

Your next “rise” may not be just about money.

The global economic downturn has seen organisations cut budgets in many aspects of their operations—including money for human resources.

Whether you are seeking a new job, expecting to be promoted or just want a rise, asking for more money in today's economic climate may not be the answer. In fact in an organisation that has recently shed jobs through retrenchment or non-hire policies, asking for more money may show that you're not tuned in to what is happening in your workplace.

But don't be put off. Whether it's economic or just lifestyle choice, there are many things you can do to make your pay-packet go further or improve your work-life balance. Changing the way your salary is packaged could release dollars into your pocket or give you work flexibility that can't be measured in money alone.

Some of the options outlined below have been used by many organisations for some time, while others are only gaining traction now as employers realise that providing flexibility in the workplace leads to greater motivation, reduces absenteeism and turnover and increases productivity.

The two broad ways to improve your lot are to make your dollars go further through more effective salary packaging or to trade-off some salary for more flexible working hours, more annual leave or other flexible options such as working from home or job-sharing.

While not all of the options will be relevant to your situation, job role or industry, they are worth noting as circumstances change.

Salary packaging

Many of us earn a wage and our employer takes out superannuation and we pay tax on the remaining income. However, there are a range of benefits we can “pay” for to reduce our taxable income, some which our employer may have to pay a fringe benefits tax on (FBT) but some which are FBT exempt. This is known as salary sacrifice. We voluntarily “reduce” our take home pay (taxable income) to pay for a benefit. But there are a few things you need to be aware of. The sacrificed salary must be permanently forgone for the period of the arrangement and in the case of FBT benefits, your employer may be required to report certain benefits on your payment summary for tax purposes.

Here are some of the more common salary sacrifice arrangements that are exempt from FBT.

Supplementing superannuation

These days many organisations allow salary sacrificed superannuation contributions, which means that you pay more of your wage into a complying super fund under an effective salary sacrifice arrangement. However, superannuation contributions made for the benefit of say your spouse, *are* a fringe benefit.

Other common and not so common benefits that are exempt from FBT¹ include

- a portable electronic device like a lap-top
- an item of computer software
- your mobile phone or PDA
- an item of protective clothing
- a briefcase
- a tool of the trade.

¹ www.ato.gov.au

However, these exemptions are limited to items that are primarily for work related use. Further, only one item per FBT year can be “packaged” if they have substantially similar functions. With the convergence of technology these days – that’s one to watch carefully.

Which benefits you can package exempt of FBT will depend on the arrangement with your employer and the industry you work in.² If you work for a recognised charity, you can salary package up to \$16,050 net benefits each FBT year. As a health employee you can salary package up to \$9,095 each FBT year. You could choose to package a range of items, such as your mortgage, rent, school tuition fees, private health insurance or even a personal loan repayment within this limit.³

FBT Benefits

There are many and varied benefits which you can salary sacrifice but on which your employer will usually have to pay FBT. Depending on your circumstances, for benefits such as a vehicle which have a concessional rate of FBT, the FBT rate of tax may be less than your applicable PAYG marginal rate. However, the FBT on some benefits might be a higher rate of tax than your marginal rate. Common benefits include;

- memberships to clubs and associations
- health insurance
- cars and leases
- school fees or child care costs
- personal education costs

The best idea is do some research around what is important to you and then go and talk to your HR or line manager to find out what is possible.

It’s not so much about the money, I want more flexibility

Many organisations who have introduced flexible work options into their workplaces have found that there are real dividends in the form of improved employee engagement. This has helped them improve productivity, retain and attract talent and generally increase their workforce stability.

The National Employment Standards (NES), which became law on 1 January 2010, apply to all employees covered by the national workplace relations system.⁴ Through this Standard, eligible employees are able to request flexibility in their work arrangements, and the NES mandates significant entitlements and imposes legislated procedural and decision-making obligations on employers. Under this Standard, an employee who is a parent, or has responsibility for a child who is under school age or under 18 years with a disability, may request a change in their working arrangements. Even organisations, who have been slow to introduce flexibility and recognise the benefits, are having to re-consider their approach in this changing regulatory environment.

Irrespective of eligibility status, companies interested in retaining good employees have been proactive in introducing more flexible work practices for some time.

Here are some of the more common options;

- changes in hours of work, for example, a reduction in hours worked or changes to start/finish times,
- changes in patterns of work, for example, working ‘split-shifts,’ flex-time or job sharing arrangements,
- changes in location of work, for example, working from home or another location.

As well as these more standard options, more creativity has been introduced by forward thinking companies and in some cases government agencies have led the charge.

² www.maxxia.com.au

³ www.maxxia.com.au

⁴ www.flexibility.com.au

Purchased annual leave

Purchased leave has been an option for many employees for some time. People are generally able to purchase between one and four weeks additional leave which is administered as if it were annual leave. An adjustment is then made to the employee's annual salary to repay the additional leave. For example if you wanted to "purchase" an additional four weeks annual leave, you could do so with your annualised income reduced by this amount, but the "cost" to you amortised over the year. This scenario is commonly referred to as 48/52. You are paid over the year on an adjusted salary based on 48 weeks, not 52.

As an alternative to purchased leave, some government agencies and commercial organisations provide half-pay annual leave.

Carer and Family Leave

Carer's leave is generally a component of personal leave which may also include personal sick leave and bereavement leave. Some Awards provide for an aggregated personal or carer's leave entitlement of 13 days full pay (10 days full pay sick leave and three days full pay bereavement leave). A maximum of five days paid leave per year may be utilised from the aggregated entitlement to provide care and support for immediate family.

Some government agencies and other organisations have varied carer's leave provisions to better meet their needs. Changes include extending the number of days available for personal/carer's leave, removing the cap of five days carer's leave and establishing 'no limit' or pooling arrangements for the management of leave.

Many older workers have caring responsibilities for family members-for instance, elderly relatives, an ill spouse or grandchildren. Flexible leave provisions such as carer's leave provide access to time away from work to attend to these responsibilities. If you are not covered by any particular award and this is important to you, it could be a good negotiation point.

Career breaks (leave without pay, sabbaticals and volunteerism)

Career break schemes enable employees to pursue interests or activities outside the workplace. These schemes may assist older employees in the transition from full-time work to retirement or provide opportunities for employees to pursue volunteer activities or other special interests.

Some organisations encourage employees to plan sabbaticals (an extended period away from work to pursue study or other developmental opportunities) as a means of maintaining drive and expertise.

Purchased leave arrangements (similar to purchased annual leave) may provide an option for a career break/sabbatical. For example, an employee may opt to be paid four years' salary over a period of five years and take the fifth year out of the workplace.⁵

Summary

Whether you want to package your existing salary to be more tax effective, or are seeking opportunities to improve your lifestyle, there are plenty of options on offer and your employee may be more receptive than you think.

Spend some time thinking about what is important to you and what you would like to gain out of your next salary negotiation. Research what your company may already have in place that might not be aware of, or perhaps what similar organisation's to yours already offer. Be prepared to argue your position in a rational, non-emotional manner, drawing on examples of organisations that already offer flexible solutions with positive results.

⁵ www.deewr.gov.au