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JULY 2017

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## WORKING FOR PARENTS?

Tax-Free Childcare and the need for  
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## INTERESTING TIMES

If the last 12 months teaches us anything, it's to expect the unexpected. Or to seriously doubt received wisdom. Almost exactly a year ago, I was writing this column expressing my shock that the UK had voted to leave the European Union. Regardless of where you stood – or still stand – on the 'leave' and 'remain' debate, there can be no argument that the result of the referendum caused tectonic shifts, rifts and shockwaves that are still very much in evidence and will rumble on for many years ahead.

What this means, in effect, is uncertainty for the foreseeable time, and a future that's hard to predict. Prime minister Theresa May has learned this to her cost. When she called the snap general election, it was on the premise of achieving certainty and clarity over Brexit. Of course, as I observed back in May, many commentators saw the prime minister's decision to go to the polls as a cynical and opportunistic attempt to achieve a widely predicted Tory landslide. Well, how did that turn out for you, Mrs May? Those predicting a hung parliament when the election was called would have been in a tiny minority. But history – and especially recent history – should warn politicians against judging the public mood via opinion polls.

Even those willing to accept the prime minister's intention was to actually obtain a mandate for her preferred version of Brexit must admit her strategy was misguided and hubristic. The result is that we are plunged into further uncertainty. Who knows how long the prime minister can hang on to her premiership? And if the current government loses the confidence of parliament, who knows what the result of another election would be? After the last year, who could confidently predict the make-up of Westminster even before the year is out?

This uncertainty has a profound impact on the pay and reward sector. For a start, the feeling of limbo that prevails over future legislation makes strategic planning and pragmatic process difficult to negotiate, to say the least. But the obvious shift in public opinion evidenced from the general election will doubtless have an effect on governmental policy, regardless of who is in power in the short or long term. Exactly how this manifests itself remains to be seen. However, workers' rights, the shortcomings of the gig economy model and the plight of the low paid have been under the media spotlight for some time. Pay and reward is increasingly entwined with politics, hence the growing list of legislation affecting the sector in recent years. With the Taylor Review of modern working practices keenly anticipated, Labour leader Jeremy Corbyn rising in stature and May keen to portray herself as a champion of the working people, future government policy is likely to reflect the growing concerns regarding rights and pay in the workplace.

And, of course, there's still the battleground over hard or soft Brexit, and how this will affect workplace rights.

As the old saying goes, "May you live in interesting times." We certainly do. But perhaps it should be noted that the saying's origins lie in a Chinese curse.

I hope you enjoy the issue.



**Jerome Smail**

"This uncertainty has a profound impact on the pay and reward sector"



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# THE REWARDS 2017

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## ENTRIES CLOSE THIS MONTH

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\*The final entry deadline is 14 July 2017.

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## Gig economy review needs a tax inspection, says LITRG

**T**he Low Incomes Tax Reform Group (LITRG) has urged the Taylor Review of employment practices to recommend a comprehensive reassessment of the relationship between taxation and growth in non-standard work.

The review – which is being chaired by RSA chief executive Matthew Taylor – is focusing on employment law and practice and not taxation.

Accordingly, LITRG has expressed concerns that the government could struggle to comprehend the changing nature of work or even make substantial changes to employment practices on the back of the review, without first analysing the intertwined relationship between employment law and tax.

For example, statutory payments such as sick pay or maternity pay are often thought of as employment law ‘rights’ but are actually dependent on whether there is a ‘secondary contributor’ (that is, someone that pays employers’ National Insurance). In cases where a worker is paid and taxed as self-employed, as those who work in the gig economy often are (whether or not they are a ‘worker’ for employment law purposes), there will not be a secondary contributor – and therefore no sick pay for them.

Anne Fairpo, chair of LITRG, said: “The Taylor Review should not be seen as a comprehensive review of employment practices, because its terms of reference do not include tax. In

our view you cannot understand one without the other. We think that a comprehensive review of tax and related issues and non-standard work should be carried out as a matter of urgency and hope that such a recommendation is made by Matthew Taylor and his panel.

“Exploitation of workers often manifests itself in problems with their tax and National Insurance contributions (NICs), such as employers not paying over withheld amounts of Pay As You Earn (PAYE) to HMRC. Even where there is no legal wrongdoing as such, minimising tax or trying to avoid HMRC administration is often a factor in terms of employers offering non-standard forms of work, for example, zero-hours contracts or temporary positions over full-time, permanent, direct employment.

“Not only can this type of work make workers’ lives insecure and unfulfilling but there is a huge knock-on effect on public finances, with much of the welfare system funded from general taxation – surely a longer term consideration when thinking about a worker’s security.”

LITRG is also concerned about a lack of synergy, in that there are just ‘employed’ and ‘self-employed’ categories in taxation but three categories in employment law: ‘self-employed’, ‘worker’ and ‘employed’. It says the complexity and inconsistency of these status tests are a huge cause for concern when thinking about low-income workers and one of the reasons confused workers miss out on their rights.

## Survey: Nearly half of European employees have been paid late

As many as 44% of European employees have been paid late by their employers and 48% of those had also been paid incorrectly, according to research.

The online survey of 4,000 employees also revealed that 79% of employees that had been paid incorrectly identified the issue themselves and, on average, 44% respondents would consider leaving their jobs.

The research, by SD Worx, surveyed employees in six different European countries: the UK, France, Austria, the Netherlands, Switzerland and Germany. Employees in the Netherlands were most likely to be paid late (55%), followed by Germany (46%).

The reasons for delayed payment varied for each country, with the main two reasons being late third-party payments impacting cash-flow and system error or outage.

On average, late payments were delayed between one-and-a-half and two weeks in all countries, except in Austria, where the average delay was around three weeks.



## TUC: Quarter of new dads are missing out on paternity leave and pay

One in four men who became fathers in 2016 didn't qualify for paternity leave or pay, according to TUC analysis.

In 2016 there were around 625,000 working dads around the UK with a child under one. However, a quarter of them (25%) – more than 157,000 new fathers – did not qualify for the up to two weeks' statutory paternity leave and statutory paternity pay.

The main reason is that they were self-employed – this affected nearly 113,000 working dads.

Unlike self-employed mums, who are eligible for a maternity allowance, dads who work for themselves don't get a similar paternity allowance.

And another 44,000 dads didn't get paid paternity leave or pay because they hadn't been working for their employer for long enough. The law requires employees to have at least six months' service with their current employer by the 15th week before the baby is due to qualify for paternity leave.

The TUC is concerned that so many dads are missing out on the chance to spend valuable time at home with their partners and babies because they cannot afford to.

Many low-paid fathers struggle to take the time off because statutory paternity pay is just £140.98 a week. This is less than half of what someone earning the minimum wage would earn over a 40-hour week (£300).

TUC general secretary Frances O'Grady said: "It's really important for dads to be able to spend time at home with their families when they have a new baby.

"But too many fathers are missing out because they don't qualify – or because they can't afford to use their leave.

"We'd like to see all dads being given a right to longer, better-paid leave when a child is born. And for this to be a day-one right.

"When parents share caring responsibilities it helps strengthen relationships – and makes it easier for mothers to continue their careers."

The TUC believes the government should give new fathers: a right to statutory paternity leave for all workers from day one in the job, in the same way that maternity leave is a day-one right; increased paternity pay – the TUC wants the government to increase statutory paternity pay to at least minimum wage levels; paternity allowance for dads who are not eligible for statutory paternity pay, similar to the maternity allowance which self-employed mothers and mothers who haven't been with their employers long enough can claim; dedicated leave for dads – the TUC says the government should introduce an additional month of well-paid parental leave.

