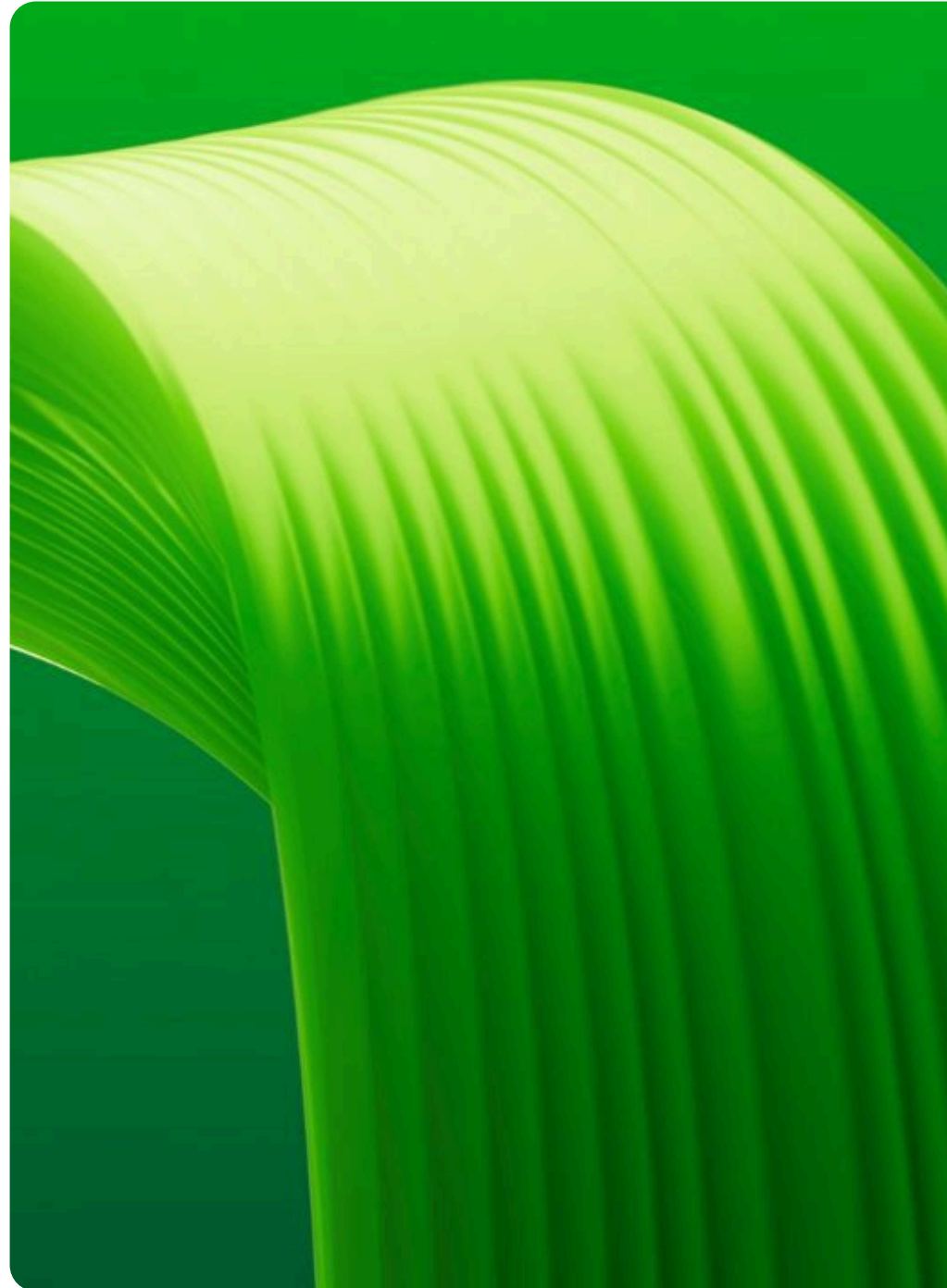


UK Cost-of-living newsletter

How employers are supporting
their people with benefits



Intro: The strategic importance of employee benefits in the cost-of-living crisis

Employee financial wellbeing is firmly in the spotlight in the UK. Employees continue to feel the pinch of the cost-of-living crisis, as rising prices and higher interest rates squeeze their finances.

