

PES  
viewpoint



Why do flexible  
employee benefits  
matter?

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Happy people. Happy business

# Why do flexible employee benefits matter?

Employee benefits are well established as a way of attracting and retaining the best people. But what exactly is meant by the term 'flexible', and why does a scheme like this deserve investment?

Mention 'flexible benefits' and it raises a host of different expectations – including, perhaps, complexity and expense. This is why we tend to avoid the label. It's easier to think simply in terms of employee benefits, which are part of every employer's offering (even if the only benefit they have is a pension scheme). However, the phrase is used a lot in our industry, so it deserves explanation.

'Flexibility' simply refers to the number of benefits available and the way in which they are offered. Most employers provide something between a single benefit and a fully flexible choice.

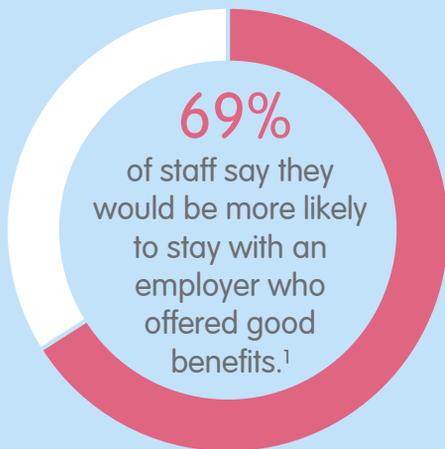
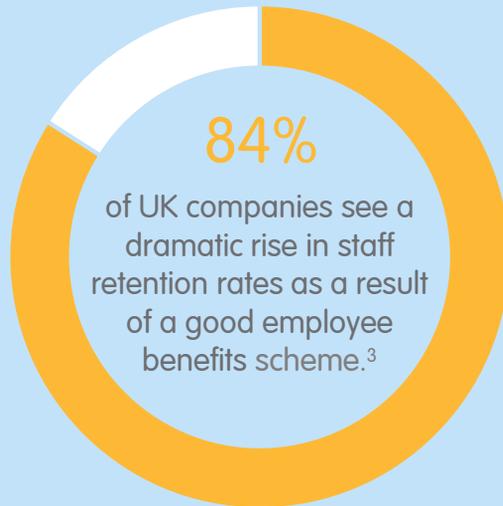
Beyond the statutory minimum – a workplace pension – the level of flexibility in your employee benefits scheme (how many benefits you offer, and in what way) will be driven by various things such as how much you're able to invest in your people.

There's a host of very good reasons for offering flexible benefits. Generally speaking, we believe that the more flexible you can be, the better the results will be for you and your employees.



Flexible benefits don't have to be complex or expensive. PES offers a single package price, including benefits advice and implementation.

# Why do flexible employee benefits matter?



## What are flexible employee benefits?

Flexibility means giving employees choice over which benefits and levels of cover are right for them. Of course, this means offering more than just a pension scheme, but it doesn't have to be complex or costly. Flexible employee benefits are now within the reach of all businesses, whatever their size.

Some benefit schemes are more flexible than others – it all depends how much choice employers want to provide. We generally believe the more choice the better.

### Key characteristics of a flexible benefits scheme

- Most employee benefits schemes include a number of core benefits, paid for by the company – for example, a pension scheme, life assurance, or health insurance.
- A flexible scheme will typically offer a range of voluntary benefits for employees to choose from, which the employer has selected.
- It may include a benefit fund, or 'flex pot': a sum of money for each employee in addition to salary which they can put towards their chosen benefits. The fund should be enough to allow employees to opt into at least one or more of the benefits on offer.
- Employees will have the chance to opt into further benefits through their salary.
- These payments will be processed via salary sacrifice, or Optional Remuneration Arrangements (OpRAs), which in some cases may lead to savings in tax and/or NICs for the employee, and NIC savings for the employer. This may sound complicated, but our benefits experts can help.
- The scheme will usually have an online portal, making it easy for employees to select benefits and reducing the administrative burden for HR. It will also allow accurate measurement of take-up and create opportunities for regular, engaging employee communications.

Here are just some of the benefits offered by a flexible scheme.