**"IT'S REALLY  
IMPORTANT  
FOR DADS TO  
BE ABLE TO  
SPEND TIME  
AT HOME"**



## UK employees more likely to go to work unwell than to 'pull a sickie'

Seven in ten UK employees – equivalent to 18 million nationally – have gone to work feeling unwell when they should have taken the day off, according to a report.

In contrast, less than a quarter (23%) say they have taken a day off work sick when they were not actually unwell, indicating that UK employees are three times more likely to go to work unwell than they are to 'pull a sickie'.

The research – in the fourth edition of the *Aviva Working Lives Report* – which examines the attitudes and experiences of employers and employees on issues affecting the present and future of the UK workplace – also carries a wake-up call to businesses, as more than two in five (43%) employees feel their employer puts the results of the company ahead of their health and wellbeing.

The findings suggest private sector workers are fearful of heavy workloads if they take time off, as more than two in five (41%) say their work will pile up if they are off sick. With people continuing to work while they are unwell, it is likely they are less productive as a consequence and in turn could also affect the health of other employees. The trend comes against the backdrop of a historic fall in the average number of sick days taken annually by UK employees, dropping to a record low of 4.3 days in 2016 compared with 7.2 days in 1993, when tracking began. *(Read more on this on page 14.)*



# WORKING FOR PARENTS?

With Tax-Free Childcare on its way in and childcare vouchers soon to close to new members, now might be a good time to reassess the needs of your working parents. Kavitha Sivasubramaniam looks at how employers can continue to support these employees and reap the benefits of promoting a family-friendly culture

“There are concerns that TFC is overly complicated and unfairly benefits wealthier parents”





**L**aunched in April this year, the new Tax-Free Childcare (TFC) scheme is a government-backed initiative that aims to help all working parents – including those who don't have access to childcare vouchers (CCVs) through their employer – and therefore reach a far greater number of employees. The scheme provides eligible families with an extra 20% towards their childcare costs up to the value of £2,000 per child per year, or £4,000 if their child is disabled.

During the roll-out, employer-supported CCV schemes will remain open to new members until April 2018, giving existing users a choice between the two initiatives. However, TFC relies on the parents setting up an online childcare account themselves and is designed to eventually replace CCVs. Importantly for employers, it means they will probably have no role to play in the provision of the new scheme.

In light of these changes, businesses may wish to reassess their family-friendly policies and explore other ways in which they can support working parents.

#### **The value of vouchers**

CCVs have been a popular workplace benefit for a number of years since they offer parents the opportunity to exchange

up to £243 a month of their gross pay for vouchers without paying tax and National Insurance (NI) contributions on this amount. Employers too have been able to save up to £402 per employee per year on NI contributions, although under TFC this will no longer be possible.

When they were introduced in 1998, CCVs gave organisations the chance to support their working parents through facilitating a childcare scheme that enabled them to save money.

"One of the things childcare vouchers have helped to do is open up the dialogue between parents and employers about childcare and flexible working," says Jacquie Mills, chair of the Childcare Voucher Providers Association. "These conversations were much less common before vouchers were introduced."

But although organisations will not have a part to play in the running of TFC, its introduction won't mean that their CCV duties end. The vast majority are likely to continue operating their CCV scheme for those already signed up and those who join before it closes to new members.

Businesses now need to decide whether to allow their scheme to run its natural course – although this could become costly if the number of employees taking part drops and the number of providers reduces – or

“Businesses should assess what others are doing, both in their own sector and across sectors, and decide which options would be best for them and their staff”

whether to close their offering at an appropriate time, for example, at the end of the annual renewal period.

“It’s frustrating that employers will not be able to offer childcare vouchers to new joiners after April next year, because we know vouchers are hugely popular with employers and parents alike,” adds Mills. “The eventual closure and phasing out of vouchers reduces the scope for employers to support working parents, and we believe that’s a mistake.”

#### The new system

Under the new scheme rules, it’s not just parents who can pay into a childcare account – grandparents, family members and indeed employers too – can choose to contribute, although there are no financial incentives for them to do so.

“The title ‘Tax-Free Childcare’ scheme suggests some form of tax benefit or tax relief. It is widely known that this is a misnomer but nevertheless it was sufficient in the early days to have employers reviewing whether their offering really is to the benefit of their employees, or themselves,” says Samantha Mann, senior policy and research officer at CIPP.

There are concerns that TFC is overly complicated and unfairly benefits wealthier parents – ie, those who can afford to pay for childcare upfront and who can afford the most children. In addition, in order to be eligible, both parents must work a minimum of 16 hours a week and receive at least the National Living Wage, so currently £120 per week. If one parent earns £100,000-plus the couple won’t be eligible either.

“There will be some employees who lose out from the switch away from vouchers,” says Mandy Garner, editor of [Workingmums.co.uk](http://Workingmums.co.uk).

“This is likely to put pressure on employers to find new ways to support their employees with childcare bills.”

Whatever an organisation decides, it will need to communicate its plans to the entire workforce and not just the

employees who are currently part of a scheme, since others may want to take advantage of the offering in the future.

There is no legal obligation for employers to take up a signposting role, but they may wish to direct staff to the government’s childcare choices website and calculator to help them make an informed decision and maintain their family-friendly policy – even where the decision has been taken to end the CCV scheme for financial or administration reasons.

#### An opportunity to reassess

According to Charles Cotton, public policy adviser for performance and reward at CIPD, this is as good an opportunity as any to reassess family-friendly policies. He believes employers should be constantly reviewing what they offer their staff anyway, and that any time is a good time to look at their benefits.

“The changes to childcare present an opportunity for organisations to consider what they can do to help working parents,” he says. “They are going to have to start thinking more creatively.”

There are a number of ways employers can support working parents beyond childcare vouchers, but it is important for them to establish the needs of their workforce before implementing, or making changes to, any policies.

“Employers shouldn’t make assumptions about what is important to their staff. For example, if they have a young and predominantly male workforce, they shouldn’t assume they don’t have childcare needs,” advises Cotton.

Businesses should assess what others are doing, both in their own sector and across sectors, and decide which options would be best for them and their staff. [WorkingMums.co.uk](http://WorkingMums.co.uk) produces a *Best Practice Report* annually which provides an in-depth look at what the best employers are doing and how this affects their employees.

Garner says looking at other family-friendly policies and benefits is definitely



an area that could be explored, especially since childcare costs are a key issue for employees and one of the main hurdles for women returning to work and/or reducing their hours.

#### Family-friendly options

Flexible working arrangements are increasingly popular among employees who often want to work around school runs. Training for managers on how to manage flexible workers is equally important, as is the promotion of positive role models of senior managers working flexibly, says Garner.

"Flexible working is key and normalising that, from recruitment up to senior management level, is vital," she explains. "It's all about creating a flexible culture."

Enhanced maternity and parental leave and/or pay might be another consideration for organisations, as well as onsite nurseries.

Although employer-provided nurseries are not affected by the introduction of TFC, for some companies with a number of working parents this could be a viable option. However, this would require considerable planning and resource.

"There will be cost implications for employers and it's for them to think about the risks and opportunities of providing these facilities," says Cotton. "If people find it hard to juggle their work-life balance, it's going to be a problem for organisations. They shouldn't just be focusing on employees within the workplace, but also their life outside it."

