

Benefit Insights

Issue 02 / November 2023

THE RISING IMPORTANCE OF EMPLOYEE BENEFITS

Attracting Top Talent and Maintaining a Happy, Healthy and
Productive Workforce



**REDEFINING
COMPANY
CAR SCHEMES**

A Modern Approach

**A GROWING
DISCONNECT**

Majority of UK Employees
Feel Detached at Work



HFMC WEALTH

HFMC EMPLOYEE BENEFITS

Employee benefits that make a difference
to employees' lives and your business

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EDITOR'S LETTER

Welcome to the November 2023 issue of HFMC's *Benefit Insights* magazine.

One trend in the rapidly changing landscape of the UK workforce has been distinctly noticeable – a marked increase in employee absence rates. Over the past year, these rates have escalated to their highest level in over a decade, raising national concerns for employers and HR professionals. On page 13, we report the average UK employee was absent for 7.8 days, hitting a decade high and significantly rising from the pre-pandemic rate of 5.8 days.

The Covid-19 pandemic triggered a wave of remote work, dramatically reducing the number of people commuting. Even as life returns to normal, on page 10, we look at a report that shows there could still be a 16% reduction in car commute miles if remote workers only travel for half of their working week. This shift has prompted many employers to rethink their company car schemes, aligning them more closely with current usage patterns and environmental concerns.

In the modern working world, fostering a sense of connection and belonging among employees is crucial for individual wellbeing and overall organisational success. Yet, an alarming trend of disconnection and loneliness is sweeping across workplaces in the UK. Research has revealed this disturbing trend, with two-thirds of UK employees feeling isolated. Turn to page 12 to read the full article.

Only 12% of online job adverts mention health-related perks like private healthcare, wellbeing benefits or life insurance as part of the employment package, according to a new study. On page 09,

we look at the research that analysed job postings across various sectors: education, finance, government, healthcare, hospitality and HR recruitment and found that only 10% of job adverts highlighted healthy lifestyle options and wellbeing rewards such as bikes-for-work schemes.

A complete list of the articles featured in this issue appears on page 04.

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READY TO CRAFT THE IDEAL EMPLOYEE EXPERIENCE?

At HFMC, we're your one-stop solution for crafting the ideal employee experience. From comprehensive employee benefits to innovative recognition, rewards and incentives solutions, we've everything under one roof. We trust you'll find this edition of *Benefit Insights* magazine informative. For further information or to discuss your specific needs, please contact us at info@hfmwealth.com or call us. We're here to assist you in creating a rewarding work environment.

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THE DAWN OF A NEW NATIONAL LIVING WAGE

A Significant Boost for Low Earners



April 2024 marks the advent of a new National Living Wage, set at £11 per hour. Unveiled by Chancellor Jeremy Hunt at the Conservative Party conference in October, this policy will benefit over 2 million low-earners across the UK. The Chancellor assured delegates that the increase to at least £11 will ensure that hard work continues to be adequately rewarded.

THE IMPACT OF THE PAY RISE

This pay rise implies that every worker above the age of 23 can earn an additional 58p per hour. For those working 38 hours a week, this translates to an average annual increase of £1,146. However, it's crucial to understand how these new rates interact with benefits such as salary sacrifice or exchange pension schemes – a matter that could quickly become complex. Finance and accounts teams need to stay updated on these changes.

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APRIL 2024 MARKS THE ADVENT OF A NEW NATIONAL LIVING WAGE, SET AT £11 PER HOUR.

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ENSURING SMOOTH IMPLEMENTATION AND COMPLIANCE

To facilitate a smooth transition, employees due for the wage increase must be kept fully informed, preferably in writing. Furthermore, maintaining detailed records of all changes made is highly recommended. This practice will prove invaluable in resolving potential disputes

or demonstrating payroll compliance to regulatory bodies.

ADDRESSING THE PERSISTENT COST OF LIVING CRISIS

While the proposed increase is welcome news for employees, it's important to note that many full-time workers will continue grappling with the cost of living crisis. Additionally, significant pay discrepancies based on age persist. Recognising employers' role in supporting employees' financial well-being and alleviating poverty is paramount.

