely on the funds chosen and their performance. The difference between investing in the best and worst fund can mean riches or penury.

Employees often invest in a fund and do not subsequently change it if their economic circumstances change. This is particularly risky for employees approaching retirement, who may be better placed to use more passive funds and to consolidate any gains made up to that point to prevent unnecessary losses. Of course, this depends on a member's required retirement fund outcomes.

In recent years, pension providers and employers have recognised these weaknesses. Most GPPs now offer a lifestyle fund, which invests in more active funds in the early years of a membership and progressively switches to a relatively stable bond and cash fund five years before an employee retires. Employers must offer a default option for any employees who feel unable to select their own funds, and this will usually be a lifestyle fund.

Cap on charges

From April 2015, there will be a 0.75% cap on all managed pension charges to help employees build up the best retirement income possible. The government has estimated that the charges cap will create an extra £195 million in pension contributions over the next 10 years.

The cap was announced on the same day that the government abolished compulsory annuity purchase on retirement. Employees aged 60 or over are now also allowed to take a maximum of £30,000 from their pension lump sum, up from the previous figure of £18,000.

There has also been a reduction in the amount of guaranteed income needed in retirement to access flexible drawdown, which has dropped to £12,000 from £20,000 a year. The size of a small pension pot that can be taken as a lump sum has increased five-fold, from £2,000 to £10,000.

In 2016, adviser commissions will be removed from members' funds and minimum standards brought in for those saving via auto-enrolment. Between now and 2017, four million more employees will join a workplace auto-enrolment pension scheme.

STATISTICS

£25,000 is the average DC pot size at retirement.

2.7m pension members are in DC schemes, a 15% year-on-year increase on 2013.

Source: The Pensions Regulator, DC Trust: A presentation of scheme return data 2013-14

50% of employees now pay into a pension scheme after auto-enrolment led to the first increase in workplace savings since 2006.

Source: 2013 Annual survey of hours and earnings: summary of pension results, Office for National Statistics, March 2014

The facts

What is a group personal pension (GPP) scheme?
It is a contract-based scheme that is arranged by an employer, but each member holds a personal contract with the pension provider.

What are the origins of GPPs?
GPPs have been around for more than 25 years. They were introduced on the back of individual personal pensions, which were launched in the UK in 1988 to replace retirement annuity contracts.

What are the costs involved?
According to the National Association of Pension Funds, the average annual management charge on GPPs can range from 0.004% to 1.2%. Charges on pension schemes have fallen over the years, although some long-standing schemes may still have high charges. This is set to change in April 2015, when a 0.75% cap will be introduced.

What are the tax issues?
All employee contributions paid into a pension scheme are eligible for tax relief, while employer contributions are free from tax and national insurance. Employees can make gross contributions of up to £2,880, which becomes £3,600 with tax relief, whichever is greater. The annual allowance was reduced from £50,000 to £40,000 in April 2014.

What are the legal implications?
A GPP must satisfy the government's eligibility criteria if it is to be used for auto-enrolment purposes. The Pensions Regulator can fine an employer up to £10,000 a day for operating a non-compliant pension scheme.

Where can employers get more information and advice?
The Society of Pension Consultants on 020 7353 1688 or at *www.spc.uk.com*

Which GPP providers have the biggest market share?
The main providers offering GPP plans include Aviva, Aegon, Fidelity Worldwide Investment, Friends Life, Legal and General, Prudential, Scottish Life, Scottish Widows and Standard Life.

What have the main GPP providers been up to over the past year?
Pension providers have been working with employers to upgrade older schemes ahead of auto-enrolment. Tens of thousands of new employers are setting up schemes for the first time, and providers have been providing online technology to help them comply on time.

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Retiring types

Candid is asked to arrange special pensions training for the workforce, but suspects senior management have their own interests at heart

The order has come from on high to conduct some special pensions training. I do wish the Higher Beings (our management team) wouldn't interfere in my work plan like this. I had already been thinking we needed a refresh given upcoming changes in legislation, but I work much better when my projects are my own idea.