Progressive employers are constantly coming up with new and innovative ways to help staff balance their work and family lives. Retail or leisure discounts help parents with everyday costs, while healthcare benefits can be extended to include an employee's family members as well as the individual themselves. Even employee assistance programmes, although not specifically designed with parents in mind, can help them if they are stressed or in need of support. In

**"Progressive employers are constantly coming up with new and innovative ways to help staff balance their work and family lives"**

addition, offering the option to buy extra holiday leave can help them manage childcare during the school holidays.

#### The business case

Once you have considered the benefits versus the costs and decided on next steps, it is easier to make the case to senior leadership to get management buy-in if you have evidence to support your decision.

Research from Working Families and Bright Horizon shows that employees who feel supported by their employers are more focused and less stressed, and therefore up to 43% more productive.

"Most employers these days know that a less stressed, happier employee who is confident in their work-life balance will be far more productive and loyal to the company," says Mills.

The sentiment is echoed by Garner, who believes employers have a lot to gain from offering help to parents.

"It is important for employers to support these workers because most of their employees will, at some point,

become parents so it makes business sense if they want to retain those workers' skills and loyalty," she says.

There are also other issues at play concerning the employer's brand image and reputation. For example, if gender pay gap reporting reveals that people with childcare issues suffer or are discriminated against, these issues will be highlighted. As a result, an organisation's reputation could suffer – even if the consequences are unintentional.

"Employers will have already invested a great deal of energy and effort in their staff when they initially invested in these individuals," adds Cotton. "If they don't support them, they will go to a rival that will meet their requirements."

#### Looking to the future

In the future, family-friendly policies are likely to remain a key area for employers in terms of talent retention. As the skills shortage continues in the UK, organisations that want to retain their best staff will have to keep abreast of developments in this area.

The needs of working families may also evolve as caring responsibilities extend to older relatives and/or parents. It is therefore likely that the issue of eldercare will continue to develop within family-friendly policies, particularly since we have an ageing workforce.

"There is much to be gained by the employer who utilises family-friendly policies throughout their employment practice," says Mann. "This impacts not only their take-home pay and reward package, but also builds loyalty of employees to an employer that values their skills – regardless of their gender or their family situation – and recognises the important role of their family."

The successful employer will be one that recognises this and takes "family friendly" to the core of their business, for workers across the board, she adds. ■

*Kavitha Sivasubramaniam,  
pay and reward specialist*

# NURTURING TALENT

Employers need to invest in their workers if businesses are to prosper in a post-Brexit world, says Charles Cotton of the CIPD, the professional body for HR and people development



Charles Cotton

“Reward professionals have an important role to play in helping their HR colleagues build the business case to invest in staff learning and development”

New research from the CIPD has found that, as a result of the UK's decision to leave the European Union, nearly three-quarters of HR professionals (72%) expect the competition for well-qualified talent to increase, and three-fifths (61%) predict further difficulty recruiting senior and skilled employees over the next three years.

## Recruitment problems

The CIPD/Hays *Resourcing and Talent Planning Survey* of more than 1,000 HR professionals found that recruitment difficulties are already being reported by three quarters of HR professionals (75%), and nearly two-thirds (65%) agree that the skills needed for jobs in their organisation are changing.

## Counting the cost

However, despite recognition among respondents for smarter, more targeted recruitment, less than a fifth (16%) say their organisation currently measures the return on investment of their recruitment activity. Similarly, over half (56%) say their organisation doesn't calculate the cost of people leaving the business – and this is despite labour turnover being at its highest since 2007.

## Warning

In another recent piece of research, *From 'inadequate' to 'outstanding': making the UK's skills system world class*, the CIPD warns that we are sleepwalking into a low-value, low-skills economy that leaves the nation ill-prepared for its post-Brexit future, particularly if the country is to face restrictions on accessing talent from outside of the UK.

It finds that two decades of under-investment and failed policy on skills has contributed to the UK lagging well behind its competitors in Europe and most of the OECD on at least four key measures, including literacy and numeracy, learning and development, and digital skills. Key findings include:

- England and Northern Ireland together rank in the bottom four OECD countries for literacy and numeracy among 16-24 year olds;
- UK employers spend less on training than other major EU economies and less than the EU average, and the gap has widened since 2005. In 2010, the UK invested an average of €266 per employee, while the EU spent €511 per worker; and
- The UK lies fourth from the bottom on the EU league table on participation in job-related adult learning, with evidence showing a marked deterioration since 2007.

Both pieces of research highlight the potential challenges that employers could face in recruiting or retaining skilled employees. These issues would have likely existed if the UK had decided to remain within the EU, but they stand to be exacerbated in light of potential restrictions to migrant labour.

## Development

If the UK is going to be able to take advantage of a post-Brexit world then it needs to do better in investing in the skills of current and future workers. For far too long, learning and development is an area that businesses have turned to when they have made cuts, but to invest in individuals is to invest in the business.

Reward professionals have an important role to play in helping their HR colleagues build the business case to invest in staff learning and development. It can help provide the data that employers can use to assess the return on investment of their recruitment and their training policies. Reward professionals can also take the lead in trying to ensure that recruitment and skills policy decisions are based on evidence. ■

Charles Cotton, performance and reward adviser, CIPD

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# IN SICKNESS AND HEALTH

**Kavitha Sivasubramaniam, pay and reward specialist, looks at why employees are reluctant to take sick leave and what employers could – and should – do to address the problem**



**Kavitha Sivasubramaniam**

“Two in five employees believe their employer puts business results ahead of their health and wellbeing”

**T**aking time off work due to illness is becoming taboo in the UK, if new statistics are anything to go by. However, it's not the British stiff upper lip that's causing this reluctance to be absent from

work with an illness. There are other factors at play that employers need to get to grips with or face costly consequences.

New research from Aviva revealed that seven in ten private sector employees have gone to work sick, highlighting a worrying trend in UK workplaces today.

In addition, with just a quarter admitting to feigning an illness to take a day off, it shows people are three times more likely to work when unwell than to 'pull a sickie'.

According to the fourth edition of the insurance provider's *Working Lives Report*, one in five are anxious about taking time off to rest, fearful their workload will increase in their absence.

The average number of employee sick days taken annually has fallen to a record low of 4.3 days in 2016, compared with 7.2 days in 1993. Perhaps, on the face of it, this is cause for celebration. Surely, that tells us people are healthier? Not necessarily. There is a flip side. Employers need to be alert to the adverse effects of 'presenteeism' – whereby people are present at work for longer than required, particularly because of job insecurity – and take steps to ensure their company culture is not encouraging this.

If people continue to work while unwell, there is no doubt they will be less productive in the workplace and they could even prolong their illness by not allowing themselves adequate time off to recuperate. It could also have a knock-on effect since other members of staff may be at risk of contracting their illness.

As obvious as it may sound, having staff who are sick at work is a false economy. Companies need to recognise this and ensure they establish a working culture whereby people do not feel pressured into working when they are ill. This is bad for morale, as well as productivity.

It is the employer's responsibility to make sure sickness absences can be effectively managed. They should have business continuity plans in place that allow the company to operate as usual in times of unplanned absences and/or events, including any length of sick leave.

Equally concerning is that more than two in five employees believe their employer puts business results ahead of their health and wellbeing. Aviva says this should serve as “a wake-up call to businesses”, and it's not hard to see why. If you want to get the best out of your employees, it's important to show you care about their welfare. This makes staff feel valued and boosts their loyalty and work ethic, which in turn affects your bottom line. There is a mountain of wellbeing support out there for businesses to tap into and offer to staff, and making the most of those resources can pay dividends.

