**Reward & Retirement Provision**

**Assignment 1 Notes**

(Part 1 – Employee Benefits Strategy)

*Recommended Time: 3 hours*

1. **Outline the differences between Total Remuneration and Total Reward and provide examples of the following types of benefits that could form part of their calculation:**

1. Core company provided and funded benefits
2. Voluntary, flexible, employee funded benefits
3. Community benefits or perquisites

**10 marks**

Part 1 Chapter 1.1.1, I.1.2, 1.1.3 and 1.1.4

Answer should cover:

* Definition of Total Remuneration - the full value of an employee’s contractual remuneration and this includes pay, benefits both pension and non-pension, incentives, overtime, bonus.
* Definition of Total Reward - includes everything under total remuneration but also includes non-contractual and less tangible elements of reward such as: recognition plans, car parking, training, and development, working hours’ flexibility, working environment.
* Examples of core and employer funded benefits
* Examples of voluntary, flexible and employee funded benefits
* Examples of community benefits or perquisites

**2. Outline current legislation concerning the National Minimum Wage and National Living Wage and explain the following:**

1. How the age of the employee impacts the amount payable
2. What is included in, and what is excluded from, the calculation of the amount payable
3. The types of workers that are excluded from this legislation

**10 marks**

Part 1 chapter 1.2.2 – 1.2.4

Answer should cover:

* The National Minimum Wage Act 1998 covers pay of workers
* Define workers with reference to The Employment Rights Act 1996
* Age implications for National Minimum Wage (NMW)
* Introduction of National Living Wage (NLW) and age implications
* Pay covered by NMW and NLW legislation
* Exclusions from NMW & NLW

**3. You are the Benefits Consultant to a small firm who are reviewing their maternity leave policy. Write an email to the HR Director summarising current legislative provisions concerning:**

1. The period over which Statutory Maternity Pay (SMP) is payable
2. The rates of SMP
3. The amounts of SMP which can be recovered by employers and any relief the employer may be entitled to

**15 marks**

Part 1 chapter 1.2.6

Answer should cover:

* When SMP is payable -It is payable to employees who take maternity leave or leave employment because of pregnancy or childbirth and who satisfy certain qualifying conditions. SMP replaced the old system of maternity provision under which women could receive maternity allowance from the State and, where applicable, maternity pay from their employers
* How long SMP is payable - With effect from April 2008 an employee is entitled to SMP for a total of 39 weeks.
* How much SMP is payable for different periods. For the first six weeks – 90% of the average weekly earnings with no upper limit. Remaining 33 weeks – The lower of the standard rate of £184.03, for 2024/2025 or a rate equal to 90% of average weekly earnings.
* How much employers can recover and details of Small Employers' Relief- All employers are entitled to recover 92% of the SMP/SPP/SAP they pay. If they qualify for Small Employers’ Relief, they are entitled to recover 100% of the SMP/SPP/SAP they pay plus 3.0% as compensation for NICs they pay on the SMP. The Small Employers’ Relief Threshold is annual total Class 1 NICs of £45,000.

**4. Outline the eligibility for, and calculation of, statutory redundancy pay, along with an explanation of the requirements for pay during the statutory notice period.**

**15 marks**

Part 1 Chapter 1.2.9, 1.2.10 and 1.2.11

Answer should cover:

* Factors used in the calculation of redundancy pay
* Minimum and maximum length of service
* Maximum weekly pay
* Maximum amount of statutory redundancy pay
* Legislative basis for entitlement to redundancy pay
* The circumstances when employees must be paid during the notice period and exceptions to this
* The amount of pay during the notice period including impact on contractual payments such as Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP)

**5. Your company is looking to introduce flexible benefits for its employees. As the Benefits Manager, prepare a briefing paper for the HR Director outlining the importance of using a total benefits approach to the communication for employees. Your paper should include the advantages of such an approach and describe the most appropriate method in which flexible benefits may be valued.**

**20 marks**

Part 1 Chapter 2.1

Answer should cover:

* What total benefit communication is and what it may look like - Many leading employers set their reward strategies in a holistic way that is at the “total benefits” level, rather than a piecemeal approach where the strategy and policy for each element of reward is identified individually. It is also known as “Total Remuneration”, which is the combined value of all cash payments and benefits provided by an employer to an employee. A total remuneration strategy is therefore assessed, set, and expressed in a holistic way. In the eyes of employees’ total benefits are communicated and valued in a holistic way via a Total Reward Statement usually on an annual basis.
* The advantages of this approach to communication - Adopting a total benefits approach helps raise the awareness and understanding of each reward element and its monetary value as well as the value of the overall reward package.
* How flexible benefits can be valued (employer cost & employee cost) and which is applicable to the introduction of flexible benefits (employer cost) – provide examples here for example employer and employee cost as per the manual page 28.

**6. Following a recent acquisition, a large multi-national pharmaceutical company is reviewing their employee benefits strategy. As the HR Consultant for the company, prepare a short paper outlining the main factors for the company to consider in developing and maintaining their employee benefits strategy.**

**25 marks**

Part 1 Chapter 2.2

Answer should cover:

* Reference to understanding the current strategy and any restrictions following acquisition
* Market position
* Employee demographic and segments
* Global/Group structure and culture
* Management style
* Cost management
* Compliance and risk

**7. Outline the criteria that needs to be met for long service awards to be tax free.**

**5 marks**

Part 1 Chapter 2.6.5

Answer should cover:

* The award must not be cash but a tangible article
* The cost to the employer must be no more than £50 for each year of the employee’s service
* The period of service with the same employer before the award is made must be at least 20 years
* Such awards must not be made more frequently than once every ten years to a particular employee

Care must now be taken with long service awards. The value of the awards must not be “disproportionate” otherwise they may fall foul of the Age Discrimination Legislation.