

zest

Responding to the **cost of** **living** crisis

Cost-effective approaches for
employers to support employees.

DECEMBER 2023

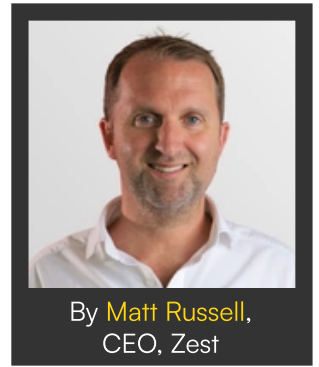


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INTRODUCTION



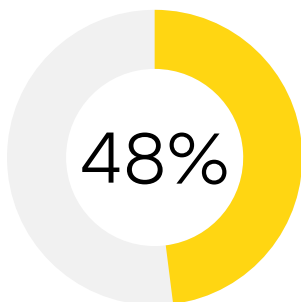
Standing out in a candidate-driven market

Since the world-changing pandemic, we've seen major shifts in both the working world and the UK job market.

We know that 2023 has been a candidate-driven market and prospective employees, seeking flexible working and other perks, can now afford to be picky when it comes to finding their perfect package. Perhaps unsurprisingly, [73% of companies polled by the British Chambers of Commerce](#) reported facing hiring challenges in Q3 2023.

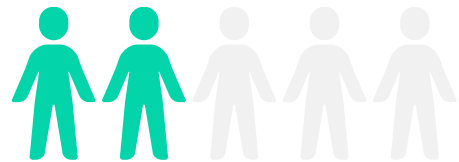
Businesses must now consider how they can stand out from the crowd in a competitive market without injecting huge financial resources into salaries. The answers lie not in market trends but in employee trends — and employees have high expectations when it comes to the benefits on offer.

To delve deeper into the current state of play when it comes to benefits packages, we commissioned Opinium to survey 500 HR decision makers and 2,000 UK employees to gain useful insights into what people want and how businesses are responding.

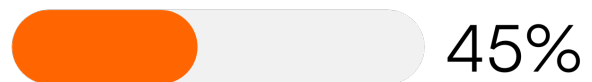


Half (48%) of businesses surveyed have **increased investment in their benefits package in the last 12 months**

This report outlines the key findings, and they're rather interesting. We found that today's employers are putting more resources into their employee benefits offering in an attempt to stay ahead of their competitors. Half (48%) of businesses surveyed have increased investment in their benefits package in the last 12 months in response to the challenging economic client — with large companies (51%) more likely to do so than the smaller ones (40%).



employees say that a benefits package is the **most important consideration** when seeking a new role



45% of employees think that their benefits package is **inadequate**

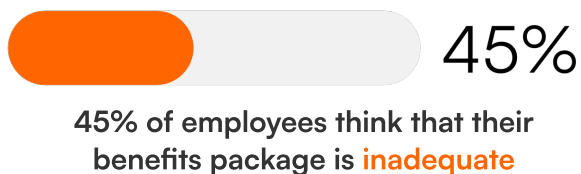
When it comes to employees, two in five (42%) say that a benefits package is the most important consideration when seeking a new role. However, 45% think that their benefits package is inadequate at a time when many will rely on it the most as the cost of living tightens.

There is a clear disconnect between employers and employees. I invite you to read this report for insights into how it can be addressed.

CHAPTER 01

The unwelcome spectre of inadequate benefits packages

According to our research, nearly half (**45%**) of UK employees believe that their workplace benefits package is inadequate, despite eight in ten (**82%**) businesses investing more in benefits since the pandemic shook up the labour market.



BUT



This is a real problem. Two in five (**43%**) employees state that the quality of their benefits package directly impacts their morale at work. If they are not receiving what they want, they will look elsewhere.

The research also identifies that younger employees value workplace benefits more as they consider their future working life. Whilst **42%** of respondents said that a good benefits package is the most important thing they look for in employment, this figure rises to more than half (**55%**) of 18-34 year olds.

And more than two-thirds (**67%**) of 18-34 year olds would walk away from their current job if another prospective employer offered them a better benefits package, compared to just **37%** of those aged 55 and over. It's clear that benefits packages have a significant impact on talent retention.

Given **PwC research** estimates that Gen Z and millennials will make up **58%** of the workforce by 2030, this issue is only going to grow in importance in the coming years.

Providing a good benefits package can give businesses a sharper competitive edge at a time when many are falling behind in the fierce race for talent.