EMPLOYERS: A KEY ROLE IN FINANCIAL WELLBEING

Employers have a unique opportunity and responsibility to support their employees' financial health. By ensuring fair pay, understanding the complexities of benefits interaction and keeping clear communication lines, businesses can make a tangible difference in reducing poverty and improving living standards. ♦

NEED MORE INFORMATION?

If you require further details or have queries regarding the new National Living Wage and its implications, please get in touch with HFMC. Our team is ready to assist you in understanding and navigating these changes effectively. Your employee's financial wellbeing is our priority, and we're here to support you every step of the way.

ICO UNVEILS EMPLOYER GUIDANCE FOR LAWFUL WORKPLACE MONITORING

A Significant Role in Ensuring that Workplace
Monitoring is Conducted Lawfully and Ethically

06



The Information Commissioner's Office (ICO) has recently released a new set of guidelines for employers implementing workplace monitoring. This includes health and safety surveillance cameras, keystroke tracking, activity tracking and time-logging productivity tools. These guidelines align with the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018 (DPA 2018), providing a detailed overview of the legal requirements and best practices surrounding employee monitoring.

KEY LEGAL REQUIREMENTS AND GOOD PRACTICES

The document highlights employers' responsibility to inform workers about the nature, extent and reasons for monitoring and clearly define its purpose. It also outlines the conditions under which employers can lawfully process workers' data. HR professionals are encouraged to consult this new guidance to understand the legal landscape in this area better.

THE ROLE OF HR IN EMPLOYEE MONITORING

Depending on the type of monitoring, HR teams could play a crucial role in ensuring that employees receive the necessary information and protections. The guidance provides practical advice to help HR professionals foster trust within their workforce and cultivate a positive working environment where privacy is respected.

EMPLOYEE PERCEPTIONS OF WORKPLACE MONITORING

ICO research reveals that nearly one in five employees (19%) believe their employer has monitored them. Furthermore, most (70%) surveyed find workplace monitoring intrusive. With the rise of hybrid working, conversations about monitoring have become more prevalent among employers.

NAVIGATING THE FUTURE OF WORKPLACE MONITORING

As we look to the future, it's clear that monitoring will become increasingly common in many businesses. HR

professionals must approach this practice thoughtfully, balancing legal requirements with employee perceptions to ensure appropriate and fair data monitoring. It's important to remember that workers have a legitimate expectation of privacy, even while performing their duties.

ACHIEVING BALANCE: PRODUCTIVITY, QUALITY CONTROL AND PRIVACY RIGHTS

Balancing productivity and quality control with the privacy rights of staff members can be a delicate task. However, it can be achieved through clear communication, transparency and a commitment to respecting workers' rights. The ICO's employee monitoring guidance highlights several key points for HR professionals to consider.

KEY POINTS FROM THE ICO GUIDELINES

Transparency, purpose and intrusiveness, lawful basis, clear communication, relevance, data protection impact assessment and subject access requests are among the key focus areas in the new guidance. Each area plays a significant role in ensuring that workplace monitoring is conducted lawfully and ethically. ♦

DO YOU WANT TO DISCUSS THE NEW ICO GUIDELINES FOR LAWFUL WORKPLACE MONITORING?

If you require further information on the new ICO guidelines for lawful workplace monitoring or have any questions regarding its implications, please feel free to contact HFMC. Our team is ready to assist you in understanding and implementing these guidelines effectively. Your employees' privacy and your organisation's compliance are our top priorities. Let's work together to create a positive and respectful working environment.

WORKPLACE MENTAL HEALTH SUPPORT

A Growing Demand Among Working Parents

Balancing work responsibilities with the demands of parenting can be a formidable challenge. This is particularly true for working parents with children under 18, who often juggle many tasks and responsibilities in their day-to-day lives.

The pressures of this dual role can take a toll on mental health, leading to increased stress, anxiety and burnout. A recent survey has underscored the urgent need for mental health support within workplaces to help these parents navigate this complex landscape.

Figures show 39% of working parents with children under 18 have expressed the need for mental health support in their workplaces. This statistic is part of a recent Working Families and Bright Horizons study. The research, timed to coincide with National Work Life Week (2–6 October), provides insights into the factors that impact the wellbeing of working parents.

