

# What your employer can do for you

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Levies and taxes aside, the chances are that your salary has been frozen or has fallen over the last 12 months.

From this perspective, it's hard to see how your employer can help you beat the recession, but if you look a little more closely, they may be doing more than you think. Your financial contract with your employer is about more than the gross amount you earn each month.

Robert Mac Giolla Phadraig, associate director of Sigmar Recruitment, said: "Salaries are not the make-or-break factor. The overall benefits package is the deal breaker."

According to Mac Giolla Phadraig, companies are being a lot more creative when it comes to benefits, as budgets become tighter.

However, he said that the growing "culture of expectations" among employees over the last decade had moderated as a result of the recession. The range of financial benefits offered as part of remuneration packages varies from the practical to the quirky.

Rita Anne Keyes, a flexible benefits consultant with Mercer, said some employers offered employees access to luxurious perks, such as membership of a wine club or a concierge service. In Keyes' view, the best benefits package was one that recognised that not all employees had the same needs.

"Flexible benefits are about giving some control to the employee, rather than offering a fixed benefits package," she said. "This choice comes at no extra cost to the employer."

Mercer and other remuneration consultancies devise flexible benefit plans that give employees the ability to choose from a menu of benefit options, subject to a cap on cost.

For example, a company might allow employees to exchange holidays over the statutory minimum of 20 days for cash, or upgrade their health insurance plan if they forego some other benefit with a matching cost. "I suppose it allows employees to generate more cash if they need to," Keyes said.

However, she said that most of her clients had not yet seen a big sale of holidays in favour of extra cash. "People really value their holidays a lot," she said.

Aside from directly improving your financial position, your employer can also provide financial education opportunities, which can indirectly affect how you deal with your finances.

Some companies are providing budget seminars or practical financial advice. Companies can also help employees to cover necessary costs, tax efficiently, by administering certain schemes via the payroll system.

## Health insurance

One of the most common benefits offered by employers is access to a health insurance scheme. Aongus Loughlin, head of healthcare and risk consulting at Watson Wyatt, said individuals could save money by opting for a group scheme, thanks

to the discounts offered by health insurers to corporate clients.

However, if your company offers an expensive health insurance option, you might still be better off as an individual customer, especially if you buy your policy online. AVhi spokeswoman said: "A person who is a member of a group scheme can avail of a 10 per cent discount. Those who buy online are treated as a group, so can also avail of a 10 per cent group discount."

While all health insurers offer a range of plans to corporate clients, insurance regulation prevent them from keeping all the best options for larger clients.

A spokeswoman for the Health Insurance Authority, the body that regulates the insurance industry, said: "The HIA publishes details of insurers' corporate plans on its website.

These plans can be bought by anyone, and an insurer cannot refuse to sell a corporate plan to an individual."

The HIA spokeswoman said insurers could not offer a discount of more than 10 per cent to members of a group, unless the terms of the product changed. "Groups may be employer-based, affinity-based or online groups, but only one discount of 10 per cent can be given," she said.

Employers typically go for one of two options when it comes to health insurance. Some will pay an employee's health insurance premium, so a tax liability arises as the policy is treated as a benefit-in-kind. However, according to Loughlin, most employers tend just to administer health insurance premiums via the payroll system, but not contribute to the cost.

In this case, employees have the advantage of the group discount and the premium being taken directly from their salary at source.

This allows employees to spread the cost of their policy across the year and also reduces the perceived effect of the expenditure, as employees get used to receiving their wages net of their health insurance premium.

## **Public transport**

Employers can also help by allowing employees to cut the cost of commuting. You can reduce your transport bill by availing of the tax saver commuter ticket scheme. This was set up in 1999 to encourage people travelling to and from work to use public transport.

The scheme is operated by Dublin Bus and Iarnrod Eireann in conjunction with the Revenue Commissioners and is open to the employees and directors of any company. It was extended in 2004 to include travel on the Luas service and combination tickets.

Employers who provide employees with commuter tickets save up to 10.75 per cent on employer PRSI payments.

