

BT Home Computing Initiative – White Paper

“Meeting Employee Needs through the Home Computing Initiative”

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Introduction

Talk to any senior manager in a major UK business and one thing is for sure. He or she will be under pressure to perform, will have too little time to do their job and will be bogged down in minutiae. Resources will be scarce and time even scarcer. Seeing the wood for the trees would be nice, but UK executives simply do not have the time for such luxury. They do not even have the time to see what Government backed schemes are available to help. But the “Catch 22” is that many of those schemes are designed to help break this vicious circle.

UK medium and large businesses are currently failing to take full advantage of appropriate Government tax credit and grant schemes which could save the companies millions of pounds while also improving corporate productivity and effectiveness. Why? They tell us that they do not have the time or resources to look into the detail behind the schemes, deal with the administration involved and therefore take advantage of them. The day job, understandably, takes precedence. But to become more competitive and effective UK businesses have to look at what is around and how they can use the myriad schemes that could have a positive impact on their businesses.

BT Home Computing (BTHC) a leading provider of resources and solutions for home computing activities, commissioned Coleman Parkes, the independent market research specialists, to design and undertake a study that looked specifically at the uptake of one key scheme - the Home Computing Initiative (HCI) – and then at the broader importance of employee benefits. Organisations that implement any HCI programme can save up to £320 in National Insurance contributions for each employee that signs up to the scheme, at the same time aiding staff retention, reducing the amount of time spent on personal internet use at work and improving employee IT skills. The study sought to identify the awareness of the scheme, the possible benefits of taking up the HCI and opinions on the attractiveness of the variety of perks and benefits employers currently offer employees.

Executive Overview

- The awareness of key large company appropriate Government grants and schemes is comparatively low. Amongst those that are aware of the schemes their reluctance to take them up is related to the perceived cost of administration and a lack of time and resources to deal with the schemes.
- The implementation of the Home Computing Initiative (HCI) would allow UK organisations to recoup up to £416 million annually while also directly contributing to their bottom line and employee productivity, motivation and retention.
- There is strong agreement amongst both employers and employees that providing a low cost home PC package would reduce the amount of time that employees spend on the internet at work, would positively impact productivity and reduce the significant cost to companies of employees using the internet during core time.
- Help is also available to enable employers to use the HCI as organisations like BT Home Computing are on hand to remove much of the administrative burden of compliance with the scheme.
- On average an employee in a large company spends 15 minutes per day on personal internet activity, costing large businesses a massive £6 billion in opportunity cost based on average salary rates.
- UK large employers think that the average time spent using the internet in core time for personal reasons is only 11 minutes but this still equates to an annual cost of around £4.8 billion on the same basis.
- 27 per cent of employers when questioned thought their employees did not use the internet at all for personal reasons, when in fact they are typically communicating with businesses and family, browsing and even online banking during core time.
- A pension, cash bonus and healthcare are the three most attractive employment benefits according to employees of large firms in the UK.
- Employers have their finger on the right pulse as they perceive the top benefits that attract the right calibre of people to a company as being the pension, healthcare and additional holiday entitlement.
- 65 per cent of employees see the range of benefits on offer as being at least fairly important in the decision as to which organisation to join.

Government Grants and Initiatives – The Missed Link

Big businesses in the UK are failing to take full advantage of some key highly appropriate Government tax credit and grant schemes which could save millions and improve corporate productivity and effectiveness in the UK. A principal reason why this is the case is simply due to lack of awareness of what is available. For example only 30 per cent of companies said they were aware of the Home Computing Initiative (HCI) and 20 per cent Enterprise Grants. But there is more besides awareness holding back the use of the initiatives.

Other common reasons cited by respondents for not using the schemes include (see Figure 1 in the Appendix):

- looking at the scheme never reaches the top of the priority list (32%).
- lack of time and resources to review the initiative and take the appropriate actions (32%).
- the cost of administration of the scheme puts companies off applying for it (29%).

Perhaps there is a role for external experts who can help companies understand the benefits of implementation of a core employee or investment centric scheme.