According to the [Office of National Statistics](#), around four in 10 adults are finding it difficult to afford their rent or mortgage payments, nearly half of adults said they were buying less food, and 46% of adults are using less fuel in their homes due to cost increases. Furthermore, many employees don't have a buffer to help them navigate unexpected costs (earlier this year, the BBC reported that a quarter of adults have [less than £100 in savings](#)).

Unsurprisingly, the stress of dealing with this pressure is impacting every facet of employee wellbeing. The ties between financial wellbeing and physical and emotional wellbeing have been well documented, and financial concerns have also been shown to negatively impact employee productivity at

work; [CIPD research](#) shows that over a quarter of employees say money worries affect their ability to do their job.

For benefit and reward directors who are looking for ways to support their people, the employee benefits toolkit presents a meaningful opportunity for organisations to offer support across a range of areas that relate to their finances.

Benefits programmes can help employees save money, make their pay go further and protect their financial future – from protection benefits that create a buffer against financial risk, to discounts, financial education and resources, value-add services from insurers, and beyond.

Over the last six months, we've been running a series of webinars, roundtables and content features that look at different ways to support employees through the cost-of-living crisis. And we've compiled some of our most popular resources so that you can see how to

better leverage your employee benefits offering to help employees face off to the cost-of-living crisis.

In this special edition newsletter, we explore findings from the millions of benefits selections that employees made through OneHub in the last year, as well as learnings from working with some of the world's largest organisations, and innovations and insights from our partners.

Plus, find out what the 2023 Spring Budget means for pensions, simplify payroll with our 2023/2024 tax facts document, and download our cost-of-living crisis special report.

Read on to unlock the hidden value of employee benefits...



Gethin Nadin

Chief Innovation Officer, Benefex

Why financial protection tops the list of benefits priorities

Employees faced significant stress in 2022 – rising inflation, a global energy crisis, international instability and long healthcare waiting lists are just some of the circumstances affecting employee health and wealth. If financial wellbeing was under strain for employees a few years ago, it most certainly is now. In the UK alone:

- inflation has hit a 40-year high
- energy bills in the UK are rising 14x faster than wages
- one in three employees are struggling to stay on top of their outgoings

Financial, emotional, and physical wellbeing are closely interlinked and there's no doubt that the financial squeeze employees are facing is hitting all facets of their wellbeing.

Six months ago, Benefex produced a [Cost of living crisis special report](#), which included a breakdown of how the benefits toolkit can help employees offset some rising costs.

This trend towards supporting employees' financial wellbeing through benefits and educational content continued through the second half of 2022. Here's what Benefex's report found:

Employers' increasingly paternalistic role

Since the Covid-19 pandemic, employees' expectations of employers have increased significantly. In 2022, a survey by Benefex of 4,027

employees showed that [expectations have risen across every element of the employee experience](#), from benefits and reward through to technology and beyond.

A whopping 77% of those surveyed said their overall expectations had increased as they demand support both inside and outside the workplace, while 48% of those surveyed said their expectations around how their employer supports their wellbeing has increased. As employees continue to turn to their organisations in turbulent times, employers are getting more involved in areas previously considered out of scope.

The Benefits most important to employees

Financial protection to cover illness was right at the top of the list of priorities, with 92% of employees saying it was important that their employer provided this. Support for mental health and emotional wellbeing, as well as financial wellbeing, were also high on their list of expectations.

As employers look to provide more support to help their employees navigate the financial crisis, it's important to communicate the value of benefits that will help create a financial buffer, as well as those that provide immediate cost savings on everyday items. Unsurprisingly, insured benefits such as [income protection and personal accident cover](#) have continued to see increased take up, protecting employees

and their families against key risks. Income protection could be one of the most important insurance products employees will ever own.

Take an holistic approach

Many organisations are seeing that it's time to elevate the benefits platform to show the value of everything they do for employees.

Acting as a central hub to promote wellbeing and create a strong culture, many organisations share educational content to support their employees, provide them with information and highlight the value of their benefits.

