

# Employee Benefits Survey 2010

# BENEFITS

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## Executive summary

### The value of employee benefits

The past year has seen challenging times for most businesses within the marketing services sector. Interestingly, the value placed by most employers in the sector on employee benefits remains high. There is general acceptance that having a strong employee benefits offering is a key tool in recruiting, retaining, and motivating employees. Current trends suggest that employers are looking to maximize tax efficiency and value for money from the benefits provided whilst ensuring that the offering is attractive. With 2010 likely to see an increase in vacancies in the sector, achieving this balance remains a high priority for most employers.

Pension provision remains an element of the benefits package which is seen in a negative light. This is due both to the age demographic of the workforce in the sector and the perceived administrative and cost burdens that it imposes. However, legal changes coming into force in 2012 mean that all employers should now be considering their approach to pension provision and balancing this cost against future salary costs.

### Retention and motivation of employees

Recognition that there are other factors that significantly aid retention and motivation of employees remains high in the sector. Typically emphasis is placed on the working environment, relationships with colleagues, enjoyment of the work and success, and recognition from management is key. Getting these elements of the agency right will also help ensure that employers are in a strong position to retain talented team members as the economy recovers and new opportunities arise.

The provision of equity continues to rank among the least important factors for managing retention and motivation. It remains our view that there are specific employee groups for whom equity will be a key motivating factor but agencies need to clearly establish the aspirations of their senior staff and star talents before considering how sharing equity can be deployed in the business.

### HR policy and employment law

There remains a sizeable minority of respondents who may not be fully abreast of the latest employment legislation and how this impacts upon the overall benefits offering. In particular, many organizations may want to review their approach to part time employees, offering benefits based on length of service alone, and retirement policy.

## Introduction

For our 2010 employee benefit survey, the views of employers from a wide cross section of the marketing services sector were canvassed and used to compile a picture of how employee benefits are seen within the creative sector. To provide some back ground as to the type, size and employee profile of the employers whose views have been collated, the following tables illustrate the percentage of employers from the various sections of the marketing services sector, their locations, turnover and employee demographic.

Sector	%
Public relations	26
Other	23
Advertising	19
Design	14
Sales promotions	9
Digital	5
Direct marketing	2
Experiential marketing	2

Location	%
London	87
North West	5
South East	2
South West	2
National	2
International	2

Size of employer:

Gross Income (fees & rechargeables)	%
£0 - £500k	5%
£500k - £1m	12%
£1m - £3m	23%
£3m - £5m	21%
£5m - £10m	16%
£10 - £20m	14%
£20m+	9%

Number of employees	%
0 - 4	Nil
5 - 25	30%
26 - 50	25%
51 - 100	19%
101 - 250	21%

Employee age profiles	%
18-25	14.8
26-35	51.4
35-44	23.7
45-54	8.1
55+	1.9

When compared to the results of our 2009 survey, it is encouraging to see that in 2010 employers in the creative sector appear (in general) to value the provision of an employee benefit package as a useful way of recruiting, retaining and motivating good people.

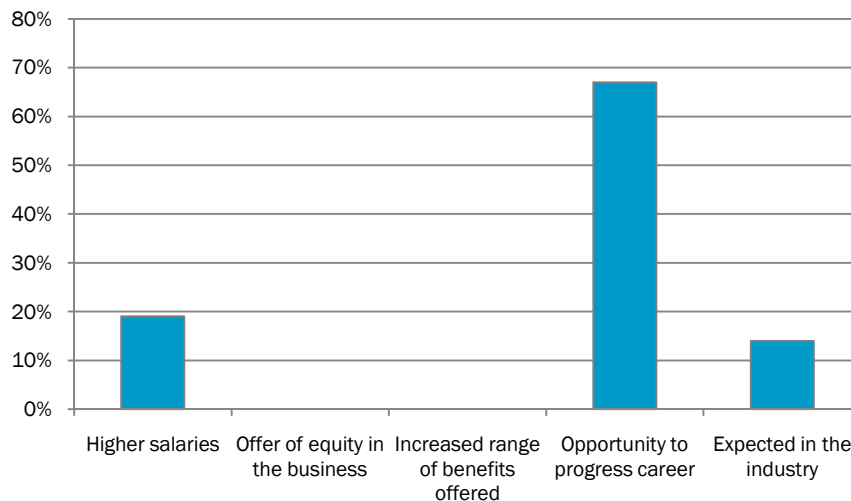
Both within the creative sector and in the wider commercial world the current trends are for employers to look for ways of engaging with employees, getting value for money from any benefit programme components provided which, given the recent economic back drop and continued uncertainty about recovery, is not unsurprising.