The Home Computing Initiative (HCI)

One core scheme on offer is the HCI which is aimed at improving the UK's IT skills. It offers a potential solution to reducing the amount of time that employees spend on the internet during core time at work (which we explore later) without any cost to the employer. For over four years, the UK has enjoyed this tax incentive that enables a company to provide home PC packages for its employees at no cost to the employer. The cost of the PC is recovered through a Salary Sacrifice plan from the employee's regular salary and the PC package can be used by the employee and their family at home. There is no tax liability from the scheme on either the employer or the employee. The tax benefits mean that employers can save up to £320 per employee in National Insurance contributions and the employee can save up to 50% on a home PC.

But based on the survey results the uptake of the HCI is only around 3 per cent of large companies even though 30 per cent claim to be aware of it? However, when questioned:

- 43 per cent of employees agreed that “if they had a PC at home they would not access the internet at work as much”
- 40 per cent also agreed that “they would like their employer to provide financial assistance for investing in a home PC package”.

There would appear strong demand amongst employees, something that employers have yet to respond to by implementing a scheme in their workplace.

To add further weight to the argument, one quarter of all employees also agreed that “the provision of a low cost home PC package from my employer would cut down the amount of time I spend on the Internet while at work”. If ever there was a mandate for taking advantage of a key Government tax credit scheme, this is it.

Employers need to shake off the general lethargy towards Government operated schemes and look to take full advantage of the programme which can impact the company’s bottom line. Through the HCI alone, it is estimated from the results of the survey that the opportunity exists for UK organisations to collectively recoup up to £416 million annually. Additionally, as many as 9.5 million UK employees could benefit from huge savings on home PC packages. When questioned directly, 42 per cent of employers agreed that “taking advantage of the HCI would reduce the cost to the business of internet use at work” so all they have to do is move to implementation.

Employers do not have to do it all on their own either. Suppliers such as BT Home Computing (BTHC) are on hand to take much of the burden away from companies by offering a fully managed service for clients, drastically reducing any administrative and resource burden.

Use of the Internet at work for personal activities

A possible benefit of implementing the HCI is the reduction in the time employees spend on the internet while at work. The internet has become a key information and communication tool over the last few years and, the survey confirms that:

- only 29 per cent of employees see the internet as “not at all important” in their daily lives.
- one quarter of employees said they “could not live without the internet”
- sixty nine per cent of employees questioned have internet access at home and of those approaching half have moved to broadband services already.

Internet access at work, however, can be a major cost to UK companies if it exceeds reasonable levels of use. Three quarters of employers claim that they currently monitor internet use at work through their IT department and software monitoring solutions and only 17 per cent of all employees taking part in the survey do not have internet access at their place of work. Amongst those that do, two thirds claim that their internet access allows some personal activities to be undertaken.

But how much core time (defined as work time outside of lunch or break times) do employees actually spend surfing the net? Well, on average an employee will spend 15 minutes a day on internet use for personal reasons, which using average salary costs adds up to an estimated £6 billion cost to UK industry, taking no account of the overhead and opportunity costs involved.

Employers are also seen to be content with this as they accept that on average 11 minutes are spent by an employee on average per day using the internet per personal reasons. This still adds up to an opportunity cost of some £4.8 billion.

Clearly reality is very different from the employers' perception. Twenty seven per cent of employers think that no core time is spent using the internet by employees which is far from the truth and in other cases employers tend to over-estimate the actual time spent on the using the internet while at work (see Figure 2 in the Appendix).

So what are employees doing on the internet while at work? Well for the most part they use the internet at work in exactly the same way as they use it at home (see Figure 3):

- forty three per cent simply browse the internet.
- forty four per cent communicate with friends and family.
- one quarter enjoy searching for a holiday while in core time at the office

Internet use is clearly widespread and is costing employers significant amounts of money over the course of an average year. This is not to suggest that companies should impose a 'no internet usage at work' policy, particularly as the trend is a social one that is unlikely to change, but simply that companies should look at the options available to them. In this instance, the HCI could offer a workable solution that is popular with staff.

