Sharesave's 40th Year!

Sharesave or Save As You Earn (SAYE) celebrates its 40th anniversary this year. The HMRC approved plan started life with the intention of encouraging employees at all levels to buy a stake in the companies for which they work and today continues to allow employees to do just that, giving staff the opportunity to benefit from any share price upside that might be created from their efforts. Whilst many things have changed in the last 40 years, in 1980 the average house price in the UK was around £14,000, the average wage was around £5,000pa and the price of a pint of beer was just 35 pence! SAYE continues to do exactly what it set out to do and, if anything, has potentially become even more important in recent times.

In a nutshell, SAYE offers employees the opportunity to save between £5 and £500 per month, for a 3 or 5 year period. The employees are granted an 'option' to use their savings to acquire shares at a fixed option price – the option price can be offered at up to 20% discount to the market price at the start of the plan. Contributions are taken directly from employee's post tax pay and after the 3 or 5 years, at maturity, employees can exercise their option meaning they can keep, sell or transfer their shares. If the share price has fallen below the option price, the employee can simply withdraw their savings.

Over the years the scheme has seen very little change and it remains as popular as it has ever been. In the 2013/14 tax year the monthly maximum contribution was increased from £250 to £500 per month offering opportunities for greater gains for employees. Another change we have seen, was the introduction of the 12 month contribution holiday in 2018 -after much ProShare lobbying, which brought the previous six months' contribution holiday into line with the current length of maternity leave in the UK. Incidentally, in the 1980s maternity leave varied wildly from company to company and was generally linked to length of service.

When the contribution holiday was introduced it was implemented as an option for all participating employees (not just those on maternity leave), allowing them to defer up to 12 payments and pushing forward their Sharesave maturity date by the same number of months. This offers those who may be suffering temporary financial difficulties or those who may be off sick long term or even those taking a sabbatical to pause contributions and continue to benefit from the scheme. Whilst no one could have predicted the COVID-19 crisis that we now find ourselves in, the plan now offers flexibility to employees who may be furloughed, sick or working reduced hours.

As with everything related to employee's welfare and benefits, communication is the key. Employers who operate SAYE might consider making sure employees are aware that they can pause their contributions at this time. Many employers may also be considering how they keep employees informed of the share value fluctuations and ensure that employees are aware that until they realise shares from the plan at maturity, there is no stock market exposure. Employees can be safe in the knowledge especially in uncertain times, that their savings - are always held by an authorised and regulated savings carrier and protected under the Financial Services Compensation Scheme.

Another benefit of SAYE is that, on leaving the company - in the event of being classed as a 'good leaver' (with some companies potentially making staff redundant during this difficult time), the employee - or former employee - has the option of withdrawing their savings or continuing to save for a further six months from the date of leaving before exercising the options – which if the option is above water could give rise to an additional gain on exercise.

Each year ProShare (part of the The Chartered Governance Institute) produces the SAYE & SIP Report, packed with trends on SAYE, from contribution levels to most common routes of employees joining applications. Across the 447 companies included in the latest SAYE & SIP survey published in 2019, 10% of all participants were saving the maximum of £500 (across all schemes) that's just over 73,000 participants, emphasising not only the popularity of the scheme but the value that employees place on it. ProShare is currently working on the publication of the latest report, it is due to be available later this year.

In today's world, the chance to own shares in the organisation they work for is a potential step on the property ladder, or the holiday of a life time (when it's safe to holiday of course) and for some the gains from their SAYE schemes have been genuinely life changing – we often hear stories of cars, holidays and marriages that have been paid for from successful maturities. Also, concerningly in today's world, for many people a company SAYE scheme is often the only savings that they have. SAYE has become an important savings vehicle for many and for some simply offers peace of mind that they have some savings for a rainy day.

There is also the benefit to firms of a potential uptick in productivity, as employees have a vested interest in their company's growth. Certainly, some of our members have reported enhanced engagement scores for employees who were contributing to a SAYE scheme. In addition, having an all employee share plan in place, means firms can encourage their employees to act like an owner.

In today's environment, now should be a great time for companies, that can, to be launching SAYE schemes and employees to be joining them. Share plans can offer a real opportunity to bring employees together with a common goal even when they may be physically apart, bringing together workforces to boost productivity for the greater good. Given some companies share option prices at present, those entering Sharesave savings contracts during this difficult time may also find that if the markets recover and rebound as we all hope they will, 2023 or 2025 may be windfall years!

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