Many schemes offer 'anytime benefits', which means there's ongoing engagement, and employees can adjust their benefits selection based on their financial circumstances.

Benefex's recent report, [Employee benefits trends: Data insights for your 2023 employee benefits strategy](#), explores five key benefits trends, including how employers are supporting their employees through the financial crisis.



6 practical actions to support employees through the cost-of-living crisis

Rising costs have dominated news feeds for months now, as the financial resilience of employees is pushed to breaking point by rising costs. A [July 2023 Which? study](#) classed 15% of the UK population as 'Anxious and At Risk' - having been largely overlooked by government support, they're struggling to keep afloat and have been increasing their debt in the last 6 months to do so. Even employees on higher incomes are experiencing a drop in discretionary spending, and a knock-on impact on their standard of living.

In 2022, we published a [cost-of-living crisis special report](#) to highlight how employers are uniquely placed to support employees through the benefits package – and unsurprisingly, this was our most downloaded report of the year. At the start of the year, we hosted a roundtable discussion in London where we were joined by 14 senior global reward and benefits leaders from companies such as AND Digital, Zoopla and Arqiva, as well as panellists Ridhima Durham, Chief Commercial Officer at Salary Finance, and Daniel Crook, Protection Sales Director at Canada Life .

The theme of the discussion was: **From crisis to comfort: Supporting employee financial wellbeing through the cost-of-living crisis**. We discussed the actions companies are taking to help give their people more confidence and control when it comes to their finances – from better leveraging the benefits toolkit, to the importance of clear communications, protecting against risk and more. These are the top takeaways from our group discussion.



6 practical actions to support employee financial wellbeing through benefits

1. Communicate how your existing benefits toolkit can help

Many employers already have existing tools that can help employees mitigate rising costs – like discount sites and salary finance that employees can lean into. However, our roundtable attendees agreed that putting the right communications strategy in place is key to promote the benefits already in place and educate employees on how they can best use them.

One benefits leader highlighted that they needed to tailor communications based on employee life stage – new graduate employees were concerned about paying rental deposits and rising transport costs whereas director level employees were looking at how to navigate rising mortgage costs. Tailoring their communications to each group and highlighting the most relevant benefits helped them to drive engagement.

2. Start a conversation about financial wellbeing

When it comes to supporting employee financial wellbeing, having open conversations helps employees get the resources and support they need to build financial confidence. Resources which have proven popular include webinars and short-form digital content, as well as applications like SaveSmart which help employees take actionable steps to improve their finances and build more sustainable behaviours; the behavioural

element is particularly important given people's emotional ties with money and spending.

However, not all attendees agreed on whose responsibility it is to communicate benefits, cascade information and support employees – one group had seen success with wellbeing champions whilst another felt mental health first-aiders played a more important role in supporting overall employee wellbeing (not just financial).

Multiple success stories were shared, and attendees highlighted that the right training and structure to these committees is essential. Another attendee highlighted that managers could make a big difference in terms of educating and sharing relevant information as they're more aware of each employee's individual situation, including their salary.

3. Provide access to affordable credit

At a time when employee trust in their employer is higher than with any institution, it makes sense that they would turn to their employer for support in times of financial crisis. In the face of rising interest rates, finding more affordable ways for your people to service existing debts gives them more control over their finances and supports employees closer to the 'crisis' end of the financial scale.

By porting high-cost debt into one single loan offered at competitive interest rates through Salary Finance, employees can start to move from debt into savings. The repayments come out of payroll before the

employee sees it, making repayments automatic. There's also no risk to the employer as the agreement is with the employee and Salary Finance; if they leave the organisation then they take the loan with them.

Our roundtable discussion was joined by Ridhima Durham from Salary Finance who highlighted that they typically see a 10% increase in employee credit scores within the first year because the employee has consolidated multiple debts through Salary Finance. This can help them get a mortgage and 80% of employees who had used payday loans previously don't use them again.

4. One-off payments and allowances

There was quite a bit of discussion about the pros and cons of providing a one-off cost-of-living payment to help with rising costs over the winter – something several of the organisations in attendance had provided. A common concern was whether this was a one-off or whether they should budget for another payment next year because employees may come to expect this. One organisation that did a spot payment will be focusing more on salary increases in 2023, rather than doing another one-off payment.