Employee Benefits as Motivation and Retention Tools

When seeking employment, we all look not only at the job and the salary offered but also the "perks" that can often sway the decision from employment with one company to another. The survey showed that all of the major companies, as might be expected, offered a full range of key benefits the most common being:

- a pension
- healthcare
- additional holiday entitlement.

But, which benefits are seen as important in the decision to join a company or attract key staff? For some benefits there is great commonality between the perceived importance by employees compared with employers. These include healthcare, additional holiday entitlement and profit share (See Figure 4 in the Appendix). But employees put greater emphasis on a low cost home PC package, cash bonus and gym/fitness club membership. On the other hand employers put great store on the fact that they offer employees a pension and company car.

So which benefits impact the decision to take employment with a company and which do employers see as being the most important in attracting the right calibre of staff? (Figure 5 in the Appendix)

- employers clearly rate pension, healthcare and additional holiday entitlements as the three that have most impact on the employees' decision to join an organisation.

- employees see a cash bonus as more important than the additional holiday entitlement
- employees also rate travel expenses to and from work as more important than the employers.

What is also clear from the survey is that the range of benefits on offer has a significant impact on the decision as to which company to join:

- almost two thirds of employees rated the range of benefits offered as at least “fairly important” in the decision to join a company.
- three quarters of all employers see the range of benefits on offer as “a key part of attracting the right talent to the company”.
- only a minority of employers see the benefits as “a costly but necessary requirement”.
- forty four per cent of employers cite that the provision of the benefits is merely “a matter of routine”.

Conclusion

Employers are currently failing to take full advantage of the wide range of Government based schemes available which can have a highly positive impact on their businesses, traceable to the bottom line. They need to become more familiar with what is available and also how to overcome the administrative burden that inevitably accompanies a Government based scheme – organisations such as BTHC can provide the key resources to manage such a scheme.

Any number of the 9.5 million employees in organisations with 1,000 or more employees who are eligible for a low cost home PC package via the HCI would certainly look more favourably on their employer and provide increased productivity through increased motivation. Businesses would gain as they can reduce the up to £6 billion annual cost of employees using the internet while at work.

There is further evidence to suggest that employers should look to use the HCI more than ever, as employees have agreed that provision of a low cost home PC package would reduce the amount of time they spend on the internet at work, thereby impacting personal productivity and the bottom line of the company. And there is no real cost the employer and the positive impact on employee motivation is immeasurable. The HCI can be added to the long list of ongoing benefits that are offered to employees, many of which play a vital role in the decision as to which company to join.

How the survey was conducted

The survey, which covered companies with more than 1,000 employees in the UK, involved 500 detailed telephone interviews, 400 with employees in all functions and 100 with senior managers in Finance and HR. A detailed questionnaire was used for each respondent type with interviews being completed over the telephone during September and October 2004.

Amongst the employees, the main survey objectives were to:

- Establish which are the most commonly provided employee benefits in major UK companies.
- Analyse current internet usage and the main activities for which the internet is being used.
- Determine access to the internet for personal activities while at work.
- Determine how much core time is spent using the internet at work for personal reasons and which activities are commonly undertaken.
- Analyse if a low cost home PC package from their employer would be of interest and benefit to employees.

Amongst the senior managers or “employers”, the study looked to:

- Establish the levels of awareness of certain key Government based grant schemes.
- Analyse why some schemes are not used by employers.
- Measure the level of awareness of the Home Computing Initiative and employers attitudes to it.
- Establish which benefits employers feel are most attractive to employees as part of their reason for working with an employer.
- Establish whether companies monitor the use of the internet by employees while at work and then to determine how much core time employers think employees spend using the internet at work for personal reasons and which activities are commonly undertaken.