## The results

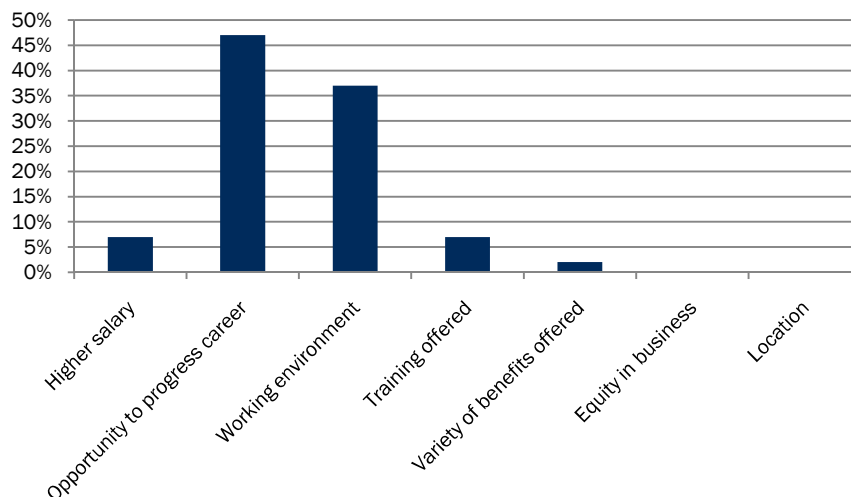
### 1.0 Recruiting, retaining and motivating your team

As well as providing insight and analysis into the benefits being offered across the sector, another key objective of our survey was to provide insight into the extent to which the provision of benefits plays a useful role in the retention and motivation of staff. Many commentators believe that 2010 will see an increase in job opportunities in the marketing services sector and that opportunities for talented team members will increase.

#### Main reasons for employees leaving your employment:



#### Main reasons for employees staying at your organisation:

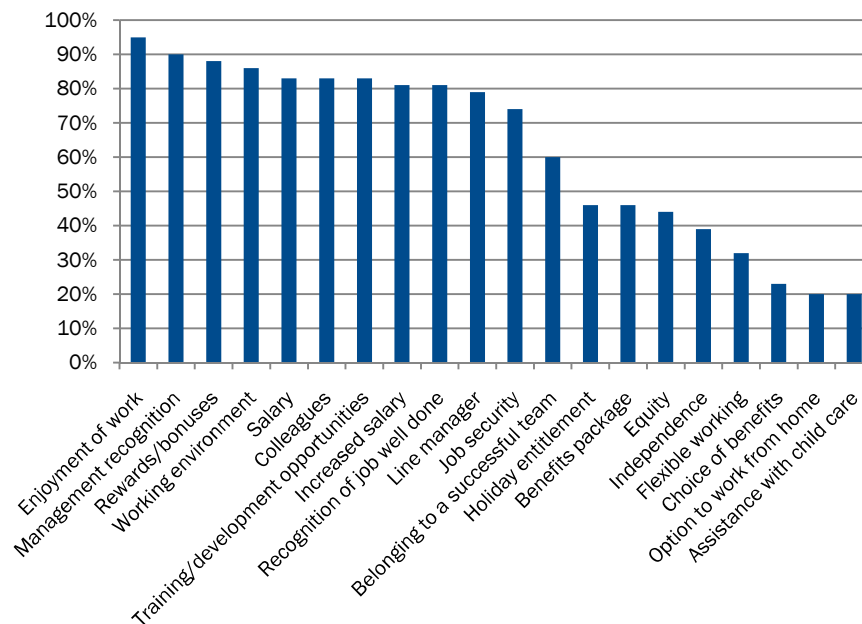


What is often misunderstood is the presence of ‘ghost turnover’ in an agency. In the harder economic times work pressure often increases on employees at the same time that their ability to move is severely reduced. In fact, the results show that Working Environment and Career Progression are likely to be the two biggest reasons for staff to leave this coming year.

The risk is always that, by taking our eyes off the factors in our working environments and culture that make people feel valued, as soon as the economy turns and new vacancies increase disgruntled staff will take the first opportunity to leave. Before you know it the expense of high turnover is back.

**Factors which help retain employees:**

(% = respondents who rate the items listed as importance or of high importance in their organisation)



In a sector that is predominantly staffed by a younger group of workers (amongst our respondents 90% of the workforce are under 45), there is always a balance to be had between maintaining a fun, exciting working environment and developing a mixed approach to reward that helps agencies retain talent. The clear message from this year’s survey is that getting the balance right remains a tough challenge.

Overall respondents agreed or strongly agreed that having a varied employee benefits package was valuable because it helped acquire and retain employees and motivate them while they were in the agency. However, a large proportion of respondents are clear that most employees remain salary dependent. This backs up our view that, as competition for talent returns in 2010, salary levels are likely to increase.

The results show that the top three factors in helping agencies retain staff are likely to be:

- Enjoying the Work
- Management Recognition
- Increased Reward/Bonus.

The benefits package remains a key component with a middle ranking with the lowest scored factor being 'Equity in the Business'. These results support the view that the working environment is at least as important as the benefits package. In other words, it is unlikely that a great benefits package will help retain staff in a working environment that is not highly valued. The results also confirm our view that equity is a benefits tool best carefully targeted in the agency as many staff members do not value it.

When it comes to increasing the morale of staff the results in our survey strongly suggest that the following factors are key:

- Belonging to a Successful Team
- Recognition from Management
- Increased Reward/Bonus.

