



## Employment-Related Securities:

The Complexity Unravelled Into Practical Application

**Webinar**

Thursday 17 September 2020





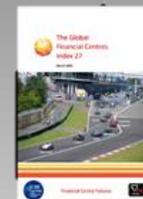
# A Word From The Chairman



Ian Harris, BA (Hons)  
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# Agenda



- 12:00 – 12:05 Chairman's Introduction
- 12:05 – 12:30 Keynote address
- 12:30 – 12:45 Questions & Answers



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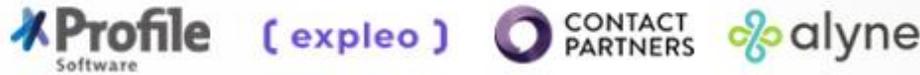
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## Employment-Related Securities:

The Complexity Unravelled Into Practical  
Application



**David Craddock**

Founder and  
Director

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# DAVID CRADDOCK CONSULTANCY SERVICES

Specialist in Employee Share Ownership and Reward Management,  
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## The Development of the Tax Legislation

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### An Introduction Point

In broad terms, when seeking to understand how an employee share scheme, first identify it as one of the following:-

- A Share Gifting Scheme,  
OR
- A Share Purchase Scheme,  
OR
- A Share Option Scheme  
(as a Deferred Share Purchase Scheme)

Once you have identified the broad category, you are then in a position to examine the more detailed intricacies of the scheme.



# The Development of the Tax Legislation

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## The Main Income Tax Charging Provisions

Sections 10 and 62, ITEPA 2003

- Income tax on the gain arising from the issue or transfer of shares at less than market value where, by virtue of employment

Sections 471 to 487, ITEPA 2003

- Income tax on the gain realised on the exercise or assignment or release of a right to purchase shares where, by virtue of employment

## The Reliefs from the Tax Charging Provisions are in Part 7, ITEPA 2003

Chapter 6 and Schedule 2: Approved Share Incentive Plans

– Share Gifting and Share Purchase – All-Employee Scheme

Chapter 7 and Schedule 3: Approved Savings-Related Share Option Schemes

– Share Option – All-Employee Scheme

Chapter 8 and Schedule 4: Approved Company Share Option Plan Schemes

– Share Option – Discretionary Scheme

Chapter 9 and Schedule 5: Enterprise Management Incentives

– Share Option – Discretionary Scheme

# The Development of the Tax Legislation

## The Navigation of the Employment-Related Securities Legislation in Part 7, ITEPA 2003:

Chapter 1: General about Employment-Related Securities

Chapter 2: Restricted Securities

Chapter 3: Convertible Securities

Chapter 3A: Securities with Artificially Depressed Market Value

Chapter 3B: Securities with Artificially Enhanced Market Value

Chapter 3C: Securities Acquired for Less Than Market Value

Chapter 3D: Securities Disposed of for More Than Market Value

Chapter 4: Post-Acquisition Benefits from Securities

Chapter 4A: Shares in Research Institutions Spin-Out Companies

Chapter 5: Securities Options

Chapter 6 – 9: The Tax-Approved Schemes, now referred to as the Tax-Advantaged Schemes

Chapter 10: Priority Share Allocations

Chapter 11: Supplementary Provisions about Employee Benefit Trusts

Following the release of the employment-related securities legislation through Finance Act 2003, Taxation Magazine declared “The End of Tax Planning”. Nothing could be further from the truth. The legislation identified the parameters within which tax planning could take place. In that sense, the clarification offered by the legislation was a welcome development. Tax planning opportunities abound as will be demonstrated in this presentation.

None of the Chapters 2 to 11 apply unless the securities are first established as employment-related securities under Chapter 1.

# Employment-Related Securities

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## The Reason for the Employment-Related Securities Legislation

The UK operates differential rates of tax for capital and income which share gains could exploit in the absence of clear guidelines on their categorisation as either capital or income.

The legislation seeks to ensure that remuneration in the form of employment-related securities is made subject to income tax with PAYE and NICs applied as appropriate.