THE POWER OF FLEXIBLE WORK ARRANGEMENTS

An overwhelming 89% of working parents believe flexible work arrangements contribute positively to their wellbeing. In addition, 37% consider subsidised or back-up childcare a crucial benefit. The findings suggest that flexibility in the workplace is not just a convenience but a necessity for many working parents.

WORK-LIFE BALANCE: A KEY EMPLOYEE BENEFIT

Seven out of ten parents identified a culture that promotes work-life balance as an essential workplace benefit. Other important factors include higher pay (65%), supportive managers (58%) and access to their preferred flexible working patterns (57%).

These elements collectively contribute to a conducive working environment for parents.

LOYALTY AND PRODUCTIVITY LINKED TO FLEXIBILITY

According to the study, 89% of respondents would feel more loyal to an employer providing flexible working opportunities. Furthermore, 86% believed that having access to their preferred flexible working pattern would enhance their productivity at work.

PREFERRED WORKING CONDITIONS: THE NEED FOR HYBRID AND HOME-BASED WORK

Moving beyond traditional work hours, 60% of parents highlighted variable hours as key, followed by hybrid working (48%) and home-based working (44%). 63% felt their employers understood their need to balance work and caregiving responsibilities. However, 30% have considered leaving their jobs due to insufficient family-friendliness or flexibility.

THE CALL FOR FAMILY-FRIENDLY WORKPLACES

Employees are increasingly seeking workplaces prioritising being family-friendly and mindful of their wellbeing. Successful employers will be those who attune themselves to their employees' needs, offering support for flexible work and prioritising mental health.

BEYOND FLEXIBILITY: ADDRESSING MENTAL HEALTH CONCERNS

While adaptable working patterns and competitive salaries are important, employers seeking to retain talent and boost productivity must think more

broadly. Practical support such as childcare assistance, educational support for children and personal coaching can significantly reduce mental health concerns among working parents. ♦

READY TO DISCUSS HOW WORKPLACES CAN EVOLVE TO SUPPORT EMPLOYEES BETTER?

If you're interested in gaining more insight into the needs of working parents and how workplaces can evolve to support them better, don't hesitate to contact HFMC. Our team is ready to provide further information and advice on creating a family-friendly and mentally supportive workplace.



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HEALTH-RELATED PERKS

A Rare Sight in Online Job Adverts

Only 12% of online job adverts mention health-related perks like private healthcare, wellbeing benefits or life insurance as part of the employment package, according to a new study. The research analysed job postings across various sectors, including education, finance, government, healthcare, hospitality and HR recruitment^[1].

THE STATUS OF HEALTHY LIFESTYLE OPTIONS AND WELLBEING REWARDS

The research found that only 10% of job adverts highlighted healthy lifestyle options and wellbeing rewards such as bikes-for-work schemes. A mere 5% and 2% promoted perks like free gym classes, discounted gym memberships, shopping and cinema vouchers, and birthday leave, respectively.

FINANCE SECTOR LEADS IN HEALTHCARE AND WELLBEING PERKS

A closer look at the sector-wise distribution reveals that 41% of roles in the finance sector

included healthcare and wellbeing perks in their employee benefits package. However, only 11% of HR and recruitment roles and 7% of government and public sector positions listed such incentives.

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12% OF ONLINE JOB ADVERTS MENTION HEALTH-RELATED PERKS LIKE PRIVATE HEALTHCARE.



REGIONAL DISPARITIES IN LISTING HEALTH PERKS

The study also highlighted regional disparities in job packages listing health and wellbeing benefits. Northern Ireland led with 31%, followed by North East England, Yorkshire, the Humber and the North West (15%), London (14%) and the South East

(13%). In contrast, Wales (4%) and Scotland (6%) listed the least amount of health perks.

REMOTE POSITIONS PROMOTING HEALTH INITIATIVES

Interestingly, 17% of fully remote positions included health initiatives in their adverts. The research underscored a significant shift in employment narratives since the pandemic, emphasising better work-life balance and prioritising mental and physical health.