Although it is typical for staff to be salary dependent when it comes to overall reward (given the age profile of the sector's workforce), there remains strong evidence to suggest that working environment is at least as important as the benefits package when it comes to motivating the team. The challenge is to balance action to support and improve the working environment; action to offer competitive salaries; and action to offer a more varied and flexible set of benefits. Agencies that get this balance right are likely to be well placed to compete and retained talented individuals with the capability to contribute to the agency's success.

Overall the results suggest that the most popular benefits are:

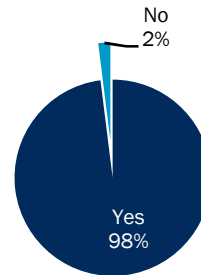
- Holiday Entitlement
- Bonuses

- Flexible Working.

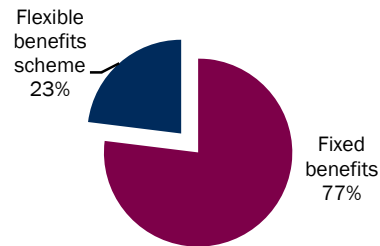
However, we wonder to what extent this is driven by the methods of communication used when promoting benefits to staff and further comment on this is made in Section 2.7.

## 2.1 Employee benefit programmes

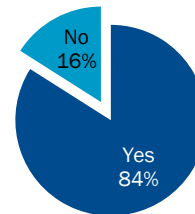
**Do you currently offer benefits to your employees that are over and above basic salary and holiday entitlement?**



**Type of programme offered:**



**Are the same benefits offered to Part-Time employees?**



### Comment

Of the employers surveyed, the vast majority (98%) of respondents offer benefits to employees over and above basic salary and holiday entitlement. This compares to a figure of 90% from the 2009 survey results.

Of this number 77% provide a fixed suite of benefits, with only 23% providing some form of flexible benefit package. Compared to 2009 there is little change in this split which is somewhat surprising given advances in technology which make the use of a 'flexible benefit package' far more manageable for the SME sector. It is also noticeable that the marketing services sector is not more creative in designing a benefits offering that the average employer.

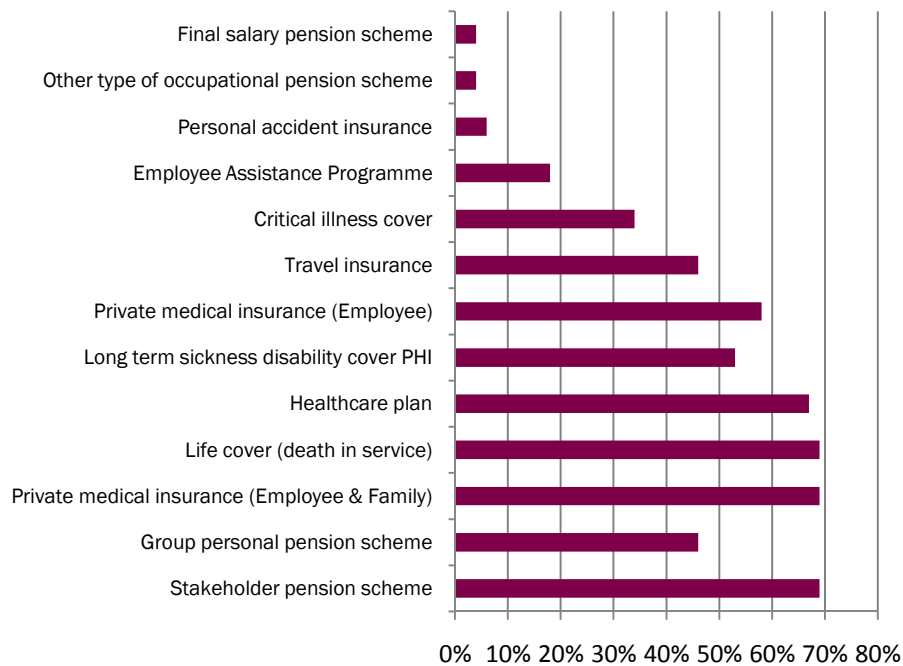
Looking at the wider picture and reviewing other employer surveys carried out recently relating to the provision of employee benefit programmes in the UK, the adherence to a prescriptive set of benefits does appear to be somewhat out of

step with market trends. The Employee Benefit Survey 2009, showed some of the top key issues for employers (and employees) to be;