Aviva's study discovered that organisations which invested in employees' health and wellbeing saw tangible returns. More than three in four that provide related benefits found they had a positive effect on workers. They also revealed a rise in happiness levels (41%) among staff with improved morale (32%) and productivity (30%) as a consequence of their initiatives aimed at keeping workers healthy.

Offering health and wellbeing benefits can improve the morale and, in turn, productivity of the workforce. For this reason it should be a priority for businesses, rather than a 'nice to have'.

A number of employers are reluctant to introduce such perks for fear that they will be too expensive; however, this isn't always the case. There are a number of low-cost 'quick wins' that can be gained, for example, by forming win-win partnerships with external resources and organisations.

The bottom line is that your business will be in better shape if your employees are too. ■

*Kavitha Sivasubramaniam*





## Are your payroll and HR teams dealing with the GDPR?

Changes to data privacy laws are set to have a huge impact on payroll and HR teams.

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# TIME TO SHINE

Legislation has put the spotlight on payroll in recent years. Our Spring Update event in May explored how the profession is not just a business-critical function, but one that can be a key influencer



Q: Do you think that payroll is becoming more strategic, central and more courted by software etc now they have more cloud as heads of reward & HR?

A: Yes, it is becoming more strategic and central. It is also becoming more courted by software etc now they have more cloud as heads of reward & HR.

Q: Where do you see the payroll profession in 5 years time? Do I need to look for another job?

A: I see the payroll profession in 5 years time as being more strategic and central. It is also becoming more courted by software etc now they have more cloud as heads of reward & HR.

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Change was in the air at the Spring Update event on 25 May at the ILEC Conference Centre in London. The day began with editor Jerome Smail revealing the rebrand of *Payroll World* to *Reward Strategy*. Delegates got a first look at our inaugural issue of *Reward Strategy* magazine (June 17), as well as news of the new website, which you can find at [www.reward-strategy.com](http://www.reward-strategy.com), and the evolution of the Payroll World Awards, now known as The Rewards (see page 5 for more information of the event and how to enter).

Fittingly, the first session of the day was on payroll's expanding role in the wider business, featuring a panel of experts drawn from across reward, payroll and HR.

Karen Thomson, director of group payroll services at Armstrong Watson, started by highlighting payroll's expanding remit. Using the example of auto-enrolment (AE), she explained that, while pensions didn't naturally sit with payroll in the past, because of how AE must be operated, payroll is now the most viable place for the responsibility to lie.

It is this type of knowledge that often makes payroll the first calling point for the business and employees alike, believes Ian Hodson, reward and benefits manager at University of Lincoln. Given how much payroll is now being relied upon, he argued that the function has "a real opportunity to stand up" and make a name for itself within the business.

Hodson acknowledged that "the transactional role [that payroll fulfils] will always exist", but payroll professionals should consider "a new role on the strategic side of reward". By understanding what the organisation is trying to achieve with its pay and benefits offering, payroll can help to shape the direction of the strategy and how it is implemented, he said.

Emma Gibson, HR and payroll shared services manager at East Midlands Shared Services, added

that communicating with in-house and external customers gives payroll a good view of the business and its requirements. This, in turn, allows it to become involved in "influencing and planning what's coming".

For example, making changes to terms and conditions within an employment contract might not seem like a payroll issue. However, where it involves adjusting pay, payroll should be involved as it has the knowledge to understand whether the changes are viable.

Thomson agreed that it is this expertise that is so important: "Looking at the wider reward profession... we need professionals with that knowledge who can deal with the complexities of reward." She added that recruiting payroll professionals is hard and that she is having to grow their own talent because there is a skills shortage in the area. This is especially true given the range of skills that are now required of payroll professionals, from Real Time Information (RTI) through to the apprenticeship levy, AE and calculating the gender pay gap.

Hodson rounded up the session by emphasising that the array of legislation payroll now deals with has turned the spotlight on the profession: "If we can take the opportunities – for example, take control of the apprenticeship levy and how to administer it – then we can also influence what is done with the money."

#### HMRC update

The unexpected general election put the brakes on most of the HMRC session. This was due to the rules surrounding purdah, which prevented Penny Earle, stakeholder engagement advisor, from giving away anything new. However, she did reveal that HMRC has pushed back the Pay As You Earn (PAYE) refresh from May, until July.

The PAYE refresh will allow HMRC to make better use of RTI, so that more customers pay the right tax in-year. This is likely to mean an increase in the



number of coding notices employers receive. However, the changes should help to better support new ways of working and allow repayments to be made and debt to be collected in-year.

The PAYE refresh is part of HMRC's Making Tax Digital strategy. However, Earle reminded delegates that "the services we're delivering are only as good as the data we've got".

#### Preparing for GDPR

The General Data Protection Regulation (GDPR) is yet another example of how payroll is becoming increasingly involved with the wider business. GDPR is a single set of data protection rules, due to come into force on 25 May 2018, which are much more stringent than the current provisions.

Anne Reilly, managing director at Paycheckplus, said: "GDPR will impact on all of us. There is a lot to do. I strongly recommend that you give this serious consideration as it is another responsibility on us."

An example of the more stringent rules is the inclusion of biometric data. Many employers use fingerprint sign-in as part of their time and attendance systems, so employers must consider how this information is used and stored.

Those found to be in breach of GDPR provisions can be fined up to 4% of their annual global turnover or €20,000,000, whichever is greater.

Reilly highlighted that there are a massive number of things that need to be considered, such as what documentation is required to demonstrate compliance, ensuring that personal data is not kept for longer than necessary, and developing defined instructions and limitations for the various layers of data and payroll processors. As the rules come into

force 12 months to the day of the event, delegates were urged to act immediately to ensure compliance.

#### Apprenticeship levy

Reilly's talk marked the end of the plenary sessions and a choice between topics relating to in-house or client payroll. The in-house conference focused on the apprenticeship levy and featured a panel of experts who have had different

experiences with the levy, largely thanks to the geographical location of their organisation.

The apprenticeship levy is a devolved piece of legislation, and although it is collected across the whole of the UK through PAYE, the application of the apprenticeship programme is operated differently in Northern Ireland, Scotland, Wales and England.

The experience of the panellists was very mixed, with all of them noting problems around reconciliation, which suggested that the system isn't working as it should.

Debby Cain, payroll manager at Stagecoach Group, argued that the system didn't feel very sophisticated and that it is

"very difficult to account for" the money that is paid across into the levy. However, Stagecoach is undertaking a workforce analysis to map roles that might be suitable for an apprenticeship. This is so the business can draw down more money from the levy to ensure it is getting value from the initiative.

Michael Stevenson, payroll manager at Queen's University Belfast, has a very different view on the application of the levy. "We see it as an additional tax and piece of administration because of the devolved situation." In Northern Ireland,

**"GDPR COMES  
INTO FORCE ON  
25 MAY 2018,  
SO DELEGATES  
WERE URGED  
TO TAKE ACTION  
IMMEDIATELY  
TO ENSURE  
COMPLIANCE"**

there are currently no provisions in place for businesses to access the levy to help pay for apprenticeships. He added: "We're putting more in than we ever hope to get back." However, he hopes there will soon be further clarity on how the levy will operate in Northern Ireland.

### Employment law

From legislative changes to employment law, the remit of payroll knows few bounds. And the gig economy is one of the major issues that is blurring the lines between different types of employment. Darren Tibble, partner at DC Employment Solicitors, highlighted in his session that "employment status is not a box-ticking exercise. It's very much on a case-by-case basis".

This is of little comfort to payroll, which may be faced with some dubious employment scenarios. Plus, there are several ongoing cases around this issue. However, Tibble did offer some insight: "The current mindset of the employment tribunal is to swing away from saying workers are self-employed, and more towards being a worker."

