SEE WHERE **YOUR ORGANISATION STANDS**

Benefits Strategy & Benchmarking Survey

Gallagher

Insurance | Risk Management | Consulting

UK Edition

Contents

The intent of this document is to provide you with general information regarding the status of, and/or potential concerns related to, your current employee compensation and benefits environment. It does not necessarily fully address all of your specific issues. It should not be construed as, and is not intended to provide, legal advice. Questions regarding specific issues should be addressed by your legal adviser or a lawyer who specialises in this practice area.

Survey Overview

Every organisation wants to perform better. And that means making more informed decisions that lead to a stronger state of organisational wellbeing. Getting there, and staying there, requires strategic investments in the total wellbeing of your people — including their health, financial security and career growth. Gallagher's Benefits Strategy & Benchmarking Survey was designed by benefit and HR practitioners, for benefit and HR practitioners, to provide data and insights that help guide you to better outcomes through better benchmarking.

From August to October 2018, 172 organisations across the UK responded to more than 50 questions covering the total reward spectrum. The report provides reliable and insightful benchmarking data, allowing employers to compare their practice to the wider market. It covers the main type of employee benefits found in the UK, including pension plans, holidays, parental leave and flexible benefits — amongst others. Ultimately, the report gives employers the confidence to make evidence-based decisions around future benefit provisions in their organisation. Each topic section features core data highlights and wraps up with key takeaways. From broad insights to specific findings, you will gain a practical perspective on significant trends and best practices that Gallagher is observing firsthand.

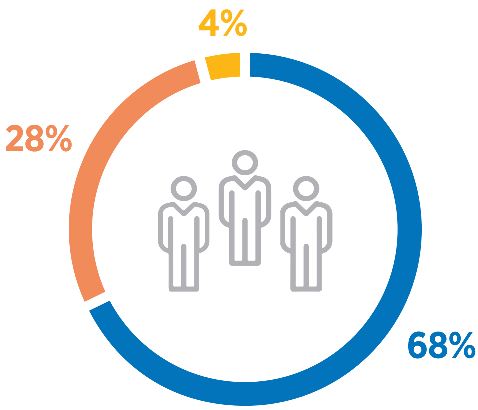
Industries

22 industries[1]

More than half of respondents (53%) hailed from just five sectors:

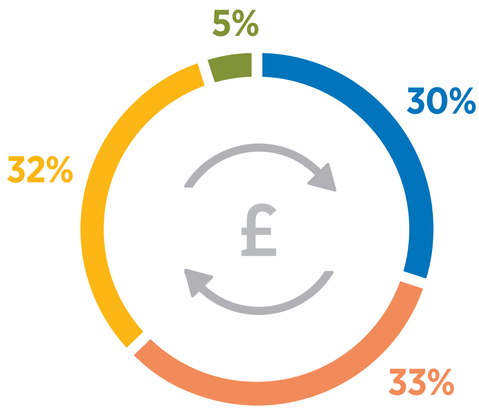
17%	11%	11%	9%	5%
CHARITY, EDUCATION AND MEMBERSHIP ORGANISATIONS	BANKING AND FINANCE	ENGINEERING AND ELECTRICAL	TECHNOLOGY, EXCLUDING HARDWARE	LOGISTICS, DISTRIBUTION, RETAIL AND WHOLESALE

Organisation size



- 500 or fewer people
- 501 to 5,000 people
- 5,001 or more people

Company revenue



- Less than £20 million
- £20 million to £99.9 million
- £100 million to £999.9 million
- £1 billion or more

[1] Sectors represented, from highest representation to lowest, include: charity, education and membership organisations; banking and finance; engineering and electrical; technology, excluding hardware; logistics and distribution; retail and wholesale; professional services and consulting; construction; food, drink, tobacco and consumer goods; media and publishing; healthcare; leisure and hospitality; pharmaceuticals and life sciences; legal; automotive; local and central government; oil, gas / renewable energy and utilities; transport and aviation; marine; chemical; industrial; property development and management.

Key Findings

Maintain your organisation's focus on physical wellbeing

80%
PROVIDE SOME FORM OF MEDICAL BENEFIT

81%
EXCEED STATUTORY SICK PAY REQUIREMENTS

48%
OFFER DISCOUNTED OR FULLY-FUNDED GYM MEMBERSHIPS

Broaden your organisation's offering to financial and career wellbeing

56%
PROVIDE NO FORM OF FINANCIAL ADVICE FOR EMPLOYEES

84%
OFFER NO NON-RETIREMENT CASH- OR SHARE-BASED SAVINGS PLANS

46%
OFFER NO SABBATICAL LEAVE

Drive employee engagement through communication

36%
SAY COMMUNICATING ABOUT BENEFITS IS A CHALLENGE

16%
USE TOTAL REWARD STATEMENTS

77%
OF THESE SEND TOTAL REWARD STATEMENTS DIGITALLY

Evolve your organisation's benefits offering to get competitive advantage

45%
ARE PLANNING CHANGES TO THEIR BENEFITS OFFERING IN 2019

72%
WILL BE ENHANCING BENEFITS

47%
WILL ENHANCE FLEXIBILITY IN PROVISION

It's time to see where your organisation stands. With a better view of how you approach total reward compared to others, you can identify and drive competitive opportunities that align with your organisation. To discuss your workforce vision, strategies and industry trends, contact your Gallagher consultant or email us at **sayhello@ajg.com** to learn more.

Physical & Emotional Wellbeing

Health & Wellbeing Provision

Short-term sickness

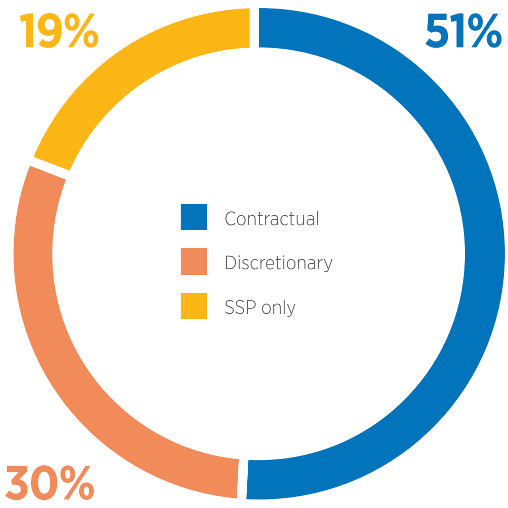
All employers have an obligation to provide statutory sick pay (SSP), and the choice of enhancing the amount is informed by benefits philosophy and market practice. For the most part, employers do opt to offer better cover than what is mandated by the government: 81% provide either contractual or discretionary enhancements to sick pay. This high level of adoption demonstrates a staunch commitment to employees' physical wellbeing.

Just over half of respondent organisations (51%) offer contractual sick pay, which is a sick pay provision as a contractual entitlement over and above the statutory minimum. The banking and finance sector, education sector, and charities and membership organisations are most likely to offer this additional sick pay.

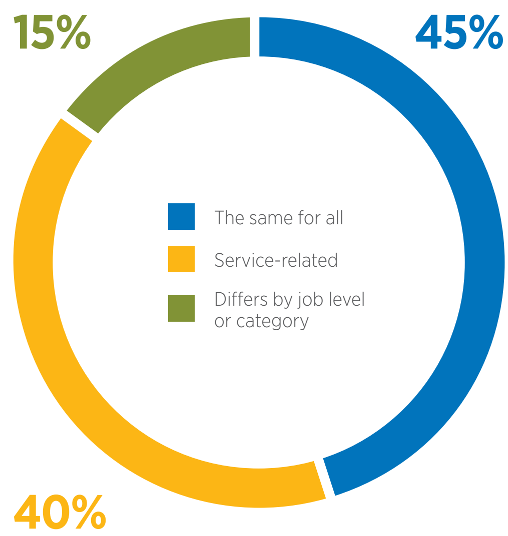
Thirty percent (30%) of organisations provide sick pay at a higher rate or at a higher frequency than statutory sick pay on an entirely discretionary basis. In other words, management determine whether or not to provide additional sick pay based on the individual circumstances of any particular sickness absence.

Of those organisations that offer enhanced sick pay, 45% have a policy that applies to all. However, service-related policies are also highly popular, with 40% offering increased duration of sick pay entitlement to longer-serving employees. As is the case with other benefits, it is possible that these employers provide enhanced sick pay only to those employees who have completed their probation period.

SSP ENHANCEMENTS POLICY



ELIGIBILITY FOR ENHANCED SICK PAY POLICIES



Private medical insurance (PMI)

Interestingly, 80% of survey respondents offer some form of company-funded private medical insurance (PMI). This is the same proportion that offer enhanced sick pay — however, there is no correlation between an organisation's likelihood to enhance sick pay and its likelihood to fund PMI. There does appear to be a link between provision of PMI and industries: charities, educational organisations and membership organisations are far less likely to fund PMI.

