

Employment on-costs

Statutory costs

In addition to the employees' salary, the statutory costs with the exception of some industries with negotiated agreements are:

- National Insurance Contributions (NICs) paid as a percentage of salary to cover all state provided services such as health services, pensions and unemployment benefit. The current employers contributions are 12.8% of salary
- Income Tax, paid as a percentage of taxable income to provide for public services. There are reliefs and allowances that can reduce your employees tax bill, and in some cases, pay no tax which ranges from 10 to 40% of income
- Almost all companies (except those employing fewer than five people) are also obliged to provide access to or pay into an additional pension scheme. It is worth noting that there is a Bill currently going through Parliament, which will give eligible workers the opportunity to save into a pension scheme with contributions from their employer, anticipated to be in place by 2012
- Under certain circumstances and qualifying conditions, employees are entitled to a minimum level of payment should he/she become sick covered by Statutory Sick Payments (SSP), take statutory maternity leave (SMP), paternity leave (SPP) and/or adoption leave (SAP)
- All workers must be paid at least the National Minimum Wage (NMW) as defined by law www.hmrc.gov.uk/nmw

Additional costs

Many employers offer a competitive range of other bonuses, allowances and benefits. Within the private sector services approximately 70-80% of employers tend to offer additional benefits such as:

- Childcare vouchers, bicycle and season ticket loans
- Additional holidays over and above the statutory minimum and additional time off
- Healthcare and Group Risk-Benefits (occupational sick pay, private medical insurance (PMI), life assurance, permanent health insurance (PHI) or long-term disability (LTD), critical illness insurance (CII) and employee assistance plans
- Company cars and cash allowances
- Voluntary and flexible benefits
- Bonuses, cash and incentive schemes (average is between 6-10% of salary)

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- Occupational Pension Schemes/Additional Contributions. Employers may choose to provide and contribute to additional pension schemes for employees (average around 8% of salary)
- Other allowances such as transportation, housing and lunch premiums

This list is not exhausted and companies are free to choose which services they provide or subsidise for their staff, and set their own salary and benefit packages.

For further information:

HM Revenue & Customs NICs www.hmrc.gov.uk

DTI Employment Relations www.dti.gov.uk/employment/index.html

Pensions Service www.thepensionservice.gov.uk/employer/home.asp

While every care has been taken in compiling these notes, JOBMatch cannot be held responsible for any errors or omissions; the notes are not intended to be a substitute for specific legal advice.

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