## The Definition and the Application

Employment-related securities are securities acquired by a person where those securities are made available by reason of the employment of that person or the employment of another person where:

1. Employment includes company directorships including non-executive directorships.
2. Employment includes former, prospective and future employments.
3. Securities do not have to be received by the employee for the legislation to apply, i.e. the securities could be received, for example, by a family member or a trust

Note the founder shareholder debate:

- Are the shares made available by the individual himself or herself as the founder shareholder and not by the individual's employer?
  - Under Section 421(8), ITEPA 2003, the term "employer" must be construed in accordance with the definition of "employment" in that sub-section.
  - Are the shares made available by reason of a prospective or future employment?
- 

# Employment-Related Securities

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## The Interaction with the Other Taxes Legislation

### 1. Transactions in Securities

Notwithstanding the employment-related securities legislation, income tax can be imposed through the Transactions in Securities legislation although tax clearances are available from HMRC.

### 2. National Insurance Contributions

The legislation has been amended so that in most cases NIC charges arise where there is a charge to income tax under the employment-related securities legislation.

### 3. Capital Gains Tax

The base cost includes any amounts subject to income tax as well as the acquisition cost of the shares. Double taxation is, therefore, normally avoided for gains that are caught by the employment-related securities legislation. The exception is amounts subject to income tax as a consequence of an artificial increase or reduction in market value which cannot benefit from this relief.

### 4. Corporation Tax

Chapters 2 and 3 of Part 12 of Corporation Tax Act 2009, originally introduced through Finance Act 2003, gives companies automatic tax relief for certain gains on shares made by their employees, i.e. share option gains, gains on restricted securities, gains on convertible securities and share gains taxed as income under general principles.

This relief does not extend beyond shares to other types of security.

# Employment-Related Securities

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## The Definitions of Employment-Related Securities

The meaning of employment-related securities applies to Chapters 2 to 4A and has two definitions under Section 421B as follows:

### **1. The Factual Test: the first definition under Section 421B(1), ITEPA 2003**

Employment-related securities are securities or an interest in securities that are acquired by a person where the beneficial right or the opportunity to acquire is available:

- Either: by reason of his or her employment;
- Or: by reason of the employment of any other person;

and under Section 421B(2), any employment includes any former and prospective employments.

### **2. The Deeming Provision: the second definition under Section 421B(2), ITEPA 2003**

Employment-related securities arise where a right or an opportunity to acquire securities or an interest in securities is made available:

- Either: by a person's employer;
- Or: by a person connected with a person's employer;

then the right or the opportunity is to be regarded (deemed) as being made available by reason of the employment of that person,

unless the right or the opportunity is made available to an individual in the normal course of the domestic, family or personal relationships of that person in which case they will not be treated as employment-related securities.

The deeming provision establishes the principle that there does not have to be a causal link between the employment and the acquisition of the shares. This is a wide scope to the legislation.

# Restricted Securities

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## The Principle of Employment-Related Securities

The key principle to recognise when interpreting this legislation is that the restricted securities regime that was introduced through Finance Act 2003 applies to securities that have an **actual market value** that is less than their **unrestricted market value**. The actual market value is the value taking account of the restrictions and is, therefore, the **restricted market value** of the securities.

Key examples of securities that are included in restricted securities:

### **Example 1**

Shares that can be transferred or forfeited in circumstances where the employee would receive less than the market value of the shares on the transfer or the forfeiture.

### **Example 2**

Shares that are subject to restrictions on the freedom of the employee to dispose of the shares, whether or not at market value.

**Restricted shares are restored to their full value, the unrestricted market value, from their restricted market value, as a result of one or both of the following:-**

1. The passage of time
2. The achievement of performance conditions

A restricted securities arrangement provides a clear incentive for the employee to remain with the company and meet the performance conditions as, usually, the employee is obliged on leaving to sell the shares or to forfeit the right to the shares.