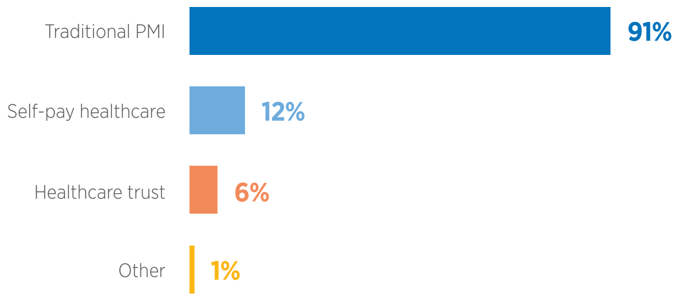
Of those organisations that offer company-funded PMI, 12% use a self-pay healthcare plan. In most cases, this sits alongside traditional PMI. The remainder extend cover via a healthcare trust, which provides comparable provision to PMI but is exempt from insurance premium tax (IPT), valued at 12%.

In those organisations where PMI is funded, eligibility is likely to differ based on job level or category. Unsurprisingly, executives are the most likely to benefit, with 99% of organisations purchasing PMI for this audience. Senior managers are also highly likely to benefit, with access to PMI at 94%. The level of cover continues to drop at each step down in the hierarchy, with operatives covered in only half of organisations.

Along with the likelihood of cover increasing as employees climb the ranks within their organisation, the extent of the cover received widens. At the top, employers are most likely to fund family cover for executives (62%) and senior managers (48%), whilst employee-only cover is most likely funded for line managers or professionals (54%), business support (63%) and operatives (62%).

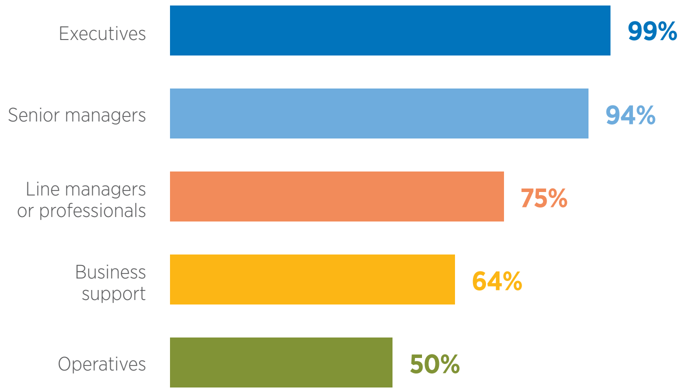
That said, in many organisations where PMI is funded, employees can increase their level of cover on a self-funded basis: 55% of respondents declared this to be the case within their organisation.

TYPES OF PMI OR SIMILAR PROVISIONS OFFERED



Note: some organisations offer multiple systems at once, hence percentages do not add up to 100%

JOB LEVELS ELIGIBLE FOR EMPLOYER-FUNDED PMI



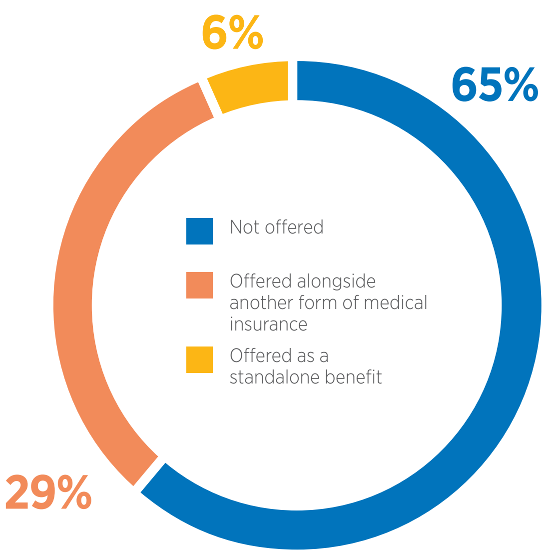
Healthcare cash plans

Healthcare cash plans remain a relatively uncommon benefit, with slightly more than 1 in 3 organisations (35%) offering this option. The industries where healthcare cash plans are most likely to be found include construction; logistics; distribution retail and wholesale; and media and publishing.

These plans are often used in conjunction with PMI, or offered as a more affordable alternative to a full PMI plan, the costs of which have been increasing each year. Around one-third of healthcare cash plans are self-paid by employees. This leaves close to two-thirds funded by employers — in contrast to bygone years, when healthcare cash plans were rarely financed by the employer and merely offered as a voluntary benefit via payroll deduction.

In organisations that fund healthcare cash plans, it is most common for both employees and their children to benefit from cover. This provision is thanks to either employee and dependent children cover, in about one-third of organisations, or family cover, in about one-quarter of organisations — although cover can vary depending on job level or category. Employee-only cover is available to operatives in about half (51%) of these organisations, and to executives in just 36%, likely due to their eligibility for a higher level of cover. Plans in most organisations (87%) allow employees to increase their level of cover on a self-funded basis.

APPROACH TO HEALTHCARE CASH PLANS



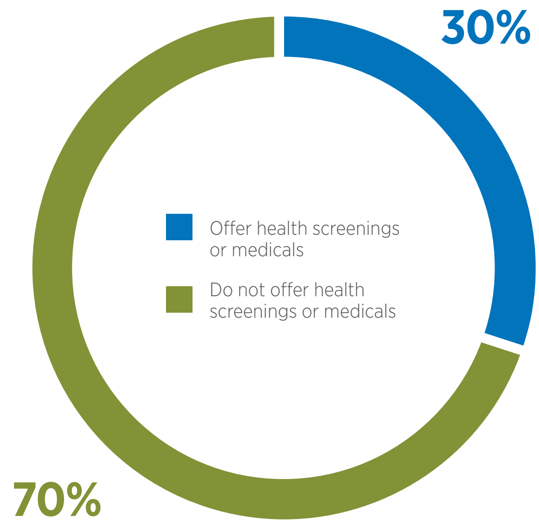
Other medical benefits

Other medical benefits are less likely to be covered by employers. Those included in this survey are company-funded health screenings or medicals.

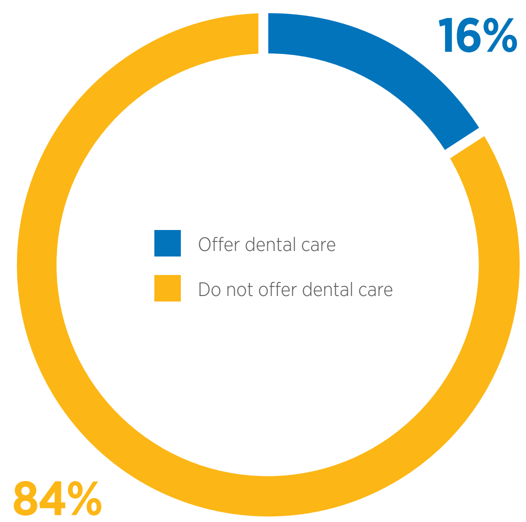
Health screenings or medicals are funded in just under one-third of organisations (30%) — although eligibility often depends on job level or category. Indeed, whilst 94% of executives can attend these appointments with employer funding, fewer than 2 in 5 line managers (37%), business support staff (37%) and operatives (36%) can do the same.

Dental care is also relatively rare. Only 16% of organisations fund a separate dental care plan for some or all employees.

PROVISION OF HEALTH SCREENINGS OR MEDICALS



PROVISION OF DENTAL CARE



Holiday Entitlement

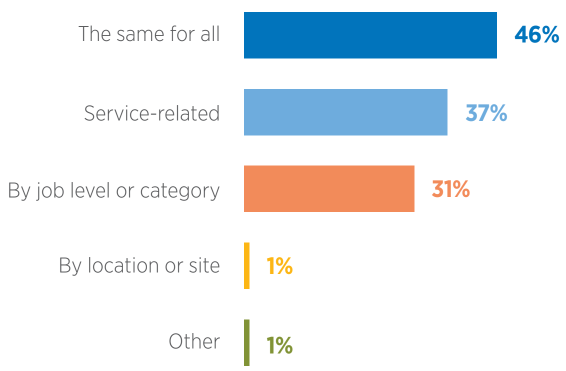
Holiday, or annual leave, is a statutory benefit in the UK. This entitlement is a minimum of 20 days plus eight bank holidays for a full-time employee. However, organisations are free to define rules specific to them — meaning there is a lot of variation in this space.

It has become increasingly common over the years for organisations to apply the same holiday entitlement to all employees: this is the standard practice for 46% of survey respondents today. These employers normally offer 25 days' holiday plus bank holidays — indeed, two-thirds offer their employees this number of days. Just 1 in 10 offers 23 days or fewer, or 27 days or more.

It is worth noting that there is some variation from one industry to another. The marine, healthcare, and education industries, as well as charities and membership organisations, stand out as having the most generous holiday entitlement. The lowest number of holidays are generally offered by employers in technology (excluding hardware); logistics; distribution; retail and wholesale; automotive; and oil, gas, renewable energy and utilities.

