

Flexible Benefits: extract from the CIPD publication *Reward Management*



Andrew Menhennet and Jim Cressey are co-authors of the Flexible Benefits section of the CIPD publication *Reward Management*. They provide a comprehensive guide for organisations planning to introduce flexible benefits, as well as a resource for HR professionals looking to update their existing flex plan. The guide includes advice on how to build a business case for flexible benefits, on the design, implementation and communication of flex plans, and on tax, national insurance and employment law considerations. The extract below is reproduced here with the permission of CIPD:

The reasons why organisations introduce flexible benefits vary. Like any other HR initiative flex is not a panacea. Grafting a flex plan into an organisation will give little value unless its strategic positioning is clear. It is not good enough to rely on the rather anodyne phrase, ‘to help recruit, retain and motivate’ that gets used to justify anything and everything in HR.

Some of the main reasons why organisations operate flex are:

- **Reinforce culture** - if you empower people in the organisation to make decisions more quickly for customers, you may think that flex, which empowers people to make choices over their benefits, will help you reinforce that culture. Benefits set by the employer can seem quite paternalistic compared with flex.
- **Reflect the diversity of the workforce** – by allowing employees to choose the benefits most appropriate to them, employers can go some way to catering for the diverse needs of their employees.
- **Maximise the value of benefits** - many organisations spend a considerable amount of their pay bill on benefits, but employees do not always recognise or understand their value. Reward statements can help improve this understanding, but flex engages people in actually having to do something.
- **Harmonisation** – flex is a highly effective means of integrating benefit structures between groups of employees, for example following a merger or insourcing. It can also facilitate changes to existing benefits by allowing employers to offset changes in certain benefits by the provision of cash funding or alternative benefits.
- **Control costs** - benefits are often administered and accounted for separately. The cost of a benefit may not be particularly visible to managers. Flex can help decision makers be more aware of the costs of benefits through more transparency of benefit costs. Flex can also provide a framework within which the employer can manage the cost of benefits by passing on some of the cost to employees.
- **Reduce costs** - there may be some direct savings from flex, primarily through employers’ National Insurance.
- **Improve recruitment** - flex can give a competitive edge in recruitment. It can be quite powerful to explain the flex choices to a prospective employee. The perceived value can be very high particularly from someone who currently works for an organisation with fixed benefits. In a sector where flex is the norm, employees will expect a prospective employer to include flex in their offering.

Reward Management is a one-stop resource covering pay determination, benefits, job evaluation and reward strategy, as well as issues such as flexi-time, bonus schemes, equality, share plans, change management and pensions. Contributors are all experts from the UK’s top consultancies. Further details are available from http://www.cipd.co.uk/Bookstore/_subscriptions/crm/.