Appendix – Survey Charts

Figure 1

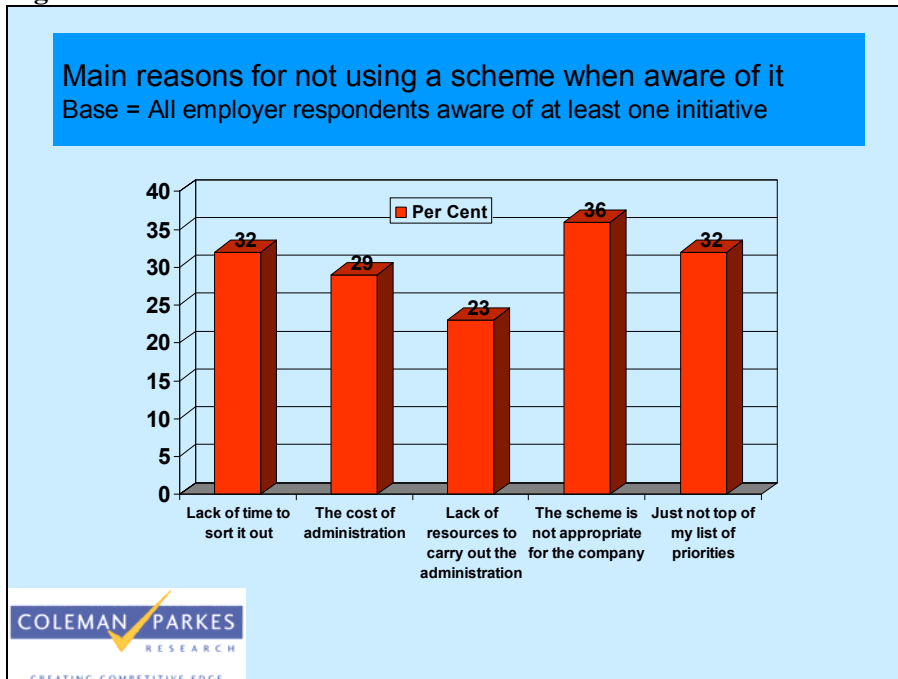


Figure 2

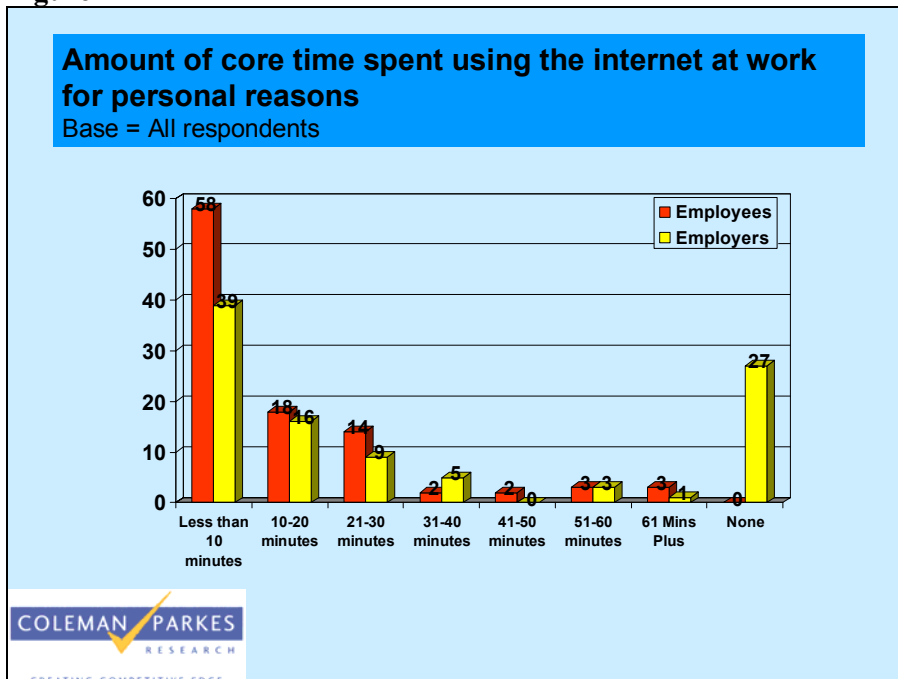


Figure 3