Length of service (37%) and job level (31%) continue to be used in roughly one-third of organisations to determine higher levels of holiday entitlement. Where holiday allowance is based on one of these factors, executives will typically benefit from the most advantageous entitlement, with an average of 30 days' leave per year, plus bank holidays. At the other end of the spectrum, business support and operatives are usually permitted 25 days' holiday every year, excluding bank holidays.

BASIS OF ANNUAL LEAVE ELIGIBILITY

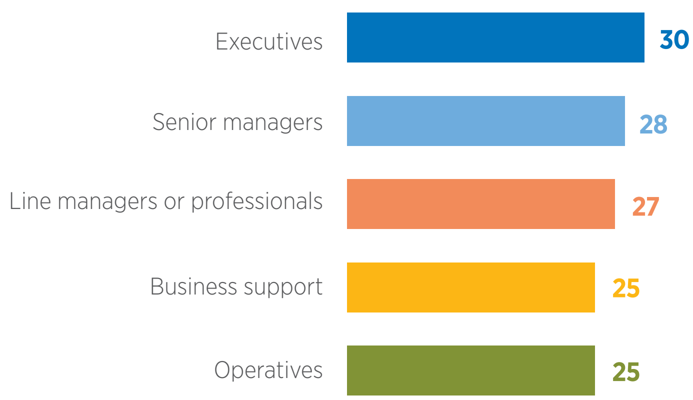


Note: some organisations cumulate multiple criteria to determine eligibility, hence percentages do not add up to 100%

STANDARD HOLIDAY ENTITLEMENT, EXCLUDING BANK HOLIDAYS

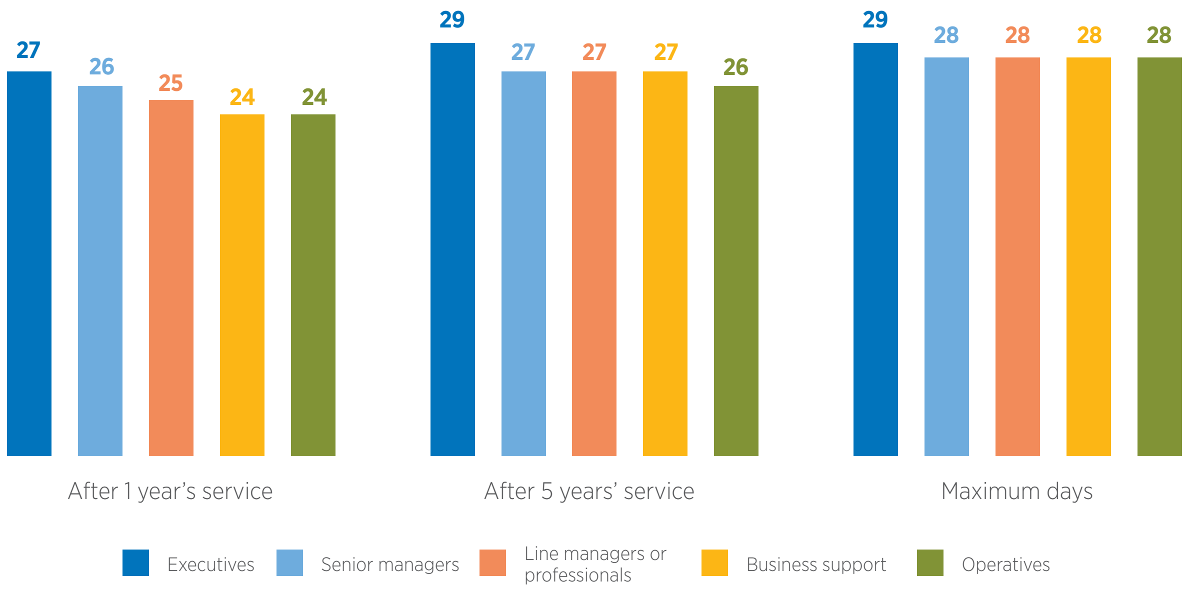
	No. of days
10th percentile	23
25th percentile	25
50th percentile	25
75th percentile	25
90th percentile	27

AVERAGE ANNUAL HOLIDAYS, EXCLUDING BANK HOLIDAYS, BASED ON JOB LEVEL



For those employers providing service-related entitlement, the trend seems to favour rewarding employees with an extra two days' holiday after between three and five years of service. Many will add a day to this total after employees have served 10 years with the company. As in organisations where holiday entitlement is based on either job level or category, executives typically benefit from the most generous entitlement, being able to build up to an average maximum of 29 days' holiday. This compares with a maximum hovering around 28 days for other role types.

AVERAGE ANNUAL HOLIDAYS, EXCLUDING BANK HOLIDAYS, BASED ON TENURE

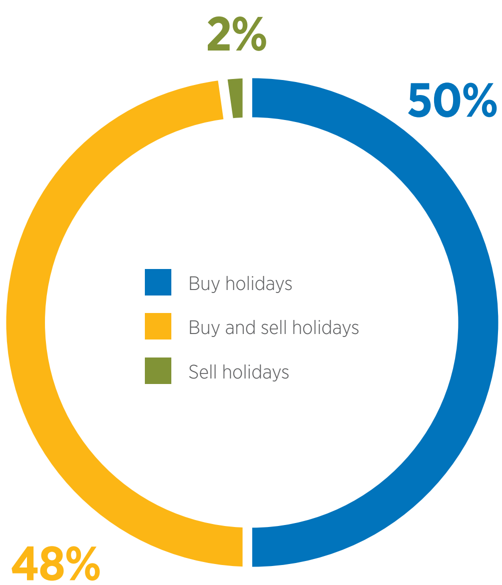


Buying and selling holiday time

Trading holidays is becoming increasingly popular as organisations design benefit programmes to suit varied demographics. That said, this flexibility remains a seldom used benefit, with only a little over one-third of organisations (36%) offering a facility to buy or sell holidays.

Of those that offer flexibility, 48% allow both buying and selling of holiday time, with the majority of the remainder enabling employees to buy additional days only (50%). Where this type of trading is offered, the norm is to allow up to five days to be bought or sold — although around 1 in 10 organisations chooses to limit this number to three.

POLICY FOR TRADING HOLIDAYS



Family Leave

Maternity and paternity leave

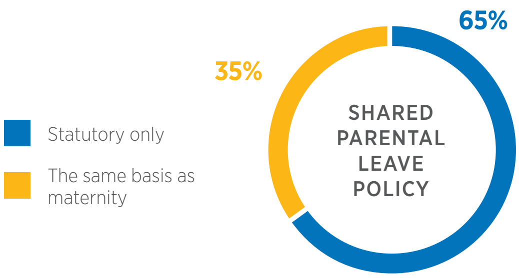
Maternity and paternity leave are rights protected by law in the UK, though there is much contention around the extent of time off for new parents and the pay to which they are entitled. From an employer standpoint, including enhanced benefits on a contractual basis for new mothers (37%) and new fathers (28%) is relatively rare. Around 1 in 5 provides maternity and paternity enhancements on a discretionary basis. The norm is still to offer statutory maternity (46%) and paternity (53%) leave and pay only.

When employers provide enhanced maternity benefits, it may cover an extended period of time compared to statutory provision, though the most common offering is an enhanced rate of payment over and above statutory. Almost all organisations with contractual enhancements to maternity benefits provide enhanced pay for the first 13 weeks, with almost two-thirds extending this to a 26-week period. It is typical, in organisations where enhanced pay is offered, for the mother to receive full pay in the first six weeks of maternity leave, 90% of salary over the next seven to 13 weeks, and an average of 77% of salary throughout weeks 14 to 26.

Of those organisations that offer enhanced paternity benefits, almost all offer enhanced pay (98%) and almost 20% offer extended duration. Nearly three-quarters (74%) of those organisations that bump up statutory paternity pay offer full pay for a period of two weeks.

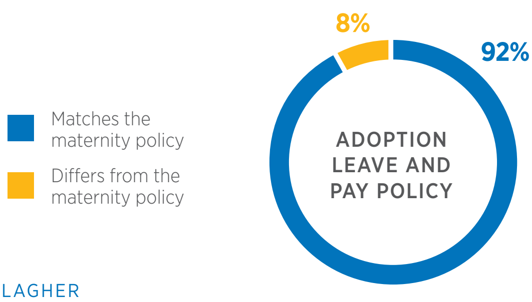
Shared parental leave

About one-third of organisations offer enhanced shared parental leave on the same basis as maternity.