**The restrictions on the exercise of rights derive from the following:-**

1. The Articles of Association
2. Some form of contract between the company and the employee

# Restricted Securities

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## The Statutory Provisions

Employment-Related Securities are classified as Restricted Securities or An Interest in Restricted Securities if under Section 423(1), ITEPA 2003 the two tests are met:

1. The Structural Test: Section 423(1)(a), ITEPA 2003

The employment-related securities are subject to any contract, agreement, arrangement or condition.

2. The Depressed Market Value Test: Section 423(1)(b), ITEPA 2003

The market value of the employment-related securities (based on recognised share valuation methodologies) is less than it would be but for that provision.

**For the restricted securities regime to apply, it is important to recognise the following for the shares:-**

1. There **must** be an identifiable restriction.
2. The restriction **must** reduce the value of the shares.
3. They **must** be restricted securities at the time of the acquisition.

# Restricted Securities

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## Restrictions or Inherent Characteristics?

Right at the heart of the determination of whether or not shares are to be treated restricted securities is the distinction between restrictions and the share's inherent characteristics:-

Under Section 423(1)(a), ITEPA 2003, The Structural Test, restrictions arise through the share being subject to a “contract, agreement, arrangement or condition” by which the shares are restricted and to be treated as restricted securities.

In contrast, the absence of particular rights may be an inherent characteristic of the share without having to be subject to a “contract, agreement, arrangement or condition” in order to deny the exercise of those particular rights. In these circumstances, there is nothing to be restricted as they do not exist in the first place.

In applying this key distinction, it would appear that, in theory, for the Chapter 2 restricted securities regime to apply there would normally be a restriction on the shares compared with other shares in the same class and the restriction would normally reduce the value of the shares compared with the other shares in the same class. Under Section 423(1)(b), ITEPA 2003, The Depressed Market Value Test, to be restricted securities, “the market value of the employment-related securities is less than it would be but for that provision.” However, in practice, HMRC appear to recognise the presence of any restriction in any circumstances as the basis for the application of the restricted securities regime.

# Restricted Securities

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## The Potential Difficulties in Application

### The Determination of Market Value

The market value has to be determined on the basis of different assumptions and at times when the securities are not necessarily sold at arm's length. This difficulty is compounded by the fact that the definition of "securities" now operates with a much wider jurisdiction and includes instruments for which it is difficult to establish a market value.

### The Decision on Tax Elections

The decision on whether or not to make a tax election requires very careful thought at the time of the acquisition of the securities or the interest in securities. In practice, both the employee and the employer must be involved in the decision for the reason that as a matter of law the election cannot be made without the support of both employee and employer.

### The Categorisation of the Shares

When structuring the share for purposes of an employee share scheme, a key planning point that emerges at the outset is whether to structure the shares as "Restricted Securities" under Chapter 2 or "Convertible Securities" under Chapter 3. As a general rule of thumb, if there appears to be a choice in the structuring of the share then it would normally be preferable for the shares to be categorised under Chapter 2, as "Restricted Securities". The preference for the restricted securities regime as opposed to the convertible securities regime is that it offers the opportunity for significant tax planning through the employee and the employer jointly agreeing to make an election under Section 425 or Section 431 of the Income Tax (Earnings and Pensions) Act 2003. The making of the tax election enables all future gain from the date of the acquisition under Chapter 2 to be subject to capital gains tax rather than the more punitive income tax regime.

# Restricted Securities

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## The Tax Treatment of Restricted Securities

### A. The Acquisition of Shares

#### **1. The Special Rule Situation: The Section 425 Tax Election**

Where there are forfeiture or compulsory transfer restrictions that do not last for more than 5 years.

Under Section 425(2), where there is no tax charge on acquisition, income tax could still arise in relation to the following:-

- Acquisition on conversion: covered by Chapter 3, Convertible Securities
- Acquisition for less than market value: covered by Chapter 3C, Securities Acquired for less than Market Value
- Acquisition that follows the exercise of a securities option: covered by Chapter 5, Securities Options

#### **2. The Non-Special Rule Situation: The Section 431 Tax Election**

Where there are any restrictions other than forfeiture or compulsory transfer restrictions that do not last for more than 5 years.