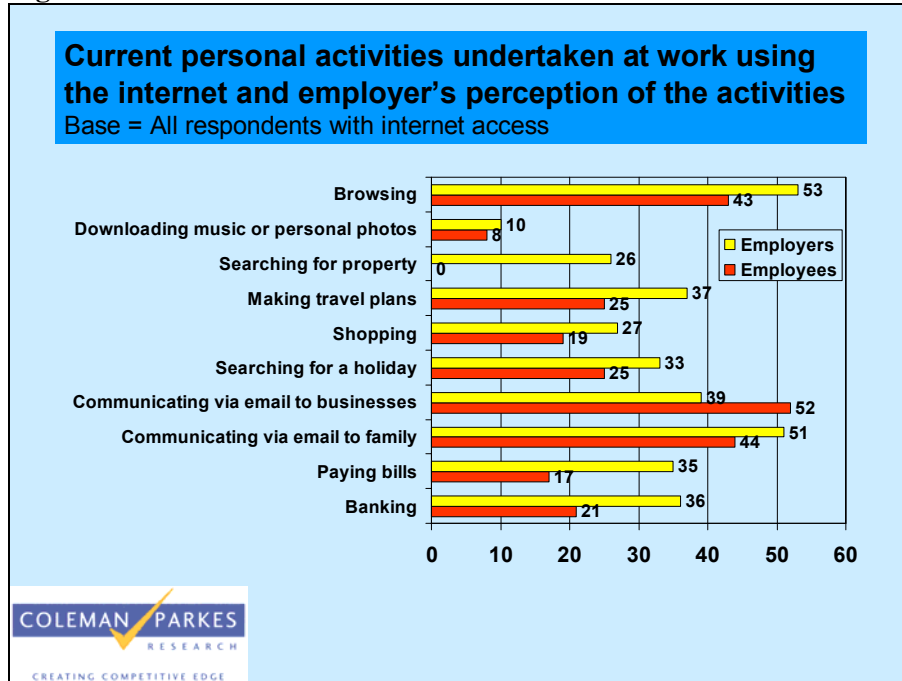
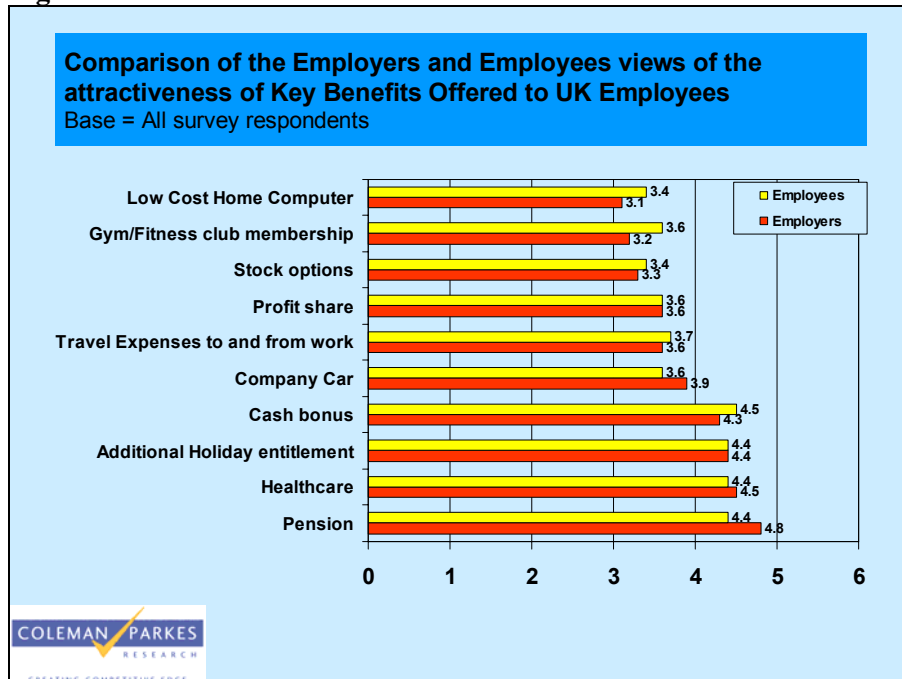


Figure 4



Note mean scores are shown out of 5, 5 being very attractive.

Figure 5