Four in ten (**42%**) businesses surveyed are struggling to attract the right talent, whilst nearly a third (**29%**) are unable to raise salaries in line with spiralling inflation. Worryingly, **27%** of businesses say they have lost talent as a result of not being able to keep their salaries in line with growing inflation.

With many employers unable to increase salaries, benefits can provide an alternative means of supporting employees during the ongoing cost of living crisis, helping them to feel valued and protected. Indeed, **14%** of 18-34 year olds say that their employee benefits package has provided a vital lifeline during the cost of living crisis, compared to just **4%** of those aged 55 and over.

14%

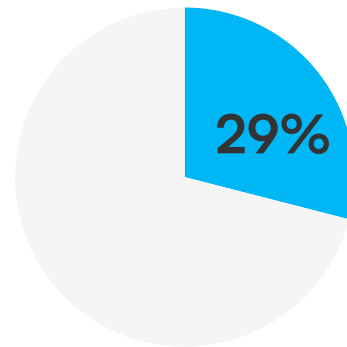
of 18-34 year olds say that their employee benefits package has provided a vital lifeline during the cost of living crisis.

Simply put, ambitious employers can't afford to neglect their employee benefits package.



Four in ten (**42%**) businesses surveyed are **struggling to attract the right talent**

WHILST



nearly a third (**29%**) of businesses are **unable to raise salaries** in line with spiralling inflation

“The last year has been tough and without certain benefits, employees of all ages are likely to have found it harder to navigate the current cost of living crisis. However, it shouldn’t be a surprise that younger employees are placing greater emphasis on workplace benefits packages than their older colleagues as they simply cannot afford to accept any less.”

“We also know that younger workers are not afraid to move jobs if it means their demands can be better met. It’s becoming clearer that they do not want a job for life, but they want a mixture of different experiences. If employees do not feel valued from the get-go, employers risk losing out on talent.”

Matt Russell, CEO, Zest

CHAPTER 02

What employees want versus what's on offer

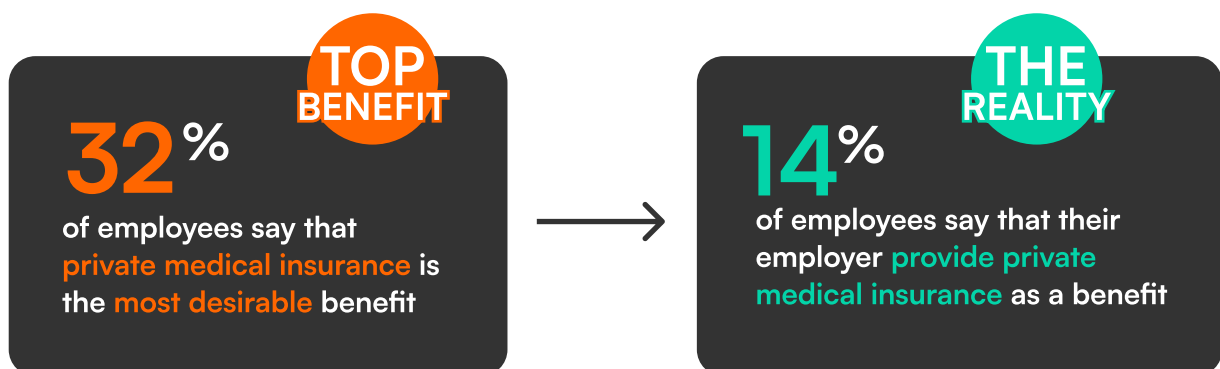
With employees expecting big things from their benefits package, how are employer offerings stacking up?

Not too well unfortunately. The research reveals a problematic disconnect between expectations and reality. For example, private medical insurance now tops the list of employee demands, with a third (**32%**) ranking it as the most desirable benefit.

This shouldn't really come as a surprise for employers, with the NHS under well-publicised pressure and the hospital waiting list [topping 7.5 million in England in August 2023](#) — a record high. This presents an opportunity for employers to step in and fill a gap, however only **14%** of employees say their employer currently offers private medical insurance as a perk.

The demand for employers to provide private medical insurance is particularly high amongst female employees and workers aged over 55. One area under the spotlight is menopausal support, with the British Standards Institution introducing a new standard around menstruation and menopause earlier this year and encouraging UK workplaces to adopt policies that support workers who suffer as a result of the two.

