# SAYE & SIP – the original pay multipliers

**June 2017 Newsletter**

SAYE has been around now for 37 years, and SIP, for 17 years. It is clear that neither of these plans would have lasted this long if millions of employees – and their employers – didn't find them to be effective vehicles for saving and investing, and for improving the distribution of financial gains across the workforce. Boosted by a performing share price, SAYE & SIP can help employees' pay go that bit further which is crucial as inflation starts to bite and wage growth overall remains flat.

ProShare's Annual SAYE & SIP Survey was published at the end of May, and it is encouraging to see many of the largest employers in the UK still opting to offer both types of plan. This is a recognition of their differences, benefits, and suitability for different parts of the workforce. One could argue that SAYE falls at the more 'paternalistic' end of the scale, with its emphasis on regular saving and the fact that no capital is at risk unless or until the shares are acquired and held by the employee. SIP, with immediate share ownership and exposure to share price movement from the start is a significantly different proposition to SAYE, but no less helpful in its own way especially for companies at IPO, and for employees paying higher levels of tax.

This year's survey results reveal a divergence in participation levels between the two plans, with SAYE participation consolidating at 35% (as in 2015) and SIP participation overall drifting down slightly to 29% (from 30% in 2015). Average savings amounts have altered little, comparing 2016's results with 2015's. We could speculate as to the reasons why – the answers most likely lie in how people feel about their personal finances and job security, the uptick in inflation and the related cost of living and the pay restraint being shown by public companies.

We acted upon feedback received on last year's survey results to ask our plan administrators to break down SIP Partnership share participation by their clients' matching share ratios. The results in this year's survey were telling – if you introduce a Partnership shares-only arrangement, you'll average 8% take-up. 22% of companies in our survey who operate a SIP offer just that element, clearly targeting the higher-rate taxpayers in their workforce (and reaping the Employers' NI savings). But introduce any matching share ratio (as 53% of companies operating SIP Partnership arrangements do) and our survey indicated that you will see take-up at 35% on average. Our survey has found over several years that the most popular is the 1:1 ratio or, in retail parlance 'buy one get one free'. Simple and easily understood, which is an important factor with SIPs and their complexities (especially for leavers) – to state the obvious, if your people don't understand the potential value in your SIP, they probably won't join it.

It's a few years on now since the new limits were introduced for both SAYE and for SIP, and whilst these increases were for many issuers hard to introduce in one go, we see growing evidence that greater numbers are now adopting the statutory maxima. In 2015, a year after the new upper limits came in, 70 companies were still offering the old maximum of £1,500 per annum per employee under their SIP partnership share arrangement. In 2016, that figure almost halved to 36 companies. (426 companies' SIPs are represented in our survey).

A similar trend is demonstrated with SAYE. In 2015, 57 companies capped maximum contributions to £250 per month per employee, the old statutory limit. By the end of 2016 this had fallen to 47 companies. In 2015, 187 companies had adopted the full £500 monthly limit, and in 2016 this had risen to 236. (423 companies' SAYE schemes are represented in our survey).

So companies seem happier to adopt the full statutory limits – but how many employees take advantage of that generosity? A weighted average of 11.22% of employees maxed out their SAYE contributions i.e. contributed up to their companies' adopted maximum, whether that is £250, £500 or somewhere in between. This metric, however, is on a downward curve, with 2015 and 2014's maxed-out rates at 13.5% and 20.7% respectively. Despite fewer employees saving at the maximum across all grants, the overall average contribution per employee for new grants in 2016 has risen.

After a significant rise from £66 per month in 2013, SIP Partnership share contributions have levelled out at £89 per month per employee for 2016, the same as in 2015 (measured without reference to matching share ratios).

*'Do not save what is left after spending, but spend what is left after saving' – Warren Buffett*

What these survey results don't break down is the take-up rate for these plans across the different age groups in the workplace – that data being inconsistently held and onerous to compile. ProShare is conducting an important piece of research this summer looking at attitudes towards SAYE & SIP across the generations, with a particular focus on understanding why Millennials tend (on much anecdotal evidence) to engage less on share plans than their older peers. We have an impressive roster of companies signed up to participate - any companies with SAYE or SIP or both plans are eligible to take part so do contact us for further details if you're not already signed up.

SAYE and SIP make a positive difference to all employees' sense of financial wellbeing, and can generate significant profits for their participants. It is important that we ensure that these benefits aren't lost on the Millennial generation for it is they who stand to benefit most over the coming years of their careers, and who should be empowered to get their fair share in the success they help to create.

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