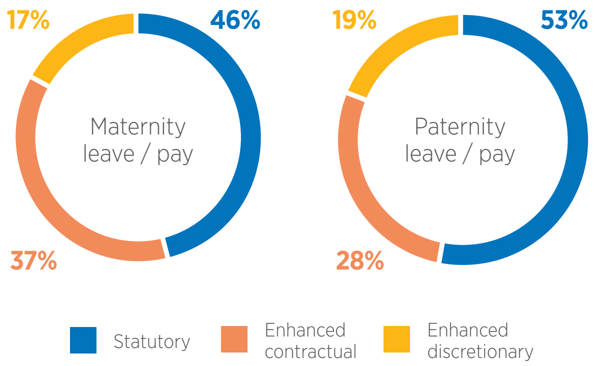


Adoption leave and pay

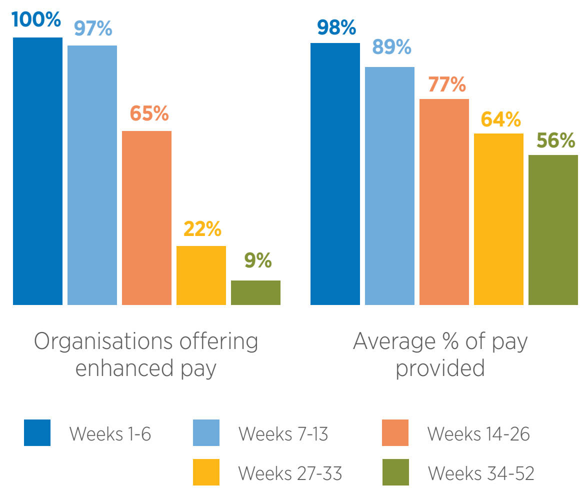
In 92% of organisations, the adoption policy matches the maternity policy for both leave and pay.



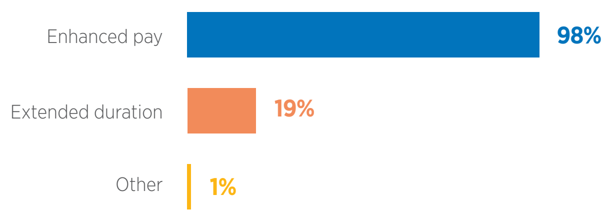
TYPE OF PARENTAL BENEFITS OFFERED



ENHANCEMENTS TO MATERNITY PAY



ENHANCEMENTS TO PATERNITY BENEFITS



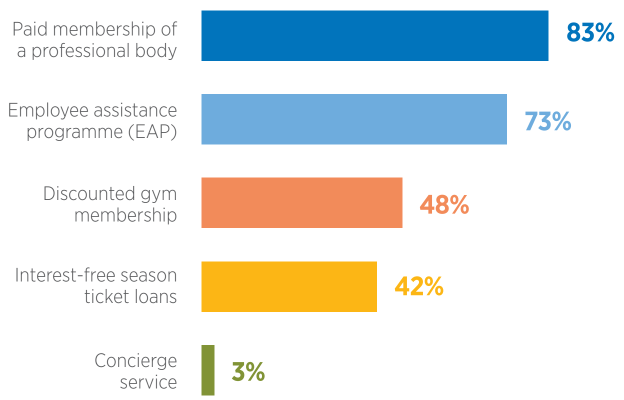
Lifestyle Benefits

Apart from flexible working, employers are offering additional lifestyle benefits. The most popular, offered by 83% of employers, is paid membership for a professional body. This grants employees access to specialist, up-to-date knowledge and training opportunities in their field of work — helping to support their career wellbeing.

Employee assistance programmes (EAPs) are also a popular offering, with just under three-quarters (73%) of organisations offering this benefit. The services EAPs provide typically cover a wide range of employee guidance needs. So the prevalence of this benefit may reflect employers' efforts to include employees of all backgrounds and characteristics, with a variety of preferences, in their benefits offering.

Interest-free season ticket loans are provided by 42% of organisations, allowing their employees to save when using public transport to travel to and from work.

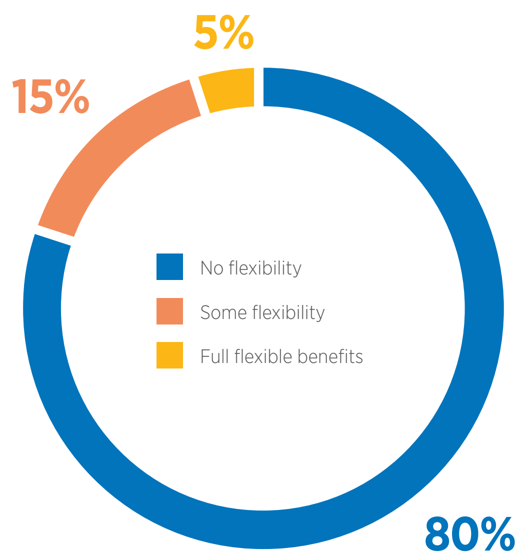
LIFESTYLE BENEFITS



Flexible Benefits

Despite the importance of flexibility in the workplace, many organisations remain reluctant to allow extensive personalisation of benefit packages. Just 20% offer flexible benefits, which they may choose to fund completely or partly. And only 23% of those (5% of the whole survey sample) have a full flexible benefits plan — the remainder allow just some of their standard benefit offerings to be customised. On the plus side, three quarters of those that do have flexible benefits also have an online flexible benefits platform.

FLEXIBILITY OFFERED



Among those offering flexible benefits, retirement savings plans are favoured the most (83%). This makes sense as defined contribution plans providing variable contribution rates become widespread. Other common flexible benefits include life assurance (66%), holiday or annual leave (63%) and PMI (60%).

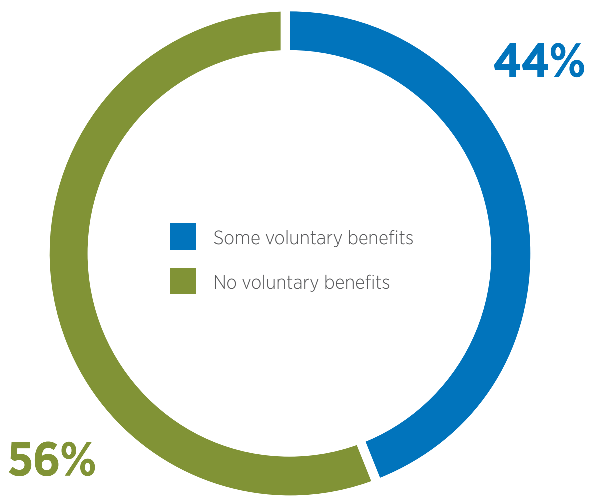
FLEXIBLE BENEFITS OFFERED

Pension schemes	83%
Life assurance	66%
Annual leave	63%
Private medical insurance	60%
Healthcare cash plans	43%
Childcare vouchers	34%
Critical illness	34%
Cycle to work scheme	26%
Income protection	23%
Charitable giving (GAYE)	17%
Retail vouchers	14%
Discount portal	14%
Car schemes	6%

More organisations offer voluntary benefits than flexible benefits. These employer-selected options are voluntary in the sense that only those employees who want them are given access to these benefits, subject to certain requirements. Fewer than half of organisations offer some voluntary benefits to employees (44%). The most common are childcare vouchers (90%) and cycle to work schemes (80%). Discount portals are also fairly popular, with nearly 3 in 5 organisations (57%) granting access to employees.

Although voluntary benefits are relatively common in all industries, just 11% of organisations have an online voluntary benefits platform — a low provision rate which may negatively impact uptake.

VOLUNTARY BENEFITS



VOLUNTARY BENEFITS OFFERED

Childcare vouchers	90%
Cycle to work scheme	80%
Discount portal	57%
Charitable giving (GAYE)	54%
Pension schemes	43%
Annual leave	40%
Healthcare cash plans	38%
Retail vouchers	38%
Private medical insurance	34%
Car schemes	21%
Life assurance	17%
Critical illness	13%
Employee savings plans	13%
Income protection	5%

Key Takeaways

Physical and emotional wellbeing is undoubtedly a key element in overall organisational wellbeing. But findings show that this core focus is often to the detriment of financial, career and organisational wellbeing. In particular, health and welfare benefits are provided on a large scale, whilst additional lifestyle benefits dedicated to improving or maintaining health and reducing stress, such as gym memberships and annual leave entitlements exceeding statutory minimums, are increasingly common. Employers can improve by allowing more flexible provision of benefits, which is important given workforce diversity both now and in the future.

Financial Wellbeing

Retirement Savings

With uncertain market trends in a changing global economy, there is growing concern around how people will fund their retirement. National governments have been trying to reduce the long-term liability of their state pension systems, and the UK government is no exception. Between 2012 and 2018, state pensions have moved from a two-tier (basic and S2P) to a single-tier system. In parallel, employers have been mandated to automatically enrol their employees into a so-called workplace pension.