As a result, he argued that "the default setting should be that they [the individual in question] are a worker".

The issue of the gig economy and employment status is set to continue to grow, and payroll should keep an eye out for any changes in this area.

### Running a multinational payroll

An expanding part of the payroll profession is international operations, particularly as more companies look to grow overseas and beyond Europe. During the "running a multinational payroll" session, the development of the international payroll role as a standalone position, rather than being part of a payroll manager's remit, was discussed.

Helen Heginbotham, global payroll controller at Cambridge Assessment, acknowledged that "from a learning aspect [international payroll] is very new". However, training providers are

now offering more courses in this area. And although it is essential to understand the legislative requirements in other countries, it is also important to have an appreciation of the culture, time zones and different working days, while "communication and meeting employees' expectations is key".

The debate about how best to run a multinational payroll is an interesting one, and will ultimately depend on an organisation's requirements. Some favour



a centralised payroll function as it can be easier from an audit, reporting and cost centralisation view. However, others may prefer to engage in-country providers.

Carole Mellis, global payroll manager at Sparrows Group, explained that they use local vendors and software. However, she warned that vetting was essential as there are so many places to source providers from. As a result, anyone looking to engage an overseas

vendor should look for at least two client references. She also highlighted the importance of service level agreements, governance and disaster recovery plans.

### Growing your business

The client payroll conference ran alongside the in-house sessions and offered delegates the opportunity to network with other payroll businesses and share experiences of running a client payroll.

The panellists during the 'growing your business' session came from a range of organisations, from large payroll bureaux down to owner-run operations.

One of the biggest issues facing the industry is recruiting skilled professionals.

Richard Rowell, managing director at Dataplan, said: "Key to us is getting people with the right attitude."

This is so that the company can train aspiring payrollers, as he feels they have already drained the local talent pool. It was suggested that apprenticeships could offer a solution to the skills shortage. However, it was felt there was little support available to provide these.

Although recruitment might be an issue for larger businesses, those at the smaller end of the scale are self-reliant. They find that most of their work comes from word of mouth, although there is a finite amount of work that can be taken on by these companies. However, all the panel agreed that demand for payroll services was increasing, particularly as AE reaches the smallest organisations.

The evolution of payroll into the wider reward space has not happened overnight. Yet the continuing development of legislation, from AE to the apprenticeship levy, means payroll professionals are as indispensable as ever. The stand-out take-away from this year's Spring Update was just how far payroll has come, how varied and skilled the profession is, and how much more there is to know. ■

*Dawn Lewis,  
pay and reward specialist*



# THE REWARD 100 2017

The evening of our Spring Update event at the ILEC Conference Centre, London, saw the unveiling of the inaugural Reward 100. Celebrating success, dedication and achievement, the Reward 100 is an annual list of the most prominent leaders and influencers in reward, payroll, international payroll, HR, employee benefits, workplace pensions, employee benefits and associated careers. Evolved from the Payroll Top 50 list, the Reward 100 was chosen by a panel of experts at *Reward Strategy*.

The full list was revealed at a special networking drinks reception, sponsored by Cintra HR and Payroll Services. *Reward Strategy* editor Jerome Smail welcomed conference attendees and Reward 100 listees, as the industry gathered to reflect on the day's sessions and another significant year for the pay and reward sector.

Reward 100 listees are automatically entered for a special award at The Rewards on 2 November at Hilton London Bankside (see page 5 for details), where the individual winner will be revealed. Congratulations to all of this year's listees, who are as follows:



Name	Job title	Company
Adam Jeacock	<i>Head of Marketing and Business Development</i>	epayslipsecure
Alex Rowson	<i>Technical Director</i>	QTAC
Alison Dodd	<i>Managing Director/President</i>	Moorepay
Alison Fisk	<i>Reward and Engagement Manager</i>	Sunrise Senior Living Limited
Alison Sellar	<i>CEO</i>	Activpayroll
Andrew Evans	<i>CEO</i>	Smart Pension
Andy Agathangelou	<i>Founding Chair</i>	Transparency Taskforce
Anthony Cronin	<i>Founder and CEO</i>	Flexiwage
Audrey Williams	<i>Partner</i>	Fox Williams
Barry O'Sullivan	<i>Head of Mass Payments</i>	HiFX
Bjorn Reynolds	<i>CEO</i>	SafeGuard World International
Carsten Staehr	<i>CEO</i>	Cintra HR and Payroll Services
Charles Cotton	<i>Performance and Reward Advisor</i>	CIPD
Charlie Bruin	<i>CEO</i>	Liberata
Chris Buscovich	<i>Vice President of Sales</i>	Onesource Virtual
Chris Deeson	<i>CMO</i>	Pensionsync
Chris Morris	<i>Senior VP, Payment, Treasury and Risk Solutions</i>	Cambridge Global Payments
Chris Tidy	<i>Payroll Manager</i>	Hiscox
Chris Watt	<i>PwC Payright Business Leader</i>	PwC Payright
Christine Keily	<i>Global Tax and Payroll Director</i>	Immedis
Darren Tibble	<i>Partner</i>	DC Employment Solicitors
Darren Wentworth	<i>Global Partner</i>	Frazer Jones
David Barak	<i>Head of Marketing</i>	Cloudpay
David Leboff	<i>Co-Chair, Global Issues Subcommittee</i>	APA
Debi O'Donovan	<i>Director</i>	REBA
Debra Corey	<i>Group Reward Director</i>	Reward Gateway
Doug Sawers	<i>Managing Director</i>	SD Worx
Duncan Singer	<i>Business Solutions Development Manager</i>	Aviva
Eira Hammond	<i>Chair of the Board of Directors</i>	CIPP
Elizabeth Strong	<i>HR Operations Manager</i>	Kerry Group
Helen Dean	<i>CEO</i>	NEST
Helen Farr	<i>Partner</i>	Fox Williams
Helen Hargreaves	<i>Associate Director of Policy &amp; Research</i>	CIPP
Henry Tapper	<i>Founder</i>	Pension Playpen
Iain Moffat	<i>Enterprise Director</i>	MHR
Ian Hodson	<i>Head of Reward</i>	University of Lincoln
Ian Holloway	<i>Head of Legislation and Compliance</i>	Cintra HR and Payroll Services
Jamie Fiveash	<i>COO</i>	B&CE
Jason Crockett	<i>Head of Payment Solutions</i>	Western Union
Jeff Phipps	<i>Managing Director</i>	ADP





Jennie Granger  
Jeremy Levene  
John Harding  
Jon Thompson  
Justin Cottrell  
Karen Thomson  
Kate Upcraft

Ken Gurr  
Ken Pullar  
Kevin Hart  
Kiki Stannard  
Klara Kozlov

Lesley Titcomb

Linda Pullan  
Liz Robins  
Mandy Gardiner  
Manish Grover  
Mark Graham  
Martin Wright  
Matt Macri-Waller  
Matt Stark  
Mervyn McCormick

Michael Howard  
Mike Binns  
Monica Kalia  
Morten Nilsson  
Neil Esslemont

Neil Everatt  
Neil Hollister  
Nick Pedersen  
Norman Green  
Oliver Wright

Paul Budgen  
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*Secretary of State for Pensions*  
*Senior Manager Global Payroll Specialist*  
*CEO*

*Payroll Operations Manager*  
*Global Head HR Operations*  
*CTO*  
*Employment Law Partner*  
*Payroll and Pension Manager*  
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*President*  
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*Head of Global Payroll Services*  
*Director*  
*Head of Payroll Operations – SSCL Government*  
*Director – Head of UK Payroll Services*  
*Head of Operations*  
*Partner and Head of Payroll*  
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# FEELING A LITTLE ODD?