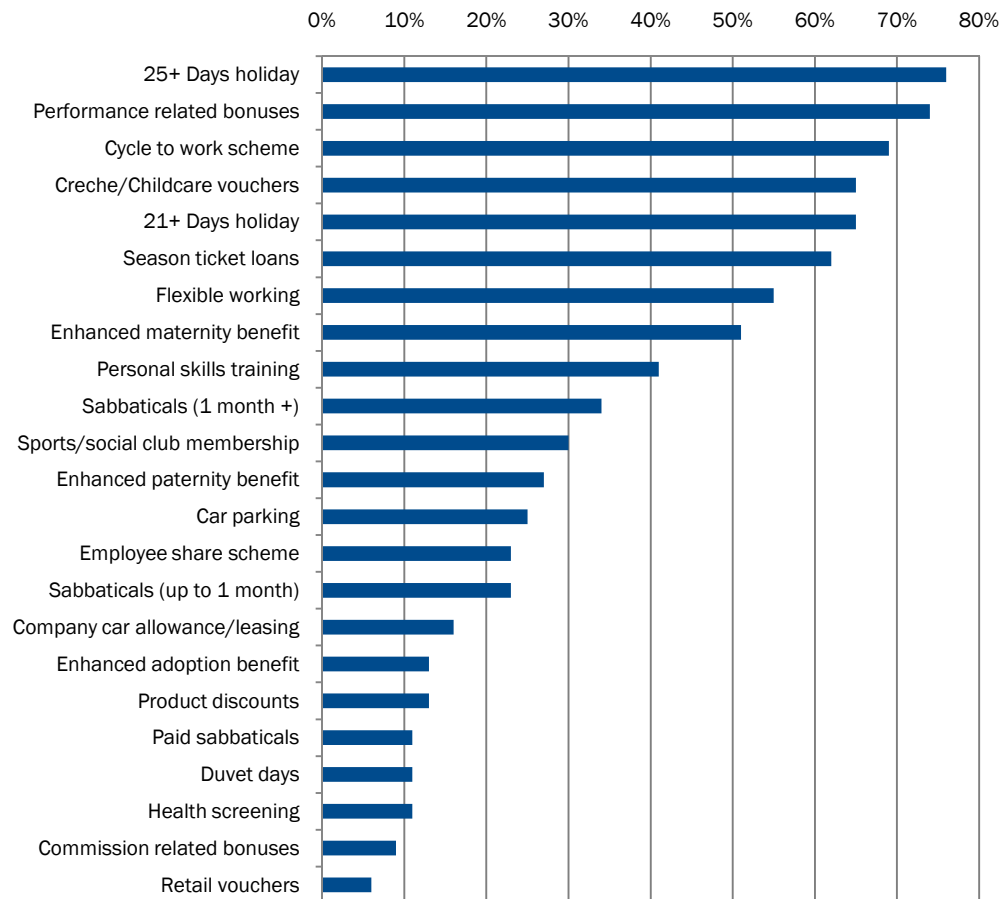
- Management of costs
- Control of risk
- Choice
- Employee engagement/feed back

and these could arguably be best met via the use of a more modern approach to employee benefit provision and the use of technology to create a web-based management platform.

## 2.2 Benefits Offered (insured):



### 2.3 Benefits offered (non-insured):



#### Comment

Focusing on the non-insured elements of the benefits package, there is little change in the most popular benefits offered by organisations of all sizes when compared with the 2009 results. Turning to the insured elements; group personal pensions and stakeholder pension arrangements continue to feature strongly, as does the provision of healthcare benefits.

Both of the above perhaps reflect the fact that over the last year or so, due to prevailing economic conditions, businesses have had to focus on issues outside of employee benefits and therefore little time may have been spent reviewing the structures of any existing packages.

## 2.4 Employer's view on employee benefit 'packages':

	Strongly agree	Agree	Neither agree/disagree	Disagree	Strongly disagree
	%				
Attracts the best people to our business	23	39	30	4	Nil
Helps improve employee motivation	13	69	13	2	Nil
Helps staff retention	13	76	11	2	Nil
Improves business image	11	60	25	2	Nil
Increases productivity	6	30	46	16	Nil
Reduces absence	2	25	51	18	2
Reduces recruitment cost	4	9	37	6	6
Reduces employee's reliance on salary	4	2	25	32	2
Increases profitability	2	30	51	9	4
Benefits have high implantation and administration costs	Nil	25	25	46	2
It is difficult to find providers for some benefits	Nil	9	16	62	11

### Comment

These results reflect the view that operating an employee benefit programme as part of an overall remuneration strategy helps employers in the marketing services sector to attract and retain good quality people. Having said that, simply offering an extensive benefit package does not automatically result in employee loyalty as can be seen from the above table. There are many other factors which influence the ability of an employer to retain staff, the majority of which do not relate directly to the provision of an employee benefit programme. Recognition, working environment and overall work enjoyment feature heavily as does direct remuneration in the form of salary and bonuses.