Type of retirement savings plan

There are three main types of plans available to employers to choose from: defined contribution (DC), defined benefit (DB) and cash balance. A DC plan sets an amount to be contributed measured in percentage of salary, but the investment return on retirement savings is not fixed. A DB plan is calculated based on either pensionable earnings in the last few years before the employee retires ("final salary" pensions) or average earnings over the employee's entire working life ("career average" pensions). A cash balance plan is hybrid, operating like a DB plan as it defines the fund available at retirement; however, the income that it will provide will vary as it does for a DC plan.

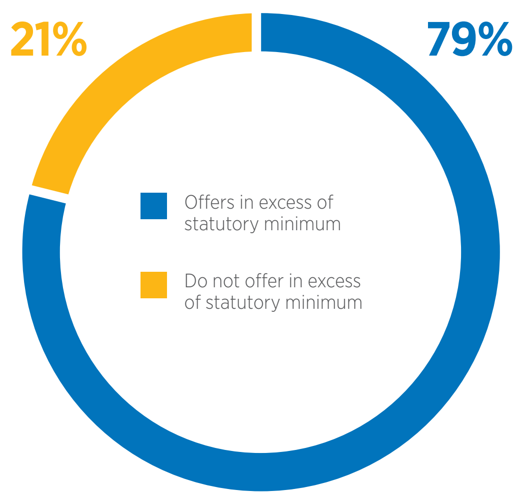
DC plans unquestionably dominate the market: 95% offer them. Meanwhile, just 3% of organisations still offer a DB plan for their employees, with 60% of these having opted for a "final salary" pension plan.

PLAN TYPES AVAILABLE TO EMPLOYEES

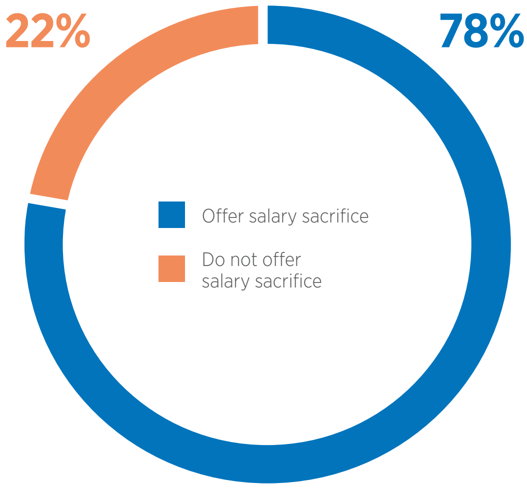
Contributions to savings

Mandatory schemes in the UK, like others around the world, require employers and employees to make minimum contributions on a specific band of earnings, currently up to £46,850 per annum. By April 2019, a minimum total contribution of 8% will be required for schemes being used for auto-enrolment, which includes a minimum employer contribution of 3%. That said, most organisations offer retirement savings in excess of the current statutory minimum — a clear indication that employers have seized upon the importance of securing future income for their people's wellbeing.

APPROACH TO RETIREMENT SAVINGS CONTRIBUTIONS

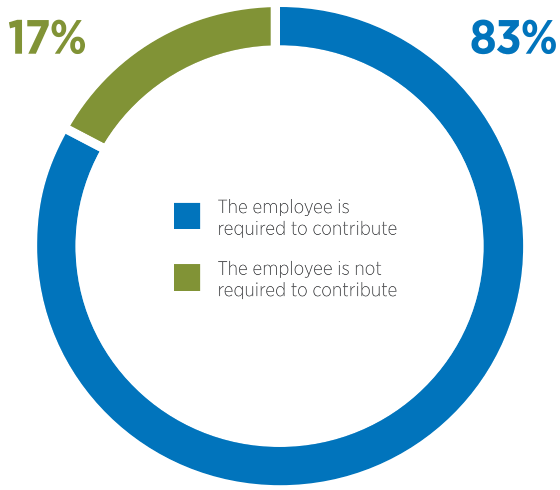


AVAILABILITY OF SALARY SACRIFICE



Additionally, salary sacrifice or salary exchange is common, with more than three-quarters of respondents (78%) making use of the National Insurance savings available for both the employer and employee.

EMPLOYEE CONTRIBUTION REQUIREMENTS



The vast majority of organisations require employees to contribute to their retirement savings (83%), regardless of the retirement savings plan. This is unsurprising from a cost perspective. Interestingly, it is mainly those industries with higher profit margins that propose non-contributory plans, banking and finance in particular. When it comes to the minimum employee contribution, there is variation between plan types.

Employee contributions to defined benefit plans

The average minimum employee contribution (exclusive of those applied to executives) in organisations with a DB plan is 4.9% — considerably higher than the average of 3% found in organisations with a DC plan. Further, deviation from this average is common: whilst 10% of respondents in these organisations mandate a minimum contribution of 2.4% or less, another 10% set this threshold at 7.8% or higher.

MINIMUM EMPLOYEE CONTRIBUTION AS % OF SALARY ON DEFINED BENEFIT PLANS[1]

10th percentile	2.4
25th percentile	3
50th percentile	4
75th percentile	7.5
90th percentile	7.8

[1] Exclusive of executive contribution rates.

Employee contributions to defined contribution plans

The average minimum employee contribution (exclusive of those applied to executives) in organisations with a DC plan varies between 2% and 4.3%. A noteworthy 54% have a flat rate of 3%.

MINIMUM EMPLOYEE CONTRIBUTION AS % OF SALARY ON DEFINED CONTRIBUTION PLANS[2]

10th percentile	2
25th percentile	2.5
50th percentile	3
75th percentile	3
90th percentile	4.3

[2] Exclusive of executive contribution rates.

Employer contributions to defined contribution plans

The employer's approach to retirement savings contributions is a window into the organisation's overall benefits' philosophy: a matching formula is evidence of an employer's desire to partner and incentivise employees to save for and improve their financial wellbeing.

The most popular model is to contribute a fixed percentage of salary that does not vary with any other factors — even when an employee opts to modify their own contribution rate. This model is present in over one-third (36%) of organisations — in line with a general shift towards harmonised levels of benefit provision and the move away from status-driven benefits provision. By contrast, the proportion of organisations operating a segmented system based on job levels or categories is just 20%.

The second most popular option, implemented in one-quarter (25%) of organisations, is to match employee contributions. This model encourages shared ownership for retirement savings. Most commonly, employers have a 1:1 employer:employee match (67%), although 18% offer a 2:1 match or better.

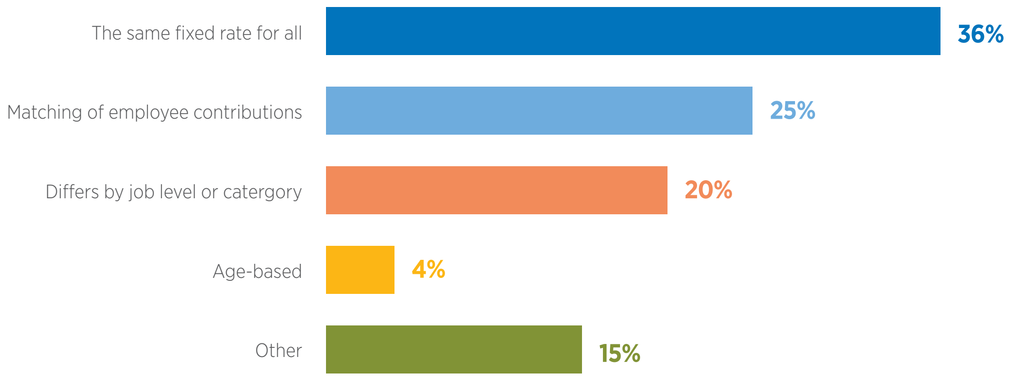
In organisations with a variable employer contribution to retirement savings plans, there is wide variation in the amounts employers contribute.

Around one-third of respondents listed a minimum employer contribution of 3% of salary, making this the most popular option. That said, the average minimum is equal to 4.2%, indicating that some employers do go far beyond the statutory minimums defined by the government.

The average maximum employer contribution is 7.5% of salary. Once again, there is great variation here, as 10% of organisations cap their contribution to 3% or less of salary, whilst another 10% have chosen a cap of 12% of salary or higher. The greatest maximum employer contribution was a substantial 27%. The most popular cap was 10%, which 1 in 5 organisations has adopted.

Historically, it was normal for executives to receive a superior pension benefit, which was usually delivered via a 30ths DB pension. As the market moved to a DC model, this mindset was replicated in the provision of a higher rate of employer contribution for executives. The average employer contribution to executive pensions is equal to 8.82% of salary. There is a wide range of contribution levels, however, with 10% of organisations having a rate of 3% or lower, and another 10% with contribution levels for executive pensions at 15% or higher.