The wide scope for fitting Statutory Sick Pay qualifying days into the workplace, together with the payment rules, leads to some strange situations, as Norman Green explains

**T**he Statutory Sick Pay (SSP) scheme that we have today was introduced in the early 1980s and moved the calculation and payment from the state to employers. Prior to the introduction of SSP, it was common for employees who worked for an employer providing an Occupational Sick Pay (OSP) scheme to be better off financially when they were sick. That was because the state sickness benefit was not taxed and the Occupational Sick Pay was normal pay less the state benefit. Thus, the gross pay was the same but the tax was lower (due only on the OSP) and therefore net pay was higher. By making employers pay SSP, this anomaly was removed, but it would only work if SSP was a good fit with Occupational Sick Pay schemes.

The most important part in aiding the alignment between OSP and SSP schemes is the concept of qualifying days. Simply, qualifying days are defined as normal working days and in most cases it is clear what days are qualifying ones. It is for the employer to agree with the employees what days are qualifying days and the rules provide plenty of scope. There must be at least one qualifying day in every week and until there is agreement, it is Wednesday. The qualifying days can vary from employee to employee and from week to week, which allows alignment, for example, with shift patterns. Qualifying days need not be days when the employee has to work, which would be needed for a 'three weeks on, one week off' shift pattern. This wide scope for fitting qualifying days into the workplace, together with the payment rules, does lead to some odd situations.

No SSP is payable until an employee has been sick for four consecutive days. This called a Period of Incapacity for Work, or PIW. The first three qualifying days in a PIW are not payable and are called waiting days. SSP can only be paid on qualifying days (the simple definition is working days) so it is logical to pay SSP only on such days. On PIWs, two or more

PIWs link if they are separated by no more than eight weeks. If the number of days between one PIW and the next are 56 days or less, then the PIWs link. If the gap is 57 days or more, PIWs do not link.

If an employee does not turn up for work on Friday and on return to work on Tuesday says that he or she was sick on the Friday and Monday – the normal working days – the employee might be asked whether the sickness continued during the weekend. The question is needed to establish whether a PIW was formed. The qualifying days are immaterial because a PIW is four or more consecutive sick days. One day's worth of SSP would be payable if Friday, Saturday, Sunday and Monday are all qualifying days because the first three would be waiting days. If only weekdays were qualifying then no SSP would be due as only two waiting days have been served.

Consider the employee who only works on Tuesdays and has Tuesday only as the one qualifying day. If they go sick, then, as with any other employee, a PIW is formed as soon as the employee has been sick for four consecutive days, but no SSP is payable until the employee has been sick for four weeks (strictly, four Tuesdays) as only then will the waiting days have been served and a day's SSP be due.

The amount payable for a qualifying day (after the waiting days) is the weekly amount as specified by the government (£89.35 in 2017-18) divided by the number of qualifying days in the week (remember the number could change from week to week). In the case of the payroll administrator, £89.35 will be due on the fourth Tuesday. By contrast, the employee sick from Friday to Monday would get £12.77 (£89.35 divided by seven unrounded times one and then rounded up) for Monday if the qualifying days were all seven days, and nothing if the qualifying days were Monday to Friday. Another occasion where employees need an explanation from the payroll department. ■

*Norman Green, payroll consultant*



Norman Green

“It is for the employer to agree with the employees what days are qualifying days and the rules provide plenty of scope”



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# HOURS OF FUN

Helen Hargreaves, associate director of policy and membership for the Chartered Institute of Payroll Professionals, looks at the latest guidance on salaried-hours contracts and holiday pay

**H**ow up to date is your knowledge on salaried-hours contracts? Holiday pay calculations such as these continue to come under scrutiny and serve as an opportunity, if one were needed, to highlight the importance of remaining up to date with the latest guidance from BEIS (Department for Business, Energy and Industrial Strategy). Employers often make use of salaried-hours contracts to provide their employees with a steady and consistent income stream throughout the year where their working hours or weeks may vary either due to seasonal demands or term-time working.

The latest guidance on calculating the Minimum Wage – which has taken on even greater importance since the increase in hourly rates brought in through the National Living Wage, was last updated in April 2017 – have you taken a look recently?

To be a salaried-hours contract, the contract between you and the worker should set out:

- a basic number of hours for which the worker is to be paid;
- the entitlement to an annual salary.

You do not have to show the total basic hours for a complete year but it is better to do so. However, it must be possible to precisely calculate what the total basic annual number of hours is in relation to the full year.

## Holiday pay

One of the reasons why employers get so confused about how they should be calculating holiday pay and leave, notwithstanding the particular circumstances of individual businesses, is that no-one is quite sure what the law says, and even less how it should be applied. And this is understandable because there have been innumerable court cases challenging the calculation of holiday pay. Although in most instances

the judgment only applies to that specific case, there can often be more widespread implications. With so many cases still ongoing it's no surprise to hear that some employers are unclear what they should be doing so have taken a 'do nothing' approach, especially when existing government guidance is vague.

## Engagement

For some time now the CIPP policy team has been engaging with BEIS and we have to date held three policy think tanks to discuss the problems faced by employers when calculating holiday pay and leave; the end objective being to produce clearer guidance.

What exactly is guaranteed, non-guaranteed and voluntary overtime and equally importantly, what is not? What is a bonus and what is commission? What does regular mean? Can there be scenarios and worked examples covering both entitlement and actual calculations? Can there be a broader range of definitions and examples to give employers more scope to be able to apply the principles to their particular circumstances? These were just some of the key points to come out of the talks.

## Improvement

It was heartening to hear the BEIS representative state that, although we are unlikely to see regulatory change in the near future as a result of Brexit, this does not mean the guidance cannot be improved now.

Both the BEIS and ACAS representatives agreed it should be possible to extend the level of detail in the guidance. Delegates were especially pleased when the offer was made to include volunteer attendees in the review of draft guidance before publication, when possible. So ACAS now has the difficult task of drafting the new guidance. We will of course keep the industry informed of its progress. ■

*Helen Hargreaves, associate director of policy and membership, CIPP*



Helen Hargreaves

“Although we are unlikely to see regulatory change in the near future as a result of Brexit, this does not mean that the guidance cannot be improved now”



# HOLIDAY PAY FOR THE SELF-EMPLOYED?

With the ongoing debate over the gig economy and employment status, Sarah Peacock considers a recent European Opinion which could pave the way for 'self-employed' workers to claim holiday pay going back several years



Sarah Peacock

“Mr King asserted that not only was he entitled to pay for holiday he took, but also to backdated holiday pay for holiday he had not taken because he thought it would be unpaid”



**J**ust when it seemed holiday pay was no longer trending, an Advocate General of the European Court of Justice (ECJ) has delivered an Opinion that a “self-employed” salesman, who had previously rejected the offer of an employment contract, could claim payment for holiday he took, as well as holiday he did not in fact take, potentially stretching back over 13 years.

Although not binding, the ECJ will make a final ruling in a few months, and it usually follows such Opinions. The case could radically affect employers who believe they are engaging people on a self-employed basis but who haven’t given sufficient consideration to the individual’s employment law status (rather than tax law status).

#### The importance of status

There are three distinct types of status in employment law: employee, “worker”, or self-employed. Confusion arises because income tax laws do not recognise the in-between status of “worker” – only employed or self-employed.