Another attendee highlighted that they'd made a payment to help employees through this period (based on two tiers - £30k and £50k), and it had been very well received by employees. As a non-for-profit organisation, they can't always pay market salaries, but they do a lot around employee support and focus on how these are communicated



with employees. The consensus on whether organisations should provide this was dependent on industry and some attendees flagged that these kinds of payments can have unintended consequences in terms of tax and universal credit.

For global organisations, the approach needs to be tailored to different regions due to varying tax rules. Wellbeing allowances, emergency loan funds and rental loans were also discussed as ways to provide extra support to employees who need it most – for example, employees in London who are having to pay three months' rent up front or who have an unexpected cost like a boiler or car breakdown and don't have enough savings to cover it.

5. Protect against key risks

Offering flexible protection benefits provides employers a unique opportunity to support employees and their families by insuring against key risks. As well as paying out for the long term, [income protection has evolved](#) a lot in the last 15 to 20 years. It can offer more immediate support services to employees and prevent them needing to submit a claim in the first place – supporting their physical and mental wellbeing and leading to better employee outcomes as they support employees' return to work in a sustainable fashion. Some of the services they offer include counselling, virtual GPs, physiotherapy and more.

Daniel Crook from Canada Life highlighted that with the help of their early intervention team, nine out of ten absentees returned to work

rather than made a claim. Numerous stories reveal how income protection could be one of the most important insurance products employees will ever own.

6. Support employees in planning for the future

One theme that cropped up throughout the roundtable discussion was how to contextualise benefits in a way that make them easier for employees to understand, feel more tangible and make it easy for them to take action. For example, rather than using the term pension, talking about pensions as 'saving for the life you want' or asking, 'what kind of lifestyle do you want in the future?' can get employees to think more about their financial future. [Retirement Living Standards](#) does a good job of explaining this in terms that can help employees visualise the kind of future they want to save for. By increasing their contributions and making tax and NI savings via salary sacrifice, employees can set themselves up for a retirement where they can maintain their standard of living. If you'd like to learn more about how your benefits toolkit can support your employees amidst rising costs and improve their financial wellbeing, take a look at our [cost-of-living crisis special report](#).

Author: Gethin Nadin, Chief Innovation Officer, Benefex
Originally published on the [Reward and Employee Benefits Association blog](#).

Active financial planning for the future

At a time when people are financially stretched, they might not be thinking about taking financial advice. But as an employer, you're uniquely placed to help them to start actively planning for their financial future and to support them in building their financial confidence.

Helping employees move from crisis to comfort

Employee financial wellbeing exists along a journey from crisis to comfort – and people move up and down that journey through life, depending on various factors that impact their lives. We've identified four core areas of financial wellbeing and the outcomes we need to focus on for employees to develop more positive financial circumstances for themselves and their families.

Benefex have been running a series of cost-of-living focused events and webinars, exploring different aspects of financial wellbeing and how employers can support their people through the benefits toolkit – helping them on the journey to financial comfort.

In our [recent webinar](#), we partnered with Quilter to discuss the importance of planning for later life and improving financial education with a financial planning benefit – even during an economic crisis. Our Chief Innovation Officer, Gethin Nadin, was joined by Quilter's Head of Corporate Affiliates and Digital Advice, Kim McCracken, and Head of

Advisor Coaching, Lloyd Nunn, to explore why financial planning is fundamental to employee financial wellbeing. Here are some of the key takeaways:

The importance of financial education

In a time of financial crisis or recession, financial education tends to be under the spotlight as people struggle more with their finances – and often need to take steps to mitigate costs.

Whether or not it's the right time for an individual to get financial advice depends on their unique circumstances so it's not the case that someone can't benefit from financial advice just because they're on a lower salary; we don't always know a lot about the employees that work for us – a low salary doesn't mean that someone doesn't have a need for financial advice. And, a high salary doesn't always equate to an excess of money.

