



HR VIEWS ON SALARY SACRIFICE CAR SCHEMES

An independent
research report

An exploration of HR perspectives on the changing state of salary sacrifice car schemes

As a HR professional, a key challenge is how to attract and retain the best people for the business – and employee benefits are a long-established way to do this. So long-established, in fact, that there are hundreds of different pathways to take. It can be overwhelming identifying the right benefits and exploring how they work. Certainly more recently, salary sacrifice car schemes have been gaining traction in the UK – but they carry implications for the HR people implementing them, from financial considerations to post-employment complications. What has become increasingly clear is that a single, simple solution that benefits both employees and employers is needed – as this report on a June 2016 study reveals.

Understanding the nuances of salary sacrifice car schemes

The research reveals that salary sacrifice car schemes are already an embedded, widely known employee benefit. In fact, 96% of HR directors and managers are familiar with them, with 82% claiming to either fully or at least partially understand them. These are encouraging figures – but responses to the very same survey suggest that 1 in 3 of respondents find these schemes confusing. There are evidently factors undermining their appeal to HR executives...



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For example, a fifth of employers that don't run a salary sacrifice car scheme cite their decision as driven by risk; specifically, the risk of employees leaving. A quarter consider the administrative burden associated with the schemes to be too great. Either way, there's a real sense that the risks, costs and workload outweigh the advantages. These are common misconceptions, however – ones that HR decision makers could overcome by reviewing the latest schemes in the market.

What happens to the scheme when an employee leaves?

A major concern, is what happens to the scheme when people leave the company. But here, there's a telling difference between what HR professionals expect to happen, and what they would like to happen if an employee leaves before their scheme reaches its full term. Specifically, three quarters of respondents expected an early termination charge – 37% of these expecting the charge to be incurred by the employer, and 35% of them expecting it to be covered by an associated insurance policy. Regardless of this, fewer than one in ten – just 7% – expected employees to be able to keep their car and continue payments through a new employer. But it's interesting to note that over a fifth of respondents liked this idea.

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Fewer than one in ten HR professionals expect former employees to be able to keep their cars.

Again, there's a gap here between expectation and desire. Just 29% of HR staff think it is possible for an ex-employee to keep their car when they leave mid-term – but 71% would like them to have this option, and only 30% would like the car returned. It is clear, from this gap, that most HR decision makers are unaware that a new paradigm fulfilling this need is available in salary sacrifice car schemes.

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Attraction and adoption: the appeal of the scheme

The study’s respondents agree salary sacrifice car schemes are an attractive benefit. 56% implemented their scheme to provide a valuable benefit. 42% see them as giving employees greater control over their benefits, 51% of those that had implemented such a scheme did so with the aim of raising morale, while 49% aimed to attract new talent.



From this, it’s easy to see the attractiveness of salary sacrifice car schemes. Reinforcing this, four in five respondents disagreed with the idea that these schemes are ‘a waste of money’, and two-thirds disagreed with the notion that they are ‘a waste of time’.

So, it’s also easy to see why take-up of these schemes is accelerating. Indeed, while just 10% of respondents have been running a scheme for two years or more, 80% have established one within the last six months – and, of those without a scheme running, 67% are considering implementing one in the near future.

All of this paints a very clear picture: salary sacrifice car schemes are generally well received, and are recognised for contributing to staff morale, recruitment and retention – to the extent that adoption is rapidly increasing.

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Safeguarding people and the environment

Of course, there is another angle to the attraction and adoption of salary sacrifice car schemes. Corporate social responsibility is a paramount concern for HR professionals, and this includes employee safety and environmental impact. And in the sphere of employee benefits, it’s a strong sign that salary sacrifice car schemes have a positive role to play. Namely, 47% of the study’s respondents see these schemes as encouraging the use of safer, greener cars. To add to this, 61% of those with schemes already in place did so to encourage employees to drive safer vehicles, with 53% encouraging the use of greener cars.



of respondents see salary sacrifice car schemes as a way to encourage the use of safer, greener cars.

It’s another set of statistics that reinforces the idea that salary sacrifice car schemes are amongst the most positive benefit options for employees and employers alike – from multiple angles. And this notion is set to be reinforced by the availability of more flexible schemes that remove charges and risk from employees leaving mid-term. Amidst the sea of employee benefits, it seems there is a clear channel for the future.

About the study

This report draws on an independent study, commissioned by Maxxia and undertaken by Atomik Research in June 2016. The methodology comprised a comprehensive survey of 100 HR professionals working in UK-based organisations with at least 250 employees.

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Objective research into the HR industry's views of salary sacrifice car schemes, within the wider employee benefit landscape, suggests that a different approach is needed, to keep the benefits of such schemes while eliminating charges and complications if employees leave before their term is fulfilled. The team at Maxxia has the answer to this...

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