THE SURPRISING LACK OF HEALTH AND WELLBEING BENEFITS

Despite these changing narratives, the prevalence of employee benefits supporting improved health and wellbeing is surprisingly low. While budget constraints might be a factor for many businesses, it's both commercially and ethically beneficial for employers to strive towards keeping their teams healthy, happy and productive.

EMPLOYEES SEEK REWARDING BENEFITS

Today's workforce is calling on employers to offer rewards that genuinely make a difference in their lives. Health and wellbeing benefits enhance employee satisfaction, increase productivity and reduce staff turnover rates. ♦

WANT TO FIND OUT MORE ABOUT PROVIDING HEALTH-RELATED BENEFITS FOR YOUR STAFF?
Are you interested in learning more about the importance of providing health-related benefits for your staff? The HFMC team is ready to give more information and advice on creating a comprehensive benefits package prioritising employee health and wellbeing. For more information, please get in touch with us.

Source data:
[1] Research conducted by Plasma by Medicecks - over 5,500 online job postings analysed 28.09.23.

REDEFINING COMPANY CAR SCHEMES

A Modern Approach



The Covid-19 pandemic triggered a wave of remote work, dramatically reducing the number of people commuting. Even as life returns to normal, a report 'Less is more: changing travel in a post-pandemic society' from Creds shows that there could still be a 16% reduction in car commute miles if remote workers only travel for half of their working week^[1]. This shift has prompted many employers to rethink their company car schemes, aligning them more closely with current usage patterns and environmental concerns.

COMPANY CARS AS LIFESTYLE PERKS

Company car schemes are often an integral part of an employer's reward package, designed to meet the needs of its workforce. Beyond those who need a vehicle for their job, perk cars are frequently extended to the broader workforce and senior staff members.

These schemes can provide tax-efficient access to new, environmentally friendly cars and help attract and retain staff.

COMPREHENSIVE SERVICES AND DIGITAL SOLUTIONS

Leasing providers accommodate employees' needs by offering a wide range of makes, models and fuel types. Modern company car schemes typically include comprehensive services and options such as maintenance and repair, accident management, roadside assistance, tyre and windscreen replacement, driver training and risk management.

Additionally, they provide 24/7 access to experts and intuitive self-serve apps with features like scheduling maintenance, tracking mileage and locating charge points.

THE EVOLUTION OF COMPANY CAR SCHEMES

The features of company car schemes have evolved in response to changes in employers' and employees' needs. As environmental consciousness has

grown, so has the demand for greener alternatives, leading to an increase in electric vehicle options in company car schemes. The rise of remote work has also led employers to consider alternatives to traditional schemes, such as car-sharing programmes and flexible transport allowances.



THE FEATURES OF COMPANY CAR SCHEMES HAVE EVOLVED IN RESPONSE TO CHANGES IN EMPLOYERS' AND EMPLOYEES' NEEDS.



ALIGNING COMPANY CAR SCHEMES WITH ENVIRONMENTAL CONSCIOUSNESS

As businesses align with growing environmental consciousness and adapt to the upcoming 2030 ban on the sale of petrol and diesel cars, there's been a noticeable shift towards electric vehicles in company car schemes. The perception of cars as a status perk has also changed over time. While cars may not suit all modern lifestyles, their convenience and reliability can still be significant for employees when choosing an employer.

FUNDING OPTIONS FOR MODERN CAR SCHEMES

Today's scheme funding options include contract hire, contract purchase, finance lease, employee car ownership, outright purchase and increasingly popular salary sacrifice schemes. According to the British Vehicle Rental and Leasing Association, a 20.5% year-on-year increase in company cars was funded through salary sacrifice up to the third quarter of 2022.

THE RISE OF SALARY SACRIFICE SCHEMES

Through a salary sacrifice arrangement, the employee covers the cost of the car. At the same time, the employer deducts the agreed amount from their gross salary each month before Income Tax and National Insurance contributions. Employers view these schemes as a simple way to provide a low-cost benefit while making low and zero-emission cars more accessible. Around 90% of the cars leased through salary sacrifice are fully electric, indicating a significant shift towards greener options.

