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Employee Rewards Watch 2010

Summary

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Employee Rewards Watch 2010 shows reward professionals are more confident about the coming year as we officially emerge from an 18 month recession.

Nearly half of those surveyed predicted 2010 will be a period of growth (43.12 percent), and that they are more upbeat about their business' future (48.17 percent). Despite this they are still feeling under pressure to minimise costs and improve return-on-investment (93.33 percent), with a third of companies (30.05 percent) still unable to measure the effectiveness of their strategy.

These are just some of the newest industry insights revealed in the seventh Thomsons "Employee Rewards Watch", in which 436 organisations took part.

Key findings for 2010 include:

Reward Strategy

- Whilst the majority of respondents believe it is important (62.62 percent) to demonstrate a return-on-investment from their reward spend, over a third report they cannot do this very well (38.07 percent) or at all (24.08 percent);
- A third of respondents in the financial services sector (34.00 percent) report that they will be amending their pay and bonus arrangements based on the new Financial Services Authority Code of Practice, with another third (32.00 percent) not intending to make any changes;
- Opinion seems split on whether the new Financial Services Authority Code of Practice on Remuneration will impact the UK's ability to attract and retain top talent. Around four in ten respondents (38.00 percent) do not think the new Financial Services Authority Code of Practice on Remuneration will impact the UK's ability to attract and retain top talent, while around a third (34.00 percent) believe that it will;
- The majority of respondents (79.82 percent) report that their reward strategy impacts directly on employee engagement, with nearly half (45.41 percent) also citing that it impacts their employee productivity.

Employee Benefits

- Nearly half of respondents either haven't measured the success of their benefit package (36.01 percent) or don't know if they have (11.01 percent). Less than one in ten respondents (9.40 percent) have measured the cost savings generated;
- In 2010 around a third of respondents plan to review their Health & Wellbeing offering (32.34 percent), review their pension scheme (29.59 percent) or introduce Total Reward Statements (21.10 percent). More respondents are reviewing their pension schemes this year in the lead up to the launch of NEST (National Employment Savings Trust) in 2012;
- 69.95 percent of respondents do not know how much they are spending on their employee benefits. Since Thomsons researched this 2 years ago in 2008, we have seen a 45% increase in organisations who respond in this way. This is possibly a result of the recession. With HR teams under more pressure to reduce their costs, more have come to realise their inability to produce this information;

- Responding companies reported a wide range of advantages in having their current benefit package in place, with the majority citing that it assisted employee recruitment (66.97 percent), improved employee retention/turnover (65.14 percent), and increased levels of employee motivation (39.45 percent);
- Since the inaugural Employee Rewards Watch survey there has been a marked increase in the number of companies not only offering an employee benefits package (now 100 percent of respondents), but also those considering, are in the process of, or have already implemented a flexible benefits scheme (up from 17.5 percent to 44.04 percent). The last year has seen the number of companies offering a standard benefits package rise by 15.88 percent, possibly as a result of some planned flexible benefits implementations in 2009 being postponed.

Salary Sacrifice

- Over the last two years there has been a rise (6.27 percent) in companies who have implemented salary sacrifice options (73.85 percent in 2010), with a further 8.72 percent intending to in the next year;
- Respondents with salary sacrifice in place were asked if they generated the level of tax and National Insurance savings expected, four in ten respondents (40.19 percent) reported that it was as expected. However, a quarter (25.86 percent) have not measured the savings.

Pensions

- In the lead up to NEST (National Employment Savings Trust) in 2012 employers are becoming more aware of their pension schemes. Those respondents that do not know the number of employees in their pension scheme has reduced by 22.34 percent in just one year;
- Whilst the majority of respondent companies do not use auto-enrolment into their pension scheme (45.70 percent), a growing number are considering it (a rise of 7.37 percent since 2009) in the run up to the introduction of NEST;
- A third of respondents (34.15 percent) do not know what action they will take in response to the budget changes surrounding pension tax relief, whilst a quarter (25.55 percent) claim they will educate staff to maximise their tax effective pension savings over the next 2 years.

Reward Communications

- Over a third of respondents (36.32 percent) are unable to report accurately on their organisation's total reward costs;
- Although nearly half of respondents (42.89 percent) believe it is very important to brand their benefits package to maximise impact, less than two in ten (16.97 percent) have a specific reward brand.

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