## 2.5 Popularity of benefits

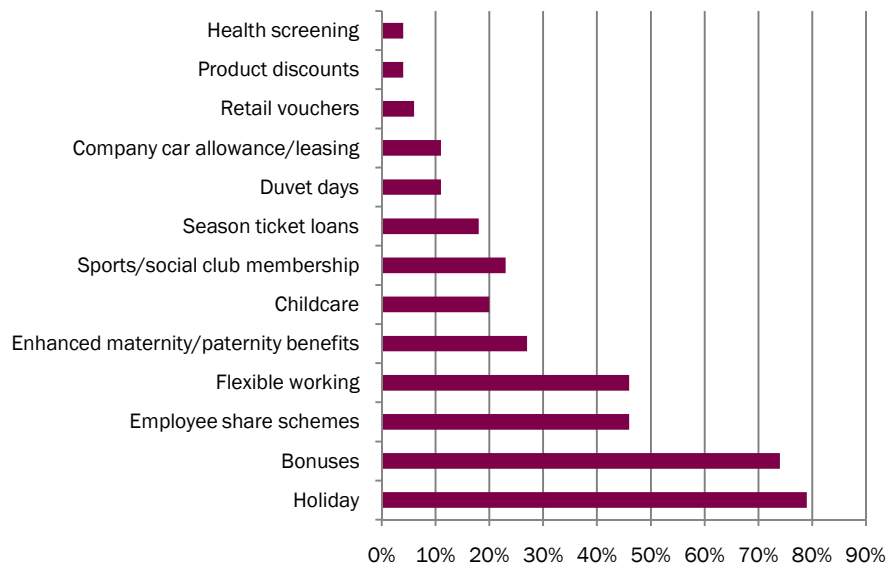
Compared with the 2009 results, the popularity of childcare provision has gone down, whilst the interest in bonuses has increased. As mentioned earlier given the age profile of the sector, this perceived bias toward cash based rewards is not unsurprising and may well increase as the competition for talent goes up with improvements in economic conditions. Holiday remains a popular benefit component and within modern benefit packages employers are increasingly looking at ways to introduce more flexibility in the form of holiday trading. Perhaps a statement of the obvious however, care needs to be taken when considering the issue of holiday trading so as not to jeopardise the day-to-day effectiveness of the business.

Turning to the popularity of insured benefit programme components; healthcare provision remains high when compared to the 2009 results. As a benefit component it is one that employees can easily attach value to as, unlike those components that deal with 'death and retirement', medical cover can (potentially) be utilised straight away.

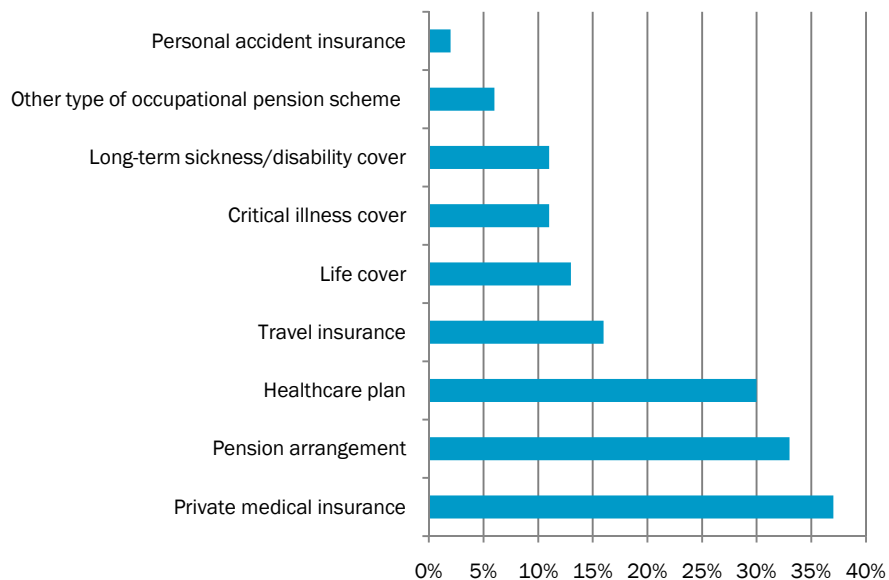
Also perhaps due to the demographic of the employee population within the marketing services sector and coupled with the need to possibly restrain costs, pension arrangements have reduced in popularity against previous survey results. This raises some concern as there is increased awareness about the need for individuals to take responsibility for their retirement planning and the forthcoming changes to pension legislation which will effectively introduce 'compulsory' pension scheme membership. We believe employers should perhaps consider how best to promote the relevance of having a pension vehicle within the benefit package and communicate the importance of retirement planning.

(% = respondents who rate the items listed as popular or of high popularity in their organisation)

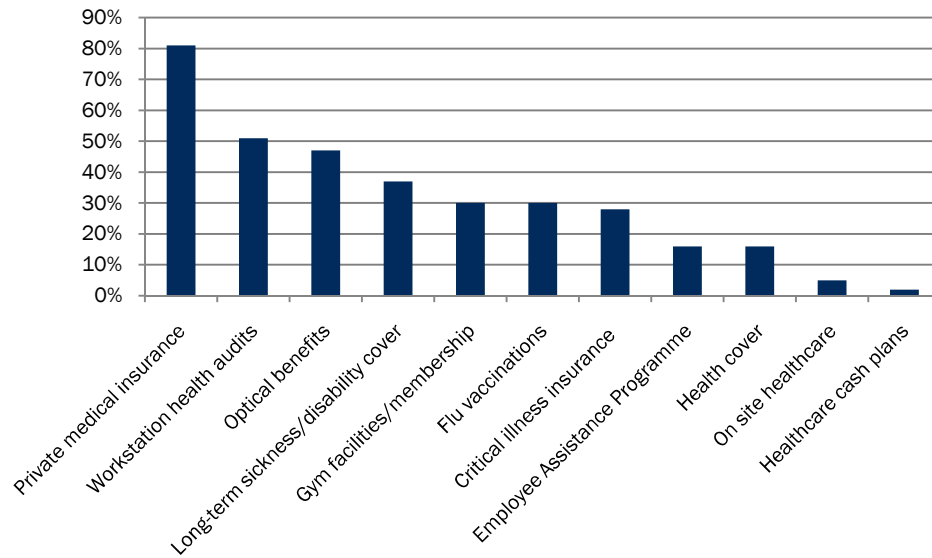
**Non-insured benefits:**



**Insured benefits:**



## 2.6 Healthcare benefits:



There is no doubting that across many industry sectors the provision of healthcare benefits is valued by both employers and employees alike and the reasons for implementing this component can be seen.