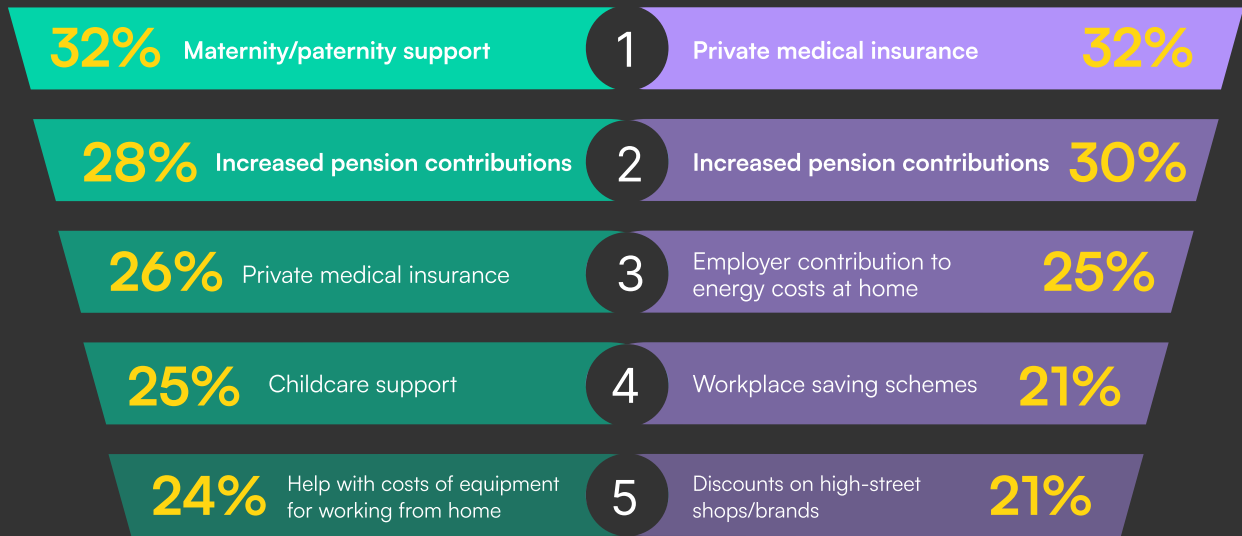
The standard suggests practical recommendations for workplace adjustments, and comes after [research from the Fawcett Society](#) found **10%** of those experiencing menopause left work due to symptoms including dizziness, insomnia, and joint stiffness.



TOP FIVE BENEFITS

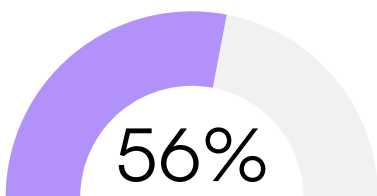
Businesses say they are offering

Employees say that they want

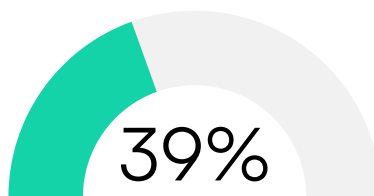


Our research has highlighted a mismatch between **what businesses are offering** and **what their employees actually want**.

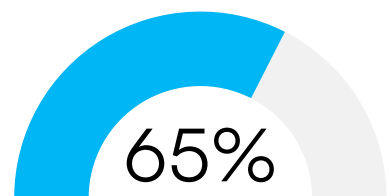
Employers need to address this imbalance if they wish to retain their best talent. For example, amidst the cost of living crisis, employees are keen for their employer to help with their energy costs at home and provide discounts at popular high-street shops, yet these considerations are notably absent from employer offerings.



of employees say they **don't use their benefits** as they are not relevant



of employees believe the **benefits on offer to them** are **completely irrelevant**



of employees believe they would happily **use their benefits package more** if it was tailored to their needs

The research has also identified a widespread lack of personalised and tailored support; people want a benefits package suited to their specific circumstances, but they don't seem to be receiving it.

More than half (**56%**) of employees say they don't use their benefits as they are not relevant to them and their personal situation.

And over a third (**39%**) believe the benefits on offer to them are completely irrelevant, with two-thirds (**65%**) saying they would happily use their benefits package more if it was tailored to their needs.

It's imperative that employers start listening.