EMBRACING GREEN CAR CHOICES

The environmental impact of petrol or diesel cars is leading employers and employees to embrace electric options within their company car schemes. While company car schemes have evolved in response to fewer employees regularly commuting and heightened environmental awareness, exploring hybrid and electric cars can be a more financially viable option for employers. ♦

NEED MORE INFORMATION ABOUT THE EVOLUTION OF COMPANY CAR SCHEMES?

If you're interested in learning more about the evolution of company car schemes and how they can be tailored to meet modern needs, don't hesitate to speak to HFMC. Our team is ready to provide further information and advice on creating environmentally friendly and cost-effective car schemes.

Source data:

[1] <https://www.creds.ac.uk/publications/less-is-more-changing-travel-in-a-post-pandemic-society/>

A G R O W I N G D I S C O N N E C T

Majority of UK Employees Feel Detached at Work

In the modern working world, fostering a sense of connection and belonging among employees is crucial for individual well-being and overall organisational success. Yet, an alarming trend of disconnection and loneliness is sweeping across workplaces in the UK. This article delves into the startling statistics revealing that many UK employees feel increasingly detached at work.

Research has revealed this disturbing trend, with two-thirds of UK employees feeling isolated. The survey results indicated a lack of connection and belonging among workers^[1], which worryingly affects mental health and productivity.

WORKPLACE LONELINESS: A SILENT EPIDEMIC

The study further showed that 24% of the respondents frequently feel lonely at work. Gen Z employees aged between 18 and 24 reported the highest workplace loneliness, with 32% admitting to feeling this way. This comes despite 81% of them having a social network at work, the highest among all age groups. On the other hand, a mere 9% of employees aged 55 and above experience workplace loneliness.

FULL-TIME OFFICE WORKERS: ISOLATED DESPITE PROXIMITY

Interestingly, full-time office workers reported higher loneliness levels (26%) than home, hybrid and deskless workers (26%, 21% and 25% respectively). Those who reported feelings of loneliness are also

less likely to go the extra mile for their organisation, with only 16% indicating they would do so, compared to 30% of their counterparts.

THE LINK BETWEEN FINANCIAL WELLBEING AND LONELINESS

Loneliness has considerable effects on mental health and productivity. Due to poor mental health, lonely individuals are twice as likely to take ten or more unplanned leave days. Similarly, those who reported their financial wellbeing as poor are more than twice as likely to feel lonely compared to those who said it was excellent (48% vs. 20%). Stress and self-doubt levels also doubled among these individuals.

RECOGNITION: A POTENTIAL SOLUTION TO WORKPLACE DISCONNECTION

Over half of the respondents (54%) believe that recognition for their work would help them feel more connected. Employees who consider their reward and recognition good or excellent are eight times likelier to be happy at work. Reports of frequent loneliness, self-doubt or burnout drop by half when employees feel adequately recognised and rewarded.

THE ROLE OF EMPLOYERS AMID THE LONELINESS EPIDEMIC

As the cost of living crisis intensifies the loneliness epidemic in the UK, workplaces

have a crucial role to play. Employers can significantly improve the workplace environment and employee wellbeing by fostering connections at work and acknowledging employees' hard work through meaningful rewards. By listening to concerns and recognising hard work, employers can help Gen Z workers feel more connected. This will result in a happier, healthier generation leading us into the future. ♦

TIME TO CREATE A MORE INCLUSIVE, CONNECTED AND FULFILLING WORK ENVIRONMENT?

If you require further information or wish to learn more about fostering connection and belonging in your workplace, please don't hesitate to contact HFMC. We are here to support you in creating a more inclusive, connected and fulfilling work environment.

Source data:

[1] Reward Gateway survey of 1,000 UK employees from various organisations with over 100 staff members 22.09.23.

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RISING ABSENCE RATES IN UK WORKPLACES

Trends in Sickness Absence and Employee Health and Wellbeing

One trend in the rapidly changing landscape of the UK workforce has been distinctly noticeable – a marked increase in employee absence rates. Over the past year, these rates have escalated to their highest level in over a decade, raising national concerns for employers and HR professionals.

On average, UK employees were absent for 7.8 days, hitting a decade high and significantly rising from the pre-pandemic rate of 5.8 days. This data is based on a comprehensive survey by The Chartered Institute of Personnel and Development (CIPD) and Simplyhealth, a health insurance provider. The study considered trends in sickness absence and employee health and wellbeing across 918 organisations representing 6.5 million employees.

