

## Employee benefits to take centre stage in 2010/11 as creative companies hold on to key talent

Over the next 12 months, a growing number of creative companies plan to review the employee benefits they offer staff, with the majority intending to increase the level of benefits they provide as part of their employee remuneration package, according to Kingston Smith W1's latest Employee Benefits Survey.

A staggering 98% of employers surveyed offer benefits to employees over and above basic salary and holiday entitlement compared to 90% in 2009. "The economic downturn meant that pay freezes and, in some cases, pay cuts were the norm in 2009," explained Mandy Merron, a partner at Kingston Smith W1. "So some employers may have already broadened their employee benefits offering to help boost staff morale, while others may look to do so over the coming year as they endeavour to hold onto their brightest and best."

Overall, respondents agreed or strongly agreed that having a varied employee benefits package was valuable in terms of helping to recruit, retain and motivate employees. However, a large proportion of employers recognise that most of their employees remain salary dependent. "This reflects the priorities of a sector where around 90% of the workforce is under 44 years of age," said Mandy. "It also supports our view that as competition for talent returns in 2010, salary levels are likely to increase."

Many commentators believe that 2010 will see an increase in job opportunities in the marketing services sector, and the survey results show that career progression (67%) is likely to be the single biggest reason for staff to leave over the coming year. "The risk is that by taking our eyes off the factors in our working environment and culture that make people feel valued, as soon as the economy turns and new vacancies appear, disgruntled staff are likely to leave. Before you know it the expense of high turnover is back," explained Mandy.

Enjoying the work (95%), recognition of a job well done (90%), and rewards and bonuses (88%) are the top three factors likely to help agencies retain staff. The benefits package remains a key component with a middle ranking (46%), while equity in the business scored lower (44%). "It is therefore unlikely that a great benefits package will help to retain staff in a working environment that is not highly valued," said Mandy. "The challenge is to balance steps to improve the working environment, with offering a competitive salary and a more varied and flexible set of benefits. Agencies that achieve this balance are likely to be able to attract and retain talented individuals who can contribute to the company's success. The results also confirm our view that equity is a benefit that should be offered only to those few key individuals who will be truly motivated by it."

When it comes to the most popular benefits, holiday entitlement (79%), bonuses (74%) and flexible working (46%) are cited as the top three. But to what extent is this driven by the methods of communication used when promoting benefits to staff? Just under a third of employers said they do not obtain any feedback from staff on their benefits offering. Instead, many respondents collect this information as part of their annual review, when salary and bonus are likely to be at the forefront of the employee's mind. The sector also uses traditional methods of communicating the benefits on offer. Over three-quarters of respondents use their employee handbook, a separate benefits handbook or employment offer letter to communicate benefits; more sophisticated techniques using an intranet or internet-based benefits accounts do not yet appear to be common. "We would strongly recommend a review in this area for organisations whose benefits packages seem to have little impact amongst their staff," said Mandy.

Focusing on the non-insured elements of the benefits package offered, with holiday entitlement (76%), performance-related bonuses (74%) and the cycle-to-work scheme (69%) coming out on top, there is little change to the most popular benefits offered by organisations of all sizes when compared to the 2009 results. In terms of the insured elements, stakeholder pension arrangements (69%), private medical insurance (69%) and life cover (69%) continue to feature strongly, as does the provision of healthcare benefits (67%).

Mandy said: "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. Therefore, little time may have been spent reviewing the structures of any existing packages."

Of the respondents, a large proportion of employers offer their employees a pension scheme, with only a minority failing to provide any facility. Although the overall level of pension provision in the sector is high, it is somewhat concerning to see that the top three reasons for not implementing a scheme are cost, the attraction of other benefits and what might be classed as employee apathy.

Pension legislation due to be implemented from 2012 – although smaller businesses will not need to comply immediately – 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. So employers should be at least starting to consider how the legislation will affect them, how they intend to comply and take account of accommodating the extra salary costs.

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