The range of 'solutions' available in the market place is broad and therefore such benefits can be brought in even on tight budgets. This fact makes the number one reason for not introducing healthcare benefits, 'high implementation costs', somewhat surprising and may suggest that employers should seek professional independent advice when considering what type of healthcare structure to introduce.

Reasons for introducing or planning to introduce healthcare benefits	%
Healthier work force	70
Good work life balance	56
Reduces our sick absence	35
Our competitors offer it	30
Increases our employee loyalty	30
Identifies any potential illness early	26
Easy for us to implement	21
Low cost for us to implement	19
Requested by staff	5

Reasons for not introducing healthcare benefits	%
High implementation costs	33
Other benefits are more appealing	30
We never considered it	14
Not requested by employees	9
Time consuming to maintain	9
No benefit to our business	5
High implementation costs	33
Other benefits are more appealing	30
We never considered it	14

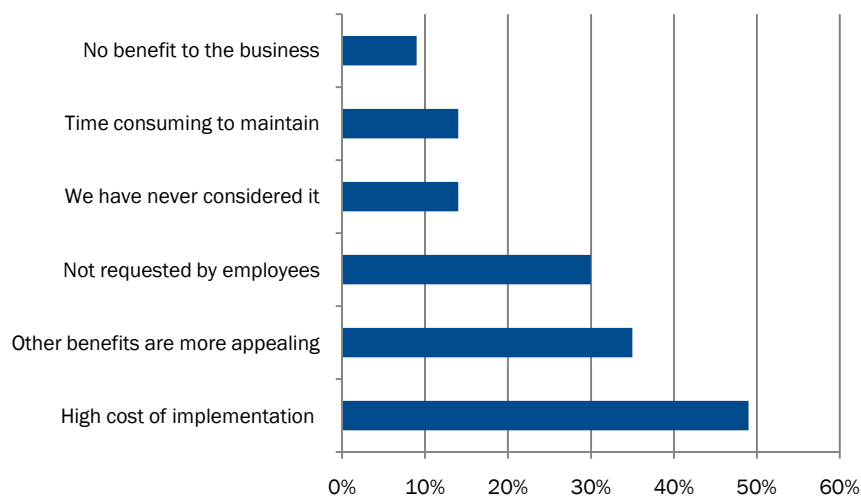
## 2.7 Pension benefits:

	Strongly agree	Agree	Neither agree/disagree	Disagree	Strongly disagree
	%				
Pension benefits are a valuable recruitment and retention tool.	12	42	16	23	5
Pension schemes have become too expensive to run.	9	19	44	23	Nil
We do not offer a pension arrangement as it is not an attractive benefits to our employees.	Nil	19	14	23	28
We offer a pension arrangement because our competitors do.	Nil	19	33	42	5
We would prefer to offer higher salaries instead of an enhanced pension contribution	9	31	24	31	5

### Employer contributions:

Employee Category	Level of contribution				
	0%	1% - 3%	4% - 5%	6% - 9%	10% +
Directors/Board members	23%	11%	26%	12%	21%
Senior Managers	30%	14%	26%	12%	9%
Team Leaders	32%	19%	23%	9%	7%
General employees	37%	21%	16%	9%	7%

### Reasons for not introducing pension benefits:



### Comment

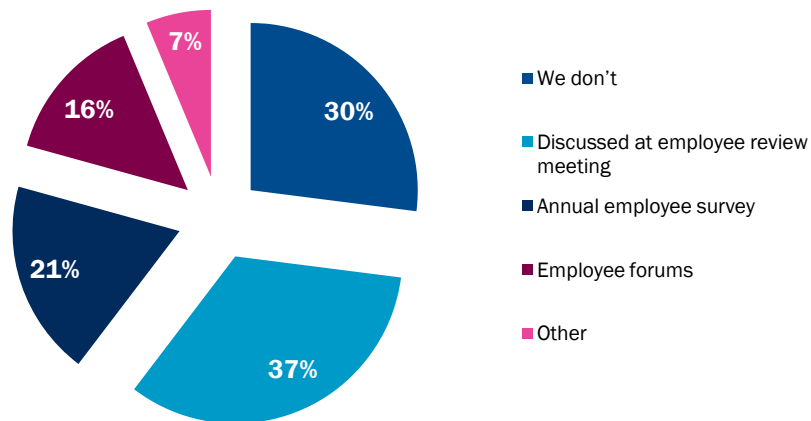
Of the respondents a large proportion of employers provide a pension scheme for employees, with only a minority not providing any facility. Although the overall level of pension provision in the sector is high, it is somewhat concerning to see that the top 3 reasons for not implementing a scheme are cost, the attraction of other benefits, and what might be classed as employee apathy. The reason for concern centres on the pension legislation due to be implemented from 2012. Although smaller businesses will not need to comply immediately, the legislation will result in the automatic enrolment of employees into a pension plan and provide for mandatory levels of both employer and employee contributions. In other words, although there will be an opt out clause for employees, the legislation will result in individuals, and companies, who have had no appetite to

set up and contribute to a pension arrangement being directed toward pension saving for the first time.