APPROACH TO EMPLOYER CONTRIBUTIONS TO RETIREMENT SAVINGS



AVERAGE EMPLOYER CONTRIBUTIONS

	Minimum employer contribution as % of salary	Maximum employer contribution as % of salary	Employer contribution to executive pension savings plans as % of salary
10th percentile	2	3	3
25th percentile	3	5	5
50th percentile	3	7	7
75th percentile	5	10	10
90th percentile	7.5	12	15

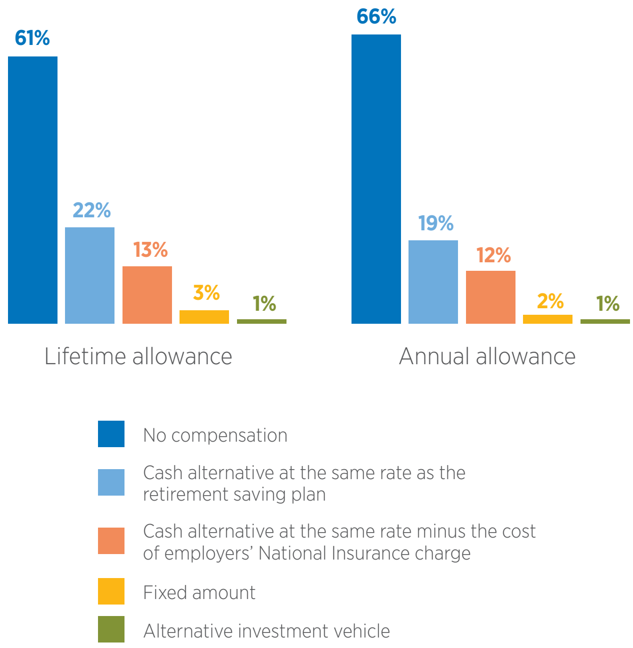
Executive allowances

The executive pensions landscape continues to evolve. Restrictions added to the lifetime and annual allowances in recent years are affecting an increasing number of higher earners.

For the 2018/2019 tax year, the lifetime allowance is £1.03m and the annual allowance is capped at £40,000 or 100% of earnings, whichever is lower. Any pension contributions above the annual allowance will not receive tax relief and will be subject to an annual allowance charge.

An organisation's approach to the lifetime and annual allowances reveals its prevailing benefits philosophy, including ownership of any detrimental taxation affecting employees. A growing number of employers take the view that this is a matter for the employee, demonstrated by the fact that most survey respondents do not offer compensation for losses or additional taxation arising from the lifetime (61%) or annual (66%) allowance limit. Where compensation is offered, it is mostly a cash alternative without offset of the employer's National Insurance charge; this is provided for financial effects of the lifetime allowance limit by 22% of organisations, and the annual allowance limits by 19%.

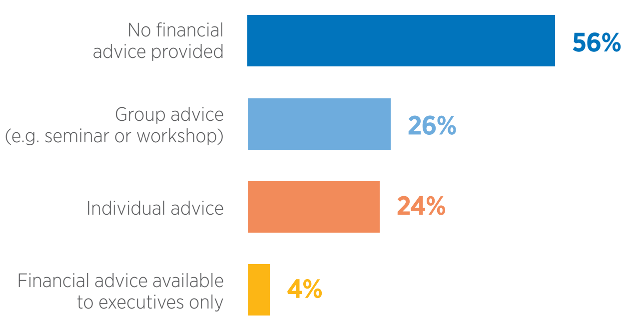
POSITION ON EXECUTIVE ALLOWANCES



Financial Advice

In view of the large number of employees being affected by the lifetime and annual allowances, it is surprising how few organisations provide any form of financial education or advice to employees. Indeed, 56% do not provide advice to employees, whilst approximately one-quarter say they provide group (26%) or individual (24%) advice.

TYPES OF FINANCIAL ADVICE OFFERED

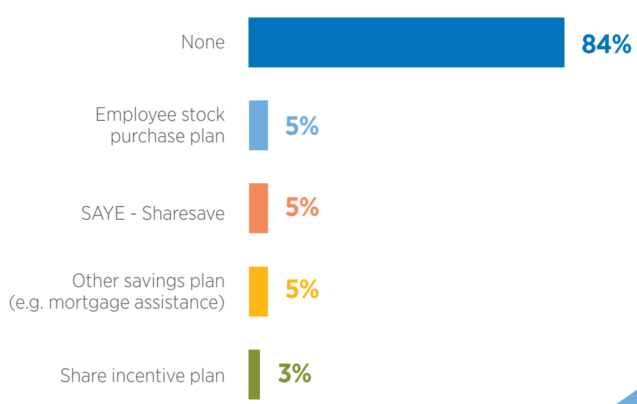


Note: some organisations offer multiple types of financial advice, hence percentages do not add up to 100%

Other Savings Plans

The prevalence of other savings plans, whether cash- or share-based, is strikingly low. The 16% of organisations that offer any alternatives tend to rely on tax authority-approved share plans (13%), such as an employee stock purchase plan in the United States, which enables employees to purchase shares at a discounted price, and the UK Sharesave or share incentive plans. A meagre 5% offer other types of plans.

TYPES OF CASH- OR SHARE-BASED SAVINGS PLANS OFFERED

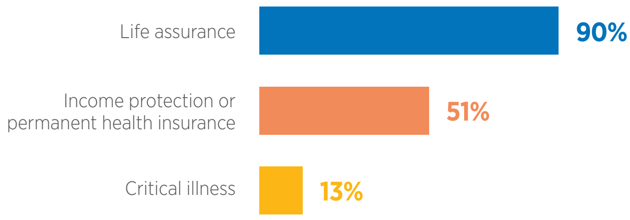


Note: some organisations offer multiple savings plans, hence percentages do not add up to 100%

Risk Benefits

Risk benefits protect employees against the contingencies of life and are typically purchased as insured benefits. Without a doubt, life assurance is the most prevalent, offered by 9 in 10 organisations. This is a common provision across all industries. Meanwhile, the interchangeable options of income protection or permanent health insurance are offered in around half of organisations, with charities and the marine, aviation and automotive industries being the least likely to provide them. Critical illness is covered in slightly more than 1 in 10 organisations.

TYPES OF RISK BENEFITS OFFERED



Note: some organisations cumulate multiple types of risk benefits, hence percentages do not add up to 100%

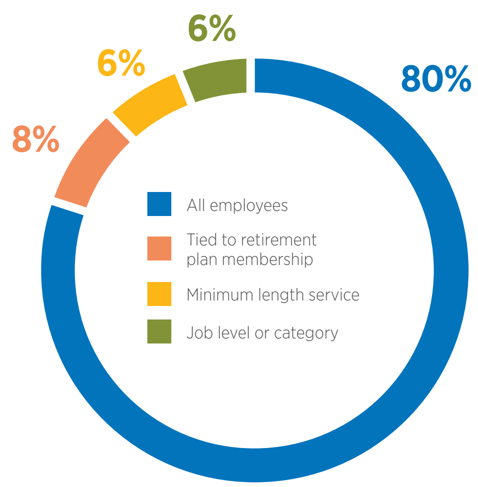
Life assurance

As mentioned previously, life assurance is a widely offered employee benefit. This protection provides a basic level of cover for employees in the event of death and is almost universally paid in the form of a lump sum. It is encouraging to see that most employers (80%) offer at least a minimum cover to all their employees — ensuring they have peace of mind for their families should the unfortunate happen. In those organisations (8%) that do not extend this benefit to the entire workforce, the usual factor determining eligibility is individual employees' retirement plan membership. A smaller proportion of employers (6%) offer life assurance after a minimum length of service. Amongst these, 3 in 5 mandate three months as the minimum duration of employment to begin benefiting from life assurance cover — this is in line with typical probation period durations. Another 6% modify life assurance cover based on job level or category. Where this is the case, executives and managers of different levels are most likely to benefit (98%), whilst operatives are least likely to be offered cover (92%).

The most commonly offered multiple of salary for life assurance cover is four times, across all job levels or categories. This reflects the legacy of the pre-2006 tax rules allowing a maximum tax-free benefit of 4 times earnings, whereas today's limit is the lifetime allowance.

That said, there is some variation, most commonly linked to a reduction in the value of life assurance cover. Whilst the median multiple of salary offered for all levels remains close to 4 times, executives and senior managers are one-third more likely than their subordinates to receive cover exceeding 4 times their total salaries. Business support and operatives tip the balance at the other end of the scale, as they are twice as likely as executives to be covered for up to 2 times their salary.

BASIS OF ELIGIBILITY FOR LIFE ASSURANCE



Some organisations have increased the value of their life assurance cover: around 10% offer more than 4 times salary as the standard lump sum benefit.

At a small proportion of businesses (11%), employees can trade life assurance cover levels, usually to trade up. That said, this flexible benefit is uncommon.