Online Shopping discounts



Cycle To Work



Childcare Vouchers



Life Assurance



Private Medical Insurance



Pension



Cinema perks



Tech benefits



Stocks and shares ISA



Healthcare Cash Plan



Travel Insurance

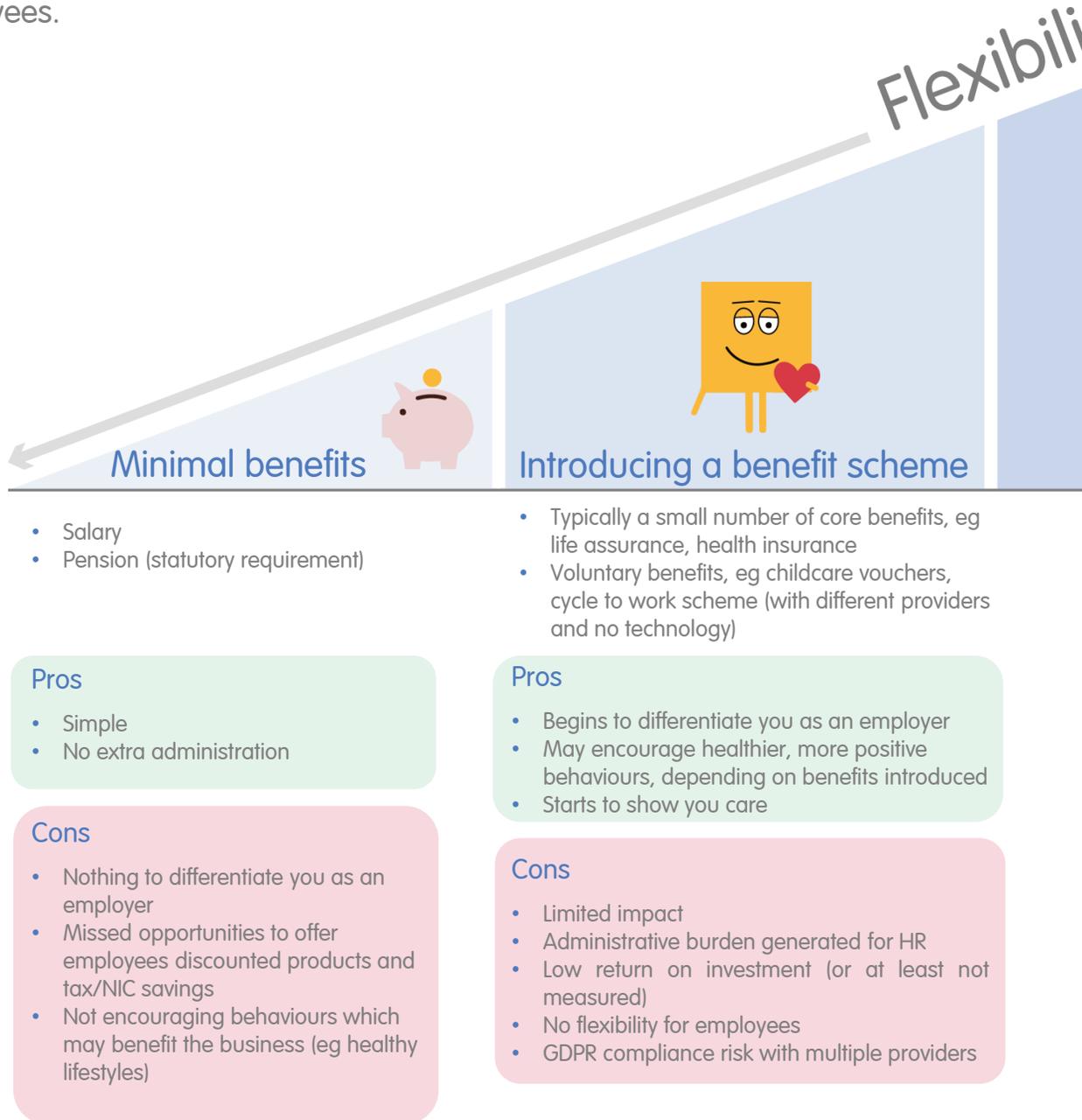


Gym Membership

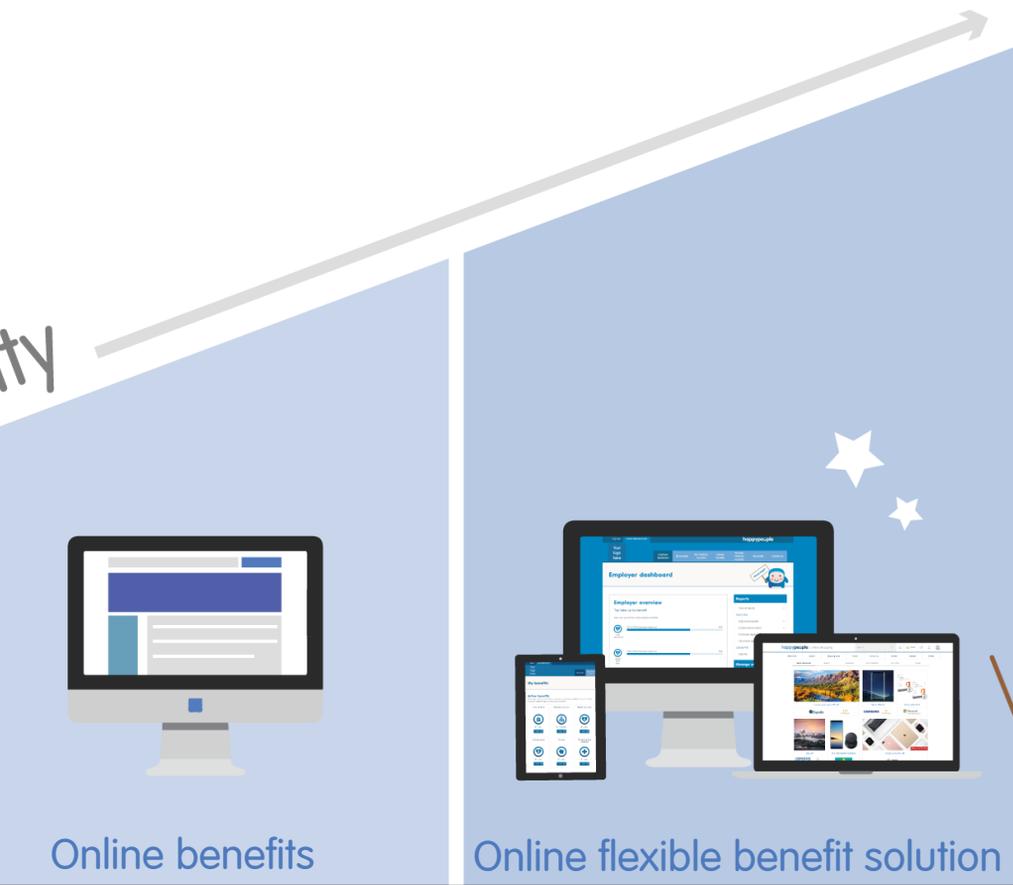
Employees will have the chance to opt into any benefits not paid for by their employer through a benefit fund and their salary.

# Where are you on the employee benefits journey?

At whatever point you introduce employee benefits, your business will see some advantages when it comes to attraction, retention and bringing the best out of your employees.



If you choose to invest in greater flexibility and technology, the cost will increase - but so too will the business benefits and the return on your investment.



## Online benefits

Technology exists to move benefits to an online platform

## Online flexible benefit solution

An online benefit solution offering a flexible range of core and voluntary benefits, management reporting, back office administration and integrated communications

### Pros

- All benefits in one place
- Reduced administration
- Improved reporting
- Better employee communications
- Increased engagement and wellbeing
- Caring employer
- Easier to be GDPR compliant
- Back office support
- Full management information
- Employee helpdesk

### Cons

- Set-up costs (depending on provider)
- Cost to run (compared to no online solution)
- Benefit choice still limited so return not maximised

### Pros

- Employer of choice - attractive addition to recruitment package
- Competes with bigger rivals
- Much more choice for employees
- Integrated communications
- Increased employee engagement and improved wellbeing
- Encourages healthier behaviours
- A benefit fund levels the playing field and gives control over budget
- Savings if fund not fully used by all employees
- Some tax and NIC advantages if benefits not exchangeable for cash
- Other potential employer savings
- Back office support
- Full management information
- Employee helpdesk
- Policy renewal savings (if broking service also offered)
- Excellent return on investment
- Much easier to be GDPR compliant

### Cons

- Cost to run (compared to no online solution)
- Some additional administration (but not significant if outsourced)
- Technical limitations if the provider does not have full control over the platform (unlike PES)

PES offers a fully flexible, online solution that offers great advantages.