The employment law test for a “worker” is based on a contract (verbal or otherwise) where an individual undertakes to do work personally. Further factors include control over the individual, the exclusivity of the relationship, the right to send a substitute, and how much the individual bears risk/benefits from profit. Many individuals who consider themselves self-employed could in fact fall into the “worker” category. A “worker” (as opposed to the genuinely self-employed) has the right to the National Living Wage, paid holiday, rest breaks, working time limits and to be auto-enrolled into a workplace pension. Hence the publicity over the ‘gig economy’ – where those purporting to be self-employed may be denied these rights.

**Holiday pay for ‘self-employed’ salesman**  
In *King v Sash Window Workshop Ltd & another*, Mr King was a self-employed

commission-only salesman, according to his contract, for Sash Windows from 1999. The contract contained no provision for paid holiday. In 2008 he was offered an employee contract with holiday provisions, but chose to remain self-employed. When his contract was terminated on his 65th birthday in 2012, he successfully brought claims for age discrimination and unpaid holiday pay on the basis of being a “worker”. In the ensuing appeals, his “worker” status was accepted. However, Mr King asserted that not only was he entitled to pay for holiday he took, but also to backdated holiday pay for holiday he had not taken because he thought it would be unpaid. Sash Windows argued that untaken holiday over the years had

been lost, and that, unlike an employee absent on sick leave, Mr King had had the opportunity to take holiday but had not taken it.

The ECJ Advocate General (AG) disagreed. In the AG’s view, it was for the employer to provide an adequate facility for exercising the right to paid holiday, not for the employee to take it without knowing whether or not he would be paid. Because the contract was silent, the employer had not provided this facility. Whether the offer of an employment contract had rectified this in 2008 would be decided by the UK court. However, for periods where there was no facility to take paid holiday, holiday carried over from year to year, potentially until 2012. Unlike untaken holiday during sickness absence, there was no limit (e.g. 18 months after the end of the holiday year in which the holiday accrued) for the carryover of holiday because there was no proper facility to take it in the first place.

## POINTS TO REMEMBER

- **Unless an individual is genuinely in business on his own account, he or she may be a “worker” entitled to 5.6 weeks’ paid holiday**
- **If employers do not proactively provide arrangements for paid holiday to be taken by “workers”, they could face backdated holiday pay claims when the engagement ends**
- **Such claims could go back many years, and the importance of clearly establishing the employment law status of all staff should not be underestimated**

#### Why is the case important?

If the ECJ follows the Opinion, employers must now be crystal clear on the employment law (not just tax) status of staff. Those with “worker” status must be given an adequate facility to take and be paid for minimum statutory holiday.

This is likely to mean provisions in contracts or similar documents. Where status is not clear, employers may wish to avoid this, but failure to spell it out for a “worker” could allow a holiday pay claim going back several years when the relationship ends.

There are still unanswered questions, such as whether this leads to double recovery (if the worker received full pay as a result of not taking holiday), and how it interacts with the UK’s two-year backstop on unlawful deductions claims. However, the thrust of the Opinion suggests that neither of these arguments would limit an employer’s exposure. The outcome of the Taylor Review will be awaited with even more anticipation. ■

*Sarah Peacock, partner, Blake Morgan*



# AUTUMN UPDATE

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# KEEP ON MOVING

The world of pensions has moved on considerably since having a good character was a prerequisite to receiving a state pension, as Tim Gosling, policy lead, defined contribution, PLSA, explains

**W**hen the state pension was first introduced in 1909, recipients needed to be 70 years old and of good character to qualify for a means-tested pension of up to 25p a week. It was arguably from this modest start that the concept of retirement was embedded in the nation's psyche and the idea of needing some provision to pay for later life was born.

In the 21st century, employers have become increasingly involved in helping employees make this provision, with the introduction of auto-enrolment (AE) in October 2012 being a significant step forward. Indeed, since then we have seen 7.6 million more people become members of workplace pension schemes. However, at the moment, the minimum legal contribution is 2% of a band of earnings, which means someone on £25,000 would only be setting aside £382.48 per year.

Some people do contribute more, and the average contribution to a workplace pension scheme is 4% of a person's salary. This is set to rise in 2019 when legal minimum contributions will reach 8% of band earnings. While this will certainly be an improvement on the current situation, this is not really very much when you consider that it might need to fund 20 or more years of retirement. We believe that minimum contributions under AE need to increase over the course of the 2020s to at least 12%, as this will help people to enjoy a better standard of living in retirement.

And – as outlined in our *Priorities for Pensions Manifesto* launched on 3 May – we are also keen to see other changes to the system which would make it more inclusive. We would like the government to extend AE to include 18- to 21-year-olds, self-employed people and those in multiple jobs paying low salaries totalling £10,000 or more. The Conservatives also see AE as a priority and included a commitment to extending this to the self-employed within their manifesto.

So, what does this mean for those who work on an organisation's reward strategy? The depth and breadth of the industry's involvement will naturally depend on how the new government prioritises any changes to AE and how far they decide to go.

If they choose to focus on the self-employed, you might imagine this would have little impact on most companies, but it will draw into sharp focus the exact nature of being self-employed.

An increasing number of people – 4.78 million according to the latest statistics from ONS – identify as self-employed. However, there is some concern that a proportion of people within this group are, for all intents and purposes, full-time employees of a particular company, but due to being seen as self-employed they are not entitled to benefits such as sick pay, paid leave and pension contributions.

To look at this issue further, the *Independent Review of Employment Practices in the Modern Economy* was commissioned by the prime minister in October 2016. Matthew Taylor, chief executive of the Royal Society for the Encouragement of Arts, Manufactures and Commerce (RSA), is leading the review and was accepting submissions until 17 May 2017. The report is due soon and will help to clarify who the legal system sees as truly being self-employed.

This will naturally impact on how some companies approach AE and also the number of people who might make use of the self-employed offering.

What this offering might look like remains to be seen but it would not be hard to imagine that it might form part of National Insurance contributions or other such payments.

As we look to the future, we anticipate that more change will inevitably happen and reward professionals will be even more intimately involved in employees' retirement choices. ■

*Tim Gosling, policy lead, defined contribution, Pensions and Lifetime Savings Association (PLSA)*



**Tim Gosling**

“More change will inevitably happen and reward professionals will be even more intimately involved in employees' retirement choices”

# GET A CHECK-UP

Is it time to give your pension scheme a health check? While you might think 'if it ain't broke, don't fix it', Alan Morahan disagrees



Alan Morahan

“People believe the scheme will tick along looking after itself and they don't need to monitor it too closely. This just isn't the case”

In recent years, I have found plenty of similarities between how well a person looks after themselves and what's really required to maintain a healthy pension scheme.

About 16 years ago I was offered my first biennial medical as part of the company's employee benefits package. This detailed health assessment lasted about two hours and included all the things you'd expect. I wasn't overly excited. However, as the years have gone by I've really come to value this benefit and respond to the results it gives me.

After the initial medical, I was generally pleased with the results, although there were a few recommendations about weight, diet and general fitness.

However, when I had the second medical, my appreciation of its value started to grow. I now had benchmarks from the first medical to compare against and I could see improvements in some areas and deterioration in others. This served as both an encouragement and a warning. I went home and conscientiously set off for a run that very evening.

Now eight reports later, I have some solid statistics I can reflect on. This insight into how I'm getting on and the progress I have made has helped me keep on top of my wellbeing.

I believe the same approach should be applied to pension scheme governance. One of the common problems we see is that once the scheme has been set up and is in place, many people take the 'if it ain't broke...' view. They believe the scheme will tick along looking after itself and they don't need to monitor it too closely. This just isn't the case.