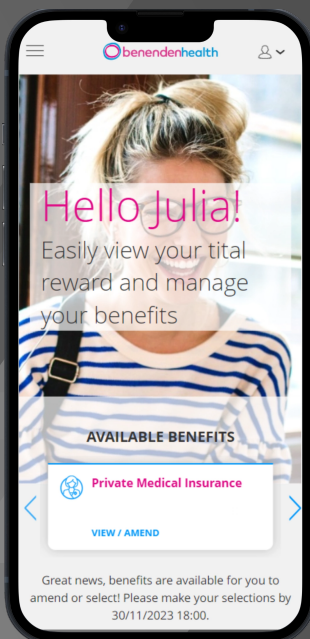
“People want to be valued as individuals in all aspects of their working life – this is just as important when it comes to their benefits packages. Employees want flexibility in their benefits from day one – an element of personalisation to their needs. Status benefits and qualification periods work against this. Employers can achieve this by listening to employees to gain an understanding of needs and then actioning relative to market data according to the nuances of their business and people profile.”

“Financial wellbeing is part of the wellbeing continuum and it’s vital that employers address this as part of their offering. Effective, ongoing and relevant communication in the delivery of the benefits offering is needed to enhance engagement, improve value for money and reward talent.”

Dave Sher, Head of Reward,
Shakespeare Martineau



CASE STUDY



“Without a platform, we had experienced low engagement with our benefits. Since using Zest, we’ve seen a huge increase in benefits and engagement from our employees, so the platform has definitely been a success.”

“We launched five new benefits at the same time, including buy and sell annual leave, Cash Plan, Health Assessments, Will Writing, Gym Memberships. Buy and sell annual leave is the most popular benefit by far, this benefit saw a 17% take up rate in 2023 and for 2024 this is looking like a massive 28% take up rate, which is fantastic. The Zest platform has enabled us to regularly promote all our great benefits and increase employee engagement.”

“The option to buy and sell annual leave is our most popular benefit and it certainly has a huge take up.”

Katie Frain, Pay and Reward Manager, Benenden Health

CHAPTER 03

Unpacking the wellbeing revolution

People are tired. They have endured the trauma of the pandemic, which touched everyone's lives, and are now enduring a rampant cost of living crisis.

Against this backdrop, there is a growing focus on employee wellbeing. Our research highlights that eight in ten **(82%)** businesses have seen their employees demanding more wellbeing benefits. In response, **71%** have now introduced a 'Head of Wellbeing' role to cater to this growing trend.

Nine in ten **(89%)** companies report that their employees are much more likely to discuss their wellbeing in the workplace. As such, paid mental health leave has emerged as the most popular wellbeing benefit amongst the UK's employers, with a quarter **(24%)** of the businesses surveyed now offering this.

Other popular options on offer include mindfulness programmes (by **21%** of employers), and menopausal support **(17%)**, an issue highlighted in the previous chapter.



(82%) businesses have seen their **employees demanding more wellbeing benefits.**



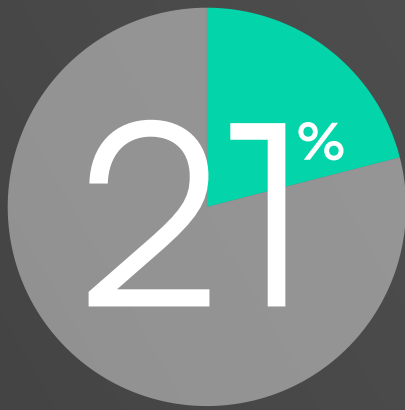
(89%) companies report that their employees are much **more likely to discuss their wellbeing in the workplace.**

“Financial stability and mental health are intrinsically linked. With the cost of living continuing to weigh heavy on households across the UK, employees need to feel supported - perhaps now more than ever.

“As employees are individuals, with their own lives, this support will look different to everyone. We are finding that new cohorts of people, who

previously may not have had to ask for financial support, are now having to do so. It is important that employers consider how they can personalise their offering to successfully meet an array of circumstances.”

Michael Royce, Senior Policy and Propositions Manager, Money and Pensions Service (MaPS)



of employers tell us that they now offer mindfulness programmes

YET



of employees say they have accessed them in the last year

Whilst we are seeing encouraging signs from employers, there is still a huge amount of room for growth.

