

## Advantages of Employee Benefits Schemes

The wants and needs of modern employees are vastly different from those of their predecessors. Now, potential employees are concerned with company culture and benefits in addition to their salary. To remain competitive, your organisation must adapt and offer competitive benefits to attract and retain skilled employees. This strategy has not been lost on a majority of organisations, as the percentage of organisations using benefits to attract talent has risen from 61 per cent in 2015 to 73 per cent in 2017, according to a recent study from MetLife.

However, a comprehensive benefits package could do more than just attract potential employees. Benefits packages help reduce the strain on the NHS and increase job satisfaction, employee productivity and retention. Even though it may be a time-consuming process to decide which benefits options are most advantageous for your organisation, it is worthwhile. What's more, benefits don't necessarily have to put an additional strain on your budget, as 46 per cent of organisations have been able to adopt a flexible benefits scheme without any added costs, according to research by Mercer.

To help your organisation navigate this process, review the following guidance to learn about benefits and how to choose the right benefits scheme.

### The Most Common Employee Benefits

Employee benefits is an umbrella term that can be easily divided into five main categories, which include the following:

1. **Benefits that provide for old age**—In general, the main benefit provided in this category is pension. As you are most likely aware, a pension is a fund that employees contribute to over the course of

their entire career in order to help support themselves during retirement. There are several types, which include the following:

- **Defined contribution pensions**, which allow employees and employers to contribute a set amount each year.
- **Defined benefit pensions**, which determine the amount that employees receive upon retiring based upon a formula that uses their final salary and length of time at the company.

---

A reasonable and accommodating benefits scheme can help your organisation attract new talent and ensure that you keep your current employees happy, motivated and productive.

---

2. **Benefits that save for the future**—There are several common benefits that fall under this category, including the following:
  - **Share schemes** generally involve organisations giving employees free shares in the business or matching any shares that they purchase.
  - **Workplace individual savings accounts (ISAs)** provide employees with the opportunity to save or invest through their employer. In general, this involves employees contributing to a stocks and shares ISA directly from their salary.
3. **Benefits that provide for illness or injury**—Often, this is the most robust category, as there are

---

Provided by **Crendon Insurance Brokers Ltd**

The content of this Risk Insights is of general interest and is not intended to apply to specific circumstances. It does not purport to be a comprehensive analysis of all matters relevant to its subject matter. The content should not, therefore, be regarded as constituting legal advice and not be relied upon as such. In relation to any particular problem which they may have, readers are advised to seek specific advice. Further, the law may have changed since first publication and the reader is cautioned accordingly. © 2017 Zywave, Inc. All rights reserved.

# Advantages of Employee Benefits Schemes

numerous associated benefits that include the following:

- **Sick pay**, which entitles employees to £89.35 a week after their first four days off sick. In general, statutory sick pay can cover employees for their first 28 weeks off work due to an illness or injury. However, some employers can choose to offer occupational sick pay, which covers employees for a longer period of time.
  - **Income protection** pays a percentage of an employee's salary each month—generally between 60 and 80 per cent—as a regular income, if he or she is unable to work due to a long-term illness or injury. An employer can choose to offer group income protection, which can provide cover for medical conditions that an employee has prior to obtaining the policy.
  - **Private medical insurance (PMI)** pays for the cost of private treatment for medical problems. However, it does not cover every medical condition and does not supplement employees' income while they're off work.
  - **Dental and optical insurance** are similar to PMI but more specific. In general, dental insurance covers the cost of routine NHS treatments, such as examinations, hygienists, fillings, crowns, and injuries and accidents. Optical insurance covers eye tests, glasses and contact lenses, and accidental or permanent sight loss.
  - **Critical illness insurance** provides an employee with a tax-free lump sum in the event that he or she is diagnosed with one of a number of specific medical conditions. To receive the funds, the employee must have at least one predetermined condition and survive for a minimum period of time after he or she has been diagnosed—typically between 14 and 28 days.
  - **Health screenings** provide employees with regular health checks, which typically involve a physical examination.
4. **Benefits that provide for death**—The main benefit offered in this category is **life insurance**, also called death-in-service. This type of insurance pays a tax-free lump sum to employee's dependents upon death. Often, the lump sum is calculated as a certain number of times their salary.
  5. **Benefits that save money**—This category is generally less defined than the others, as it can include numerous different incentives and perks, such as the following:
    - Car allowance, such as receiving extra payment to purchase a car for work, providing a mileage allowance that compensates employees for each mile driven on company business and offering the use of a company car
    - Flexible working options such as working from home or providing employees with an adjustable work schedule
    - Childcare vouchers that can be used to pay for nursery, preschool, a nanny or a childminder. To pay for these benefits, an amount chosen by employees is taken out of their salary before tax and National Insurance
    - Gym memberships can either be provided free of charge to an interested employee or offered at a discounted rate
    - Interest-free travel loans