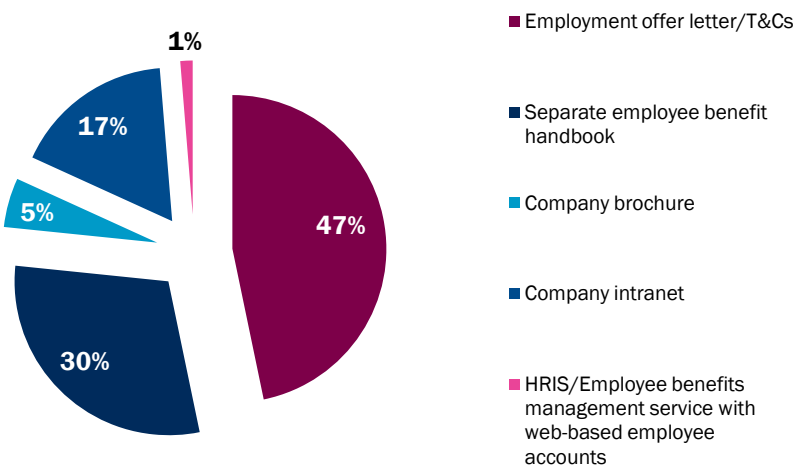
We strongly recommend that it would be advisable for employers to consider how the legislation will affect them now, how they intend to comply and take account of accommodating the extra salary costs.

## 2.8 Communication of the employee benefit package

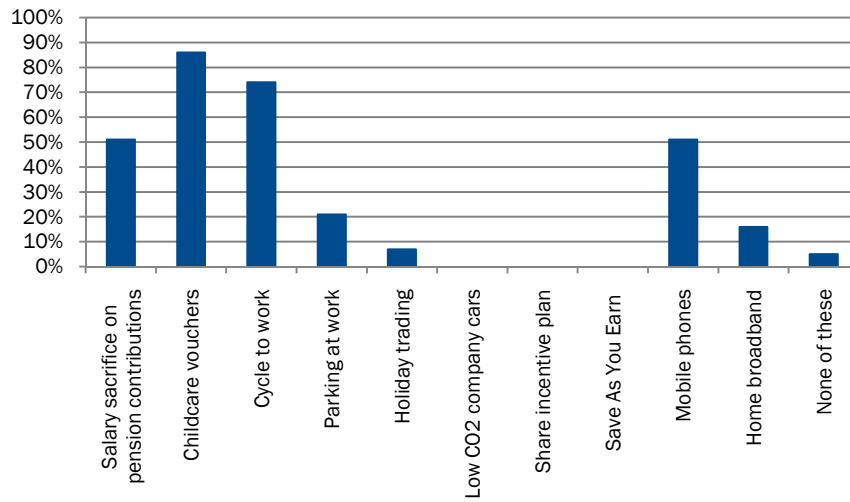
**How do you obtain employee feed back on the total reward aspect of the benefit package?**



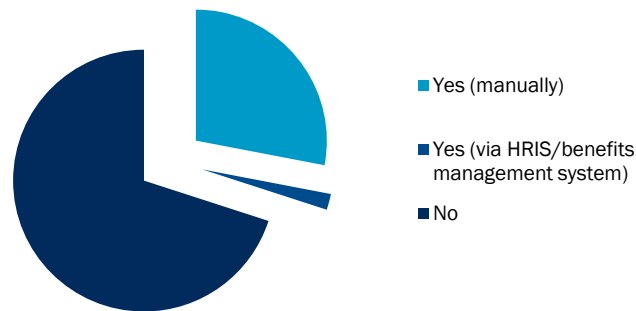
**How do you currently communicate your total reward package with employees?**



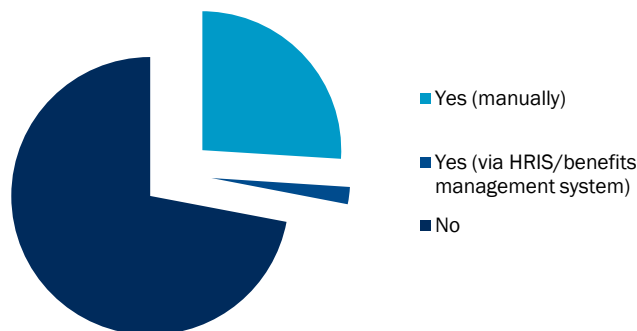
**Tax efficient benefits:**



**Can employees calculate/view tax savings?**



**Do you measure your company tax savings on benefits?**



## Comment

The survey results showed that a third of respondents don't obtain any feedback from staff on their benefits offering. Many respondents collect this information as part of the annual review when salary and bonus is likely to be at the forefront of an employee's focus. The sector also uses very traditional methods of communicating the benefits on offer. Over three quarters of respondents use their Employee Handbook or a separate benefits handbook, and their employment offer letters to communicate benefits. More sophisticated techniques using an intranet or internet based benefits accounts do not yet appear to be common and we would strongly recommend a review in this area for organisations whose benefits packages seem to have little impact amongst their staff.