LIFE INSURANCE COVER BY JOB LEVEL OR CATEGORY

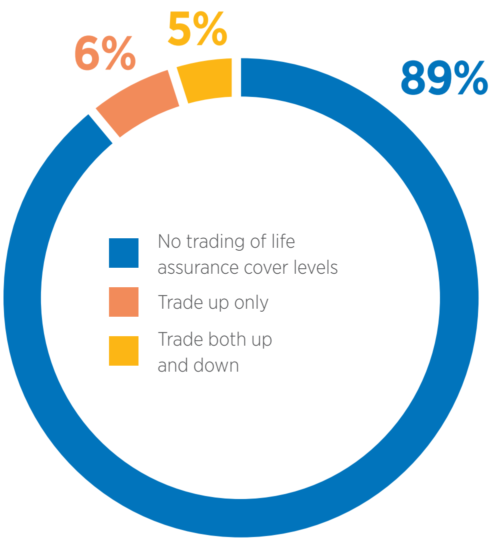
	Executives	Senior managers	Line managers or professionals	Business support	Operatives
1x salary	1%	1%	1%	3%	3%
2x salary	7%	8%	11%	14%	14%
3x salary	20%	23%	28%	24%	23%
4x salary	56%	55%	48%	48%	45%
> 4x salary	14%	12%	10%	9%	10%
Fixed amount	2%	1%	2%	2%	5%

Income protection / permanent health insurance (PHI)

Income protection and permanent health insurance (PHI) describe the same benefit. Income protection is the label which prevails in the retail industry, whilst PHI has tended to describe UK corporate plans. In the event of long-term sickness, these plans bridge the income gap during the period between the expiry of company sick pay and state pension age (SPA).

Not only is this benefit offered in fewer organisations than life assurance, it is also far less likely to apply to all employees: 2 in 5 organisations where income protection is offered tie PHI to a variety of factors, including job level or category (30%), minimum length of service (9%) and retirement plan membership (4%).

POLICY FOR TRADING LIFE ASSURANCE COVER LEVELS



BASIS OF ELIGIBILITY FOR INCOME PROTECTION

All employees	59%
Job level or category	30%
Minimum length service	9%
Tied to retirement plan membership	4%

Note: some organisations cumulate multiple criteria to determine eligibility, hence percentages do not add up to 100%

Where eligibility is based on job level or category, operatives are the least likely to receive income protection (88%), whilst executives and senior managers are the most likely (91%). Where eligibility is based on a minimum length of service, half of organisations set a threshold of six months or less, whilst one-quarter require a minimum of five years' service.

Over half of schemes provide a benefit payable until SPA: 51% provide this to operatives, and 61% provide it to executives. The remainder tend to provide income for a fixed period of time, with the most common being five years. This approach, in place in 1 in 5 organisations, enables organisations to find a suitable balance between providing for vulnerable employees and managing costs.

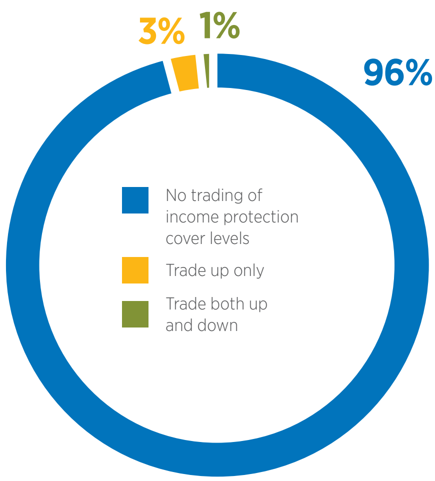
The cover earnings of most schemes ranges between 50% and 75% of salary across all types of roles.

It is rare that income protection or PHI is included in a flexible benefits plan, as just 4% offer this facility.

COVER LEVELS BY JOB LEVEL OR CATEGORY

% of salary	Executives	Senior managers	Line managers or professionals	Business support	Operatives
Less than 50%	6%	8%	9%	9%	7%
Between 50% and 75%	87%	87%	85%	88%	89%
More than 75%	7%	5%	6%	3%	4%

POLICY FOR TRADING INCOME PROTECTION COVER LEVELS

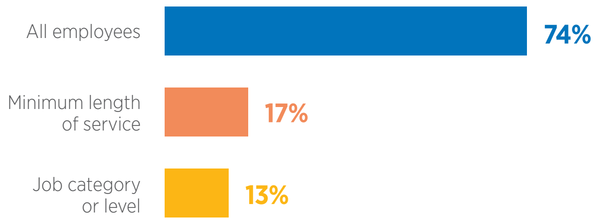


Critical illness

Critical illness cover is not prevalent as an employer-funded benefit, with just 1 in 10 organisations offering this option.

That said, this benefit is more likely to be available to all employees than the more widespread income protection: nearly three-quarters of the organisations with critical illness cover in place grant access to all employees. In those organisations where eligibility is tied to a minimum length of service (17%), three months is the most commonly seen threshold — this once again indicates that probation periods are probably a key factor in making the benefit available to employees.

BASIS OF ELIGIBILITY FOR CRITICAL ILLNESS COVER



Note: some organisations cumulate multiple criteria to determine eligibility, hence percentages do not add up to 100%

Company Cars

Transportation benefits are varied and fairly widely available; 39% of employers offer neither a company car nor a cash alternative to their employees, with the remainder proposing one or the other, or a combination of the two.

Fifty-four percent (54%) offer a cash allowance to fund the use of a personal car for business purposes. This typically varies based on job level or category. Executives are given an average of £7,940, whilst senior managers are given £6,700 and business support staff receive an average of £4,610. Some companies will provide employees with a car directly (41%), with nearly half of these (47%) determining eligibility based on a combination of job need and status. The majority of the remaining companies that offer company cars (39%) base eligibility solely on job need.

POLICY FOR COMPANY CARS

Note: some organisations offer a choice between a cash allowance or company car, hence percentages do not add up to 100%

Key Takeaways

Financial wellbeing can be a taboo topic in organisations, with employees sometimes feeling uncomfortable talking about their compensation, or what they do with it. This is further evidenced by employers' relative lack of finance-focused benefits. Whilst retirement savings plans are becoming prominent, and life assurance plans are provided by the vast majority of employers, additional savings plans — and even financial advice — are far less common.

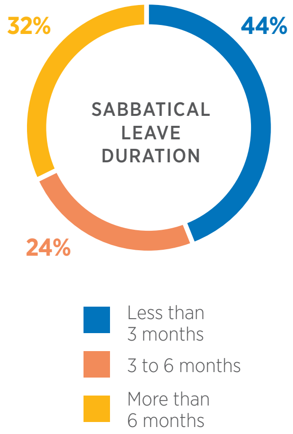
Career Wellbeing

Sabbatical Leave

Sabbatical leave has been gaining press in recent years, as more and more employees opt to pursue medium- to long-term endeavours unrelated to their day-to-day work. Employers have noticed this trend, with 46% offering some kind of sabbatical leave. Those that offer this opportunity typically provide unpaid (87%) over paid (17%) leave — although some have provision for both paid and unpaid sabbatical leave.

Most commonly, organisations cap the duration of sabbatical leave to three months (44%). That said, almost one-third of these allow employees to depart from the business for longer than six months at a time.

SABBATICAL LEAVE



Flexible Working

Flexible working has been gaining notice as an important part of employees' benefit packages, thanks to its measurable impact on employees' physical and emotional wellbeing and motivation. Potential recruits are demanding some level of flexibility over elements of their working life, such as hours and location. For the most part, employers have been open to these kinds of arrangement: 91% of organisations say they now offer part-time work or shorter hours, and just over two-thirds (69%) allow workers to personalise their hours within certain parameters.

Other types of flexible working are still relatively uncommon. A surprisingly high 52% do not allow employees to work from home or teleworking, presumably due to potential communication difficulties. Further, some of the less popular forms of flexible working are prevalent only in certain industries. For instance, term-time only and annual hours contracts are predominantly found in charities and educational organisations.

FLEXIBLE WORKING OPTIONS

Part-time or shorter working hours	91%
Flexible working hours	69%
Working from home or teleworking	48%
Condensed working week	43%
Job share	35%
Agile working	24%
Term-time only	14%
Annual hours contracts	11%

Key Takeaways

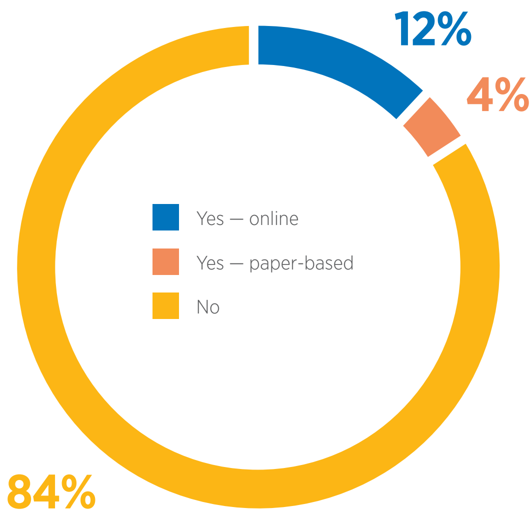
Career wellbeing has been pushed into the public eye in recent years, as employers and employees alike look into new ways of working and developing professional and personal skill sets. But whilst awareness has been increasing, the availability of benefits improving career wellbeing remains limited, and employers have done little to encourage uptake of what is available. In particular, flexible working practices are often limited to just variable working hours, in spite of advances in technology making alternative work set-ups, such as teleworking, much easier.