## Financial Perks of Employee Benefits Schemes

There are numerous studies touting the business advantages of providing employee benefits. Put simply, employee benefits make employees happier, and happier employees are better employees.

In fact, a University of Warwick experiment concluded that happiness made people about 12 per cent more productive.

The link between employee benefits schemes and productivity is well established. MetLife's most recent survey found that 47 per cent of employers saw

# Advantages of Employee Benefits Schemes

improved employee productivity after instituting employee benefits schemes.

Employee benefits schemes also help attract and retain top talent. Recent industry research found that 82 per cent of employers offer benefits to retain employees, while 81 per cent do it to recruit employees, and 80 per cent do it to support overall employee health and well-being. Research from Glassdoor even found that a staggering 79 per cent of employees would prefer new or additional benefits to a salary increase.

And this trend increases as younger people enter the workforce. Eighty-nine per cent of workers under age 35 prefer benefits or perks to a pay raise, compared to 84 per cent of 35- to 44-year-olds and 70 per cent of 45- to 54-year-olds. Clearly, salary is no longer the chief motivating factor for employees, and employee benefits play a vital role in differentiating your business.

## Choosing the Right Benefits Scheme

A significant number of organisations have already discovered that by offering a reasonable and accommodating employee benefits package, they can successfully attract new talent and retain employees. In fact, according to a 2017 study, 38 per cent of organisations plan to expand the number of benefits options that they offer their employees in order to remain more competitive.

To help you decide which benefits would be best for your organisation, follow these three steps:

- 1. Review your organisation.** Depending on your size and industry, not all benefits will be useful to you or your employees. As part of your review, consider the size of your organisation, your employees' age range, how many different benefits you would be able to reasonably offer and what your employees' expectations are. From there, you can start building a benefits framework.
- 2. Consider what benefits prospective and current employees would find the most valuable.** Look at who your current employees are and what type of talent you would like to attract. For example, if

you are hiring primarily younger employees, you most likely do not need to offer them childcare vouchers. Instead, you may want to consider offering them gym memberships.

- 3. Communicate with your employees.** Ask your employees what types of benefits would be the most valuable. Even though you most likely will not be able to implement all of their suggestions, you should be able to find a compromise between your budget and their expectations.

Employee benefits schemes are flexible, and you can adjust them at any time. For that reason, it is important that you keep an open dialogue with your employees to ensure that they are satisfied and that your scheme continues to be relevant.

## Simple Benefits to Offer Right Now

It takes time to implement a formal employee benefits scheme. In the meantime, consider offering creative perks like the following:

- Order new business cards for your employees, letting them customise their own images, colours and designs.
- Schedule Friday movie days when you play a movie on Friday afternoons once per month and order in pizza.
- Offer employees an extra personal day that's not a sick day or that doesn't factor into their annual leave.
- Pay your employees to volunteer as a group on a working day.
- Organise a recurring cocktail party with free drinks (within limits) once a month.

## A Happy Employee is a Productive Employee

With a reasonable and accommodating benefits scheme, your organisation can attract new talent while keeping your current employees happy, motivated and productive. For more information about employee benefit schemes, **contact Crendon Insurance Brokers Ltd** today.