Employers urged to ‘look beyond salaries’ to meet staff retention challenge

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A Hampshire accountancy and business advice firm is calling on employers to consider greater use of tax-efficient rewards and benefits to retain valued employees amid continuing pressure on business costs.

Experts at HWB Chartered Accountants say companies and organisations should look beyond simply increasing salaries and consider the wider range of incentives available to them.

The call comes as National Payroll Week (7–11 September) highlights the importance of payroll and reward in the UK workplace and employers begin the countdown to the Chancellor’s Budget on 28 October and the impact that may have on the ongoing cost of doing business.

Gary Brown, director at HWB, says that while competitive pay remains fundamental to recruitment and retention, employers should also consider how they can use their existing reward budgets more creatively to improve employee engagement and loyalty.

“For many businesses, the challenge is not simply attracting people but keeping the good people they already have,” said Gary. “At a time when employers are facing significant cost pressures, increasing salaries across the board is not always the only, or most sustainable, answer.

“There are a number of ways businesses can enhance their overall employee proposition without every reward having to come in the form of additional salary. Share schemes and share options, for example, can give employees a genuine stake in the future success of a business, while smaller benefits and recognition schemes can make a real difference to how valued people feel.”

Among the options employers could consider are tax-advantaged share schemes, including Enterprise Management Incentives (EMI), Save As You Earn (SAYE), Company Share Option Plans (CSOP) and Share Incentive Plans (SIP), where eligibility and scheme rules allow.

Businesses can also make use of ‘trivial benefits’, which can provide small gestures of appreciation without a tax or National Insurance charge where the relevant conditions are met. These include benefits costing no more than £50, which are not cash or cash vouchers, are not contractual and are not provided as a reward for particular work or performance.

Long-service awards can provide another opportunity to recognise loyalty. Subject to the rules, qualifying non-cash awards can be exempt where an employee has at least 20 years' service and has not received a similar award within the previous 10 years.

Other possibilities include employee suggestion schemes, recognition awards, staff events, enhanced training and development opportunities, flexible working arrangements and benefits tailored to what employees actually value.

Gary said: “The key is not to introduce benefits simply because they sound attractive. Employers should understand what their people value, what the business can realistically afford and the tax treatment of each option.

“National Payroll Week is a useful reminder that payroll is about much more than processing salaries. It is a key part of the relationship between an employer and its people. And with the Budget approaching and the wider costs of employment under scrutiny, now is a good time for businesses to review their reward packages and make sure they are getting optimal value from them.”

Organised each year by the Chartered Institute of Payroll Professionals (CIPP), National Payroll Week is designed to recognise the value of pay professionals in UK workplaces who ensure millions of employees are paid on time, every time. The CIPP puts the economic contribution of payroll teams, through collecting income tax and National Insurance, at £474 billion annually.

Chartered accountants HWB, based at Chandler’s Ford, near Southampton, provides business and tax advice.

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