Financial planning myth busting – “It's just for older, richer people”

There's a common misconception that financial advice and planning is just for wealthy people who are much older. But financial planning and advice is for everyone – including young people and those with very little disposable income. It's about meeting life goals and navigating different life stages, from starting to save and buying your own property, to starting a family and getting ready for retirement, or early retirement. People in their 20s who can change their behaviours now can set themselves up to have more options in the future.

Financial advice helps people understand how they can create better circumstances for themselves down the line – giving them clarity and direction when it comes to managing their finances. And it can make a real tangible difference to people; financial advice has been found to be worth nearly [£5,000 a year](#) or £47,000 in the space of a decade according to Which and Unbiased. In fact, the study found that the benefits of advice were particularly significant to people with less disposable income.

However, there's a significant gap between the benefits that financial advice can offer and the number of people taking advice. 90% of those who have had financial advice say they found it helpful – yet [only 7%](#) of Brits had received financial advice in 2021. And with younger generations often turning to social media for financial advice (1 in 10 young people admit to using TikTok for financial advice), there's a need to ensure that employees are seeking advice from a qualified and regulated professional.





Financial advice and the benefits package

Financial advice benefits can help employees to understand and engage with the other benefits available to them through their benefits platform. Benefits such as insurance and investment products can be intimidating and hard to understand – and when people are overwhelmed, they generally don't take any action.

A discussion with a qualified advisor, with an opportunity to ask questions about the benefits on offer, can help ensure employees are maximising the value of their benefits. An employee who is well informed will be able to make wise decisions and influence their desired lifestyle down the road, which is specifically crucial when thinking pensions and retirement planning.

How a financial advice benefit works

Benefex now offers Quilter financial advice as a Marketplace benefit through OneHub, making it easier for employers to offer this service to their employees (either as a core benefit or at the employee's expense). Employees get a free, no obligation meeting with a Restricted Financial Planner – which is an opportunity to ask questions of a qualified individual in a safe space.

[Watch our on demand webinar](#) to explore how a financial advice benefits can support employee financial wellbeing.

Financial Wellbeing Behaviours



How to use income protection cover to support early intervention

Getting treatments early often result in better outcomes for workers and avoid costly insurance claims. Increasing numbers of employers have been adding income protection cover to their benefits toolkit over the last year as they look to support employees' physical, mental and financial wellbeing through the current financial turbulence.

Income protection insurance is an important buffer against financial risk at a time when employees are feeling the bite from the cost-of-living crisis, rising energy prices and [a quarter of UK adults have less than £100 in savings](#), leaving them vulnerable in the event of a long-term sickness or injury. However, as well as paying out for the long term (the average annual claim paid in 2020 was £28,138), income protection can offer more immediate support to employees and prevent them needing to submit a claim in the first place – leading to better employee outcomes, reduced absenteeism and lower costs to the employer.

It has traditionally been seen as a reactive insurance product to support employees through long-term absence, but things have developed considerably over the last 15 year. Insurers are offering added-value services to support employees before they reach the point of needing to claim, to help them at the early stages of illness. And this difference in approach from insurers is working. Figures from Zurich show that one in three people supported by a case manager returned to work before the insurance benefit became payable. Some of the free services insurers may offer virtual GPs, second opinions, early intervention consultations,

physiotherapy and counselling. Few employers are aware that income protection cover can be used in this way – but its benefits are considerable.

The importance of early intervention

Early intervention has a strong impact on employee outcomes:

- According to Zurich, more than 90% of cases referred within four weeks of the first absence return to work, whereas fewer than 5% of cases referred at 26 weeks or later after the first absence are able to return to work.
- With the help of the early intervention team at Canada Life, nine out of 10 absentees return to work rather than making a claim.
- [80% of employees that Aviva](#) provided rehabilitation support for returned to or remained at work.

As these statistics highlight, getting help at an early stage of illness significantly improves employee outcomes. By contacting your insurer within the first few weeks of absence, the insurer can start to engage employees and provide the support they need. On the other hand, later notifications of claims results in a higher cost of intervention and increases the cost for the employer (for example, due to the impact on

the team, recruitment, training and insurance premiums). For physical illnesses, the importance of routine check-ups and screenings is already widely encouraged.

