

## ***Modernising reward***

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Most employers, if you believe the research, should be running modern flexible employee benefit plans by now. Over the last four or five years, annual surveys have been published that consistently show that the majority of organisations are about to switch to a more modern approach to delivering their reward packages. As anyone in the know knows this is not happening at the pace the research suggests and, whilst the rate of change is increasing, there are still relatively few employers operating true flexible benefit plans.

Offering more choice to employees around how they take their pay and non-salary benefits makes real sense and, coupled with the Government's help through tax incentives (albeit swathed in rather complicated rules), it does seem odd that employers are failing to implement.

In order to understand why there is a slower adoption of modern flexible benefit plans it is important to understand that the process is not a simple one and many employers, whilst liking the idea, are scared off by the perceived complexity and practical issues that face them.

A true flexible benefit plan allows employees to spend a benefit allowance and beyond that exchange salary for other benefits that can include buying more annual leave, childcare vouchers, computers, insurances and pensions. Three things need to be blended together to make this work effectively:

plan design, communication and administration. Slip up on one of these and you might do more harm than good. Most larger employers that have taken the plunge have benefited from outsourcing to the integrated expertise offered by some of the larger HR and reward consultants – great stuff if you can afford it. However, for most organisations budgets don't stretch this far and finding a cost effective alternative is a bit more tricky. Benefits sourced through a financial adviser, HR administration from a HR/payroll specialist and in house employee communication do not provide that warm feeling of an integrated service and buying the bits separately is time consuming and risky in this relatively immature area. Trying to cost out a project, understanding and quantifying the risks and freeing up internal resources to run things is enough to put most employers off the idea.

The good news is that things are beginning to change and over the last year or so we have seen a number of new businesses offering an integrated approach to running modern benefits plans aimed at the mid-sized and SME markets. Even more recently, some HR and payroll service providers have forged alliances with flexible benefit software companies to provide the tools to do a decent job.

The other aspect of developing a modern reward package is that employees need to be carried along with the changes and it is probably

sensible to consider a number of steps rather than try and do everything at once. Some tax incentivised benefits coupled with a respectable range of discounts and a personalised display of reward information is an approach that offers a light impact start that can be developed once the initial changes have bedded in.

Getting it right isn't easy and outsourcing some, if not all, of the work to experts is likely to be the least risky approach for many organisations. There is help out there for those willing to take the time and effort in researching the market and, who knows, in five years time the surveys might just show that this is the way most employees are rewarded.