

# Festive bonus belongs to Christmases past

Tax issues and performance-related pay deals mean employers should look for different ways to reward staff, writes **Gabrielle Monaghan**

THE Christmas bonus is becoming passé. The tax implications of handing employees cash or gifts worth more than €250, combined with a trend for giving staff one-off payments after their performance reviews, have persuaded more and more employers to find other ways to recognise the accomplishments of their workforce at the end of the year.

"The bonus is becoming a ghost of Christmas past," said John Cusack, the managing director of Ceridian, a human resources consultant. "Analysis from our clients across Ireland and Britain show that fewer companies are giving a bonus."

Fewer than half of the employees surveyed by RecruitIreland.com last year received a Christmas bonus. About 67% of those who did get one said it was less than €1,000, while a further 29% said they received between €2,000 and €5,000. A lucky 5% received between €5,000 and €10,000.

"The Christmas bonus is being phased out," said Stephen Kennedy, the managing director of recruitment firm Talent Partners. "People are getting performance-related bonuses in March or June and they know companies won't pay another bonus at Christmas."

The latest Human Resources Management Survey by the employers' body Ibec showed that 75% of Irish companies operated a formal performance-appraisal system last year, up from 70% in 2002. More than half of the 326 organisations

polled for the Ibec study hold performance reviews twice a year and a further 33% have rolling appraisals and peer appraisals.

"People in professional roles such as banking and finance would not expect a Christmas bonus because they get a performance-related bonus during their company's financial year," said Mairead Fleming, the director of operations at Brightwater recruitment consultancy. "If a senior professional is earning between €80,000 and €100,000, €250 isn't going to mean much to them."

The tax consequences of handing out Christmas bonuses are also proving a deterrent to employers wondering how to demonstrate appreciation of their staff. Giving an employee €250 once a year would cost a company about €530 in total if the staff member were paying the highest rate of tax and pay-related social insurance (PRSI).

"Any bonus given by an employer to an employee must be put through the payroll and tax applied as normal," said Cusack. "Employees can see their Christmas bonus getting 'eaten up' by tax and, as a result, employers and staff tend to favour non-cash bonuses at Christmas."

Employers who do not want to be labelled Scrooges over the holiday season can give staff up to €250 in vouchers, completely free of employee and employer tax and PRSI. This saves employers about €270 per worker, according to the Gift Voucher Shop, which sells vouchers that can be

redeemed in more than 4,000 stores around the country.

Bosses can also retain goodwill by giving out hampers, a turkey or a voucher for dinner or a spa treatment.

Employers who use discretion when handing out cash bonuses may inadvertently dampen the Christmas spirit if bonuses vary from employee to employee or the amount fails to live up to the workers' expectations.

"At small and medium-sized enterprises, bonuses are meant to be discretionary, but people talk," said Kennedy. "When all the staff go to the pub an hour later and someone says, 'Isn't it great to get all that money?', people who didn't receive as much will not be pleased at all."

"Also, you could have people who don't get the big bonus they were expecting at Christmas and say: 'That's all I get for working my socks off for a year.'"

"If a company clearly says 'Christmas bonuses are not part of our policy, but you will get a performance-related bonus,' there's no grey area. Sometimes, it's easier to say staff won't get anything at Christmas but a good party."

Yet some companies are abandoning the annual office party in favour of going out for lunch and giving staff the rest of the afternoon off, according to a survey of personnel managers.

Fewer than half of organisations that employ more than 1,000 people arrange a Christmas party, compared with 82% of small private sector firms, a study by the Chartered Institute of Personnel and Development has found. This is because employers are becoming more aware of the liabilities they face.

Under the Equal Status Act and the Employment Equality Act, bosses are liable for the discriminatory acts of an employee in the course of his or her employment, unless they can prove they took reasonably practicable steps to prevent the conduct.

The results of drink-fuelled late-night functions can also leave staff and management red-faced in the new year. About 42% of people quizzed for the RecruitIreland.com survey revealed that they had embarrassed themselves at the Christmas party, while one in five told the boss what they really thought of them.

Employment experts recommend that companies get staff involved in planning the Christmas party, but do not force employees to attend if they don't want to.

"Some years ago, I was working for a company that sent us all to London for a party two days before Christmas. The vast majority didn't want to go because it was so hectic," said Kennedy. "Employers now take into account the wishes of the staff more."

## Gift wrap up

**On a budget? Try these alternatives to a blowout Christmas party:**

- Take employees to lunch then give them the rest of the afternoon off
- Give employees the option to leave at noon on four Fridays during the year
- Allow staff to come in late on four Mondays
- Distribute turkeys, hams or hampers
- Buy gift vouchers
- Contribute to a charity chosen by employees



He believes small and medium-sized companies, which employ almost 780,000 people in Ireland, can show more flexibility about rewarding staff at Christmas than their multinational counterparts, which usually have to adhere to worldwide human resources policies and tighter

regulations. Owners of smaller businesses typically are unrestricted from taking the entire office out for an extended festive lunch.

Whatever limitations organisations face when considering how to acknowledge the loyalty of staff at Christmas, employers should use

their creativity to ensure their workers are rewarded and hold the company in high esteem.

The need to retain staff is all the more crucial, with recent research from RecruitIreland.com showing that 54% of Irish workers plan to change jobs in the next 12 months.