UNPACKING THE MAIN DRIVERS OF EMPLOYEE ABSENCE

The survey revealed that short-term absences were primarily due to minor illnesses (94%), musculoskeletal injuries (45%) and mental health issues (39%). Despite the relaxation of COVID-19 restrictions, 37% of organisations reported the virus as a significant cause of short-term absence. Long-term absence, on the other hand, was majorly attributed to mental health issues (63%), acute medical conditions such as stroke or cancer (51%), and musculoskeletal injuries (51%). Notably, stress played a pivotal role in short- and long-term absences, with 76% of organisations reporting stress-related absences in the past year.

STRATEGIES EMPLOYED TO TACKLE RISING ABSENCE RATES

In response to these rising absence rates, 69% of organisations have introduced occupational sick pay leave schemes for all employees. Additionally, 82% offer an employee assistance programme. Over half of the organisations (53%) have implemented a standalone wellbeing strategy, up from 50% in 2021. However, there's a shared belief that a more systematic and preventative approach to workplace health is needed. This implies managing work-related health risks, preventing stress and intervening early to prevent health issues from escalating. It's of utmost importance that organisations cultivate an open and supportive culture where employees can openly discuss their health concerns.

THE IMPERATIVE ROLE OF EMPLOYERS IN EMPLOYEE HEALTH

With a record number of people on sick leave, the role of employers in providing workplace health and wellbeing services has never been more critical. However, solely focusing on treating sickness won't yield substantial improvements. Employers need to devise preventative health and wellbeing strategies endorsed by the highest levels of leadership. Equally crucial is building the skills and confidence of line managers to support employee wellbeing. ♦

ARE YOU LOOKING TO DEVISE A PREVENTATIVE HEALTH AND WELLBEING STRATEGY?

Please get in touch with us if you need more information or assistance designing effective health and wellbeing strategies for your workplace. To find out more, speak to the team at HFMC.

THE RISING IMPORTANCE OF EMPLOYEE BENEFITS

Attracting Top Talent and Maintaining a Happy, Healthy and Productive Workforce

In an increasingly competitive job market, the focus of potential recruits has shifted beyond the confines of a solid salary package. With health and wellbeing becoming paramount, especially amidst the ongoing global health crisis, robust employee benefits are now a major draw. These benefits, specifically those related to health and wellbeing, have emerged as a vital factor in attracting top talent and maintaining a happy, healthy and productive workforce.

Potential recruits are prioritising more than just a competitive salary. Amidst the current upheavals in the UK – from escalating NHS waiting lists to substantial spikes in utility bills – employee benefits have taken centre stage. For many, these benefits hold even greater significance than their salary.

A LOOK AT DIFFERENT TYPES OF EMPLOYEE BENEFITS

When it comes to employee benefits, there's an array of options for companies to offer. These benefits range from group life insurance and group critical illness cover to group income protection and group dental insurance. Each of these benefits has advantages, making them attractive to potential recruits.

GROUP LIFE INSURANCE: PROVIDING PEACE OF MIND

Group life insurance is a benefit that provides a lump sum payment to an employee's family or dependents in the unfortunate event of their death. This benefit can provide peace of

mind to employees, knowing that their loved ones will have some financial support during such a difficult time.

GROUP CRITICAL ILLNESS COVER: AN ESSENTIAL SAFETY NET

Another valuable employee benefit is group critical illness cover. This type of insurance offers a tax-free lump sum payment if an employee is diagnosed with a serious specified illness covered by the policy. It is a safety net to help employees manage potential financial hardships from critical health conditions.

GROUP INCOME PROTECTION: ENSURING FINANCIAL STABILITY

Group income protection is another benefit. It provides a regular income to employees who cannot work due to long-term illness or injury until they recover, retire or reach the end of the agreed payment period. This benefit can ensure continued financial stability for employees during challenging times.

