



These past weeks have been dominated yet again by the joy of Bankers and their bonuses never mind Tax avoidance (eh Mr Ed 'I'll pay Tax at source now!' Lester).

It is clear that we live in a society that uses reward schemes and bonus payments are a type of reward scheme that companies mainly use. Now the argument often comes (I hear Ed Miliband warming up his rhetoric!) that everyone should do a good days job for a fair salary. Oh... I forgot to mention he has more than one rhetoric.... 'The country owns 83% of the banks so why should we the poor tax payer agree to astronomical bonus payments?').

Lets have a sensible look at bonus payments. So what are they used for and how are they managed?

- ↳ Bonus payments are to reward employees that deliver a high return/performance
- ↳ Bonus payments are typically associated to the level of performance against key performance indicators
- ↳ Bonus payments/schemes are agreed in advance and paid in line with the agreement with the employee
- ↳ Bonus payments are paid typically annually or at the end of the performance target period (i.e. 3 year finance target would pay out after the 3 years).

The above are typical of bonus schemes although the schemes are operated in a variety of manners within organisations never mind across sectors.

We mere humans are use to far lower salaries and bonus payments than the massive payments that Mr Hester receives for sorting out RBS. However, one point of note regarding the recent debacle is that the majority of employees that receive a bonus payment cannot run a multi national bank never mind receive the annual salary of the Bank CEO.

So.... assuming that Mr Hester has done what the board (a bonus scheme agreed with the then Labour government – Ed!!) wanted him to do, and agreed it contractually, what right have the government or the opposition got to expect him to turn down his bonus payment. The bonus is huge by our comparison but let's put it this way.... if you agreed to a bonus and you met the targets (after years of effort) and then the government said that you were unreasonable for expecting it to be paid... how would you feel?

So Mr Hester should be paid his bonus if he has reached his targets. The next time the bonus is set look at the scheme and review it but not at the last minute!



The issue here is that Mr Hester is a scapegoat for politicians on both sides of the commons. The plain fact of the matter is that Mr Hester's bonus payments are not going to help one little bit in our attempts to get out of this economic gloom. Can the politicians please concentrate on the bigger issue here instead of penalising someone who is helping the bank out of the crisis?

Now putting that to one side let's have a quick review of Mr Ed Lester. Now here is a different slant on what is happening.

- 🔗 Was Mr Lester engaged as an employee or as a consultant through a separate company?
- 🔗 How long was the engagement of Mr Lester?
- 🔗 Was he bonus part of the employee/senior manager/exec scheme?
- 🔗 Did he have annual performance targets and was he directly managed?
- 🔗 Was he able to turn down the work or send someone in his place?
- 🔗 Was he charged a daily rate?
- 🔗 How did he manage sickness days and annual leave etc?

These are some of the questions that you would ask to test to see if the individual is an employee or actually a consultant/self employed. Now this has not been asked and it is clear that the only issue is the Tax avoidance. Again lets have a sensible look at this... lots of self employed people are on tax efficient ways of working as consultants to companies that is available when an individual is providing services (not service) to clients. However, it is clear that this was not the case in this example and, never mind the consultant approach to tax efficiency, clearly the government agreed to providing Mr Lester the benefits of being a consultant when quite clearly he was an employee all along. This is the issue here not the tax efficient way of working. He was an employee not a consultant and therefore dodged tax with the blessing of the government.

We hope this has cleared up the debacle over the past few weeks. Watch out for our next issue of the HR Inc – Thoughts and Reviews.

Watch out for our next issue of 'HR Inc Thoughts and Reviews' – perhaps next time we won't be speaking Hester/Lester

HR Inc Team
info@hr-inc.co.uk

Contact us to help you with any HR support or issues that you may have:



info@hr-inc.co.uk



+44 (0)2381 242195

