

Small businesses 'use benefits to keep top staff'

South African business owners struggling to retain their top staff in the tough economic climate are showing a willingness to offer employees some form of retirement benefits, provided the solution is cost-effective and simple to administer.

According to Hugh Hacking, Umbrella Fund product manager at Old Mutual Corporate, 250 schemes have joined the group's Easy Benefit Plan since it was launched last year.

"We have about 5,000 members at the moment, with an average of 20 members per scheme.

"The average salary of those participating is 2,100 rand per member."

Hacking said these statistics showed that smaller businesses were willing to provide their staff with employee benefits, provided that these were cost-effective and simple to implement and manage.

Hacking explained that the plan was a retirement fund solution ideally suited to smaller businesses that were implementing employee benefits for the first time.

The plan offered employee benefits such as life and disability cover, family funeral cover as well as a retirement savings vehicle without any medical underwriting.

"We have tried to make it as easy to purchase, activate and administer as possible. Businesses also receive ongoing support as well as free access to advice from a web-based employment law service."

The plan requires that the employer pays the total monthly contributions on the member's behalf to Old Mutual with the total contribution equating to about 8.5% of a member's retirement funding income.

The 8.5% contribution is split up, with 5.2% of retirement funding income going towards an employee's retirement savings, 1.87% towards lump-sum permanent disability and death benefits, 0.63% towards a temporary disability income benefit and a family funeral benefit and 0.8% towards various scheme expenses.

"The retirement savings are invested in Old Mutual's market-leading Absolute Stable Growth Portfolio, which, despite the recent market crash, has not experienced negative returns."

To be eligible for the plan, the business must employ five or more staff members and have access to the internet.

In order to activate the package, the business would also require an accredited payroll system or Microsoft Excel, Hacking said.

"This product was designed specifically with affordability in mind, allowing people to gradually increase the amount that they are saving.

"We recommend that if you plan to work for 40 years, you should ideally save about 15% to 20% of your monthly salary in order to ensure a comfortable retirement and so employees should be encouraged to contribute additional amounts over and above the basic employer contribution."