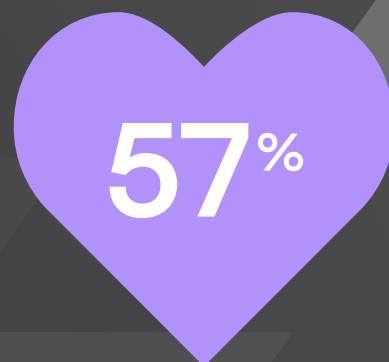
Although many businesses are offering more services, there is the risk of not always getting it right. For example, 21% of employers tell us that they now offer mindfulness programmes, yet only 4% of employees say they have accessed them in the last year. So, either these benefits are not cutting through to employees, or being flagged clearly enough.

Only a fifth (19%) of businesses are offering employees a dedicated wellbeing allowance as part of their benefits package. And despite 82% of businesses investing more heavily in their wellbeing offering, 57% also admit that employee wellbeing is at an all time low. There remains much to be done.



of businesses investing more heavily in their wellbeing offering

YET



admit that employee wellbeing is at an all time low

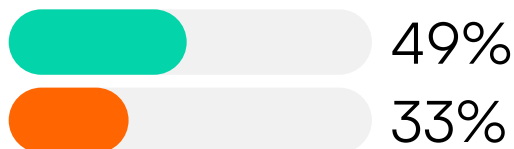
CHAPTER 04

The need for personalisation and targeted communications

Communication is key.

Employers must first communicate with their employees to understand their specific needs. Once they have done this, it's far easier to put the right tools in place to help support them.

Our research reveals that only half (**49%**) of employees know exactly what benefits their employer offers, and just **33%** use the full range available to them. Without knowing what the requirements of their employees are, how can organisations possibly ensure they are truly supporting them?



only half (**49%**) of employees know exactly what benefits their employer offers and just **33%** use the full range available to them

Three in five (**61%**) employees say they would like regular, targeted notifications about benefits — and **43%** of businesses would also like to be able to target individual employees in this way.

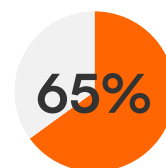
Personalisation is also vital. The research shows **65%** of employees would access their benefits more if they were better suited to their individual needs. However, just **36%** of businesses say that offering such tailored benefits is a priority, dropping to **19%** for small businesses. This needs to change, and fast.



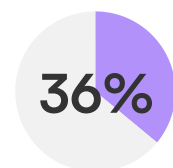
(61%) employees say they would like regular, targeted notifications about benefits

Employee benefits technology has a crucial role to play in supporting what employers are offering.

Even the most cost-effective benefits can be incredibly successful if they effectively meet the needs of employees on a personal level. And efficient two-way communications channels can ensure the right benefits are reaching the right employees, with a fifth (**21%**) saying they want the ability to pick and choose from available benefits so that they can build a package that works for them.



65% of employees would access their benefits more if they were better suited to their individual needs.



36% of businesses say that offering such tailored benefits is a priority

But it has to be the right technology. Of those employers currently using an employee benefits platform, four in ten (**38%**) report having difficulties using it — whilst **32%** of employees said they were less likely to use the benefits on offer as a result of poor user experience.

“Just investing in a benefits package isn’t enough. A clear perception gap exists between employers and employees and one of the most cost-effective changes anyone can apply to their benefits package lies in communication.

“It is impossible to benefit from a package if you do not understand the value that benefit has for you or in a worst-case scenario you don’t even know it exists. By simply gaining a greater understanding of what’s available, an employee’s perception of their benefits could change dramatically. If both parties are to truly gain, businesses need to prioritise communication through accessible and engaging education in the workplace to improve the understanding and financial wellbeing of employees.”