#### **Remember the reason for a tax election!!!**

All future gain under Chapter 2 following a tax election falls within the capital gains tax regime.

# Restricted Securities

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## B. The Chargeable Events

1. The ceasing of restrictions under Section 427(3)(a)
2. The variation of restrictions under Section 427(3)(b)
3. The disposal of shares under Section 427(3)(c)

### The principle that applies in the event of a chargeable event: The untaxed proportion

A charge to income tax arises on such proportion of the unrestricted market value of the shares that has not already been charged to income tax. The income tax charge will arise on the proportion of the value of the shares at acquisition that was not subject to income tax, i.e. the untaxed proportion.

If there is more than one chargeable event, then the untaxed proportion will be reduced on each occasion until it reaches zero.

Once there is no untaxed proportion remaining, any further gain under Chapter 2 falls into the capital gains tax regime.



## Restricted Securities Matrix

<p><b>Special rule situation</b> where <b>no election made</b> <i>and</i> no income tax and no NICs on acquisition</p>	<p><b>Special rule situation</b> where <b>election made (section 425)</b> <i>and</i> income tax and NICs on acquisition on unrestricted MV less amount paid</p>
<p><b>Non-special rule situation</b> where <b>no election made</b> <i>and</i> income tax and NICs on acquisition on restricted MV less amount paid</p>	<p><b>Non-special rule situation</b> where <b>election made (section 431)</b> <i>and</i> income tax and NICs on acquisition on unrestricted MV less amount paid</p>

## Restricted Securities

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### Temporary Restrictions or Permanent Restrictions?

When understanding the nature of a restriction, it is important to appreciate that restrictions as envisaged by Chapter 2 will typically be of a temporary nature and have the potential to be lifted at some point in the future.

#### Example: A class of permanently non-voting shares

Suppose that the shares do not have voting rights and that the non-voting status of the shares is regarded as permanent.

Permanent non-voting status to a class of shares will not be categorised as a restriction. The shares in that class would simply have a value that reflects the fact that the shares do not possess voting rights.

Suppose that although never envisaged at the date of the acquisition of the shares the company in general meeting decide to attach voting rights to these shares.

The question that then arises is how the shares would be viewed under the employment-securities legislation in the event that the restrictions were removed when this removal had never been envisaged. The answer to this apparent conundrum is that it is then necessary to look beyond Chapter 2 to Chapter 4, “Post-Acquisition Benefits from Securities”, under which a charge to income tax would arise on the basis that an incremental benefit had as a consequence of the employment.

# Restricted Securities

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## The Use of the Restricted Securities Tax Elections

### The Planning Principles

For private companies, there may be freedom on what restrictions to impose.

For quoted companies, restrictions will typically be a form of agreed lock-up.

For private equity/buyouts, restrictions will typically be on voting rights or sell-back obligations.

As a general principle, the employee would elect to pay income tax and NICs at the outset if the share price is currently relatively low, e.g. Growth Shares at the outset, and/or if there is confidence that the share price will grow.

Always do the calculations on whether or not to make the election; do not make an automatic decision to elect.

Note: the election must be made jointly between the employee and the company within a period of 14 days after acquisition or the chargeable event as appropriate.

## Restricted Securities

### Example: One restriction where no consideration paid

At the date of acquisition the shares, that are readily convertible assets, have an unrestricted market value of £100. The shares have a three-year sale restriction. The employee receives the shares as a gift. No elections are made. The shares are sold after the 3 years when the sale restriction is lifted.

