

US & UK Employee Benefits Comparison

To help your company get the most from its investment overseas, your employee benefits program should be designed around the needs of your local hires, whilst being compliant with the prevailing laws.

Most employers also want to align their UK employee benefits with those provided in the US, but taking into account what is appropriate locally for recruitment and retention.

Retirement: Pension Provision

It is a requirement for UK employers to provide their employees with a Workplace Pension with pre-agreed contribution rates, normally on a matching basis from both employer and employee.

A 5% of basic salary match is fairly typical. Vesting does not exist in the UK, contributions are 100% vested on payment.

The UK Workplace Pension is similar to a US group 401K plan but does not allow access to funds before retirement age. [Request a copy](#) of our Info Sheet on Workplace Pensions (Auto-enrolment) for more information.

Workers' Comp

Employers' Liability Insurance (ELI) is the equivalent to Workers' Comp and is a legal requirement in the UK for any business with employees.

Life Assurance

Group Life Assurance is known as 'Death in Service' cover in the UK, the provision for which is general higher than is typical in the US with 3x or 4x basic annual salary customary.

Absence due to illness or injury

Many UK employers 'self-insure' for the initial period that an employee is absent from work due to illness or injury. Employees are entitled to statutory payments if they are unfit for work. [Request copies](#) of our Info Sheets on statutory entitlements for more information.

Disability

The provision of Short and Long Term Disability is similar in the UK to the US system - allowing for coverage of around 66% of the individual's salary from 14 days' absence due to illness or injury.

Healthcare Insurance

Private Medical Insurance (PMI) is completely different to US Healthcare provision. PMI in the UK supplements the National Health Service (NHS).

The NHS is generally available to all; however, there can be delays in consultation and for treatment of some conditions.

PMI is therefore cheaper than in the US, as it is less comprehensive and supplements the NHS. PMI can however speed up the process of consultation and treatment. PMI is seen

as an important benefit and is often provided on a group basis by companies, which allows for a lower cost per member.

Doctors' Office

UK residents register with an NHS General Practitioner (GP) for free, so they have a local doctor to see when required.

The NHS caters for accidents, emergencies, long term care and administers prescription medication at a significantly discounted rate in comparison to the US.

Dental

Dental insurance is a common employee benefit in the UK and becomes more cost effective the more employees you have.

Travel Insurance

Any employees of the UK company (domestic or expatriate) travelling on business outside the UK should be provided with travel insurance (particularly to support medical treatment abroad).

This is often the cheapest and most effective way of providing employees with international medical support.

Salary Sacrifice Benefits

There are a number of 'salary sacrifice' benefits including Childcare Vouchers and Cycle to Work. Employees can sacrifice a portion of salary to pay for these facilities, thus saving on both income tax and National Insurance Contributions (social security payments - FICA equivalent).

The company also saves as they are not having to pay their share of National Insurance Contributions on the sacrificed salary.

- Childcare Vouchers: an employee can sacrifice a certain amount of salary to pay for childcare
- Cycle to Work: an employee can sacrifice a certain amount of salary to pay for a bicycle and associated equipment (effectively a loan repayable over 12 months)

Commuter Benefits

Business travel costs may be paid directly or reimbursed by the employer and are not taxable. However, personal commuting costs to a regular place of work, if paid or reimbursed by the employer, will be treated as additional pay and subject to payroll withholding taxes.

Most employers would not make any contribution towards commuting costs. Many London based employers provide a 'Season Ticket Loan' facility (the loan facility is tax free up to a maximum value of £10,000) to assist those employees commuting by train to finance an annual season ticket (more cost effective than weekly or monthly tickets).

The loan is repaid in 12 equal monthly instalments via deductions from net pay – a loan agreement specifies the terms, including early repayment in the event an employee leaves during the loan period.

Gym Membership

Where an employer provides gym membership for employees, this will be treated as a 'benefit in kind' and subject to employee income tax and employer social security.

It is possible for the employer to pay for access to a discount site where the employee can contract directly (at their own expense) and this facility will not be taxed.

Pay Expectations

Unlike the US where it may be more common to make salary payments to employees on a weekly or bi-weekly basis (and by check or 'cheque'), in the UK employees usually expect to be paid calendar monthly (normally on the last working day of the month).

Most UK employees are used to receiving their salary via a bank transfer directly into their personal bank account.

They will also expect to receive a payslip outlining what they have been paid, with any tax, social security and benefit deductions detailed.

We provide a secure ePayslip platform through which employees can download their payslips, removing the need for employers to distribute them.

Vacation

It is mandatory in the UK to provide at least 28 days' paid annual leave (vacation) for full time employees. Public/Bank Holidays can be included in this amount (of which there are 8 in 2017).

Additional Benefits include:

- Vision (better to self-insure for small groups)
- Critical Illness
- Key Person Protection
- Employee Assistance Programs
- Stock Options

If offered in the US, Stock Options will need to be considered for the UK, however they may need restructuring.

Everywhere Differs, Seek Advice

In the UK, the provision of a solid employee benefits package relevant to the industry sector is essential for recruiting and retaining quality staff.

Updated September 2017. The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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