Organisational Wellbeing

Benefit Communications and Delivery

Particularly in organisations that offer flexible benefits, it is crucial that benefits availability and value be communicated to employees. Benefit messages are essential to raising awareness of opportunities that improve employees' wellbeing, helping to both increase uptake and boost employer brands. However, a substantial 84% either overlook or do not use total reward statements to communicate the value of their benefits package — despite the advantages of having a single, succinct and practical source of information around this complex topic.

USE OF TOTAL REWARD STATEMENTS TO COMMUNICATE BENEFITS VALUE



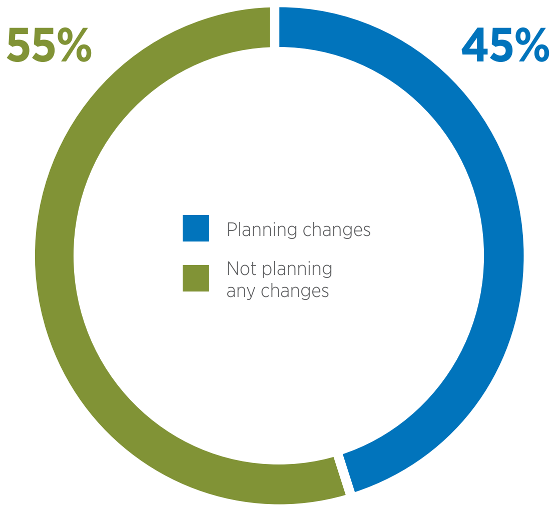
Evolution of Benefit Offerings

Anecdotal evidence, press reviews, academic literature — everything points to change in the employee benefits space over the past few years. And this transformation is poised to continue, with 45% of organisations planning changes to their current benefits offering.

Unsurprisingly, of those that are planning changes, 72% will be enhancing benefits — this will enable them to improve their employer brand and better compete in the recruitment market. About half plan to allow for more flexibility, in order to extend individual choice.

Some organisations, though far fewer, expect to preserve their existing offering and are simply modifying the availability of benefits: 17% are looking into changing the delivery method (e.g., by making the move to salary sacrifice), and 12% will be changing eligibility criteria for benefits. The intent could be to either increase or decrease uptake of benefits. Another 6% are actively trying to reduce their offering — although some of these may be replacing the benefits they remove with alternatives.

INTENTION TO CHANGE BENEFITS



PLANNED CHANGES TO BENEFITS

Enhance the benefits package	**72%**
Improve flexibility in provision	**47%**
Change the cover within benefits already offered	**36%**
Change the risk benefits provider, insurer and/or broker	**23%**
Change the delivery method (e.g. move to salary sacrifice)	**17%**
Change the eligibility criteria for benefits	**12%**
Remove benefits	**6%**

In any case, it is clear from the widespread intent to enrich benefit packages that employers give them a lot of thought and importance. The fact that so many are aiming to enhance their offering — despite almost three-quarters stating their biggest challenge in providing benefits is managing costs — points to a strong belief in the return on investment.

Besides cost pressures, another substantial obstacle to employers is appealing to a diverse workforce (66%). Improving flexibility in benefits provision would no doubt help in this area. However, the proportion of organisations looking into this possibility is relatively low compared to the proportion that view flexibility as a difficulty.

In addition, many organisations lack an understanding of their competitive position as employers. More than half (52%) find it difficult to adequately benchmark their benefits offering against the market — something that data and insights can help to address.

Interestingly, the fourth biggest challenge is not directly related to employee benefits, but rather the ways these are communicated. As mentioned previously, ensuring benefits are visible is crucial to managing employee and recruit expectations and boosting their feelings of trust and motivation. Organisations are clearly becoming more aware of this, which ultimately signals important progress.

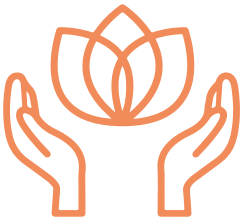
PERCEIVED CHALLENGES TO BENEFIT OFFERINGS

Controlling increasing benefits costs whilst managing tight budgets	**74%**
Offering benefits which appeal to a diverse workforce with different preferences	**66%**
Understanding the organisation's position against the market	**52%**
Communicating about benefits to boost awareness of options and value	**36%**
Complying with legislation	**23%**
Implementing technology and delivery platforms	**18%**
Accessing reasonable quotes	**15%**
Sourcing global benefits	**11%**
Mitigating the cost of statutory leave entitlements	**8%**
Outsourcing	**1%**

Key Takeaways

Overall organisational wellbeing is not just a sum of other types of wellbeing, but is rather a product of the environment in which these are promoted. Thankfully, many organisations are endeavouring to improve their benefits offering to better suit their employees, despite struggling with challenges, namely relating to cost and employee understanding of the perceived value of their current offering. Communication also plays an important role; however, standout modern practices are few and far between. Generally speaking, there are opportunities for innovation with regard to organisational wellbeing — so long as employers develop better knowledge of their employees' priorities and their positions against the market.

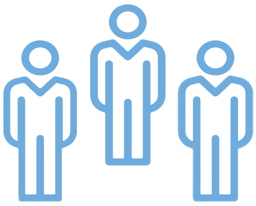
Summary and Implications



Main Focus on Physical Wellbeing at the Expense of Financial and Career Wellbeing

The relatively limited flexibility and variety in benefit offerings can be seen from the results of this survey — for many organisations, the focus of benefits is to improve employees' wellbeing in terms of their physical health. Private medical insurance (PMI) is a core provision in 80% of respondent organisations, and 4 in 5 go beyond statutory requirements in terms of short-term sickness cover. Further, close to half of organisations offer discounted or fully-funded gym memberships.

Meanwhile, other forms of wellbeing, such as financial and career wellbeing, are less of a focus. Close to 3 in 5 employers do not provide financial advice to employees, and non-retirement savings plans are seen in just 16% of organisations. Meanwhile, part-time and flexible working hours are amongst the few practices with widespread adoption.



Standardisation as Standard

Whilst it was once typical for executives to receive far more and better benefits than their subordinates, increasingly organisations are moving towards standard entitlements for all. This trend means removing or reducing dependencies on job level, service and other such considerations.

A more equitable benefits approach is particularly evident in pension contributions. In the UK, government-driven tax changes have encouraged employer contributions to diminish for executives, bringing them in line with other role types. The embrace of standardisation also applies to holiday entitlements, where past practices are making way for a uniform number of days that apply to all.

This observation is noteworthy, as the second biggest challenge in the benefits space, cited by two-thirds of employers, is appealing to a diverse workforce with different preferences. Employees themselves are unlikely to follow the trend of gravitating towards a standardised mould — so why should benefits?

Flexible Benefits Yet to Materialise for Many

On the back of the previous conclusion, it is necessary to note that benefits flexibility remains uncommon — rather incredibly, just 1 in 5 organisations allows their employees to customise their individual benefit packages. Considering that many organisations are making changes to benefit offerings, flexibility is likely to become an important objective within HR functions in the future — however, for the time being, it is offered essentially for a small handful of benefits, such as contribution levels to retirement savings plans.

Benefit Communications Lack Sophistication

Over one-third (36%) of organisations identified communications as a barrier to an effective benefits system, making it the fourth biggest challenge faced. Whilst investment is poured into delivery methods, dedicated communication channels are less common. For example, three-quarters of organisations use online platforms for flexible benefits, yet only 16% use total reward statements. In the context of increasing costs of benefits posing a big challenge to employers, it can be tempting to cut corners when it comes to communications — but doing so presents the risk of hindering visibility and a suboptimal benefits uptake. With this in mind, there are doubtless some areas for improvement on the benefit communications front in the UK.

Continuous Evolution to be Expected

When asked about their future plans regarding employee benefits, nearly half of survey respondents declared they were planning changes to their offering. For the most part, the expectation is that benefits will be enhanced over the course of 2019, whether by increasing the variety, amending eligibility criteria, changing the delivery method, or enabling more customisation of individual packages.

This indicates a widespread acknowledgement of the impact benefits can have on engagement and productivity, which is positive to see. Indeed, the aforementioned results came despite the vast majority of respondents citing difficulties with regard to funding benefits — nearly three-quarters found it hard to manage tight budgets allocated to employee wellbeing. And 15% named unreasonable quotes from benefit providers as a core challenge. No matter whether organisations are increasing or reducing their benefits offering, one thing is for sure: for most organisations, change will be perpetual over the coming years.

Survey Participants

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