GROUP DENTAL INSURANCE: PROMOTING ORAL HEALTH

Lastly, group dental insurance is a popular employee benefit. It covers a percentage of dental care costs, encouraging employees to maintain good oral health. This benefit promotes a healthier lifestyle and reduces the likelihood of employees missing work due to dental issues. ♦



ARE YOU LOOKING TO ENHANCE YOUR EMPLOYEES BENEFITS PACKAGE?

If you're an employer looking to enhance your benefits package or an employee wanting to understand more about potential benefits, don't hesitate to contact HFMC. Let's work together to create a benefits package that attracts top talent and promotes overall employee wellbeing.

OPTIMISING EARNINGS AND SAVINGS IN LINE WITH UK TAX LAWS

The Concept of Salary Sacrifice Can Bring Significant Financial Benefits

In the UK, certain employee benefits enjoy favourable tax treatment, often aligning with government policies designed to encourage or support specific choices. These choices range from the adoption of workplace pensions to the use of ultra-low-emission vehicles. A key strategy used to provide such benefits is the salary sacrifice arrangement.

SALARY SACRIFICE ARRANGEMENTS: A WIN-WIN SITUATION?

Under a salary sacrifice arrangement, an employee agrees to forgo a portion of their pre-tax salary. In return, the employer provides a particular benefit. Take a pension salary sacrifice scheme as an example – an employee surrenders a part of their gross pay. In exchange, the employer contributes an equivalent amount to the employee's pension fund.

THE FINANCIAL ADVANTAGES OF SALARY SACRIFICE SCHEMES

This arrangement results in Income Tax savings for the employee, while both the employer and the employee save on National Insurance Contributions (NICs). The employer can utilise their NIC savings to manage the scheme or supplement the employee's pension. However, there are other factors to consider.

THE FINANCIAL IMPACT OF SALARY SACRIFICE ON PENSION CONTRIBUTIONS

Understanding how to maximise your earnings and savings is crucial in a world

where every penny counts. For someone earning £30,000 per year and contributing 5% of their salary to their workplace pension under auto-enrolment, the concept of salary sacrifice can bring significant financial benefits.

HOW SALARY SACRIFICE WORKS FOR PENSION CONTRIBUTIONS

By implementing a salary sacrifice arrangement, in this example, this individual could reduce their gross salary by their pension contribution amount, in this case, £1,500. This would bring their salary down to £28,500 annually. However, this doesn't mean their pension contribution lessens – instead, the £1,500 they would have contributed is now paid by their employer on top of their regular 3% contribution of £900 per year.

THE TAX AND NATIONAL INSURANCE SAVINGS

What's the benefit of this arrangement? With a lower salary, both Income Tax and NIC payments decrease. As a 20% taxpayer, this individual would only pay about £3,186 per year in Income Tax and £1,911.60 in National Insurance for the 2023/24 tax year. Despite these reductions, their pension contributions remain unchanged.

MAINTAINING PENSION CONTRIBUTIONS WHILE INCREASING TAKE-HOME PAY

This salary sacrifice arrangement allows employees to maintain their pension contributions while increasing their

monthly take-home pay due to reduced tax and NIC payments. It's a smart strategy for those looking to optimise their earnings and savings in line with UK tax laws.

CONSIDERATIONS AND IMPLICATIONS OF SALARY SACRIFICE SCHEMES

While salary sacrifice schemes offer numerous benefits, organisations must consider their implications, particularly concerning universal credit/tax credits or the national minimum wage. Understanding that the tax position on employee benefits and salary sacrifice can fluctuate is crucial. ♦

WANT BETTER TO UNDERSTAND THE COMPLEXITIES OF TAXATION AND SALARY SACRIFICE PROVISIONS?

Navigating the complexities of taxation and salary sacrifice provisions in the UK can be daunting. If you require further information or assistance, please get in touch with the expert team at HFMC. Let's work together to find the best way to optimise your employee benefits while staying within the framework of UK tax laws.

HFMC EMPLOYEE BENEFITS

Looking for a modern end-to-end employee benefits solution to build stronger and more resilient business?

Healthy and happy employees build better, stronger, more resilient businesses, which leads to people being more productive, innovative and able to make better decisions.

To find out more, **contact us:**

E: info@hfmwealth.com | **W:** www.hfmwealth.com



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