The European head of purchasing started it. He wants us to run some special sessions for those close to retirement so people are informed about their choices.

I think he should mind his own business. Actually, I suspect it is exactly that: his own business. You don't get a Higher Being suggesting anything unless it affects their personal circumstances. I reckon he heard something about pension changes on Radio 4's *Moneybox* that he didn't understand, and thought he would get the company to fund some training.

Sure enough, I can see from our HR system that next year he will be 55, so he will be one of the first potentially affected by new flexibility in the legislation.

Giving information on pensions is fraught with danger. We don't want anyone coming back in 10 years' time saying we advised badly. So I have to get Smarmy Consulting involved, and possibly our provider.

The good thing is that I don't have to argue about their fees this time; the big boys want it done, so the spending is already blessed. Phew.

I have a chat with Smarmy about who it is going to send. I'd like our account manager, Oily Oliver, because although he is a bit slippery, he does at least have some personality. His new sidekick, Barry, like many who have chosen pensions as a career, has a tendency to look at his shoes while he is talking.

On the other hand, Barry is cheaper. Smarmy wants to send two people. Well it would, wouldn't it? I have long known that consultants are not allowed to visit clients unaccompanied. I am not sure if it is because they need a witness to cover their backs, or because they can charge twice the fee that way. I am not having it.

If we have to have our provider, SubStandard Pensions, along too, they can manage with just one guy from Smarmy. I know SubStandard will do a training session every so often for free, so we can be economical about it.

I advertise a series of workshops to be held in the big conference room at lunchtime. Sure enough, our head of purchasing is in one of the first sessions. He sits at the back trying to look nonchalant and disinterested, but I am on to him. I know his type: he won't ask any direct questions because he won't want to look stupid. He will pretend he is asking on behalf of his team.

Sure enough, he asks a detailed question about tax on pension taken as cash, finishing by saying "in case one of my team asks". Silly man. Trying to get a pension man to give definitive tax advice is like trying to get a gardener to do weeding. You know they can do it, but if they don't want to, they won't. Of course, Barry's response is so full of caveats that I don't think any of us are any the wiser.

A group of guys have travelled in from our warehouse for the training. They want to know about taking the tax-free lump sum. One of them wants to buy a new car with it, and the other one would like a proper holiday.

> **"You could move to a dodgy area just before retirement, get a fantastic pension, and then move to a healthier area"**

This is what alarms me. If people are suddenly allowed flexibility with their pensions rather than taking a simple annuity, those who haven't a clue about money will probably just spend it, regardless of the tax and financial consequences. It is a disaster waiting to happen.

Smarmy and SubStandard are doing a fairly long session about annuities. SubStandard tells us that annuities are much higher for people living in the rougher parts of some cities, because of expected mortality rates. In theory, you could move to a dodgy area just before retirement, get a fantastic annuity rate on your pension, and then move to a healthier area later on. However, anyone living in those particular streets probably wouldn't get out alive anyway.

Similarly, rates change with smoking: people who have smoked for at least 10 years before retirement can get up to 25% more pension. But you have to factor in the cost of buying tobacco for 10 years, and hope you are still alive at the end of it. One of the warehouse guys asks how we will prove he has been smoking for 10 years, but he doesn't get to hear the answer.

The head of purchasing jumps in asking about changes in limits and the lifetime allowance. He says, of course, that he is asking "for his team". Nonsense. He is the only one in that department likely to bump into any limits. The others are all on a pittance, by comparison.

I've asked for a chart showing annuities in relation to retirement date. People need a clear picture of the full impact of retiring early. The head of purchasing suddenly looks worried. He sits up a bit straighter and peers worriedly at the screen. Ha, so, he was thinking of going soon. Senior management really are so predictable.

Next time...*Candid finds the medical plan is put on stop.*

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Independent assurance by PricewaterhouseCoopers LLP UK

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