<b>Unrestricted market value at the date of acquisition</b>	<b>£100</b>
<b>Reduction in market value for sale restriction at the date of acquisition</b>	<b>£20</b>
<b>% Reduction in market value for restriction at the date of acquisition</b>	<b>20%</b>
<b>Restricted market value at the date of acquisition</b>	<b>£80</b>
<b>Unrestricted market value after 3 years</b>	<b>£150</b>

## Restricted Securities

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### Example: One restriction where no consideration paid (Continued)

**In these circumstances, the income tax treatment is as follows:-**

**On the acquisition of the shares, 80% of the unrestricted value falls into a charge to income tax and NICs.  
After 3 years when the sale restriction is lifted, 20% of its unrestricted market value falls into a charge to income tax and NICs.**

The taxable income at the date of acquisition  
= £80 restricted market value  
= £80

The taxable income at the lifting of the sale restriction after 3 years  
= £150 unrestricted market value x 20% reduction at date of acquisition  
= £30

**In these circumstances, the capital gains tax treatment is as follows:-**

**On the sale of the shares, the taxable income amounts represent deductible amounts within the capital gains tax computation.**

The capital gain that arises on the sale of the shares  
= £150 sales proceeds - £80 taxable income - £30 taxable income  
= £40

## Restricted Securities

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### The Disposal of Securities following the Cessation of Restrictions

The disposal of the securities triggers capital gains tax in the normal way.

The capital gains tax computation is as follows:

Disposal proceeds

Less: Any price paid as consideration for the securities

Less: Any amount subject to income tax under the restricted securities regime

If the disposal of the securities is a chargeable event or is the first disposal after a chargeable event then any amount that is counted as employment income is added to the consideration for the acquisition.



# Convertible Securities

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## Chapter 3

### The Principle of Convertible Securities

Chapter 3, Part 7, ITEPA 2003 assumes that for Convertible Securities the employees are taking title to two assets:-

1. The underlying security
2. The right to acquire a security at some time in the future

The second asset is a quasi-option and Chapter 3 seeks to bring into income tax any increase in value that accrues from the employment.

### The Scope of the Tax Charge for Convertible Securities

At the behest of the shareholder

At the behest of the issuer

Automatically or otherwise in accordance with the terms of the shares

### Note the position previously

The shares were convertible solely at the behest of the shareholder.

### The Key Planning Point

#### Variations or Conversions?

The variation of rights and entitlements under the terms of the securities does not constitute Convertible Securities whereas the capacity to convert into securities of a different description does constitute the characteristics of Convertible Securities.

# Notional Loans

## Chapter 3C

The difference between deferred consideration and discount

1. The charge under Section 62, ITEPA 2003
2. The income tax charge under Section 446S, ITEPA 2003

### Example illustrating the difference between deferred consideration and discount

The difference between deferred consideration and discount is best illustrated in an example in which both deferred consideration and discount arise in the same transaction as follows:-

Suppose

- The market value of the shares at the date of issue = £20.
- The offer price for the shares = £5, representing a 75% discount for employees.
- The amount payable as an initial payment by the employees = £1.

#### 1. The Income Tax Charge under Section 62, ITEPA 2003

The immediate liability to income tax arises on the difference between the £20 and the £5 for the reason that this amount represents a discount given by the company on the purchase by the employee of the shares. The discount is a benefit to the employee arising from the employment. The full amount of the discount is subject to income tax in relation to the tax year in which the purchase of the shares takes place.

#### 2. The Income Tax Charge under Section 446S, ITEPA 2003

The difference between the £5 and the £1 is the deferred consideration. The employee is treated as having an interest-free loan, the notional loan, equal to the £4 deferred consideration. The annual benefit-in-kind for HMRC P11D purposes is calculated by applying "the official rate of interest" that is set by the Treasury to the loan amount unless the employee qualifies for one of the exemptions that are available for loans to employees.

# Earn-Outs

## Chapter 5

### The Nature of an Earn-Out

An earn-out is part of the consideration for the sale of a business by a vendor.

For the employment-related securities legislation, it is deferred consideration.

As deferred consideration, the earn-out is commonly regarded as a securities option to purchase shares in an acquiring company.

The earn-out principle is a recognised common sense approach to organising the transfer of ownership and control from the vendor to the purchaser and is accepted by HMRC as a credible technique effecting a smooth transition.

The sale will typically be for:

1. a cash sum or an issue of securities plus
2. an earn-out as an additional element of deferred consideration.