Employees participating in the scheme benefit from reduced tax and PRSI payments and can save up to 51 per cent on the cost of travel.

The cost of the ticket is deducted from your gross salary, so you do not pay tax or PRSI on that sum. For example, a person earning a gross salary of €34,000 buys an annual bus and rail ticket through the scheme at a cost of €1,190. This reduces the commuter's taxable income to €32,810.

Employees receive tickets in return for sacrificing part of their salary package, as an additional benefit or in lieu of an annual bonus.

You save either 20 per cent or 41 per cent, depending on the rate of tax that you are paying. You can also make further savings up to a total of 51 per cent, as the cost of the ticket is not subject to PRSI or levies.

On an annual bus ticket - which costs €980 - employees on the higher rate of tax will save almost €500.

If you use an annual bus and Luas ticket, you can save up to €576 with the tax saver commuter ticket scheme if you pay tax at the higher rate.

This type of annual combination ticket costs €1,190 and those paying tax at 20 per cent can still make savings of about €340.

## **Cycling**

Employers can also help employees through the cycle-to-work scheme that was introduced by the government at the start of this year. The new scheme covers bicycles costing up to €1,000.

The scheme also covers a range of equipment such as helmets, lights, locks, bells, mirrors, cycle clips, panniers, luggage carriers and straps, pumps, puncture repair kits, cycle tool kits, reflective clothing and reflectors.

The bicycle and associated accessories must be bought by the employer, but the scheme can then operate in a number of ways. Employers can pay the full cost of the bicycle, or - as appears to be proving more popular - can administer a salary sacrifice agreement - similar to the travel card scheme - in which the employee pays the cost of the bicycle tax-free over a 12-month period.

Participation in the scheme is voluntary but, where an employer decides to implement the scheme, it must be offered to all employees on an equal basis.

Some employers may allow employees to select the bicycle and equipment from a retailer of their choice, while other companies may offer more limited options.

Employees can avail of the tax relief on the cost of a bicycle and equipment only once every five years, and the bicycle must be used mainly for commuting.

As with the travel scheme, employees and employers make savings under the cycle-to-work scheme. Employers save on PRSI payments on the value of the benefit, and employees save on income tax, PRSI and income levies.

## **Pensions**

When it comes to long-term benefits, they don't get much longer than retirement planning. Some employees will have access to a company pension scheme. For those who don't, employers must have a contract with a personal retirement savings account (PRSA) provider so that access to at least one standard PRSA is available for all employees who aren't in the company pension scheme.

Unless expressly stipulated in a person's employment contract, employers do not have to contribute to an employee's pension. However, if they do, this can have a big effect on the value of an employee's retirement income. Typically, employers who do contribute to an employee's pension fund match the employee's contribution, subject to certain limits.

## **Financial supports**

Bonuses may be a thing of the past, but employers who still want to reward staff - especially in the run-up to Christmas - may consider vouchers. Under Revenue rules, employers can give each employee one annual €250 voucher that is not subject to income tax and PRSI.

This means that the cost of providing the benefit is considerably lower for the employer than if it were provided as a cash bonus. In previous years, many employers offered staff a choice: €250 in vouchers or a considerably lower sum in cash.

“In the past, many companies weren't as cost conscious about how bonus payments were paid as they are this year,” said Jock Jordan, group sales director of On€4all, a provider of gift cards and vouchers.

“Now the savings are significant, and a company with 120 staff which gives a bonus of a €250 voucher at Christmas, could save up to €18,500 on its bonus bill.”

Don't take for granted how much you could save on food and drinks if your employer provides support in this regard. Opting for the free coffee in the canteen could save you up to €1,400 a year if you have a two cups-a-day habit over the 48 weeks of the year you work. Subsidised canteens or perks like free fruit or sweets can also reduce the amount that employees spend.

Some employers also provide a fixed sum towards the cost of gym memberships or give employees a study allowance either in study days or a contribution towards tuition and exam fees.

While employees may have far less bargaining power in the current economic conditions, don't forget to look at the other benefits of your employment when considering the overall value of your salary.