## Why introduce flexible employee benefits?

As the amount of choice increases, a technical platform becomes important to help manage the scheme and make it easy for employees to use. This may increase the costs of an employee benefits solution, but not in all cases. Often the savings and advantages to having an online portal will outweigh the costs.

Here are some of the key reasons why flexible employee benefits make business sense – especially if they are supported by technology.

### Employee engagement

Many businesses see a high percentage of engagement, measured by registration at launch and subsequent benefit take-up.

One PES client recently had an employee registration rate of 96% and another of 89%.

Great communication increases engagement. A technical platform makes it easy to issue regular, eye-catching reminders which help to boost take-up. An online portal with the employer's brand will win trust and make products easy to access. We include employee communications as standard in our online employee benefits solution.

If benefits are carefully chosen to reflect the employee demographic, this maximises engagement. Employees tend to value more the things over which they have some choice – provided the choices are relevant to their lifestyle. Technology allows employees to sign up easily for the benefits that catch their eye.

### Cost savings

There's an up-front cost when investing in an online flexible benefits solution, but there are also savings to be made. Take these examples.

- Employers can make NIC savings on some benefits when paid for through salary sacrifice.
- Administration is much quicker and simpler, saving time and money.
- If employees are allowed to 'buy back' extra holiday (known as holiday trading), savings can be made on salary costs.

86%



of employees are influenced by benefits in  
deciding whether to move jobs or take a new role.  
Jobsite

98%



of employees satisfied with the  
technology used to communicate their  
benefits agree that they are proud to work  
for their organisation.  
Thomsons

## Why do flexible employee benefits matter?

- A flexible scheme allows employers to recalibrate the benefit offering according to take-up, reducing spend on benefits that may be less popular.
- Reduced benefit premiums can also be achieved where effective broking is undertaken for group products and combined with other products.

### Budget control

A flexible benefit fund allows employers to restrict their benefits spend, while still offering employees a great choice of products.

### Attraction and retention

Research shows that over 80% of employers offer employee benefits as an effective retention tool, and over 60%\* want to be seen as an employer of choice. For smaller businesses wanting to compete with bigger rivals, a flexible benefits package is one way to boost reward and to attract high calibre recruits.

### Solving business issues

There may be sound business reasons for introducing certain benefits. A health cash plan (which pays towards the cost of regular healthcare needs such as optical and dental treatment) could help to reduce absence rates by encouraging take-up of preventative treatments such as physiotherapy or counselling. Gym membership could also help to promote healthier behaviours.

A marketing and retail support agency experienced a 10% reduction in absence rates after implementing a health cash plan. Thanks to immediate access to mental health support, several employees avoided a 12-week wait for an NHS referral and returned to work after just a few weeks.

### Creating a level playing field

A flexible benefit fund allows employers to offer the same sum of money to all employees. There is still the option to offer certain benefits to select groups of employees, or to vary levels of cover, but if parity is important, a benefit fund levels the playing field.

\*Employee Benefits Research 2016 (<https://www.employeebenefits.co.uk/digital-editions/>)

Investing in flexible employee benefits means investing in your people. A fully flexible, online solution delivers real advantages that often outweigh the cost.

### ✓ Employee engagement

Build employee motivation and loyalty by choosing relevant, exciting benefits, an easy-to-use platform and compelling employee communications.

### ✓ Cost savings

Make significant tax and NIC savings and save on benefit premiums with skilled broking and innovative benefit combinations.

### ✓ Reduced administration

Save time, money and effort with an online employee benefits scheme that takes the pain out of administration.

### ✓ Budget control

Offer a flexible benefit fund to manage your spend while still offering a wide choice of benefits.

### ✓ Stand out from the competition

Be seen as an employer of choice and attract the highest calibre recruits.

### ✓ Encourage healthy behaviours

Reduce absence rates by encouraging healthier behaviours and preventative healthcare treatments.

### ✓ Level playing field

Treat employees equally by offering the same flexible benefit fund to everyone.

### ✓ GDPR compliance

Manage data and multiple providers securely with a GDPR-compliant employee benefits partner.

### ✓ Positive employee experience

Do the right thing by your employees and make them feel good about working for you!



of businesses offer employee benefits as a way of retaining their best people.<sup>1</sup>

## PES

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Want to know more? Please download our accompanying Viewpoint papers:

- ✓ How are employee benefits funded?
- ✓ What makes a good employee benefits scheme?
- ✓ What makes an ideal employee benefits partner?
- ✓ Salary sacrifice: the future



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