The more enlightened recognise the importance and value in reviewing the scheme regularly to ensure it is performing properly and understanding that if not, they can make any necessary adjustments and tweaks along the way. So, if a pension scheme were to go for a medical (otherwise known as a governance meeting), what criteria would it be tested on?

## 1: Administration

During the first few years of auto-enrolment, we saw that many administration systems were struggling to cope and scheme members suffered as a result. People's confidence in a scheme can be quickly lost if members receive incorrect statements or requests are not promptly and accurately acted upon. So stay on top of your scheme administration, or if you don't have the resource in-house, employ a professional pensions consultant to manage this on your behalf.

## 2: Funds

Fund performance is what powers the scheme on and it needs to be constantly monitored to ensure it's delivering the expected outcome for the appropriate level of risk.

Investment markets are extremely dynamic, particularly in these uncertain times, and some funds are lagging their own benchmarks, never mind the performance of their competitors. Essential for good governance is to keep track of markets and make sure your funds (especially the default fund, where over 90% of your scheme members are likely to be invested) are performing.

## 3: Charges

How heavy are the charges relative to the value provided? Since 2016, we have had the 0.75% charge cap for qualifying schemes but many schemes are still carrying weightier charges than necessary. A regular review, with some benchmarking, should identify this and allow a negotiation to take place to achieve better rates.

Independent governance can ensure a scheme remains healthy and efficient, and achieves its objective of being a valuable part of a reward package.

So, if you haven't assessed your scheme recently, isn't it time to book in for that medical? ■

*Alan Morahan, managing director, Punter Southall Aspire*



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Contact: Enquiries department  
Target employee range: 1 to unlimited

With over 35 years' experience, Pegasus is a market-leading supplier of payroll & HR software. Pegasus Opera 3 Payroll & HR has HMRC PAYE Recognition and caters for RTI, auto enrolment and salary sacrifice as standard. It also offers integration with NEST and NOW: Pensions, to help streamline submissions to these pension providers. It's flexible for your business needs, as it can integrate with other Opera 3 applications or it can be used stand-alone. It simplifies complicated payroll procedures and its functionality includes e-mail payslips and P60s; the ability to export reports to Excel; Statutory Payments and AEOs; P11 & P32 processing, reporting and consolidation; Directors NI & Retrospective NI Calculations; detailed history and payslip retention for 999 periods, and much, much more.



## Software as a service

### FRONTIER SOFTWARE

63 Guildford Road, Lightwater,  
Surrey GU18 5SA  
Tel: 0845 3703210  
Email: [sales@frontiersoftware.com](mailto:sales@frontiersoftware.com)  
Website: [frontiersoftware.com](http://frontiersoftware.com)  
Contact: Sales Department  
Target employee range: 1 to 50,000

Founded in 1983, Frontier Software PLC is one of the most trusted global suppliers of HR and Payroll software and services to all areas of the public and private sectors. Implementation of the fast growing technology platform of Software-as-a-Service (SaaS) has allowed Frontier Software PLC to meet their client's needs and produce measurable business benefits both in the UK as well as around the World.



## Training

### REWARD STRATEGY TRAINING IN ASSOCIATION WITH LEARN PAYROLL

The Learn Centre Ltd  
3A Penns Road, Petersfield,  
Hampshire GU32 2EW  
Tel: 01798 861111  
Email: [michaels@thelearncentre.co.uk](mailto:michaels@thelearncentre.co.uk)  
Website: [reward-strategy.com/events](http://reward-strategy.com/events)  
Contact: Michael Short  
Target employee range: All PAYE employers

Reward Strategy, formally known as Payroll World, has been well respected by payroll, HR and finance professionals for over a decade for incisive comment and practical advice. Now in association with Learn Payroll, we offer a select range of CPD certified short courses to develop real skills. Courses range from the Payroll Introduction course to the Payroll & HR Update. You can find the variety of courses available online and for more information call us today on 01798 861111.



## Workforce management

### FRONTIER SOFTWARE

63 Guildford Road, Lightwater,  
Surrey GU18 5SA  
Tel: 0845 3703210  
Email: [sales@frontiersoftware.com](mailto:sales@frontiersoftware.com)  
Website: [frontiersoftware.com](http://frontiersoftware.com)  
Contact: Sales department  
Target employee range: Unlimited

Frontier Software PLC, a leading provider of integrated HR and Payroll software solutions, offers chris21, a comprehensive HR integrated solution, for effective workforce management. Intuitive and easy to use, chris21 is continually enhanced and updated to keep abreast of business and government legislative changes. Additional modules include Time & Attendance, Employee/Manager self service, Learning and Development, Recruitment, expenses and health & safety. Frontier Software PLC is accredited to PAYE Recognition Scheme, ISO27001 and ISO9001:2000 and BACS approved.





Ian Holloway

“All the preparation in the world can be lost if the message is not understood and/or is open to confusion or misinterpretation”

# HOW IT SHOULDN'T BE DONE

Prime minister Theresa May's style acts as a cautionary tale for us all, says Ian Holloway, as he assesses her problems with communication during the recent general election campaign

So the general election resulted in a hung parliament. Prime minister Theresa May has come under a lot of criticism for her campaign and style. There was one thing that was glaringly obvious during the campaign and might have contributed to the surprise result; that was Mrs May's seeming refusal, reluctance or incapability to communicate effectively – something that cannot be said of some of her opponents. Time and time again she appeared unable to command respect, articulate correctly or even portray herself in a good light. That is something we can all learn from in whatever profession we happen to be in.

Life is all about communication and we would do well to realise that failure to recognise this leaves us all open to misinterpretation, ignorance and mistrust. So, some brief tips on communication:

## What is it?

Communication (and education) is, simply, the ability to transfer information from one source to another. This may be in virtually any situation – at the supermarket, at an interview, in the workplace, in training sessions and so on.

## Set your message

Decide what it is you are going to communicate. Why is your topic important, is your message clear and understandable and do people realise how the communication impacts them?

Further, what are your expectations from the message that you set – do you want people to vote for you, laugh with you, engage with you, learn from you and so on?

## Know your audience and choose your medium

When you know what you want to communicate, who will you be delivering it to and how? Face to face is becoming increasingly redundant in the days that we use things such as social media and

apps more and more. Therefore, consider who it is you are communicating to and the best way to communicate with them. Different people use different mediums and react differently to the same message. I must admit that I warmed to seeing political rallies on television with huge followings much more than I enjoyed looking at leaders in, for example, a local market.

## Deliver the message

Having researched all of the above, the crucial part is the effective delivery of the communication. All the preparation in the world can be lost if the message is not understood and/or is open to confusion or misinterpretation.

I think we can all gain significant tips on delivery by referring to the way the different political parties delivered their various messages during the campaign.

Importantly, don't forget that non-verbal communication is just as important as any physical or verbal communication. Look at the way some political leaders walked and talked differently in the closing days of the campaign.

## Listen, react and be flexible

All the preparation in the world and the best delivery style will go out of the window if the communicator is unable to listen to the audience and react accordingly. As we have seen in the election campaign, some leaders were better at this than others.

Plus, of course, the communicator has to be flexible and adapt the presentation to situations that may be occurring around them. Again, the recent campaign has shown that some leaders were better than others at this flexibility.

I think the recent general election has given us all a lesson in good and bad communication and the unexpected consequences of putting in a poor performance. ■

*Ian Holloway, head of legislation and compliance, Cintra HR & Payroll Services*



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