**HMRC accepts that earn-outs are a necessary part of many company sales and has developed through HMRC Manual ERSM110940 a set of key indicators to determine whether the earn-out is**

- (1) sale consideration and, therefore, capital gain, or  
(2) remuneration reward and, therefore, employment income:-**

# Earn-Outs

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## Chapter 5

### Key Indicator 1

The content of the Sale and Purchase Agreement supports the position that the earn-out is part of valuable consideration given for securities in the company that has been sold.

### Key Indicator 2

The value received from the earn-out must reflect the value of the securities given-up.

### Key Indicator 3

If there is an employment agreement for the vendor to be employed after the business has been sold, the earn-out must not be compensation for the vendor not being fully remunerated for continuing employment with the company.

### Key Indicator 4

If there is an employment agreement for the vendor to be employed after the business has been sold, the earn-out must not be conditional upon future employment of the vendor other than for a period that is adjudged necessary to protect the value of the business. For a sense of what is considered to be an appropriate period, the company must establish this period on the basis of a reasonable requirement to stay with a view to protecting value.

### Key Indicator 5

If there is an employment agreement for the vendor to be employed after the business has been sold, the payment of the earn-out must not be conditional on the achievement of personal performance targets. If there is a linkage to personal performance targets at all, and this will often be the case as, in essence, it is why the earn-out has been put in place, then those performance targets must be corporate performance targets rather than personal performance targets.

### Key Indicator 6

The basis on which remaining employees receive the earn-out is on the same terms as the basis on which the former employees or non-employees receive the earn-out. The former shareholders who continue as employees must not be seen to benefit from their employment status within the company, however temporary or permanent that employment is considered to be.

# Earn-Outs

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## Chapter 5

**In addition to the six key indicators, HMRC state that the following three factors will be relevant in assessing the earn-out for capital gain or employment income:-**

### **Factor 1**

The nature and content of the negotiations between the vendor and the purchaser should be evidenced and, in particular, on the matter of determining the level of the earn-out in relation to the value of the consideration given for the securities in the company. In this regard, the records of the negotiations should be kept in order to provide the appropriate evidence of the decision-making that has led to the agreements.

### **Factor 2**

The case for establishing that the earn-out is capital gain rather than employment income could be strengthened by obtaining clearances (1) under Section 138, TCGA 1992, and (2) under Section 707, ICTA 1988, that the nature of the transactions is bona fide and the level of the earn-out that is linked to the profitability of the business or other key performance indicators of the business.

### **Factor 3**

The case for establishing that the earn-out is capital gain rather than employment income would be weakened by any evidence that future bonuses had been reclassified or commuted into purchase consideration.

# Employee Share Schemes

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from David Craddock  
Consultant, Lecturer, Author  
and Specialist in Employee Share Schemes and  
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# Questions & Comments



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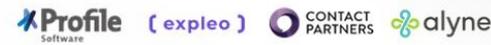
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# Resources – “It’s Our Business”



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## newspad

The Esop Centre's *newspad*, edited by Fred Hackworth, is a monthly publication providing in-depth coverage of the main international news in the employee share ownership field.

NB Reminder: The email address of Fred Hackworth, editor of *newspad*, has now changed to: fred\_hackworth@zyen.com (please note the under-score). Please send all press releases, company bulletins and news items for *newspad* to the above address. Thank you.

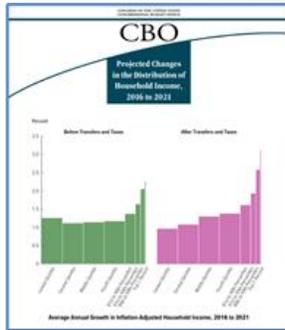
### September 2020

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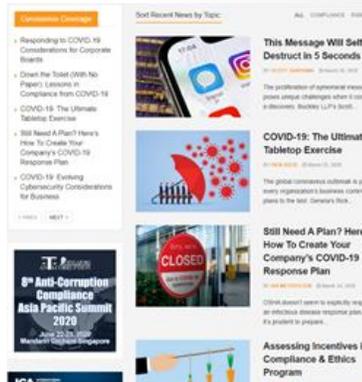
- Employee equity values slashed in pandemic job cuts
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- Executive reward under pressure
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- Share plans in a Covid world
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# Resources – Bulletins



From 43,000 curated sources, you get a machine summary of the key point(s) from forward-looking articles, not just article titles:



## (LF.10) Reduced Inequalities

In September 2015, 193 world leaders agreed to 17 Global Goals for Sustainable Development. If these Goals are completed, it would mean an end to extreme poverty, inequality and climate change by 2030. Goal 10: Reduce inequality within and among countries.