Sarah Steel, Head of Financial Wellbeing, Cushon

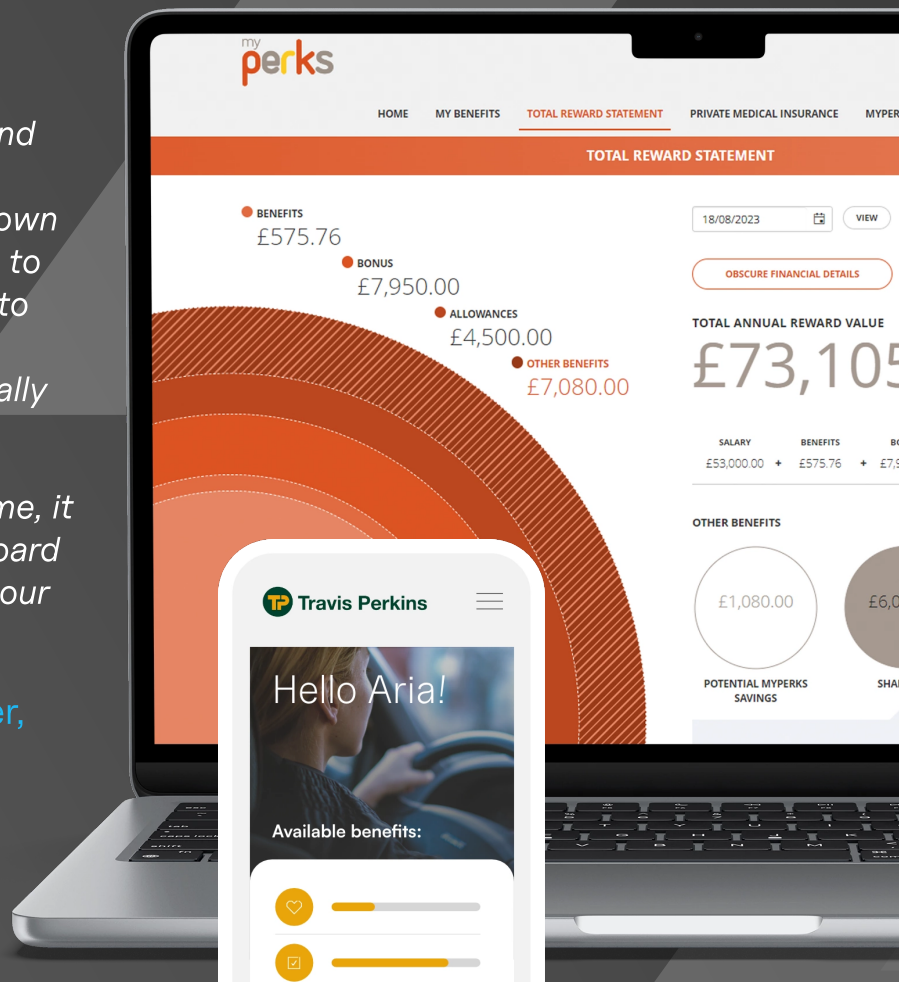
CASE STUDY



“We work hard to offer colleagues a benefits package that goes far beyond just salary and with Zest’s individual benefits detailed on the colleague’s own record, it allows us to shift the focus to show the value of all perks available to them. They can see this in a clear, personalised breakdown, which is really beneficial to both parties.

“Although we didn’t know it at the time, it was a critical time to bring Zest onboard and the platform has been pivotal in our communications with colleagues.”

Helen McGowan, Reward Manager,
Travis Perkins



CONCLUSION

Flexible, personalised support strategies are essential to building a more holistic approach to enhancing the employee experience.

There is no silver bullet when it comes to the 'right' employee benefits package, but what is certain is that employers need to quickly solve the clear disconnect between them and their employees — or else they risk losing out on the best talent.

Good communication is crucial. First and foremost, employers need to listen to the specific needs of their employees. And once they have understood how to best help them, they must communicate what is on offer regularly and accessibly. This will help them to meet demand and ensure that the right benefits are reaching the right people at the right time.

While simply increasing investment into benefits can help, this will not always equate to the most effective package. For example, with the cost of living crisis affecting different employees in different ways, listening to them carefully and then personalising the support on offer is the best way forward.

Employee benefits platforms, such as Zest's, can help to plug the gap, improve communication, and boost engagement in benefits.

Ensuring a platform has high engagement rates amongst employees is central to increasing value for money. Whilst engagement rates for most benefits platforms sit at around **40-50%**, our partners typically see up to **90%** engagement — a figure driven by the simplicity of our platform and the fact that offered benefits are more likely to be those that appeal to the specific demographics of their employee base.

This helps to reassure employees that their employer is keeping their best interests in mind and boosts morale and productivity in the workplace — which is exactly what's needed if we're all to thrive through these tough economic times.



zest

Findings of the report were conducted by independent research agency Opinium which surveyed 2,000 adults weighted to be nationally representative between 14th June and 18th July 2023 and 500 HR decision makers between 7th and 12th June 2023.

Zest is an employee benefits platform offering a fresh approach to truly flexible employee benefits. Through its products and services, Zest has reinvented the world of flexible employee benefits for large SMEs and Enterprise customers across the world with its multi award-winning employee benefits platform.