## 2.8 Looking ahead:

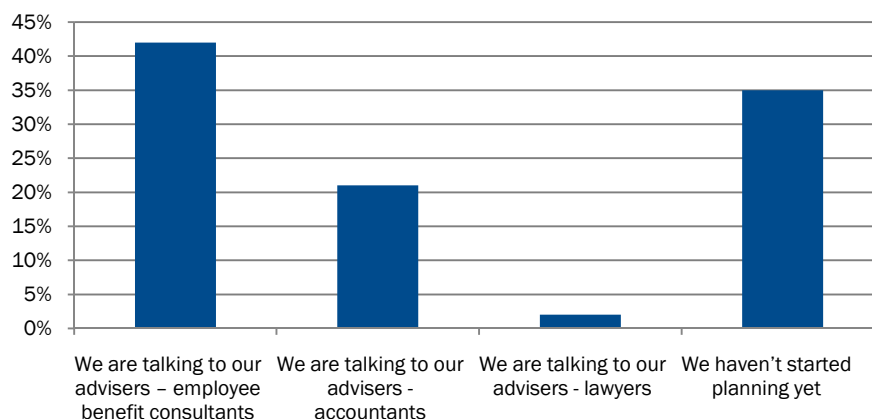
Are benefits reviewed?	%
Each year	44%
1 - 3 years	46%
3 - 5 years	5%
Never reviewed	5%

Will benefits be reviewed?	%
Yes	70%
No	7%
Don't know	23%

Anticipated rate of change	%
Increasing	48%
Stay the same	26%
Decreasing	Nil
Don't know	26%

Timing of next review	%
The next 12 months	49%
1 - 3 years	30%
3 - 5 years	2%
Don't know	19%

## Plans for upcoming employee benefit legislative changes (removal of higher rate tax relief on pensions and 2012 pension reforms):



**Benefit components planned to be offered in the future.**

25+ Days holiday	Performance related bonuses	Cycle to work scheme
Creche/Childcare vouchers	Flexible working	Enhanced maternity benefit
Personal skills training	Sports/social club membership	Employee share scheme
Product discounts	Paid sabbaticals	Duvet days
Health screening	Retail vouchers	Pension scheme
Life cover (death in service)	Healthcare plan	Long term sickness disability cover (PHI)
Private medical insurance (Employee)		

## Summary

The results of the survey illustrate that on the whole employers within the marketing services sector continue to value the inclusion of an employee benefit programme as part of an overall remuneration package to attract and retain the best employees.

Current trends suggest that employers are looking to maximise tax efficiency and value for money from the benefit components provided. There is also a wider trend of finding ways to successfully re-engage with members of staff.

We believe benefits can be introduced and maintained effectively by approaching the issue in a planned and structured way. The following highlights a number of areas which should be considered:

- Talking to employees
- Seeking professional advice
- Agreeing a budget
- Saving tax and NI
- Benchmarking
- Consider salary sacrifice
- Tiering of benefits
- Conducting regular reviews

### Staying Legal

The challenge for any employer is to stay current with the legal requirements made every April and October. The survey has thrown up a number of interesting results which suggest that a sizable minority of respondents are struggling to stay abreast of legal changes.

**Allocation of Benefits** – 60% of our respondents use length of service as a criterion for awarding benefits. Employers need to be aware of the Age Discrimination Regulations that apply. There is an exception where benefits are awarded before an employee reaches 5 years' service. Otherwise organisations will need to review their current schemes to ensure that they are not in breach of the regulations and open to a discrimination claim.

**Maternity and Paternity Benefits** – Amongst our Respondents, almost twice as many organisations provided enhanced maternity benefits (that is, above and beyond the statutory minimum) as provide enhancements to staff on paternity leave. Whilst the risk might be small, it is possible that this situation could give rise to a sex discrimination claim the enhancements are available to fewer men than women.

**Part Time Workers** – The provision of benefits to part time staff appears to be improving. However, 16% of respondents do not offer similar benefits to their part time staff. Part timers are specifically protected from less favourable treatment and benefits should be offered to them on a pro rated basis so that a part time member of the team has access to the same benefits as the equivalent full time member of staff.

**Retirement Age** – A quarter of respondents do not have a retirement age. It is not a legal requirement to have a particular retirement age and, given the age profile of the sector's workforce, it may rarely be an issue. However, as unfair dismissal right have been extended to employees aged 65 and over, we would strongly recommend making 65 the age at which employees retire unless there is a very good reason not to do so. All employers should remember that they need to follow a specific procedure when retiring a member of staff to avoid a claim at Employment Tribunal.

## Find out more

We are here to help. If you are an employer, it is almost certain that our employee benefit consultancy can. If you would like to discuss any employee benefit issues and our services please get in touch. Please contact:

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