Unfortunately, this principle isn't always applied to mental health – where support is often focused on later stages. Yet mental health is one of the key drivers of income protection claims – in 2020, the average new claim paid was £28,138 pa and the main causes for claims were cancer (28%) and mental illness (22%). Some of the services insurers offer such as counselling can help prevent conditions from worsening, therefore it's crucial to follow an early intervention policy for mental as well as physical illness.

How to adapt your strategy

1. Early notification

With the right processes, HR teams can ensure the relevant people in the company are aware how they can help employees use income protection for early intervention. According to Zurich, being notified within four to six weeks means insurers are more likely to be able to support the member to return to work within the six-month deferred period, for more mild to moderate conditions. Most insurers will also run awareness webinars and provide training for line managers to help them start intervention earlier.

2. Don't set and forget

When was the last time your organisation reviewed your income protection plan to see if early intervention strategies are available? Now is the time to find out what's in place for employees and review your strategy to ensure you're using the programme for early intervention and not just claims.

3. Review cases monthly

If you're working with a benefits consultant, they should be helping you to review active cases monthly, so you can use income protection cover to support current employee absence.

Although income protection cover is only often brokered every two years, using your policy in a more preventative way can lead to better employee outcomes, keep premiums down (due to fewer claims) and address absence as well as the associated costs of things like recruitment, training and the impact on the wider workforce.

Income protection cover as part of wellbeing strategy

Employees today expect more from their employers than ever. Benefex's [Great Expectations report](#), which surveyed more than 4,000 employees worldwide, found 77% said that their expectations of their employer had increased since the pandemic. And 90% said it was important that employers supported their wellbeing.

As employers look to support employees' physical, mental and financial wellbeing in financially uncertain times, income protection is a must-have part of the benefits toolkit. By shifting your strategy and using income protection as an early intervention tool you can ensure better outcomes as well as realise tangible savings for your organisation.

Benefex has now existed through three major global recessions, and we've picked up a few lessons along the way. Watch this [on demand webinar](#) where we share tips on how to support people with the right benefits strategies – from where protection and early intervention benefits come into their own to how to build the case for benefits investment.



Chris Read
Head of Group Risk, Benefex

Originally published on [REBA](#).



5 ways employee benefits can help ease cost of living crisis

Supporting employee wellbeing through employee benefit schemes



Recent turbulence such as the Covid-19 pandemic, worldwide crises and rising costs means employee wellbeing is suffering. Employers need to fully understand employees' day-to-day worries so they can support their needs and help them through uncertain times. The cost of living crisis is top of mind for many employers right now; indeed, 50% of UK households have seen a significant increase in their everyday spending since the pandemic and energy bills have been [increasing 14 times faster than wages](#) (TUC figures).

As there's an impact on living standards across the board, low and middle-income families will be hardest hit. Employees need support to save money, make their pay go further and protect their financial futures. So how can employers help make life a little bit easier for their employees in the face of the economic crisis? Employee benefit schemes are becoming more important than ever to support employee wellbeing.

How employees can lean on employee benefits:

As one in three UK employees are finding it hard to keep on top of their outgoings, employers need to make sure employees are getting the most out of their benefits programmes. The right employee benefits platform can help your employees to:

1. Reduce food costs

The impact of rising food costs is set to get worse for UK households, with ongoing supply chain pressures and a tense political climate. In February 2022, grocery prices rose at their fastest rate in eight years, with food price inflation hitting 4.3%.

Employee discount schemes, often overlooked, can help employees cut costs. The rise in grocery prices will add £215 per year to the average household bill, but if employees spend on a discounts and cashback platform, a Sainsbury's shop, for example, would decrease by £250 a year.

2. Navigate rising fuel costs

This year, UK fuel costs have risen at the fastest rate for 30 years. It now costs on average £89.80 to fill a typical 55-litre family car with petrol – £21.91 more than a year ago. However, discounts in the form of digital gift cards and cash back can make employees' net pay go further when it comes to fuel.