- If the distributions of **income**, means-tested transfers, and federal taxes follow CBO's projections, **income inequality** will be greater in 2021 than it was in 2016.
- **High growth** over the past decade has been based on unsustainable resource exploitation; addressing the **resulting growth in inequality** and environmental cost will be critical to ensure social stability and to ensure **strong sustainable growth** in the coming decade.
- The increase in **inequality** observed in the last 30 years is a serious threat to France's social contract.
- America's proto-populist president is peddling a tax plan that will further increase **economic inequality** at a time when **income** and wealth gaps are already widening.
- A failure to give the **world's poorest women control** over their bodies could widen **inequality in developing countries** and thwart progress towards global goals aimed at ending poverty by 2030.
- Under French leadership the G7 group of the 7 largest advanced economies plus the European Union will focus in 2019 on fighting **inequality**, including **poverty** induced by **climate change**.
- Leadership might require companies to take positions and advocate for **change on global inequality** - including **in-work poverty**.
- Achieving the 17 **Sustainable Development Goals** - which include clean water, clean energy, sustainable cities, climate action, responsible consumption, **reduced inequality** and more - could open a market opportunity of \$12 trillion by 2030.
- The next decades offer an opportunity to address **African urban poverty** and **inequality** and shape development priorities to ensure that urbanisation helps foster well-functioning, livable and sustainable cities.
- In Africa and in the LDCs, eradicating poverty by 2030 will require both **double-digit GDP growth** and dramatic declines in **inequality**, illustrating the scale of the current challenges faced.
- The economic catch-up of Asia with the West will continue in the coming decades - thereby reducing **global inequality** among countries and among world citizens.

## (FS.3.05) Employee Share Ownership

Considering 75 percent of the 2025 global workplace will be Millennials and Generation Z, it's critical that **organizations keep a pulse on employee engagement** and in a way that's consistent with how the emerging generations communicate.



- 2019 will see a continued evolution in designers' understanding of workplace optimisation with design that boosts office morale and **employee wellness** while facilitating a creative work environment.
- By 2018, Gartner Predicts Twice as Many Employee-Owned Devices Used for Work than Enterprise-Owned Devices. With proposed revisions to the UK Corporate Governance Code, from 2020, companies will be required to report on **employee engagement**, as announced earlier this year by Financial Reporting Council.
- For HR leaders looking to better determine the attitudes that drive employee turnover and increase retention, using AI to provide insights into **employee engagement** will be crucial.
- By 2021, Artificial Intelligence (AI) will allow the rate of innovation in New Zealand to double. **Employee productivity gains** are expected to increase 1.3 times.
- Artificial Intelligence will double the rate of innovation improvements and improve **employee productivity gains** by 1.5 times in New Zealand by 2021.
- US health benefit costs per **employee** will increase 4.1% next year - slightly higher than inflation and less than the double-digit increases seen in years past.
- With a tight labour pool, small businesses will find 2019 is the year to focus on **employee engagement** and happiness.
- Nearly 50 percent of companies also expect that automation will lead to some reduction in their **full-time workforce** by 2022, based on the job profiles of their **employee base** today.
- **Employee wellness** has been on trend for years, but expect to see some high-tech changes in 2019.
- By 2020, automation and artificial intelligence will reduce **employee requirements in business shared-service centers** by 63 percent, which says the EPA market will top \$1 billion by 2020.
- This year, many **organizations** will look to employee scheduling software to solve problems around creating, publishing and managing employee schedules that include options to open shifts to select groups and integrate data on sales to help identify customer traffic patterns to optimize worker ratios.

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