Enabling employees to buy an electric car through a salary sacrifice scheme can also help: schemes include tax advantages as well as insurance, maintenance costs, tyres and breakdown cover – making it a cheaper way to run a car for many employees (with the added benefit that they can do their bit for climate change).

3. Create a buffer against financial risk

Financial wellbeing is an incredibly important part of employee wellbeing and is even more essential in an inflationary economic environment. The most advanced wellbeing programmes help boost employees' confidence in financial planning and coping with financial pressures and challenges. Benefits have a key role to play, supporting employees and their families against key risks. Income protection is a little known and often misunderstood benefit.

Although it is sometimes seen as complex, it can be one of the most important insurance products for employees, protecting them against being unable to work through illness. Unlike other insurance products,

payments can last for a long time and they almost always pay out – The Association of British Insurers says [97.6% of income protection claims were paid out](#) in the UK in 2018. There are other ways your benefits toolkit can help support employees as they experience financial pressures, including helping them to become more aware of their spending habits. Financial education products like SaveSmart can help. It is a tool created to help employees focus on one small money task at a time and build their financial confidence.

4. Mitigate the impact of interest rate increases

Debt can have a profound effect on employee wellbeing. A study by the Royal College of Psychiatrists found that [half of all adults with a debt problem are also living with mental ill-health](#). As interest rates rise, employers need to find affordable ways to help employees service debts and take more control of their finances, helping them become more optimistic about their financial future and improving their financial and mental wellbeing. Payroll lending is a low-cost, risk-free way to do this and removing the cost of debt will also alleviate some of the other pressures arising from the cost-of-living crisis.

5. Stay physically and emotionally healthy

Several studies have shown a sharp deterioration in the population's mental health and wellbeing since 2020, and it's no surprise that the pressure of the cost-of-living crisis and resulting financial stress is having a physical and emotional impact on employees.

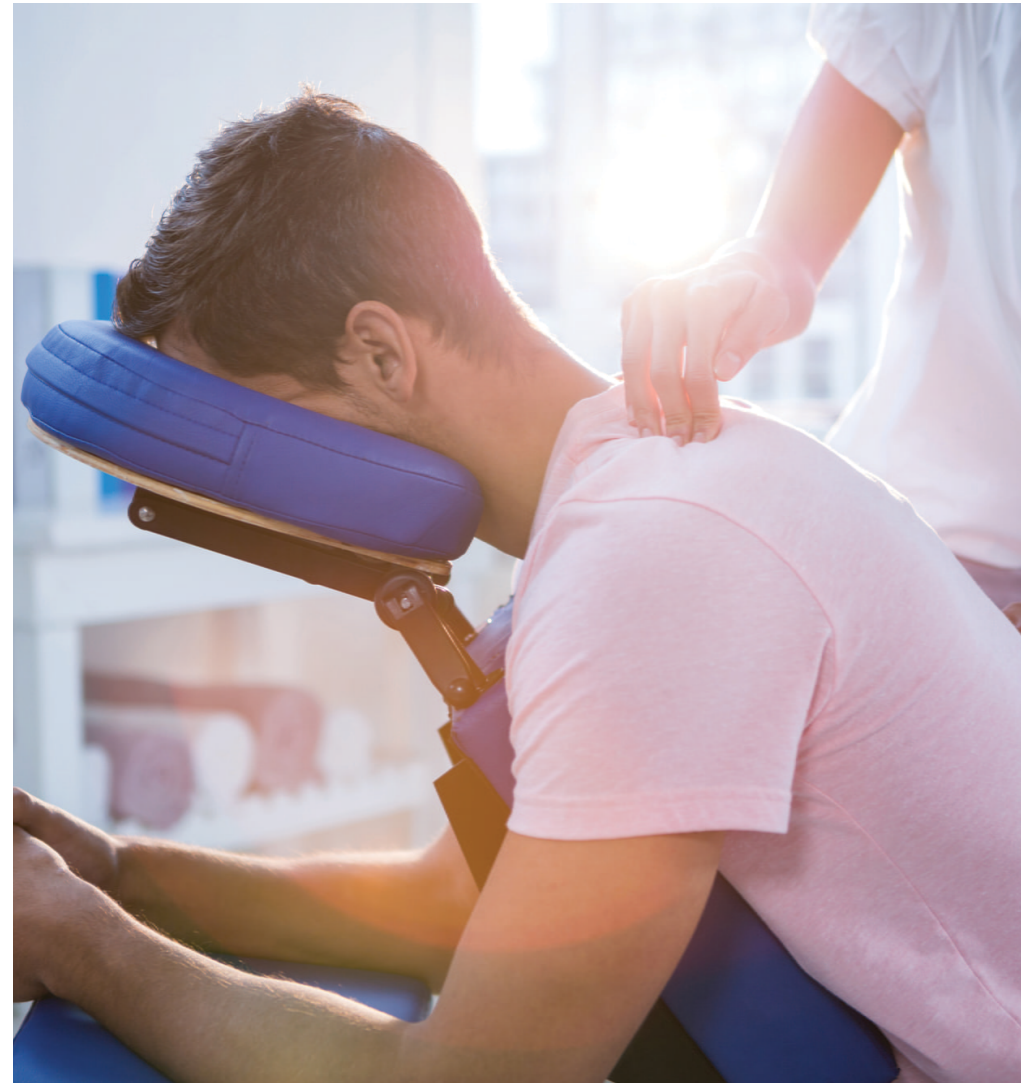
Some benefits can support employee health:

- Health cash plans that let employees claim for everyday costs such as opticians, dentists, physio, and more.
- Gym membership – generally the discounts can save an employee between 10% and 40% of the membership.
- Private health insurance that provides 24/7 online GP access, mental health support, second medical opinions and virtual wellbeing services.
- Insurance cover often means employees can often access a range of fitness, nutrition and mental health programmes.

Unlock the hidden value of employee benefits

There is a lot of untapped potential within benefit schemes that can help employees through the economic crisis and build long-term financial resilience. Communicating these benefits to employees clearly is crucial to ensure they can easily access this vital support. The right benefits platform brings together connected experiences, content and apps across benefits, wellbeing, culture, engagement and communication.

Article originally posted on [Reba](#)



Cost of Living Crisis Report

Now is the time to maximise the power of employee benefits and help your people gain control over their finances

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physiotherapy and counselling. Few employers are aware that income protection cover can be used in this way – but its benefits are considerable.

The importance of early intervention

Early intervention has a strong impact

increases the cost for the employer (for example, for recruitment, training and insurance premiums). For physical illnesses, the importance of routine check-ups and screenings is already widely encouraged.

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In the run up to the Spring budget the expectation was that there would be a focus on measures to support the Government's economic plan to halve inflation, grow the economy and reduce public debt.

Rumours were also swirling of upcoming changes to pension legislation, the most significant budget announcement being that this could be the most significant budget announcement in 2014. It's safe to say that the Chancellor taking

Annual Allowance (AA)

The Annual Allowance which limits the amount that can be paid into pension in any tax year, this covers both Employer and Employee contributions, is set to rise by 50% – up from the current rate of £40,000 to £60,000 from April 2023.

This is a significant increase to the AA, which will particularly help those in defined benefit (DB) schemes with long service who see their earnings rise. As the Chancellor stated, this policy was designed to encourage people to remain in work, specifically in the NHS, so it's a key part of the aim, this

Inflation hits 40-year high: What can employers do about it?

Our Cost of Living Crisis Special Report has been compiled by our in-house experts to highlight the tools in your employee benefits toolkit that can help your employees right now.

Maximising the power of your employee benefits package is a smart way to show employees' the money-saving opportunities available to them and be part of the solution to improve their lives.

The Cost of Living Crisis Special Report has been compiled by our in-house experts and reveals:

- A break-down of the cost increases and how to offset them
- The essential benefits that can be redeemed on tech, food, fuel, taxes and more
- How to create a buffer against financial risk
- Advice on improving financial communication and education
- The essential value-add services that can make a huge difference to employees' finances

[Download the report](#)



2023/2024 tax fact card

Our 2023/2024 tax fact card makes payroll and HR easier

Take a look at the rates and rules that will affect your benefits schemes this year.

[Download now](#)



**Thank you for reading
our cost-of-living
newsletter**